

Fidelity less bearish on recession

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A growing number of analysts are raising the odds of the US slipping into recession again, but others think some optimism can be taken from recent economic data.

Hong Kong-based Fidelity Asia Fund portfolio manager David Urquhart said his US colleagues were pricing in a 20 per cent chance of recession in the US, much less than the odds given by other analysts.

“It is lower yes, but it is still a lot higher than it would have been six to 12 months ago. It just highlights that, particularly during the second quarter, the macro-economic data has been patchy.”

Merrill Lynch and AMP Capital Investors see a 40 per cent risk of the US going back into recession. AMP Capital Investors chief economist Shane Oliver said while there was no real consensus of opinion, some have put the odds at 30 to 60 per cent.

Concerns about the US dipping back into recession have been reflected by volatility on sharemarkets and rising uncertainty among investors. A recent survey of Australian investors, *The 2011 Self-Managed Super Fund Investor Report*, by research group Investment Trends, found 60 per cent of respondents felt in August another financial crisis was likely, compared with 51 per cent in June 2010.

Mr Urquhart said Fidelity was “quite aware that there is still a risk of recession but it is a fairly low risk,” and was taking a more optimistic view in light of some recent improved US data. The unemployment rate held steady at 9.1 per cent, as growth in private sector jobs helped to offset a fall in government employment. “The unemployment rate, at around 9 per cent, is still disappointing, but with private-sector jobs growing that is giving us some degree of confidence.”

Mr Urquhart was hopeful a speech by US President Barack Obama overnight would include further measures to stimulate the economy. The President is expected to announce a \$US300 billion (\$285 billion) plan to tackle the US unemployment crisis. “It is in everybody’s interest that the US does get to see some growth and moves through this deleveraging environment in a successful manner.” “The last thing we want to see is a return to recession and a much tougher environment in the year ahead.”

The Australian Financial Review

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