

# Fidelity plays down US recession risk

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Global fund manager Fidelity is trying to put investor nerves at ease by taking a more optimistic view that the United States will avoid a double-dip recession in the wake of the global financial crisis, despite many other investment experts believing otherwise

Fidelity Asia Fund portfolio manager David Urquhart said his US colleagues are pricing in a 20 per cent chance of recession in the US, much less than the odds given by other fund managers and investment banks.

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

Merrill Lynch International and AMP Capital Investors have a house view that there is 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, many other investment experts put the odds at between 30 per cent and 60 per cent.

Concern among investment experts about the US dipping back into recession has been reflected by further volatility on global share markets and rising uncertainty among investors.

A recent survey of Australian investors found that the majority of people were increasingly worried about the stability of the global economy. The 2011 Self Managed Super Fund Investor Report by research group Investment Trends shows that 60 per cent of respondents felt that another financial crisis was on the cards in August, compared to 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,” adding that the fund manager was taking a more optimistic view in light of some recent improved US economic data.

Over the past week, US economic data has been better than many analysts were expecting. A key survey of US non-manufacturing firms, the Institute of Supply Management index, rose to 53.3 per cent in August, up 0.6 per cent on the 52.7 per cent in July.

In addition, the US 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,” said Mr Urquhart.

Mr Urquhart said he was also hopeful that a speech by US President Barack Obama tomorrow would also 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,” said Mr Urquhart.

The Australian Financial Review

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