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## Panel: Recovery might have to wait until 2014

By **REBECCA GO**, The Daily Transcript  
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A panel of experts offered a somewhat overcast economic outlook Tuesday for the next several months, with rising unemployment and spiraling residential real estate pushing a recovery as far back as 2014.

"Fasten your seatbelts," said finance and economics professor Allan Timmermann to an audience of approximately 55, including many former and current chief executive officers. "This is going to be very turbulent, and it's going to last a long period."

Timmermann, who teaches at the University of California, San Diego, was one of four featured speakers at a special meeting of the Chairmen's Roundtable, a nonprofit of former and current CEOs who mentor and advise local companies as a way of giving back to the community.

The panel provided a broad overview of the state of the U.S. economy, addressing the proverbial root causes of the downturn and presenting their expectations for the future.

Some glimpse a turnaround beginning as soon as next year, after the second or third quarter, but "personally, I think it's going to be pushed out," said panel moderator Michael Tedesco of **The Tedesco Group, Morgan Stanley**.

He and other panelists put their optimistic estimates of a recovery beginning in 2010, looking to the housing market to regain its footing and capital markets to start moving again.

The United States may have to wait until 2013 or 2014 "to get back to where we are now," said Dennis MacDonald of **TCW Investment Management Co.**

In the meantime, banks will continue to consolidate and slowly rid themselves of tangled debt, while stocks remain volatile, Timmermann said.

Investors and companies will continue to sit on their short-term cash.

Financial crises typically aggravate economic downturns, Timmermann noted! .

Historically, economic downturns have caused gross domestic product to decline by 2 percent, he said, but financial crises often push that decline to 4 or 5 percent.

The budget deficit is likely to increase, and the trade deficit remains ambiguous because of high imports, added UCSD finance professor Sylvain Champonois.

The gloomy predictions affirmed what Hus Tigli, chairman of the Chairmen's Roundtable, already knew.

The nonprofit avoids mentoring companies with financial problems, the board recently decided to slightly revise its policy due to the economic fallout.

"What we are evaluating now is how can we help companies 'under stress' rather than 'in distress,'" Tigli said. "There's the recognition that times are very different. Our mission is to strengthen San Diego one company at a time — maybe part of that is to prevent the San Diego business community from weakening."

The panelists did offer some hope, however.

The majority of housing-related problems are concentrated in subprime loans, MacDonald said.

Although defaults in the housing industry are expected to increase — with the percentage of delinquent subprime borrowers increasing from 35 percent to 60 or 70 percent — more than 95 percent of prime borrowers are still able to pay their loans, he said, noting that prime remains the largest sector.

TCW's management anticipates stabilization after this year's fourth quarter and notes that \$550 billion of the

\$1.2 trillion in bad mortgage debt has already been written down, MacDonald said.

"I've been looking for the proverbial midpoint between the start and the end of a recession," Tigli said. "If (that statistic is) true and half of subprime losses have already been written off, maybe — optimistically thinking — that ! signals a midpoint."

Also, the U.S. dollar, which has suffered a precipitous decline since 2006, has seen a sharp rebound as hedge funds have been forced to repatriate dollars, Champonnois said.

The dollar "is very volatile, but it's very strong," he said.

Timmermann added that much hope lies with the American consumer. Although consumer confidence is trending down, "never underestimate the American consumer," he said.

The recent election would have little effect, said panelist Graham Hopper of BlackRock.

The market can expect a stimulus package, higher capital gains and more protectionist trade policies, but for now, the election has erased another unknown, which should lend some stability to markets, he said.