

# News

Merrill Lynch & Co., Inc.



Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY

---

For release: Wednesday, Dec. 6, 2000  
Embargo: 7pm GMT / 8pm CET

For media information contact:  
Research Communications  
Angela Wigglesworth  
+44 20 7867 2763  
angela\_wigglesworth@ml.com

## **MERRILL LYNCH FORECAST FOR 2001: SLOWER GROWTH, NO RECESSION, MONETARY EASING**

### ***Best countries, sectors and stocks outlined in Merrill Lynch 'Year Ahead' study***

LONDON, December 6 -- Merrill Lynch today said that 2001 worldwide would see slower growth, no recession and an easing of monetary policy. These forecasts were issued in a report "2001 -- The Year Ahead: Challenge and Opportunity," which summarizes the opinions of the firm's more than 900 analysts, economists and strategists around the world.

In 2001, economies globally will grow, but that growth should be slower, said Merrill Lynch chief economist Bruce Steinberg. The global gross domestic product (GDP) is expected to rise to 3.2%, which is down from 2000, but stronger than in 1998 and 1999. In the US, GDP should reach 3.3%; in Europe to 2.8% and in Japan only 1.5%. Oil prices should decline, he said, and inflation will be subdued.

"We expect the Fed to ease US monetary policy, dropping the Fed funds rate to 6%," Mr. Steinberg said. "The risk of recession is low."

-MORE-

## 2-Year 2001

During 2000 the euro found its bottom, said Michael Hartnett, senior international economist, “we expect to see a reasonable rally in the euro during 2001 from around US\$0.86 to US\$0.96.” In support of this, positive newsflow from Europe on structural reform, such as privatisation and tax reform, should encourage less capital outflow and lend support to the euro, says Plum Shipton, co-head of European equity strategy.

To deal with slower growth, investors should maintain a defensive stance until central banks have eased sufficiently to turn economies around, said chief global investment strategist David Bowers. The Merrill Lynch global equity portfolio is overweight in European equities, neutral on the US, and underweight in Japan and emerging markets, he said.

“If the Fed eases and prospective earning growth improves, equity returns should rise,” Mr. Bowers said.

In the US, the utilities and energy sector should remain strong, especially for oil drilling and service companies. Higher quality consumer cyclicals should be strong, too.

In Europe, the best sectors are oils, financials and selective defensives, according to the global equity investment staff.

“The investment theme for 2001 is ‘B2B,’ but this time it stands for ‘back to basics,’” said Richard Bernstein, Merrill Lynch’s chief quantitative strategist. “Instead of the fastest earnings growth, we suggest investors look for good old-fashioned basics like stability of earnings growth.”

Mr. Bernstein suggests US investors overweight consumer staples, health care, high quality financials, aerospace/defense, utilities and energy. He recommends underweighting in technology and telecom.

Chief market analyst Richard McCabe said: “We would continue to favor gradual accumulation in the old economy, value, mid-to-small cap sectors of the market. Many of these companies may prove to be the beneficiaries of the ‘new economy’ technologies.”

-MORE-

### 3-Year 2001

Value investing has not done well during the past five years (1995 through 1999), but it has started to outperform growth investing this year and we believe it will be likely continue to do well over the next several years, Mr. McCabe added.

“We are bullish on technology for the long term, but right now valuations in some sectors are still high,” said Steven Milunovich, Merrill Lynch's technology strategist. “The first half of 2001 could be difficult with fundamentals and stock prices improving in the second half.”

While a lot of the world was focused on technology in 2000, the rest of the global marketplace was doing what it normally does, said Jeanne Terrile, director of strategic research.

“Investors will find surprising solace in our recommendations,” Ms. Terrile said. “Our 2001 report identifies quite a few themes that go against conventional wisdom and will be interesting to watch as the year progresses.”

The themes that Merrill Lynch analysts and strategists recommend for 2001 are more defensive groups: pharmaceuticals, aerospace/defense, utilities, food, real estate and tobacco. These groups had the “oxygen sucked out of them,” Terrile said, because investors saw them as dull compared to technology. For 2001, they look more promising because of a greater certainty of bottom line growth.

More details are included in the Merrill Lynch report “2001 – The Year Ahead: Global Opportunity and Challenge,” which contains analyses and conclusions of the firm’s 29 global industry teams and a list of stock recommendations.

Merrill Lynch has more than 900 analysts in 26 countries and is highly ranked for the quality of its research. *Institutional Investor (II)* magazine has rated Merrill Lynch the number one firm for equity research in Asia, Europe, Latin America and the United States. Merrill Lynch also won *II*’s latest Global Fixed Income survey. The firm was voted number one by *The Wall Street Journal* in its 2000 All-Star Analyst Survey for the fourth year in a row. It has also won research polls conducted by *Primark Extel*, *Finance Asia*, *Latin Finance*, Reuters, and *Emerging Markets Investor* among others.

-MORE-

4-Year 2001

Merrill Lynch is one of the world's leading financial management and advisory companies with offices in 44 countries and total client assets of about \$1.8 trillion. As an investment bank, it is the top global underwriter and market maker of debt and equity securities and a leading strategic advisor to corporations, governments, institutions, and individuals worldwide. Through Merrill Lynch Investment Managers, the company is one of the world's largest managers of financial assets. For more information on Merrill Lynch, go to [www.ml.com](http://www.ml.com).

# # #

For more information about Merrill Lynch's Year Ahead report, go to <http://www.research.ml.com/2001YearAheadComplete>