

April 5, 2012 8:43 AM EDT

New York	London	Tokyo
Pre	Open	Closed

DOW	-124.80	NASDAQ	-45.48	S&P 500	-14.42
13,074.75	-0.95%	3,068.09	-1.46%	1,398.96	-1.02%

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May 11, 2010, 12:02 a.m. EDT

Momentum building in economy, top forecaster says

O'Sullivan wins MarketWatch contest for record-tying seventh time

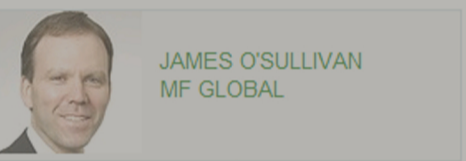
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By Rex Nutting, MarketWatch

WASHINGTON (MarketWatch) - The U.S. economic recovery won't be derailed by financial turmoil in Europe or by high debt levels here at home, says Jim O'Sullivan, chief economist for MF Global.

The U.S. economy is strengthening month by month. "Growth is coming in better than expected," O'Sullivan said, "consistent with enough upward momentum to more than offset the impact of the turmoil" in Europe.



O'Sullivan is the winner of MarketWatch's Forecaster of the Month award for April. He's been in the winner's circle seven times now, putting him in a tie with Stephen Stanley for most victories in the six-year history of the contest. The first six awards came when he worked for UBS Securities under chief economist Maury Harris.

	FORECAST	ACTUAL*
ISM	57.0%	59.6%
NONFARM PAYROLLS	220,000	162,000
TRADE GAP	-\$38.5 bln	-\$39.7 bln
RETAIL SALES	1.5%	1.6%
HOUSING STARTS	590,000	625,000
INDUSTRIAL PRODUCTION	0.3%	0.1%
CONSUMER PRICE INDEX	0.1%	0.1%
DURABLE-GOODS ORDERS	-1.0%	-1.3%
NEW HOME SALES	340,000	411,000
CONSUMER CONFIDENCE	54.0	57.9

* Subject to revision

O'Sullivan won the award this past month for having the most accurate forecasts among 48 forecasters on 10 key indicators released in April. His forecasts for two indicators - retail sales and the consumer price index - were the most accurate. On four others, his forecasts were among the 10 most accurate.

His bottom-line forecast for the economy has barely changed since he left UBS and joined MF Global last November, O'Sullivan said. "We remain optimistic." In weighing the pluses and minuses for the economy, "we believe the pluses will continue to

dominate."

Despite the headwinds from budget constraints at state and local governments, the reluctance of banks to lend and the lingering weakness in commercial real estate, "the odds are heavily stacked for solid growth," he said. He sees the economy growing about 3.5% to 4% annually, stronger than the tepid recoveries following the 1991 and 2001 recessions, but underperforming the 6% recoveries in the 1960s, 1970s and 1980s.

The April employment report "was highly encouraging," he said. The recovery "has led to a clear-cut pickup in employment and an even stronger pickup in hours worked." His forecast calls for payrolls to grow by 175,000 to 200,000 per month in the second half of the year. The unemployment rate would drift down from 9.9% to 9.4% by the fourth quarter and 8.7% in late 2011.

If payrolls do grow that fast, the Federal Reserve will probably raise its short-term interest rate target in September, he said, noting that the Federal Open Market Committee will see four more payroll reports by then. "Perceptions could change rapidly."

"The Fed has to start normalizing rates, to take back the extreme stimulus," he said. Even so, monetary policy will remain stimulative for some time.

O'Sullivan worked at two big Wall Street firms - UBS and J.P. Morgan - before joining MF Global last year.

MF Global already does big brokerage business in the futures markets, and is aggressively expanding into other financial markets, such as cash markets, fixed income, equities and foreign exchange under new CEO Jon Corzine, the former governor, senator and Goldman Sachs chairman. O'Sullivan thinks institutional investors are eager to shift their business away from the big Wall Street firms to some of the top-notch smaller firms.

The runners-up in the April contest were Michelle Girard's team at RBS Securities, Nigel Gault and Brian Bethune of IHS Global Insight, Lou Crandall of Wrightson ICAP, and Stephen Stanley of Pierpont Securities.

The median forecasts that MarketWatch publishes each week in the Economic Calendar come from the forecasts of the 10 economists who've scored the highest in our contest over the past 12 months, as well as the forecast of the most recent winner. [See our complete economic calendar and consensus forecast.](#)

Over the past year, the top economists are, in order: Nigel Gault and Brian Bethune of IHS Global Insight; the team at RBS Securities now led by Michelle Girard and formerly headed by Stephen Stanley; Maury Harris's team at UBS; Spencer Staples of EconAlpha; Aaron Smith and Ryan Sweet of Moody's Economy.com; Peter D'Antonio of Citigroup; Ethan Harris's team at Bank of America Merrill Lynch; David Wyss and Beth Ann Bovino of Standard & Poor's; Lou Crandall of Wrightson ICAP, and John Silvia's team at Wells Fargo Securities. ■

Rex Nutting is Washington bureau chief of MarketWatch.

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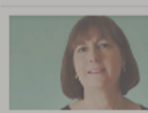
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