



## Predictions For 2005

### Psychics, economists give their predictions for 2005

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At a time of such profound uncertainty on so many fronts, the arrival of a New Year has become more of a cause for trepidation than celebration for many people.

The year that ended with the tragic tsunamis that devastated South Asia, was also marked by major oil price shocks, severe hurricanes, a bitterly divisive political election in the United States, currency fluctuations, boardroom betrayals, and stock market volatility. Small wonder, then, that there is ravenous appetite for any insight into what the future holds -- whether it's psychic analysis, tarot card reading, palmistry session or an economic forecast from a major chartered bank or investment dealer.

(A distinction worth noting: bank economists tend to focus on risk management and corporate-planning tools, while the brokerage economists are strategy-oriented, making specific calls on how their analysis applies.)

"It's our busiest time of year right now. We are booked solid and the phone continues to ring," says Guylaine Valle of the Palmistry Centre in Montreal. "People are looking for guidance, for tools to help them deal with all the stress and uncertainty in daily life. The sort of tragedies and upheaval we have to cope with makes a sense of control more elusive than ever. So they turn to us."

Frank Keller of The Art of Tarot in Calgary says that the prevailing uneasiness has had a mixed impact on his 11-year-old business as a tarot card reader.

"On the one hand people are very anxious to get a sense of what lies ahead for them," he notes. "But on the other, things have been so bad that in many cases they just do not want to know. When there's so much confusion and anger, it is harder to focus on the spiritual, to get a clear reading."

As a result of that turmoil, Toronto-based psychic, Nikki, is offering conservative advice to those clients who call her for direction.

"I get a strong sense that the economy will be strong, especially in the second half of the year," she says, despite warning of further terrorist attacks ahead. "I'm warning people to continue to be cautious this year in the market and with mutual funds, to favour hard assets like real estate and gold until the better times in 2006 and 2007."

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(Her other predictions for 2005 include the kidnapping of Microsoft founder Bill Gates, a cure for diabetes, an earthquake in Toronto, the capture of Big Foot in Washington and the discovery of a live dinosaur.)

Nikki is not the only expert with predictions about the year ahead: Avery Shenfeld, senior economist with CIBC World Markets may not be psychic, but he is also working in high gear to share his insights for 2005.

"This is a time when we're constantly on the road, making presentations to our clients," he says. "It's a key time for us to connect with them, to tell them what we think lies ahead in the year. These are critical weeks for institutions adjusting their asset allocations."

Shenfeld adds that most major investors are less interested in "whether GDP growth is going to be 2.1 per cent or 2.4 per cent -- they want to know what it means for markets in a very specific way."

At TD Bank, deputy chief economist, Craig Alexander, says this time of year tends to be busy because early retail numbers from the critical holiday season help forecasters to extrapolate the mood and confidence of consumers. Other important factors influencing TD's call for 2005: the Bank of Canada's decision to hold off on interest rate increases and the stronger-than expected performance of the Canadian dollar.

While Shenfeld and Alexander concentrate on the domestic scene, David Rosenberg, the Canadian-based chief North American economist for Merrill Lynch is taking a broader view of 2005.

He is calling for U.S. economic growth to slow to about three per cent this year, largely because of an anticipated drop in consumer spending. While spending has climbed an average of four per cent annually over the past decade, Rosenberg points out that the various stimuli which have spurred a prolonged spree such as low interest rates, tax relief, the mortgage cash-out craze, and the slide in personal savings rate are now tapped out. Even the drive to sustain spending with price cuts is unlikely to offer a material uplift in demand in his view.

Unlike many other market analysts, Rosenberg is also forecasting a sharp drop in corporate profits: he is looking for about four per cent overall growth compared to the consensus estimate of almost 11 per cent. For that reason, he advises investors to stay defensive and to favour such stable plays as utilities, staple goods and telecom services.

Of course, it probably wouldn't hurt to get Nikki's input before buying or selling.

Deirdre McMurdy is co-host of Global Television's Moneywise program.