


MFR'S RAMIREZ FINISHES FIRST IN ECONOMIC-FORECASTING SURVEY

By **JON E. HILSENDRATH**

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK -- Maria Fiorini Ramirez, a managing director at one of the hottest firms on Wall Street during the late 1980s, is the winner of The Wall Street Journal's semiannual economic-forecasting survey.

Ms. Ramirez became well known on Wall Street during her days as a money-market economist at Drexel Burnham Lambert, Michael Milken's junk-bond securities house. When Drexel collapsed in 1990, Ms. Ramirez founded an economic-advisory and money-management firm, now named MFR Inc., in New York.

 Economists
Predict
Recovery for U.S.
by Year's End

Although Ms. Ramirez did the best job of forecasting the economy's twists and turns during the first half of 2001, three forecasters were hot on her trail: Peter Hooper, chief economist at the U.S. unit of [Deutsche Bank](#) AG in New York; David Littman, chief economist at the Comerica Bank unit of [Comerica](#) Inc. in Detroit; and Paul McCulley at [Allianz](#) AG's Pacific Investment Management Co. in Newport Beach, Calif.

All were at the low end of the range in their forecasts for economic growth during the first quarter, without predicting an outright recession. Ms. Ramirez also nailed her forecast for the 30-year Treasury bond, calling for a 5.75% yield by the end of June. It finished Friday at 5.745%. Many of her other forecasts also were close. She expected first-quarter gross domestic product to grow at an annual rate of 1.5%; it came in at 1.2%. She expected the consumer price index for the 12 months ended in May to rise 3.2%; it was 3.6%. She expected the euro to trade at 0.93 to the dollar and the yen to trade at 115 at the end of June; they ended at 0.85 and 125, respectively. She looked for a May unemployment rate of 4.3%; it came in at 4.4%. Ms. Ramirez was way off on three-month Treasury bills, expecting a bond-equivalent yield of 5% when it ended June at 3.6%. The other forecasters were off there, too.

Ms. Ramirez and her cohorts -- many of whom say their bread and butter is predicting the movements of the Federal Reserve -- failed when it came to predicting short-term rates. As a sideline to the formal survey, the economists were asked in December to predict the federal-funds rate. On average they believed the Fed would gently nudge the federal-funds rate -- the important interbank-lending rate the central bank controls -- to 5.75% by June from 6.5%. Instead, Fed Chairman Alan Greenspan slashed rates six times to 3.75%. Not a single economist, even the ones calling for recession, foresaw such a pronounced change in policy.

Born in Naples, Italy, Ms. Ramirez has had her share of bumps during recent years. At one time, Ms. Ramirez focused heavily on international markets and managed emerging-market funds. She closed the funds when the Asian markets collapsed during 1998. This international jet-setting economist advises money managers, corporate-treasury departments and central banks. Before her time at Drexel, she was a credit analyst at [Merrill Lynch](#) & Co. and [American Express](#) Co.

Ms. Ramirez says her credit background helped clue her in to the strain that has faced corporate balance sheets this year. She thinks the strain isn't over yet. Like other economists, she expects economic growth to pick up slightly during the second half of the year, but looks for GDP to grow at less than 3% during the next 12 months.

Ms. Ramirez's advice to investors: stay in cash and fixed-income assets, because the stock market isn't going to come roaring back. Mr. McCulley has a similar message. He expects an economic recovery, but says the outlook for investment returns is still uninspiring.