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The Road to Economic Recovery

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First the bad news: "History will judge this current stock market meltdown as not just the worst in our generation, but more likely the worst in the history of Wall Street," said Robert "Dr. Bob" Froehlich, a financial strategist and UD graduate.

The good news: The economy is at least halfway through this crisis, and a recovery could happen in as little as two to three years.

"I predict the U.S. stock market will post positive returns in 2009," Froehlich said. "And the stock market that's going to turn the corner first is going to be the U.S. stock market, because we were the first to recognize the global slowdown and the first to cut interest rates."

Froehlich offered his insights on the current economic crisis to a packed crowd Monday, Nov. 24, in the Kennedy Union ballroom. Froehlich is chairman of the investor strategy committee for Deutsche Asset Management.

Froehlich said the U.S. government saw the global economy winding down a year ago and began cutting key interest rates to encourage lending while as late as this summer, European governments were raising interest rates to slow what they perceived to be a fast-growing economy.

According to Froehlich, there is also nearly \$8 trillion sitting on the sidelines in money market accounts and in foreign "savings accounts" known as sovereign wealth funds. Managers of these funds are just waiting for some stability to return before returning to the stock market, he said. Add to that what Froehlich calls the oil "tax cut" — billions of dollars saved through dramatically reduced gas prices — and he said the economy has a recipe for a recovery.

The recovery will not be easy, however, Froehlich cautioned, saying the residential housing crisis will stay with us for years.

"We have the worst residential housing market in the last 50 years," he said. "The problem exists because we have overcapacity and a complete breach of confidence. That's not something you can turn around in a short amount of time."

The credit crisis remains unresolved, he said. Froehlich predicted the next sector to seek a government bailout will be the credit card industry, but he warned such a bailout would be a mistake.

"If all you do is bail someone out from a financial mistake they make, they're going to make the same mistake again," he said. He advocated creative fixes to the pending credit card crunch, such as extending payment deadlines or arranging payment plans.

While he also spoke out against a bailout of the automotive industry — based on the same principle that poor financial decision-making is rarely fixed by infusions of more money — he did defend the bailout of Wall Street firms.

"Banks touch every other industry," he said. "The potential ripple effect if they go under is that everyone else goes under."

Froehlich encouraged the audience to take advantage of the depressed stock market and buy stocks at bargain prices. But before investing, everyone should do extensive research and should continue monitoring the stocks during good times and bad, he said.

Asked by one audience member to take out his crystal ball and predict the next big stock market "bubble," Froehlich said he sees infrastructure dominating for the next few years, as China and the U.S. both embark on major infrastructure improvement projects.

Froehlich has written four books on investing, including the just-published *A Bull for All Seasons: Main Street Strategies for Finding the Money in Any Market*, in which he explains the issues and events that drive his investment choices.

Froehlich, who earned a bachelor's degree in art from UD in 1975 and a master's in public administration a year later, serves on the University's board of trustees and is the driving force behind UD's RISE Forum, short for Redefining Investment Strategy

Education. RISE brings more than 2,000 students and professionals together every spring with some of the top finance professionals in the world.

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