



## One CEO Has Some Bold Predictions About the Economy; Is He Right?

### Description

Investors can learn a lot by listening to the words of wisdom from CEOs who have a track record of success. One such CEO is Bruce Flatt of **Brookfield Asset Management Inc.** (TSX: BAM.A)([NYSE: BAM](#)). Under his leadership the company's stock value has increased over 300% in 12 years, which has trounced the market as it's up just 95% over that same time frame. Clearly, Flatt knows how to find the situations that will create value for his investors.

That's why his comments on the global economy are worth listening to as he really has his finger on the pulse of the global market. This past quarter he offered up some surprising comments on three of the top global markets. Here's what he had to say.

### America is stronger than you think

"[...] all indications in our businesses have been, and still are, that the U.S. economy is growing faster than otherwise believed. With gasoline prices down this should accelerate retail sales in the fourth quarter, which is not factored into most expectations. In addition, eventually the pause in housing sales will end and sales numbers should resume and march slowly towards 1.5 million sales of homes, this will be positive for the U.S. economy. As a result our view is that the U.S. will record good GDP growth and all of our assets in the United States will benefit."

Flatt thinks that America's economy is not only stronger than anyone currently estimates, but that falling gas prices will fuel an even stronger U.S. economy as it will give consumers extra cash for holiday shopping. This unseen trend will benefit his company's investments in the U.S., especially its ownership interest in mall owners **General Growth Properties, Inc.** (NYSE: GGP) and **Rouse Properties, Inc.** (NYSE: RSE), which are owned via subsidiary **Brookfield Property Partners LP** ([TSX: BPY.UN](#))(NYSE: BPY).

Further, Flatt sees a normalization of the U.S. housing market, which will benefit his company's North American home builder **Brookfield Residential Properties Inc.** (TSX: BRP). In fact, he's seizing that opportunity by purchasing the 30% of Brookfield Residential Properties that his company doesn't

already own.

## **Emerging markets are a long-term story**

Flatt continued his comments on the global markets by focusing on the three biggest emerging markets: Brazil, India and China. He said:

“There continues to be a lot of uncertainty in many investors mind about these markets. For short-term investors, those views are likely correct. But for the longer term investors [the current trends] offer some phenomenal opportunities.”

Flatt noted that short-term investors are right to be worried about emerging markets. In fact, he'd prefer that they would be nervous because that will provide his company with phenomenal opportunities to invest in these markets to earn strong long-term returns. It is a reminder to investors that the long-term view can win even if the short-term looks scary.

## **Europe is just awful**

Finally, Flatt addressed Europe's economy and he doesn't mince words. He said:

“This large market will not be about growth for a long time in our view as a result, we underwrite all transactions expecting very low growth and a declining currency. Despite this there are many opportunities to buy assets for value and earn very good returns. As a result, we will also continue to allocate greater amounts of capital to these countries when returns can be earned assuming low growth and with a hedged currency position.”

Despite the lack of growth, Flatt notes that it's still possible to make money in a weak market like Europe. The key is that an investor needs to buy for value and with lowered expectations. His company is doing just that as it's buying selective assets like a portfolio of French telecommunication towers as well as some utilities and toll roads.

## **Investor takeaway**

Flatt's comments on the global economy are quite surprising. He's one of the few that sees a robust U.S. economy as well as a return to normalization of the housing market. Further, he's not worried about the weakness in emerging markets or Europe because he plans to seize these opportunities to earn longer term profits. Instead, he's planning to take advantage of each opportunity because he's focused on the long-term.

## **CATEGORY**

1. Investing

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