

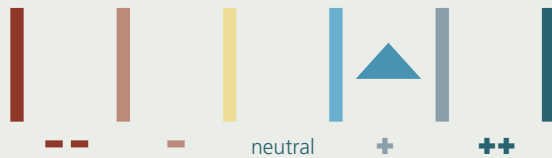
# Short-term Asset Class Forecasts

over the next 1-3 months



August 2019

## QS Leading Economic Indicator



Our proprietary leading economic indicator remained in positive territory. This view is supported by global trade data and the change in initial unemployment claims.

QS Leading Economic Indicator Index is a proprietary composite of economic data that QS Investors believes are significant in determining financial and economic conditions in the U.S.

### Important Information

This material was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. It is intended for informational purposes only and it is not intended that it be relied on to make any investment decision. It does not constitute investment advice or a recommendation or an offer or solicitation and is not the basis for any contract to purchase or sell any security or other instrument, or for QS Investors to enter into or arrange any type of transaction as a consequence of any information contained herein. QS Investors does not give any warranty as to the accuracy, reliability or completeness of information which is contained in this document. Except insofar as liability under any statute cannot be excluded, no member of QS Investors, or any officer, employee or associate accepts any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage whether direct, indirect, consequential or otherwise suffered by the recipient of this document or any other person.

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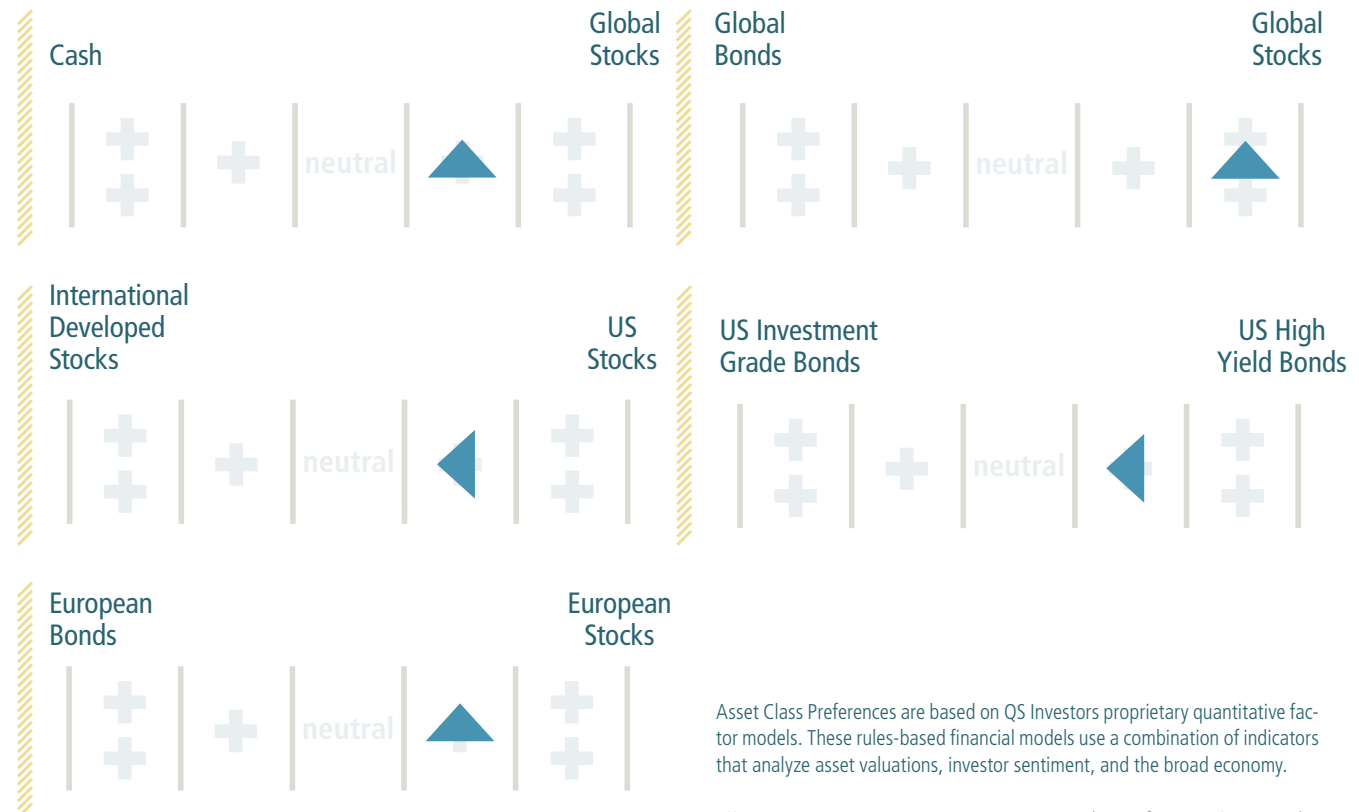
## Asset Class Preference

Our outlook for U.S. stocks outperforming investment grade bonds remains in positive territory. Valuation, as measured by comparing U.S. equities earnings yield to the ten-year treasury yield, continues to be the largest driver of this preference, as the factor's strength ranks in the top quartile on a historical basis.

In U.S. fixed income, we forecast that high yield bonds will outperform investment grade bonds over the next month. This is supported by the yield differential between high yield and investment grade and the level of U.S. equity volatility.

We strongly believe that U.S. stocks are positioned to outperform their international developed market counterparts. The model's preference is driven by stronger price momentum in the U.S. and yield curve dynamics. Yield curves in other developed markets are flattening at a faster rate than in the U.S. which we interpret as a sign of lower economic prospects. However, options market data, for the first time this year, shows greater demand for price protection in the U.S. versus international-developed markets.

European stocks are forecasted to outperform European bonds in our model, however this has moderated over the past month. Four of the six explanatory variables in our model point to this conclusion, including European stock price momentum, valuation, and European government yields.



Asset Class Preferences are based on QS Investors proprietary quantitative factor models. These rules-based financial models use a combination of indicators that analyze asset valuations, investor sentiment, and the broad economy.

◀ Change from previous month    ▲ No change from previous month