

Short-term Asset Class Forecasts

over the next 1-3 months



December 31, 2018

QS Leading Economic Indicator



Our economic outlook is in slightly negative territory at the end of December — a rebound from a far more negative position at the end of November. A decline in building permits and a pullback in manufacturing data are the primary drivers of this month's position. The improvement versus the prior month was largely due to a recovery in global trade data.

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.

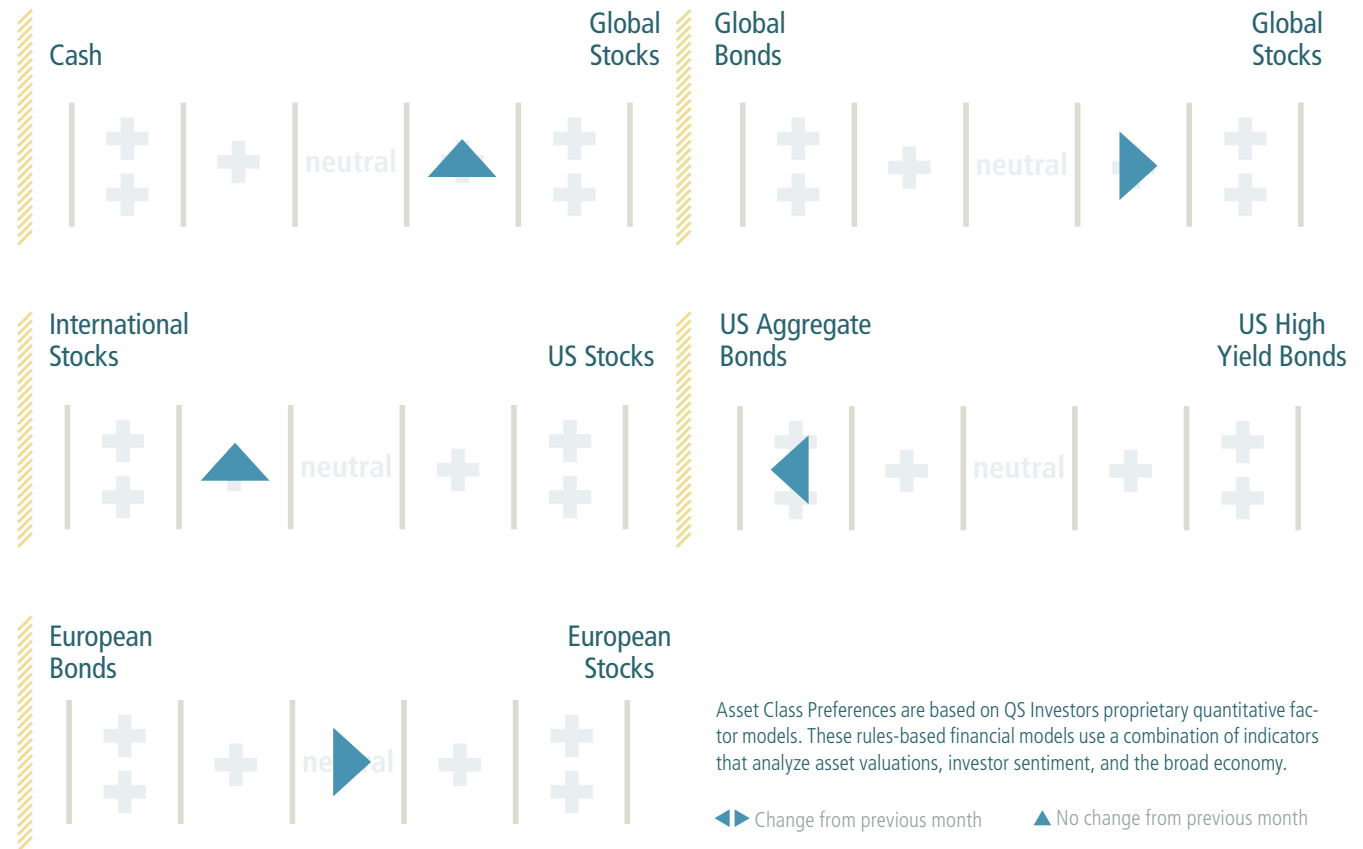
*Source: Bloomberg
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Asset Class Preference

This assessment of leading indicators is subsequently the largest drag on our outlook of global stocks versus bonds, which modestly favors equities. Valuation between the two assets favors equities and this strengthened throughout Q4 2018 as U.S. government bond rates* declined (peaking at 3.24% in November and ending the month at 2.68%). This trend in interest rates, signaling a decline in borrowing costs, also favors equities in our tactical model. The factors favoring fixed income included a pullback in our measurement of leverage in the U.S. economy as well as our economic indicators in negative territory, as described to the left.



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