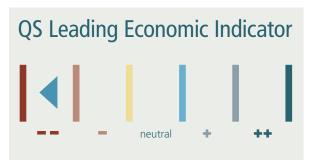
Short-term Asset Class Forecasts

over the next 1-3 months



January 31, 2019



Our economic outlook weakened further at the end of January. A decline in global trade data and new orders inventory were the primary drivers of the drop.

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

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Asset Class Preference

Our assessment of leading indicators is the largest drag on our outlook of global stocks versus bonds, which marginally favors equities. Furthermore, valuation between the two asset classes, which has been a leading factor favoring equities in prior months has moderated recently. We believe that U.S. stocks are positioned to outperform international developed market equities. Price momentum, options market data and equity volatility support this conclusion. We believe that U.S. high yield is positioned to outperform U.S. investment grade, a sharp reversal from our forecast from the prior month. This position has changed due to two factors. Firstly, we observed spread compression between high yield and investment grade bonds — this is an indicator of stronger performance in high yield bonds. Secondly, high yield bonds typically perform well during times of declining equity volatility, which we observed occurring this month via the VIX Index as a proxy. European bonds are forecasted to outperform European stocks in our model. This position is mainly due to the weakness in European economic leading indicators.

