

Short-term Asset Class Forecasts

over the next 1-3 months



July 2020

QS Leading Economic Indicator



Our proprietary leading economic indicator remains in negative territory, however it has improved over the past month. This negative reading is driven by weakness in manufacturing data, hours worked and building permits.

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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QSCR-19114 (07/2020)

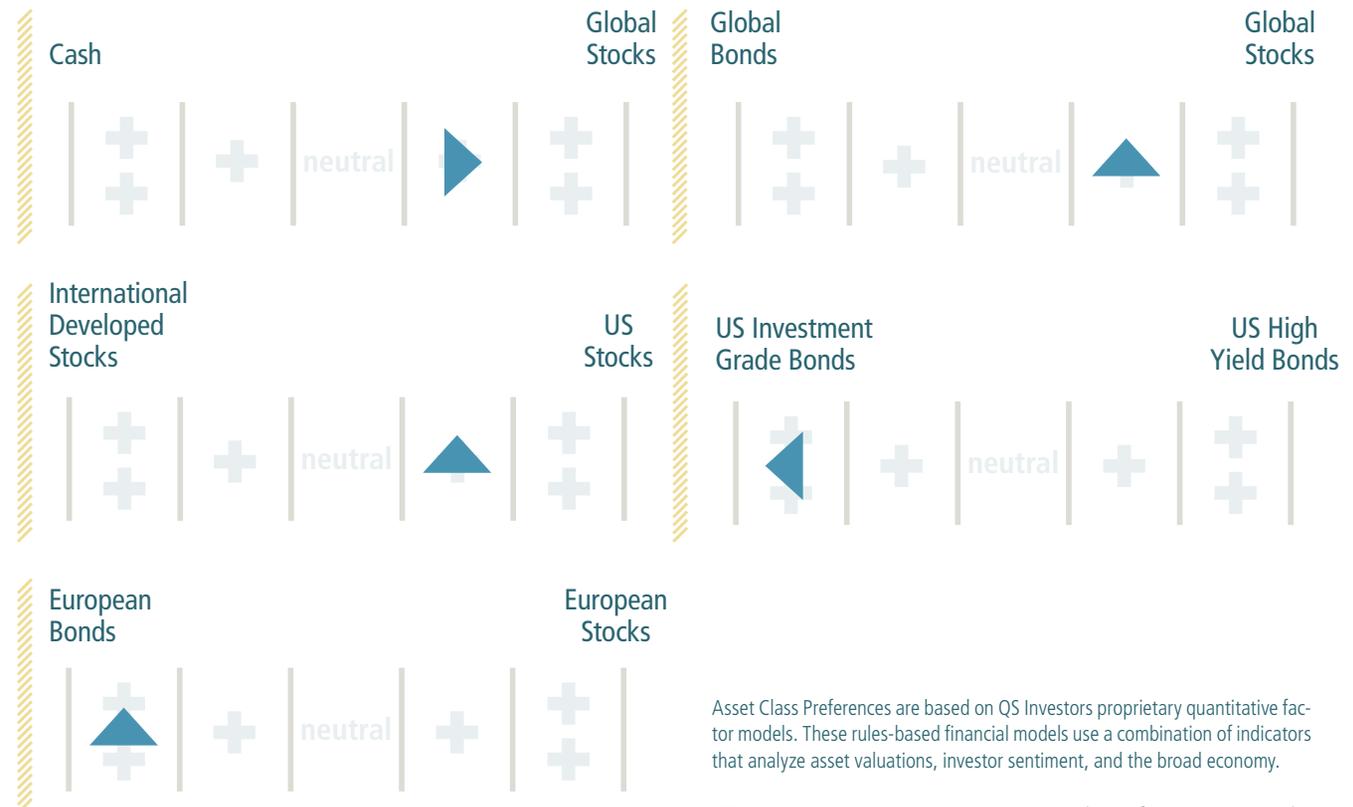
Asset Class Preference

Our tactical stock-bond model has improved and continues to favor U.S. stocks versus investment grade bonds. This reading was driven by the improvement in the QS leading economic indicator and continued strength in the valuation factor. The valuation factor compares the earnings yield of the S&P 500 relative to the ten-year treasury yield.

In U.S. fixed income, we forecast that investment grade bonds will strongly outperform high yield over the near term, a change in view compared to last month. This is being driven by the increase in U.S. equity volatility month-over-month and the widening in spread between the two asset classes.

We believe that U.S. stocks are positioned to outperform versus their international-developed market counterparts, a similar view compared to last month. 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 abroad and supports U.S. equities. Equity price momentum also prefers U.S. stocks.

European bonds are forecasted to outperform European stocks in our model; however, the strength of the signal has declined since last month. Weakness in European Leading Economic Indicators are continuing to drive the preference for European bonds.



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