Short-term Asset Class Forecasts

over the next 1-3 months



May 2019





Our proprietary leading economic indicator improved slightly month-over-month, but remains in neutral territory. Improvements in global trade data and initial employment claims strengthened our indicator's outlook, while declines in average hours worked and new order inventory detracted from it.

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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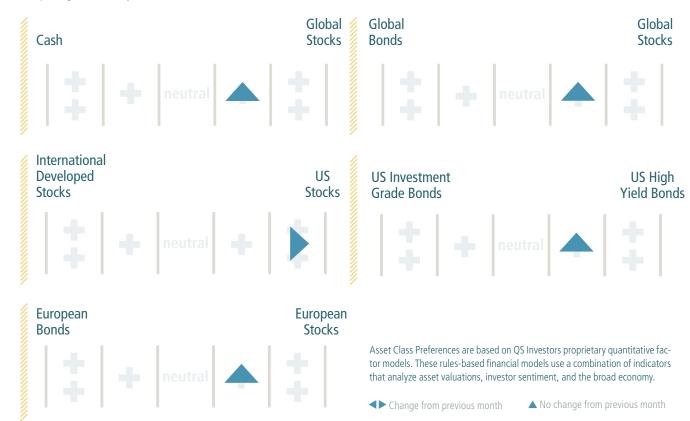
Asset Class Preference

Our outlook for U.S. stocks outperforming bonds remains in positive territory. Valuation continues to be the largest driver of this preference, as the factor's strength ranks in the top quartile on a historical basis.

We continue to believe that U.S. stocks are positioned to outperform their international developed market counterparts in the near-term. In fact, our model's conviction level is currently the highest it's been in over five years. The model's preference is driven by options market data (which shows greater demand for volatility protection in international-developed markets than in the U.S.), better 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.

In U.S. fixed income, we think that high yield bonds will outperform investment grade bonds during the next month. This stance has strengthened as spreads between high yield and investment grade bonds have narrowed.

European stocks are forecasted to outperform European bonds in our model. Five of the six explanatory variables built into the model concur with this conclusion, including European stock price momentum, valuation, spreads on short-term banking lending rates, and European government yields.



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