

Short-term Asset Class Forecasts

over the next 1-3 months



May 2020

QS Leading Economic Indicator



Our proprietary leading economic indicator declined month-over-month and moved further into negative territory. This reading was largely driven by weakness in manufacturing data and a decline in average hours worked.

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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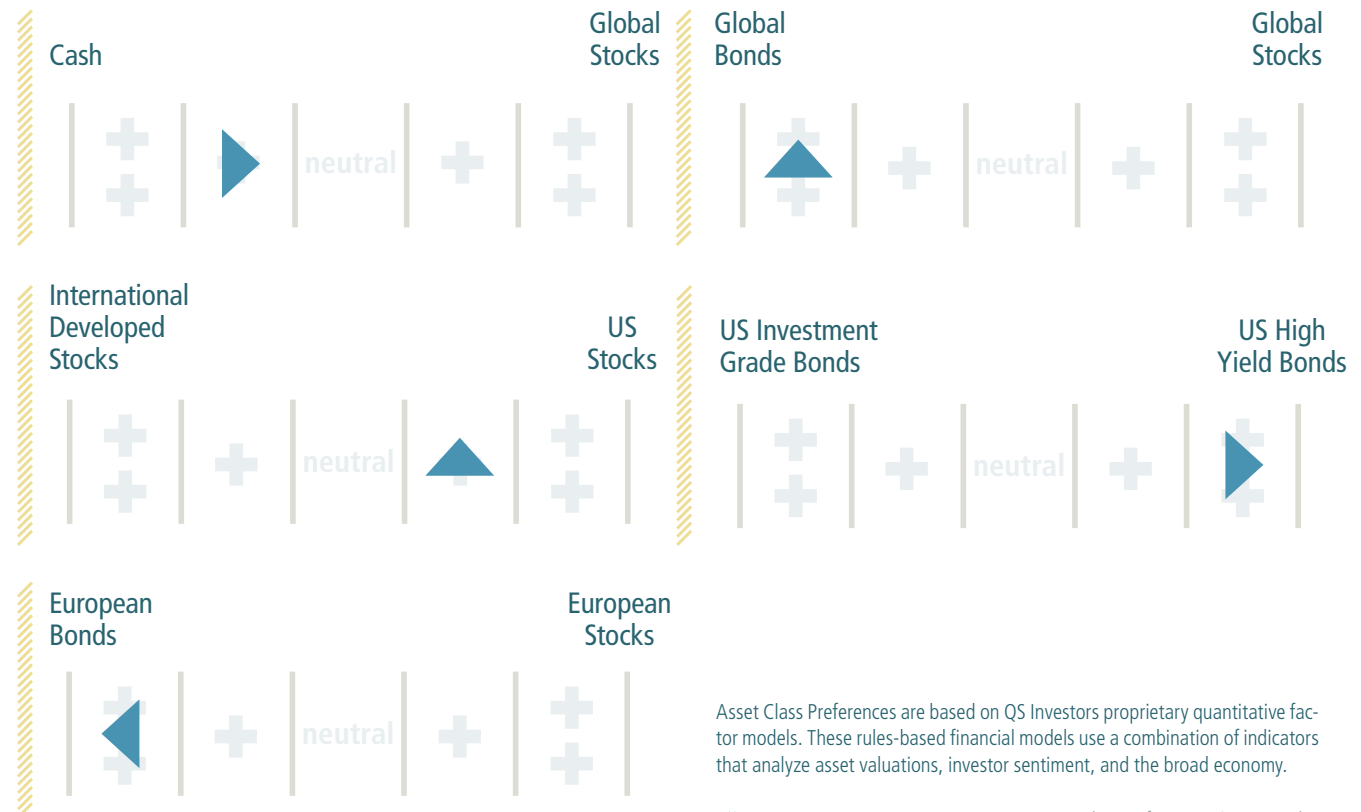
Asset Class Preference

Our tactical stock-bond model now prefers investment grade bonds versus U.S. stocks. This is driven by weakness in the QS leading economic indicator. The valuation factor, which compares the earnings yield of the S&P 500 relative to the ten-year treasury yield, continues to support stocks.

In U.S. fixed income, we forecast that high yield will outperform investment grade bonds over the near term, and this reading is at a historic level. The decline in U.S. equity volatility month over month is driving this preference, as it was at an all-time high in March.

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 and supports U.S. equities. Equity price momentum also prefers U.S. stocks.

European bonds are forecasted to strongly outperform European stocks in our model — compared to a neutral view last month. This preference is driven by a significant decline in European Leading Economic Indicators. Valuation, as measured by comparing European equities earnings yield to the ten-year government yield, continues to support European stocks.



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