

Short-term Asset Class Forecasts

over the next 1-3 months



September 30, 2018

QS Leading Economic Indicator



Our economic outlook remains in negative territory at the end of September and at a level similar to the end of August. The attribution of this outlook is also similar to a month ago: weakness in our measurement of global trade activity is driving this view, strengthened by a decline in building permits and somewhat moderated by strength in initial jobless claims.

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.

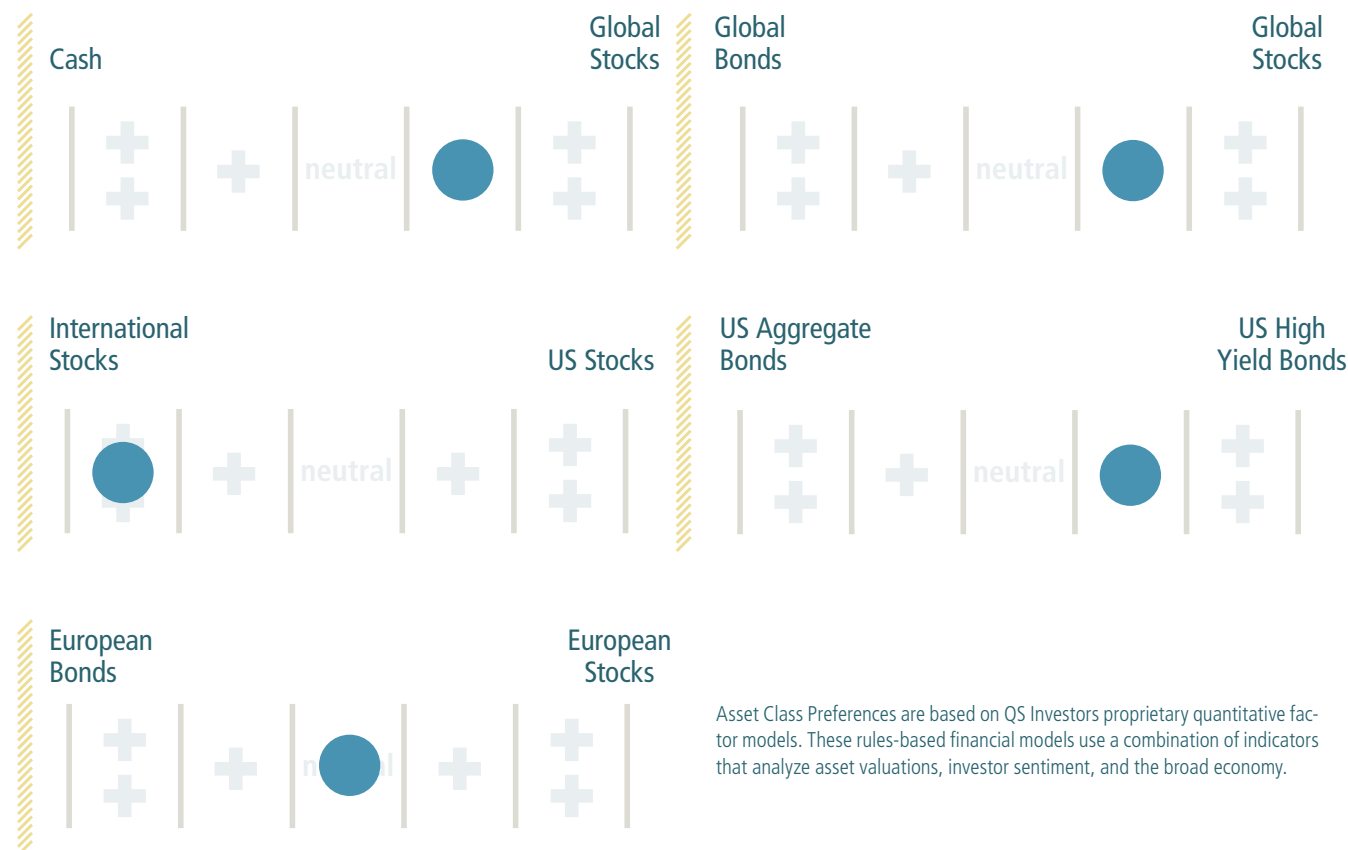
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Asset Class Preference

Our assessment of leading indicators is the largest drag on our outlook of global stocks versus bonds, which only modestly favors equities. A rise in interest rates also contributed to our modest favoring of equities — when rates rise, borrowing costs increase, which typically erodes economic growth and stock market gains. Relative valuation between equities and fixed income, in addition to leverage growth in the economy, has provided consistent support to equities throughout the last year.



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.