

# 3 Benefits of Leading Indicators

Early Signals, Eliminate Guesswork, & Enhance Returns

## Overview

As an investor or trader, it is important to understand what is currently priced into markets and determine whether those assumptions are reasonable. Leading indicators are an essential tool for judging these assumptions, offering valuable insights into future trends, risks, and opportunities. These economic factors and datasets tend to change before the overall economy, providing valuable insights into the future direction of the economy. By incorporating leading indicators into your investment process, you can make more informed decisions, improve risk-adjusted returns, and navigate market uncertainties with greater confidence.

# 1

## Early Signals of Changes in the Economy

- The ability to anticipate market trends and identify opportunities is a key advantage. Leading indicators offer valuable insights into the direction of key economic variables, allowing investors and traders to identify and capitalize on emerging opportunities.
- Leading indicators can also serve as early warning signs of potential risks, allowing market participants to proactively manage risks before they emerge in the headlines.

# 2

## Eliminate Guesswork from Investment Decisions

- Leading indicators provide a consistent and repeatable framework that helps remove human emotion and market noise from the decision-making process.
- This data-driven approach eliminates the all too common step of guesswork found in portfolio management. With 6 to 12-month forecasts across the key drivers of market returns (i.e., corporate earnings, manufacturing outlook, unemployment rate, investor sentiment, consumer health), investors are more informed to make the correct decision.

# 3

## Enhance Risk-Adjusted Portfolio Returns

- Leading indicators can help identify potential risks before they become significant problems, allowing you to develop a more accurate assessment of the risk and return potential of each portfolio holding.
- Understanding the likely trajectory of economic activity and corporate earnings allows investors to make the necessary strategic and tactical adjustments to their portfolios in response to future changing conditions.