

## Macro Environment and Current Conditions

**Inflation** shows encouraging signs of cooling, especially in month-over-month data. But wage growth at the current levels could lead to persistent services inflation, unless labor productivity continues to improve.

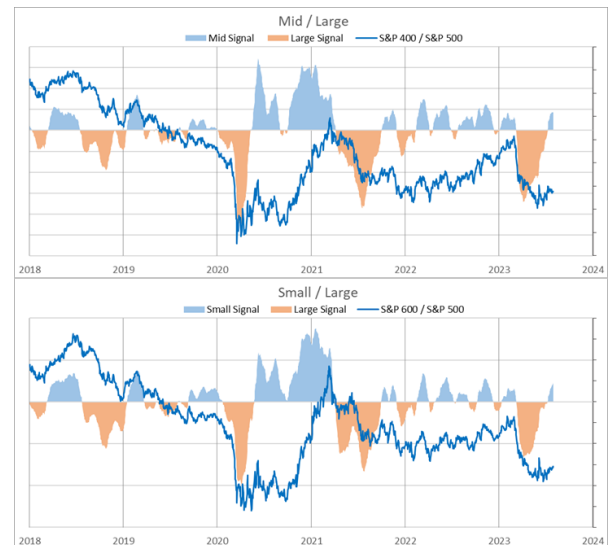
**Economic growth** is robust. Real GDP growth for 2023Q3 is expected to be 3.9%. **Concerns remain in the credit market**, where loan criteria are tightening and loan demand is decreasing. The economy has been resilient because the majority of consumers and businesses have not yet been significantly impacted by higher interest rates. As excess savings draining and the wall of business refinancing approaching, elevated borrowing costs are set to gradually ripple through the economy, cooling inflation as well as growth.

For more details, see "Macro Conditions at a Glance" for July.

## Factor Rotations and Investment Landscape

Dispersions among stocks rose to the highest level in over a decade, creating opportunities for active managers to demonstrate their skill. If inflation continues to trend downward, the phase of macro factors dominating may be ending, giving way to a stock selection environment. However, it's worth noting that there's a real chance that inflation, particularly headline inflation, re-accelerates. Headline CPI is currently forecast to grow 0.8% in August.

During the month we saw more evidence of growth momentum moderating. Tech is losing relative strength and Energy is gaining. The outperformance of small- and mid-caps over their large-cap counterparts are materializing. We believe that these dynamics are attributed to economic optimism and the recent tech sector overrun.



## Combo Signal Effectiveness

As part of our routine evaluation, we assess not only the effectiveness of individual signals (stock ratings), but also the methodology used to combine individual signals into the 'combo signal' and its effectiveness. A study going back to August 2022, when our recovery signal was turned on, shows that the combo signal has outperformed its individual component signals when evaluated over this period. Additionally, all component signals have contributed to the outperformance of the combo signal. In the absence of either of them, the performance of the combo signal is reduced. This implies that each individual signal has played a role in the overall success of the combo signal.

<sup>1</sup> **Disclaimer:** The proceeding content is a summary of the discussion and data reviewed during the monthly Investment Committee meeting. It is informational only and based on information available when created. It is not an offer or a solicitation nor is it tax or legal advice. It does not consider your clients' financial circumstances and objectives and may not be suitable for your clients.