

INTRODUCING THE BLACKROCK MACRO GPS

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Economic growth is difficult to get a handle on. Official GDP data come out only quarterly – and are often revised after the fact. Market participants continuously scramble to reassess the macro outlook based on incoming data. Consensus GDP forecasts incorporate this information, but they are updated infrequently and provide little edge to investors.

Enter the BlackRock Macro GPS. This tool exploits more sources of information and is timelier than traditional gauges, with the aim to show where 12-month forward consensus GDP forecasts may stand in three months' time. The goal of the GPS is to provide an advance warning on any change in the macro assessment. The BlackRock Macro GPS:

- ▶ builds on *nowcasting* models developed by academics, central banks and financial institutions. These methods exploit the information from dozens of macroeconomic indicators to forecast GDP growth – including realized activity, employment, sentiment and survey data. The broader range of inputs helps nowcasts provide a more accurate assessment of the near-term evolution of the economy than traditional gauges.
- ▶ draws on a wider set of information sources than popular nowcasts such as the Chicago Fed National Activity Index (CFNAI). Our GPS incorporates proprietary Big Data insights from BlackRock's Scientific Active Equity team. These include micro insights, such as consumer behavior captured through internet searches, and macro insights such as country business sentiment measured through the text-mining of corporate managers' conference calls. Other Big Data inputs include online job postings, inflation chatter, satellite images, e-invoicing and traffic patterns.
- ▶ is an open architecture that can combine other *nowcasts* or leading economic indicators used by investment teams across BlackRock's platform. This allows us to incorporate the specialized knowledge and expert judgments of our data watchers to help improve the model over time.
- ▶ is updated daily based on new information flow. This allows us to identify which information sources are driving any reassessment of the outlook.

These features give the *BlackRock Macro GPS* an edge over the alternatives, we believe: The GPS has a better tracking accuracy of the near-term economic outlook than our in-house conventional *nowcast*, which is based purely on macroeconomic indicators and is very similar to the CFNAI. We put this improvement down to the addition of SAE's micro and macro Big Data insights.

The *BlackRock Macro GPS* is currently available for the U.S., UK, Germany, France, Italy, Spain, Japan and Australia. [Click here](#) to see the latest charts. At any point in time, the GPS provides a pointer for how the consensus forecast could change over the next three months. The yardstick we use to judge the performance of the GPS is the 12-month forward Consensus Economics forecast for each country.



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