Three Reasons for Macroeconomic Analysis

October 25, 2017

William Blair is a fundamental asset-management shop, meaning we focus our research and portfolio-construction energy on the selection of high-quality growth companies—but that doesn't mean we avoid macroeconomic analysis. Indeed, it informs much of our fundamental research. Here are three reasons.

It Is a Leading Indicator of Corporate Performance

First, monthly macroeconomic data can be a reliable indicator of coming changes in aggregate corporate performance—meaning at the industry, sector, or country level. Macroeconomic data releases typically precede corporate earnings by one to four months, giving us valuable information about investors' expectations of the companies in which we currently or potentially invest.

In addition, changes in financial conditions at the country or sector level, or even more broadly in a global context, can affect corporate behavior.

It Highlights Country-Specific Risks

Typically, we invest in high-quality companies with sound management teams. Because such companies are rarely involved in any shenanigans, at the company level they have little risk. But when investing globally, companies can be affected by broad macroeconomic risks, such as currency fluctuations.

These risks can sometimes be so strong they overwhelm the investing thesis for a particular company or even sector. So, thinking about countrywide risks (as well as opportunities) is an important input into our research

process.

It Avoids Silos

Finally, although we invest primarily in equities, it is important to avoid working in a silo. Other markets can and do have a meaningful impact on what is happening in the corporate world, and macroeconomic analysis is well suited to paying attention to those markets.

In my next post, I'll walk you through our macroeconomic scorecard that highlights how major countries across the globe stack up across several economic indicators.

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