**1e**

RMSE is an absolute measure of fit and can be interpreted as the standard deviation of the unexplained variance in the response variable. Smaller values of RMSE indicate better fit. In our analysis, the forecasts with a horizon of 3 nearly always produced better results that those with a horizon of 1. A horizon of 1 indicated a nowcast while a horizon of 2 or 3 indicated a forecast. This held for the combined default forecasts, the market index forecasts, and the forecasts for each industry portfolio except for HiTec (which describes business equipment such as computers, software, and electronic equipment), Hlth (healthcare, medical equipment, and drugs), and Utils (utilities). The strength of the forecasts generally increased monotonically from a horizon of 1, horizon of 2, to horizon of 3. The only exceptions to this monotonic increase were the abovementioned HiTec, Hlth, and Utils in addition to Shops (wholesale, retail, and some services such as laundries and repair shops), which performed worse with a horizon of 2 than with a horizon of 1.

For each horizon, the default combination of the 10 industry portfolios forecast performed better than the market index forecast. It is interesting to note that, among all 12 forecasting models, NoDur (which describes consumer nondurables such as food, tobacco, textiles, apparel, leather, and toys) performed the best, while Other (which describes a mix of other industries such as mines, construction, construction materials, transportation, hotels, business services, entertainment, and finance) performed the worse. The combined forecasts of the 10 industry portfolios performed better than the forecasts of the market index because the market index tracks the S&P 500 (which captures about 80% the total market cap of the stock market), while the 10 Fama-French industry portfolios track every stock on the NYSE, AMEX, and NASDAQ exchanges. Including more stocks provides a more complete picture of the stock market’s performance, and one would expect that to be a better predictor of GDP growth. The MIDAS User Guide also mentions that “there is a consensus that forecast combinations improve forecast accuracy” (Ghysels 2017, 9). Consumption is the largest component of GDP, making up about 70% of total U.S. production. Consumption is divided into two categories: goods and services. Goods can be further divided into nondurable and durable goods (durable goods are those that have a useful life of three or more years). Nondurable goods generally contribute more than twice the percentage of durable goods to consumer spending. Nondurable goods are also more likely to be purchased by individual consumers and on a more frequent basis. This makes them highly sensitive to changes in the broader macroeconomic environment and helps to explain why nondurable goods are the best predictor of GDP growth across all horizons. The Other portfolio contains a mix of industries such as construction, business services, and mines. These industries involve a substantial number of large contracts that are made months (or even years) in advance. This means that these industries are generally less flexible and less responsive to the broader macroeconomic environment than nondurable goods and other industries. Thus one would expect the Other portfolio to be a worse predictor of GDP growth. Addressing the difference between the nowcasts and forecasts, nowcasts include market data from the current period to predict the current period’s GDP growth, while forecasts include information from the preceding period(s). The forecasts likely performed better than the nowcasts due to their inclusion of previous periods’ data, which would align more with the calculation of GDP growth (which is calculated by dividing one quarter’s GDP by the previous quarter’s GDP).