NorthCoast Asset Management

NorthCoast Navigator

May 2016 (4/30/2016)

The U.S. stock market limped into May as the intra-month rally faded over the final two weeks of April. The S&P 500 ended the month +0.35% and sits +1.53 YTD. The Federal Reserve continued to play a "wait-and-see" game in its decision for another rate hike while commodity prices stabilized and the U.S. dollar weakened. As Q1 earnings season concludes, the results provided no clear answer to the strength of the U.S. economy. From S&P companies reported thus far, almost 80% beat EPS estimates. However, it is worth noting that according to JP Morgan, the actual EPS is down 8% year-over-year for the overall market, as shown in this graph **here**. The squeeze in EPS growth could be attributed to multiple factors, including an increase in hiring and rising wage growth, which should ultimately put more money back into the pockets of consumers. The real winner of early 2016 is fixed income. In the U.S. and globally, the uncertainty of economic growth and central bank decision-making has kept yields low, therefore increasing return. The U.S. bond aggregate bond index is +3.43% YTD with the global aggregate bond index +6.76% YTD.

Moving into May

As April progressed, indicators across the four dimensions saw improvement with Technical and Sentiment data points experiencing the biggest boost. In our tactical equities, we added equity exposure amid declining stock prices which provided more attractive entry points. We enter May with 80% equity exposure in our U.S. strategies and over 90% in our international programs.

Technical	Sentiment	Macroeconomic	Valuation
S&P 500 Index ended the month +0.35% and +1.53% YTD with the ACWI ex-U.S. +2.63% in April and2.25% YTD Volatility (VIX) rose from its March low but still remained at levels not seen since October 2015 The S&P 500 ended 2% above 50-day moving average while 4% above the 100-day and 3% above the 200-day	Equity (SPY) flows remained unchanged from March The UM Consumer Sentiment Survey decreased to its lowest level in eight months Short Interest increased ticking up to 2.7 in April, its 4th consecutive increase The U.S. Purchasing Managers Index (PMI), an indicator in business confidence ticked down to 50.8 in April	U.S. unemployment remained at a low 5.0%, with jobless claims still at or below the 200k threshold U.S. leading indicators stayed at positive levels Eurozone Q1 GDP improved with 0.6% growth, ahead of analyst expectations China's PMI modestly fell, but still above the 50 threshold signaling growth	S&P 500 P/E levels were relatively unchanged at 19.1 and forward P/E at 17.6 Small-cap and Mid-cap stocks continued their outperformance of large-cap stocks in April Quarterly revenue and profit earnings reports provided mixed results as company beat expectations as expectations were considered relatively low

As of 4/30/2016. Data provided by Bloomberg, GoldmanSachs, Morningstar, Bureau of Economic Analysis.

The NorthCoast Navigator is a market "barometer" displaying NorthCoast's current equity outlook. This aggregate metric is determined by multiple data points across four broad dimensions including Technical, Sentiment, Macroeconomic, and Valuation indicators. The daily result determines equity exposure in our tactical strategies.

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