



### What happened in December?

Post-election market momentum continued into December as global equities advanced over the course of the month despite the Federal Reserve decision to raise interest rates and a final-week pullback.

U.S. equities (S&P 500 Index) advanced +1.9% in December while international equities (ACWI ex-U.S.) gained almost +3%. For the year, U.S. stocks rose +11.2% while the international market was up +4.5%.

The fixed income market had a more muted result than equities. After a strong start to the year, bonds declined throughout the 2<sup>nd</sup> half. The Barclays U.S. Aggregate Bond Index ended the year +2.7% while the JP Morgan Global Aggregate Bond Index was +2.2%.

### Moving into January

Even though U.S. equity valuations widened throughout the year, strong macroeconomic data, supporting sentiment indicators, and positive technical momentum continued to provide a foundation for stocks to advance. Much is still unclear about future fiscal, trade, or tax policy but the available data remains relatively bullish in the short-term for U.S. stocks. The same is true in our international exposure, as we maintain a bullish posture.



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### NorthCoast Navigator: A snapshot of NorthCoast market outlook



Negative Indicators	Positive Indicators		
<p><b>Valuation</b></p> <p>U.S. stock valuations ended the year at their highest levels as stocks rose in the midst of declining profits. Forward P/E also ended at a yearly high of 18.8.</p>	<p><b>Macroeconomic</b></p> <p>The U.S. macroeconomic pictures remained stable as unemployment decreased to 4.6% while the U.S. created 178,000 jobs in November, in line with the 2016 average.</p>	<p><b>Sentiment</b></p> <p>Investors again gathered into equity funds (SPY) in December, increasing flows at +6.6%. The UM Consumer Sentiment survey reached its highest level of the year at 98.2.</p>	<p><b>Technical</b></p> <p>Relative strength remained positive as the S&amp;P 500 Index ended the month 2% above the 50-day moving average and 5% above the 200-day providing momentum into the new year.</p>



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 market-moving dimensions: Technical, Sentiment, Macroeconomic, and Valuation. The daily result determines equity exposure in our tactical strategies.

As of 12/31/2016. Data provided by Bloomberg, NorthCoast Asset Management.

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