NorthCoast Asset Management

NorthCoast Navigator

1/31/2017

What happened in January?

The post-election stock market rally continued in January up until the last few trading sessions of the month. Investor optimism and the appetite for risk could be waning after a disappointing start to earnings season and the unknown financial impact of the recent political policy changes.

Despite the marginal pullback, major U.S. stock indices finished January in positive territory for the first time since 2013. International stocks, which stalled after the U.S. election, gained favorably in January thanks to strengthening macroeconomic data coupled with strong corporate earnings and weaker currencies.

For the month, U.S. equities (S&P 500 Index) returned +1.9%, with international stocks (MSCI ACWI ex-U.S.) +3.5%. U.S. bonds, measured by the Barclays U.S. Aggregate Bond Index, advanced a marginal +0.2% and global bonds (JP Morgan Global Aggregate Bond Index) +0.8% in the month.

Moving into February

We entered January 84% equity invested and quickly increased exposure as sentiment and technical indicators improved. Even though U.S. equity valuations remain stretched, strong macroeconomic data coupled with supportive sentiment and technical indicators provide a 'risk-on' approach in the near term. While there is mixed reaction to current policy action by the Trump administration, indication still leads to an economic policy that supports infrastructure spending and reduced regulations which have historically indicated future growth. We enter February in a bullish posture with over 90% equity exposure to both U.S. and international equities.

Markets are adapting to new information. Can you say the same about your portfolio?

Click here to read year-end commentary and insight from NorthCoast CEO, Dan Kraninger.

NorthCoast Navigator: *A snapshot of NorthCoast's market outlook*

Negative Indicators	Positive Indicators		
Valuation	**Macroeconomic**	**Sentiment**	**Technical**
U.S. stock valuations remain stretched with P/E multiples above 20 as stock prices rose in the face of a disappointing earnings season.	The U.S. economy continues its slow-and-steady growth pace with low unemployment, improved retail sales and a rebound in home-building.	U.S. Purchasing Managers Index (PMI), an indicator of health in the manufacturing sector, grew for a 5th straight month in December to 54.7.	Momentum remains in positive territory with the S&P 500 Index 1% above the 50-day moving average and 4% and 6% above the 100-day and 200-day averages, respectively.

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 1/31/2017. Data provided by Bloomberg, NorthCoast Asset Management.
