NorthCoast Asset Management

NorthCoast Navigator

2/28/2017

What happened in February?

Positive momentum continued in global equities as U.S. and international stocks advanced for a 4th and 3rd straight month, respectively. The S&P 500 Index gained on 18 of the 21 trading days in February. The shortened month witnessed a reduction in negative geopolitical headline noise and continued positive macroeconomic data releases – U.S. consumer prices (key indicator of inflation) increased the most since February 2013, retail sales gained, and existing home sales rose to their highest level in nearly a decade. Across the pond, U.K. unemployment declined to its lowest rate in ten years, Eurozone PMI increased to a six-year high and Chinese factory activity expanded for an 8th straight month.

For the month, U.S. equities (S&P 500 Index) returned +3.8% and are now +5.9% YTD, with international stocks (MSCI ACWI ex-U.S.) +1.6% in February and +5.2% YTD. U.S. bonds (Barclays U.S. Aggregate Bond Index) advanced a modest +0.7% and global bonds (JP Morgan Global Aggregate Bond Index) +0.5% in the month. Investors who stayed committed to riskier assets like stocks or even rotated out of bonds have certainly benefited during the early going of 2017.

Moving into March

Low interest rates and accommodating fiscal policies continued to buoy stocks. Coupled with the slow-growth environment which has permeated the U.S. and international economies, our short-term outlook remains opportunistic. Investors continue to shrug off the high valuation levels -- while 2016 Q4 earnings season provided a modest uptick in earnings, it hasn't caught up to the escalating stock prices that preceded. Throughout February, we slightly reduced equity exposure in light of heightened stock valuations but macroeconomic, sentiment, and technical factors still indicate a path to equity growth. Moving forward, investors must be diligent and disciplined as new information enters the market.

International equities are finding momentum. Is your portfolio properly allocated?

Click here to learn more about the newly launched managed international ETF strategies.

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

Negative Indicators	Positive Indicators		
Valuation	**Macroeconomic**	**Sentiment**	**Technical**
P/E levels ended February at 21.8, approximately 84% higher than the recent 10-year average. Forward P/E moved higher to 18.4.	U.S. unemployment remained below 5% while consumer sales advanced and economic indicators moved to annual highs.	Equity fund flows (SPY) turned positive in February as rotation out of bonds-into-equities continued. Manufacturing surveys increased for the 7th straight month.	Equity momentum powered forward with the S&P 500 Index 3% above the 50-day moving average and 8% above the 200-day.

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 2/28/2017. Data provided by Bloomberg, NorthCoast Asset Management.
