NorthCoast Asset Management

NorthCoast Navigator

9/30/2017

What happened in September?

Equities continued higher amidst little change in data and rising geopolitical risk.

In a month filled with continued geopolitical tumult alongside multiple devastating hurricanes, U.S. equity markets experienced one of the least volatile Septembers in half a century. Historically the most volatile month of the year, this September saw an average daily move of only 0.4% in the S&P 500 Index. The measure of volatility (VIX) in the index slid under 10 after seeing highs above 15 in August. U.S. equities were up 2.0% for the month, bringing the quarterly returns to 4.3% and the YTD to 13.7%. A lack of negative domestic economic news, continued positive international data and sustained high levels of sentiment led the bull market onward.

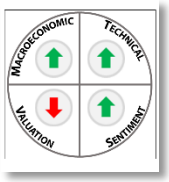
Across the globe, the MSCI-Emerging Markets Index was down -0.4% as a result of strengthening U.S. yields enticing investors away from the volatile regions and some domestic headwinds, particularly in Turkey and the Middle East. However, emerging market equities continued to be a leader among other assets with YTD performance at 27.8%. The All Country World Index ex-U.S. (ACWI ex-U.S.) ended the month up 1.9%, and 21.1% YTD.

Moving into October

The preliminary economic impacts of hurricanes Harvey and Irma were seen in the initial jobless claims, which came in slightly higher than analysts' estimates at 272,000. However, economists expect the effects to be transient, continuing into the fourth quarter before the positive effects of rebuilding boost GDP moving into 2018. September saw small-cap stocks outperforming the S&P 500 Index, which could indicate investors are expecting positive economic data and a general rise in sentiment indicators. Despite rising sentiment and positive macroeconomic data, technical indicators saw a dip during the month and valuations remain high after a positive month for equities. We enter October 75% invested in our tactical U.S. strategies and 95% in our international strategies.

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

Negative Indicators	Neutral Indicators	Positive Indicators	
Valuation	**Technical**	**Macroeconomic**	**Sentiment**
A positive month for equities led valuations higher. Pressure is high for third quarter earnings season to deliver with stock prices at record levels.	The S&P 500 Index rose to 2% above the 50-day moving average, signaling higher possibility of reversal. Relative strength indicator rose slightly closer to "overbought" territory.	Eurozone remained strong and U.S. economy withstood Harvey and Irma. Higher oil prices should boost domestic inflation and expectations for GDP rose.	Sentiment indicators rebounded into positive territory with a stem in flows from equity funds (SPY) and a 95+ reading from UM consumer sentiment survey.



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 9/30/2017. Data provided by Bloomberg, NorthCoast Asset Management.

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