

What happened in December?



U.S. equities continued their march upward amidst stellar holiday retail numbers that hit their highest levels since 2011, a welcome end to a tumultuous year of store closings and major bankruptcies in the retail sector. Although consumer confidence fell slightly, it was offset by investor sentiment which hit its most optimistic level in three years. After a period of increasing employment yet stagnant wage growth, workers have begun to see increased compensation. Additionally 18 states voted to increase minimum wage, which should aid pay growth moving forward. In a relatively telegraphed move, the Federal Reserve raised its target short-term interest rate. Janet Yellen, in what was likely her final address as the Fed Chair, commented on the global economic growth optimistically and noted that her likely successor, Jerome Powell, holds similar views on monetary policy.

Across the globe, Emerging and Asian markets finished with a positive December and as the year's biggest winners. European stocks notched their best year since 2013 on surging tech and mining sectors.

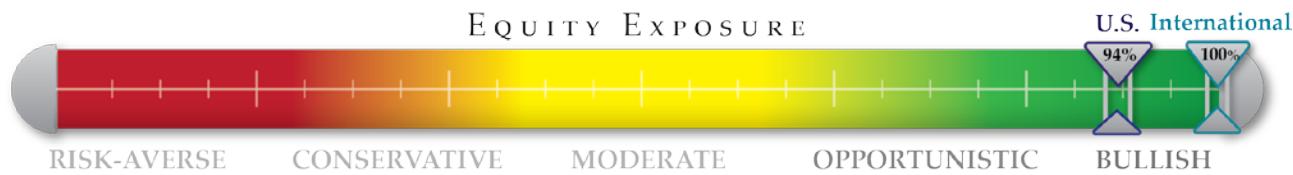
December by the numbers:

U.S. Equities: +1.1% S&P 500 Index	International Equities +2.2% ACWI ex-U.S.	U.S. Bonds +0.5% Barclays U.S. Aggregate Bond Index	Global Bonds +0.3% JP Morgan Global Aggregate Bond Index
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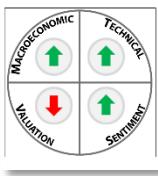
Moving into January

The success of 2017 spurred high levels of investor optimism moving into 2018. Central banks raising their growth forecasts and the tightening of monetary policy in many countries indicated the optimism is not only held by investors, but also central bankers. The New Year ushers in a new tax policy in the U.S. as all eyes will be on the initial response by corporations particularly if and/or how much of their international earnings they decide to repatriate at the lower corporate tax rate. Valuations remain stretched, but strong macroeconomic and technical indicators still shine through. We enter January 94% invested in our U.S. tactical strategies and near 100% invested in the international tactical strategy.

NorthCoast Navigator: A snapshot of NorthCoast's market outlook



Negative Indicators	Positive Indicators		
Valuation With equities in an upward trend, valuations remained stretched. P/E and forward P/E ratios both increased in December.	Technical Volatility remained low as the CBOE VIX ended the year at 11. The S&P 500 ended December 2%, 5% and 8% above its 50, 100, and 200-day Simple Moving Averages, respectively.	Macroeconomic The U.S. leading economic indicators sustained their high levels. Wage growth was on the rise and unemployment remained near historic lows.	Sentiment The homebuilder sentiment index climbed steadily in the 4 th quarter hitting 74 in December, the highest level since July 1999.



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 12/31/2017. Data provided by Bloomberg, NorthCoast Asset Management.

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