

What happened in August?



A strong month for tech stocks and more positive economic data bolstered U.S. equities in August despite continued trade uneasiness. The U.S. and Mexico appeared to have reached a trade agreement that will await approval by both governments. In the meantime, U.S. and Canadian officials have been working feverishly to incorporate Canada into the agreement. On the other front of global trade negotiations, the U.S. appears set to move forward with tariffs on \$200 billion of Chinese imports in early September.

Amidst the trade uncertainty, the U.S. economy is still rolling with strong data released in August regarding the 2nd quarter. Corporate profits were 16.1% higher than the same period last year and GDP was revised up to a 4.2% annualized growth rate. The S&P 500, Nasdaq Composite and Russell 2000 all touched new highs.

Emerging markets have been hit severely by the situation in Turkey where the Turkish lira lost 25% of its value relative to the U.S. dollar in August. Investors worried about currency devaluation in other emerging markets pulled large investments out of these areas and drove the asset class generally lower. Compared to the U.S., less solid economic data abroad left international markets impacted by trade unease in August.

August by the numbers:

U.S. Equities: 3.2% S&P 500 Index	International Equities: -2.1% ACWI ex-U.S.	U.S. Bonds: 0.6% Barclays U.S. Aggregate Bond Index	Global Bonds: 0.1% JP Morgan Global Aggregate Bond Index
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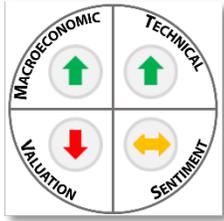
Moving into September

The current bull market in the U.S. became arguably the longest on record in August. Valuations remain high with rising stock prices but did not stretch much further thanks to solid earnings. However, it is important to consider the impact the tax overhaul has had on corporate earnings and if the growth is sustainable. The Federal Reserve will most likely raise interest rates in September (4th hike this year). Trade negotiations between the U.S. and other countries are causing a lot of unease in the equity markets. Little progress between the U.S. and China or Canada has left a lot of uncertainty for global equity markets as the impact and longevity of such disputes has yet to be fully understood. Developments in the coming weeks and months could provide more insight into the direction of these negotiations. We enter September 78% invested in our U.S. tactical strategies and 64% in our international tactical strategies.

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



Negative Indicators	Neutral Indicators	Positive Indicators	
Valuation Both P/E and forward P/E ratios rose very slightly from last month as a result of positive market action along with positive corporate earnings.	Sentiment The University of Michigan Consumer Sentiment Survey remained very high in August. The Bull/Bear ratio swung slightly higher in favor of the bulls as the current bull market became arguably the longest on record in August.	Technical The VIX was unchanged and still sat below 13 at the end of August and the Relative Strength Index rose slightly. The S&P 500 now sits 3%, 5% and 6% above its 50-, 100- and 200-day moving averages respectively.	Macroeconomic U.S. GDP was revised up to a growth rate of 4.2% in the second quarter. Personal-consumption expenditure rose in the second quarter at a 3.8% annualized rate.



The NorthCoast Navigator is a market "barometer" displaying NorthCoast's current U.S. 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 8/31/2018. Data provided by Bloomberg, NorthCoast Asset Management.

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