

## What happened in September?



Despite only a modest rise in September, the S&P 500 had its best quarterly return since 2013 and, with lagging international and emerging market returns, extended U.S. equities' lead over the rest of the world year-to-date.

Economic data out of the Eurozone showed stalling growth while investors remain optimistic about the strength of U.S. assets. This faith in the U.S. economy outshone tensions with China and has been bolstered by some positive signs of Canada rejoining NAFTA negotiations.

The dollar has weakened slightly from earlier in Q3, but rose after the Federal Reserve announced the third rate increase of 2018. The strong dollar is still negatively impacting emerging markets as most of these countries have dollar-denominated debt that becomes more expensive with a stronger dollar. The Fed's rate increase in September was expected and a fourth increase of the year is forecasted for December. Analysis of the Fed's statement regarding increasing rates raised expectations of more rate increases in 2019.

The U.S. technology sector stumbled in September as the Nasdaq Composite fell 0.8%, its largest monthly decline since Facebook's data scandal in March. This sector's valuations remain stretched and have strongly contributed to the market's overall elevated multiples. These levels will be closely watched especially if the divergence from international stocks becomes more pronounced.

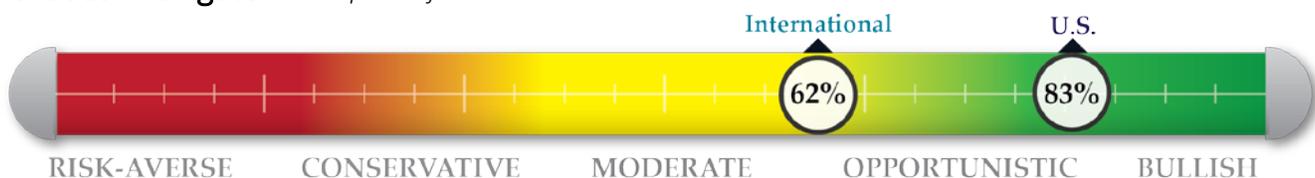
### September by the numbers:

U.S. Equities: <b>0.5%</b> S&P 500 Index	International Equities: <b>0.5%</b> ACWI ex-U.S.	U.S. Bonds: <b>-0.6%</b> Barclays U.S. Aggregate Bond Index	Global Bonds: <b>-0.8%</b> JP Morgan Global Aggregate Bond Index
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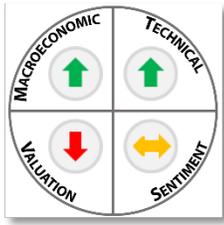
## Moving into October

The strong quarterly returns for U.S. equities is a sign that investors are prioritizing the solid corporate earnings and positive economic data over global trade tensions. Lagging international stocks is likely driving some investors to increase their allocation to domestic equities, which may be driving up stock prices even more. As a result, the upcoming U.S. earnings season will be watched very closely. The dollar strengthening during Q3 could have a negative impact on multinationals' profits as it becomes more expensive to convert international profits into U.S. dollars. Upcoming economic and earnings data overseas will also be important to either reinforce the thoughts of an international slowdown or to show some signs of positive growth.

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



Negative Indicators	Positive Indicators		
<b>Valuation</b> Valuation indicators remained relatively unchanged from August. S&P 500 P/E ratio sits at 21.1, which is slightly higher than the lagging international markets.	<b>Sentiment</b> Domestic optimism remains as the U of Michigan Consumer Sentiment Index stayed near its multi-year highs. Consumer confidence hit an 18-year high according to Conference Board	<b>Technical</b> Technical indicators dropped slightly but remain positive. The relative strength index, a measure of momentum, moved to 58.4 from 62.6. The S&P 500 remains above its 50-, 100- and 200-day moving averages.	<b>Macroeconomic</b> Consumer spending growth cooled slightly in August but is still high and forecasted to pick up the pace of growth into the end of 2018. U.S. unemployment remained below 4%.



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 9/30/2018. Data provided by Bloomberg, NorthCoast Asset Management.

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