NorthCoast Asset Management

# NorthCoast Navigator

**11/30/2019**

## What happened in November?


In November, U.S. Stock indexes notched their largest monthly gains since June of this year. The Dow Jones Industrial Average, S&P 500 and the Nasdaq Composite each rose by more than 3%. Large and mega-cap stocks led the way once again last month as market-cap weighted indexes continued to outperform. Investors were bullish on the U.S. economy thanks to positive data that showed a pickup in household spending, solid orders for long-lasting factory goods and a revision higher of the 3rd quarter GDP growth rate. However, the economy remains largely dependent on consumer spending as business investment has continued to decline, which means that the upcoming holiday shopping season will be even more telling of the general economy's strength than usual. There is no consensus regarding how far consumers can carry the U.S. economy without some additional positive inputs. Progress on the U.S. and China trade disputes could spur some positivity and representatives from both countries seem optimistic. However, from the beginning these discussions have been plagued by unexpected speedbumps and there are few signs of acceleration.

**November by the Numbers:**

U.S. Equities: **3.6%**
S&P 500 Index

International Equities: **0.9%**
ACWI ex-U.S.

U.S. Bonds: **-0.1%**
Barclays U.S. Aggregate Bond Index

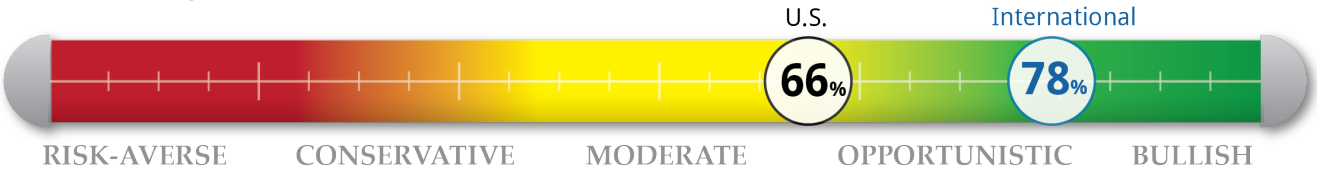
Global Bonds: **-0.8%**
Bloomberg Barclays Global Aggregate Bond Index

Internationally, emerging market equities did not perform as well as the rest of the world due to areas of political unrest. Remaining concerns about global economic weakness even pushed some emerging currencies lower.

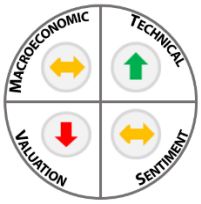
## Moving into December

With the equity market having performed above expectations this year despite no firm resolutions on multiple geopolitical issues, there is a chance that investors will consider locking in their gains in December and avoiding any increase in volatility. Valuations remain elevated as domestic equities notch record highs. These gains have come on the back of positive signs of trade resolution but with little tangible progress. We see the risks and uncertainties in U.S. equities as only magnified by the growing valuations. International equities are looking more attractive at this time due to their less inflated valuations. We are currently 66% invested in our domestic equity strategy and 78% in our international equity strategy. We have more than adequate liquidity to take advantage of a buying opportunity and protection against a more aggressive slide like we saw last December.

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




| Negative Indicators | Neutral Indicators | | Positive Indicators |
|---|---|---|---|
| **Valuation** | **Sentiment** | **Macroeconomic** | **Technical** |
| U.S. equity valuations moved even higher after last month's big, general gains. Large and mega-cap stocks remain the most overvalued as they continue to outpace the general market. Average P/E ratios for S&P 500 companies was up to 20.89. | We saw little change to sentiment indicators in November. The University of Michigan Sentiment Survey ticked one point higher from October, a very small gain. Investment flows into equity fund SPY were slightly positive last month. Overall, small positive change. | There was little change in macroeconomic indicators from last month. Some positive data was released, but there is continued concern of slowing business investment, especially if it begins to affect employment. Unemployment remains historically low at this moment. Concerns over international political unrest and trade discussions persisted. | Trend-following technical indicators remained positive as the market rallied in November. The S&P 500 now sits 4%, 5% and 7% above its 50-, 100- and 200-day moving averages, respectively. The relative strength index, a measure of momentum, rose and the CBOE VIX, a measure of volatility, moved lower. |




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 11/30/2019. Data provided by Bloomberg, NorthCoast Asset Management.