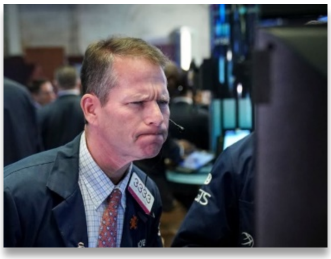
What happened in August?



Volatility returned to the U.S. equity market in August. After two positive and generally calm summer months, a series of headline-worthy events caused a few abrupt downturns that, despite recouping some losses towards the end of the month, dragged the S&P 500 down -1.7% for the month. First, investors reacted to the inversion of the 3-month and 10-year Treasury notes. While this signal is ominous and sparked some recession fears, it provides no certainty that one is imminent. U.S. economic data remains fairly strong and some extraneous factors such as extremely low international yields and a general flight to safe assets may be deepening the yield curve's inversion.

The U.S. and China publicly exchanged rhetoric to intensify the trade conflict which raised fears that continued tariffs will affect both economies and the global economy. However, discussions are set to continue in September and both parties appear to be leveraging the media to increase pressure on one another at the expense of global markets. Everything surrounding this trade deal is still in question and its impact has mainly been seen in lower consumer confidence in the U.S. Economic output is still growing and the second quarter GDP growth rate released in August was 2.0%. While this rate is lower than the first quarter, it still shows solid positive growth driven by corporate profits and consumer spending.

August by the Numbers:

U.S. Equities: **-1.7%**
S&P 500 Index

International Equities: **-3.1%**
ACWI ex-U.S.

U.S. Bonds: **2.6%**
Barclays U.S. Aggregate Bond Index

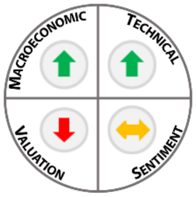
Global Bonds: **2.4%**
JP Morgan Global Aggregate Bond Index

Moving into September

The inversion of the yield curve continued to deepen as the price of longer-dated 10-year treasury notes was driven up by increased demand. The Federal Reserve's actions in the coming months could reduce the inversion if they decide to lower short-term interest rates. It is important to remember that an inverted yield curve is only one of many indicators used to try to foresee a recession. At the moment, unemployment is still low, consumers are still spending and GDP is growing. The U.S. and China continue to spin the broken record of increasing tariffs and leveraging the media to dial up pressure. Any news about this trade deal will impact global markets and meetings are scheduled for early September. The investment level remains relatively unchanged in our tactical U.S. strategy. A drawback in technical and sentiment indicators of international equities as well as uncertainty surrounding trade led to lower exposure in our international tactical strategy.

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

Negative Indicators	Neutral Indicators	Positive Indicators	
Valuation	**Sentiment**	**Macroeconomic**	**Technical**
Due to the slight downturn in U.S. equities, P/E ratios were marginally reduced from July's levels although remain high. With moderate growth in earnings along with the current market uptrend, P/E ratios still sit at 19.2.	Despite strong consumer spending, consumer confidence indicators showed some weakness in August. Uncertainty surrounding global trade appears to be impacting consumers' outlook. The University of Michigan Consumer sentiment Survey dipped to 89.8 from 98.4.	Concerns that plagued equity markets in August have yet to show much of a tangible impact on macroeconomic indicators. GDP growth in the second quarter was solid despite coming in below the prior two quarters. Corporate profits grew quarter-over-quarter and consumer spending is still high. Unemployment remains largely unchanged and historically low.	Due to the large amount of volatility in August, shorter-term technical indicators experienced a drawback. The S&P 500 dipped below its 50-day moving average and moved closer to its 100- and 200-day averages. Longer-term technical indicators, however, were positive as well as the relative strength indicator of momentum and reversal indicator.



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 8/31/2019. Data provided by Bloomberg, NorthCoast Asset Management.