The Navigator

April 2020

Bracing through the Pandemic's Peak

During the month of March 2020 the Coronavirus pandemic and its immense economic impacts have brought about some of the most volatile market trading in history. The S&P 500 came down almost 34% at the close of March 23 from its high on February 19. What's most notable about this drop is the unprecedented speed at which it occurred: just 23 trading days. The average daily move during this 23-day period was 4.2%, with an average of 4.9% during the entire month of March. There is little if not zero modern historical context for this event. However, data from previous market declines such as occurred in 2000-2001, 2008 and even from the last pandemic in 1918 will still be able to provide valuable insight to our management team.

As we have stated in our communications throughout this period (links below for reference), this unconventional crisis continues to cause unconventional market action. Not merely an isolated cause/effect, the health emergency has caused an economic slowdown and liquidity crisis that ripples across global markets. JNJ and several other pharma companies are fast-tracking vaccines and treatments that have the potential to alleviate pressures on our healthcare system. The passage of the $2.2 trillion stimulus bill for businesses and individuals has improved the economic outlook. Additional spending bills may follow. Market indicators are generally lagging, but the Federal Reserve is attempting to bolster the economy as quickly as possible with new, more frequent measurements and actions. This will help us incorporate data more quickly into our models moving forward. Regarding liquidity, the Fed has pledged essentially unlimited buying of assets normally on its balance sheet as well as expanded purchases of other asset classes. These moves and the relative easing of the selling have significantly improved liquidity issues.

At NorthCoast, we continue to use volatility to exit certain positions and refresh some allocations in both our domestic and international equity strategies. The U.S. equities rally at the end of the month was encouraging and we are comfortable that with our current 73% exposure we are positioned well for whatever is to come. Upcoming earnings and economics reports will continue to cause market volatility. These figures may cause more sector-specific moves, or may drive market-wide action. We are adapting to this situation as quickly as it is evolving.

We want you to know that we are here to help in any way possible and that we are keeping all of you and your families in our thoughts. The fight against Covid-19 continues and we at NorthCoast hope that you and your families are safe and healthy.

By the Numbers (YTD)[1]

-19.7%
U.S. Equities
S&P 500 Index

-23.4%
International Equities
MSCI ACWI ex-U.S.

3.2%
U.S. Bonds
Barclays U.S. Aggregate Bond Index

-0.3%
Global Bonds
JP Morgan Global Aggregate Bond Index

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 3/31/2020. DATA PROVIDED BY BLOOMBERG, NORTHCOAST ASSET MANAGEMENT.

Positive Indicators	Neutral Indicators		Negative Indicators
Valuation	**Sentiment**	**Macroeconomic**	**Technical**
With the market downturn, valuation indicators have improved. P\E ratios have come down for S&P 500 companies, but new earnings data forecasts to come for Q1 2020 will yield more accurate multiples.	Sentiment indicators have worsened as is to be expected. Rates of consumers saving is likely to increase and the University of Michigan Consumer Sentiment Survey dropped to 89 from roughly 100.	Weekly jobless claims gained a lot of attention towards the end of month and for the moment, joblessness is going to increase. GDP growth projections have been lowered. Fast action from the U.S. and international governments will hopefully buoy parts of the economy.	The speed and severity of the downturn caused for deterioration of technical indicators. The volatility index, VIX, spiked to all-time highs and settled down to just above 50 at end of month. Momentum indicators have softened and the S&P 500 sits below its moving averages.

[1] Source: Bloomberg, NorthCoast Asset Management.

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