K. Sean Clark, CFA
Chief Investment Officer

As Clark Capital's Chief Investment Officer, Sean oversees all of the Firm's investment activities and heads the Firm's portfolio team. Sean joined the Firm in 1993 and is responsible for asset allocation and investment selection for Navigator Investment Solutions as well as directing ongoing market research and contributing to the development of proprietary products. Sean is a member of the Clark Capital Board of Directors, the Investment Committee and the Management Committee. He graduated from the University of Delaware, earning a B.S. and an M.A. in Economics. Sean is a Chartered Financial Analyst and a member of the CFA Institute (formerly AIMR) and the Financial Analysts of Philadelphia, Inc. Sean is considered an industry expert and is often asked to appear on CNBC and Bloomberg television to share his views on the market. In addition, Sean has been featured in a number of articles in nationally distributed business journals and newspapers.

ONE WEEK CRUSH: WHAT'S NEXT?

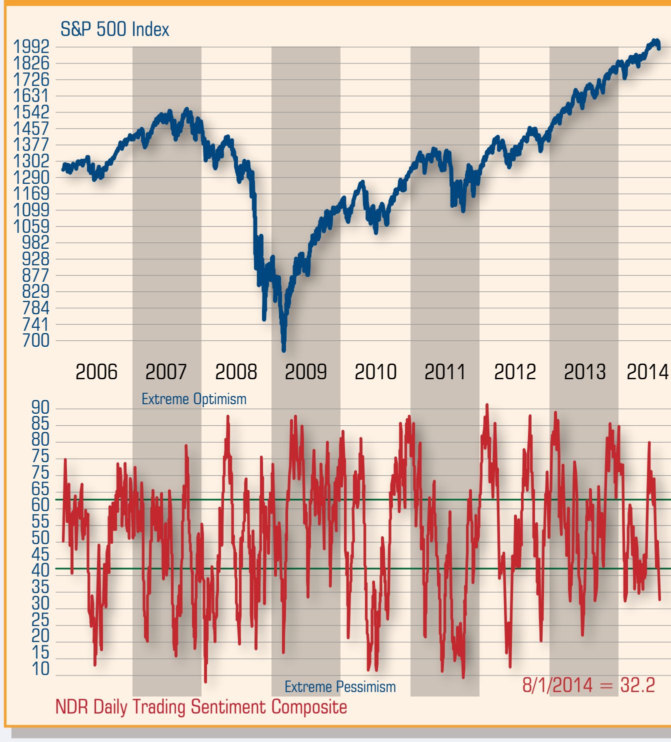
The global equity and credit markets took it on the chin last week as a series of geopolitical and economic headlines resulted in investors taking risk off across the board. The news weighed heavily on the markets that were already ripe for a pullback. Russia is increasing its cross border attacks on Ukraine and stepping up pressure after the U.S. and European Union stiffened sanctions. The fighting in Gaza has intensified as cease fire agreements between Israel and Hamas last but a fleeting moment. The last 72 hour truce was broken by Hamas within 90 minutes of it being put in place. Argentina defaulted on its debt for the second time in 14 years as it failed to make a $534 million interest payment on Wednesday.

Adding fuel to the geopolitical fire are fears that the Federal Reserve will hike rates more quickly, given a strengthening economy and building inflation pressures. That is the perverse way that Wall Street works; good news on the economy has the potential to crater stocks. The Fed met last week and several important takeaways from the FOMC statement were that inflation has moved closer to the Committee's longer-run objective of 2.0%. Additionally, "the likelihood of inflation running persistently below 2 % has diminished somewhat." In addition, the statement dropped the reference that the unemployment rate is "elevated." Several Fed members made the media circuit last week and further rattled the markets with hawkish comments. Dallas Fed President Richard Fisher said the timing of the first rate hike has definitely moved "significantly" closer as a result of the strengthening economy and higher inflation. Meanwhile, Philadelphia Fed President Charles Plosser noted the "considerable economic progress" and said, "The funds rate setting remains well behind what I consider to be appropriate given our goals." He is making the case for rate hikes sooner rather than later.

The markets have been in general uptrend for an extended period and the S&P 500 has not had a 10% correction in over two years. In our opinion, the markets were overbought and entered the seasonally weak month of August vulnerable to disappointment and profit taking. The speed of the decline last week was a shock to many. For the week the S&P declined 2.69%, the Russell 2000 fell 2.61%, MSCI EAFE dropped 2.14%, and the MSCI Emerging Markets index 1.72%. Credit markets also suffered with the Barclays High Yield index down 1.42% on the week. There really wasn't a flight to safety though as the Barclays 7-10 year Treasury Index failed to get much of a bid, ending the week lower by 0.18%. However, the damage done so far has been minimal. Even with the sharp weekly losses, the S&P 500 is only 3.16% below its all-time high. The decline we had in January of this year was larger, when the S&P 500 declined 5.76% on a closing basis from December 31st to February 3rd.

The market was in need of a pullback, and now that it is upon us, is this another buy the dip decline or will it turn into something much bigger? The S&P 500 suffered its worst weekly loss in more than two years, after closing very near a 52-week high. According to Jason Goepfert of the Sentimentrader.com, such quick shifts in sentiment have had a strong tendency to be temporary blips as opposed to indicators of a bigger trend change. We believe the market quickly went from overbought to oversold and the market has strong support near current levels. The S&P 500 closed at 1925 and there is long-term trendline support running through 1920 and even stronger support at 1900. Investor sentiment quickly soured toward equities. For example, the Ned Davis Research (NDR) Daily Trading Sentiment Composite reached the extreme pessimism zone from which stocks have experienced strong gains. In our view, early signs of a meaningful oversold technical condition are there with only 18% of the S&P 500 constituents trading above their 20-day moving averages and only 28% trading above their 50-day moving averages. In addition, there was an expansion of 20-day lows and a spike in pull/call ratios late last week. The market could see somewhat lower prices, but it is also in an area from which it could hold and move higher.

Trading Sentitment



Source: Ned Davis Research

The opinions expressed are those of the Clark Capital Management Group Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. There is no guarantee of the future performance of any Clark Capital investment portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

Clark Capital Management Group, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital's advisory services can be found in its Form ADV which is available upon request.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The Dow Jones Industrial Average is a stock market index that shows how 30 large publicly owned companies based in the U.S. have traded during a standard trading session in the stock market.

The NASDAQ Index is a market-weighted index of all common stocks listed on the NASDAQ exchange.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performers of developed markets outside the U.S. and Canada.

The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance.

The MSCI World Index ex. U.S. is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance excluding the U.S.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The MSCI All Country Europe is a free float-adjusted market capitalization index that is designed to measure the performance of European equity markets.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The VIX Index is a forward looking index of market risk which shows expectation of volatility over the coming 30 days.

Barclays U.S. Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries and government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

The Barclays U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The Barclays U.S. Corporate High-Yield Index covers the dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

CCM-500