3rd Quarter 2018

# MarketNavigator

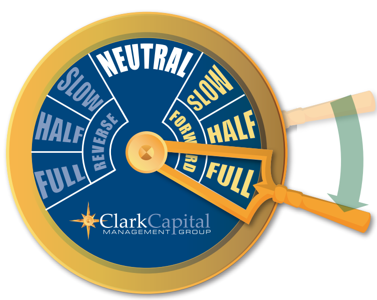
Clark Capital Management Group

## Our Latest Assessment of Key Economic Indicators

The gauges below represent our views on five key economic indicators and are designed to assist you in your conversations with clients.

### Highlights

- We remain positive on the U.S. economy and expect the economic expansion to continue into 2019. As a result, we shifted our gauge for the economy to very positive.
- While interest rates continue to rise, we believe their effect on the economy remains neutral.
- We shifted the sentiment gauge to slightly negative after optimsim readings picked up, pointing to higher levels of speculation in the market.








### Economy

The Conference Board's Leading Economic Indicators continued to hit all-time highs with no signs of rolling over, which it has historically done leading up to a recession.

Unemployment is low, consumer confidence is high, earnings are strong, inflation is stable, and corporate America is benefitting from tax cuts. We remain positive on the U.S. economy and expect the economic expansion to continue into 2019.

**Our Outlook: Shifted to Very Positive**

### Monetary Policy

We've kept our gauge of Monetary Policy neutral moving into the last quarter of 2018. The Fed raised rates again this quarter, but we believe this is the Fed trying to normalize policy rates and acknowledge improved economic conditions.

We believe these rate increases have been scripted out and were expected by the market.

**Our Outlook: Neutral**

### Valuations

Valuations moved from one of our areas of greatest concern in 2017 to one of our positive gauges during 2018. The price of stocks has increased this year, but the pace of stock price appreciation has paled in comparison to actual and expected earnings.

Companies meeting or exceeding these lofty earnings goals will be key to maintaining this positive valuation environment. We expect earnings growth to be more moderate in 2019.

**Our Outlook: Positive**

### Sentiment

We moved this gauge to a slight negative this quarter as optimism readings have picked up and point to higher levels of speculation in the market.

Moving into the fourth quarter, we have seen volatility move back into the market as stocks came under significant pressure in early October.

**Our Outlook: Shifted to Slightly Negative**

### Interest Rates:

From a longer-term perspective, rates remain low and we believe the level of interest rates is having a neutral effect on the U.S. economy.

The slope of the yield curve remains positive (a historically good omen), and some modest steepening has occurred of late with interest rates moving higher.

**Our Outlook: Neutral**

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