

### What happened in July?



U.S. Equities had a relatively calm July with generally positive quarterly earnings reports and a down tick in concerning headline news. The biggest event to come out of July happened on the month's final day when the U.S. Federal Reserve cut rates for the first time since 2008. This decision was largely expected and had been telegraphed by the Fed for some time, but

investors were somewhat disappointed by the Fed's explanation. As opposed to justifying the cut as a way of getting ahead of potential economic weakness, Fed chairman Jerome Powell explained it as a mid-cycle adjustment and that more cuts would require more concrete economic weakness. This statement has created a heightened sense of uncertainty about what the Fed will do next.

The majority of S&P 500 companies that have reported Q2 earnings exceeded expectations and so far an interesting trend has appeared. Companies in the S&P 500 with larger global revenue exposure underperformed those with less global revenue exposure during Q2 due to a strong dollar and global economic questions.

The U.K. elected a new Prime Minister, Boris Johnson, as Brexit negotiations have been stalled for some time. A new Prime Minister means a possible shift in tactics to get the Brexit deal solidified or that the U.K. will exit the EU without a deal in place. The underperformance of U.K. equities relative to the rest of the EU worsened in the second quarter.

#### July by the Numbers:

U.S. Equities: **1.4%**  
S&P 500 Index

International Equities: **-1.2%**  
ACWI ex-U.S.

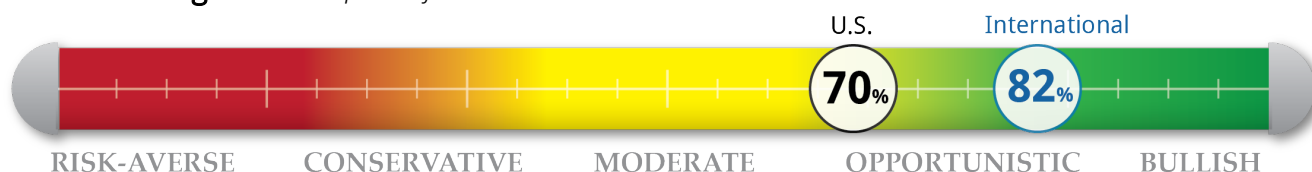
U.S. Bonds: **0.2%**  
Barclays U.S. Aggregate Bond Index

Global Bonds: **-0.2%**  
JP Morgan Global Aggregate Bond Index

### Moving into August

The U.S. Federal Reserve's decision to cut rates but exclusion of a clear path forward has reintroduced some uncertainty regarding the next steps of the central bank. Investors will be looking for any sign pointing to whether cutting rates was a good decision and what the next meetings will have in store. U.S. and China trade is still very much a market moving topic that progressed slowly during July. With discussions having resumed at the end of June, there may be news on the horizon that could cause market action in either direction. Domestic economic data remains relatively strong, but there are still signs of a global economic slowdown. Quarterly earnings have been generally positive, though geopolitical risk still remains. We currently sit 70% invested in our U.S. equity strategy and 82% in our international equity strategy.

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



Negative Indicators	Neutral Indicators	Positive Indicators	
<b>Valuation</b> There was little change to valuation indicators in July. A slightly positive month for equities and few if any big surprises in quarterly earnings reports kept P/E ratios in line with the end of June at 19.3 as of July 31.	<b>Sentiment</b> Sentiment indicators moved slightly lower from last month, though no significant move of data points occurred. Slight weakening occurred as data showed tighter requirements by credit issuers and slightly higher expectations of an economic reversal.	<b>Macroeconomic</b> The Federal Reserve confirmed the U.S. economy's strength in the press release and conference by Jerome Powell. They recognized a healthy economy as the reason for not signaling further rate cuts. Unemployment remained near record lows and GDP growth stayed solid. Inflation was the only laggard, but has been for some time.	<b>Technical</b> Technical indicators remained positive with domestic equities moving higher in July. The S&P 500 remained comfortably above its moving averages, notably being 7% above its 200-day moving average. Relative strength index, a measure of momentum, moved slightly lower due to July being less positive than June's large gains.



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 7/31/2019. Data provided by Bloomberg, NorthCoast Asset Management.

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