Churchill Management Group

Monthly Market Update

July 7, 2017

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TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

After a solid run so far in 2017, the leading Technology stocks took a mild breather in June. The NASDAQ fell nearly one percent last month while the Small and Mid-Caps benefitted with gains of 3.3% and 1.45%. Some areas within Technology, like the semiconductors, have been hit disproportionately harder than others, but the NASDAQ and all major indices remain in a confirmed uptrend.

The recent heightened volatility within the leading technology stocks does warrant some scrutiny but the overall market Technicals remain solid. Most of the major indices are within a percent of their all-time highs, with the exception of the NASDAQ which is a mere 2% off the high. In addition, the positive action from the Small Caps has translated to greater participation and improved market internals, pushing breadth on the NYSE to new record highs.

As has been par for the course, despite a plethora of reasons for this market to go lower, it remains near all-time highs. Recent hope for economic improvement and a rebound in corporate earnings have helped offset the geopolitical concerns which have been creating daily headline worries. Despite the better than expected earnings, the broader economy has remained sluggish and the market friendly Federal Reserve may soon turn foe as it is debating further rate hikes in this sub-par economy. The FOMC minutes showed some members have expressed concerns that elevated asset prices and the low equity premium could lead to financial instability. Something to keep an eye on, but the market remains positive for now. We will continue to look to our indicators and the markets to guide us rather than speculate. We will keep you informed.

TACTICAL OPPORTUNITY

A minor step back in the Technology sector and some other areas in the market forced a few stops to be triggered, but for the most part the portfolio is at the higher end of the percent invested spectrum and has been performing well. Past winners, such as Google and Netflix, gave back some of their advances as did the semi-conductor group which impacted Qorvo inc. General broad strength, though, and some good months from Health stocks like Celgene, Financial JP Morgan, and Industrial Goodyear Tire netted to a good month. No significant changes in the model.

FULLY INVESTED

ETF SECTOR ROTATION

No changes during June for the model. Weakness for the month came from the Consumer Discretionary and Consumer Staple stocks, as well as Technology, Utilities, and Energy. The top winners were the rebounding Financials, which had been lagging after their initial post-election surge, along with Healthcare. The model remains overweight Technology, Healthcare, and Financials and underweight Energy and Utilities. The broad markets were generally strong with Small Caps up around 3% (compared to a basically flat S&P 500). For the Internationals, Euro stocks pulled back about two percent, while Emerging markets were nearly flat. We have a Euro position but have yet to open one in Emerging Markets.

EQUITY GROWTH AND VALUE

Winners outpaced laggards with strength from names like Fed Ex, Celgene, Metlife, Bank of America, and Intercontinental Exchange all up more than 8% for the month. As noted above, weakness was felt from some Technology holdings and in particular semi-conductors which until June had been on a great run. Light activity continues to be the theme.

EQUITY DIVIDEND INCOME

Dividend stocks were essentially flat for the month following. Weaker were Utility stocks as there was a rise in the 10 year treasury. Good news came from a couple of Oil stocks, as despite general weakness in the Energy sector, Oil prices did increase. Also strong were Health stocks such as Abbvie, and Financials such as HSBC Holdings.

For a full description of each strategy, please click here.

Best regards,

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