Churchill Management Group

Monthly Market Update

August 3, 2017

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

Driven by strong corporate earnings, the U.S. stock markets made all-time highs yet again in July. Led by the Technology sector, the Nasdaq was up over 4% for the month, followed by the Dow (+2.5%) and the S&P 500 (+1.9%).

Pushing the market higher has been the fact that corporate earnings have continued to positively exceed expectations. After sluggish reports in 2015 and 2016, profits have been rising at a better than 10% pace in 2017. This is in the face of the drama continually playing out in Washington. At present, both our Fundamental and Technical indicators continue to confirm that we remain in a bull market until proven otherwise.

Despite the strong showing from corporate bottom lines, though sub-par macroeconomic data still persists, GDP continues to run at a paltry 2.1% annualized pace. Additionally, the lack of significant wage inflation has many doubting whether the Fed can keep to its hinted goal of raising rates again in December.

In the meantime, stocks have risen amidst historically low volatility. The S&P 500 Index's last 5% correction occurred more than a year ago and the last 3% dip was as far back as nine months ago. The largest pullback so far in 2017 is only 2.8% which is the smallest since 1995. How long can this last? We will not speculate but until the price action confirms otherwise, we intend to fully participate in the market run.

We have a watchful eye on the same old suspects in this market. Will we get the big fiscal boost in tax reform or deregulation? Will the Federal Reserve make a policy misstep and choke this bull market out? We may soon find out. Until then, we will rely on our technical, fundamental, and sentiment indicators to give us a complete reading of this market. Our tactical portfolios continue to be heavily invested yet cognizant of potential risks around the curve

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TACTICAL OPPORTUNITY

Reactions to earnings were on the wild side during the month, but mostly favorable as the model remains heavily invested in equities. Netflix had the biggest gain for the month, up over 20%, while fellow FANG stock, Facebook, also rose nicely. A few stocks did react negatively to earnings news, such as Goodyear Tire, but for the most part the holdings look good. We continue to look for an addition or two.

FULLY INVESTED

ETF SECTOR ROTATION

Technology stepped back into the spotlight, rising nearly 5% during July which lifted the S&P 500 to just over 2% for the month. Utilities were up around 2.5%, and although no sector was down during July, all of the other sectors lagged the market. With light volume and the market chugging along, our model has made very few moves, remaining overweight in Technology, Financials, Health and underweight Energy and Utilities.

For the broad markets, only Mid-Cap Value and Large-Cap Growth posted a better than 2% month. Small Caps lagged slightly. The Internationals had a good month and the model is now a green light on both Emerging markets and Euro markets.

EQUITY GROWTH AND VALUE

Despite a fairly volatile reaction from stocks toward the end of the month, for the most part our Equity Growth and Value holdings were good. Most of the group was somewhere between plus four to minus 1 enjoying some strength from Technology. Given the positive performance, activity in the portfolios has remained light.

EQUITY DIVIDEND INCOME

The dividend paying group continues to plod along, remaining mostly flat for the month. Healthcare holdings stumbled some, but nothing too significant. Interest rates were largely unchanged, with the 10 year falling slightly from 2.3 to 2.25% by month's end. With interest rates still near historic lows, the yield from this group remains attractive.

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

Best regards,

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