



TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The market correction has continued, as the indexes had another negative month in March: Dow (-6%), S&P 500 (-5%), Nasdaq (-6%) and Russell 2000 (-1%). The law of averages eventually comes into play, and after a relatively smooth ride last year, volatility has returned in 2018. In fact, most of the trading sessions this year have been more volatile than last year's highs.

The market has broken below some key trend lines, and the major indexes are testing their lows and trying to hold support at their 200-day moving averages. The question now is, are we in a run-of-the-mill pullback or something more serious? Could this be a topping process to mark the end of the long bull cycle that began in 2009? We have moved to a defensive position as a precaution. Should the current lows, which coincide with the longer-term moving averages, fail to hold, it would prompt us to become even more defensive.

There are two concerns that make today different from previous years. First, after years of boosting the market with quantitative easing and historically low interest rates, the Fed is now a headwind. Based on what Chairman Powell has said, it appears the Fed "put" (i.e., an attempt to boost securities and money flow with low interest rates) is no longer there as the Federal Reserve embarks on a cycle of rate hikes. And with balance sheet reduction continuing to ramp up, the subsequent decline in demand for treasuries could also lead to higher rates.

Second, after perceived Good Trump enacted tax cuts and deregulation last year, perceived Bad Trump has been instigating potential trade wars. In short order, the President has been unwinding decades of trade policy. The first shots have been fired with the implementation of tariffs, as well as with the threat of more to come. The big question is whether this is all just gamesmanship and, if so, will it work? Or will it backfire?

After holding up in the initial decline, the Tech sector has now begun to break. FANG stocks (Facebook, Amazon, Netflix and Google-parent Alphabet) had been propping up the market, but

are now starting to feel the pressure. Facebook has become mired in an array of problems that is likely to lead to new regulation, while Amazon finds itself in the crosshairs of President Trump, which could mean higher costs for the tech giant should the President get what he wants.

TACTICAL OPPORTUNITY

As a result of recent volatility in the market and in leading stocks, we have reduced the percent invested in Tactical Opportunity. Many stocks are flirting with sell signals, so we have taken a more defensive posture as we continue to watch them closely. Given the trouble and technical weakness in the market, proper buy signals have not been found.

FULLY INVESTED

ETF SECTOR ROTATION

No sector rotations were triggered during the recent market turbulence. Past laggards Utilities and Energy are leading, while former leaders Tech, Health and Finance have lagged. It's normal to see such action as volatility like we've seen recently emerges. Interestingly, Small Caps fared better than Large-Cap stocks. Europe outperformed Emerging markets. As always, we'll continue to monitor the situation closely, but as of now, no changes have been made to our model.

EQUITY GROWTH AND VALUE

History shows that past leaders get punished more severely than other stocks during downturns, and that's been the case again recently. Facebook sold off as a result of its data breach scandal and subsequent calls for increased regulation, but it wouldn't be surprising to see us buy it back again if the political issues are cleared. We have done some small weeding of the portfolio over the past few months as a result of the bumpy market.

EQUITY DIVIDEND INCOME

The portfolio has seen some volatility, but not as much as in the general market. Utilities and Energy actually performed well over the last month, while Tech and Health stepped back. The model showed some rotation of a few holdings that triggered defensive stops.

For a full description of each strategy, please [click here](#).

Best regards,

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** This report is meant to inform the reader of our current market opinion, which we, as professional money managers, use in our decision-making. It should be noted that stock market and bond market data are subject to varying interpretations and any one interpretation will not necessarily guarantee investment success. The information obtained from the sources specified herein and used as basis for our current market opinion is believed reliable, but we do not guarantee the accuracy of such information.

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