



TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

May was a tale of two markets: One where Small Caps and Tech stocks showed strength; the other where Large Caps lagged. Small Caps out-performed, breaking out to new highs with a 6% gain for the month. Tech followed suit with a 5% rise, but the Large Cap indices trailed, edging just 1% to 2% higher. The International markets, particularly Europe, took big hits during the month.

The biggest positive has been the strong earnings environment. Over 78% of companies reported numbers that topped expectations, resulting in 24.6% year-over-year growth for Q1. However, despite the strong performance, the positive surprises netted results that were just 0.2% higher – a sign that strong earnings gains were already priced into the market.

Fundamentally, valuations remain elevated and interest rates are creeping higher. The Federal Reserve is expected to deliver at least two more hikes this year, with one coming this month. The Fed's balance-sheet reduction is gearing up to be in full swing soon.

Technically, the markets found support at and bounced off their trend line, and the 200-day moving average has also remained above that benchmark. Tech and Small Caps bounced, consolidated and followed through recently, with the latter making new all-time highs. This is a positive sign when coupled with breadth also being at all-time highs.

The primary concern going forward is the attempted re-negotiation of our trade deals. It remains to be seen if this approach will develop into a tit for tat that escalates into

something much bigger.

Italy came back into the news as its euro-skeptic populist parties in government spooked the markets. Concerns include their desire to leave the euro or materially increase the country's debt load.

In summary, the internals have gotten a little more positive, but risks loom and that keeps us cautious.

TACTICAL OPPORTUNITY

Micron Technology led the portfolio, with the memory and data storage firm surging 37% in May. Micron had been flirting with a sell signal, so it was nice to see a positive turnaround. While Financials such as JPMorgan and Citigroup showed some weakness, there were additional positive performances from the likes of Apple. We made one recent purchase in May, but otherwise the percent invested remains the same.

FULLY INVESTED

ETF SECTOR ROTATION

Energy kicked off May with a strong start, but then pulled back. The best performance for the month came from Tech, followed by Industrials. The only down sectors were Utilities and Financials, which are usually opposites on interest rate worries. Financials, however, were more sluggish on concerns about Europe. There were no changes to the portfolio in May, which remains overweight in Discretionary, Tech, Financials, Industrials, and Materials. In the broad markets, Small Caps perked up with a 6% gain for the month. Midcaps and Large Caps were all positive in May. Growth slightly outperformed value. Internationals lagged, particularly Europe, which triggered a sell signal for our model. Over the past few years, we have seen a series of false starts for International stocks.

EQUITY GROWTH AND VALUE

There was not a significant amount of variation among the holdings in May. FAANG (Facebook, Apple, Amazon, Netflix and Alphabet's Google) stocks had a rebound, as seen in the performances of Apple and Netflix. We did see some volatility during the month, but it was much lighter than that experienced in the beginning of the year.

EQUITY DIVIDEND INCOME

Dividend stocks plowed ahead to a decent month in May, with energy stocks such as Marathon Petroleum, Phillips 66, Oneok and Valero Energy taking the lead. Continued weeding of the portfolio is expected, but without any significant changes to the sector lineup.

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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