Churchill Management Group

Monthly Market Update

August 7, 2018

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

July was a very positive month, especially for those indices that have been lagging. Trade fears eased with some progress seen in potential deals with Europe and Mexico, helping propel some of the Industrials.

The Dow Jones rose 4.7% and the S&P 500 gained 3.6%. While the Nasdaq and Small Caps, which have been leading the market took a back seat in July, they were still up 2.2% and 1.7%, respectively.

China and Canada have seen little progress in trade talks with the U.S. The negotiations with China could be critical in swaying the markets one way or the other, and the uncertainty will likely drag on for some time.

With Q2 earnings season in full swing, we continue to generally see good numbers, but once again the positive surprises are not being rewarded. We had a couple of negative results from Netflix and Facebook, which weighed down Tech stocks.

In general, the market remains quite expensive by most measures. Plus, the effect of central banks reversing course as they attempt to normalize interest rates and reduce their balance sheets (so-called quantitative tightening or QT) remains a source of uncertainty and concern.

The Fed is likely to keep leaning more hawkish as a result of recent upgrades to its economic forecast following the 4%+ GDP reading, as well as the robust jobs numbers.

Technicals remain solid as breadth is strong and leading stocks are still trading around their highs. Overall, the action in the market has been constructive, but there continues to be enough uncertainties to warrant some caution.

TACTICAL OPPORTUNITY

July was a good month for the majority of the portfolio's holdings. We saw a nice rebound from Matador Resources, and good performances from Avery Dennison, JPMorgan Chase and Marathon Oil led the way to a slight increase in percent invested.

FULLY INVESTED

ETF SECTOR ROTATION

In what turned out to be a good month, the surprising top performer in July was the Healthcare sector. Consumer Staples, Industrials and Financials also outperformed. Utilities and Energy were the laggards. We remain overweight in Healthcare, Tech, Financials, Consumer Staples and Consumer Discretionary.

Across the board, broad markets lagged slightly as Smaller Cpap stocks trailed. International markets continue to look weaker than the U.S., and our model still has an "Avoid" rating for both Emerging Markets and Europe.

EQUITY GROWTH AND VALUE

July saw a lot of variation among the stocks in the portfolio, with most posting a positive month. Old standards like Apple, Google parent Alphabet and Amazon showed strong performance, as did Norfolk Southern in the Transportation sector and Bank of America in Financials. Minor weeding continues, as we lean towards patience with laggards while the market continues to rotate leadership.

EQUITY DIVIDEND INCOME

While not keeping pace with growth stocks, the model's dividend and income holdings still grinded out a nice month. Some regional banks lagged with slight declines in July, but those were offset by nice gains in certain Energy sector names. At present, activity remains relatively light.

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

Best regards,

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