Churchill Management Group

Monthly Market Update

October 5, 2018

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The market is in the midst of a rough couple of days triggered by the 10 and 30 year yields jumping following strong private payroll numbers. This leads to fears of inflation which will then force the Fed to raise rates further. Additionally, Fed Chairman Powell spoke this week and did not calm nerves when he indicated that we are a "long way" from neutral on interest rates, implying more tightening to come. The market reacted fiercely and quickly, dropping both Thursday and Friday. October has historically been a more volatile month and this one appears to be starting off in that fashion. At present, it appears to be more of a normal, if not needed, pullback. Markets don't go straight up or down. But we are keeping a close watch.

Last month, the S&P 500 closed September relatively flat (+0.4%) while the Dow Jones industrial average outperformed with an almost 2% gain. The Nasdaq was off 0.8%. Small Cap and higher beta stocks underperformed in the -1 to -2% range.

Trade talks dominated the action in September. With the NAFTA deal being signed, it made sense that the biggest winner was the Dow, whose composition is more exposed to the impact of trade negotiations due to its international exposure. There was some rotation from certain leading groups like Tech and Smaller Caps, but they are still in and around their highs.

The two big factors to watch remain the Fed and trade talks. The fear with the Fed is that it will become too aggressive and overdo it. On trade, with NAFTA and North America out of the way, the focus will now be on Europe and China, which won't be so easy.

We will continue to be a bit cautious and, as always, let the market guide us via our fundamental, technical, and sentiment indicators.

TACTICAL OPPORTUNITY

We experienced some bumps in September, but few forced sells. We also made a couple of additions over the past few weeks. Patience remains the central theme while the market sorts out the balancing of worries vs. positive report cards. The portfolio saw good rebounds from some stocks that had been on the worry list, including Northrop Grumman (NOC).

FULLY INVESTED

ETF SECTOR ROTATION

Since the start of September, only Energy, Industrials, and Healthcare were up. But no group is yet down beyond our tolerance. Consumer Discretionary and Materials are down the most, off some 3% from their recent high-water marks. Materials, however, are now about 10% below their January high.

Current holdings in the portfolio include Technology, Financials, Consumer Discretionary, Consumer Staples and Healthcare.

Note that starting this month, the S&P has created a newly minted consumer services sector. It's a mix of stocks from the XLK (Technology) and XLY (Consumer Discretionary) groups, including Facebook, Google parent Alphabet, Disney and Netflix. We presently do not have a position, but will keep an eye out for a buy signal.

Broad markets have been lagging across the board. Small Caps have trailed the most, sitting around 5% to 6% off the all-time highs they hit as recently as the end of August.

Internationals continue to look poor and remain an "Avoid" by our model.

EQUITY GROWTH AND VALUE

It's been a mixed bag as the market has continued to show choppy action. Some of the Financials have been a bit slow, but were offset by certain oil stocks. Sustainable sector trends have been few, so activity in the portfolio has been light.

EQUITY DIVIDEND INCOME

Rising interest rates have been offset by good corporate earnings, keeping dividend stocks grinding along with the general market. Long-term holdings such as Lockheed Martin (LMT) and Boeing (BA) posted a strong month in September, up just under 8% and 5%, respectively. Activity in the portfolio was light during the month.

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.