



*Churchill Management Group*

Monthly Market Update

April 9, 2019

## TACTICAL STRATEGIES

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### PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The markets continued to grind higher in March. Historically, V-shaped bottoms have not been ideal, but the recent market action off the lows in December has been constructive. Breadth remains strong, consistently making new all-time highs as the indices have slowly continued their upward march. For the month, the Nasdaq led with a 2.6% gain, followed by the S&P 500's 1.79% rise. The Dow Jones Industrial Average was essentially flat. Higher beta large cap stocks have outperformed, indicating a growing appetite for risk.

The internal action has been notably positive. Ample demand has kicked in when any signs of weakness have emerged. The largest drawdown since Dec. 24 has been a 3% decline in early March. It all appears to be a rally driven by relief, as investors seem less worried about a heavy-handed Fed raising rates and about a nasty trade war escalating, causing a recession. Investors are maybe even a bit hopeful that talk of a slowing global economy will not be as bad as feared.

As a result of the Fed's sudden shift, many interest rate-sensitive groups like housing, REITs and high yield dividend growth stocks have sharply recovered, coinciding with a more than 75 bps drop in interest rates in recent months.

News on first quarter growth will now start to trickle in and will need to impress as the market's P/E ratio is now back above the pre-correction levels in October. Meanwhile, earnings projections for the first quarter are calling for a negative number.

Will the major indices be able to surpass their all-time highs or will those benchmarks serve as resistance and finally give the market some pause? So far, technical resistance levels have not mattered much in this historic V-shaped rebound off the lows. However, we know that markets do not move straight up. At some point, the indices will back and fill, and when they do, the action

afterwards will tell us much more about the sustainability of the current rally. Until then, we will remain reluctantly constructive on the market and be prepared to adjust our view based on the incoming data.

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## TACTICAL OPPORTUNITY

Good rebounds from the likes of Apple, Amazon, and Google continued in March. While no new additions were made during the month, given the ongoing positive action, some buy signals are likely. Meanwhile, the invested portion of the holdings looks positive.

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## FULLY INVESTED

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### ETF SECTOR ROTATION

As the market keeps grinding higher, a few trends have continued, while others may have started to turn. Technology and Consumer Discretionary continue to be led by a strong consumer sector, and Materials sprung to life on some positive news from China. Holdings in Defense, Utilities and Health lagged the rally, while Consumer Staples held up.

Recent market action has triggered some adjustments. We removed our overweight in Utilities and increased our exposure in Materials.

Regarding the broad markets, although small caps have lagged for most of the rally, they have shown some life recently. We continue to lean towards growth over value.

Emerging markets outperformed in March, but did not trigger a buy. We also continue to prefer the U.S. over Europe.

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### EQUITY GROWTH AND VALUE

Standouts in March included positive monthly gains for Apple, Broadcom, AutoZone, and Ulta Beauty. Presently, few yellow lights are flashing as the majority of the stocks in the portfolio are

holding up well. There may be some rotations ahead, but for now, we are comfortable with the majority of the holdings.

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## EQUITY DIVIDEND INCOME

We are currently just riding the wave for dividend stocks. Consumer holdings, such as Target, Starbucks, and Home Depot, posted strong performances in March. For now, we expect only light activity in the portfolio.

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

Best regards,

**CHURCHILL MANAGEMENT GROUP**

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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.

