Churchill Management Group

Monthly Market Update

July 9, 2019

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

Despite a litany of concerns, the U.S. stock market has made another charge at all-time highs behind the feeling that the Fed is covering its back. Both the S&P 500 and the Dow Jones 30 hit all-time highs last week, while the NASDAQ remains an eyelash below.

It is the fourth time in the past seventeen months that the S&P 500 has attempted to power through these levels, thus far finding resistance each time. Going back to late January 2018, the S&P 500 is up just barely 3% and the DJIA just 1% over the time period. The Nasdaq has fared better, up around 8% over the year and a half period. However, to get there, the technology led group had to endure two 10% corrections, plus a rather painful 23% adjustment ending December of last year. Rounding out the asset-allocation view, small-caps have been down around 2-plus percent over those seventeen months, while Emerging Markets are off roughly 17%. Tough sledding for a global basket of stocks.

There remains a sense of excitement over the world's central banks' commitment to accommodative monetary policy in the form of lower interest rates. The Federal Reserve's shift to a dovish stance has been positive, with the Fed promising to "act as appropriate to sustain the expansion." It is going to be interesting to see where the Fed goes. With markets at all-time highs and a recently strong jobs report, does the Fed feel the need to cut? On the other hand, global slowing fears abound so maybe the Fed feels the need to inject some fuel raising the question, "what is the market doing at all-time highs?"

In addition to the Fed, the big wild card remaining on the table is trade talks. While the markets have cheered every positive development, it is noteworthy that it has been over a year since tariffs were put in place and no real progress has been made toward a conclusion. The only thing to come out of the G-20 meeting was another temporary truce from the implementation of more tariffs.

Both sides likely believe there is an advantage to waiting. President Trump has hinted that he believes the longer the tariffs are in effect, the tighter the noose gets. Meanwhile, Premier Xi knows President Trump has an election in the future while he does not. Until a deal is done, there is always the risk of escalation.

In terms of fundamentals, one worry is that S&P earnings have turned flat to negative which has pushed valuations high on an historic basis.

We remain cautious and will continue to tread lightly until we can get some confirmation. Breadth has been the big bright spot. If the Nasdaq can confirm new highs set by the S&P, it would be a positive development. As always, we will watch closely and let the market guide us.

TACTICAL OPPORTUNITY

June saw good performance from the majority of the holdings. Apple, Adobe, Amazon, and Oracle were all up over 14% for the month. Despite the solid run, the percent invested remained fairly conservative as buy signals remained scarce.

FULLY INVESTED

ETF SECTOR ROTATION

The strong rebound in June was led by cyclical sectors. Technology was the top performer, followed by Consumer Discretionary and the Alphabet-led Communication Services. The flip-flop continues as May’s stars, such as Utilities and Real Estate, lagged.

We are currently overweight Technology, Consumer Discretionary, Communication Services, Consumer Staples, and Financials.

While lagging slightly, the broad markets jumped nicely in June. Both midcaps and small caps were up a little less than the overall market, with small caps bouncing all over the place. It was the same story for internationals – up nicely, but less than the U.S. markets.

Our model is currently more focused on the growth side of the ledger, with a preference for the U.S. over international.

EQUITY GROWTH AND VALUE

After a fairly busy May, June settled in with little activity and nice returns. FANG stocks led the jump, with Facebook rising 18% for the month. Chip stock Broadcom was a great illustration of the positive reversal in June, with the stock down over 20% in May, followed by a rebound of just under 20% last month.

EQUITY DIVIDEND INCOME

Dividend stocks have continued to benefit from the drop in the 10-Year Treasury yield below 2%. Activity has been very light in the portfolio as the stocks go along for the ride.

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.