Churchill Management Group

Monthly Market Update

December 10, 2019

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The markets continue to be resilient. Optimism regarding a trade deal combined with an accommodative Federal Reserve has kept the major stock indices hanging around all-time highs. The period between Thanksgiving and the end of December tends to be favorable for the stock market. We will see if the trend holds in what has been a good year.

Concerns over U.S. and China trade talks spooked the market at the beginning of December, but to date it has recovered nicely with the help of an unexpectedly strong jobs report. The major large-cap indices are at all-time highs, and breadth on the NYSE has confirmed the move. The recent uptick in the small-cap indices could be a sign of more broadening in the markets, which would be another technically positive indicator.

However, it is not all positive. The fact remains that the trade talks can turn on a dime, and valuations remain stubbornly high. While such a scenario can remain in place for an extended period of time, it does highlight how the market is more susceptible due to historically high earnings multiples.

Consumer sentiment is also at positive extremes, rivaling levels last seen in 2000. This contrarian indicator specifies that such strong optimism could be a warning sign that things cannot get much better.

Another potential problem down the road is the excessive accumulation of corporate debt. Low interest rates have done their job in propping up asset prices and spurring greater economic growth by lowering the cost of capital. However, one of the unintended consequences is a rise in general debt levels, especially for corporations.

Nonetheless, the market looks sound from a technical view as it continues to grind higher. With the market breaking above key resistance levels, our tactical strategies slightly increased the percent invested. As usual, we will let the market guide us and if our indicators change, we will adjust accordingly.

TACTICAL OPPORTUNITY

Overall, November was a good month for the strategies' holdings. The laggards were big retailers Home Depot and Amazon, with the former now trading around 10% off its highs. Disney delivered a strong month as excitement continues around its entry into the streaming world. The strategy saw a slight increase in percent invested in November with the addition of a few holdings, including a biotech ETF.

FULLY INVESTED

ETF SECTOR ROTATION

Technology continues to be a consistent leader, posting another strong month. Healthcare showed a healthy pop, leading to an increase in the model's exposure for the group. Financials were strong in November, while low interest rate plays Utilities and Real Estate lagged. Weakness in the Consumer Discretionary group led to a reduction for the sector.

We remain equal or overweight Tech, Financials, Healthcare, Communications, Consumer Staples, and Industrials. For the most part, the broad markets moved in tandem, as Small-Cap Growth broke out, triggering a buy for the model. Internationals were up, but lagged slightly. We still prefer U.S. holdings.

EQUITY GROWTH AND VALUE

We saw few rotations in November, as the holdings largely moved up nicely with the market. While there was some lagging from the defensive holdings, we had good strength in Tech giants Apple, Microsoft, and Google parent Alphabet. We do not see any significant changes for now.

EQUITY DIVIDEND INCOME

Healthcare holdings had the best month. For the most part, dividend holdings performed well, although not as strongly as their Growth counterparts. Routine turnover remains the norm as the market continues to grind higher. With interest rates still low, the dividend group has continued to be a good play.

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

Best regards,

CHURCHILL MANAGEMENT GROUP
877-937-7110
info@churchillmanagement.com