Churchill Management Group

Monthly Market Update

April 13, 2021

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The stock market has been on a nice charge upward since the start of March. With herd immunity in sight and plenty of stimulus being thrown at the economy, stocks have been reaping the benefit.

As represented by the Dow Jones Industrial Average and S&P 500, the stock market has overall been very tame, if not boring, as it consistently has risen all year. Below the surface, however, there has been some rather significant rotation. Early in the year, leading Growth stocks were being exchanged for more Value stocks, like Financials and Energy. So much so that the tech-heavy Nasdaq experienced a 13% correction early in March. Over the past few weeks, though, Growth has taken back a lead while Value and Internationals have risen, but not as much.

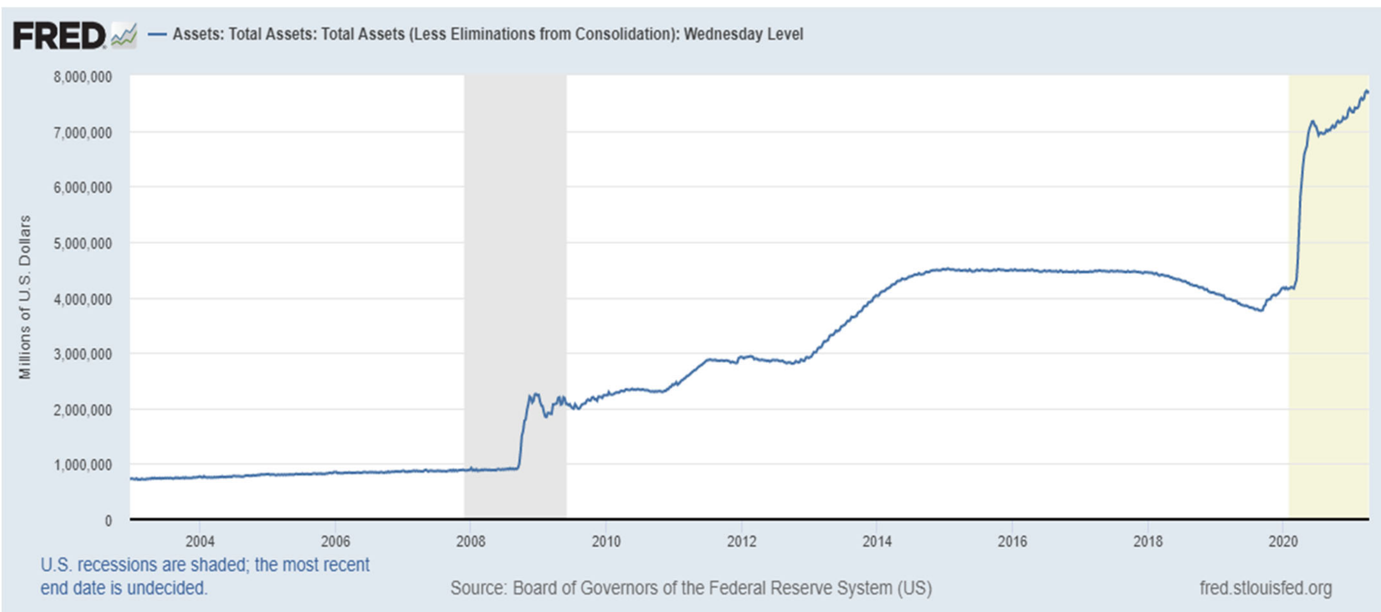
The Nasdaq clearly led the market during the entire pandemic as technology enabled the world to continue to function. The Coronavirus accelerated many existing trends like online shopping, video conferencing, remote working, and cloud services, boosting the top and bottom-line numbers for many Technology stocks, leading to a huge out-performance in the sector. One can argue some of that was overdone.

Fast-forward to today with vaccines in full swing and the focus now appears to be on the recovery. There is little dispute that there will be pent-up demand as consumers flock to make up for a lost year.

Investors have clearly been making the adjustment. As mentioned above, there was a rotation out of Tech and into the recovery and Value stocks starting back in November of last year. Anything that requires a physical presence has seen a material uptick, including travel, retail, and leisure. Also, any industry that benefits from a general uptick in demand from a hotter economy has also seen a rebound, as evidenced by Materials, Energy, and Construction.

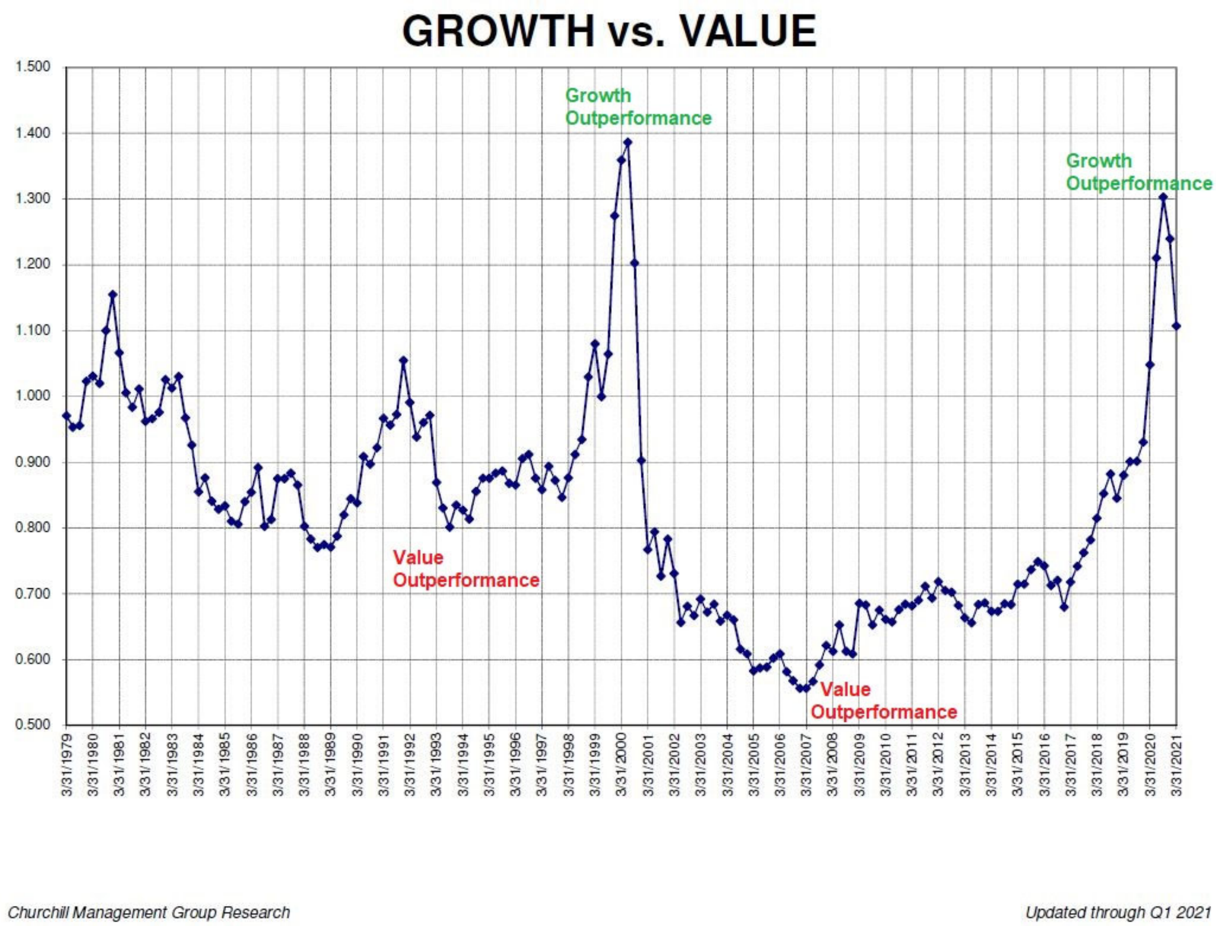
After selling off, Tech has rallied back in the last couple of weeks. There is no question stocks in the sector will also benefit from an uptick in the economy, but the question is always how that stacks up to expectations. A good case can be made that Tech's growth will slow a bit compared to last year, potentially creating a headwind that could cause the group to underwhelm.

The markets continue to benefit from historic amounts of stimulus. That is likely the reason that, despite the rotation underneath the market, we continued to see new highs established by the major indices. Monetary stimulus remains very accommodative, with the Federal Reserve's balance sheet at almost $8 trillion dollars and increasing at $120 billion per month. The Fed's asset purchases have pushed asset prices higher everywhere.



While aimed at the real economy, fiscal policy is also finding its way into the equity markets, with many retail investors using their stimulus checks to buy stocks.

In sum, the market is quite positive, though it is still trying to figure out if it is a Growth or Value type of a market. Both monetary and fiscal policy remain very supportive of stock prices with the net result being consistent new highs. We believe there is a good case to make that the rotation to Value may have legs. Growth has outperformed value since 2007, reaching an extreme last year. However, that relative performance may have turned (see chart). As such, in Premier Wealth Tactical Core, we have reduced our focus in growth over time by adding some value positions over the last few months, which has resulted in a more balanced portfolio.



For now, it is easy to remain bullish as we keep watching the rotations closely to see if any adjustments are needed in the strategies.

TACTICAL OPPORTUNITY

Home Depot awoke from a base with a nice jump since March 1. Core holdings, like Amazon and Microsoft, enjoyed a good month. The portfolio is heavily invested with a nice balance of Growth and Value as it rides the tide up.

FULLY INVESTED

ETF SECTOR ROTATION

March marked a trend reversal month, but we generally saw good action across the board. Utilities, Real Estate, and Consumer Staples were surprise leaders. Financials and Energy lagged after having been the strong leaders to start the year, as they are probably in need of a breather. No change for our model weightings for Financials, Energy, Technology, Consumer Discretionary, Communications, Materials, and Industrials.

In the broad markets, March saw a strange lag across the board. Although they have been up, not one of the style boxes has kept pace with the S&P 500 since March 1. Small Caps are also taking a needed breather.

In keeping with the theme of reversal, Emerging Markets took a step back compared to the U.S., although no sell signals were triggered. We maintain a green light on both Europe and Emerging Markets.

EQUITY GROWTH OPPORTUNITY

The significant rotation occurring throughout the year has led us to diversify the holdings in the portfolio. We added exposure to the cyclicals and recovery plays on top of maintaining exposure to the large cap Technology leaders in Apple, Amazon, Microsoft, and Google, which have taken the limelight as of late. The trading year has been a reminder to maintain more balance in the portfolio versus the concentrated momentum run we had last year. We have exposure to recovery and cyclical plays as well as the traditional Tech leaders in the portfolio and aim to be patient as both areas have been taking turns leading in the market.

EQUITY GROWTH AND VALUE

March saw a solid run for the holdings, notching big months from the likes of Home Depot, Alphabet, and Applied Materials. Activity in the model has been light as we ride the trend.

EQUITY DIVIDEND INCOME

Dividend stocks have enjoyed the market's run-up. Holdings like United Parcel Services, Franklin Resources, Newell Brands, and Altria are enjoying solid runs. Only minor weeding expected while things are working.

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

Best regards,

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