Churchill Management Group

Monthly Market Update

September 14, 2021

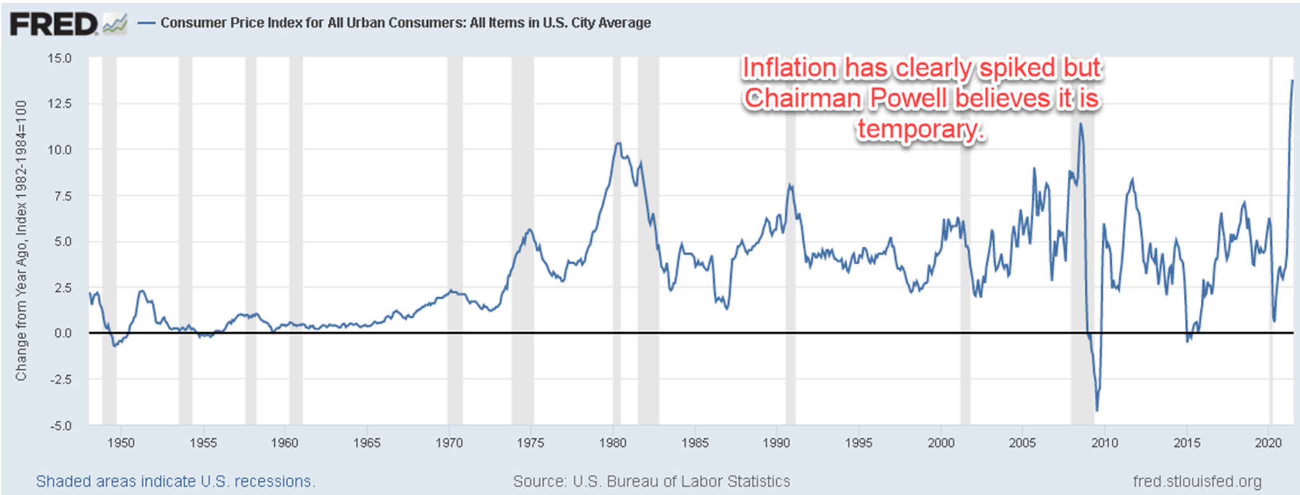
TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The market's attention appears to be firmly focused on the timeline for the withdrawal of monetary stimulus. We have seen the stock market surge when the timeline is pushed back and get choppy when that timeline is pulled forward.

Concerns abounded heading into the Jackson Hole Symposium on August 27. Wall Street watchers speculated on how and when the Federal Reserve would tighten – especially if tightening labor market conditions and inflation would force the Fed to act sooner.

Chairman Jerome Powell dispelled those concerns. He emphasized that employment has much more room for improvement, while also imparting a high level of confidence that the current inflation spike is temporary. Powell stressed that while tapering of asset purchases may begin by the end of the year, rate hikes are far off, as they will be based on a "different and substantially more stringent test."

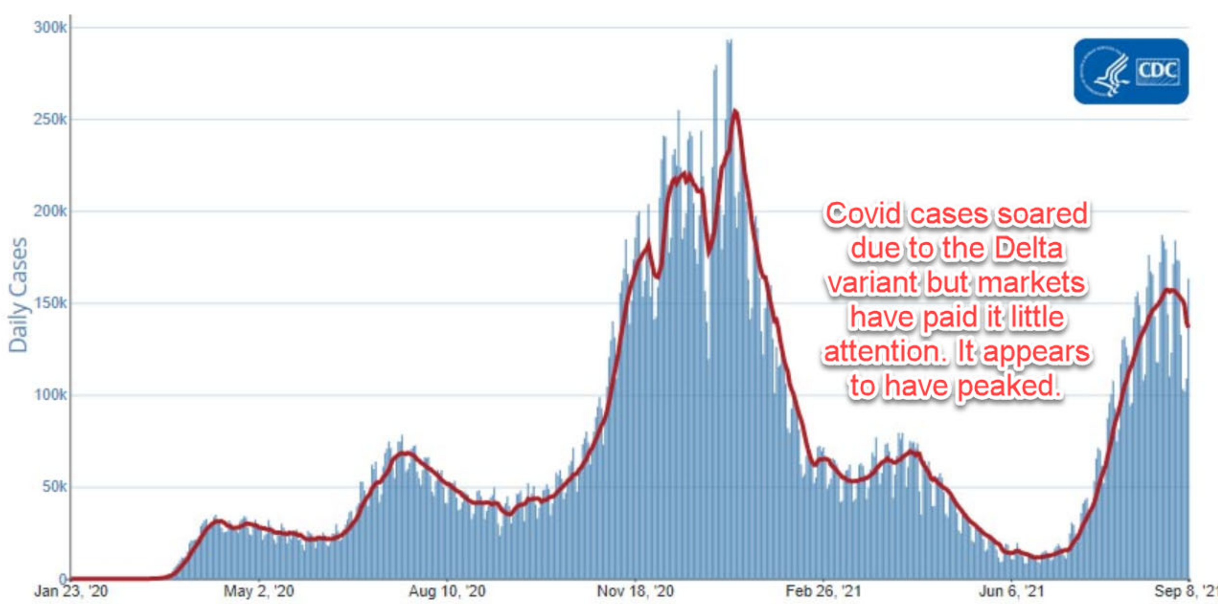


Most analysts have interpreted rate hikes to be at least 12 months away. After Powell's speech, we saw the markets surge, especially the high-beta growth names in the technology sector.

The market's positive reaction, however, was short-lived. Last week in their own speeches and interviews, many of the Fed chairman's peers emphasized the need to start tapering asset purchases sooner rather than later.

Wall Street obviously did not like all the talk about the withdrawal of stimulus, as evidenced by a more negative week than we have seen in a while.

On the virus front, the number of Covid cases surged over the last couple of months as the Delta variant made its rounds. While there has been a clear impact on the pace of the economic recovery, the effect has been relatively muted relative to last year's surge.



The markets have paid it little heed, remaining quite resilient, with most of the major indices in or around their all-time highs. Investors have clearly discounted the positive effects of the vaccines and the improved treatment protocols that have materially enhanced the survival rates for the infected.

Today, we also have in place the mechanisms allowing continued economic activity and interaction despite the surge. In general, markets tend not to have much of a reaction following subsequent repeat events; the markets also largely ignored the subsequent terrorist attacks that followed the 9/11 tragedy in 2001.

The action in the market remains bullish. Most of the major large cap indices remain close to their all-time highs as the mega cap tech stocks continue to buoy the indices. As a result, we remain heavily invested.

The focus remains on the pace of the recovery and inflation. That will dictate the speed of any reduction in monetary stimulus. The last time the Fed tapered, the markets had a tantrum. However, as usual with the market, this being the second time it likely will not be as impactful, especially knowing that there is still a lot of accommodation in the system. The big concern will likely be when policy becomes restrictive, which appears to be far from now. For now, we are staying the course.

TACTICAL OPPORTUNITY

In what was a positive month, there was not a lot of variation among the holdings. Leading the Growth side, Alphabet, Amazon, and Microsoft have each posted 4% gains since August 1. The percent invested remains high while the market remains positive.

FULLY INVESTED

ETF SECTOR ROTATION

Mirroring the Tactical Opportunity model, we saw little variation within the holdings in what was a positive August. Only Utilities, Financials, and Communications outperformed. Energy was the laggard; we still have a position but are watching this sector closely. Our overweight stance in Financials remains.

No clear leaders among the sectors have emerged for some time as the market flips back and forth.

Led by the FAANG stocks, Growth was better than Value, although the latter was just fine. Similar to Value, Midcaps and Small Caps looked fine but were not as strong as Growth. Internationals were up for the month, showing around the same performance as the S&P 500.

EQUITY GROWTH OPPORTUNITY

We saw market breadth expand in August enabling some catch up within our holdings. The cyclical stocks had strong outperformance in August as the rotation in the market continues to churn. The overall price action remains positive, and we are maintaining our lean towards technology in the portfolio.

EQUITY GROWTH AND VALUE

FAANG holdings delivered a good month. Chip stock Nvidia has risen over 14% since the start of August. We have had only minor weeding while the market holds up.

EQUITY DIVIDEND INCOME

Dividend stocks were positive in August, albeit not as strong as the Growth side. We saw some weakness from certain Health and Energy holdings, but those were offset by some Consumer and Financial positions. There are few changes for now.

RISK BLENDED STRATEGIES

Our Risk Blended Strategies are a combination of both Premier Wealth Tactical Core and ETF Sector Rotation. Please see the above commentary for more information on each strategy.

- **Churchill Moderate:** 70% Premier Wealth Tactical Core / 30% ETF Sector Rotation
- **Churchill Moderately Aggressive**: 50% Premier Wealth Tactical Core / 50% ETF Sector Rotation
- **Churchill Aggressive:** 30% Premier Wealth Tactical Core / 70% ETF Sector Rotation

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

Best regards,

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