Churchill Management Group

Monthly Market Update

November 9, 2021

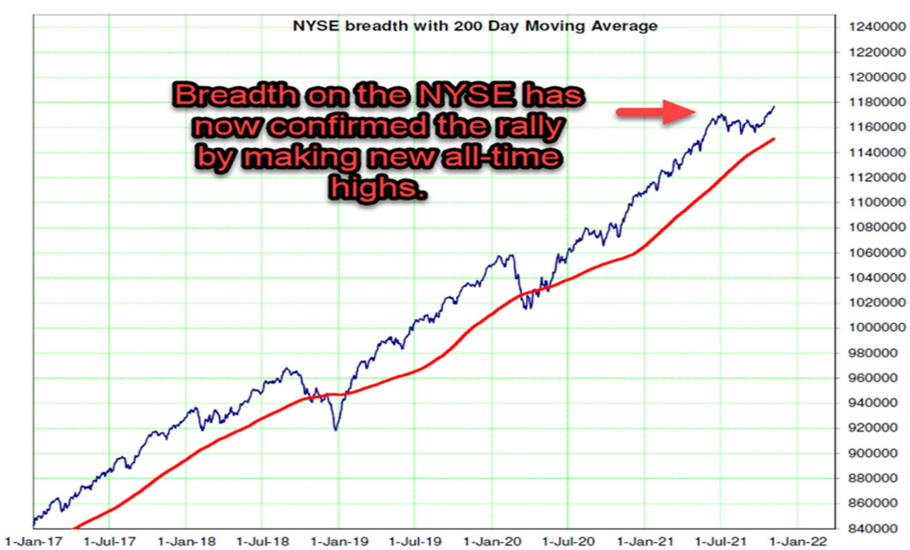
TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

Markets recovered quickly and nicely from the pullback in September. All of the major indices saw big gains ranging from 4% to 7% since October 1. Not only have the Dow, S&P 500, and Nasdaq made new all-time highs, but they did so with widespread participation.

Even the small cap indices, which had been stuck in a trading range since February, made new all-time highs. The midcaps, range bound since May, did the same.

As a result of the positive action, the shallow breadth divergence on the NYSE that had been present since June has now closed. We would consider the NYSE breadth confirming the new highs on the major indices as a constructive technical development.



The timing of the confirmation has seemingly given an all-clear signal to a year-end rally as we enter what is seasonally a positive time of the year for equities. All that positive action has carried over into November as we started off the month with more auspicious momentum.

The markets have been buoyed by a very good earnings season. With almost 90% of S&P 500 companies having already reported, 81% have beaten their expectations. We have also seen the second highest revenue growth since 2008.

With such a rosy picture on the earnings front, markets have brushed off concerns about the debt ceiling. Wall Street also appears to like the Federal Reserve's plan of action in terms of monetary policy. As expected, the Fed has embarked on the slow march towards normalization. In last week's policy release, the Fed detailed its plan to begin tapering asset purchases.

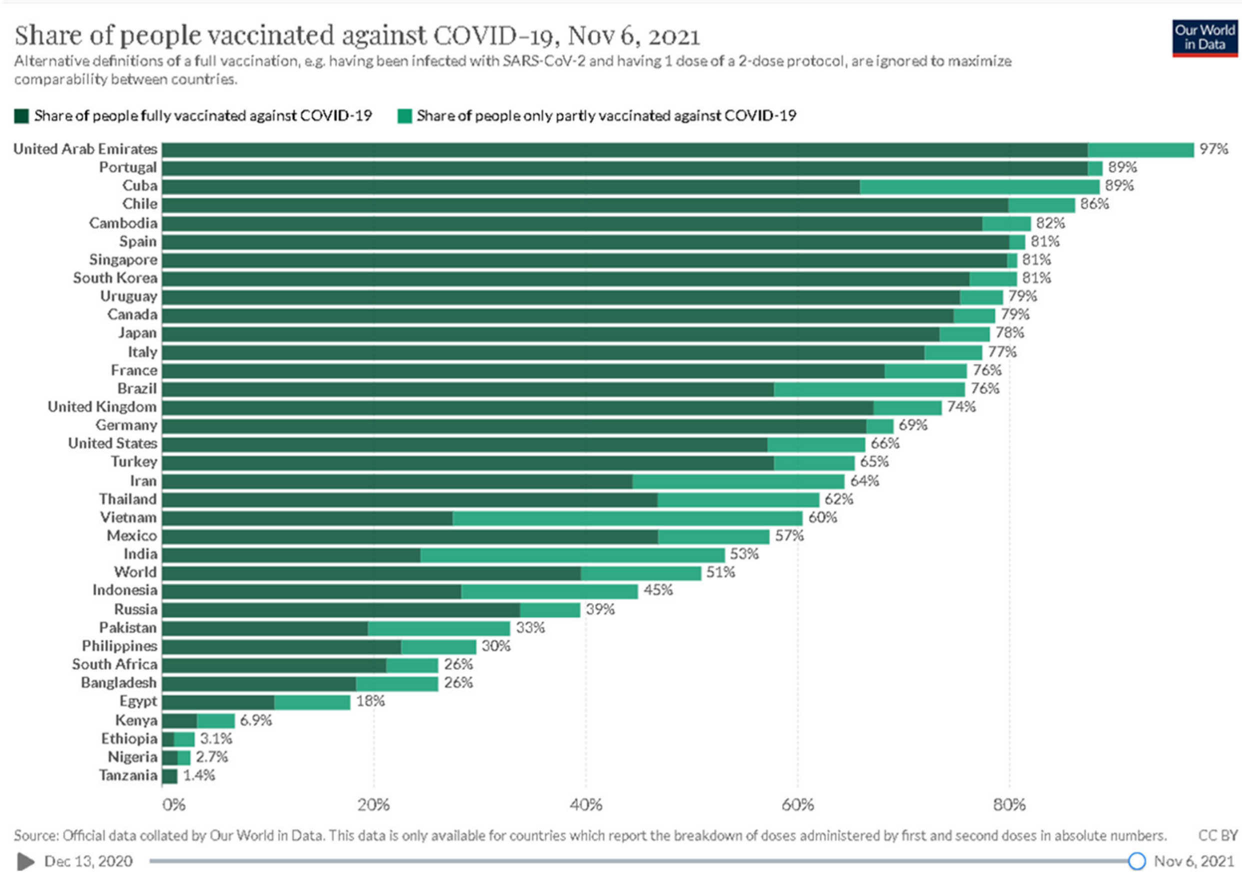
They will be reducing their purchases by $15 billion per month by buying $10 billion less in Treasuries and $5 billion less in mortgage-backed securities. At this rate, it will take eight months to taper down from the $120 billion in monthly purchases they had been doing.

The bottom line is that a significant amount of stimulus will continue to be with us for some time. Fed chair Jerome Powell remains quite dovish, stating clearly that they would adjust the pace of purchases and monetary policy in general should risks emerge. As a result, we continue to expect ample accommodation from the Fed for a significant amount of time.

The only risk to that expectation is if inflation forces the Fed's hand. While inflation has been high, it will likely be difficult to gauge until we see more evidence of it after the supply constraints recede.

The supply constraints have been more persistent mainly for two reasons. The first cause was the logistical nightmare caused by the pandemic in the shipping industry. Second was the varying responses to Covid from the different countries throughout the world that serve as an integral part of our global supply chain.

The logistical problem will be solved over time as the ships and containers get back to where they need to go. The disruptions and different responses to Covid should also abate now that vaccination rates are substantial in most countries. That should allow the supply chain to get back to normal.



Most countries are moving towards treating Covid as a more contained endemic like the flu, as opposed to a global pandemic. That is likely the right way forward. A notable exception is China. Based on its recent Disneyland closure, China still appears to be enforcing a zero-tolerance approach, creating a risk going forward since they are a huge supplier to the world.

To summarize, based on what we know today, we do not see much in the near-term that is a risk to the markets. Inflation is a story that has yet to be told, and one that is likely unknowable until supply constraints clear up. Monetary policy will remain accommodative for at least the shorter-term. With technicals also improving on top of stellar earnings, odds are that we should see smooth sailing for the markets to the end of the year as we enter what is typically a seasonally positive period of the calendar.

TACTICAL OPPORTUNITY

While there were some laggards, including Mastercard and Citigroup, the majority of holdings had a great month. Microsoft, Applied Materials, Chevron, and CSX were all up 10% or more. We made some recent additions in the recent market strength. The portfolio looks strong for now.

FULLY INVESTED

ETF SECTOR ROTATION

With markets roaring since October 1, it was a good month for most sectors. With a surge in Tesla, top billing went to Consumer Discretionary. Tech is also up double-digits since October 1, powered by Microsoft and semiconductor sector stocks. While Communications was the weakest due to some Facebook issues, it remained positive.

Currently, our portfolio is widely allocated, with holdings in all but the defensive Consumer Staples and Utilities. Overweights are more in Energy, Financials, Materials, and Industrials.

We saw strength in the broad markets, with Growth outperforming Value in October. Small caps surged toward the end of the month. On the international front, Emerging Markets continued to lag on concerns over China. We have holdings in Europe, but not in Emerging Markets.

EQUITY GROWTH OPPORTUNITY

We have seen a strong start to the fourth quarter and the mix of broad participation from all sectors and styles has kept the portfolio in a risk on mode. We are looking to capture the momentum in the market during this seasonally strong period and finish off the year strong. The technicals and fundamentals from the recent earnings season have remained positive and we have increased the beta in the portfolio in hopes of capturing more upside from the market.

EQUITY GROWTH AND VALUE

It was quite a month for many of the holdings. Nvidia, for example, gained over 40% since October 1. Advanced Micro Devices rose over 30%. Another half dozen stocks climbed 15% or more, including Adobe, Intercontinental Exchange, Zebra Technologies, Franklin Resources, and Microsoft. We continue to watch and weed, but mostly are enjoying the ride and riding the wave.

EQUITY DIVIDEND INCOME

It was a strong month for Dividend Stocks, even if not as powerful as with the Growth holdings. Real Estate, Energy and other re-opening trades did well in October. That was case across the board generally, as we enjoyed the ride up.

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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