TACTICAL STRATEGIES

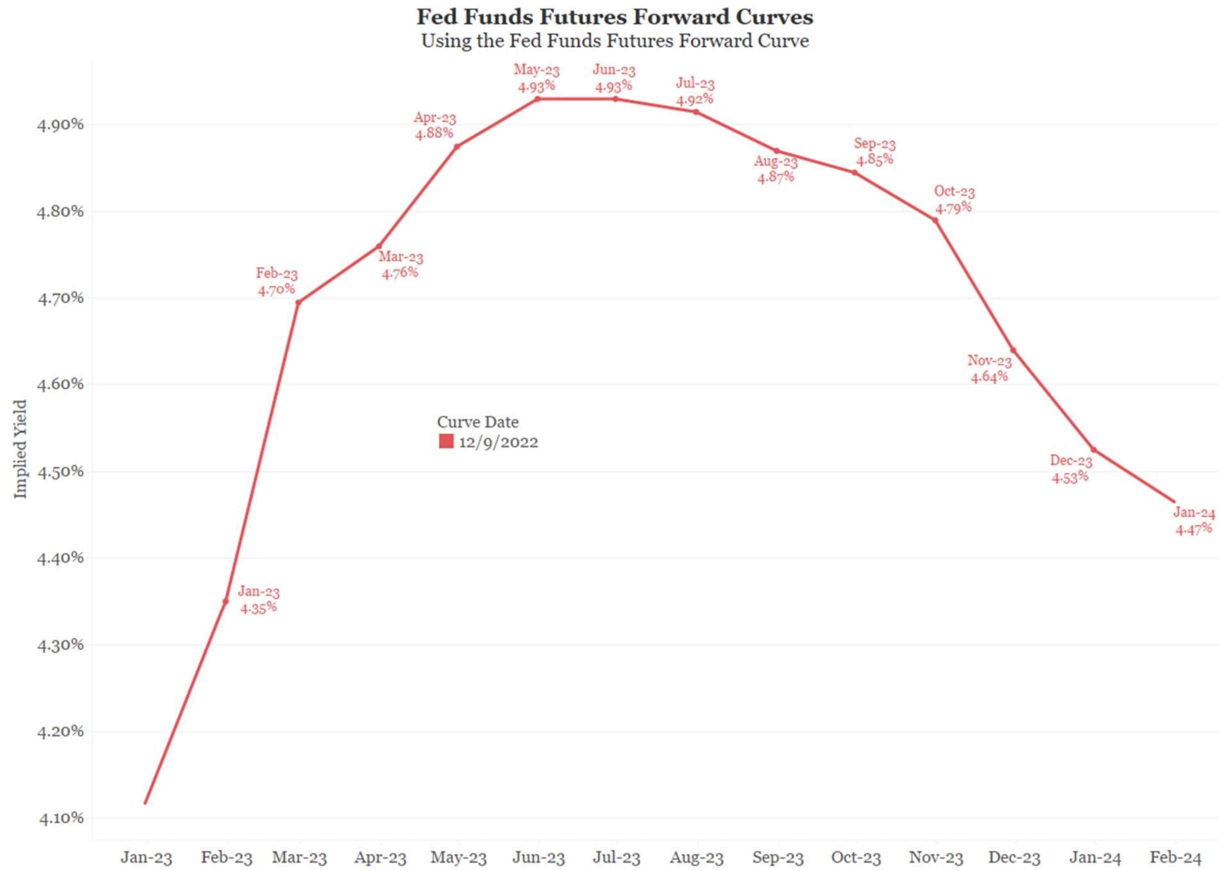
PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

Markets continue to focus on inflation and the Fed's fight to slow it down without damaging the economy. Mere words from Fed members and hints at data releases seem to send automated traders into action and have stocks jumping back and forth. However, since the middle of October, the markets have been in a tentative rally mode.

The question remains, will it last or is it just another normal bear market rally? The price action following this week's inflation release and Fed meeting was volatile, as most have expected. From a technical standpoint, the major indices are at key levels. Many key indicators are running up against major moving averages or trendlines, which have acted as stiff resistance. Some expected the inflation numbers and the Fed meeting to be a catalyst for either a break out or break down from these resistance levels and based on the reaction we are seeing so far, it could be the case.

Fundamentally, investors remain anxious over the economy amid hopes that the ideal situation of a soft landing can materialize. That soft landing is where inflation not only comes down, but recedes quickly enough to allow the Fed to first pause and then lower rates next year. Contrary to the hopes, the Fed stated on Wednesday's press release, following a 50 bps rate hike, that they do not expect to lower rates until 2024. Another part of the hope is that the tighter financial conditions do not get to a level where it results in a material decline in earnings and the overall economy. That is no easy feat. The bounce so far is a reflection of all those hopes.

In the futures market, expectations are that the Fed will be done hiking by May, followed by a rate cut later in the year. Based on Wall Street's inflation forecasts, expectations are that we will be back below 3% inflation by November of 2023. The current view is that earnings will also not see a material decline. The consensus is still for earnings to grow next year. However, we are all well aware that the forecasters have not always been accurate.



Source: Chicago Mercentile Exchange, Bloomberg

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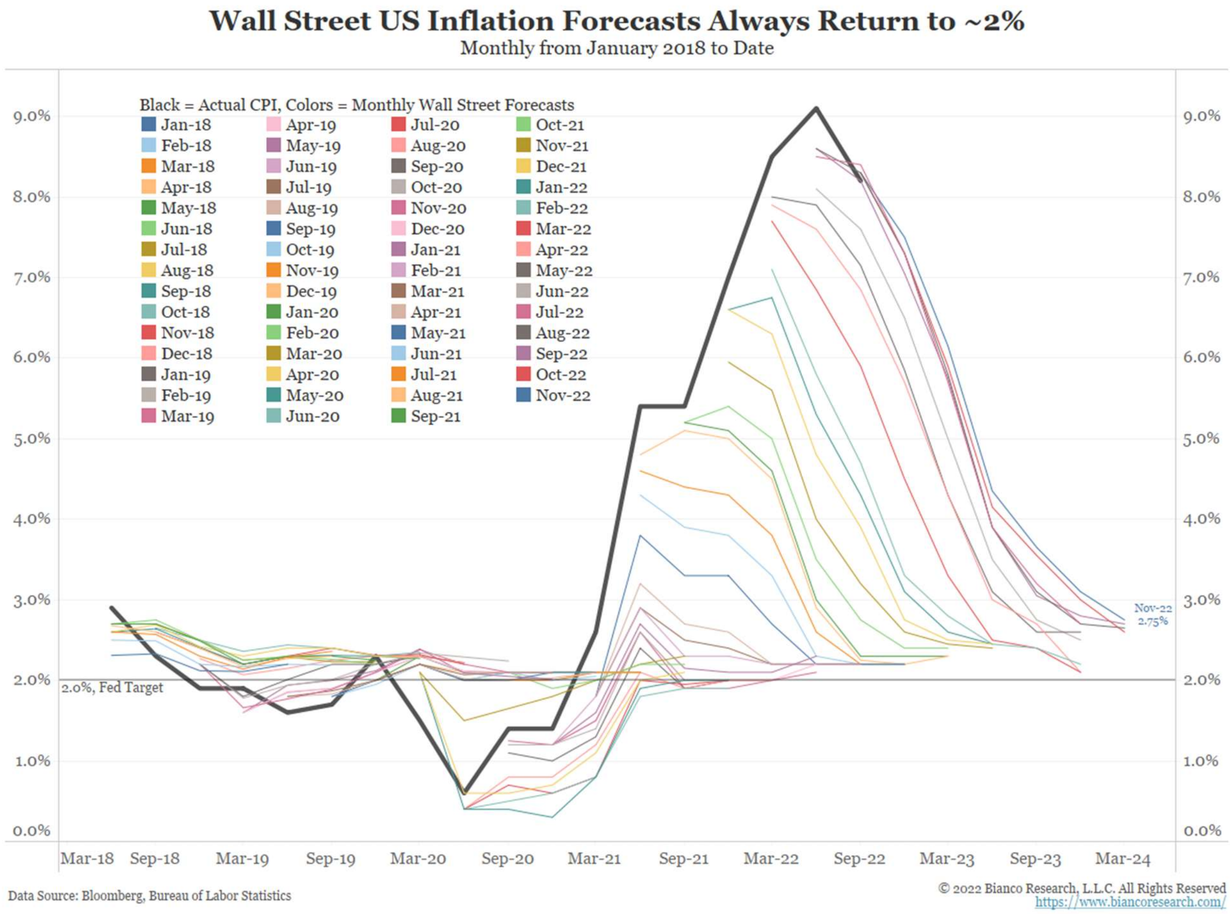

There is no doubt that inflation is coming down. The question is how far will it come down, and how fast. On the positive side, food, energy, and rent are seeing meaningful declines and they are big components in the consumer price index (CPI). On the negative side, things remain very expensive compared to where they were just a short time ago.

Another big piece of good news is the recent policy change in China. Following intense protests, the Chinese government has decided to move away from the zero-Covid policy. Taken at face value, it is a big bright spot as it would remove much of the inflation stemming from supply constraints. However, as with all things China, it is difficult to gauge the exact pace and timing of the policy change. The policy shift has been confirmed, but the details remain opaque.

In sum, the market remains at the mercy of inflation data and the Fed's reaction to it. Whether the ideal situation materializes or not is unknown, but we are certainly going to get some clues regarding that this week.

For now, we remain open-minded to the various scenarios that could play out while remaining defensive.

TACTICAL OPPORTUNITY

After a step forward in percent invested, the model will look to digest recent moves. Amazon continues to struggle a bit, but nice rebounds from other core holdings, such as Home Depot and Microsoft, helped.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

Energy, the undisputed winner of 2022, began a profit-taking give-back in November, dropping around 7% in a market that rose 3%. Consumer Discretionary was the only other down sector.

It is hard to get a feel for which areas will lead in 2023 as we head into the new year. We remain overweight Financials, Energy, Health, and Consumer Staples but are evaluating some potential adjustments.

In the broad markets, Small Caps lagged in a month where Growth and Value looked about the same.

No buy signal from Internationals yet, but we saw a big pop from both Emerging Markets and Europe.

EQUITY GROWTH OPPORTUNITY

The portfolio is largely in a holding pattern until we see leadership take hold. The markets are hinging on the ever changing inflation narrative which is whipsawing sectors back and forth. If we see the markets break their long term downtrend and some leadership emerge, we may look to be more aggressive and take advantage of a year-end rally.

EQUITY GROWTH AND VALUE

The market theme is the same here as well. We have seen some pullbacks from what had been hot Energy holdings, but the markets mostly rose across the board. As with Dividends, the Equity Growth and Value model had small rotation as we keep a close eye on tax harvest opportunities heading into the end of the year.

EQUITY DIVIDEND INCOME

Dividend stocks moved back and forth along with the markets. Energy stocks gave back while some Health stocks looked good. No major changes currently, although tax-harvesting considerations are being looked at.

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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** 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. The references to specific investments were chosen based on our current market outlook, as examples representing how aspects of the market have performed and as representation of what a strategy might own. Those are included for informational purposes only and past specific investment advice does not guarantee future results.