Churchill Management Group

Monthly Market Update

April 5, 2023

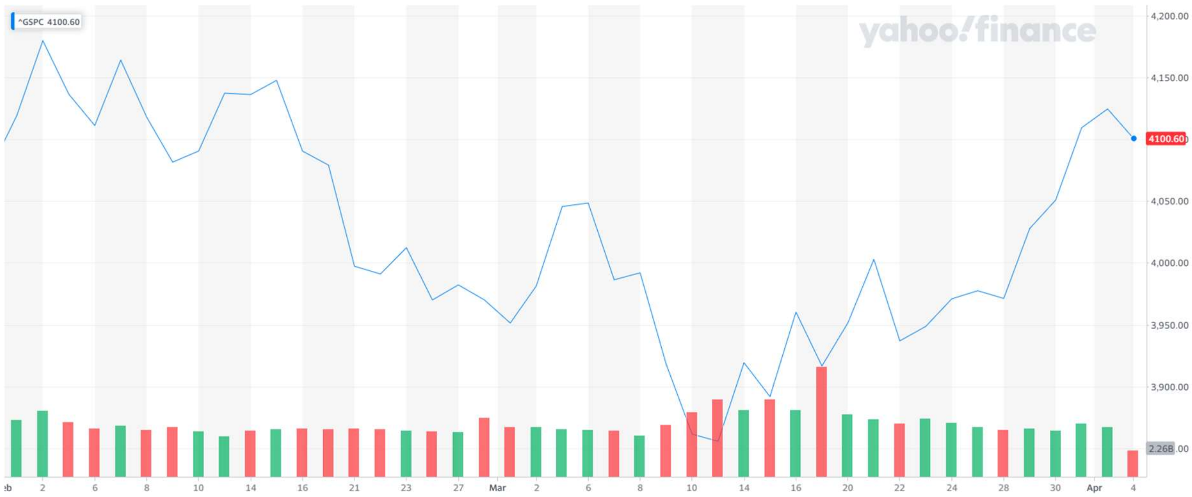
TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

In the less than a month since the March 10 Silicon Valley Bank failure, stocks are actually up over five percent. Go figure. It appears that any news that may create a theory where the Federal Reserve slows its interest rate increases is happily embraced by markets. We are not sure that is the best of reasons for stocks to rise, but it appears to be our current environment.

Leading the charge have been the newly designated "safe haven" large Tech type stocks. The likes of Microsoft, Apple, Google, and Amazon are all up around an average of 15% over the past several weeks. Lagging, as expected, has been the Financial sector, but even it is only down around 3-4% or so from SVB's failure.

Therefore, after a nine percent correction from February to early March, the market has found some footing and has returned to where it was at the end of January. It is actually a lot like we have been expecting, a back and forth market as investors try to make sense of all the economic news before them.



Fundamentally, little, if anything, has changed. Earnings are still a concern and inflation is still high, though definitely declining. The only change has been to add the high probability that credit will tighten as banks act to ensure their balance sheets are strong. Hence, the recent strength in stocks has been nothing more than an expansion of the price/earnings (P/E) ratio on the backs of hopes that interest rates will be declining.

The Technicals in the major indices have been resilient. After breaking out in early February, the market backed and filled into March, ultimately seeing a pullback that was greater than most market technicians would have liked. However, that was likely exaggerated by the bank failures. After slightly dipping below its 200-day moving average, the S&P 500 found support and rallied.

The positive was that all of the major indices held their December lows. The tech-heavy Nasdaq held up even better, not even visiting those lows. Tech stocks have clearly led the way since the start of March, with the QQQ appearing to break out last Friday, hitting a new high for the year. If the markets can follow tech's lead, it would be a positive sign as it is hard for the broad markets to rally without support strength in the Tech sector.

The narrative within the market continues to change quickly. At present, we believe that this behavior is likely here to stay until the incoming data can determine with a high level of confidence whether the Fed can manage to tame inflation without killing the economy in the process.

We will adjust our exposure levels accordingly, but some patience is likely appropriate as we are reminded that it was not long ago that the Small Caps broke out and led the way. They went from the best to the worst rather quickly.

TACTICAL OPPORTUNITY

We have seen some nice strength in core holdings like Apple, Amazon, and Microsoft. However, there are still not a lot of buy signals from the model given the recent volatility. A touch of caution continues to appear warranted.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

Since the start of March, it has been a plus for Tech (Apple, Microsoft) and Communications (Google) and a lag for Financials. The former have been up around 10% since March 1, while the Financials have been down around 10%. Given the uncertainty surrounding Financials, we reduced our exposure from a slight overweight to a slight underweight. We added the positions to our existing Tech holdings, bringing it to a slight overweight, and increased the defensive minded Consumer Staples to a neutral position. At present, we are positioned close to neutral with slight overweights in Tech, Healthcare, and Energy.

In the broad markets, Growth has continued to be better than Value, and Small Caps have been a laggard. Internationally we continue with a half in/half out approach.

EQUITY GROWTH OPPORTUNITY

To no surprise, March gave us a month where previous laggards turned into leaders and vice-versa. Mega cap Tech stocks acted as a safe haven as the consensus is that rates have peaked. Energy continued to be turbulent in March following an incredible 2022. The playbook has been to remain patient in the portfolio to avoid any whipsaw action. The indices remain range bound and resilient. We are looking for either a breakout above the February highs to confirm strength or a break below the December lows may signal more patience to be had.

EQUITY GROWTH AND VALUE

We experienced mostly good returns from our equity holdings, bracketed by outsized returns, good and bad, surrounding the banking turmoil. Stocks like Charles Schwab felt the halo effect of the SVB failure and were hit hard. Another example is Wells Fargo. On the other side stocks like Nvidia and Advanced Micro Devices had strong gains. Continued weeding and some tax harvesting is expected, with a look to not overreact to some of the turmoil trading.

EQUITY DIVIDEND INCOME

Dividend stocks have tended to lag over the past month or so as the group has more Value, including Financial stocks, and is light on Growth. Interestingly within the portfolio, it appears that insurers such as Prudential took it harder than some banks such as New York Community Bankcorp. Aside from the banking turmoil, dividend stocks in the Consumer Staples and Healthcare areas had pretty good months.

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.