Churchill Management Group

Monthly Market Update

November 9, 2023

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

Stocks have rallied to start November after posting their third consecutive down month in October. Rising rates pushed the market into correction territory as inflation remained sticky. The ten-year Treasury note briefly touched 5%. However, right around the heavily watched 200 day moving average, stocks snapped back last week, rallying nearly six percent on the S&P 500 as interest rates backed off and the chorus of "maybe the Fed is done" rang out. Surprisingly, the market has been up since the start of October. In short, the market remains confused about which way it wants to go.

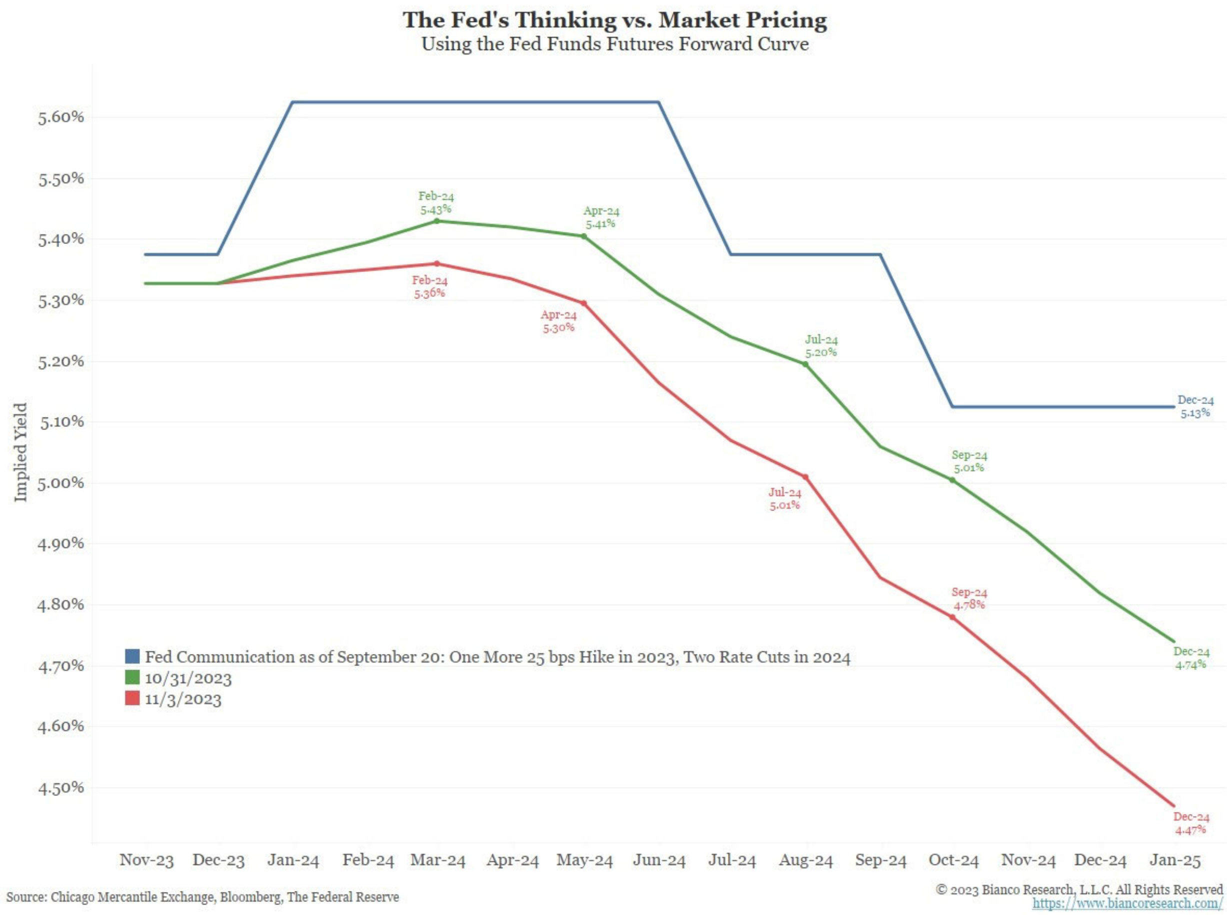
Historically, September and October have tended to be the worst months for the stock market. This year added to those statistics. The hope is that the worst is behind us. Many investors have their eyes on the possibility of a year-end rally, which tends to show up in the back end of November through December. While it is worthwhile to keep an eye on, statistically, it isn't something to rely on.

Market concerns continue to be the Federal Reserve's aggressive move to tighten monetary policy in light of inflation, which remains above target. The Fed has been resolute in its stance, which at times has conflicted with the market's rosier expectations. So far, we have seen markets ultimately capitulate to the Fed's reality.

The reaction by equity markets following Fed meetings in May of 2022 and September of this year are prime examples. The markets reacted very negatively to the Fed's hardened stance on tougher financial conditions.

More recently, even the bond markets have come around with the 10-year Treasury finally adjusting and discounting higher rates. The 10-year yield rose over a percent from July to its recent highs right around 5%. Throughout the Fed's tightening process that brought short term rates above 5%, the 10-year yield stubbornly resisted until recently. The beginning of that move coincided with the market's recent peak in July.

Higher yields have clearly had an impact on equities from the asset class level. Fixed income looks more and more attractive. As Treasuries go higher, some investors are opting to take the less risky return. An area of risk that remains is the gap between the Fed's projections and the market's expectations.



Should Jerome Powell and the team stay resolute, and investors have to make an adjustment to the Fed's higher-for-longer policy, it could bring a heavy dose of volatility. So far, the Fed has managed to ultimately get markets to accept its view, so this is worth watching.

For now, patience is likely needed by both the market and Fed as they interpret and react to what has been stronger economic data in the face of tighter financial conditions.

From a technical perspective, markets had a bad September and October. Yet, the major indices are now only 5% off the July highs after bouncing off the top of the trading range they had been mired in from May of 2022 to May of 2023.

Most technicians viewed that area as a level of support and, so far, that has been the case. The bounce at the end of October into early November was sharp, with the S&P 500 up almost 6% for the week!

A rosy view is that this could be the thrust that sparks a year-end rally. We will let the markets tell us and adjust accordingly.

TACTICAL OPPORTUNITY

While some sell signals were triggered over the past month, there were surprisingly some good buy signals as well. As a result, some weeding and tax harvesting were done in the portfolio while the percent invested remained around the same.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

During October the model signaled to go more defensive. With the recent rally, was it too early or wrong? Time will tell. As a result, some minor tweaks were made to the holdings. Consumer Discretionary and Industrial/Material holdings were lightened. Tech, Communications, and the more defensive Consumer Staples and Healthcare along with Energy were slightly increased. The strongest sectors over the past month plus were among the year’s weakest in Utilities and Real Estate, which bounced behind a possibly short-term reversal in rates. Even the biggest laggards have moments in the sun along the way.

EQUITY GROWTH OPPORTUNITY

Growth stocks were under pressure with the 10-year yield nearing 5% at the end of October. Yields proceeded to drop to 4.5% and Growth had a solid bounce on the movement. The portfolio enjoyed solid earnings reports from Shopify Inc. and Celsius Holdings, Inc., which added to the gains for the month. We will look to capitalize on any potential fourth quarter rally.

EQUITY GROWTH AND VALUE

A lot of headlines around big Tech over the last month, with varying results. Apple was up right around the market and Microsoft outperformed, while Google lagged. In all, our holdings had a good run in a flip flop month.

EQUITY DIVIDEND INCOME

When rates backed off, dividend stocks bounced a bit having a slightly better time of it since the start of October. After a strong run, Energy holdings backed off some, but a bounce in Utilities and strength in other areas were able to offset.

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.