Churchill Management Group

Monthly Market Update

February 12, 2025

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

Market Volatility: Business As Usual?

Despite early year volatility, markets have largely taken recent developments in stride. The major Large-Cap indices are positive for the year and remain only 1%-3% below all-time highs. Technical indicators remain solid, and while sentiment is elevated, it has not yet reached extreme levels.

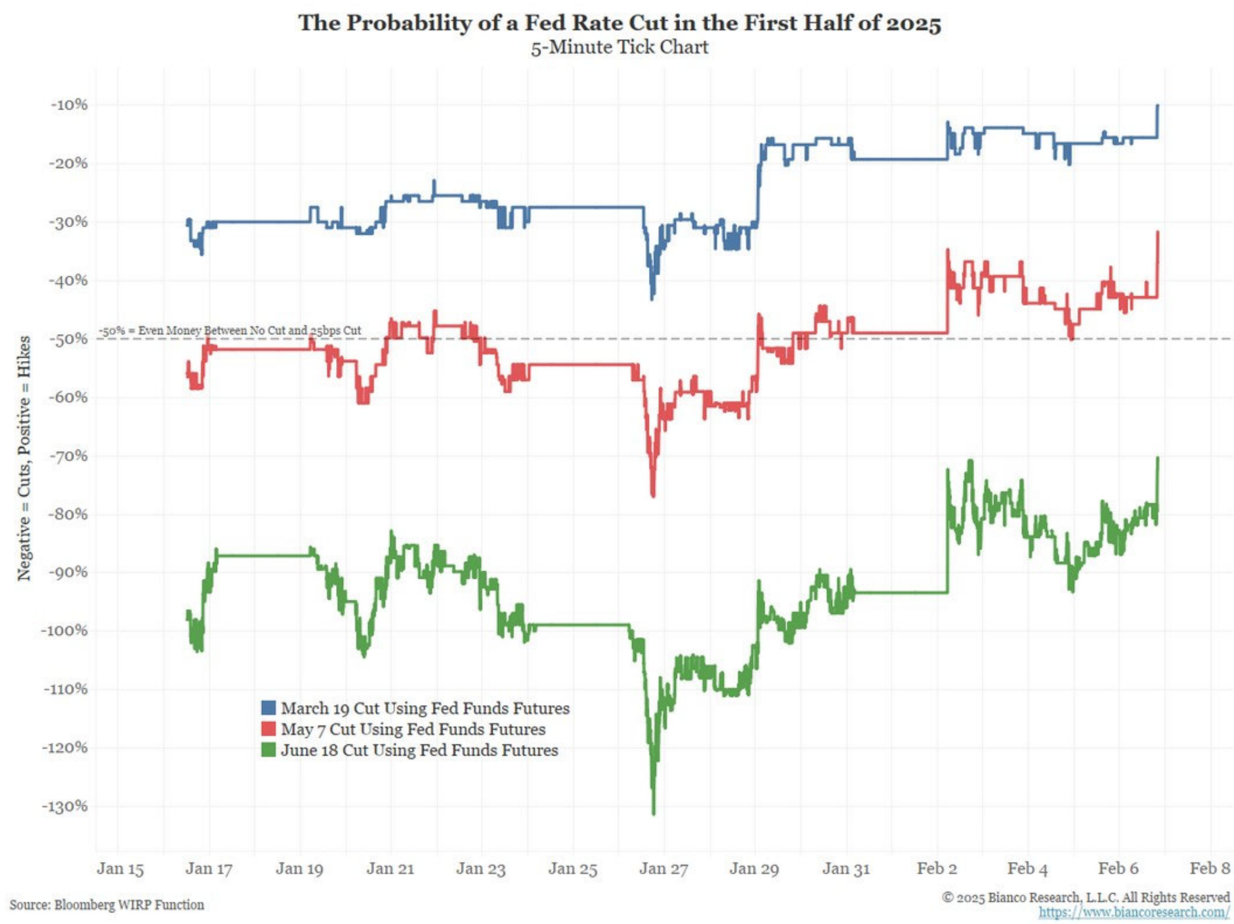
Trump and Tariffs: Same Playbook, Same Risks

Markets are once again navigating the familiar cycle of tariff threats and concessions witnessed during the first Donald Trump administration. Historically, President Trump has leveraged tariff announcements as a negotiation tool, applying pressure before walking them back. Recent actions under Trump 2.0 include proposed tariffs on Canada, Mexico, and China. However, quickly following the announcements, a pause was put on the implementation of sanctions against Mexico and Canada after getting small concessions.

While this tactic has yielded concessions in Trump's prior term, the risk of escalation remains, particularly with China and the European Union. Global markets are watching closely for potential retaliatory measures and their economic impact.

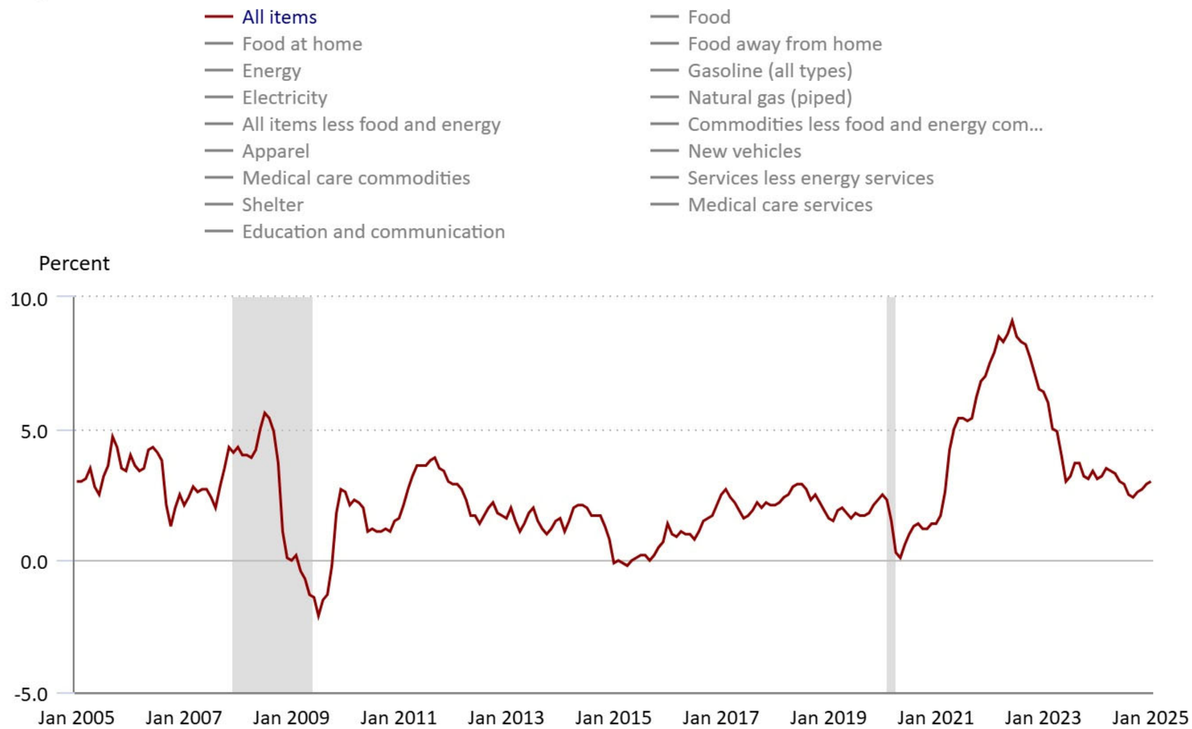
Federal Reserve: On Hold Amid Sticky Inflation

The Federal Reserve remains in a holding pattern as inflation expectations have risen to their highest levels since November 2023. The latest report reduced the market's expectations for a cut in March and May down to 10% and 30%, respectively. Markets are squarely fixed on June for the next cut, with the odds of such a move standing around 70%.



The latest data release for inflation expectations jumped to 4.3% from 3.3% last month, while wage growth in January exceeded forecasts. Also, stickier inflation continues to weigh on policymakers. Today's CPI release showed inflation rising back to 3% year-over-year.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

Additionally, Fed members have expressed concerns that potential new U.S. policies could introduce further uncertainty into the economy, both in terms of pace of growth and its effect on inflation. For now, U.S. economic growth continues to outpace that of other developed nations

AI Investment: Full Steam Ahead

Concerns surrounding artificial intelligence, particularly in relation to DeepSeek, appear to have eased. Major tech firms have confirmed plans to ramp up AI spending at an unprecedented rate. Meta Platforms, Amazon, Google parent Alphabet, and Microsoft are expected to invest as much as $320 billion in AI technology this year alone. Microsoft CEO Satya Nadella emphasized the accelerating adoption of AI, stating on X: “Jevons paradox strikes again! As AI gets more efficient and accessible, we will see its use skyrocket, turning it into a commodity we just can’t get enough of.”

Looking Ahead: Constructive But Cautious

Overall, we remain constructive on the markets. While valuations are high, a historically weak timing indicator, the primary risk stems from potential policy shifts under the new administration.

These developments are likely to generate headlines and periodic bouts of volatility. We will remain mindful of potential risks while capitalizing on market strength.

TACTICAL OPPORTUNITY

The strategy remains at the high end of percent invested. While the familiar names of Apple, Google, Microsoft, and Nvidia, stalled, great jumps were found in Spotify, Arm Holdings, and Brightspring Health. With few individual stock signals being found, the percent invested is expected to remain high for the near future

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

A good start to the new year has been led by a different set of sectors. While past leaders, Technology and Consumer Discretionary have lagged, the market has been pulled upward by strong starts to the year from Financials, Communications, and Energy. The good news is all 11 sectors have been positive through the first six weeks plus of the year. We expect no big changes to the mix, we are currently overweight in Tech along with Communications, Financials, and Consumer Discretionary.

Broad markets were good, with Value performing better than Growth in the Large Cap area. Small Caps were not far behind the market, with Mid-Caps having the best month. Internationals were also strong in January, especially in Europe.

EQUITY GROWTH OPPORTUNITY

Despite the Mag 7 having mixed results in the month of January, the broad market performed admirably. Several holdings are off to a strong start including Hims & Hers Health, Alibaba Group, and Spotify which are up well over 30% for the year. The fundamentals of the economy remain on solid footing and earnings continue to come in strong. We will look to take advantage of the favorable environment.

EQUITY GROWTH AND VALUE

While some big names like Apple, Microsoft, and Nvidia were catching their breath, big months were still to be found. Meta, Vistra, Crowdstrike, and GE all posted 20% plus starts to the year. It is good to see some broadening of the winners. No significant changes are expected in the portfolio.

EQUITY DIVIDEND INCOME

Dividend stocks went along for the ride with the market. Big jumps in old names like IBM, Philip Morris, and Lincoln National gave the group a charge. A few minor weeding moves, but stay the course remains the strategy.

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

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

Best regards,

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