



Churchill Management Group

Monthly Market Update

July 10, 2024

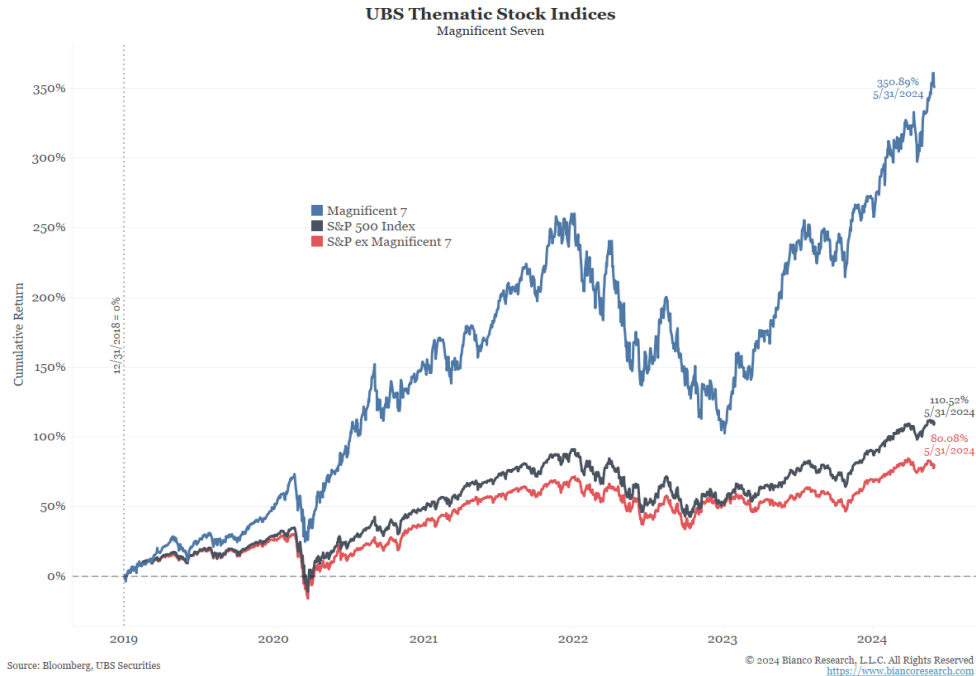
TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The stock market continues to digest all news positively as June continued the Technology-driven rally. The Invesco QQQ Trust 1 (QQQ) rose 6.3% and the S&P 500 nearly 3.5% during the month.

The good macro results come despite the market remaining extremely narrow with only a handful of big Technology stocks fueling the rally. Market breadth has remained on the narrow side, yet the market continues to defy expectations and chug higher. For example, despite a great start to the year for the indices, nearly half of the stocks in the S&P 500 are actually down year-to-date.

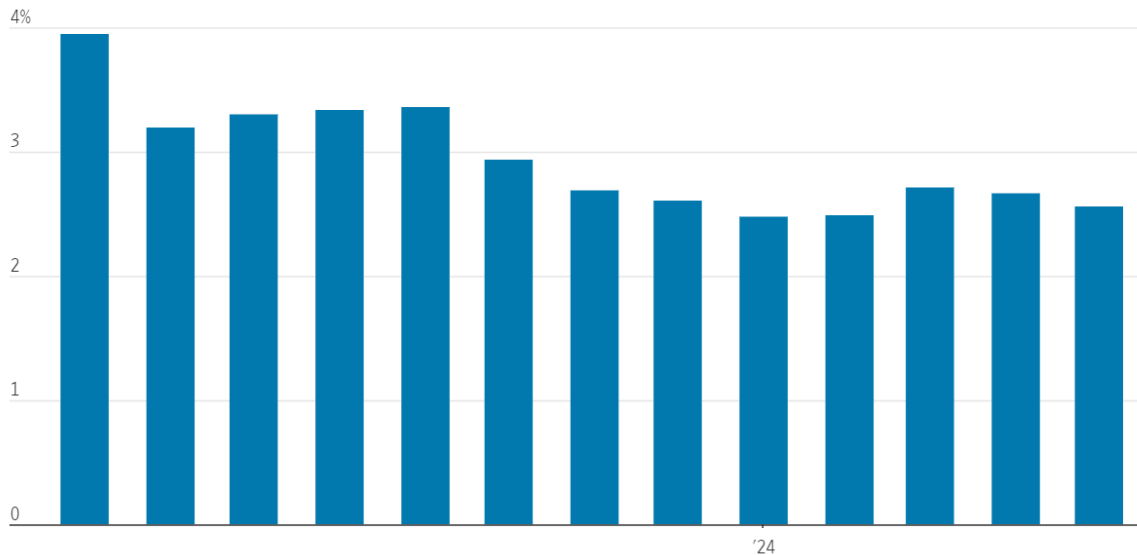
It should come as no surprise that Technology is a large reason for the outperformance in the market. A look below shows the Magnificent Seven, (Meta, Apple, Amazon, Alphabet, Microsoft, Nvidia, and Tesla), (blue) have risen over 350% since the beginning of 2019. The remaining 493 stocks, (red) in the S&P500 produced a return of just 80%. While this heavily concentrated leadership is not ideal, we believe the market fundamentals remain solid at this time.



From a technical perspective, the market is overbought, which would lead many to argue it is ripe for a period of consolidation. However, we are also very aware that strong and narrow markets can stay that way for long periods of time, which we are seeing now.

Additional catalysts behind the strong push include softening inflation data. The Personal Consumption Expenditures Price Index (PCE) – the Federal Reserve’s favorite inflation gauge – was flat in May for the first time in six months. Year-over-year results came down to 2.6% from 2.7%. Expectations for a soft landing and a rate cut this year are back in play as a result of the softening inflation data.

PCE price index, change from a year earlier



Note: Seasonally adjusted.
Source: Commerce Department via St. Louis Fed

The market still favors Large Cap and Growth over Small Cap and Mid Cap Value. There has been no change in leadership. Technology, especially semiconductors, leads the charge. Despite repeated worries about a recession and inflation, the economy and the stock market continue to perform well.

Given the market's positive action, there have been no major changes in our allocation. We continue to stay near fully invested with a heavy lean towards Technology and Large Caps. As always, we will watch closely for any changes that would warrant a switch in our stance.

TACTICAL OPPORTUNITY

Our percentage invested remains high as the portfolio leans on its big Tech holdings like Microsoft, Meta, Nvidia, etc. to do the work. Some holdings, like Chevron, have been flat to down over the past month. Overall, the story remains positive.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

The extreme narrowness of the market can be seen in a macro view of the Sectors. With the market up some 5% since the start of June, only two of the eleven sectors have done better. One, obviously, has been Tech. The other was Consumer Discretionary, which was pushed by a bounce in Tesla's stock. Communications was about even with the S&P. The other eight sectors all averaged for about a -1% return.

Our weighting continues to be neutral. We have an overweight on Communications, and a very slight overweight in Tech. The rest are neutral to underweight until we get some confirmation of a trend change.

In the broad markets, Tech led Growth crushed Value for the month. Growth was up around 10% over the past six weeks while Value slipped a percent. Large Cap Growth, in particular, did all the heavy lifting.

For Internationals, we remain with a preference for the U.S. Emerging markets were up near the U.S. while more European oriented holdings were down.

A reminder that ETF Sector Rotation will now be enhancing its strategy by including sector ETFs beyond the core eleven State Street sector funds we have been using. There are not any radical changes expected. What has happened is with the emergence of the very narrow market, many of the ETF sectors are limited in the exposure they can offer in certain stocks. By broadening the menu of ETFs we consider on our sector menu, we believe we will have additional weapons to help us achieve the weightings we prefer from a sector perspective.

EQUITY GROWTH OPPORTUNITY

Markets narrowed with Technology retaking its leadership, specifically within the semiconductor space. The Small and Mid Cap names continue to lag while the Large Cap Growth names within Tech shined. The Large Cap group does appear overbought and extended from its run off the April lows and could be due for a pullback which could see some catch-up from the smaller names in the near term.

EQUITY GROWTH AND VALUE

The narrow market theme remains the story. Big Tech (Apple, Google, Meta, Nvidia and the like) all had stellar months while the rest of the market was flat. The good news is that nothing has been bad, it is just the really big pops have come from a very few. Luckily, we have had our share. We will continue to keep a close eye to see which way the trend goes

EQUITY DIVIDEND INCOME

Dividend stocks followed Value and posted a mostly flat to slightly down type month. Utility and Energy stocks have pulled back some after some strong up moves. Nothing has been alarming, but the group just hasn't been as exciting as its growth counterparts. Normal activity within the strategy is expected.

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.

