Churchill Management Group

Monthly Market Update

May 7, 2025

# TACTICAL STRATEGIES

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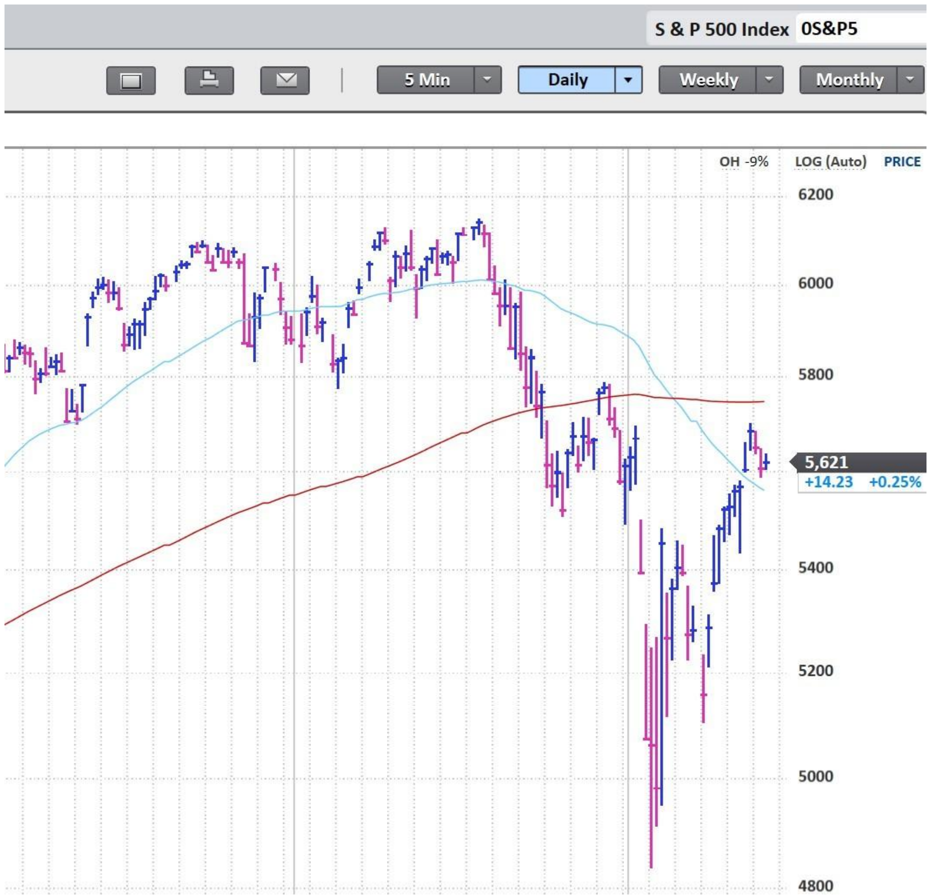
## PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

**April Market Recap: A Tale of Two Narratives**

Markets appear to be seemingly “less worried” than they were several weeks ago. While the tariff overhang still exists, some backpedaling on their harshness, combined with some positive economic and earnings news, has seen stocks find some temporary footing, even if on slippery ground.

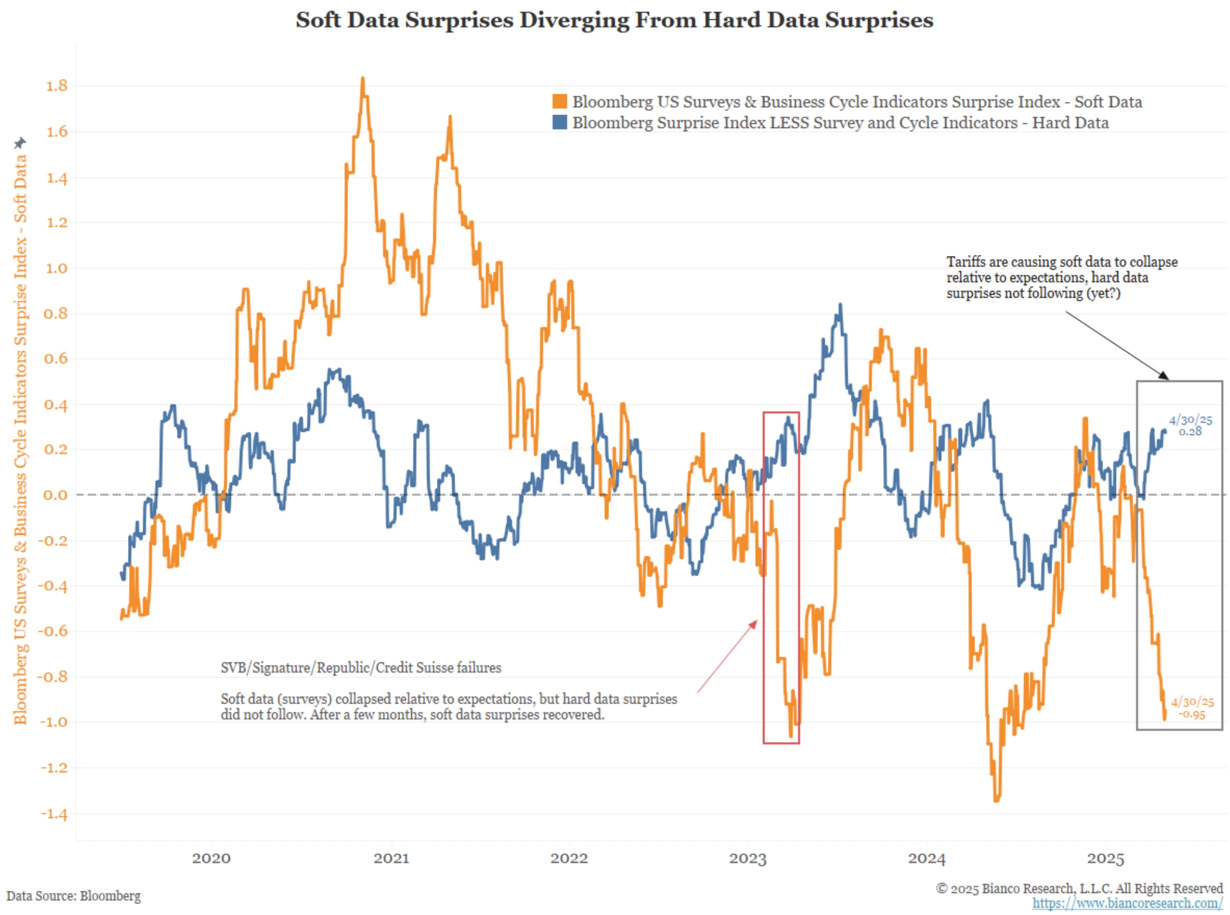
Uncertainty peaked in mid-April as fears of a global economic collapse surged. On one side, investors were bracing for what seemed like an inevitable tariff-driven recession. On the other hand, incoming economic data continued to defy the doomsayers. Employment remained strong, consumer spending was resilient, and corporate earnings came in better than feared. This divergence set the stage for a volatile and emotionally charged market environment. These conflicting signals created a tug-of-war in the markets, where we saw the S&P 500 fall as much as 13% intra-month, only to close down less than 1%! Since mid-April, stocks have rallied over 4% and jumped over 15% from the year lows. The last time we experienced a single month with this kind of volatility was all the way back in 1929.




April may appear uneventful on the scoreboard, with the S&P 500 ending the month relatively flat, but that masks the extreme swings beneath the surface. After the April 9th tariff delay was announced, markets began to stabilize, supported by a growing narrative that trade deals were 'in the making'. Although no formal timetable has been established, the tone from policymakers has softened, signaling a willingness to negotiate and de–escalate tensions. This shift, along with continuously positive economic data, has helped ease market fears somewhat.

**Sentiment still Negative**

The sentiment indicators reveal that a strong dose of fear hit investors. "Soft" data, represented by surveys, forecasts, and sentiment of the economy, turned rather bearish during April. Usually, the hard data starts to weaken first, and the soft data follows. However, we currently have an unusual reversal of this relationship, where the soft data has plummeted lower while the hard data remains good.




This reversal of the usual dynamic highlights how investor psychology and fear are dominating headlines. While concerning, this extreme bearish sentiment could also set the stage for a positive surprise if conditions prove to be "less bad" than feared.

**Strength in the Economy**

Fundamental economic data has remained surprisingly resilient in April. The U.S. economy added 177,000 jobs, well above the expected 133,000. While Q1 GDP posted a negative print, this appears largely attributable to a surge in imports in March as businesses front-loaded shipments ahead of potential tariffs. Meanwhile, earnings season has offered further support: of the roughly 360 companies in the S&P 500 that reported earnings thus far, approximately 76% exceeded earnings expectations. The hard economic data thus far appears healthy.

**Technical Signals Show Promise, But Risks Remain**

From a technical standpoint, market internals showed notable improvement. Breadth surged in what some would call a "breadth thrust," a historically rare signal often seen near market bottoms. The rally off the April 9th lows has seen encouraging follow-through, improving the near-term setup. However, the market remains below key resistance levels and faces unresolved macro risks, particularly around policy and geopolitics.

The recent market action has left us cautiously optimistic, and we are watching closely how the market behaves near its 200-day moving average. While some tactical signals have turned more constructive, the healing process will likely take time. This period offers opportunities to reestablish exposure at more favorable entry points—but only with disciplined risk management in place. Despite some improvement in stock prices, our tactical strategies are continuing with a defensive stance.

**Final Thoughts**

In this type of environment, where fundamentals remain sound but uncertainty looms large, it is essential to stay flexible, focus on risk-adjusted positioning, and prepare for potential volatility. Extreme pessimism may ultimately prove to be the setup for a recovery, but patience and vigilance are key. To set expectations, in such an environment, we may take some steps back and forth as we gauge the market risk. Meaning, you could see us do some buying and selling back and forth until the volatility settles. While not the preferred part of market cycles, it is normal to encounter these types of environments over time.

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## TACTICAL OPPORTUNITY

We made use of our defensive cash positioning for a stretch in April and have since boosted our percent invested in the portfolio. Growth holdings benefited the most in gainers such as Netflix, Crowdstrike, and Spotify. We aim to be nimble to react to either a defensive or aggressive stance should we see more clarity in the markets.

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# FULLY INVESTED STRATEGIES

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## ETF SECTOR ROTATION

In April, the S&P was virtually flat. The big outliers were Energy down 14% and Healthcare down 6%. Beyond that, the market had a slight lean towards Growth as cautious optimism aided previous leadership in Technology and Communications. We continue to have a slight lean towards Growth with minimal changes in April.

For the broad markets, Growth outpaced Value in April as we saw a return to the higher beta areas. International markets continue to outpace domestic which has helped our positions in Emerging Markets, EAFE, and Europe.

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## EQUITY GROWTH OPPORTUNITY

April was a good bounce-back month for most stocks in the portfolio. Despite the heavy churn in the markets, the portfolio avoided volatility relative to the market. Growth had a solid bounce back, aided by strong MAG 7 earnings, and the strategy had a rather calm transactional month. We are optimistic that Growth will regain leadership once this market finds its footing.

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## EQUITY GROWTH AND VALUE

We took advantage of some tax harvesting opportunities in April and also benefited from strong earnings in our Technology holdings in Microsoft and Netflix. Other strong performers include GE Vernova and Crowdstrike. We have a good mix of Value and Growth in the portfolio to counter the volatility seen in today's market.

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## EQUITY DIVIDEND INCOME

A pretty neutral month in dividend stocks with some calm and a few outliers. On the upside, Philip Morris and Seagate Technology had strong months, countered by Gilead and Exxon lagging. The remainder of the portfolio had near-market performance, which is what we like to see from the dividend group.

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## 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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