Churchill Management Group

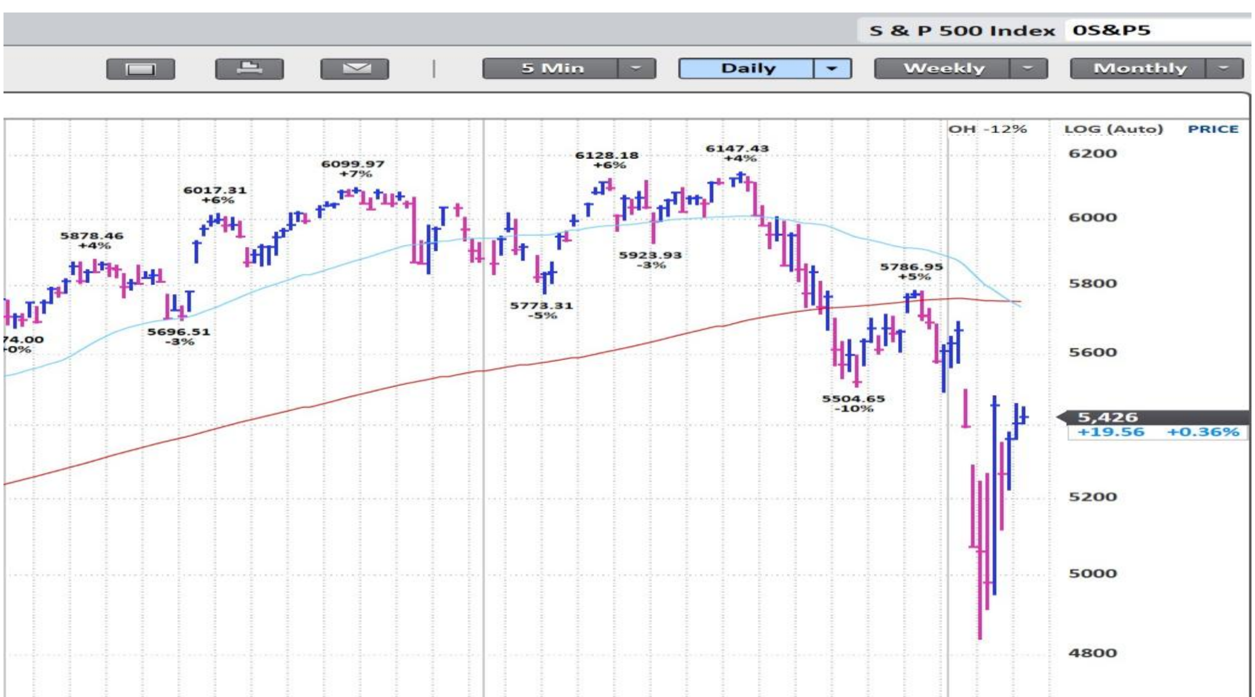
Monthly Market Update

April 16, 2025

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

It was less than two weeks ago when the White House announced its “Liberation Day” tariff plan. Wall Street was not impressed, nor did it understand the endgame. The resulting uncertainty sent stocks down almost in excess of 10% in two days, with back to back -5% days in what was the start of a tumultuous two weeks for stocks (it has felt longer).

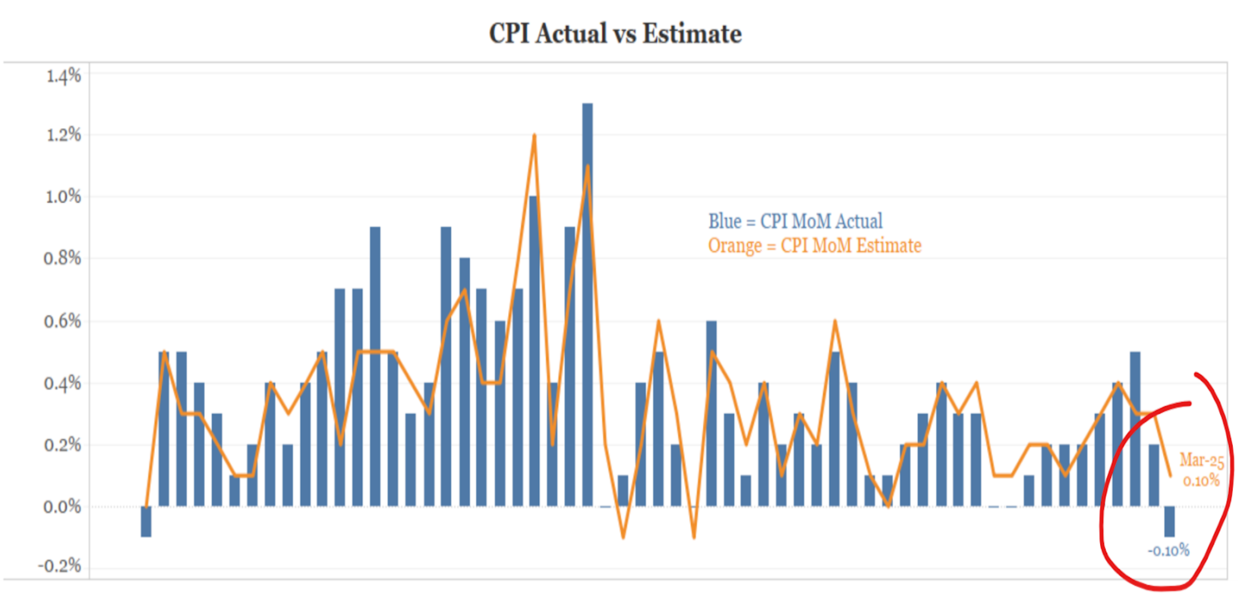


After a couple of negative days following the announcements, equity markets briefly touched intraday bear market territory, (where stocks are 20% off highs). As the selling intensified, the administration announced a ninety-day pause on some tariffs triggering a rally in stocks, including a one-day 9.5% jump in the S&P. As of the close of Tuesday of this week, the S&P was sitting 12 percent off its February highs, down just over eight percent for the year (it has felt worse).

Stocks have experienced historic levels of volatility following President Donald Trump's announcement of an aggressive approach to reshaping trade relationships around the globe. What investors largely thought was going to be a strategy of using tariffs as a negotiating tool quickly escalated into a full-blown confrontation with China that markets were not fully prepared for.

Given the volatility, we have taken steps in our Tactical strategies to reduce exposure. Despite the recent "pause", the view of what is ahead remains fairly cloudy. Trade negotiations are inherently complex, and with no clear timetable or resolution in sight, we have increased our defensive positioning by raising some cash. We remain acutely aware that the environment is highly fluid and unusual given that a single tweet from the President can shift sentiment and move markets sharply—up or down. Whether this market is near a bottom or heading for more trouble will now depend on if we are heading toward a recession or not, and if so, how deep of one.

Fundamentally, there were concerns surrounding a potential slowing economy and sticky inflation. However, the latest inflation numbers from March cooled down broadly, indicating some relief for consumers. Month-over-month CPI declined for the first time since May 2020! While this is welcome news, investors were quick to discount the data not reflecting any of April's tariff effects.



Growth forecasts are cloudy given the tariff uncertainty making the risk of a recession higher. Fortunately, the economy had been resilient heading into the recent troubles. The question that remains is will the tariff-caused damage be short-lived, or will this issue drag on?

One thing is for sure, investor nerves have been rattled. Adding to uncertainty has been the curious surge in the 10-year treasury yield as the stock market weakened. Typically, yields fall during geopolitical stress as investors seek safety, yet we witnessed the fastest rise in yields in decades. The spike in yields is largely due to both a leveraged ‘basis trade’ (hedge fund trade using high leverage to profit from small price gaps between Treasury futures and actual bonds) unwinding and speculation of foreigners selling Treasury bonds. The bond markets have since cooled down, which has calmed the stock market.

Consumer sentiment has fallen off a cliff as negative headlines take a toll, and despite recent good inflation numbers, expectations for a tariff-caused inflation rebound have jumped. As a reminder, the sentiment and expectations of consumers do not have a solid track record of predicting the future.

Technically, the recent trading action created damage to most major stock market trends. The rally over the last week allowed stocks to “fill in the gap” of the downward trade. However, while the recent pause in the tariff battle has allowed stocks to catch their breath for a moment, it is likely going to be some time before we can see the direction clearly.

In the meantime, we will watch closely to determine which direction to go next. Will a more defensive position be warranted or will it become clear to buy back in? History tells us getting that answer can take time and possibly some back and forth. In setting expectations, that can mean periods where we tiptoe in only to step back out or vice versa.

For now, volatility appears likely to persist until there is more clarity on the path forward. We continue to monitor developments closely.

TACTICAL OPPORTUNITY

We have raised some cash by making select sales without immediately redeploying the proceeds. Interestingly, not as many sell signals were triggered as one might have expected during such a broad-based decline. While all areas have experienced losses, the Growth side of the portfolio has felt it more acutely. We continue to monitor for both buy and sell signals as the market works to find its footing.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

Since the beginning of March, the S&P has dropped approximately 9 percent with none of the eleven sectors posting a positive number. However, as expected, the more defensive-minded areas, like Consumer Staples and Utilities, have held up the best. The worst performer of the past month plus has been Energy, followed by Consumer Discretionary and Technology. We remain in a more defensive position in the model.

For the broad markets, all areas felt the volatility. Small Caps were down around 13% since March 1, and Mid Caps around 10. We have moved our positions there to the S&P as opposed to these groups and will look for a time to re-open positions. International markets held up better, declining between 2 to 3 percent over the past six or so weeks. We have a full position in European holdings and a half in Emerging Markets.

EQUITY GROWTH OPPORTUNITY

The uncertainty brought about by the trade debacle was harrowing for most stocks. The strategy was not exempt but it was surprising to see a handful of names like Quanta Services, Vertex, Berkshire, Zscaler, and Cellebrite in the positive since March. In fact, after a rough February, almost two out of three stocks in the strategy have outperformed the S&P 500 since March. It appears companies with less exposure outside the US have fared better, which makes sense. Going forward, with the trade talks ongoing, more volatility should be expected.

EQUITY GROWTH AND VALUE

As would be expected, the more defensive-minded the stock the better since the start of March. Having the worst of it has been stocks like Carnival Cruise, Disney, and Meta. Amid the troubles, a really good month was had by Universal Health. Good positive periods were seen in Autozone and Constellation Brands. There was higher than normal activity in this strategy as we continued to look for swaps and take some tax harvest opportunities for taxable accounts.

EQUITY DIVIDEND INCOME

Yield-paying stocks were not spared from the market moves as dividend indices moved in tandem with the S&P. Within our holdings, stocks with more exposure to Tech and Finance (such as Wells Fargo) fared the worst. Defensive names like Altria Group, Cardinal Health, and Duke Energy posted positive runs. Higher than normal activity is expected as the market navigates the current environment.

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.