Churchill Management Group

Monthly Market Update

December 10, 2024

# TACTICAL STRATEGIES

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## PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

An already strong year got even better in November. Supported by positive momentum, most of the major indices reached new all-time highs over the last month.

Stocks were bolstered by positive seasonality, a robust earnings season, and a post-election rally driven by optimism around potential tax cuts and deregulation, which could further boost earnings growth. As a result, the S&P 500 and the Dow Jones Industrial Average had their best month of the year in November. The tech-heavy Nasdaq lagged a bit in November, but it has certainly played catchup here in early December following another robust earnings season for the group.

Pleasantly, participation in the rally has been broad with the breadth on the NYSE confirming the record highs from the major indices. Small Caps, Mid Caps, and Large Cap stocks have each made new all-time highs, something that hasn't happened since 2021.

From a fundamental perspective, the economic data has been better than expected. Retail sales figures have been resilient, coming in ahead of estimates over the last couple of months. Additionally, guidance from individual companies for the holiday shopping season has been largely upbeat.

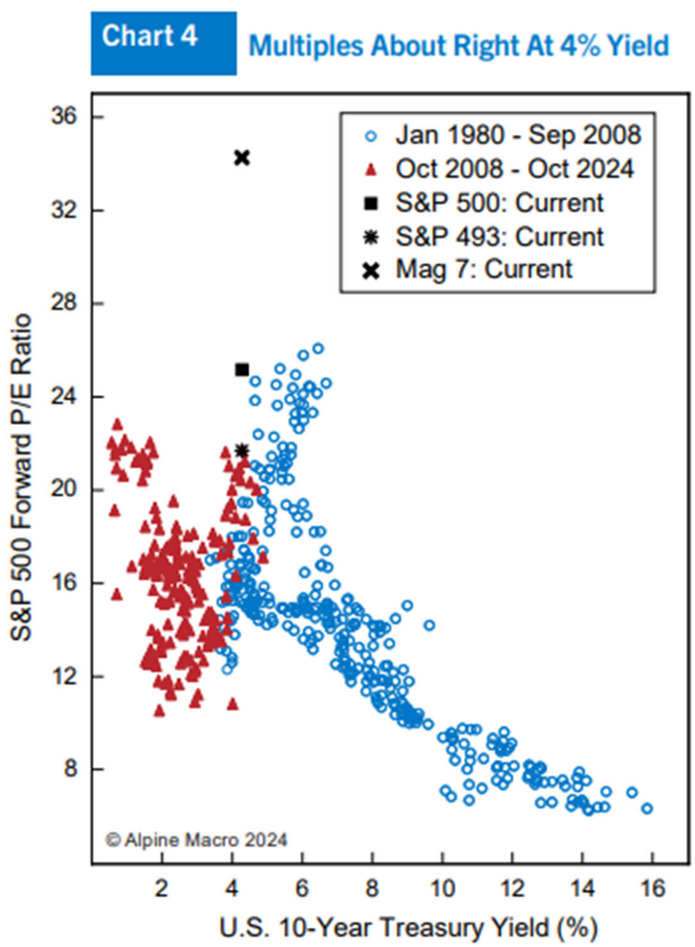
The most recent jobs report exceeded expectations in terms of job creation, but it wasn't without some ambiguity. Markets do not think it was hot enough to dissuade the Federal Reserve from further rate cuts as the odds of another cut in the futures market rose to nearly 90% following the report. The report was somewhat messy, in that the number of jobs beat estimates, but the household survey used to gauge the unemployment rate unexpectedly showed a rise to 4.2% from 4.1%.

Investors seem to believe that ambiguity is enough to allow the Fed to once again lower rates next week.

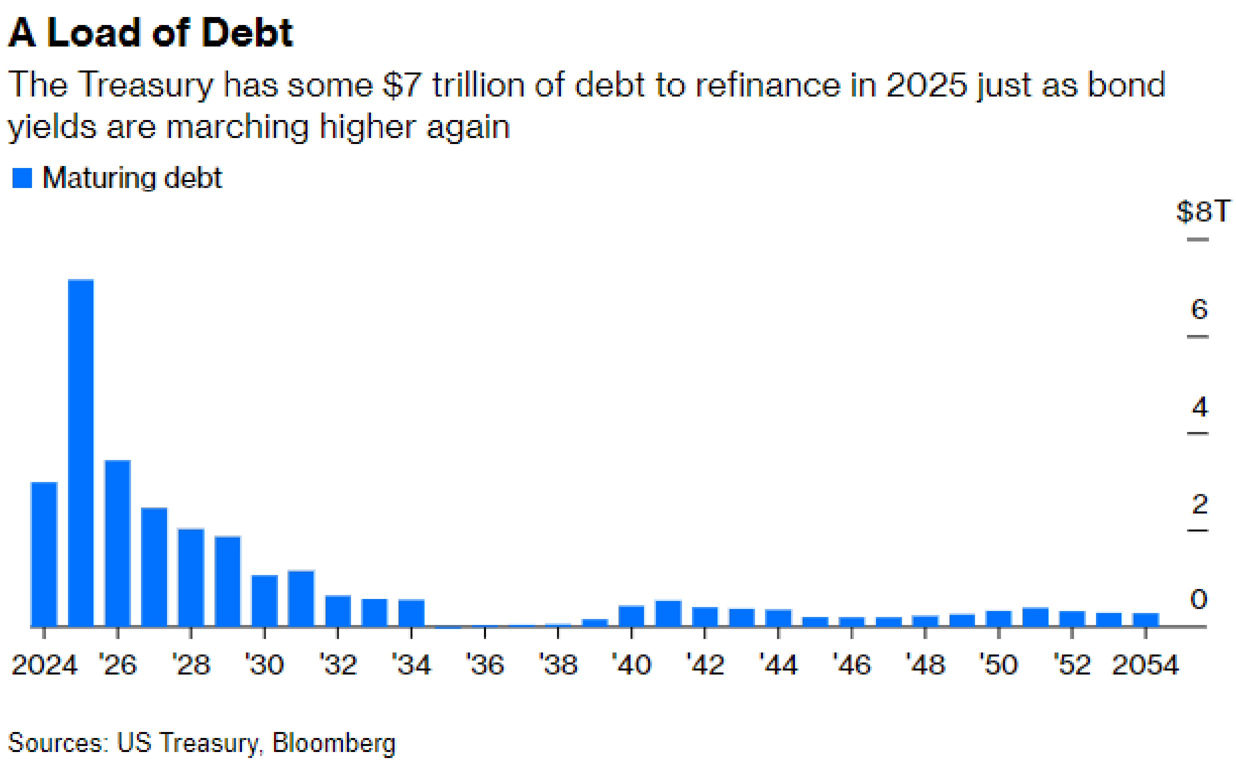
One post-election worry on investor's minds appears to be tariffs. To date, it seems most market participants see them as more bark than bite, meaning more of a negotiating tactic than an eventuality. However, the topic is definitely something to watch.

The good news is that, for now, the market appears to be firing on all cylinders. With the broadness of the rally and the number of stocks breaking out of late, it does appear to have more legs. One thing of concern remains valuations. Stocks are selling at high multiples.

However, while historically high, overall market valuations have clearly been disproportionately influenced by the extreme valuations in the Magnificent 7. As the following chart shows, without these seven titans of Tech, valuations are within historical norms when considering where rates are today.



On another note, interestingly the 10-year Treasury yield fell 30 basis points back to 4.15% which acted as another tailwind for markets throughout November. Something to watch next year will be how yields react to the deluge of Treasuries that will need refinancing in 2025.




For now, both our fundamental and technical indicators continue to give us a green light on the market. While things can change at any time, the seasonal positivity of such a year-end rally tends to persist once it gets started.

It has been a stellar year for the markets and hopefully will end on a cheery note. Happy holidays!

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## TACTICAL OPPORTUNITY

No big concerns in the portfolio as stocks grinded higher. A step back from Leidos after a stellar run up, but that was more than offset by run ups in the likes of Fortinet, Servicenow, and Netflix. No moves to reduce exposure yet.

# FULLY INVESTED STRATEGIES

## ETF SECTOR ROTATION

Leadership in the recent rally came foremost from Consumer Discretionaries behind a huge month from Tesla (TSLA) and a good month from Amazon (AMZN). Growth was in favor elsewhere as well as Tech and Communications slightly outperformed. Financials did as well, though just slightly. Narrowness continues to be a theme as that means seven of the eleven sectors didn't keep up. The good news, only two of the sectors, Materials and Healthcare, were down for the month and those two were only slightly down. We have been continuing to step toward the Growth side with some small rotations in our allocation among the sectors.

In the broad markets it was good news all around with Growth better than Value. Mid Caps and Small Caps both experienced nice pops during the month.

On the International front, both Europe and Emerging Markets were up, but lagged the U.S.

## EQUITY GROWTH OPPORTUNITY

Stocks in the portfolio, such as Rocket Lab and Hims, captured the momentum of the market and had strong moves in November. We are seeing strength continue to be broad based, which is indicative of a healthy bull market. Seasonality remains bullish in December and we will look to take advantage.

## EQUITY GROWTH AND VALUE

Despite a slight pullback from some of the semi-conductors like Applied Materials and Advanced Micro, the broad majority of stocks rode the wave up. Leaders included Amazon, Carnival Cruise Lines, and Netflix, though a few saw a little pull back this week. Disney also had a nice run during the month.

## EQUITY DIVIDEND INCOME

Dividend stocks have done a nice job of mimicking Growth stocks for the year and continued to do so over the past six weeks despite a selloff in some leaders to start the week. Good months were seen in Oneok, IBM, and Kinder Morgan. With only a handful of stocks down over the past few weeks, there are no significant changes 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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