Churchill Management Group

Monthly Market Update

June 6, 2024

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

The tone of the market continues to be bullish as Wall Street assesses the economy against the backdrop of inflation and the direction of interest rates. Investors have taken the stickier inflation readings in stride despite a chorus of Federal Reserve officials publicly saying they want to see at least a few good readings before cutting rates.

After backing off in April, with the Nasdaq seeing an 8% drawdown, markets have shot back up to new all-time highs.

While the indices have taken a breather in the last couple of weeks, the action is still positive and can be viewed as a continuation of the bullish trend. Taking a step back after a few steps forward is quite normal.

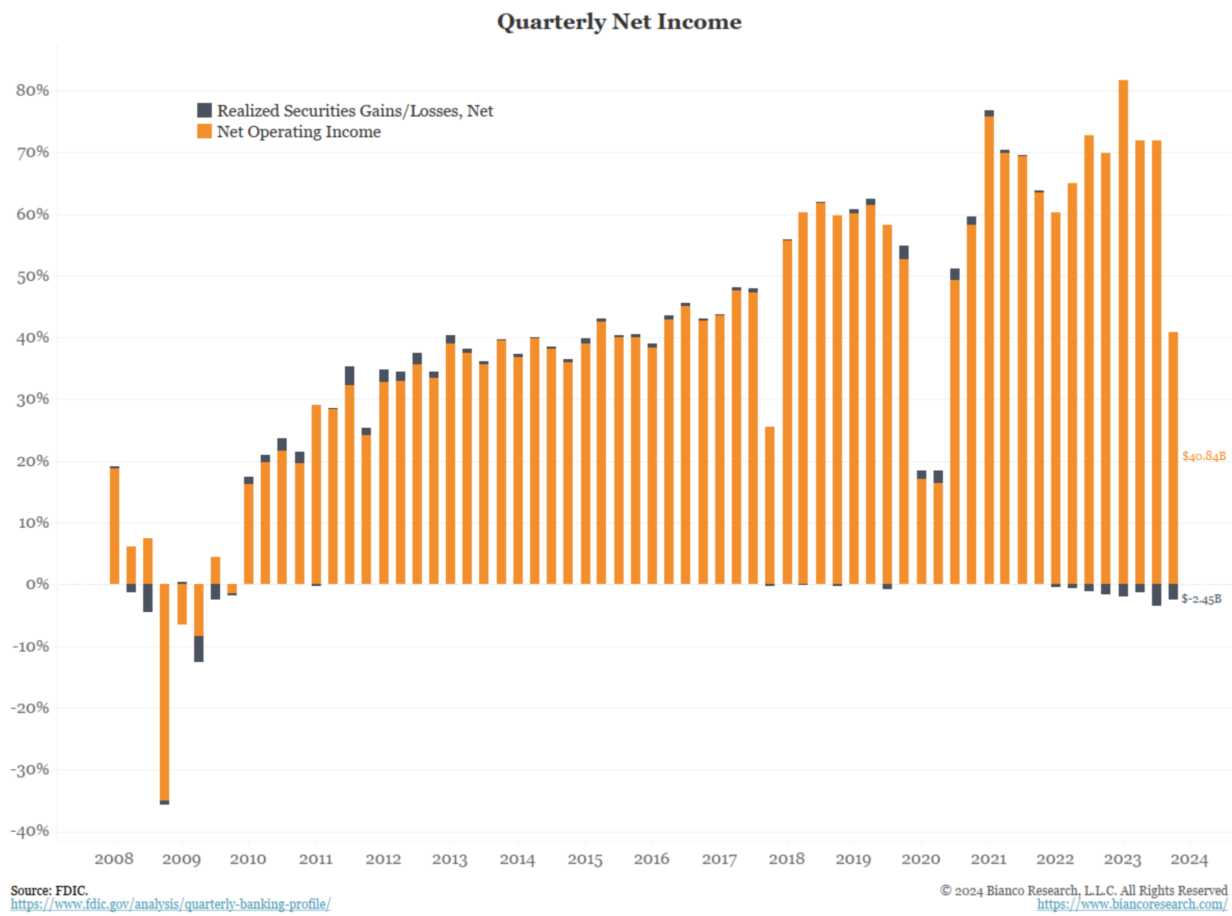
With the markets currently only pricing in one rate cut this year, the possibility of more stubborn inflation readings does bring up a scenario where we could end up with no cuts this year. That could create some indigestion for markets should that play out.

It is ironic that the “higher-for-longer” mantra the Fed pushed didn’t last long. It sought to cut rates shortly after embracing that stance, only to have inflation stubbornly force the Fed to keep rates high for longer.

Looking beyond interest rates, companies have generally done well outside of those in the financial industry.

Earnings were quite robust, especially in the Tech sector where Nvidia led the pack by once again blowing past estimates due to massive demand for AI chips. The rest of the S&P 500 didn't do poorly either, with 78% of member companies having reported positive earnings surprises.

The Financial sector, especially banks as shown on the chart below, did not do as well, as net income came in at the lowest levels since the pandemic.



That is an area to watch as higher rates have hurt banks as a result of having to pay more for assets to match market rates. They also have underperforming portfolios of low-paying assets on their books, some of which are now underwater.

The bottom line is that things remain bullish. However, like the Fed, markets will react to and be hamstrung by incoming data. Until there is a material change, we expect markets to retain their bullish bias. As always, we will watch closely for any changes that would warrant a switch in our stance.

TACTICAL OPPORTUNITY

The model's exposure level hasn't changed but the recent addition, Nvidia, led the pack along with other Tech stalwarts like Apple, Netapp, Meta, and AMD. The groups outside of tech lagged but were mostly still positive for the month.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

Tech stocks took back the reins in May and carried the S&P500 as Tech and Communications were the only two sectors that beat the index. All the other groups lagged but were in the positive with only Energy, which fared the worst, with a -2% loss. Our model is overweight Communications but has mostly neutral weightings across the board.

Growth was dominant over Value, while Large Caps easily beat Small Caps, and Internationals were just a market-perform, although Emerging markets lagged.

EQUITY GROWTH OPPORTUNITY

Tech reaffirmed its leadership as the markets pushed to new all-time highs but underneath the cover, it was a narrow group of Mega Cap Tech stocks that drove the indices. Stocks outside of Tech and communications have had a rougher go. Overall while most stocks lagged Tech, they did participate to a lesser degree. The bullish trend is still intact.

EQUITY GROWTH AND VALUE

The results were quite mixed with some big winners in Tech from Nvidia, AMD, and Broadcom but they were offset somewhat by weakness in healthcare names like West Pharmaceuticals and Cardinal Health. Energy was also weak with Hess Corp and Exxon both lagging. The only way to have beaten the market this month was to be mostly in Tech.

EQUITY DIVIDEND INCOME

Dividend stocks have largely gone sideways with little in terms of signals on either the buy or sell side.

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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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.