Churchill Management Group

Monthly Market Update

September 11, 2024

TACTICAL STRATEGIES

PREMIER WEALTH TACTICAL & PREMIER WEALTH TACTICAL CORE

If you had been on a summer-ending long vacation since the start of August, you would have returned and thought the market had been rather calm while you were gone. However, you would have missed some fireworks. After some weakness in July, stocks started August with a sharp selloff, then almost immediately rebounded nicely and nearly got back to all-time highs. September started with the worst week since 2023 as the S&P shed over 4% and the Nasdaq nearly 6%. All totaled, though, the S&P has actually notched around a slight 1% gain since the start of August. It hasn't really felt that way.

The stock market is going through a roller coaster of emotions, which has resulted in more volatility. Investors are quick to cheer the fact that inflation has cooled off, yet just as quickly worry that the economy is slowing down too abruptly, and a recession is around the corner.

August brought about an unsettling jobs report showing job growth slowed more than expected and the unemployment rate moved to 4.3% – the highest since October 2021. For the moment, all eyes have shifted on job growth.

The weaker-than-expected jobs report has further cemented a rate cut at the next Federal Open Market Committee (FOMC) meeting. Presently, the odds are pointing toward the Federal Reserve cutting interest rates by either .25 or .5% in the next FOMC meeting on Sept. 17-18.

Investors previously cheered bad news since that meant higher odds for interest rate cuts. That narrative has quickly shifted with recession fears front and center. The market is now interpreting bad news as bad news.

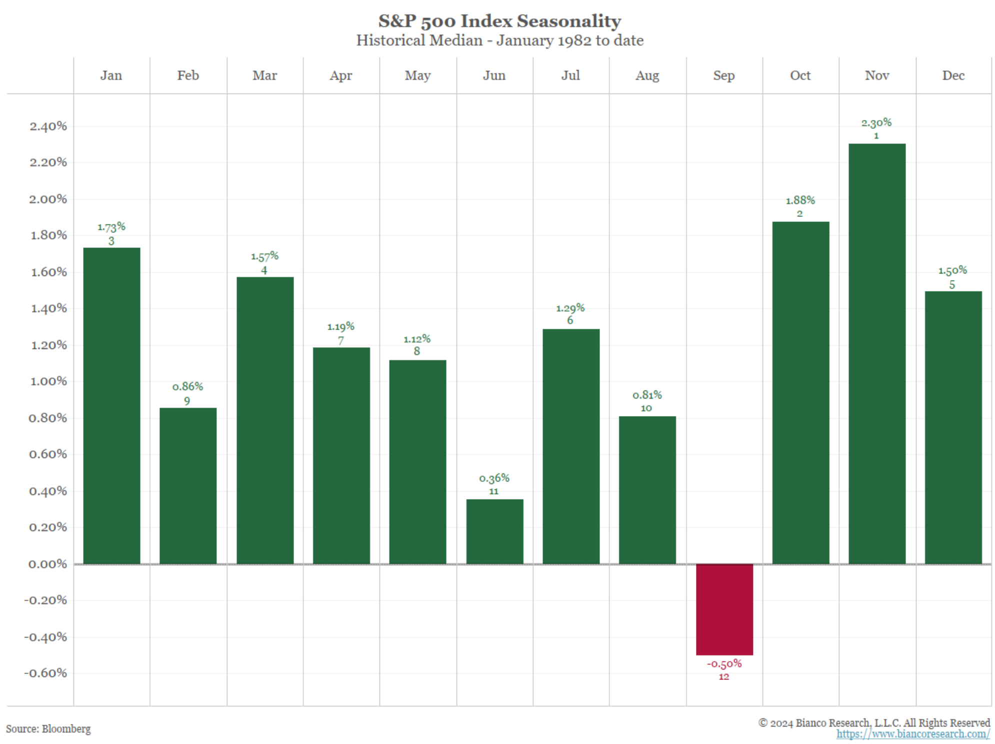
Despite anxiety about the slowing labor market, bright spots still remain in the economy.

Inflation appears to remain in check. The Personal Consumption Expenditures Price Index, or PCE – the Fed's favorite inflation indicator – came down to 2.6%, compared to the expected 2.7%. Growth is stronger than expected as the latest quarterly GDP came in just under 3%. In addition, corporate profits are hitting new record highs.

We are seeing some profit-taking in the Magnificent Seven names, but we have also seen the breadth of the market expand as multiple sectors have played catch-up, a positive sign.

The previous leadership in Growth stocks has been hit hard as money has rotated towards defensive sectors and Value. Despite the shifts within sectors, we are seeing no directional changes in the market. For now, all trends remain intact.

Coincidentally, the slow start in September may be attributed to poor seasonality. September is by far the worst-performing month of the year historically, coming before what tends to be a seasonally strong fourth quarter. Throw in an election on top of that and we can assume volatility may remain on the higher side.



We reduced exposure very slightly in our tactical portfolio to reduce the volatility a little. While we have not made a change in our overall outlook, we are remaining patient with a vigilant eye on the quickly changing dynamics of this market.

TACTICAL OPPORTUNITY

Despite some volatility, the strategy has generally held its percent invested. Weakness from big names Google and Chevron has been helped by pops from CAVA, computer security firm Fortinet and The Trade Desk.

FULLY INVESTED STRATEGIES

ETF SECTOR ROTATION

The market has rotated to a broadening phase. More defensive minded sectors like Consumer Staples, Real Estate, Health Care and Utilities have been outperforming. Growth areas like Tech and Communication have lagged, though not terribly. Tech, for example, has been down 1% compared to up 1% for the market since the start of August. Energy has been the worst performing sector.

We have been taking small steps toward the broadening market, adding to our defensive holdings as we look to see if this rotation has legs or is just the Growth area taking a break.

In the broad markets, Value was better than Growth and Small Caps lagged. Small Caps have been a game of back and forth showing some strength and then backing off over and over it seems.

We are still out of internationals where Europe was up slightly better than the U.S. while Emerging Markets lagged.

EQUITY GROWTH OPPORTUNITY

Earnings season has been more volatile for Growth stocks in general as higher expectations made it difficult to beat. We have had our lumps from earnings reports but for the most part, outside of those names, everything else has been on par with the market. Smaller Cap names can't seem to sustain an uptrend but certain sectors like Healthcare and Industrials have picked up.

EQUITY GROWTH AND VALUE

The rotation of leadership was evident in the individual stocks in our portfolio. Google was down over 10% since August 1 as was Applied Materials. After a lot of back and forth, Nvidia has been down about 3% over that time. Not too bad. Benefiting from the rotation have been the likes of Boston Scientific, Oracle, and United Health. Breadth continues to look good in the face of the volatility which is a plus.

EQUITY DIVIDEND INCOME

Dividend stocks have been the steady player throughout the year and especially recently the market has moved their way. We experienced some speed bumps in the portfolio for insurance plays like Prudential and Lincoln National but also some good offsets from old blue bloods like AT&T, IBM, and Cardinal Health. Overall, the dividend group has been a model of consistency.

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.