

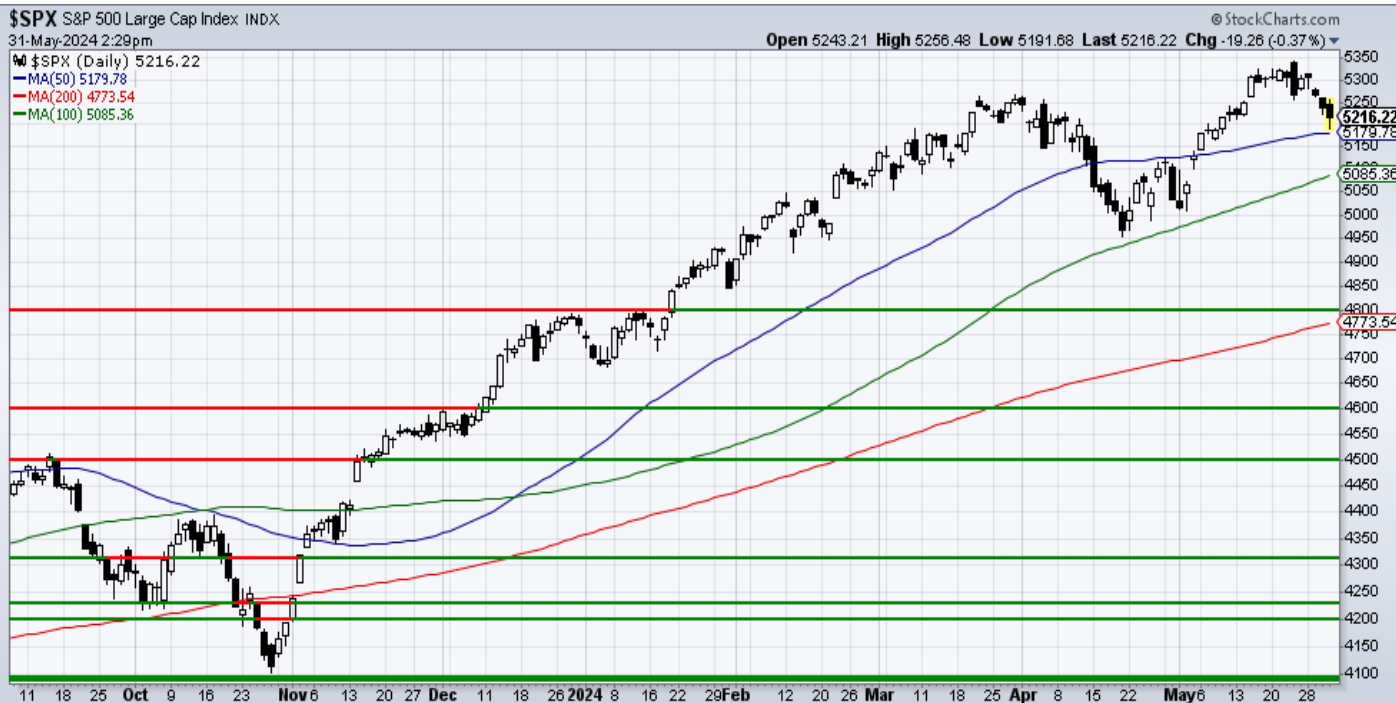
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

MAY 31, 2024

BO BILLS (615) 371-5928

CARTER BILLS (615) 585-6867



## Our Point

Last week we mentioned the outside reversal that had our attention and would likely portend a pullback of some importance. We also noted that we expected any pullback to be contained in the 2-3% range. Intraday, we hit a 3% pullback this morning as the S&P bounced off of the 50-day moving average. While a deeper pullback is entirely possible, we don't expect the markets to correct any more than 5%. Such a correction would take the S&P down to the 5050-5100 level and would likely present an excellent buying opportunity for any excess cash you have. 5085 on the S&P marks the level of the 100-day moving average which should provide some level of support should the market sell off to that point. May has been an excellent month so some level of decline is not unexpected. The markets have come a long way since the mid-April bottom and were looking a little frothy. Simply put, this pullback looks to be a normal pause in an otherwise positive environment. We remain bullish on the markets and believe that pullbacks are buying opportunities. Election year politics will dominate the headlines between now and November. As such, the current administration will do everything they can to alleviate any negative economic news. We anticipate a positive market over the next few months. As the election nears, more volatility is likely, and we could see a more significant correction depending on political developments. Until such time, however, we expect good markets interrupted with normal pullbacks. There will come a time – perhaps sooner than many think – where we see the much overdue significant bear market. We don't think that comes until 2025 at the earliest. The Fed's favorite inflation gauge was released this morning and came in as expected. Inflation remains above where the Fed wants it but, importantly, did not rise as some feared. Despite the PCE coming in without any surprises, the market remains under some selling pressure today. We'll get more economic news next week culminating Friday with the monthly jobs report. Trading volume in the summer months declines as traders go on vacation so volatility could pick up over the coming few months. Our portfolios were all up for the month of May with healthy gains. We made no changes to our portfolios and remain mostly fully invested. We do have a little cash in all our portfolios and are evaluating additional investments on this pullback. The #1 UT Vols baseball team begins its quest tonight for another trip to Omaha and the College World Series. I will be watching and then spending the weekend getting a few things done around the house. I will have a little "help" this weekend as we are keeping our 5-year-old grandson! Enjoy your weekend wherever it finds you.

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