Bills Asset Management

BAM MARKET NOTE

June 28, 2024

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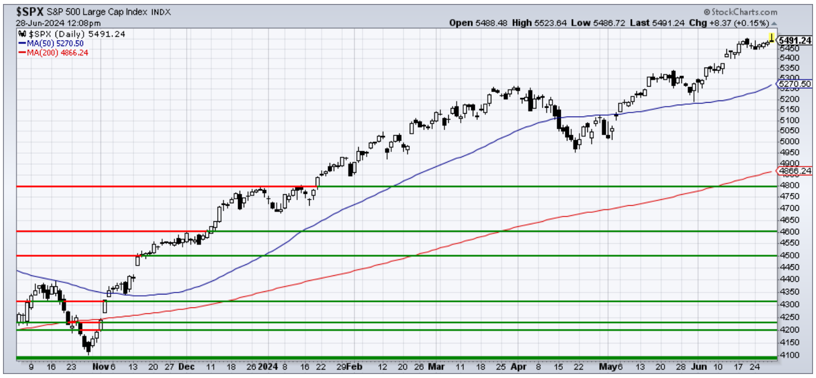
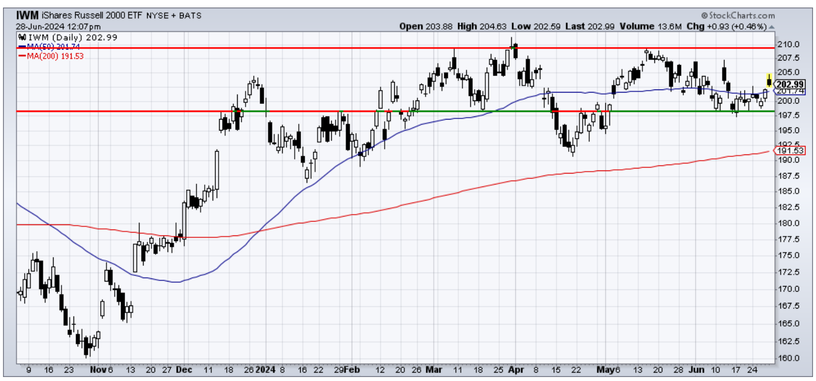


The market looks to finish the quarter today on, yet another, positive note. It will be the 9th week out of the last 10 that the S&P has logged a positive return. After a rough April, the markets roared back with the S&P and Nasdaq reaching new highs. It has been a fantastic year to this point. Cracks remain under the surface and there are always things to be concerned about, but you cannot argue with price and prices remain up with no signs of abating.



One of the cracks mentioned above is the performance of much of the non-tech and non-AI portions of the market. While the S&P and Nasdaq are hitting highs, small caps continue to be mired in a trading range that has persisted all year long. The Russell 2000 is just above the flat line for the year. Midcap indices are not much better. A healthy market would have wider breadth and nearly all stocks participating. This market is not healthy, but it is going up and that is hard to argue with.

Our Point

The much-anticipated PCE report came and went this morning with little to no market reaction. The inflation report came in as expected with no surprises and leaves us right where we were before the report. Inflation remains sticky and the Fed remains on hold for any interest rate changes. With the 2nd quarter in the books, market participants will begin looking forward to the quarterly parade of earnings. Speaking of earnings, analysts have been busily reducing expectations for earnings. The result could be another quarter with companies “beating” those reduced expectations. We will know soon enough. Despite the reduction in earnings expectations, Wall Street giants are also raising their estimates on where the S&P will finish the year with Goldman Sachs leading the way with a call of S&P 6300 by the end of the year – that is 16% above current prices. I hope they are right, and we will enjoy it with them! That said, we are very likely to have some bumps in the road between now and then. We still expect another 5-10% correction to develop over the coming weeks. The bull market remains and isn’t going away any time soon. Any correction will likely be an excellent opportunity to add a little more risk to your portfolio. The big news of the day is the presidential debate last night. By all accounts (left and right), President Biden had a bad night and reinforced what critics of the President have been saying for some time. As we have stated several times before, the market doesn’t really care who wins the election. Both candidates are known and there is recent history for both on how they would govern. Wall Street doesn’t look favorably on surprises or uncertainty. Regardless of who might win in November, there is little uncertainty on what their administrations would look like. However, after the debate last night, there are growing murmurings from the media and those on the left for Biden to consider dropping out of the race. While difficult to achieve at this point and unlikely to happen, should this idea gain traction and the DNC taking steps to move that way, it will produce some volatility in the market as a known candidate becomes an unknown candidate. It is something to monitor over the coming weeks. We made no changes to our portfolios and remain mostly fully invested in equities and selective bond funds. Trading volume will be light next week with the July 4th holiday falling on Thursday. Light volume always increases the chances for some volatility though we expect a quiet week. With the holiday and the catfish and fireworks I will enjoy at Kelly’s brother’s house on Thursday, there won’t be a market note next Friday and we’ll resume the following week. Have a wonderful weekend and a safe and patriotic July 4th celebration. Despite the rancor in our politics, the union remains strong and our country still the envy of the world. I am thankful and I am also glad that the UT Vols brought home that baseball National Championship!