BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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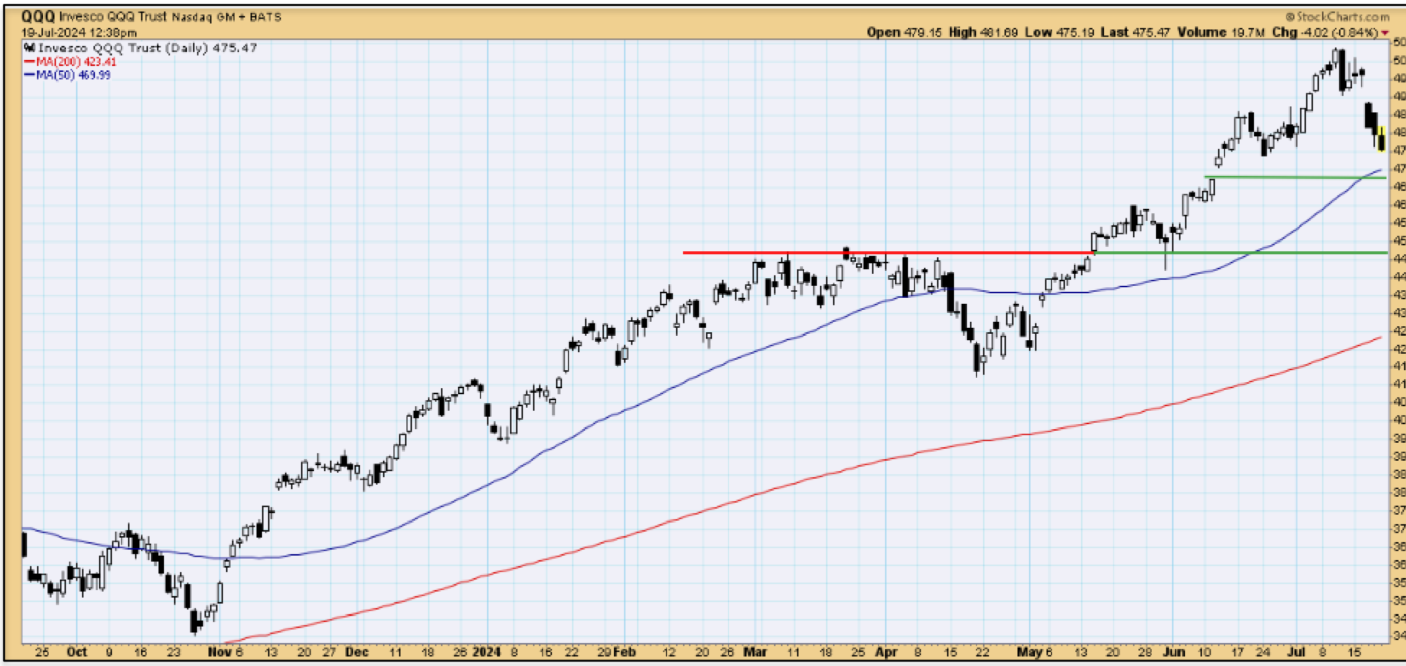

Our Point

It has been a challenging week on Wall Street as investors saw declines in the S&P and Nasdaq nearing 2.4% and 4.3% respectively at the time of writing this note. Uncertainty stemming from political and interest rate risk have been the primary market drivers for the last few trading sessions. The markets were unsettled with political news as there was an assassination attempt of Donald Trump over the weekend and reports of President Biden coming down with Covid also circulating. Regardless of your political views, the election does impact the stock market so we will continue to monitor any major developments. One bright spot to point out would be the continued participation of small caps in the broader rally. They have been and will continue to be the main beneficiary of rate cuts and the expectation of such. The Russell 2000 has actually managed to eek out a 1% gain for the week despite the larger indices falling. Fed Chair Jerome Powell has emphasized the importance of seeing inflation data continue to tick lower before they move to cut rates. We did get indication of a cooling labor market as unemployment benefit applications continued to rise. The unemployment data bolsters the chance of a rate cut in September and potentially more cuts later in the year. The PCE report that comes out next Friday will be the next big piece of inflation data that the Fed will look to evaluate while making their interest rate policy decisions. While the decline this week has not been pretty, it can be constructive to see a strong market pause or sell off a bit to digest some of the gains and set the stage for another leg up. The technology sector has been leading the way for this market and was due to shed some of its froth. I have included the tech laden Nasdaq (QQQ) chart to show a few logical places for the bulls to make their stand and regain positive momentum. The 50-day moving average is only about 2.5% from current levels and a move to that level would also fill a gap in price action from early June. As we mentioned last week, a 4-10% correction would be expected and healthy. This week we have seen what may be the beginning of that correction. We are evaluating positions to add to our equity exposure but have not made changes in our portfolios this week. We continue to believe pullbacks should be used as an opportunity to add to your portfolio. Earnings season rolls on next week as Tesla and Alphabet (Google) report quarterly earnings after the bell on Tuesday. Any surprises to the upside by these giants could help to get the market back in the right direction and spur on the next leg of the rally. We will be watching closely. Thank you for reading and for your trust in us, we hope you enjoy your weekend.