

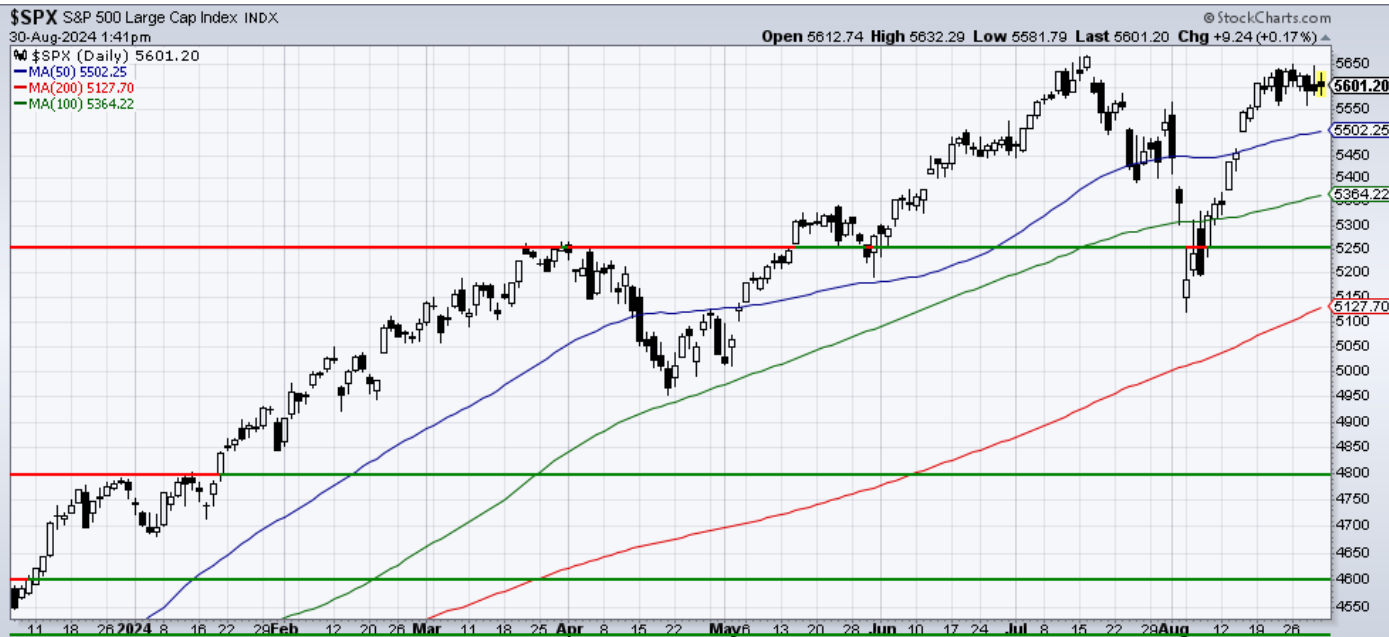
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

AUGUST 30, 2024

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## Our Point

August has been anything but boring. Though it looks like the S&P will finish the month with just a 1% change, it was certainly not a straight line! The month started with a 6% sharp decline before buyers stepped in and mounted a significant rally. The rally from August 5<sup>th</sup> brings the widely followed index back to within 1% or so of its highs. As mentioned here in recent weeks, market participation has broadened and market sectors other than technology and the Magnificent 7 have helped carry the indices. However, technology is far from dead, but it has lagged a little as it was flat for the month. The current week had the potential to be very volatile with the PCE report today and Nvidia's earnings on Wednesday. However, both turned out to be anticlimactic. Today's PCE report came in mostly in line with predictions - inflation rose a little. The report did nothing to expectations for the Fed's anticipated rate cut in mid-September. Nvidia did what Nvidia has done for the last several quarters – it blew out earnings and sales! However, success breeds expectations and Wall Street's lofty expectations for Nvidia earnings were not met. The stock sold off on the report – down 10% after the release. The stock has recovered a bit but is still down 6% post earnings. Since Nvidia has an outsized effect on the cap-weighted indices, it is encouraging that other stocks rallied and made up for the losses in Nvidia. Last week, we noted that we expected a breather for the markets to work off any overbought conditions. This week saw that as we have traded down a little. September is notorious for being the worst performing month of the year. In fact, over the last century it has held that moniker. With market indices approaching the highs for the year, it would be unsurprising to see the market struggle a bit over the coming month. We don't expect a big sell-off but a pullback of 2-5% for the major indices would be entirely normal and healthy. With the Fed on tap to release their interest rate decision on September 18<sup>th</sup>, it could be expected that traders would sell the news. We'll have a few more data points between now and then to determine whether a 25 or 50 basis point is expected but any surprises by the Fed on Fed day will lead to volatility. We made no changes to our portfolios this week and feel comfortable with our holdings as we embark on a new month. Bond funds have continued to generate excellent risk adjusted returns and equities rebounded quickly from their early August swoon. As always, we stand ready to make adjustments when market risks become elevated. While September holds some headwinds, the rest of the year will see tailwinds that should lead to new highs in the market indices. After a sports drought (actual drought as well!), we get the start of football season tomorrow. The Vols open their season mid-day tomorrow in what should be an easy matchup. There is little doubt where I will be tomorrow lunch time! Have a great long weekend and safe travels if you are trying to squeeze in a little more summer.