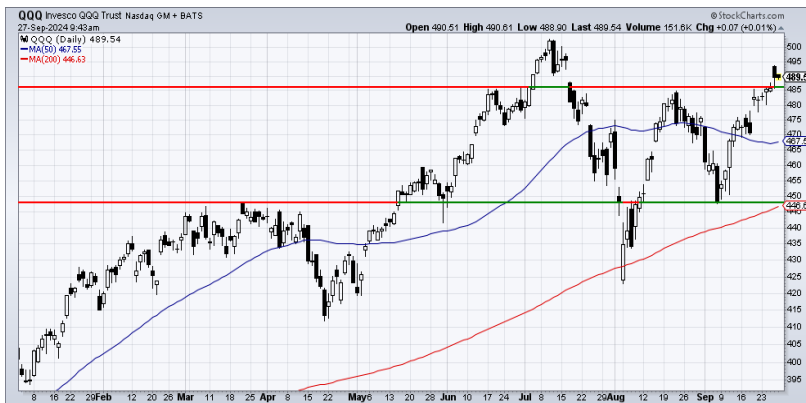
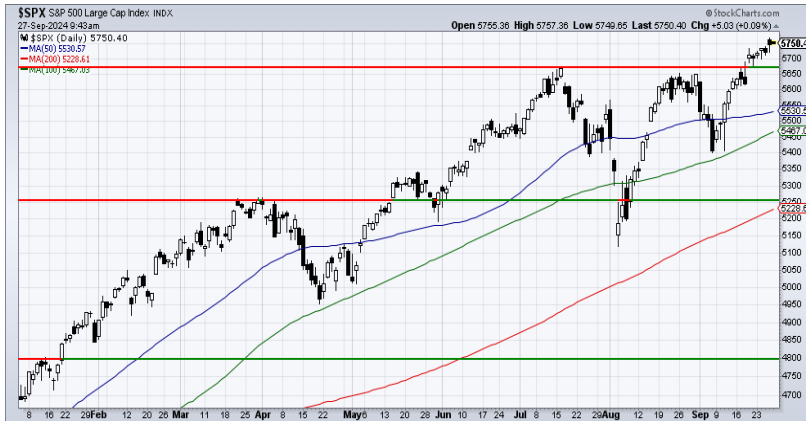


BILLS ASSET MANAGEMENT
BAM MARKET NOTE
SEPTEMBER 27, 2024

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The market surged late last week after the Fed rate cut and we mentioned the importance for the S&P to hold onto these gains and the breakout that the index had. The gains held this week which lends credence to the fact that the break-out is real and that higher prices are more likely than not. Support at the old highs remain very important and any pullback should hold at those levels. The market environment is very positive. Certainly, there will be bumps and some increased volatility as the election approaches but there is nothing in the current environment that gives us any undue concerns.

We talked last week about the relative underperformance of the Nasdaq to the S&P and noted that tech stocks could play catch up if the S&P gains held. We got some of that this week as the Nasdaq ETF QQQ pierced resistance and has doubled the returns of the S&P this week. The index still has some work to do to catch up but breaking through resistance and holding the breakout will go a long way towards establishing the Nasdaq again as the market leader. The index remains 2.5% from its highs but is very likely to set new highs before 2024 is done.

Our Point

After last week's Fed rate cut, the market rally has continued. The gains have been measured but undeniably positive. The markets got good news on both the economy and inflation. Both the GDP and PCE inflation reports were issued this week and provided no surprises. The economy, though weakening, does not show signs of stress. Similarly, inflation remains stable – up but in line with expectations. Both measures lend support to the Fed's actions last week and pave the way for further rate cuts in the 4th quarter as we wind down the year. With inflation trending in the right direction, next Friday's jobs report will face increased scrutiny. A weak employment report will raise fears of an increasingly slowing economy and will increase calls for the Fed to continue cutting rates. On the flip side, a strong employment report will cause many to wonder if the Fed acted too rashly in its aggressive rate cut last week. How the market responds is anyone's guess! Market reaction to market news is not always intuitive and one reason we choose to manage our portfolios on what the market is actually doing rather than what we think it might do. There are two other market drivers worth mentioning. Longshoremen are set to strike next week absent a breakthrough in negotiations. Closing down the east and gulf coast ports could do enormous damage to our economy and could spike inflation as shipping costs increase and goods become scarcer. If negotiations fail, however, we don't expect an extended strike, but we could see some volatility until an agreement is reached. On the positive side, China injected lots of liquidity into their markets with an interest rate cut, customer subsidies, and sovereign bond issuances. The actions are meant to stimulate the Chinese economy as it struggles to meet its growth goals for the year. The stimulus will have spillover effects to markets across the world. As always, there is lots going on! We made a few changes to our portfolios as we invested the small remaining cash in our portfolios in a combination of bond and equity funds. While there will be some volatility and pullbacks over the coming month or two, we expect prices to finish 2024 higher than where we are now. Despite our thoughts, we will be watching the markets closely and will respond accordingly. My pattern of elation on Saturday after a Vols win followed by disappointment on Sunday after a Titans loss will be broken this week as the Vols are off and the Titans play on Monday night. Hope springs eternal as I remain an optimistic Titans fan amidst the disappointment. Enjoy your wet and soggy weekend.

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