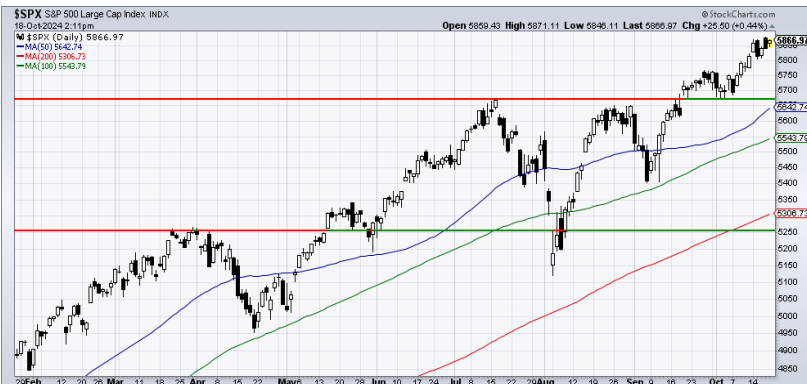


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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BO BILLS (615) 371-5928
CARTER BILLS (615) 585-6867



It was another up week for the markets as the S&P looks to add close to another 1% on its already excellent returns for the year. Not much has fazed the market this year. The S&P is now up the last 6 weeks. It has been an impressive run. This will pass and we will get some scary drops – when it comes is anyone’s guess, but it is coming. I wouldn’t throw caution to the wind at these levels, but we aren’t ready to sell either. However, at these levels and with the election looming, it would be prudent to be wary of the markets and ready to take some profits if a correction starts.

Small caps are an area of the market that we pay special attention to as it can often show how much risk investors are willing to take. We have been waiting for small caps to catch up to the major indices and breaking to new highs is a good start. They did that this week, and it is, yet another, positive to the current market environment. Holding above the just broken resistance will be key for the market to continue its current run.

Our Point

Earnings in general have become a little lackluster and a little anticlimactic. With analysts continually adjusting expectations, it is becoming increasingly rare that companies fail to meet Wall Street expectations (everyone gets a trophy). With that backdrop, earnings to date have been good. Netflix reported after the market close yesterday and exceeded market expectations and is being rewarded today – up nearly 10%. As one of the Nasdaq bellwethers, it is helping the tech sector with oversized gains today. The ten-year treasuries have soared over the last couple of weeks as expectations of Fed rate cuts have lessened with strong economic reports. However, the Fed Funds Futures still indicate over a 90% chance of a 25-basis point cut at the Fed’s meeting early next month. Is the bond market seeing something that everyone else is not? Despite the giddy feeling on Wall Street, we are a little reticent to follow the crowd. While the markets are making new highs, there are worrying signs on the horizon. Not enough, mind you, to get us in a selling mood but enough to have us slowly moving towards the exit door. We have had an excellent year to this point and don’t want to get greedy. Speaking of greed, there was an interesting story that hit the headlines this week. Christopher DeVocht, a carpenter by trade, parlayed \$88,000 in his savings into a fortune of over \$300 million in just a couple of years. He did this by being very aggressive in trading options and leveraging his investments in Tesla stock. Unfortunately, he got very greedy (and perhaps bad advice) and continued to roll the dice to increase his gains. He lost it all in a matter of a few months as Tesla stock fell and likewise his gains. It is a cautionary tale of how fickle the markets can be and how greed can get the best of any of us. Had he booked some of his gains and moved to something more conservative, he would still have plenty to live the rest of his life. However, he chose to continue chasing more and more and ended up with nothing. While we aren’t there yet, we do see some warning signs that the current market run up may be coming to an end. We don’t predict the market but do try and respond to it. Accordingly, we are watching things closely. With the election just three weeks away, there is the potential for increased volatility both before and after the election. We have not made changes to our portfolios this week and remain nearly fully invested. We are enjoying the run up in the market indices but are fully aware that a winter of some sort is coming – likely in 2025 but it could come sooner. As such, we continue to follow the charts and will react accordingly. All looks good now, but things can, and often do, change quickly. If you would like a second opinion on your current holdings or a complimentary review of your portfolio, please give us a call – we would welcome the chance to speak with you. For those in Tennessee and Alabama, the third week of October is sacred ground. This year is no exception with the Vols and Tide facing off in a close to must win for both programs. Go Big Orange – it should be a fun weekend. Enjoy yours.

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