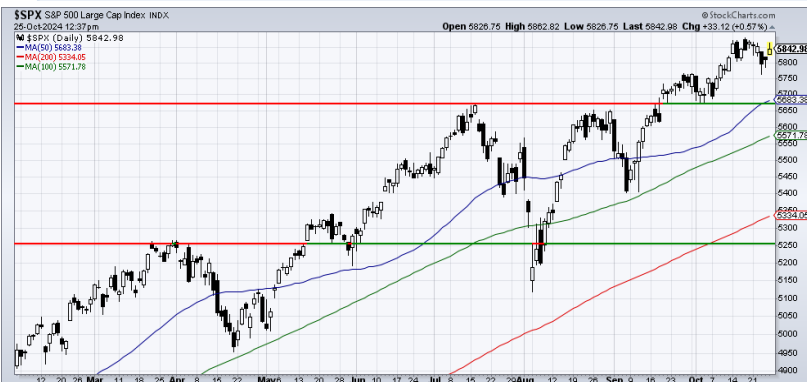


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

OCTOBER 25, 2024

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The 6-week streak of up weeks looks to be broken this week as the S&P has trended down a little this week. The loss has been minimal as the S&P is on track to lose less than 1% for the week. As we hit the final stretch of the election, volatility could increase. If there is a correction, it is very likely to hold at the meeting of the 50-day moving average and support at or slightly below 5700 (2.5% decline from current levels). With an end of the year rally more likely than not, we continue to believe that weakness should be bought with any excess cash.

The big financial market story is the rise in treasury yields. While hindsight is the only surefire way to know why yields are increasing, some have suggested that a shift in the election odds favoring Trump is the culprit. Others have suggested that the Fed may not cut rates as aggressively as they have signaled. In any event, we don't believe that higher yields will persist and that treasury rates will normalize. Rates are stretched and some decline is expected.

Our Point

Next week will be a big week! There will be lots of data points with earnings from the likes of Google, Microsoft, Facebook, Apple and Amazon. There will be many other earnings that will drive the market but 5 of the magnificent 7 will headline the parade. Additionally, we will get another look at jobs with the monthly jobs report next Friday. Finally, the monthly PCE inflation report will be released on Thursday. It will be a lot to digest. Oh and there is an election that is just a few days away! There will be no shortage of information for the markets to digest. Tesla reported stellar earnings and forecasts earlier this week and was rewarded accordingly – up almost 25% in 2 days. The Tesla earnings bode well for the rest of the tech sector. We'll see next week if tech earnings continue to spark the markets. The jobs and inflation reports (as well as a few other key reports next week), will give the market a better indication of where the economy and inflation stand and should provide more clarity on the Fed's path for interest rates. With so much data coming in next week, we wouldn't advise taking any big bets one way or the other. However, investors should be ready to act on any changes (positive or negative). In fact, with the election just 11 days away, we wouldn't be doing much of anything until the dust settles. As we have stated here numerous times over the last several months, the election of the President generally has little effect on the markets. However, surprises that happen will have an effect in the short-term. With Trump strengthening in the polls, the markets appear to be factoring in a Trump victory. Additionally, the odds of a clean sweep by the Republicans has become more likely over the last few weeks. With an election this close, nobody knows if the polls are accurate this time or if some October surprise will still happen over the next 11 days. While the markets may move one way or the other a little bit based upon the polls and the ultimate winner, the biggest risk to the markets is uncertainty and the potential for a contested election. We would expect significant volatility should any uncertainty persist for any length of time. All that said, we hope for a fair and free election with no doubts as to who won. Get out there and vote and let your voice be heard. We touched upon treasury yields above. The surge in rates has had a negative effect on bond holdings of all kinds – corporate bonds, muni bonds, emerging market bonds, high yields, etc. have all been affected. If rates continue to rise, we will need to re-evaluate our bond holdings. We don't expect that they will but are prepared to act if they do. To that end, we did sell one of our bond holdings in our conservative portfolio this week. We used some of the proceeds to buy another low volatility holding but kept some cash to redeploy on any market weakness. After a big win in Knoxville last week, the Vols get a well-deserved week off. The Titans appear to be taking every week off. It looks to be another glorious fall weekend in Tennessee. Get out and enjoy your weekend!