

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

Over the last three weeks the market has moved mostly sideways with an upside bias. After the run up that started after the August swoon, the slow grind upward is bullish market activity. Any investors wanting to sell have had ample opportunity to readjust their holdings. The small market pullbacks we have had over the last month have quickly had buyers step in. Importantly, as we have mentioned over the last few weeks, support for the S&P at the 5675 level has held several times since the index broke above this level on September 19th. With each successful test and hold of support, the support becomes a more significant line in the sand and increases its validity and strength. For the most part, all of the indices have drifted up this week. Through yesterday, the S&P is up .5%, the Nasdaq is up .8% and the Dow is up .24%. The lone exception is the Russell 2000 which has fallen 1%. Small caps (Russell 2000) are much more sensitive to interest rates than the larger companies in the Dow, S&P and Nasdaq. Accordingly, as probabilities of future Fed rate cuts rise and fall so have the small cap indices. In the minds of many, last Friday's strong jobs report and yesterday's CPI report has lessened the chances of aggressive Fed rate cuts later this quarter. The headline in yesterday's CPI report was mostly in line with expectations. However, below the surface there is some stubborn inflation that remains. This morning's PPI report shed little additional light on the inflation picture as it was little changed from last month's reading. With the lowering of expectations for aggressive Fed rate cuts, bonds have also suffered a bit. The bond weakness will likely be temporary and many bond groups remain excellent choices for conservative investors. JP Morgan and Wells Fargo started the earnings parade this morning and both are up sharply in early trading. Earnings will take center stage next week as more of the big banks report. The markets remain in a bullish configuration. The Presidential election remains a toss-up, so election market uncertainty remains. We suspect that once November 5th passes the market will quickly adjust to whomever wins. There will be winners and losers depending on who prevails, but the market as a whole will likely continue the trends that are currently established. We made no changes to our portfolios this week and remain fully invested and are enjoying the market's slow climb upward. When the markets change, we will adjust our holdings but until then we are comfortable with our current portfolios. As devastating as Hurricane Milton was it could have been so much worse. Of course, that is little comfort to those caught in its path. We are glad to hear that our Florida friends, family and clients are all safe with minimal damage. It looks to be a glorious weekend for those of us in Tennessee. We hope you have time this weekend to get out and enjoy it and get a few home and yard projects done. Go Vols and Titan Up and enjoy your weekend wherever it finds you.

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