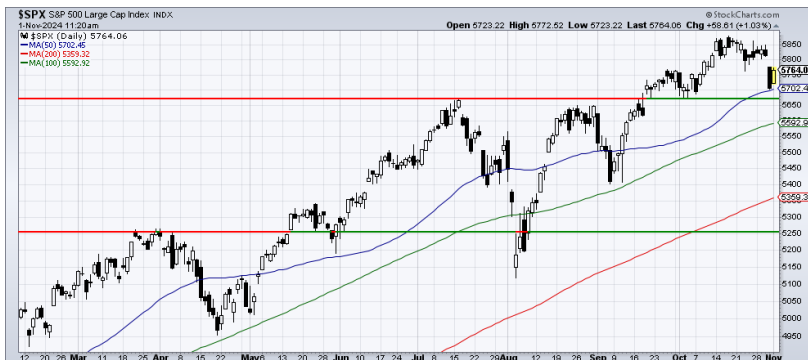


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

NOVEMBER 1, 2024

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The losses from last week continued into this week as the S&P is on track to lose another 1% or so. It is a testament to how strong the markets have been this year to see all the hand-wringing over a small pullback in the markets. Over the last two weeks, markets have lost anywhere from 2-2.5%. Certainly not pleasant but far from unusual. The S&P touched the 50-day moving average which we noted last week should act as some level of support. Just below that is the support line at 5675. Absent chaos in the election, we expect these levels to hold.



Unsurprisingly, high yield bonds have also weakened and are hovering at their 50-day moving average. The behavior of high yields is a warning sign. However, we believe that much of the weakness in high yields has more to do with the increase in treasury yields rather than undue concerns about the economy. We expect treasury yields to stabilize once we get past the election. High yields have our attention, but we are not expecting a break to the downside.

Our Point

As we mentioned in last Friday's note, we had a slew of data to parse this week. Earnings have largely been good but have, generally, not been rewarded as forward forecasts have disappointed. Microsoft, Meta, and Apple all fell on their earnings. Despite meeting expectations on earnings and revenues, each of these three failed to inspire Wall Street on their future outlook. The opposite could be said about Google and Amazon as both jumped on their earnings. It has been a mixed bag to this point. Earnings are a little more than halfway done so there will be more earnings movements over the coming few weeks. The PCE inflation report failed to move the market either way as it revealed no surprises – inflation remains but is trending in the right direction and should provide enough cover for the Fed to remain dovish and cut rates at their meeting next week. The big surprise for the week came with this morning's jobs report. It showed a dismal 12,000 in new jobs – versus a consensus estimate of 110,000. The report comes with an asterisk as two hurricanes and the port strike certainly played a role in the poor number. As has been the norm, prior months figures were again revised downward with 112,000 jobs reversed with new data. Even with the asterisk, the jobs market has weakened significantly over the last several months. Despite the explanations for the poor jobs numbers, it was not the report the Harris campaign wanted just days before the election. There remains much uncertainty regarding the election as polls continue to predict a toss up that could go either way. The markets are much more concerned with a clear winner than it is with who wins. A clear winner Tuesday night or early Wednesday will likely lead to a market rally as a big market uncertainty would be removed. However, a contested election or a delay in announcing a winner, will lead to significant market volatility. Some of the weakness this week is likely attributed to traders taking off some risk in anticipation of the election. As if the election was not enough for the market to digest next week, we'll also get the Fed's decision on rates. Most analysts (us included) expect the Fed to cut another 25 basis points. The bigger news will be the Fed's path forward and whether or not further reductions are indicated to be made in December and early 2025. It will be another full week of market moving news. We didn't make any changes to our holdings this week but remain ready to respond to the markets should things change significantly. Getting past the election and Fed meeting should set the stage for the 4th quarter rally to begin in earnest. That is our expectation, but we don't invest on expectations and continue to follow the charts. The charts are still bullish and so are we. The Bills Asset Management family is growing as Carter and Landon are expecting their first born and our second grandchild! We couldn't be more excited and look forward to meeting baby Bills in late Spring 2025! Have a wonderful weekend wherever it finds you and Go Vols.