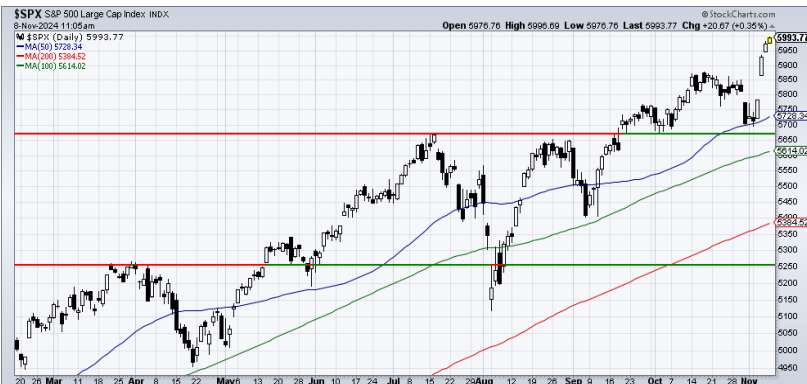


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

NOVEMBER 8, 2024

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



We noted last week that we expected the 50-day moving average to act as support absent a contested election. Well, held it did as the market surged to the upside on the clear winner of the election. Some will say this is the Trump trade and, perhaps it is, but it is also certainty, and the market does love certainty. To be sure, policies in a Trump administration will benefit some sectors more than others. Energy, financials, and small caps come to mind. Not surprisingly, those three led the market higher after the election was called early Wednesday morning.

As noted above, small caps surged on the election results. It should not be discounted that the resistance line that we surpassed goes back to 2021. While it has been penetrated a couple of times before, it has not been breached to these levels. The significance cannot be overstated, and it appears that small caps have broken out of their multi-year funk. That bodes well for the rest of the market.

Our Point

Well, that escalated quickly. After President Elect Donald Trump's convincing win, the markets took off on Wednesday. In fact, Wednesday's move was the biggest post election move for the markets ever! While certainly the pro-business policies of a new Trump administration played a part in the surge, there was also quite a bit of anxiousness over a close and contested election that could have dragged out over days or weeks. The certainty of the election provided a sigh of relief for Wall Street. As we have said all along, the markets would quickly adjust to whomever was in the White House but that it cannot adjust to what it doesn't know. The certainty paved the way for those that got defensive over the last couple of weeks to move back into the markets. The question now becomes whether or not the traditional 4th quarter rally has come a bit early. We tend to believe it has not and that higher prices still remain over the coming weeks. Many advisors and hedge funds have been caught flat footed this year and will be forced to play catch up the rest of the year. If we are correct, these buyers will be forced to buy into the market to try and make up lost ground and will drive the markets higher. Additionally, with earnings season beginning to wind down, corporations will again be free to purchase back their shares providing another significant buyer to push prices higher. It should be noted that corporations have every reason to drive their share prices higher as compensation of executives are almost always tied to stock performance. It is not pretty but it is the way the current system is set up. Another positive is the aforementioned certainty. With the election behind us and with a President-elect that the markets know (2016-2020), there is less worry about what Trump will do once he takes the oath of office. Finally, love him or hate him, Trump's economic policies should be very friendly to the economy. The tax cuts of his first term are very likely to be extended especially if the House goes Republican – as it currently looks increasingly likely. There is some concern that the tariffs that Trump has touted will be inflationary. We suspect that the rise in treasury rates over the last couple of weeks were, at least partially, driven by this concern. Chairman Powell disagrees and believes the increase in treasury yields has more to do with expected economic growth under a Trump administration. Regardless, the market has shrugged off the increase in treasury yields. Speaking of Chairman Powell, the Fed, as expected, cut rates by another 25 basis points. Nothing much changed in the Fed statement as they reiterated that they remain data dependent. It was not the dovish statement many had hoped for and there were hints of a more hawkish Fed. It has certainly been a full and exciting week on Wall Street. We made no changes in our portfolios this week and remain fully invested and enjoying the ride. Over the next couple of weeks, we may get a little more aggressive in our holdings as we see how the recent gains are digested. As always, we will follow the charts. Enjoy your weekend and Go Vols.

The content of the BAM Market Note is provided for general informational purposes only and should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.