Bills Asset Management

BAM MARKET NOTE

November 15, 2024

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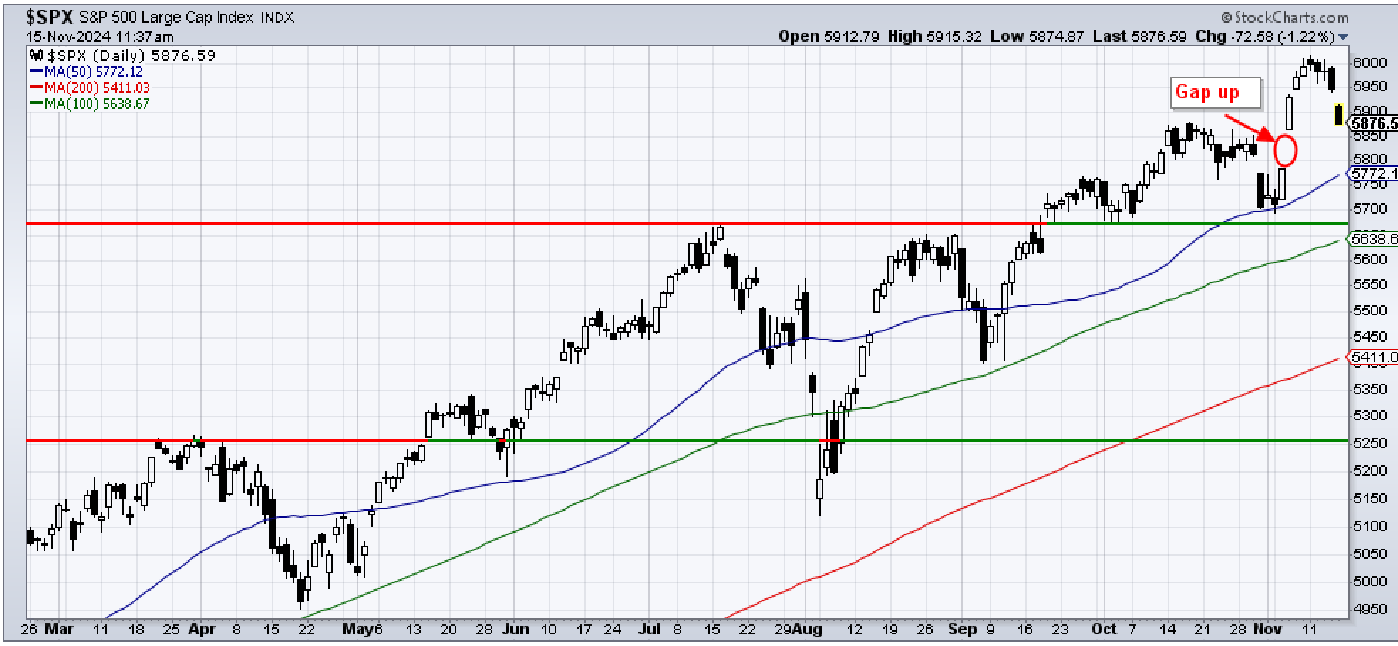

Our Point

Last week, the S&P surged 5% on the results and certainty of the Presidential election. It was an impressive showing and illustrated just how much the markets were worried about a drawn out or contested election. With the election settled, some of the initial euphoria has waned as investors turn their attention back to the economy and Fed policy. Markets are down sharply this morning with the S&P currently trading down over 1%. In fact, the whole week has been a series of down days. The S&P looks to finish the week down close to 2%. It is not particularly concerning as it appears that the markets are simply digesting some of the gains from last week. That said, it would not be surprising to see the S&P fill the gap up (noted above) and test the rising 50-day moving average. Should the 50-day moving average fail to hold there is substantial support at the 5670-5700 level. We don't expect the markets to decline that far, and we would be buyers should the S&P fall to either of these levels. The monthly CPI and PPI reports showed little movement in inflation over the last month, and both came in close to expectations. Inflation remains sticky with little progress over the last few months. However, importantly, inflation is not ramping up currently. Chairman Powell put a bit of a damper on future cuts this week as he stated that "the economy is not sending any signals that we need to be in a hurry to lower rates." The comments took the probability of another rate cut in December from 83% to 62%. The odds still favor another 25-basis point cut at the Fed's December meeting. Absent an acceleration of inflation, we believe that the Fed is just trying to manage expectations and that another cut in December remains extremely likely. However, the bond market hasn't bought in yet and continue to show rates higher for longer. The behavior of the bond markets gives us some pause as the bond market is often smarter than the stock market. That said, there may be something else going on that is not yet apparent. In any event, the rise in bond yields continues to have a negative effect on bond prices. Our bond holdings, though not at sell points currently, have weakened and have garnered our attention. Should bond yields continue up and bond prices continue down, we will re-evaluate and make necessary changes. Despite the weakness of the last few days, the likelihood of a strong finish to this excellent market year remains. Nvidia reports next week and will be a market mover – which way is anyone's guess, but we wouldn't bet against a strong earnings report. We didn't make any changes to our holdings this week. We have a small amount of cash available in our conservative model and will likely put it to work over the next week or two to capture some additional gains as we finish the year. The Vols have a mammoth game this weekend against Georgia. I like our chances though it is hard to win on the road in the SEC against a quality opponent. I will be glued to the TV Saturday night. Go Big Orange. The Titans… oh well. Fall weather appears to have arrived and, between football games, I will spend a little time getting fresh air and raking some leaves. Enjoy your weekend.