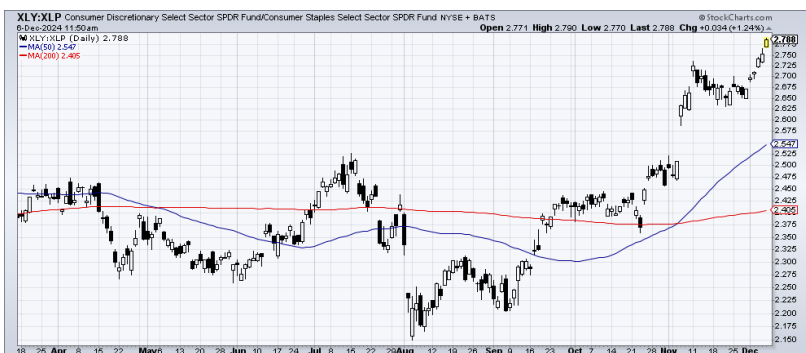
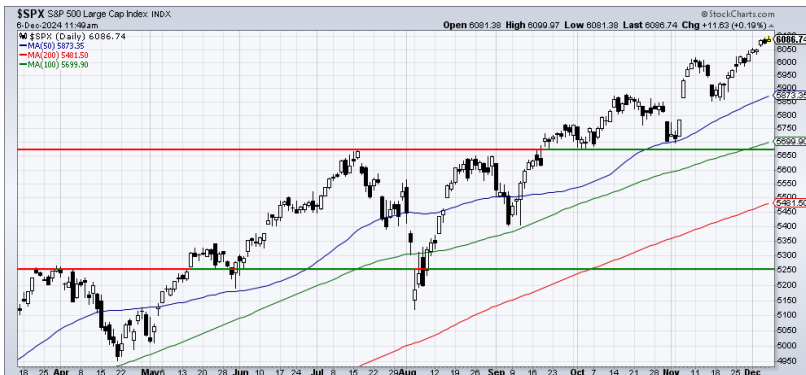


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

DECEMBER 6, 2024

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The markets have continued where they left off in November. Last month was a terrific market with the S&P rising nearly 6%. To this point, December has only continued the march upward. With the froth in the market, it would not be surprising for the markets to pause and/or pullback over the next week or two. We would expect a small correction or sideways market action before another drift upward to end the year. A pullback in the neighborhood of 1-3% would not be unexpected and would allow those investors not invested an opportunity to add to their holdings.

The ratio of discretionary vs staples is shown to the left. As you can see, discretionary stocks accelerated in November and show no signs of abating. The markets are certainly in a risk-on posture. We may be in a melt up phase. When markets get this extended, it does raise the risk of a sharp and ugly correction. That is coming but with so many investors missing out on this year's gains, it is not likely to come until the first quarter of 2025.

Our Point

It has been a good market year with the major indices all up significant amounts. The rise in November was emblematic of the year in general as the major indices were up anywhere from 5-11%. Small caps were especially positive (11%). The promise of tax cuts and fewer regulations from the Trump administration is fueling the rally in small and mid-caps. The rise in November is creating an optimism that only feeds more optimism. With many investors and their advisors lagging the major indices, there could be a buying spree to end the year as market participants try to finish on a strong note. As mentioned here in prior notes, a significant buyer in the markets are companies themselves. With earnings season behind us, they are free to buy their own company shares which could only heighten buying interest. There are many tailwinds as we enter the end of the year. While anything is possible, the path of least resistance for the markets is up and we continue to expect a strong finish to an already strong year. It is not all blue skies as the next week or two is often a little bumpy. This is mutual fund distribution season and can be a driver of some volatility. Be cautious if you see one of your investment holdings drop significantly on an otherwise mundane day – it is likely a distribution. For example, one of our holdings had a 10% drop in value earlier this week. The holding is a bond fund and simply paid a 10% dividend. After the dividend was credited to the account, the net result was a small gain on what initially looked like a disastrous day for the fund. With many funds making large gains for the year, there will be more of this before distribution season ends in the next couple of weeks. While an optimism feeding optimism rally can be fun while it lasts, it will eventually end and could end with a significant correction – don't become too passive or too exuberant! All good things come to an end and the current rally won't last forever. We remain vigilant despite the market melt up. The jobs report came in a little better than expected this morning. The report will put some pressure on the Fed with their interest rate decision the week after next. While a 25-basis point cut is still expected the jobs report will likely give them some pause. We made a few small changes to our portfolios this week as we added a new small cap holding to bring our accounts up to a fully invested posture. If you haven't yet taken your 2024 required minimum distribution from your retirement account, please contact us to make arrangements to ensure these distributions are made by the end of the year. The markets aren't the only thing surging this year. The Vols have a baseball national championship, a #1 basketball ranking and a trip to the College Football Playoffs to look forward to. It has been a very Orange year which does make up for the fact that the Titans are jockeying for NFL draft order and a likely top ten pick with their abysmal year. All in all, it has been a great year, and we still have a few more weeks to go. Enjoy your weekend and your shopping – 19 days until the big guy comes.