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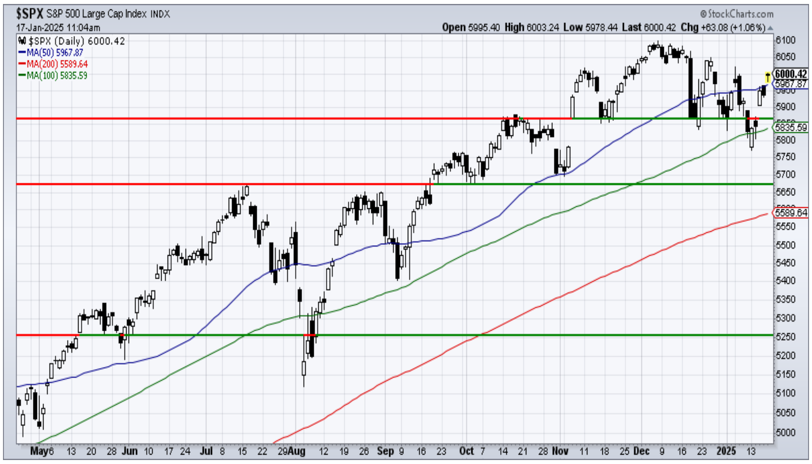
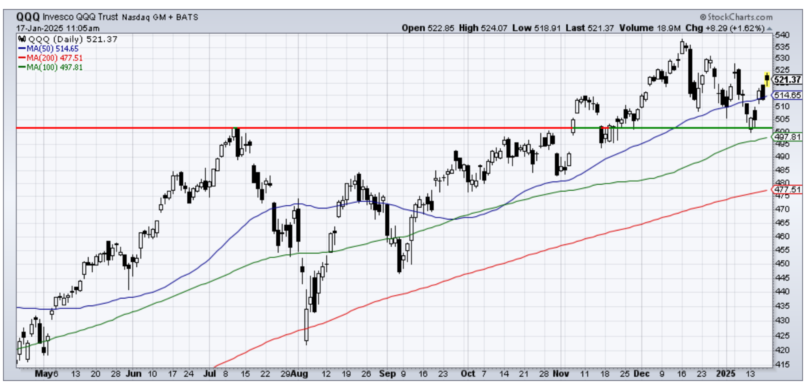
BAM MARKET NOTE

JANUARY 17, 2025



We talked last week about the importance of the 100-day moving average for the bulls to take a stand. While the market opened on Monday with a decline, by the end of the day the market had reclaimed the moving average and surged on Wednesday with the inflation reports coming in a little better than expected. This morning the markets surged again with the 50-day moving average providing little resistance. Importantly, the election gap up from November has been filled. It appears that the correction that started in December has run its course. We would like to see what the next pullback looks like before sounding the all clear and getting back to a fully invested posture.



Like the S&P, the Nasdaq followed a similar path. The tech laden index fell to support just short of the 100-day moving average and bounced strongly on Wednesday and is moving up strongly again this morning. It is back up above the 50-day moving average. While technically still in a downtrend, we will be watching to see if the index can break above the early January highs to break the downtrend series of lower lows and lower highs. We aren't at the point yet, but we are getting close.

Our Point

The markets got a jolt of good news this week as both the PPI and CPI inflation reports came in a little bit better than expected. The reports did not indicate a big change in the inflation picture, but they did assuage fears of a new surge in inflation. Prices remain sticky, and the reports did little to change expectations of future Fed rate cuts. The market continues to price in only one or two more 25 basis point cuts in 2025. As noted above, it appears that the market correction is over but from a technical standpoint both the S&P and Nasdaq remain in downtrends. That could change today for the S&P if prices hold their morning gains, and the Nasdaq is close to breaking its downtrend. Things are looking decidedly more positive this week than last. Earnings have begun to trickle in this week with several of the big banks reporting. Generally, results have been good. With lowered expectations for the quarter, it may be easier for companies to meet or exceed them. As companies report, their blackout periods end, and they are free to resume buying back their own shares if they so desire. For the last several years, company stock buybacks have been an important part of the market's staying power. If that pattern continues, and we have no reason to believe it won't, the buybacks will continue to be a tailwind for the markets. With the surge in the Nasdaq, it appears that the technology market generals are resuming their leadership roles. Another positive to the recent market action is the performance of the equal weighted S&P as it has also bounced strongly over the last week. Though it is just a week, the increase in breadth is encouraging. Earnings will really start pouring in next week and the following week. We will soon know if the rally is mostly short covering or the resumption of the bull market that persisted most of 2024. We purchased a new equity position in our aggressive portfolios on Monday and will likely start adding back positions in our moderate and conservative portfolios if the markets continue to improve. We remain mostly invested in all of our portfolios. The markets will be closed on Monday for Martin Luther King day so it will be a short trading week. After a reprieve from cold weather in Tennessee this week, it returns with a vengeance on Monday. Early forecasts also indicate the potential for another big snow next weekend. I am ready for Spring! Have a great weekend wherever it finds you.