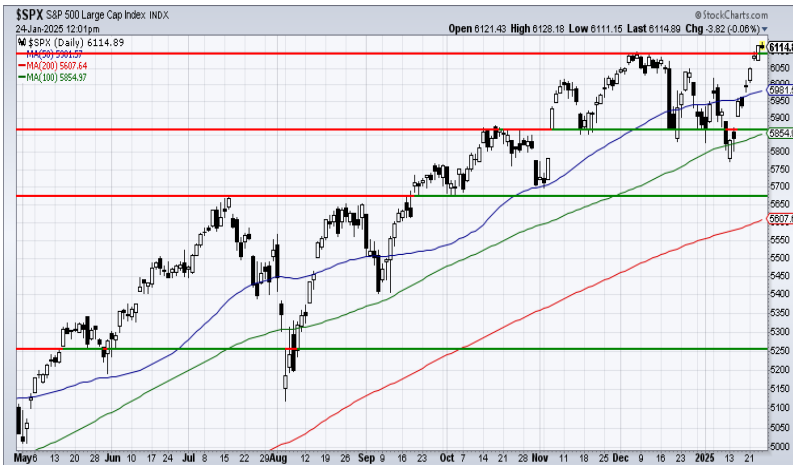
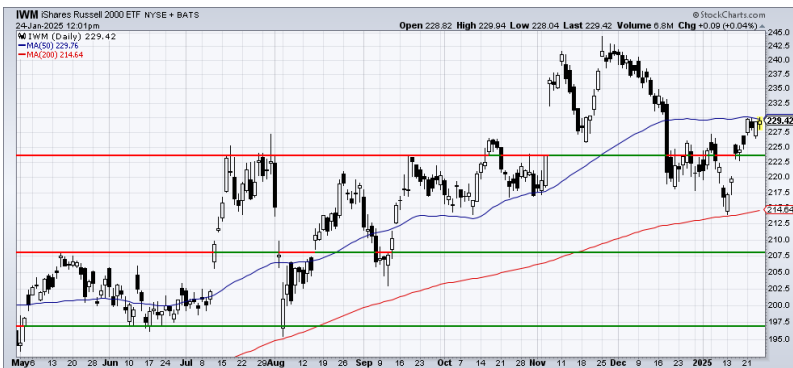


**BILLS ASSET MANAGEMENT**  
**BAM MARKET NOTE**  
**JANUARY 24, 2025**

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We noted last Friday that the market was still in a downtrend. However, this week's continued strength has invalidated the downtrend, and a new short-term uptrend has been established. We are still waiting to see what the next bout of weakness looks like but the correction that started in mid-December is over. The S&P broke to new highs yesterday and is holding those levels today. The line at the old highs mark a new level of support. The market action has been impressive. We are getting a little overextended so some period of consolidation or mild weakness would not be unexpected. We remain optimistic and believe that weakness should be bought.



Small caps filled the pre-election gap up in December giving back all of those gains. They went on to test the 200-day moving average and have bounced from there. They are now in a strong uptrend but remain a long way from their highs in November of last year. The recent strength in small caps is encouraging. Breaking above the 50-day moving average which has been a barrier all week would be a positive and could set the stage for more outsized upside returns. We hold a small position in small cap growth stocks.

## Our Point

We mentioned above that the current rally has gone from oversold to a little bit overbought very quickly. January has been an excellent month to this point (which may bode well for the rest of the year – the “January Barometer”). We also noted that some period of consolidation or mild weakness would not be unexpected. However, it may be hard to get either as next week brings some of the most anticipated earnings reports. The results of those earnings reports could move the market significantly in either direction and there won't likely be a ho-hum reaction to strength or weakness in those earnings. Wednesday, after market close, will bring Tesla, Microsoft and Meta earnings. Apple will report after the close on Thursday. Additionally, there will continue to be a slew of other important, though less noteworthy, earnings all throughout next week. As if earnings won't be enough, we will also get the first Fed meeting of 2025. The interest rate decision and press conference is scheduled for Wednesday afternoon. While it is expected that the Fed will not change interest rates, their policy statement and the press conference will shed light on their thinking about inflation and the pace (or lack thereof) of interest rate cuts later this year. Thursday will see the release of the monthly PCE report on inflation which will add some color to the Fed statements. It will be a full week with lots of opportunities for the bulls or bears to take hold of some news. Hold on! Over the last few weeks, we have generated some cash in our portfolios. Last week and this week we have begun the process of reallocating those funds into areas of the market that have shown signs of strengthening. With the rise in interest rates towards the end of last year, interest rate sensitive bonds have struggled. That likely won't last for too long but the opportunity we saw in bonds in the second quarter of last year did not materialize. We sold some of those holdings but remain in a few bonds that are less sensitive to interest rate changes. An opportunity will come again in bonds but there are better opportunities currently. We purchased a few more equity positions this week as we get closer to a fully invested posture in all portfolios. The energy sector is particularly intriguing as the continued adoption of AI will lead to ever increasing demands for electricity. Nuclear energy and other alternative energy sources are on our radar, and we purchased one such holding earlier this week. We get a small reprieve in the frigid weather this weekend, so I will try to get outside and enjoy the sunshine. UT also has a monster game against Auburn that will draw my attention. Enjoy your weekend wherever it finds you.