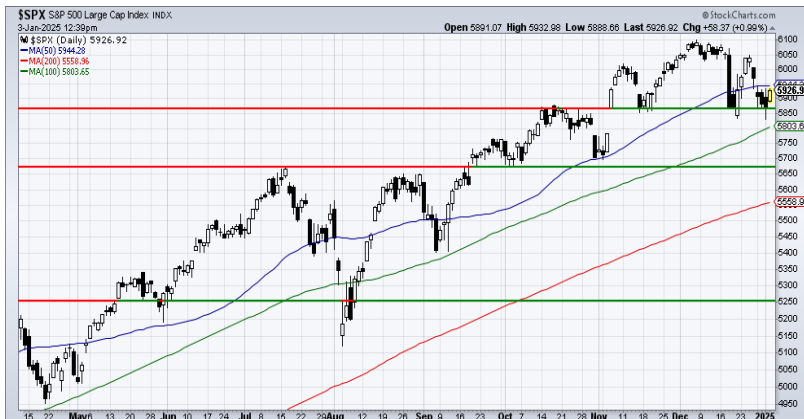


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

JANUARY 3, 2025

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



We talked 2 weeks ago about the importance of the support line resting at 5870. That support line has been tested 15 times since October of last year. The number of tests further exacerbate the importance of this line. The weakness we saw develop after the Fed meeting in mid December has stabilized but we have yet to see a sustainable rally off of support. The support line remains very important especially as the 100-day moving average converges with it. With volume picking up next week as traders return from their extended break, we will soon see if the worst is over and if the market can muster a January rally.



High yield bonds declined with the major indices as fear struck Wall Street. They briefly fell below their 50-day moving averages but have since reclaimed that level and are in a very short-term uptrend. This is positive news and may indicate that the selling over the last couple of weeks was more about tax selling and repositioning than it was about concerns with the economy.

Our Point

While Santa arrived on time at our household, he appears to have missed Wall Street entirely – perhaps he is just running late. The traditional Santa Claus rally runs from the last 5 trading days in December to the first 2 trading days in January. That period ends today, and all the major indices are near the flat line. We did see some early strength yesterday, but it faded into the close. We are seeing strong markets today so we will be watching closely how we close. This time of year, my email and web browsing is filled with 2025 stock market forecasts. It seems that every Wall Street talking head, mutual fund, brokerage company, etc., trots out their prognosticators to tell the public what the markets will do over the coming year. As Warren Buffett once said, “Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.” Similarly, the famous investor Yogi Berra said, “It’s tough to make predictions especially about the future.” We agree with both and will not waste our time and energy either listening to these predictions or engaging in their foolery. We suggest you do the same. Nobody has any clue how 2025 is going to unfold. While we are optimistic, we are committed to trying to put our biases aside and watching the charts. When prices decline, we sell - when prices go up, we buy. It is a simple business! Not really, as there are always shades of gray and pivot points. However, by following the charts, an investor can avoid the life changing losses that so many buy and hold investors will endure over their lifetime. While it is entirely possible that we see another banner year for the markets, it is always very possible that we see significant losses. Next week will bring us the Fed minutes and the December employment report. Both have the potential to move the markets, and we will be watching closely. It will be a shortened trading week as the financial markets will be closed on Thursday to honor and remember the passing of former President Carter. With the light volume, we have discounted the little bit of weakness in the markets and will wait to see what happens when volume picks up over the next couple of weeks before making portfolio adjustments. Accordingly, we have not made any changes to our holdings over the last couple of weeks. That could change as the market returns to some semblance of normal trading. Wall Street was not the only place that Santa failed this year. Apparently, an orange win in Columbus, Ohio was not in Santa’s bag. With the Vols bounced from the college football playoff, all attention shifts to the basketVols. They have a big matchup tomorrow as they open SEC play against Arkansas. I wrote my first check of the year, yesterday – yes, some of us still write checks – and had to rewrite it as I wrote 2024 on it. It will take some time. It is hard to believe that another year has passed and that we are in 2025! Happy New Year and enjoy your weekend wherever it finds you.