BILLS ASSET MANAGEMENT

BAM MARKET NOTE

FEBRUARY 7, 2025

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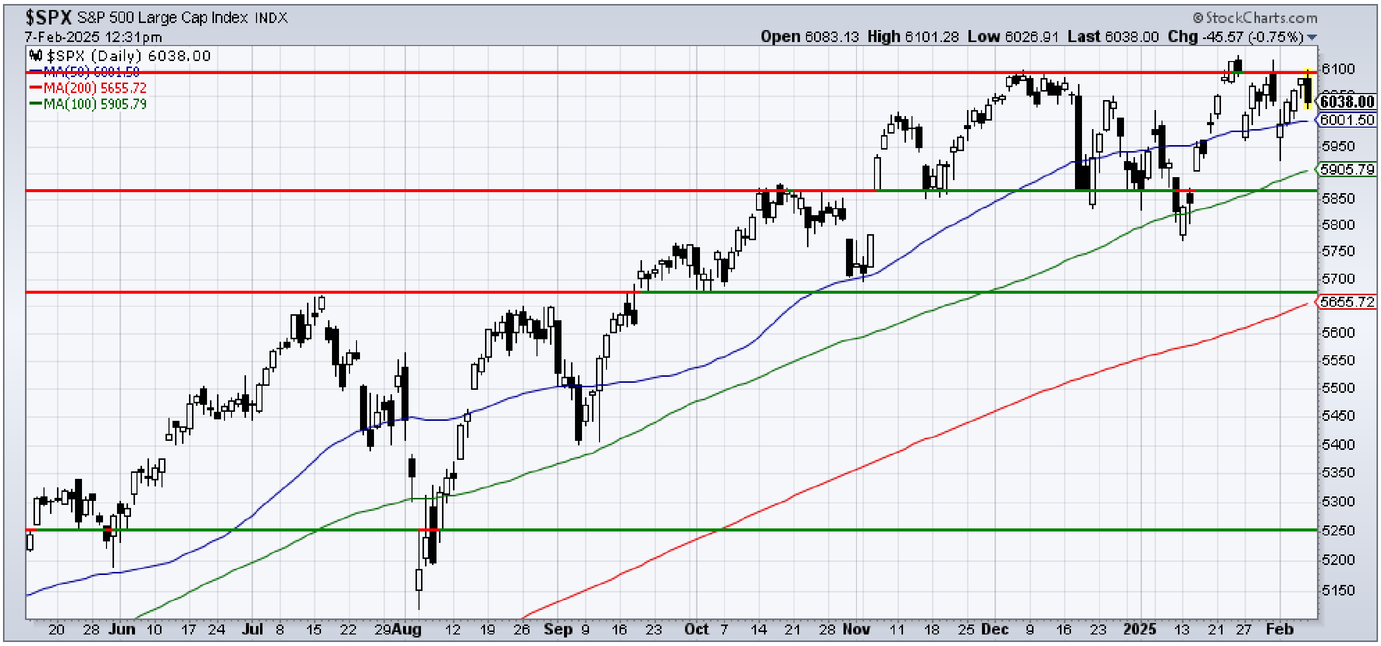

Our Point

This week looks very much like last week. After a sizeable sell off on Monday, the markets have spent the week climbing back to where it started. The S&P looks to finish the week virtually unchanged. Just like last week, we got an early Friday surge up to resistance at the highs before selling took hold. The S&P remains embroiled in a wide trading range that dates back to early November of last year. The range covers the 4% between the lows of 5850 and highs of 6100. The three month trading range has worked off any longer term overbought measures. We remain in the strongest part of the calendar year so, the bias remains up until proven otherwise. When we get a breakout on either the upside or downside, we will likely see a sizeable move in the direction of the breakout. Despite all the headlines of volatility and turmoil, the large cap index remains only 1% from its highs and in the upper quadrant of the trading range. To this point, the alarmist headlines about DeepSeek, Trump tariffs and the Department of Government Efficiency (DOGE) have resulted in little to no damage to the markets. It is a reminder to not make your investment decisions based on the headlines and your own biases. Follow the charts and the price action. While the increase in volatility does warrant a little more caution, there is nothing currently that stands out as an overriding concern with the present markets. After a torrid pace the last two weeks, earnings will begin to taper off over the next couple of weeks. Six of the Magnificent Seven have reported with all but one selling off on their results. Meta is the only one to rise on their earnings. Yesterday afternoon, Amazon (down 3% today) was the latest to disappoint. In many respects, the market's ability to hold flat in the midst of disappointing earnings from the largest technology companies is encouraging. Nvidia remains the last of the big tech companies to report (2/26 earnings release). It is, perhaps, the most anticipated earnings with its prior leadership role and the emergence of DeepSeek. This morning's job report came in a little light but not enough to influence the Fed's thinking on interest rates. Next week will be all about interest rates and inflation as Chairman Powell goes before Congress to testify and we get the monthly CPI and PPI reports. As always, surprises in any of these could move the markets. We made no changes to our portfolios this week and remain nearly fully invested. With the increase in volatility, we continue to watch things closely and have not become complacent. Tighten up your stops but give your positions a little leeway within the trading range. Headline risk remains elevated with the animosity between President Trump and the media. As noted above, ignore the headlines and follow the charts. After being spoiled over the last couple of weeks, we get a return to normal temperatures with chances of snow in the forecast! Tennessee winters… The basketVols continue to shine and look like a team that could shine into March Madness. Have a great weekend wherever it finds you.