BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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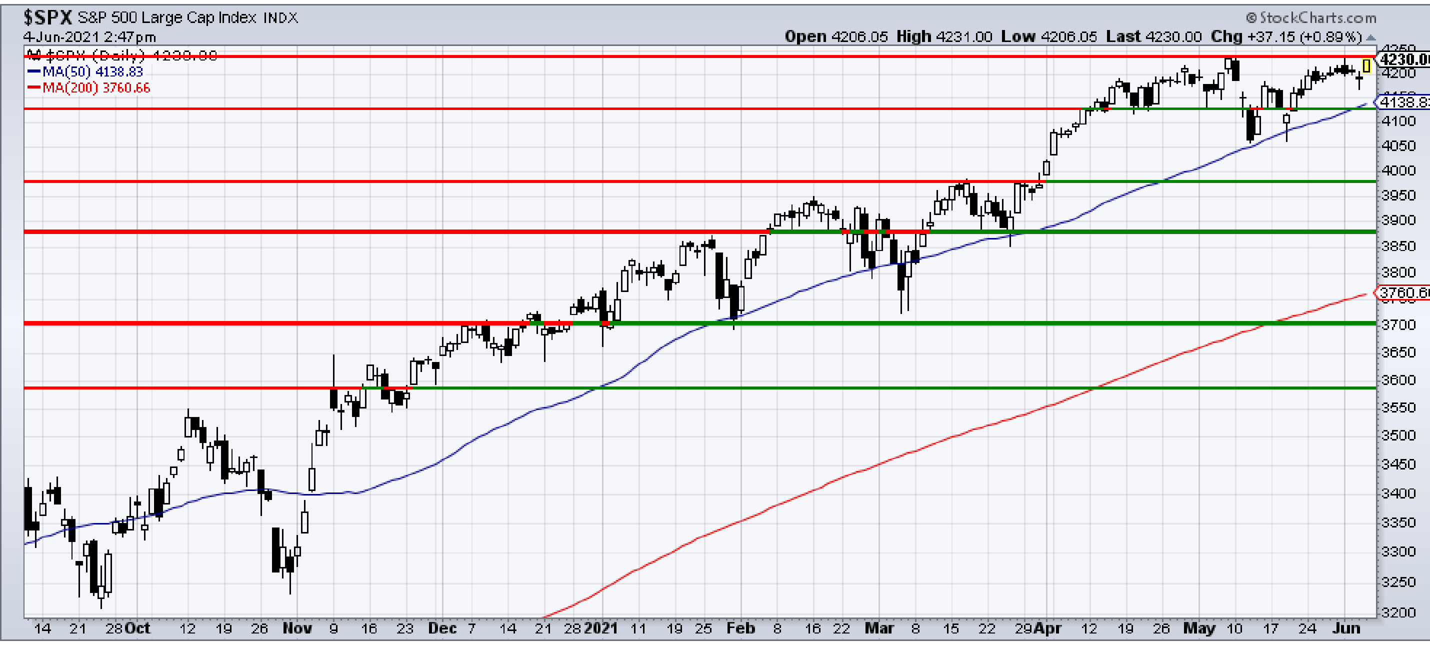

Our Point

The jobs report was neither too hot nor too cold. It was just right. The May report showed jobs growth of 559,000 that was a slight disappointment to the anticipated 671,000 projection. However, the number was significantly better than the (relatively) dismal report last month where jobs fell short of expectations by a wide margin. Carter and I were discussing yesterday the potential market impact of today's job report and came to the conclusion that we didn't know what the market wanted to see! A blow-out number would have led to talk about the Fed tapering their monetary stimulus. A disappointing number would have led to talk about the ongoing recovery and whether or not the economy was as strong as it appears. The market, it seems, wanted to see a good jobs number that was neither great nor poor – just right. From a Wall Street perspective, the good (but lackluster) number keeps the Fed involved and engaged in their ongoing support of the markets. The monthly jobs report will continue to be of greater than usual import over the coming months as more and more states drop the unemployment bonus that was enacted in the midst of the pandemic. In a healthy recovery, the job gains should continue to come in strong. If they don't, then there are economic issues that are holding things back. In any event, the punch bowl remains and the party continues. Mind you, there could be some profit taking next week as the initial jobs numbers are parsed and the impacts further analyzed. Also, it bears noting that the S&P is fast approaching upside resistance. It will take some catalyst to break to the upside and there are no apparent candidates on the horizon. That is not to say, that one won't show up; however, with resistance a stone's throw away, the market is more likely than not to remain in the trading range that has persisted since April. On the world stage, there is significant noise coming from Russia and China. There continues to be back and forth with Russia on the recent surge in cyber attacks and with China on the evolving story of the Covid virus originations. In fact, the Chinese state newspaper published an op-ed from its editor, calling for a rapid increase to the number of nuclear warheads to a level "that makes U.S. elites shiver should they entertain the idea of a military confrontation with China." The Chinese threat seems a veiled attempt to discourage any more digging into the lab leak theory. We shall see. Regardless, tensions are escalated between the U.S. and these two world powers and that could lead to some market volatility should the rhetoric continue. It is something we are monitoring. Inflation continues to be a concern and can be seen in the behavior of commodities over the last several weeks. Commodities often lead a rise in inflation, and they have been on a tear with the GSCI Commodity Index up nearly 13% in the last month and a half. With today's strong market showing, all the major indices are set to have a small gain for the week. We made no changes to our portfolios and still hold a little bit in cash that we will deploy on a break to the upside or a correction that holds support. With the market in a trading range and near the top of that range, it is not a time to get too aggressive. Have a great weekend – may it be just right.