BILLS ASSET MANAGEMENT

BO BILLS (615) 371-5928

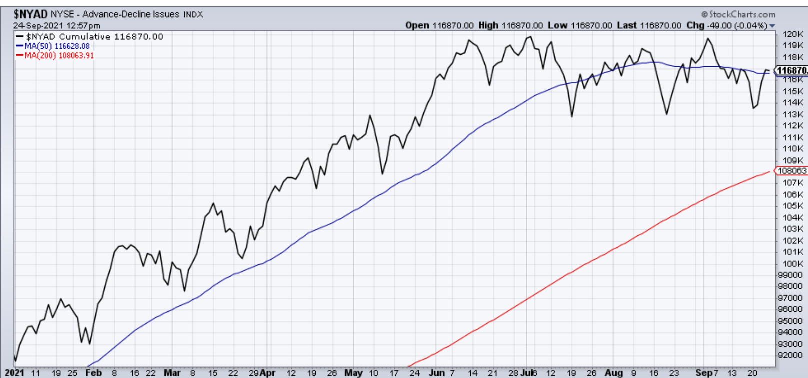
SAM BILLS (865) 525-1329

CARTER BILLS (615) 585-6867

BAM MARKET NOTE

SEPTEMBER 24, 2021

The well-deserved label as one of the weakest weeks of the year certainly played out this week as the market had one of its worst days all year. However, the decline was short-lived, and the market has already recovered the losses of earlier this week. It is a pattern that has played out throughout this year. The buy the dip crowd is alive and well and this week is a perfect example. The market fell below the 50-day moving average and the support level around the 4400 level on Monday. A late day rally on Monday stemmed the losses. The S&P now sits back in the trading range bounded by 4465 on the upside and 4380 to the downside. Yesterday, saw the index make a run at the upper end of the range but it was stopped short. By all appearances it appears that the bulls have won this round and that the spate of weakness has run its course. That can change quickly but the odds favor another move up to the highs.



We've talked a lot about market breadth over the last few weeks. While there is no definitive measurement of breadth, many will argue that the New York Stock Exchange Advance/Decline is the best measurement. When the chart is rising, breadth is strong. When it is falling, breadth is weakening. As you can see, the A/D line has been moving sideways for several months with up periods and down periods but no real change since June. This chart indicates that breadth is neither good nor bad. In this market, tepid breadth is not a bad thing.

Our Point

There was a lot moving the market this week. The worries about the debt default of a large China real estate company starting things off; More tax talk from the administration quickly followed, Fed speak on Wednesday, and the ongoing contentious debt ceiling talks. It was much for the markets to digest. The fear was that the debt default would be China's Lehman moment. However, it looks increasingly likely that any default will do little to the US and the world. Much of those fears have passed. The tax issues are another matter and could continue to be a sticking point for the markets. The proposed increased spending in Washington has to be offset (at least in part) by revenues. Nobody ever thought about cutting spending in some areas but that is a topic for another day. Taxes are likely increasing and depending on the form that increase takes could have an enormous effect on the markets. Investors would be wise to follow these developments. Wall Street's reaction to the Fed was relatively muted as nothing much has changed, and Chairman Powell left the Fed with lots of wiggle room for the coming months. Tapering could start as early as next month or as late as next year and no new clarity was given. When tapering becomes definitive there will be a negative market reaction but when that comes is anybody's guess. The debt ceiling debate is becoming more heated with the Republicans walking away and forcing the Democrats to do it on their own. The Republican position is that the Democrats have the control and thus they should be the ones to do it. The Dems are reluctant to take the political heat for the increased spending alone. It will be interesting to see how this plays out but absent a default, it will have little long-lasting effect on the market. Lots of moving parts and lots that could go wrong. However, with the Fed spigot continuing the markets look to be moving up again. We moved a little of our excess cash back into equities this week on the weakness and will continue to evaluate next week. Have a great weekend and Titan Up.

The content of the BAM Market Note is provided for general informational purposes only and should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.