Bills Asset Management

BAM MARKET NOTE

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Our Point

It has been a relatively quiet week on Wall Street as the S&P has drifted down a little. For the week, the index looks to finish down 1%. Small caps have fared worse and look to shed almost 2% this week. There haven't been too many weeks over the last few months where we have had a down week so, that in itself, is a bit of news. Is this the start of more profound weakness? As we mentioned last week, the S&P had reached a point where previous pullbacks had occurred. A decline back to the 50-day moving average (4425) would not be surprising. As you can see from the chart, the S&P has declined back to this level 5 times since the end of March. We are nearing near term support at 4470. I also added another support level at the 4400 level. Any decline that holds above 4400 should be used to put more money to work (if you have cash available). With market levels still at extreme valuations there is a growing chorus of caution on Wall Street. That said, there are still a number of market bulls calling for a continuing "melt up" in stock prices similar to what the market saw back in the tech go-go years of 1998 and 1999. We know how that ended! Bulls on the right of me and Bears on the left. There are strong feelings on both sides. While we remain concerned with valuations, inflation, geopolitical risks, etc., we are leaning more to the bull side currently. However, we would not at all be surprised to see some continued weakness over the coming few weeks. The debt ceiling debate will come to a head between October and November. In normal years, we would expect Congress to make a last-minute deal to extend the ceiling and continue to kick the can down the road. However, we are not living in normal times and the animosity between Republicans and Democrats is only growing. While we fully expect a deal to be reached, the animosity and drama could lead to a little more volatility as we get closer to a debt default. Despite all of our concerns, there continues to be a flood of Fed money coming into the market. And with the poor jobs showing last week, the tapering talk has abated and is likely pushed into 2022. As long as the Fed spigot flows, it will be hard for the bears to make a stand. We remain cognizant of market risks but will take any weakness as an opportunity to add a little more risk to our portfolios. We sold a little last week in anticipation of a possible correction and will put that money back to work once the current weakness subsides. We made no changes in our portfolios this week. This weekend will be filled with lots of remembrances of September 11, 2001. It is hard to believe it has been 20 years since that fateful day. It is my generation's JFK and everyone remembers exactly where they were when the towers were hit. It was a surreal day and changed so much in our country. It is a sobering and somber anniversary. Yet, the US remains the greatest country in the world with untold freedoms and liberty. Have a good weekend.