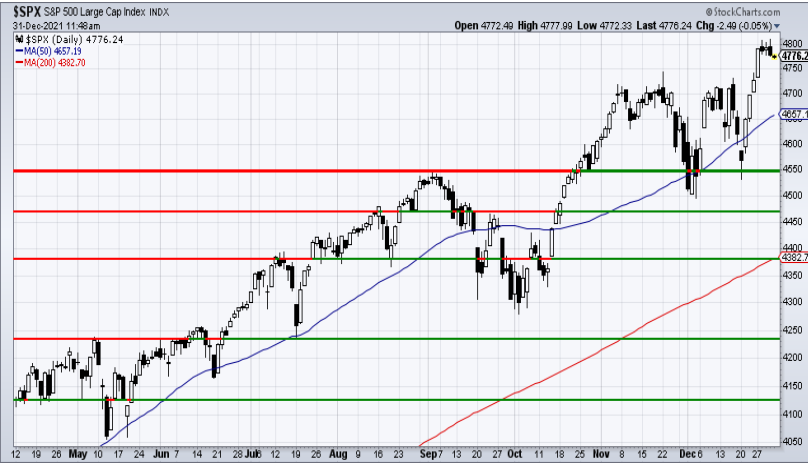


BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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The much-anticipated Santa Claus rally indeed came (if not a little early this year) as the S&P and the other indices had a strong few days before Christmas and has held onto those gains. The traditionally strong period extends into the first 2 trading days of January, so we'll see if Santa has staying power. The S&P is a little overbought at these levels so holding onto the gains with some sideways trading would be a win for the bulls. January brings lots of market changes as traders start making bets on the best performers in the New Year. No time for investors to become complacent.



The Value Line Index is a much broader index and encompasses stocks of various capitalizations. Like the S&P it rallied into the end of the year. However, it is far from its peak and illustrates that not all stock capitalizations have done equally well. As with the entirety of this year, stock gains have been dominated by the large cap indices, while many other stocks have languished a bit. A rising tide has not lifted all boats which tempers a bit of the enthusiasm going into 2022.

Our Point

Santa did not disappoint, and the markets are ending 2021 on an up note. January and 2022 will bring a new set of market challenges as the Fed looks to battle inflation by ending quantitative easing and increasing interest rates. How the Fed navigates this tricky balance will likely tell the story of the markets in the New Year. The first Fed meeting of 2022 is on January 19th and Wall Street will be watching and listening intently. January often sees dramatic shifts in market dynamics as traders begin to reposition themselves for where they think opportunities will be in the new year. After getting past end of the year reporting, mutual funds and other investors are free to move into new areas and the results can be surprising with increased volatility. We expect as much and will be watching carefully to see what market leaders emerge in the coming days and weeks. We did not make any changes to our portfolios over the last two weeks and are enjoying the end of year rally. Changes to the portfolios are most assured over the coming days as we take a little risk off the table in preparation for repositioning for 2022. Our family has been dealing with our own Covid breakout as nearly all of us tested positive over the last few days. Thankfully, we are managing it well and are on the road to recovery. In Nashville, tests are hard to come by and monoclonal antibodies virtually non-existent. Continue to be careful. Despite the challenges of 2021 and the continuing pandemic, it has been a good year for us, and we are blessed. We are so very thankful for all of our clients and the readers of this market note. Here is hoping that 2022 brings an end to the pandemic and a great year for all of us. Enjoy your weekend have a safe and very Happy New Year.