BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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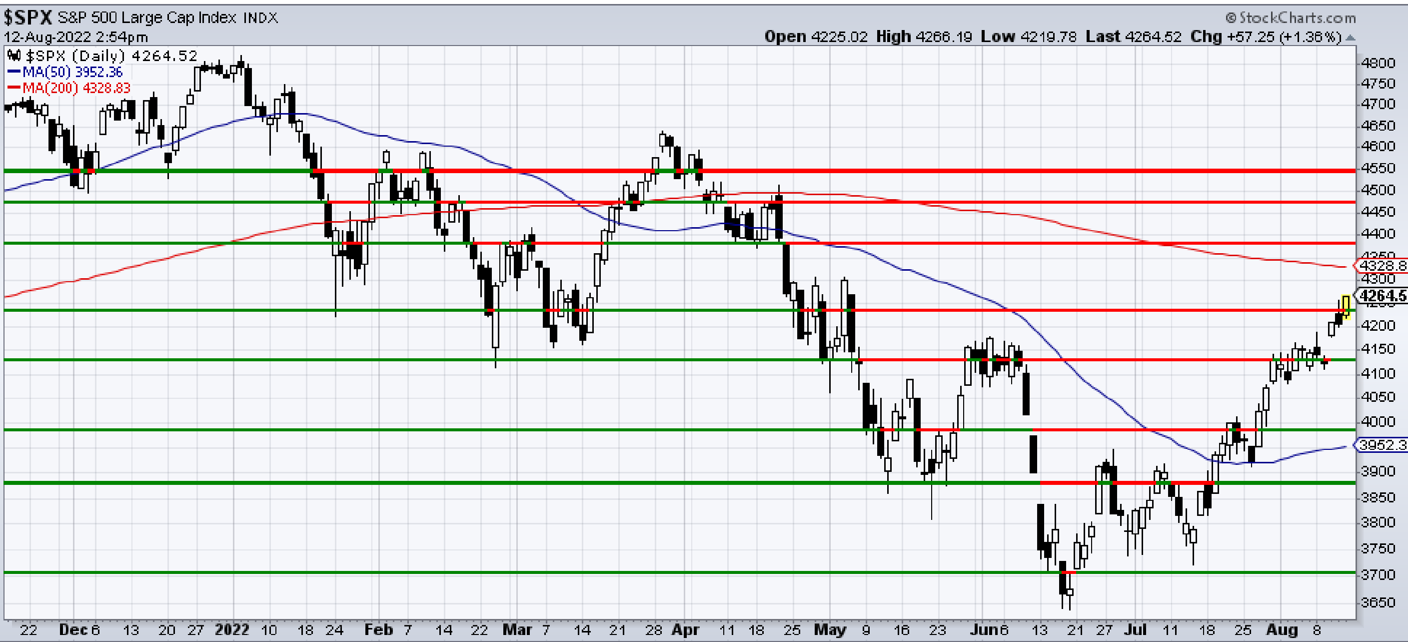

Our Point

After last week's quiet, this week had a lot to digest. The big news came on Wednesday as the July CPI came in flat for the month. The number was better than the expected increase and led many on Wall Street to believe that inflation has peaked, and it is clear sailing from here. It should be noted that despite the spin, inflation remains at 40-year highs, and we are far from getting out of the inflation malaise. Don't get me wrong, the news was welcome and may indicate that inflation has peaked but it is only one month's data and the coming month's data will have to develop a trend of falling inflation. There are many items that saw increases in inflation during July, but they were largely offset by the falling gas prices. Our hope is that gas prices continue to fall, and other goods follow suit. The better-than-expected CPI report again had Wall Street prognosticating on the likelihood that the Fed pulls back on its hawkish tone. While the odds of a 75-basis point hike at next month's Fed meeting shot up with last Friday's jobs report, the likelihood came back down significantly with the promising CPI numbers. Wall Street is hoping that the Fed blinks and becomes much more dovish over the coming months – pausing with their hikes and their announced quantitative tightening. It is too early to tell what the Fed might do next month, and we will have another reading on jobs and CPI before their meeting. Regardless, the market soared on the news and turned positive for the week. Today's up market will lead to a solid week of gains for the major indices. After pausing at major support last week, the S&P shot higher and is now butting up against another resistance level. Interestingly, the current resistance level rests at the 50% Fibonacci level – meaning the S&P has recovered half of its 2022 losses. In a bear market, the 50% level is often the peak of any bear market rally. It should be noted that in prior bear markets, rallies of this duration, strength and ultimate gains are not out of the ordinary. While we still believe that this is a bear market rally, there is the possibility that the worst is behind us, and we have started a new bull market. The 200-day moving average is a little less than 2% to the upside and will be another significant resistance level to push through. Earnings are beginning to wind down but next week will bring a little economic news with housing starts and retail sales being reported. Options expiration comes next Friday with moves opposite of the market trend commonplace. With the market significantly overbought, we would expect some weakness next week. If the bears are going to reassert themselves, next week will be the time to do so. If the bulls survive the next week or so, we could easily see another jump in the markets up to the 200-day moving average and, perhaps, beyond. We added some additional exposure to the markets this week and will be watching closely next week. Should the market move down and hold most of its recent gains, we will be looking to add even more exposure. After 8 months of waiting for Titans football, we finally got a small dose with last night's pre-season game. It was a lackluster performance, but I am forever the optimist. Looking forward to the start of real football in just a few weeks. Have a great weekend wherever it finds you.