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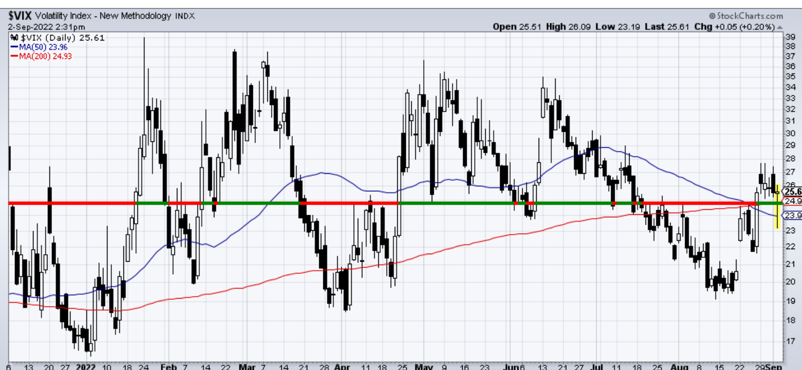
BAM MARKET NOTE

SEPTEMBER 2, 2022

As noted last week, the bulls needed to make a stand at the 50-day moving average. In short, they did not. Late day selling last Friday set the stage for further weakness this week. For the week, the S&P is down another 3% and has breached the support at 4000. The next level of support is just a bad day away. Should that fail, we are headed back down to the lows of the year. With the market getting a little oversold, a rally next week is probable. However, it remains unlikely that the bulls can get much higher than the 50-day moving average on any rally. Rallies should be used to reduce any risk you accumulated during the 2-month bear market rally. We currently expect lower prices over the coming weeks.



The VIX moved down to the high teens with the bear market rally but has since climbed up above 25. The level from 25-30 often marks uncertainty while levels above 30 start to get the attention of everyone. Despite the recent selling, the VIX doesn't show much panic. That could change with another few days of down markets. Bad things happen with a VIX nearing 30. Investors would be wise to get a little more defensive as we enter the traditionally weak month of September.

Our Point

The lack of a Fed pivot has continued to send ripples through the financial markets. As we wrote last week, the Fed not only didn't pivot but became much more hawkish in their outlook. We got the August jobs report this morning and the early market reaction was positive. Investors are looking for a reason to affirm or rebut Chairman Powell's recent hawkish statements. The jobs report gave neither the bulls or the bears anything to hang their hat on as it came in right where expected. The initial reaction was somewhat positive but as the afternoon has worn on, sellers have emerged. The markets are off of their earlier lows but remain down for the day. With a holiday weekend forthcoming, more selling could emerge at the close. In any event, the markets will have their 3rd down week in a row and things are not looking particularly good right now. Historically, September is one of the weakest market months so we could see a continuation of the August swoon. As investors look for reasons why the Fed will pivot, we are back in a bad news is good news and good news is bad news for the market indices. We have a few economic indicators next week that could move the markets, but it should be a mostly quiet week. Volumes should begin to pick up as Labor Day marks the end of vacations for many. Earlier this week, we got a little more defensive in our portfolios as we sold one position after the bear market rally and purchased another position that will hedge a little of the risk that remains in our portfolio. The remaining positions we hold are either hedged or are continuing to move up in the current environment. We are watching all positions carefully and will not hesitate to get even more defensive should market conditions warrant. If we are wrong and the market rallies from here, we will begin layering in new positions. The key to surviving a bear market is to avoid losing money and we are doing just that. As many of you know, our personal holdings mirror our client holdings, so we treat client assets like our own! Last night marked the beginning of football season for me as the Vols dismantled an overmatched Ball State team. Next week will be a bigger challenge – as will the Titans home opener. It is a great time of the year – for football enthusiasts – not so much for stock market enthusiasts! Enjoy your first weekend of September.

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