

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

Carter here- giving Bo a break from writing the note this week. The market has given back about 1.5% of its gains since this time last week. Much of that move can be attributed to the debt downgrade that Fitch Ratings, one of the three major credit rating agencies, gave to US debt on Wednesday. The US was rated AAA, the highest level attainable, and was bumped down one level to AA+. The move leaves only 9 other countries with the highest AAA rating. While the downgrade did cause some initial panic selling, bulls firmly stepped in at the 4500 support level shown above. A sustained break below that point could allow for the market to begin a downward slide. The 50-day moving average would be the first line of defense for the bulls, and then the lower support lines would come into play. For now though, the market is holding its ground. A bounce today and the major indices are holding onto nice gains for the trading session. It seems as though the market has shrugged Fitch's downgrade off and taking the news in stride. After all, we were all already aware of the alarming state of our national debt. Some of the bigger players reported earnings this week. Apple, AMD, and Amazon all had strong releases but lacked the same reception that last quarter releases enjoyed. Earnings are forward looking, and perhaps smart money is pricing in the fact that the current rally is over-extended and there is still a muddled economic outlook. It is certainly something that I will be keeping an eye on. The jobs report came out this morning and the labor market remains strong. Job growth is slowing but is still solid all things considered. We have turned the page on July and now head into the dog days of summer. This is a traditionally weak time of year for the equities markets and this year could be no different. It would be healthy if the market cooled off or consolidated sideways for a short while. Such a break would set the stage for another leg up, as long as no significant damage is done to the prevailing uptrend. We continue to monitor the market closely and will aim to be nimble with our trades in the event of any significant moves in either direction. Next weeks market drivers will be the continued release of earnings reports and the PPI readings to be released on Friday. We made no changes in our portfolios this week but remain opportunistic buyers if a healthy pull-back were to present itself. I will have a busy weekend between tackling house projects with the wife and going to UFC Nashville with some friends Saturday night. Have a great weekend and thank you for reading as always.