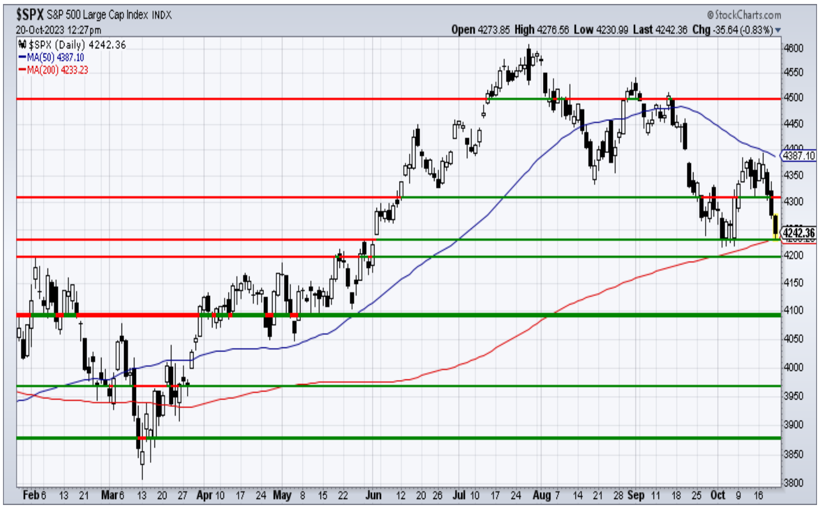
Bills Asset Management

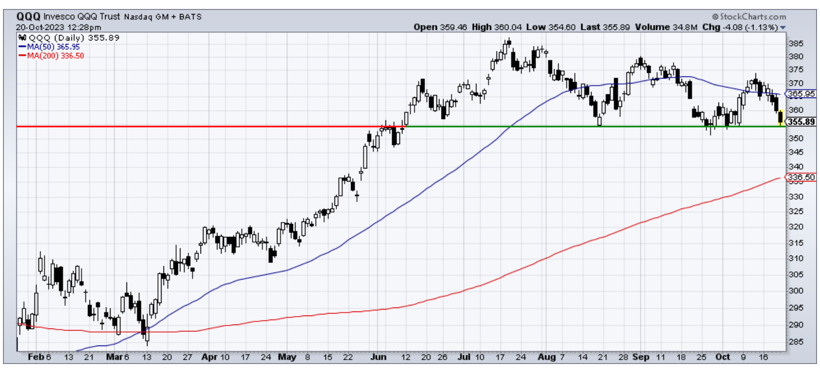
BAM MARKET NOTE

Bo Bills (615) 371-5928
Carter Bills (615) 585-6867

October 20, 2023



The S&P fell this week on news out of the Middle East, rising interest rates, and some mixed earnings reports. After touching the 50-day moving average on Tuesday, the market has experienced weakness the rest of the week. The selling has been orderly with no sign of panic (yet). The index is testing a very key area of support today at the meeting point of a long-standing support/resistance line and the 200-day moving average. If the bulls are going to take a stand, this would be the area to do it. There is no magic to the 200-day moving average, but it is an area that many traders consider when making investment decisions. A break below the 200-day moving average and the next level of support at 4200 would put the expected end of year rally in serious doubt.



The NASDAQ has a similar chart pattern with weakness the last 3 days that has taken it down to significant support. The index is a long way from its 200-day moving average with little in the way of support between today's price and the moving average. Like the S&P, the support level we tested this morning is key to the near term of the market.

Our Point

Selling has gripped Wall Street over the last 3 days as all of the indices have headed down. To this point, the decline has not done a lot of technical damage but a break below current levels would change things considerably. With all of the headline news over the last week, the market has held up remarkably well. Both the S&P and Nasdaq are down around 2% for the week. All things considered, the market has continued to show resilience in the face of many negatives. Today is options expiration which always brings a little extra volatility. Accordingly, some of today's volatility can be attributed to factors that aren't particularly relevant to the health of the market. Much of this week has had the market turn from negative to positive and vice versa. The intraday volatility shows that there are some buyers that are buying the dip. Yet currently sellers are outnumbering buyers. The recent weakness will likely be confirmed or reversed over the next several days. Earnings kick into high gear next week. Throughout this year, we have spoken in these pages about the magnificent 7. The seven companies that have single-handedly provided nearly all of the market gains for the year. Four of these stocks report their earnings next week (Google and Microsoft on Tuesday, Meta on Wednesday, and Amazon on Thursday). Positive reports by these companies will set the stage for a rally. However, disappointments will drive the market lower and will damper any hope of a rally to end the year. Tesla (one of the seven) reported earnings earlier this week and disappointed – the stock has been punished with declines nearing 18% over the last 3 days. If the other 6 stocks follow a similar path, the markets will be in trouble. We'll know next week. As we have noted here, we have added some equity exposure over the last few weeks. We are holding pat and have not made any changes to our holdings. A break below current levels will force us to re-evaluate. However, should the markets hold at current levels, we are likely to continue to layer in additional equity positions going into the traditionally strong part of the year. Lows are often made in October and this year is on track to follow history –as long as current levels hold! For the longest time October also marked lows for the Vols as the 3rd Saturday in October often produced pain and anguish. That streak ended last year in glorious fashion and this writer is hoping for a continuation of the 1-year trend. Have a great weekend and Go Vols.