

BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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We mentioned last week that the market was oversold, and a rally was to be expected. We got that rally this week and then some. It has been one of the best weeks in some time. On Monday the market went up, on Tuesday the market went up to test resistance at 4200, on Wednesday the market tested support at the 200-day moving average, on Thursday the market tested resistance at 4300 and today the market is testing resistance at the 50-day moving average. I would say the bulls have successfully answered the call! With such a strong week, it would not be surprising for the market to take a pause next week. A decline that holds support at 4250 (the 200-day moving average) should be bought as we prepare for the end of year rally that many continue to expect.

The 2-year treasury yields often lead the Fed and certainly did this week. Treasury yields began falling last week and continued after the Fed's announcement on Wednesday. The decline in short-term interest rates have provided a much-needed jolt to Wall Street. The markets are now looking forward to lower rates from the Fed. Be careful what you wish for as lower rates will likely mean a much weaker economy. The 2-year treasuries are discounting any future rate increases by the Fed.

Our Point

The markets rallied heading into and after the Fed meeting this week. As widely expected, Chairman Powell left interest rates alone. Furthermore, the press conference afterward provided a few clues to the Fed's path forward. While nuanced, the Fed changed their language in a few places which the markets took as an indication of an indefinite pause in rate hikes going forward. Of course, the Fed left the door open for future increases, but the statements taken in their entirety were more dovish than previous statements. It was certainly the pause that refreshed the markets as they have roared higher despite concerning earnings from Apple and a disappointing jobs report. Apple reported strong earnings but warned of weakness over the coming quarters. The stock is down a little today but off of its lows. We also got the October jobs report which showed a weakening labor market and revisions to prior months which takes a little luster off of prior reports. The combination of weaker economic news and falling interest rates led the market to a strong rally off of some significant oversold conditions. We would caution investors here that despite what the market says, bad economic news is bad economic news! While the market is cheering a (perhaps) end of the rate hiking cycle, the effects to the economy of an historic rate hiking cycle have not fully been seen by the economy. While a soft-landing by the Fed is still possible, many signs still point to a hard landing and a recession in the coming months. The market euphoria may well last over the next month or two but the outlook for 2024 remains murky and potentially treacherous. That is not to say that money can't be made next year but traders will likely need to be nimble. In a falling interest rate environment, bonds will become a more attractive investment. We made no changes to our portfolios this week but will likely add more equity exposure on any pullback that holds support. We have some equity exposure in our moderate and aggressive portfolios and could add to those exposures as well as a smaller allocation to our more conservative portfolios. We remain cautiously bullish over the coming weeks, but our outlook could change significantly as the calendar turns. It's been a topsy-turvy couple of weeks for Titans football. After an inspiring and exciting win last week over the Falcons, we got a less than inspiring loss last night to the Steelers. The bright spot is the Titans have potentially found their quarterback of the future. It hurts me to say I am rooting for a Kentucky Wildcat QB but I hope Will Levis (Billy Jeans) becomes the next Tom Brady. Things are looking up for the Titans. With a reprieve to the cold temps of this last week, it looks to be a gorgeous weekend in Tennessee. Enjoy!