**Bills Asset Management**

# BAM MARKET NOTE

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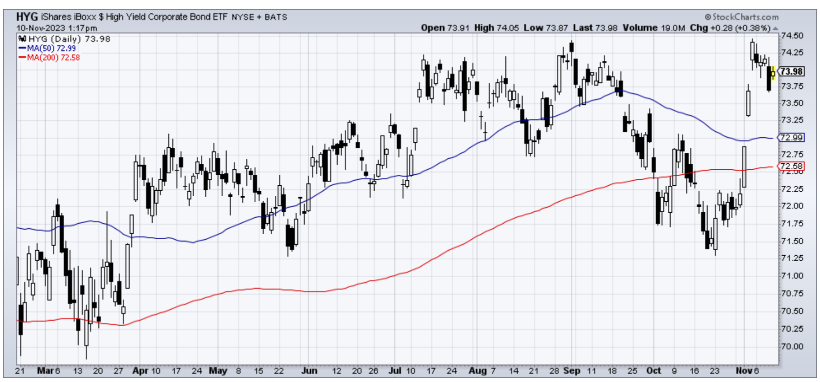
After a strong market last week, it came as no surprise that the market would take a pause. The S&P went sideways to down for much of the week but is up strongly to this point today. One of the most bullish things a market can do is trade sideways after a big move before continuing to move up. That is the situation we find ourselves in currently. After breaking through several levels of resistance last week, the market appears to have held the 50-day moving average. The support is significant and is another indication that the long-awaited end of year rally may be afoot. Historically, the week before Thanksgiving can be a weak one so another pause over the next week or two would not be unusual.




High yield bonds are confirming the move upward. After falling below the 200-day moving average in October, high yields have accelerated to the upside and now sit well above both their 50 and 200-day moving averages. The high yield chart is encouraging and indicates that the bond market is not particularly concerned about a recession in the near term.

## Our Point

The markets had little in the way of economic news this week. Similarly, earnings reports have slowed with many of the big-name market movers having reported already. There was some Fed speak this week as several Fed officials spoke at various events. The Fed message was somewhat mixed with some hawkish and some dovish comments. The markets largely ignored the Fed talks though Chairman Powell's comments on the continued need to be diligent with inflation on Wednesday did lead to some selling. There was also a ransomware attack on China's largest bank this week that led to some trading issues with US treasuries. Again, after an early reaction, the markets shrugged it off. It just seems like this market wants to go up in the short-term. As we have been saying for a few weeks, we believe that an end of the year rally is possible (if not probable). We also mentioned a couple of weeks ago that with so many expecting the rally that it might come early and fade as we get to the end of the year. We may be seeing that now as the rally that started in late October sure looks like it has some legs. We'll get new readings on the inflation front next week with both the CPI and PPI being released. These reports will be widely looked at for clues on whether or not the Fed is done with rate increases or not. Inflation numbers that surprise to the upside could put a damper on Santa's early visit. Also, with the possibility of a government shutdown (AGAIN!) looming next Friday there could be some additional volatility as we head into Friday's deadline. As we have discussed in these pages before, we believe that any volatility resulting from the debt limit will be largely noise and will be quickly reversed either way. Congress will eventually get something done (or kick the can down the road further) and the market will quickly focus again on the economy and company earnings. With the end of daylight savings time, middle Tennessee becomes dark at 4:30! It is not my favorite time of the year and I really do hope that some day we can make DST permanent. Another big football weekend with lots of big games. I am hoping that the Vols take care of Mizzou and the Titans can right the ship. I hope your teams win (save Mizzou and Tampa Bay). Have a great weekend.