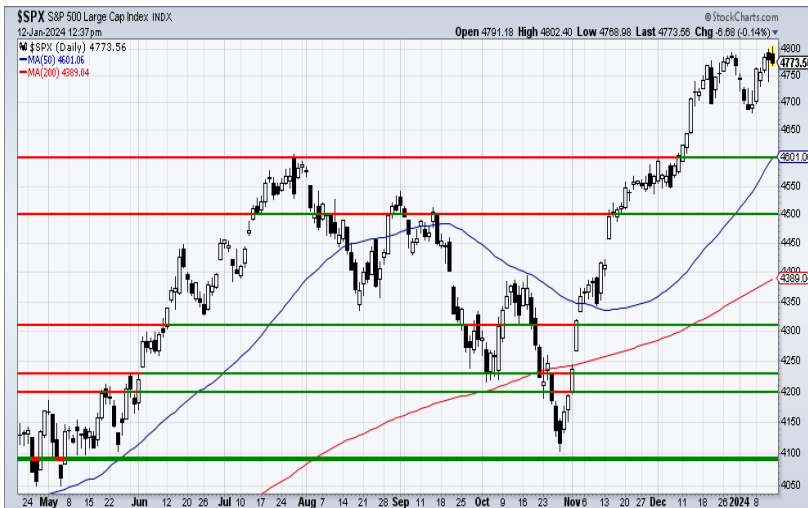


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

JANUARY 12, 2024

BO BILLS (615) 371-5928
CARTER BILLS (615) 585-6867



The markets rebounded a bit this week and recovered much of what was lost during the first week of 2024. In fact, the S&P turned positive for the year yesterday and is trying to hold on today. The S&P is again right at its resistance of the 2022 highs. It also reached this level late in 2023 and was turned away. It will likely take some good earnings news or dovish Fed talk for the markets to pierce this level to the upside. We remain in the optimist camp, but the early January weakness may persist awhile longer. We view any weakness as buying opportunities for any excess cash laying around.



Small caps continue to be an interesting investing opportunity. After surging to end 2023, IWM has declined nearly 6% but has found some support after it filled the December 14th gap up (red circle). The basing here is bullish and could lead to another strong rally. Small caps would benefit greatly from any Fed rate cuts. With their underperformance last year, they could be an opportunity for overperformance in 2024.

Our Point

Inflation data was mixed this week as the CPI came in hotter than expected and the PPI came in a little cooler. To this point, the market hasn't responded much to either report. The Fed's favored inflation report is the monthly PCE report due out in two weeks. All that to say, the current reports did little to provide cleanness on the inflation front and we may have to wait for the PCE report to gain some additional clarity. The Middle East heated up a little overnight as the US and UK had joint missile attacks on Houthi targets in Yemen. The market has not responded in any significant way this morning and likely won't unless the strikes threaten to widen the conflict with Iran or further hamper the Red Sea shipping corridor. JP Morgan, Wells Fargo, Citigroup and Bank of America were the big names to kick off earnings season this morning. The market's response to those big-name bank releases has been underwhelming with all but Citigroup trading lower on earnings. We'll get many more bank earnings next week with big names in other sectors the following week. As mentioned above, while the S&P is right at its 2022 highs the NASDAQ and Russell 2000 are both significantly below those highs. The NASDAQ remains 7% below and the Russell 20% below 2022 levels. If the markets rally on earnings, the NASDAQ and Russell will likely be the biggest winners. We have holdings in both and are looking to add more on weakness. We made no changes to our current portfolios and are nearly fully invested. We are withholding some available cash to deploy on any weakness that presents itself. Winter is coming! We'll get our first real dose of cold weather next week with a threat of some white stuff! I am already looking forward to Spring. Bundle up and enjoy your weekend!