

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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2024 has begun on a bit of a rough note for the major market indices. It is not particularly surprising after the big run up to end 2023 to see a little profit taking. Some investors are locking in their gains in the new year to avoid paying taxes until April of 2025. To this point, the selling has been orderly and relatively mild. The S&P is down just 1.5% as of this writing. We continue to believe that weakness should be bought and that pullbacks should present an opportunity to put any excess cash to work. That said, we get may get a little more selling before that opportunity presents itself. A 4% correction back to support at 4600 would present such an opportunity.

The big winners of last year (the tech laden Nasdaq) have taken a bigger hit to start the year. QQQ has fallen 3% so far this year. A decline back to support at the 380-390 area would not be a surprise and would shave another 2-4% off. This area should be another opportunity to get a little more aggressive with any excess cash.

## Our Point

2024 has gotten off to a bit of a rocky start but putting things in perspective helps. The big run up to finish 2023 is having its first real bump in the road since the end of October. How it reacts over the course of the next couple of weeks will tell us much. While inflation has taken a back seat it remains; and all eyes are squarely on the possibility of Fed rate cuts. The Fed surprisingly was pretty dovish in their last meeting and fueled much of the rally to end the year. Expectations for rate cuts and a soft landing will do that. Whether or not the Fed can orchestrate a soft landing (there are many doubts in our camp) and whether or not interest rate cuts happen as expected are both open questions and will largely determine the investing climate for 2024. The December jobs report came in a little hotter than expected this morning raising some questions of how aggressive the Fed can be with rate cuts. Next week, we'll get the monthly CPI and PPI reports which will shed even more light. Just as important, 4<sup>th</sup> quarter earnings reports will soon begin. We suspect that favorable year over year comparisons and reduced expectations on the earnings front may provide some fuel to the markets. However, between now and earnings season the markets are likely to continue to be challenging with a downside bias. Despite the recent weakness, we continue to view the markets favorably in the near term. Presidential election years usually have an upside bias and, absent a recession or some other negative unexpected event, should continue that trend in the new year. We have not made any changes to our portfolios since our last writing and have a small amount of cash left to deploy should/when a buying opportunity presents itself. On an unrelated note, I had two instances of potential email fraud happen over the last couple of weeks. Hijacked email accounts sent me messages from client email accounts asking for me to send money to particular places. In both cases, we followed up with phone calls to verify and to report to our clients. It should be noted that Bills Asset Management does not have the authority to send money to anyone or anywhere but to your address or bank of record. Furthermore, we will always call you if we receive suspicious or unusual emails from you. Similarly, you should never open attachments or respond with any personal information to any email (even from email accounts and people that you know including us) that you were not expecting. Follow up with a phone call if you have concerns. Unfortunately, it is the current world we live in, and we all should be more diligent. If it sounds suspicious then it very well might be! Here is hoping for a wonderful 2024 filled with good health and prosperity and fewer scammers! Enjoy your first weekend of 2024 wherever it finds you.

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