

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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## Our Point

The market looks to book a healthy gain for the week with the S&P and Nasdaq both up a little over 3% and 4% respectively. This notable market rally comes despite ongoing tension in the middle east and sticky inflation numbers. President Trump brokered a fragile but intact ceasefire agreement between Iran and Israel that has allayed some of the concern for the tumultuous regional conflict. This comes after the United States carried out a tactical strike against three of Iran's most strategically important nuclear sites, putting a halt to Iran's nuclear development for now. Markets initially dropped sharply in futures trading on U.S. involvement but quickly recovered as Iran's retaliatory strike proved to be a limited, telegraphed response that did not injure any US servicemen or do major damage to any of our overseas bases. This was seen as a positive development and a step towards de-escalation. We will continue to keep an eye on any key developments in the Israeli / Iranian conflict, but it should be noted that geopolitical uncertainty, while scary, rarely negatively impacts the stock market for any real period of time. Fed Chair Powell sat before Congress on Wednesday as part of the Fed's Semiannual Monetary Policy Report. Powell reiterated that the Fed is taking a cautious approach to cutting rates as there is still concern about the inflationary risks posed by the Trump administration's tariff policies. He stated that he "doesn't think that there is any urgency" to cut rates, especially given the strength of the labor market. This comes as no surprise to those following the interest rate saga between Chair Powell and President Trump. Trump continues to advocate for lower rates, while Powell remains committed to a methodical, data driven approach to monetary policy instead of letting political pressures guide policy. While the two are at odds, the market continues to churn higher. We saw PCE numbers come out this morning mostly in line with expectations. Inflation remains a concern but one that the market has seemed to grow more comfortable with. Our portfolios have enjoyed the rally off of the April lows and are performing well as we remain at a fully invested posture. We have discussed logical exits for some of our bigger winners should we get a pullback; no one ever went broke off of taking a profit! If you do see some profit taking in your portfolios over the coming weeks, expect us to put the newly generated cash back to work quickly on any significant weakness. The bulls are still in control of the market for now and the ability to shrug off uncertainty in the middle east, pesky inflation and a still murky tariff front continues to illustrate that this market has willing buyers ready to step in on even modest declines. We'll skip next week's market note unless there are any major developments, as next Friday is the 4<sup>th</sup> of July. Thanks for reading and as always, we hope you enjoy your weekend.