

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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The bulls failed to hold the 50-day moving average this week but have another test at the 100-day moving average which also coincides with the lows in early October. This is critical support and a break here would put the 200-day moving average and a much larger decline in play. The decline remains a normal pullback to this point as weak hands are shaken out of the market. Since late October the S&P has fallen 4% and has become a bit oversold in the short-term. The markets are rallying today and how it finishes and whether or not there is follow-through next week will tell us much about any longer-term change in the market environment. We remain bullish through the end of the year.



The Nasdaq 100 has a similar set up as the broader S&P. However, tech shares have taken the brunt of the selling. QQQ has fallen 6% from its October highs. After briefly piercing the 100-day moving average earlier this morning, QQQ is rallying and has moved back up into the trading range. Like the S&P it will need to hold at support to avoid another leg down. It will be instructive to see if the markets can hold onto the gains today and into next week.

## Our Point

The green on the screen this afternoon is a welcome sight. After 3 weeks of down markets, any positive market movement is welcome. Despite all the wringing hands on the financial networks, the markets have just returned to levels seen a little over a month ago. The rally off of the tariff lows in early April has been one with little volatility and small pullbacks. The current weakness looks like nothing more than profit-taking and a normal pullback in an otherwise up trending market. With that said, we are always thinking about managing risk and the current decline has our attention. Nvidia exceeded expectations with its earnings release on Wednesday afternoon. The results were stellar and put a pin in talks of an AI bubble. As good as the earnings release was, the guidance on future earnings was even better. Despite the blow-out earnings, Nvidia and the rest of the market sold off as economic news came in stronger than expected. The delayed September jobs report was much stronger than expected which had the market spooked that a December rate cut was off the table. As noted last week, a number of Fed governors have been downplaying expectations of a December Fed cut. However, New York Fed governor John Williams indicated this morning his willingness to cut rates in December. The comments were significant as governor Williams and Chairman Powell often move in lockstep. The comments rose the odds of a December rate cut from 39% yesterday to 70% today. The result is a rally today and illustrates the impact of potential interest rate cuts in the current market environment. More data will come out before the Fed decides again on December 10th, so a rate cut is still far from a certainty. Next week will be a light trading week as traders take off for Thanksgiving. Historically, Thanksgiving week is among the strongest of the year. With the market marginally oversold, a rally next week is more likely than not and could mark the end of the current weakness and the beginning of end of the year strength. Regardless of what we think, we remain prepared to respond to what the market actually does. A number of our positions are close to sell points so additional weakness could lead to significant portfolio changes. However, we made no changes this week and stand ready if the market surprises us over the coming weeks. Weakness in the markets is never fun but a necessary evil to set the stage for the next market rally. Despite the current decline, we remain optimistic over the coming weeks. With the recent cold spell, rain and winds, our yard is full of leaves. Unfortunately, much of my weekend will be spent gathering leaves and getting the yard ready for winter – not my favorite household chore. Saturday night will bring the Vols vs Gators and, hopefully, an end to a long-time losing streak in the swamp. It will be another full weekend. With the Thanksgiving holiday on Thursday, we will be spending time with family and won't be sending this note next week. Have a wonderful Thanksgiving with family and friends. There is so much to be thankful for. Enjoy your weekend wherever it finds you.

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