

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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This week started out rough for the bulls as the S&P fell below the 50-day moving average and touched important support. The S&P fell over 1.5% through Wednesday. The rally yesterday and today has erased those losses, and we stand right where we started the week. That is not all bad as the index held support and is now rallying off the short-term oversold reading earlier this week. Beginning next week, trading volume will begin to lighten as traders head out to put up their Christmas trees and celebrate with their families. Market direction is important as sentiment will be a tailwind for the prevailing trend. With the markets up yesterday and today, it bodes well for a continued move upward over the next couple of weeks.



We mentioned last week that big tech was at an important juncture right at multiple levels of support. While support was breached earlier this week, the failure didn't last long enough to raise undue concerns. The Nasdaq has rallied strongly over the last couple of days and has recaptured lost support. A continued rally next week will add further confirmation that the shift out of big tech may not be long lasting. That said, there has been a rotation out of big tech that is worth monitoring.

## Our Point

We were beginning to wonder if Santa was going to show up this year. While the traditional "Santa Claus Rally" doesn't officially start until the week after Christmas and ending on the 2<sup>nd</sup> trading day of the New Year, December, as a whole, is often among the strongest months (especially the last 2 weeks of December – where we are now). While the first part of this December has been weaker than expected, it may set the stage for a larger than normal second half of December. The markets were short-term oversold, so the current rally is not particularly surprising. What the market does next week to digest current gains will be more instructive. Due to the extended government shutdown, the CPI inflation report this week was a little unusual and much more likely to be revised at future meetings. However, the report did show a decrease in inflation that was cheered on Wall Street. Despite that better-than-expected report, Fed Funds futures barely moved reflecting the unusual reliability of the data. Next month's inflation report will take on greater importance. As mentioned above, next week will have very low volume. With Christmas on Thursday, the markets will close early on Christmas Eve, be closed on Christmas Day and while open on Friday, will have very limited volume. Low volume markets can be a little more volatile as large traders can move the market more easily. This week one of our friends and clients had his identity stolen. Fortunately, the damage was minimal, but it was a stark reminder that ALL of our personal information can be found on the "dark web." Some things that all of us should do include changing STRONG passwords often, enabling two factor authentication (preferably by text message), and never clicking on links in suspicious emails (even if they look real). Thanks to artificial intelligence, the days of misspelled emails and Nigerian princes promising you millions if you click here are gone. The new scam emails look very real and official. Rather than click on emails, you would be better served by going directly to the site in question by typing it in your web browser or calling the company from a phone number that you get by searching (not in the email). It is a crazy and scary world, please be careful. Also, for many, it may make sense to institute a credit freeze. It is a relatively easy process. If you would like more information on credit freezes and if it might be appropriate for you, please reach out to us. We will be traveling a bit around the Christmas holidays so won't be publishing this note over the next two weeks. However, we will put out a market note if market conditions warrant. With that said, we want to take this opportunity to wish you all a VERY Merry Christmas, Happy Holidays and an amazingly prosperous New Year. Enjoy your weekend wherever it finds you!

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