

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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After a strong week to start the year, the S&P digested gains this week and is virtually unchanged. 7000 remains the next level of resistance and we expect the index to push through this level in the coming days/weeks. Relatively strong support can be found at the 6900 levels. The market has developed a bit of a habit this week of opening strong and then fading as the day moves along. If that continues, it will raise some concerns. The pattern can indicate a lack of conviction for traders and can be problematic. However, any selling during the day has been muted and it has been a bit of a yawner of a week.



We haven't shared a chart of high yields in awhile. As long-time readers know, high yields can often be the canary in the coal mine for developing issues within the economy. The chart shows continued strength in this important sector and absolutely no fear from bond-traders of any significant weakness coming in the economy. The chart is one of the reasons we remain bullish for the next few months.

Our Point

Banking stocks kicked off earnings this week with JP Morgan, Wells Fargo, Citibank, Bank of America and others reporting. While the results were mixed, the Wall Street reaction was not. All of the big banks reporting were punished by traders. The big banks were down anywhere from 3-7% on earnings this week before having a bit of a bounce back today. The fact that the markets held steady this week can be viewed as a positive. Despite the weakness in the financial sector, other areas have held up and carried the S&P to a flat week. The market rotation that we have noted recently has continued as value stocks have outperformed growth stocks again this week. Small caps have also been on a tear as they are up over 8% over the last couple of weeks – the S&P and Nasdaq are both up a little more than 1% so far this year. We have positions in both value and small-caps. Inflation data this week was a non-event as both the CPI and PPI came in as expected. There was no significant drop or increase in the inflation data. With little to no movement in inflation, the Fed is likely to remain on hold when it meets at the end of the month. Next week will be a short trading week with the market closed on Monday. The rest of the week brings more inflation data in the form of the October and November delayed PCE report as well as earnings from Netflix, Intel, Johnson and Johnson, United Airlines, Abott Labs, etc. Earnings will continue to ramp up over the next few weeks. The market remains in one of its strongest seasons and we expect higher prices over the coming weeks. However, any change in expectations of Fed rate cuts, earnings surprises, or geopolitical events could derail our expectations. Accordingly, we remain data and price dependent. We review and monitor all of our holdings daily and will adjust positions as necessary to attempt to stay in sync with market conditions. We made no changes to our holdings this week and remain fully invested. All of our portfolios have started the year on an up note and are behaving as we anticipated. Please call either me or Carter should you have any questions about your accounts or (if a non-client) how our investment management might assist you. From 70's one day to 20's the next, Tennessee weather certainly doesn't allow you to put your seasonal clothes away for long! However, it does seem like Mr. Winter may be here for the next couple of weeks. Get back out those winter clothes... Have a great weekend wherever it finds you.