

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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It has been a mostly flat week with the S&P going nowhere fast. It is a little disheartening as blowout earnings by Amazon and Microsoft did nothing to buoy the indices today. Even the tech heavy NASDAQ is trading water today. Similarly, first quarter GDP exceeded expectations and did nothing to generate buying interest. When good news fails to move the market it is time to take notice. Earnings have been good to excellent and, yet, the markets remain in a weak very short-term uptrend. With good news failing to move the market, the obvious question is what would a spate of bad news do? Hopefully, we won't find out but risk is a bit elevated here and investors would be wise to tread carefully.



On the bullish side, the relative strength between high yield bonds and treasury bonds remains a positive. When high yields are outperforming treasuries (an uptrend in the accompanying chart), it is an indication of economic strength and confidence. While this indicator surged earlier this month, it has moved sideways for the last week and a half. Much like the market as a whole, it seems this indicator is trying to figure out where to break next.

## Our Point

Despite excellent earnings and economic news this week, the markets have failed to gain any traction. That is very concerning. Often the end of the month and beginning of the next are among the strongest monthly periods so a failure to move higher next week would raise the specter of more weakness. The long term bullish trend remains in place but the market's failure to move higher in the face of good news clouds the short term. The S&P remains right in the middle of its 3 month trading range. Small caps continue to show relative strength and will likely be one of the leaders if the markets break to the upside and head toward the top of the trading range. We made no portfolio changes this week and continue to hold a little cash. Hopefully, next week will bring a little clarity. In the meantime, it promises to be a beautiful weekend so get outside and enjoy yourself.

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