

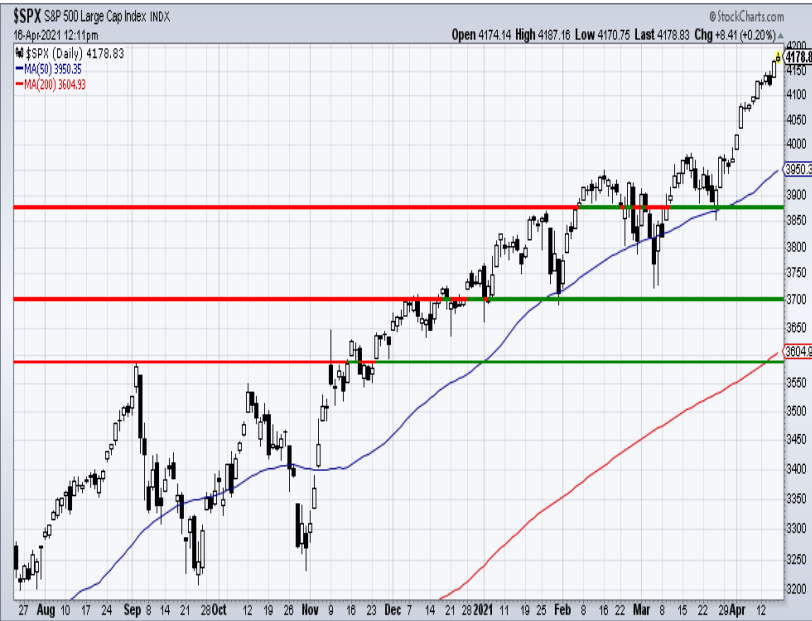
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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Another week, another move upward for the S&P. It has been an amazing run over the last month. Not so much in the return (though it is up over 7% during that time) but in the steady drumbeat higher. As I often told the kids growing up, enthusiasm breeds enthusiasm. The fear of missing out (FOMO) has certainly taken hold as more and more investors pour money into the markets. A Bank of America study recently reported that more money had been added to the equity markets over the last 5 months than in the prior 12 years! That is a melt up. Where it stops is anyone's guess but by most any measure, the market is over-extended. Mind you, it can stay that way for a long time but, at these levels, investors should not become complacent. A correction of 4-5% can't be ruled out and would take us back to the 4000 level. Such correction would do nothing to the longer-term trend.



The first sign of trouble is likely to show up in the high yield bond markets. As you can see, there is no reason for alarm currently as high yields have rallied with the rest of the market and are now firmly above their 50-day moving average. As long as high yields are trending up, there is little room for long-term concerns for the rest of the market. Although, short-term corrections can happen quickly without any warning.

## Our Point

The earnings parade has begun, and it has been a good one in early reports. Most of the banks that reported this week, announced earnings beats and positive future guidance. Many regional and smaller banks report next week along with the likes of Netflix, American Airlines, Southwest Airlines, American Express, AT&T, Verizon and Johnson and Johnson. Speaking of Johnson and Johnson – their earnings report will hold special interest considering the recent halt of their vaccine. The market has largely shrugged off the vaccine setbacks and rising Covid cases in certain parts of the country. There is always something to be concerned about! Covid, increased geopolitical tensions, and an overstretched and heavily bullish sentiment are but a few. Nevertheless, if it ain't broke, don't fix it. The markets rumble on and continue to look healthy (if not overvalued) from a technical standpoint. We suspect we have a few more weeks of up to sideways markets before some profit taking happens. May can be a challenging month and this year may prove that again. We made no changes to our portfolios this week. Small caps have stabilized and have started to turn up. They have lots of room to run in order to catch up with the S&P's recent rally. Our other positions are holding their own. As mentioned above, despite the bullish headlines, investors would be wise to watch things closely. The markets are extended and a bout of profit taking could take hold at any time. Hold what you have but be ready to respond to changing market conditions. They may change faster than anyone imagines. The storms of a few weeks ago did some damage to our house. So, this coming week, we have the pleasure of getting a new roof! It will be a noisy and messy few days, but we are thankful that we get an upgrade. We'll be enjoying a quiet weekend here and hope you do the same. I will be traveling next Friday for an out-of-town wedding (a good sign of things returning to some semblance of normal). In the absence of significant market news, this note will return on April 30<sup>th</sup>.

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