BILLS ASSET MANAGEMENT | **BO BILLS** (615) 371-5928
SAM BILLS (865) 525-1329
CARTER BILLS (615) 371-5928

BAM MARKET NOTE

MARCH 18, 2022

Our Point

The Fed meeting has come and gone with the little in the way of news. Surprisingly, the markets reacted with glee as the Fed announced the first of what it says are 6 more interest rate hikes in 2022. Apparently, the markets took comfort in the fact that the Fed acted and that it appears to be a measured response though the 6 more hikes were more than what many expected. Of course, saying you will be raising rates is a far cry from actually doing it so we shall see over the coming months whether or not the Fed makes good on its forecast. In any event, the markets took off on Tuesday and haven't looked back – yet. Certainly, much of the rally was due to short covering coming into the widely anticipated Fed meeting. What happens over the next few days will determine if the rally is the start of a recovery or just an oversold bounce. Counter-trend rallies can look and feel like a new bull market, but investors would be wise to view the current rally with some suspicion. We have no way to know if the bottom is in and if this current rally continues, but we will likely know in short order. The S&P is back up in the middle of the support and resistance lines marked by the 4380-4470 levels. The large cap index is meeting some resistance today at the falling 50 day moving average but faces a stiff test at the top of the range where the 200-day moving average meets support at 4470. That resistance is a mere 1% from current levels so we should know soon if the market has loftier levels in sight. The market has gone from oversold to overbought in short order. Some period of sideways movement would be constructive. We will be watching the next downturn for signs that the rally has more staying power. Market participants do not often know why the market reacts as it does until days, weeks, or months later but we can try to be on the right side of the larger trend. For now, that larger trend remains down but it is a much more encouraging market (price wise) than it was a week ago. There isn't much (besides short-covering) to explain the sudden bounce as the economy remains stagnant in a rising rate environment and war rages on in Ukraine with no end in sight. Perhaps, there is something we will see weeks and months in the future or maybe this is just a dead cat bounce. We remain cautious and suspicious but will have a little more conviction should the current strength withstand a few days of weakness and move back up again. We made no changes this week but are continuing to develop a list of interesting positions. Should the market maintain its current strength and break the downtrend, we will begin moving back in the market and become less defensive. This weekend marks one of my favorite weekends of the year as the NCAA basketball tournament and associated madness that goes with it is in full swing. I will spend much of the weekend watching basketball and catching up on some home projects. Have a great weekend and hoping your team makes it into the sweet sixteen (unless you are a Michigan fan – no offense but they are in the Vols way!).