BILLS ASSET MANAGEMENT

BAM MARKET NOTE

APRIL 1, 2022

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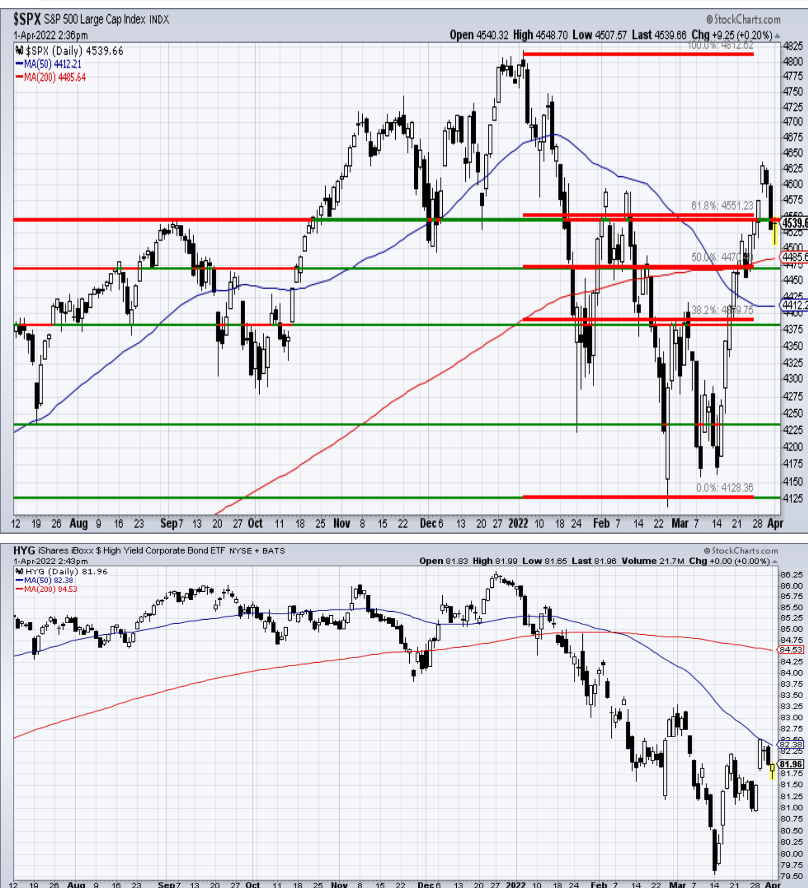

The S&P looks to finish the week mostly unchanged. Monday and Tuesday saw a break-out above resistance. However, weakness the rest of the week now has the S&P back below support/resistance. If the bears want to re-establish themselves now would be the time. Another break above the 4550 level would add weight to the growing evidence that this market strength is something more than a counter-trend rally. The last few days and first few days of each month have a positive bias as new money comes into the market from pensions and retirement plans. Accordingly, we may not know the resolution of this battle between bull and bear until the latter part of next week.

High yield bonds showed some strength early in the week but have since pulled back with the rest of the market. Often, the 50-day moving average serves as a good barometer for high yield bonds and, right on cue, they rose right up to that level on Tuesday but were turned away. We will feel more confident in this rally when high yields further confirm their equity counterparts.

Our Point

The first quarter of 2022 ended yesterday, and it was an unpleasant quarter for many traders. All of the major indices suffered large losses with the S&P shedding 5% and the NASDAQ over 9%. Absent a mid-March rally, it would have been much worse as the NASDAQ was within a few points of officially entering bear market territory (-20%). The rally over the last two weeks leave the markets overbought and pushing up against significant resistance. We should know soon whether or not the brief, but painful decline is over or if more is to come. Headlines of negotiations and peace deals between Russia and Ukraine dominated much of the headlines this week. The market surged with rumors of peace and then fell back when those rumors failed to materialize. Headline risk is real but usually very short-lived and it is better to look at the larger trend and the longer-term positives/negatives for the market. For now, the negatives continue to outweigh the positives as the economy sputters amidst a Fed that is forced to raise rates in a faltering economy. Inflation numbers continue to come in hot and this morning's jobs report (though positive) came in a tad short of expectation. Earnings season will begin in the next week to ten days and market participants will look expectantly on company forecasts and results. You may have heard recently that the yield curve inverted (where the 2-year treasury rate exceeds the 10-year treasury rate). This is usually a reliable indicator that a recession is coming in the upcoming 6 to 12 months. We shall see. While the market often climbs a wall of worry, the wall keeps getting a little higher. We made no changes to our portfolios this week but are watching the current levels very carefully. Further strength would give us some inclination to add more risk back into our portfolios but we remain cautious. After such a strong two week move, it is likely that a period of sideways markets (best case) or a mild decline might provide a better entry point. It remains a distinct possibility that the current rally fails at current levels and turns back down. There will be lots to discuss and parse over the coming weeks. We'll be getting that lawn mower ready this weekend as spring looks to have sprung. Have a great weekend and spend it with those you love.

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