BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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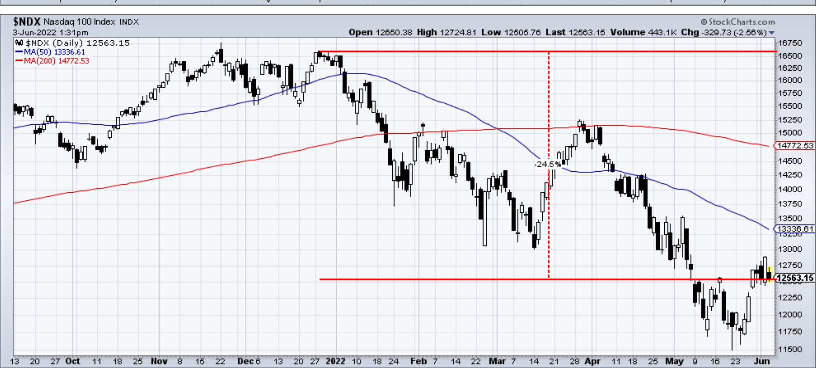
Well, that didn't last long! Last week marked the first up week in 2 months. But, selling returned this week as the bellwether S&P looks to finish the week down. As of this writing, the index is down 1% for the week. Considering the carnage of prior weeks, a measly 1% doesn't feel so bad. Resistance at the 4130 level was penetrated earlier this week but was short-lived as today's selling has brought the S&P back down below that resistance. The bulls will need to make a stand later today or early next week to avoid a quick turn-down to the next level of support around the 4000 level. For those doing the math in their head, that is another 3% or so to the downside. We still believe that this is a bear market rally, and the odds favor a return to the lows (or below). As always, our views are not predictions but rather a technical analysis of the charts. When that charts change, our view will change. Caution remains our mantra.



Despite the rally last week, the Nasdaq 100 remains down 25% for the year. It is not likely that the market rally continues without support from the market generals present in the Nasdaq 100 (Amazon, Apple, Microsoft, etc.).

Our Point

Selling returned this week as the markets continue to wrestle with a slowing economy, the war in Ukraine, food shortages, a Covid resurgence, gas prices, food prices, car prices, mortgage yields increasing, etc. The two-month Covid lockdown in China ended yesterday (mostly anyway as some areas were shut down again today), raising a couple of questions. Will the cause of China's lockdown spread to the rest of the world? Will the end of the lockdown further tax supply chains and fuel costs as China comes back on-line? We'll know those answers soon. This morning's job report showed a slowing job market but not enough to cause concern at the Fed that they are raising rates too fast. Expectations continue to show a Fed that raises rates at another 50-basis point clip at their mid-June meeting and likely for the next few scheduled meetings. Inflation remains unfazed by the Fed actions thus far. Jamie Dimon stole headlines this week as he spoke of his expectation of an "economic hurricane." The well-respected and much listened to Chairman of JP Morgan is not one to issue statements lightly. Dimon listed two primary concerns. The concerns are ones we share and have written about for several weeks. First, the ability of the Fed to engineer a soft-landing of the economy. With the end of QE (quantitative easing) and the beginning of QT (quantitative tightening) the Fed risks pulling too much money from the economy too fast. Second, the rapid rise in commodity prices (mostly food and fuel) caused, in part, by the ongoing war in Ukraine is not going away anytime soon and will likely get worse before it gets better. A worldwide recession is becoming more and more likely each day. We hope we are wrong. The sun will come up again, but storm clouds are gathering. Remain cautious and adjust your portfolios to your risk tolerance. We made no changes to our portfolios this week and remain defensively positioned. We are continuing to gather our list of buying targets when the markets settle a bit. Enjoy your weekend wherever it finds you.