BILLS ASSET MANAGEMENT

BAM MARKET NOTE

JANUARY 27, 2023

BO BILLS (615) 371-5928
CARTER BILLS (615) 585-6867

Our Point

Bo is travelling this week and so you will get the rare joy of reading my (Carter's) take on the market this Friday. We noted last week that the market was turned away at significant resistance and the bulls would need some sort of positive catalyst to get over that hump and take the market higher. The higher than expected GDP numbers proved to be the green light that they needed in order to continue the short-term uptrend. Gross domestic product rose to a 2.9% annualized pace in the fourth quarter which was enough to slightly beat expectations. While recession fears still loom large, the news encouraged investors and indicated that the domestic economy may perhaps be faring better than the general consensus previously thought. The bulls have also enjoyed a fairly good week of earnings reports with big gains in the tech space; namely Tesla, which has ascended almost 30% in the last five trading days! This surge has led the charge for the Nasdaq to break through a very key resistance level as well as breaking through the important 200 day moving average (shown in chart above). These positive developments have certainly caught our eye and we will begin to layer in more risk-on assets should the market continue to prevail in its current uptrend. In response to the shifting sentiment and the current rally we have sold our utilities position which will allow us to have more dry powder on hand should we need to begin adding those more aggressive positions. While Bo and I both have our doubts about the validity of this rally, we refuse to argue with the charts. The coming week could bring a number of changes in our portfolios, and we will respond to the market action accordingly. Next week brings more important economic data that will be in the focus of all market participants. Fed chair Powell will once again take the stage on Wednesday and try to walk the tight rope by fighting inflation with his rate increases but doing it in such a way that we can experience the elusive "soft landing" for the economy and stock market. I do not envy his job. We can expect more volatility in the coming week with the Fed announcement and continued earnings parade. Bo pointed out in last week's note that bonds have showed good risk-adjusted returns in the past few months. This week we decided to capitalize on that opportunity and added positions in each of our portfolios in order to add more exposure in that space. Bonds have shown reasonable returns with virtually none of the volatility that equities have experienced to start the year. We anticipate that these positions will hold up well, even if the equities market does turn back down. Thank you, as always, for your trust in us as we navigate the markets. We hope you enjoy your weekend and are able to catch some good football games on Championship Sunday.