BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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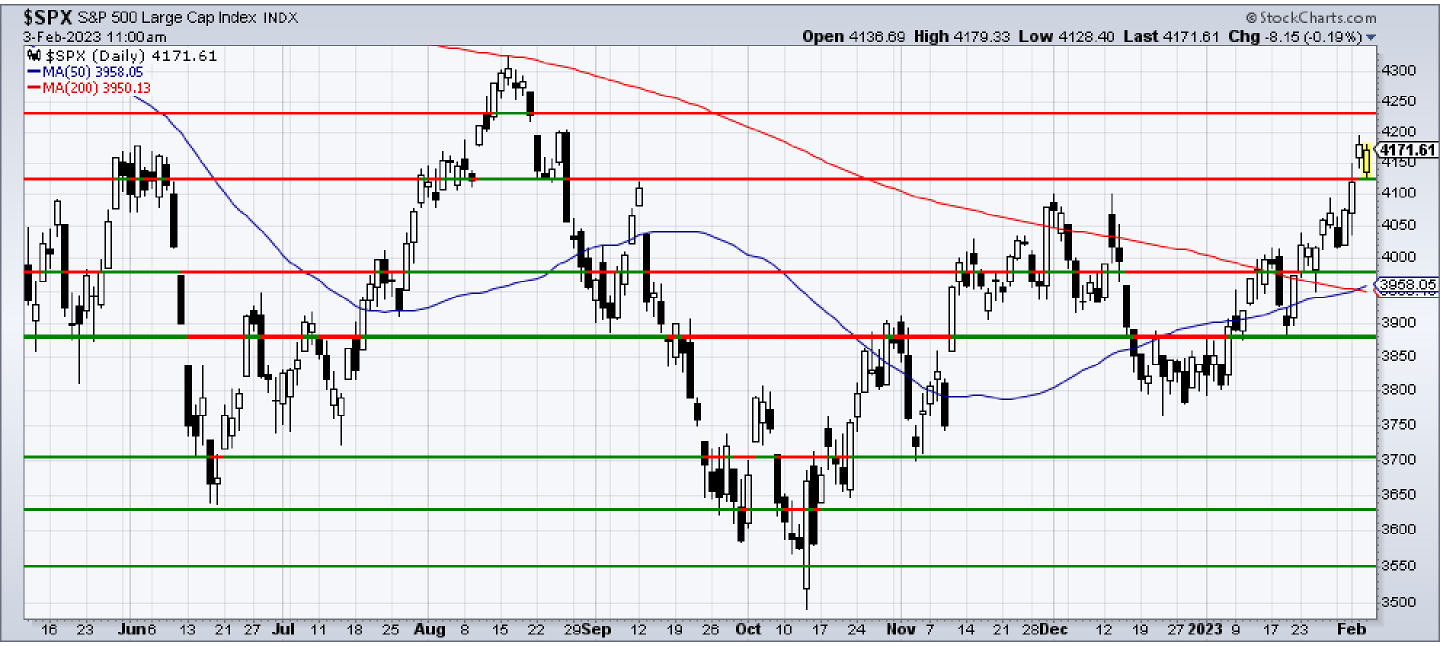

Our Point

This market wants to go up. Over the last 2 weeks the S&P has definitively broken the down-trend line that began last year and is now at the June of 2022 highs and approaching the bear market rally of last August. While some can make a relatively compelling argument that this is just another bear market rally in a longer-term bear market, the argument is getting weaker with each new thrust up in the market. You cannot argue with price, and we are in an intermediate uptrend that cannot be ignored. Despite what one might think should be happening or what one expects to happen, the definitive answer is always what the market is doing! And right now, it is going up. It is going up on good news and it is going up on bad news. We don't know how long this will last but will enjoy it while it does. I have read much over the last few weeks about the activity in the options market (which is unusual especially with the marked increase in one day options led by speculators) being the cause or at least a large contributor of the recent surge. Time will tell but again you cannot deny the charts which look compelling. Bonds which got hammered last year have started 2023 on a tear. Tech which got hammered last year has started 2023 on a tear. Yesterday after the bell, Apple, Amazon and Google all released earnings that were disappointing to the futures market. All 3 stocks were down 3-7% in after-hours trading. This morning Apple is trading up 3% and Google and Amazon have both come off of their lows significantly. The big news this week was the Fed announcement on Wednesday. The actual announcement was a non-event as the Fed raised rates another 25 basis points as expected. However, the market took off during Chairman Powell's press conference as the word disinflation was murmured more than a few times. I would be remiss in stating that Chairman Powell also murmured the word transitory more than a few times and was terribly wrong on that. The markets took Powell's words to mean that the Fed was close to stopping its aggressive rate hiking and that a pause or even a cut in rates was closer than many expected. Again, we shall see. While things look pretty good right now, there is likely to be increased volatility over the coming months. The interest rate hikes of last year are just now being felt in the economy. Whether or not the Fed is threading the needle of just raising enough to slow the economy to bring inflation down or have (or will) go to far remains an open question. We will have a better idea of the answer to that when first quarter earnings are released in April. For now, earnings have been slowing but not as bad as some had predicted. Accordingly, better than expected has led to a rise in equity prices. Our portfolios are getting close to a fully invested posture as we continue to layer in positions on pullbacks. We will add more positions over the coming weeks as we see opportunities and good entry points. Have a great weekend and enjoy the reprieve from the dreary ice and rain of the last week.