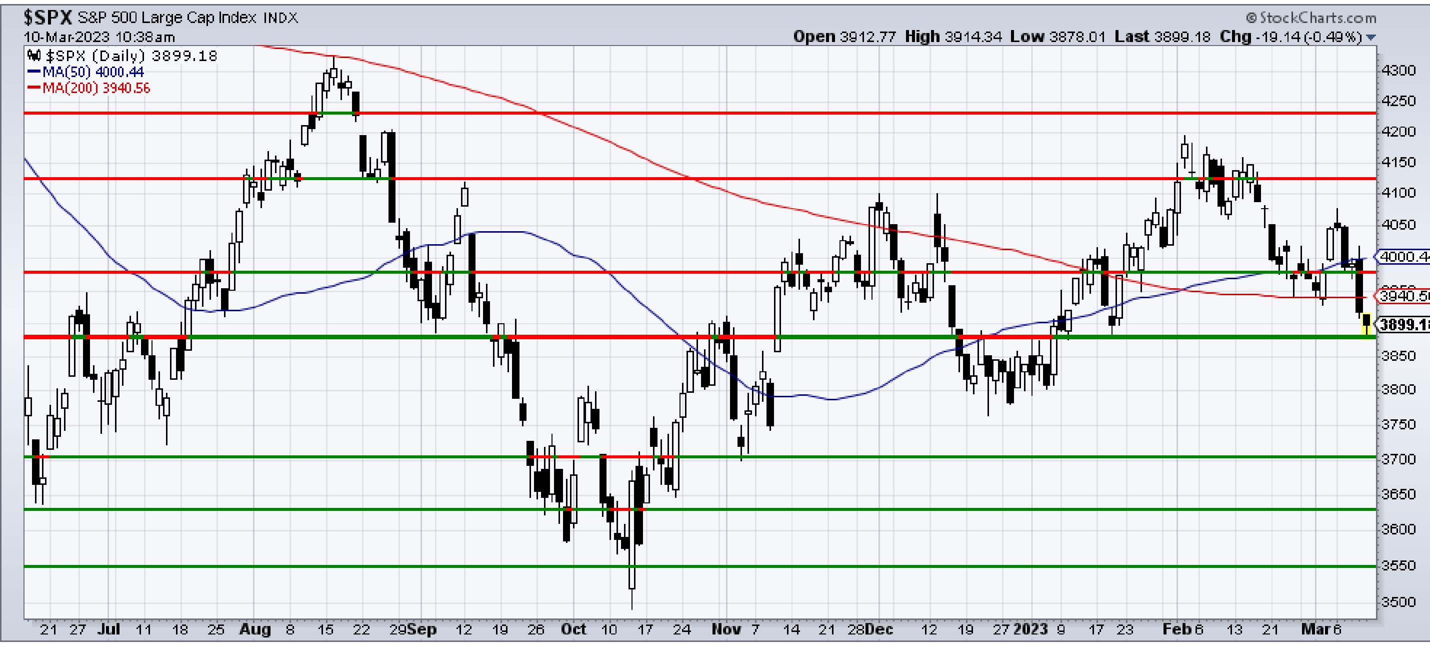
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

MARCH 10, 2023

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



Our Point

The bears haven taken control as the S&P has fallen (to this point) over 3.5% this week. The day is not over and there could be significant movement before the day is done. Absent a big rally to end the day, the S&P looks to close for a second day below its 200-day moving average. The longer the important index stays below this level the more likely it is that more sellers will emerge and drive prices lower. The support level around the 3900 level was touched today. This is a long-term support level and holds some importance as it has been support/resistance at various times over the last 2 years. The bear market rally that started back in October of last year is in the process of failing (if not already). Another leg down would completely invalidate the rally and set the stage for a possible retest of the October lows. Note that there is a big gap between current support around 3900 and the next level around 3700. If there is another leg down, it will be significant. The bulls need to make a stand here. Yesterday, Silicon Valley Bank (SVB) roiled the markets. SVB has long been a favorite bank of tech and life-sciences start-ups. Several venture capital firms suggested yesterday that they were pulling money out of the bank in light of what they viewed as bank instability. The shares of SVB fell precipitously (60%) and led to weakness in all bank stocks (particularly regional banks). While SVB is just one bank, the potential “run on the bank” spooked the market and led to heavy selling late yesterday. Hopefully, SVB can stabilize and any spill-over to the broad markets will be minimized. This morning’s much anticipated jobs report had a little for everyone. The headline number showed another strong month of jobs creation as 311,000 new jobs were created. The number exceeded the estimates of 225,000 new jobs. However, on the other side, unemployment ticked up a bit and hourly wages saw their smallest increase in a year. The Fed will have to wade through the report to determine how much the new data affects its interest rate policy. Before the morning report, fed fund futures indicated that the Fed was more likely to raise 50 basis points at its next meeting. However, after the jobs report, fed fund futures have shifted to a more likely 25 basis point hike. The markets are fluid and by the time the next Fed meeting arrives on March 22nd, there will be new data points to evaluate. Regardless, the Fed is far from done and the markets are beginning to wake up (again) to that reality. With earnings winding down, the Fed and their battle with inflation will be the main driver of the markets through the end of this quarter and into the next. We made no changes to our portfolio holdings this week but continue to evaluate positions daily and will not hesitate to reduce holdings should conditions worsen. We continue to hold large money market positions and will wait for more market clarity before risking client assets. Risk continues to be elevated and caution is the best course. The SEC tournament is in full swing with lots of Kentucky blue on Nashville streets. With apologies to my Kentucky friends, I hope they go home early. Enjoy your weekend wherever it finds you and Go Vols.