

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

APRIL 28, 2023

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It was an eventful week on Wall Street as many important companies reported better than expected earnings and investors continued to digest new economic data. The stock market started the week decidedly negative as First Republic Bank released earnings on Monday afternoon and revealed a 40% decline in deposits. The sharp decline added fuel to the argument that the regional bank turmoil may not be over. The news spooked an already anxious market and bears stepped in to take control of the early week market action. This was not completely unexpected with the S&P 500 resting at the top of its near-term trading range and as Bo suggested last week, "a break below support could lead to a significant decline back to the 50-day moving average." Sellers took advantage of the momentum and the market traded lower Wednesday despite massive market movers in the likes of Google and Microsoft releasing relatively positive earnings reports. Bulls were scrambling to find something that would stop the bleeding.

Meta reported blowout earnings Wednesday evening and provided the spark the market needed to finally take back some ground. The markets surged higher Thursday and have continued its run back to the top of the trading range. In fact, as of the time I am writing this, we are just a few points higher than where the S&P 500 closed last Friday. The strong reversal and subsequent rally has been powered by over exuberant short sellers covering their positions. Open option interest showed there were far more investors betting on the market to go lower, creating the right conditions for a quick rebound back to where we started the week.



Our Point

Uncertainties surrounding the economy and the banking system muted what could have been a big week for the bulls. Gross Domestic Product, adjusted for inflation, rose at a 1.1 percent annual rate in the first quarter of 2023. That was down from a 2.6 percent rate in the last quarter of 2022. While the economy is slowing, consumer spending continues to increase, casting some doubt as to how severe an incoming recession could be. Investors continue to sort the new data that seems to have only muddied the water for the time being. Next week we will hear from the Fed and Chair Powell. Analysts are expecting another 25-basis point hike and will be keyed in on the language used in Powell's remarks for clues as to where we will go from here. The earnings parade will also carry on through next week with more big names reporting, specifically Apple on Thursday after the market close. We made no changes in our portfolios this week but continue to evaluate prospects should the market break higher and provide us a tradable rally. Bo will be back in the office Friday and resume responsibility of providing you with our market updates. I hope you enjoy the final weekend of April and thank you as always for reading.