

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

With markets closed tomorrow due to Good Friday, we are issuing an abbreviated note early. The markets pulled back modestly this week. The decline was enough to work off some of the overbought condition of the market. If the uptrend resumes next week, we will respond with a few investment purchases. We remain cautious and do believe that any short-term rise in the market will likely be met with selling in the coming weeks. However, there may be a tradeable rally to make money in the interim. The first quarter of 2023 was a good one on paper. However, a look beneath the surface tells another story. For example, the top 10 stocks of the 100 in the Nasdaq 100 accounted for 88% of its gains this year. Similarly, 15 of the 500 stocks in the S&P 500 accounted for all of its market cap gains for the first quarter. The remaining 485 were down for the quarter. The rise in the indices are being driven by a very small number of stocks. It is not a broad-based rally so any weakness in a few market leading stocks could lead to a significant decline in the market. Despite this, we will be tempted to buy index-based investments should the rally continue. There are also interesting developments in some of the bond markets (municipal bonds have our attention currently). Tomorrow brings the monthly jobs report which always has the potential to be a market mover. We made no changes in our holdings this week and will spend some of this weekend parsing through charts to determine opportunities that have good risk/reward prospects. Enjoy the Masters and have a great Easter weekend.