Bills Asset Management

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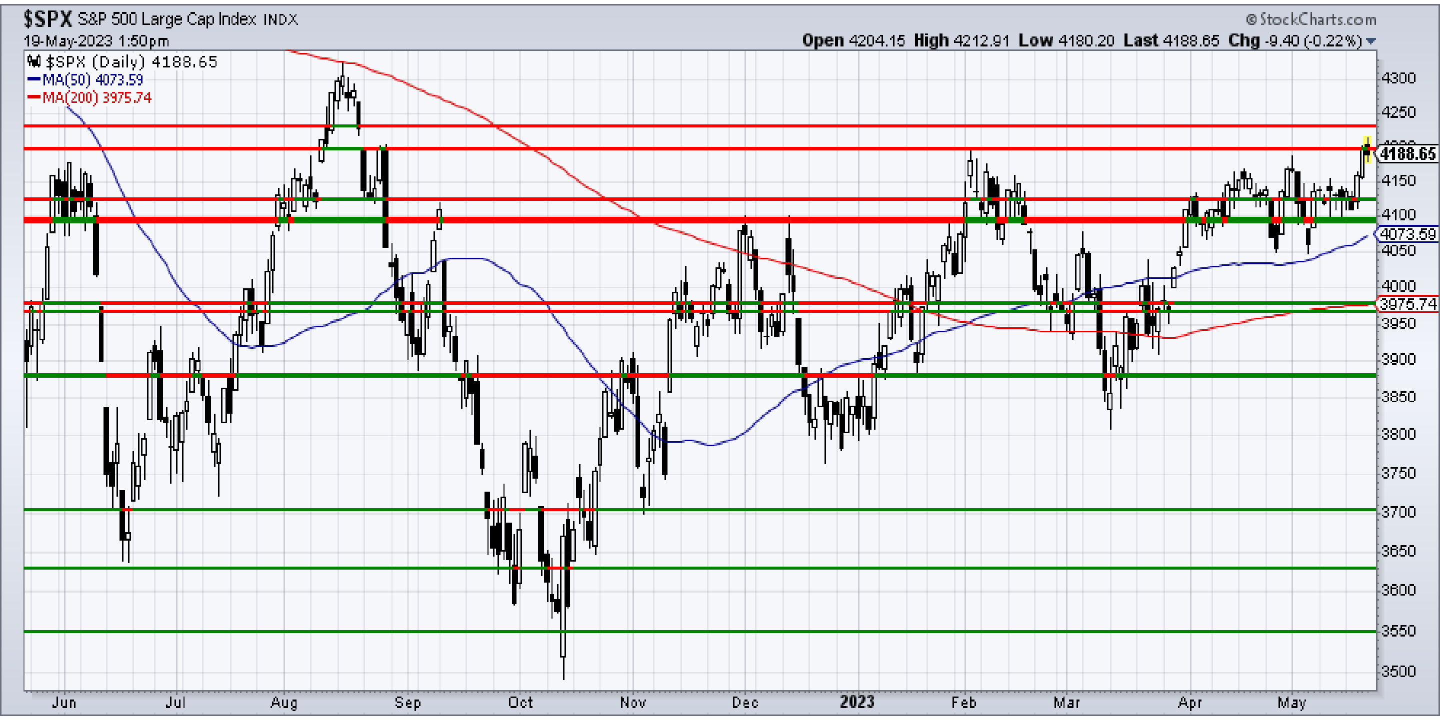
May 19, 2023 **Carter Bills** **(615) 585-6867**



Our Point

It was another relatively quiet week on Wall Street as the markets drifted sideways for much of the week. The indices did get a little bit of a bump yesterday on positive developments in the ongoing debt ceiling showdown. As we have mentioned for weeks, we continue to believe that an agreement will eventually be reached before the US government defaults. That said, the market will continue to have some day-to-day volatility as news leaks out. Absent a default or a prolonged government shutdown (both very unlikely), the debt ceiling is a distraction, and any moves (up or down) will quickly be negated by the over riding factors that are driving the markets. The two primary factors currently are the Fed's interest rate policy and the chances of a recession including the depth of any recession. The markets have priced in a Fed pause and reduction in interest rates later this year. Interestingly, a few of the Fed members noted this week that it might be too early to pause and that further rate increases should be considered. The markets did not react to those statements, but they are noteworthy as any Fed policy that is inconsistent with what the market expects could lead to big moves either way. Similarly, the markets have priced in a mild recession and any changes to those expectations would lead to a significant market move. We remain in the camp that believes that the potential negatives outweigh the positives in the current market environment. As we have noted for several weeks, market breadth remains an issue. Of the 500 stocks in the S&P, only 10 of them represent all the gains of the S&P this year. The remaining 490 stocks are actually down for the year. The market is being dominated by the largest of the large big tech companies. Unless you have been living under a rock, you have heard the buzz about AI (artificial intelligence). The buzz is well deserved as it will become as prevalent as the internet became just a short 25 years ago. AI promises to change everything. However, what is not currently understood is how it will be regulated, the negative effects of AI (socially, culturally, and economically), etc. The powerful technology will likely have effects that have not yet been considered – good and bad. The industry is still very young and will likely suffer many bumps along the way. Anyone remember the tech bubble of 2000? We are far from that now, but we are beginning to see the early signs of an AI bubble. That doesn't mean that one cannot profit off of it but investors should recognize that nothing in life comes easy or without risk. Despite what you might hear, risk remains elevated. That will change if more companies begin joining the ultra big cap tech companies. We raised a little cash this week as we begin to prepare for the next stage in the current market. Spring allergies are in full swing, but I intend to enjoy my weekend, nonetheless. We hope you do too!