Bills Asset Management

BAM MARKET NOTE

March 1, 2024

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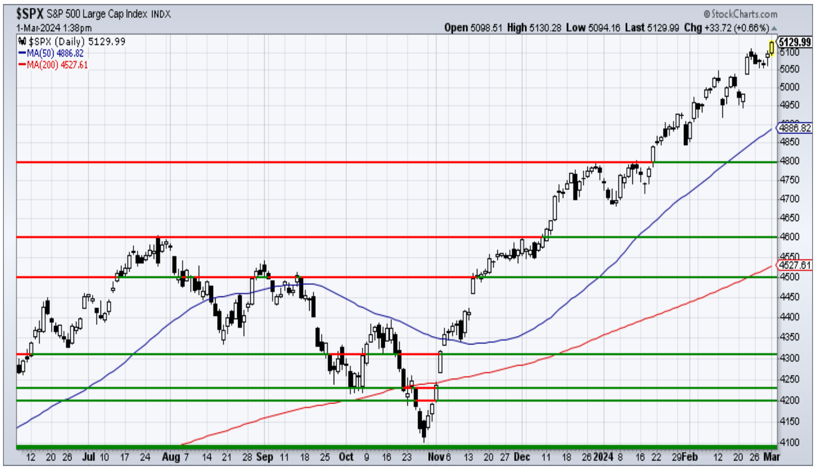
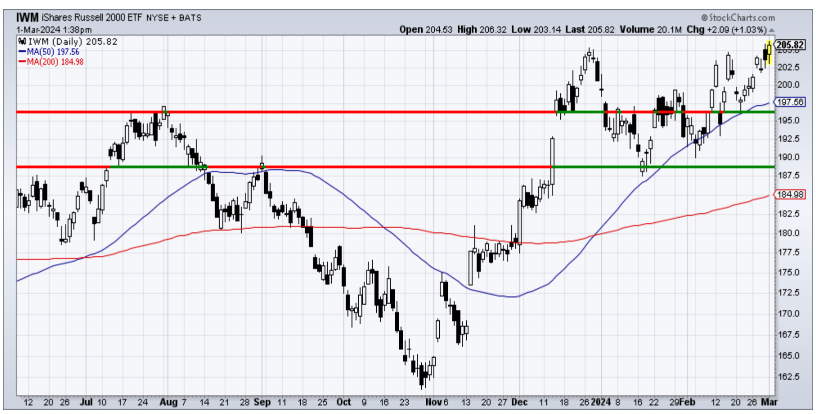


The S&P looks to finish the week with its 15th up week over the last 18 weeks. It is an achievement not seen since the late 1980's! Party like it's 1999! The influence of AI is not to be understated and nothing seems to rattle the markets at current. With today's gains, the market is on track to finish the week up a little less than 1%. Regardless of the data, this market continues to want to go up with buyers stepping in every time there is a dip. You can be sure it won't last forever so enjoy it while you can. The stretched markets of last week continue to be stretched with the index now above the 50-day moving average more than in any time over the last 10 years. It is not a time to be aggressive but rather a time to be a little cautious.



Small caps, which have been market laggards for some time, also had a good week and are up close to 3% for the week. It is encouraging to see the market breadth improve. The participation of small caps is key to a sustainable bull market, so the short-term performance of small-caps has our attention. That said, with the market stretched,. it is hard to imagine that small caps would not, at the very least, take a breather with any weakness in the large cap indices. Markets can remain irrational for longer than many investors can remain solvent!

Our Point

Despite an inflation reading that showed no decline in our inflated inflation rate and a consumer sentiment reading that showed more and more consumers worried about the economy, the market just keeps heading up! It humbles even the most astute investor as current prices and the rise since October of last year defy most every metric of technical analysis. The much-anticipated PCE report came out yesterday with results that were largely in line with expectations. While the inflation increase seen in the CPI and PPI reports earlier this month were not confirmed, any hope of a falling inflation rate was similarly dismissed. Wall Street, however, took the news and rallied… Go figure! Additionally, this morning's consumer sentiment showed more consumers worried about the economy – in fact, the intramonth drop in confidence was the largest since March 2020 – if you can recall what happened in March of 2020. Despite the headwinds, the market continues to march forward. There have been prior periods with such exuberance, but they are few and far between and they all ended at some point with some level of decline and correction. We continue to believe the same will happen sooner rather than later and adjusted our portfolios last week to prepare for such reversion to the mean. Notably, we did not go completely into a defensive mode but rather cut back on some of our risk. It is impossible to predict market tops and bottoms, but with markets at current levels, the odds of a meaningful correction increase each day. We are comfortable holding a little fewer risk assets in the current market environment and are happy that we are still participating in the party – though slowly making our way to the exit. It is lonely preaching caution in the current environment but protecting client portfolios remains our foremost goal. We made no changes to our portfolio holdings this week and remain comfortable holding a little extra cash reserves. We hope to redeploy at lower levels. I can't remember the last time I was this excited about Vols basketball. With a current ranking of #4 in the country and a #1 seeding in the NCAA tournament in the balance, the next week of basketball will be a lot of fun. The emergence of the unlikely hero Dalton Knecht only serves to heighten the anticipation for the next few weeks. As with so many Peyton's being born in his hey day, I suspect a drive to the final four could lead to a lot of new Dalton babies! Here's hoping for a Big Orange weekend and a little warmer weather. Enjoy yours.