BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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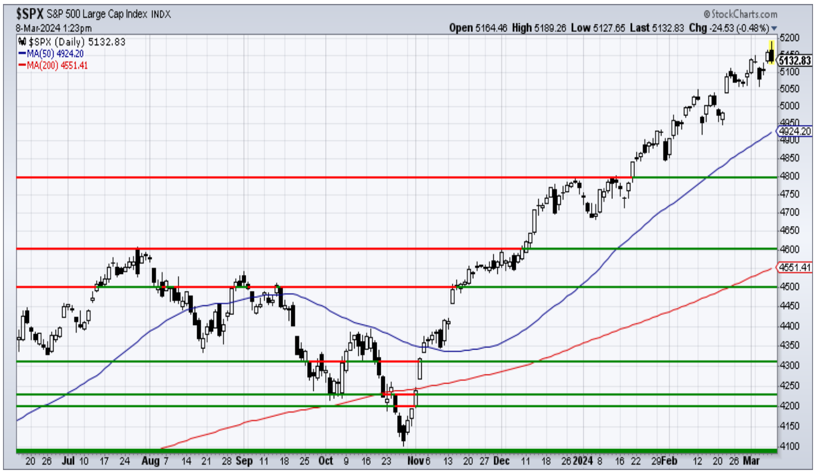
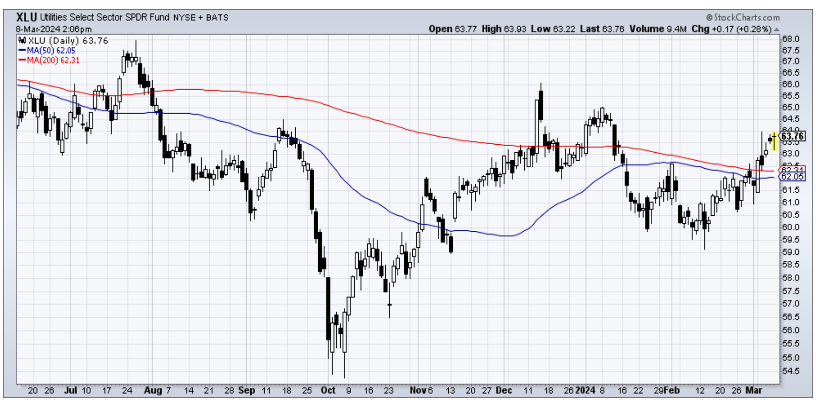


Last week we noted that the S&P was up 16 out of the last 18 weeks. And just like clockwork, it appears that the S&P will suffer just the 3rd down week since the October bottom. The day isn't over but as of now the index is down a little for the week and some of the recent AI euphoria may be fading. A decline of some significance is way overdue. NVDA has rallied 82% since just the start of this year and has buoyed much of the NASDAQ and S&P. Obviously, the performance of NVDA is not sustainable and some large correction in that stock is coming. When is anyone's guess … but it is coming. When it does, the rest of the markets will follow. Caution is warranted.



Don't look now but those old, stodgy utility stocks are beginning to look attractive again. In fact, they have outperformed the S&P over the last 6 weeks. Since January 24th, XLU is up almost 6.5% while the S&P is up less than 6%. Utilities are often viewed as a risk off position so the fact that utilities are rising indicates that some on Wall Street may be moving into more defensive names. It is something to monitor.

Our Point

This morning's job report led to an initial surge in the market. However, the gains were quickly reversed, and the market shows all red at current. The report was filled with conflicting data. Job gains far exceeded expectations as 275,000 jobs were added versus the expected 200,000. However, the unemployment rate ticked up to 3.9%. To further complicate things, the blockbuster January jobs number was revised down by 124,000 (a 35% decrease from the prior reporting). December was also revised downward but not as much. It has become commonplace for the monthly jobs report to significantly revise prior month's headline numbers down so the confidence level in these reports have become less and less. The market initially took the report as a positive - thinking that it would put pressure on the Fed to more quickly lower interest rates. However, after parsing the report, traders seem to be taking a more negative slant. We'll get fresh inflation data next week with the monthly releases of CPI and PPI. Either or both of those reports could be market movers. The major indices are all stretched to the upside, so we continue to advise caution. In our way of thinking, downside risk exceeds upside potential. Accordingly, we pared a little bit of risk from our portfolios a couple of weeks ago. If we are wrong, we will redeploy those assets with new market leaders. However, if we are right, we will have protected our client portfolios and will have the opportunity to buy back into the market at lower levels. Risk management is an integral part of any investment strategy, and it is one that we take very seriously. We made no portfolio changes this week. For the first time since 2008, the Tennessee basketVols captured the regular season SEC championship (though they shared the title in 2018). It was a great achievement for one of the best teams I have seen come out of Knoxville and may lead to the team's first #1 seeding in the NCAA tournament. More work needs to be done with Kentucky tomorrow and the SEC tourney next week. It is a wonderful time of the year! Have a great weekend wherever it finds you.