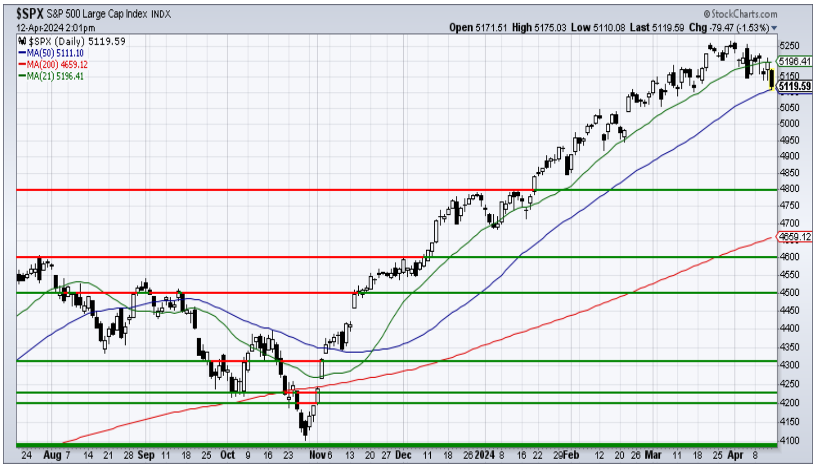
**BILLS ASSET MANAGEMENT**

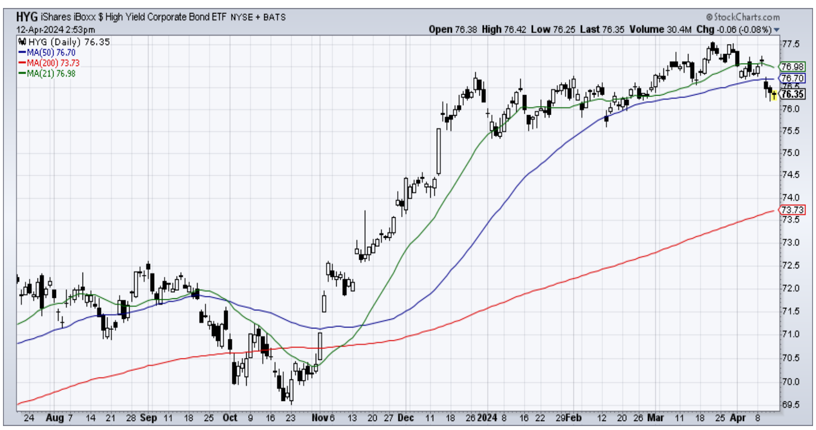
# BAM MARKET NOTE

**APRIL 12, 2024**


**BO BILLS (615) 371-5928**

**CARTER BILLS (615) 585-6867**


As we noted last week, the drop below the 21-day moving average could be significant and a foreboding of more losses should the market fail to stage a rally. The market tried to rally in the early part of the week but has succumbed to selling pressure. For the week, the S&P is down 1.7%. Despite the losses, the index remains less than 3% from its highs. We do believe that a decline of 5% to 10% is likely. A 10% correction would take us back to support at 4800. Keep your stops and sell when they are hit. Any significant decline would be a buying opportunity for any excess cash.

We also showed high yield bonds last week and noted that their position right at the 50-day moving average was tenuous. We noted that a break down at last week's level would add more weight to the view that a correction is upon us. Like the S&P, high yield bonds fell under selling pressure and are below the area we described last week. It is likely that more selling is coming in the coming days/weeks.

## Our Point

The March CPI came in much hotter than expected further illustrating what many of us feel. Inflation is still sticky and, in some cases, is beginning to creep up a little. The March PPI came in a little lighter than expected which led the market a little higher yesterday. Importantly, the Fed's favored inflation measure is the PCE and it is due out at the end of the month. The PCE readings will be much more important with regards to where the Fed heads next. However, the market is not waiting on that report and has interpreted the higher CPI as increasing concern that the Fed's anticipated rate cuts are pushed even further out. As you recall, the market entered 2024 anticipating close to 6 rate cuts! We never bought into that number but did think up to 3 was likely. The markets now anticipate only 2 rate cuts and there are some rumblings of a rate hike this year! The market has quickly turned from when the rate cuts are coming to if they are coming at all. Due to the political calendar and the Fed's desire to appear apolitical, the further rate cuts are pushed out the smaller the window becomes. It is not likely that the Fed will do anything too close to the November election. In addition to the inflation scare this week, tensions in the Middle East continue to fester as US intelligence has warned Israel that an Iranian attack is expected within the next 24-48 hours. Traders, already a little nervous, are taking the opportunity to sell and lighten up their positions ahead of the weekend. As we have mentioned in these notes over the last few weeks, the increased volatility in the markets was a change in character from the low volatility up-trend that ended 2023 and began 2024. That change often indicates a trend change or at least a pause or correction. Big bank earnings started this morning with mixed results. The earnings calendar will pick up significantly over the next couple of weeks. With inflation worries and world tensions, earnings will need to surprise to the upside to quell the decline. Be cautious. We pared one position this week and several others are nearing their stops. We continue to hold cash and will wait for an opportunistic entry point. It promises to be a beautiful Tennessee weekend. I plan to break away from the Masters for a little time in the sun. Enjoy your weekend.