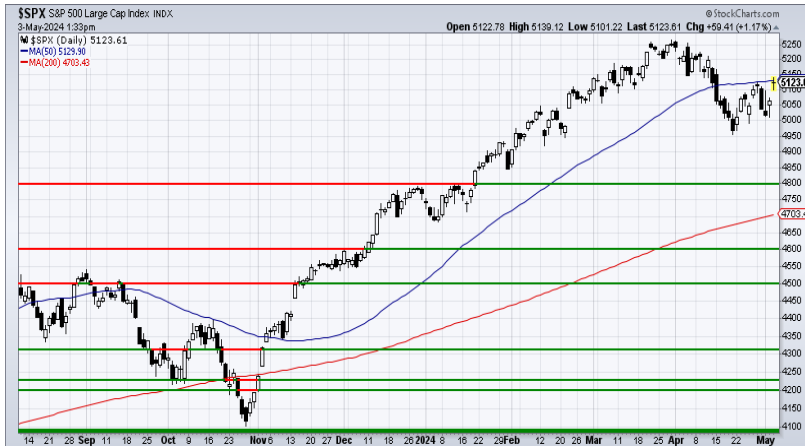


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

MAY 3, 2024

BO BILLS (615) 371-5928
CARTER BILLS (615) 585-6867



The week started off on a sour note but is finishing the week on a high note. After losses of almost 2% on Tuesday and Wednesday, the S&P is rallying today. As of now, the market looks to finish the week up about .5%. The week's market action is very constructive, and it appears that the decline that began April 1st is over. The next hurdle for the index will be a close above the 50-day moving average. We are right at that level now. Higher highs and higher lows are the definition of an uptrend, and we have that pattern developing in the very short-term.



High yield bonds are often a good proxy for investor's thoughts on the economy. High yields declined with the market in April but have since bounced back strongly. Their chart looks better than the S&P and they have surged through the 50-day moving average. The performance bodes well for the rest of the market as bond traders are showing little fear of an economic slow down.

Our Point

As expected, the Fed did nothing on the interest rate front this week. However, the Fed noted that it was slowing the runoff of its balance sheet effectively increasing liquidity in the markets. The result of the Fed balance sheet action has some of the same effects as an interest rate cut and was viewed as dovish by the markets. Accordingly, treasury yields declined and continued their fall today. Ten-year treasuries started the week at 4.7% and have fallen to 4.5%. The falling rates have provided a boost to the market. Likewise, the weaker than expected jobs report this morning has Wall Street hoping that Fed rate cuts are back on the table. One report does not make a trend so it will take a couple more months of a souring jobs report to get our attention. For now, bad news is good news. As we have noted here a number of times, the reason the Fed will be lowering rates at a measured pace is because the economy is weakening and that will not be good for stocks in the long run. Be careful what you wish for. The third leg in this week's news was the Apple earnings report. While the earnings remained lackluster, Apple's announcement of a significant stock buyback has the shares surging. Apple is up over 7% today and is fueling the outperformance of the Nasdaq. The earnings parade will continue next week though many of the megacap stocks have already reported. While the tone of the market could be changed, it is unlikely that any one earnings report will move the market next week. We made no changes to our portfolio this week... yet. However, we are evaluating a few changes and may well buy a little more this afternoon. Regardless, we are very likely to move ever closer to a fully invested posture over the next few days. I spent the early part of this week in sunny Orlando attending a conference. It is a small trade association that I have been involved with for over 20 years. I don't go to many conferences but make time for this one most every year. I always come back with a long list of ideas and things to do! Most importantly, it is always great to visit with peers from across the country that I have known all these years. It almost made me enjoy Orlando! From sunny Florida and back to rainy Tennessee – looks like it will be a weekend of inside projects. Sunny is a state of mind. Enjoy your weekend and state of mind wherever it finds you.