

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

MAY 10, 2024

BO BILLS (615) 371-5928

CARTER BILLS (615) 585-6867



Our Point

As we noted last week, the S&P was right at the 50-day moving average and needed to push above it to confirm that the April correction was over. It did that on Monday and has only strengthened during the week. The constructive movement is as strong a confirmation as one can get that the April bout of weakness is over. At these levels, the market is a bit over-extended so a pullback next week would not be unexpected. A decline back down to the 50-day moving average that holds would be an excellent place to add new exposure with any excess cash. May gets a bad rap (Sell in May and go away) but it has actually been a relatively good investing month over the last 10 years. The average returns over those last 10 Mays is .7%. As we have discussed here a number of times, election years have a distinct positive bias so selling in May is likely not the best strategy in this election year. That said, we will probably see a little more volatility in September and October as the presidential election nears. Our investment strategies are not based on the calendar as there are always exceptions to any historical analysis. Instead, we look at the charts – lots of them – to determine when the odds are in our favor. The charts currently indicate pretty good odds! Next week will be another full week of economic data with both the CPI and PPI being reported. We'll also continue to get a number of Fed speakers that could move the market with their speeches. With last month's inflation reports indicating that inflation is gaining a little steam, next week's reports hold extra significance. Inflation surprises in either direction could spark big moves in the market. After a pause in company stock buybacks during earnings season, stock repurchases will begin anew. The ability for companies to buy back their own stock with excess cash provides a floor for those stocks and a tailwind for the market. Remember that Apple announced with its earnings that it had allocated a record \$110 billion for such purchases. Google also announced a buyback fund of \$70 billion! One can argue the health of the market when such buybacks prop up stocks, but you cannot argue the effects. We made no changes to our portfolios this week and have a small amount of available cash. We will look to get fully invested on any pullback that holds support. I will be traveling next Friday so there will not be a market note next week. As always, we will do interim reports if market conditions warrant. After the storms that raced through Tennessee earlier this week, it will be nice to have a quiet and sunny weekend. We hope you and your families weathered the storms without any issues. Have a wonderful weekend.