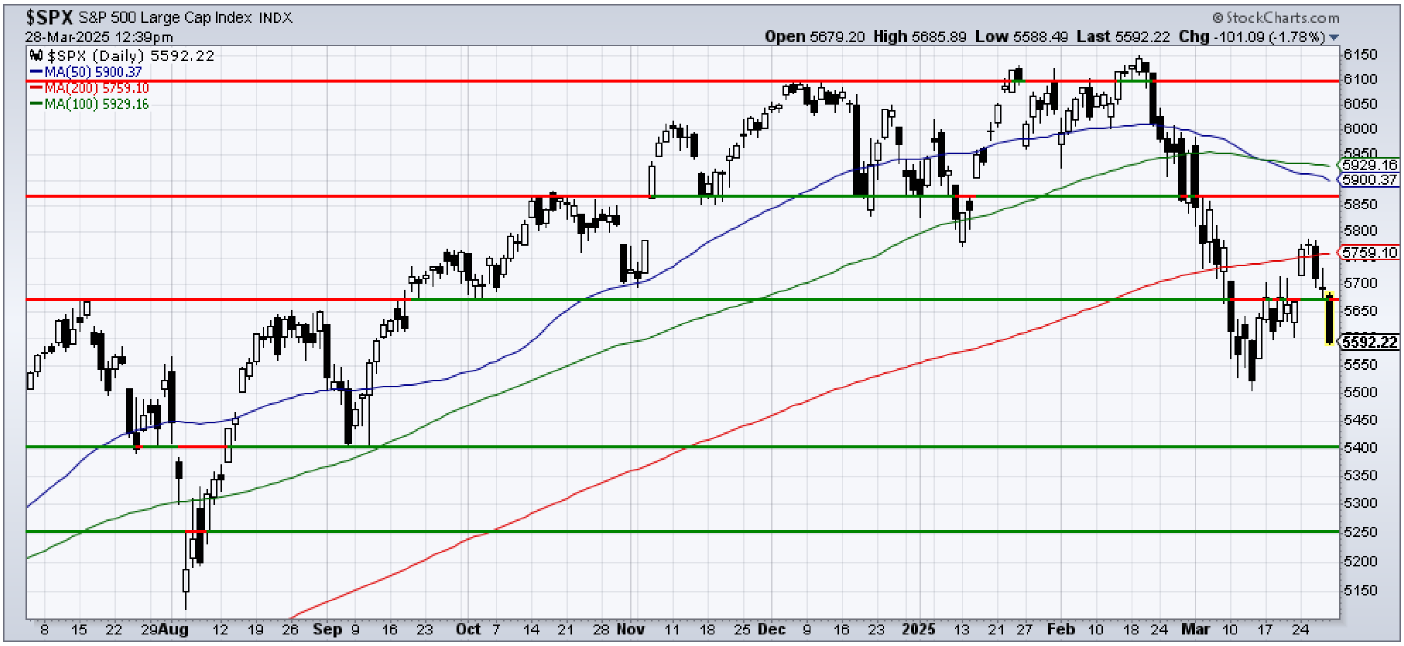
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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

MARCH 28, 2025



Our Point

The market bounce continued on Monday of this week with a big up day to take the S&P through resistance and back above the 200-day moving average. It looked to be an important milestone for the market as it continues to repair the technical damage done by the selling over the last month. However, the bulls ran out of gas and, with the selling this morning, the market finds itself again threatening the lows of earlier this month. While it is a little surprising that the bulls put up such a feeble attempt, the decline is not entirely unexpected. As we mentioned over the last couple of weeks, we anticipated that the lows might be revisited as part of the healing process. We do believe that a low was achieved when the S&P fell to the 5500 level on March 13th but that doesn't mean that we won't fall marginally below that level in the coming weeks. Support and resistance levels are not lines in the sand but rather general areas. Accordingly, we could see the markets fall below 5500 (the recent lows) by a percent or two and not necessarily change our opinion about where the markets are headed. Technical analysis is a mixture of art and science! More on and off again tariff talk and, more importantly, its potential effect on forward corporate earnings is a driving force behind the volatility. Headlines continue to dominate market sentiment. At some point (we expect sooner rather than later), sellers will be exhausted, and buyers will emerge for a more sustainable rally. Obviously, we aren't there yet as market participants are in a foul mood. Despite the dour headlines, not much has changed with the economy. As we have noted, the economy is slowing but it is far from recession territory. The markets are emotional now and that produces the volatility we are seeing. It continues to be uncomfortable, but to this point, not particularly out of the ordinary. Since 1980, the markets average a 10% correction every 1.2 years. We remain optimistic but cautious. Nobody ever knows when a 10% correction will turn into something more harmful. Next week will bring a little more clarity on the tariff front as many of the announced tariffs are scheduled to go into effect on April 2nd. With the back and forth on tariffs, it is anyone's guess what will or won't be announced on that day leading to much uncertainty (not a good thing for markets). However, some April 2nd clarity will do the markets good. We'll also get the March employment report next Friday, which will be closely analyzed for signs of weakness in the economy and potential implications for Fed policy in the coming months. Earnings reports will begin to trickle in soon, though the big banks won't report for another couple of weeks. We made no changes to our holdings and continue to build our list of strategic opportunities when the markets complete the bottoming process. A retest of the lows and a subsequent bounce would be a very positive development and would be another step to healing the damage. The Vols tip off tonight against an old nemesis for a trip to the Elite Eight and another game on Sunday. It is a fun time of year - enjoy your weekend wherever it finds you!