

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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It has been a welcome good week for the markets. The S&P looks to finish the week up close to 4%. The large cap index is approaching the level where it would recover all the losses incurred during the tariff sell-off that began/accelerated on April 3<sup>rd</sup>. We remain 3% below the levels of April 2<sup>nd</sup>. We mentioned last week the key area of 5250 as support/resistance. The markets decisively broke through that level and are now above the next hurdle at 5400. With the markets short-term overbought, it would be constructive for the index to have a little back and forth to work off the overbought condition. 5400 is now important support for the bulls to take a stand. Earnings could continue to provide support for the market. Additionally, with so much negative sentiment on the tariff front, positive news and/or new agreements could lead to another buying surge. Caution remains warranted but the weekly market move may mark a significant turning point in the markets.

As markets tumbled, much of the media was warning of an impending recession a couple of weeks ago. Negative headlines generate clicks. However, after a brief fall below both the 50 and 200-day moving averages, high yield bonds have roared back and now sit above their key 50-day average. The bond market is not buying the media led recession scare.

## Our Point

As we mentioned last week, earnings expectations have been ratcheted down and, accordingly, upside beats could propel the market higher. Additionally, we noted that any good news on the tariff front, or the lack of bad news, could move the market higher. We have gotten both this week as companies have been rewarded for their earnings releases and signs point to new trade deals being signed by a number of countries. Was the bottom of April 8<sup>th</sup> THE bottom? We suspect that it was. While the S&P could easily backtrack back down to 5250 or even 5100, we believe that investors that buy any dips will be rewarded over the coming months. Volatility will continue but it should be much more muted over the near-term. However, as the 90-day moratorium on the tariffs approaches, volatility will significantly pick up if deals have not been struck. The VIX (volatility index) is nearing 25 (it reached as high as 60 a couple of weeks ago) which marks a critical juncture in expected future volatility. Should the VIX continue to fall, more investors will certainly feel more comfortable moving back into the markets. Also, notably, the 10-year treasury yield has stabilized halting what was unusual and concerning behavior as yields rose while the market fell. While the worst might be over, there is still much damage for the markets to repair. That will take time and some backing and filling over the coming weeks. Next week will be a monster week of earnings and economic data. Visa starts the earnings parade on Tuesday which will give a little insight into the strength of the consumer. Wednesday will see the PCE inflation report (always an important reading for insight into future Fed policy), first reading of quarter 1 GDP, and a decision by the Bank of Japan (BOJ) on interest rate policy. The BOJ decision and commentary will be watched closely for any clues of a potential trade deal with the US. After the close on Wednesday, earnings from Meta and Microsoft will be released setting the stage for Thursday morning. After closing on Thursday, Apple and Amazon will report with Apple's comments on the China market and Amazon's view on consumer demand key to Friday's reaction. Finally, Friday morning will bring the April jobs report which can always move the market. It is a very full week that will likely see increased volatility. Hang on! We didn't make any portfolio adjustments this week but will be watching closely for opportunities to buy on weakness. It promises to be a fun and event filled week. We say it often but not enough – Thank you for entrusting us with assisting you with your finances. We never take it for granted. There is another gorgeous weekend outlook in Tennessee so get outside before the humidity hits! Have a great weekend wherever it finds you.

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