

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

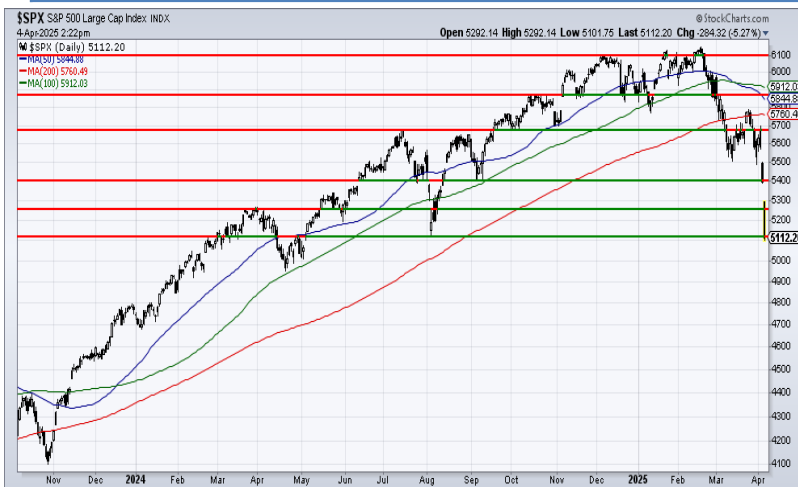
APRIL 4, 2025

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## Our Point

It has been a wild two days in the markets. The much-anticipated tariff announcement on Wednesday was met with broad selling on Thursday and Friday. The two-day decline harkens back to the Covid crisis in 2020. As an investment advisor, I am always asked how I am holding up in times like these. Having been in the financial industry for over 25 years, I have seen the tech bubble burst, the 2008 financial crisis, the Covid decline as well as a host of other less notable but just as scary declines. While uncomfortable and unnerving, this too shall pass. Speaking of those historic declines, the current weakness, to this point, has been much less severe in terms of percentage lost. Despite the recent sharp decline, the S&P is just back to the area of last August – just 7 months ago. As of now, we are also viewing this decline much differently. Ultimately, earnings will drive the equity markets and the yet to go in effect tariffs have had no effect on earnings yet. That is not to say that they won't have an effect, but much can happen over the coming days and weeks. With the stroke of a pen, new trade agreements can be made, and the tariff tantrum could quickly be in the rear-view mirror. It is definitely an event driven decline and reflects the fear of what earnings might be rather than the reality of what corporate earnings will be. In fact, nobody knows what corporate earnings will look like going forward with so many moving pieces. As we have said ad nauseum, the markets despise uncertainty, and the market is full of it currently. The US and other countries are playing a game of chicken, and it is yet to be determined who will blink first. What is certain is that someone will blink, and we will get more certainty. Until such time, we will very likely continue to see much volatility. Support lines have been meaningless in the continued uncertainty as sellers are selling first and asking questions later. That said, the markets are very oversold, and we are likely to get a relatively strong bounce in the coming days. The markets have priced in the worst of scenarios and when good news comes (as it will eventually), the markets will stabilize and start its recovery. As we noted last week, we were preparing our buy list and actually bought a small position on weakness. Over the coming weeks we will continue to juggle our holdings to attempt to take advantage of the weakness. There are many positions on sale currently, but they could go on sale at deeper prices! Earnings season will be especially impactful this quarter as forward guidance will tell us how companies are viewing the new tariff environment going forward. As always, please call us with any questions or concerns. We appreciate your trust in these tumultuous times. The stormy market wasn't the only storm this week! Kelly and I spent the overnight hours on Wednesday in our basement as rain, wind and tornadoes moved through Middle Tennessee. It looks like tomorrow will bring much of the same here. Be safe, stay dry and enjoy your weekend wherever it finds you.

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Well, that escalated quickly! The uncertainty that many had hoped/expected to end on April 2<sup>nd</sup> only added to it. The possibility of a trade war has the market on edge. The selling has been broad with few companies spared and is likely overdone. It has been a case of everyone heading for the exits at the same time. The result has been two days of watershed declines. The good news is that the market is very oversold on a short-term basis so we should see some bottom fishers next week. Whether the oversold bounce holds will be dependent on earnings and whether or not some certainty on tariffs becomes apparent. The S&P finds itself at another level of support today. Fear is the anathema of investors. Continue to be cautious but optimistic – a tremendous buying opportunity is in the making.

As long-time readers know, we pay a lot of attention to the high yield bond market. Up until Wednesday, high yields expressed little concern for the economy. However, with the 2-day decline, high yields also dropped precipitously. It is too early to judge this knee jerk reaction, but high yields will need to recover quickly to avoid signaling a broader and more long-term decline. This among other things has our full attention.