

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

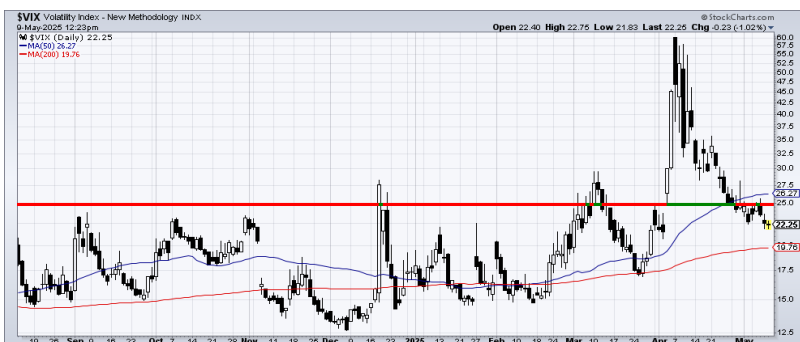
MAY 9, 2025

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As expected, the markets took this week to digest a little of the gains over the last couple of weeks. The most bullish way to do this is a sideways market with buyers and sellers equalized. The chart pattern is very positive. The S&P has paused at the 5700 area which is strong resistance. It will take some more good news to break through this level and make a run at the 200-day moving average. The 200-day moving average is a very key level as many trading programs would kick in should the market break above this level. The markets are likely to churn a bit more before taking a run at that level. A failure or two to break through this important level would not be unexpected. However, once the market does get through, a whoosh up is more likely than not. Buying weakness continues to be a theme as this market does seem like it wants to keep going up.

The VIX is a measure of fear in the market. A reading above 30 indicates undo fear while a level below 20 indicates relative calm. 25 is akin to no-man's land – with the market unsure if it is nervous or not. After spiking on the introduction of tariffs, fear has been waning. We are nearing the 20 level, which would bring more buyers in the market. More good news on the trade front will likely accomplish that. We aren't out of the woods yet, but things continue to look more bullish.

Our Point

The big potential market mover this week was the Fed meeting. To the surprise of no one, the Fed made no changes to the Fed Funds rate. The statement and subsequent press conference with Chairman Powell provided little new information. The Fed is playing it close to the vest and remains data dependent. In our view, inflation has been mostly tamed, and the greater risk is a weakening economy. As such, we believe that the Fed is behind the curve and should be signaling future rate cuts. The bond markets agree and is smarter than the Fed. We will get CPI and PPI next week, that will provide fresh information on the state of inflation. We expect those reports to come in at expectation or below. Retail sales for April will also be released on Thursday providing a view of the health of the economy. Earnings are winding down. The last big earnings report will be Nvidia's release in a little over 2 weeks. Until then, economic reports and, more importantly, tariff and trade developments will drive market action. The first of what is hoped to be a cascade of trade deals was announced yesterday. The announced deal with the United Kingdom may provide a template for future deals with other countries. Notably, the settled tariffs are much lower than the ones initially set and provided the market with some hope that more deals are coming with favorable terms for the US. All eyes will be on developments this weekend with trade talks with China beginning. A de-escalation of tensions and the beginning of talks would provide another boost to the markets. Similarly, there are continued rumors of upcoming deals with India, Japan and other countries. With the possibility of positive news outweighing the potential for bad news, the bulls have the momentum. That is not to say, that clear skies are here but light continues to come in from the clouds. We continued to fill in our holdings adding a couple of new positions this week. We are nearing a fully invested posture for all of our strategies. There are always things to worry about, but the weight of evidence currently indicates that higher prices are ahead. Headlines will continue to create some volatility, so a level of caution remains warranted. It was an eventful Thursday and early Friday morning as the Bills Asset family expanded! Roan Wilder Bills entered this world at 12:19 this morning! Coming in at a healthy 9 lbs 9 ounces, he promises to be a big boy! Landon and Carter are both well as everything went very smoothly. We are beyond blessed and thankful. Enjoy your weekend wherever it finds you.