

BILLS ASSET MANAGEMENT
BAM MARKET NOTE
MARCH 27, 2026

BO BILLS (615) 371-5928
CARTER BILLS (615) 585-6867
PREPARED BY: BO BILLS



Rinse and repeat. The early week oversold bounce succumbed to more selling pressure as the week went on. This continues to be a market driven by headlines, fear and uncertainty. Going into weekends have been particularly challenging as a lot can happen in the world over a couple of days. As we mentioned last week, the support at the 6540 level was in danger of being breached and another quick 2% decline was possible. We got that this week as the markets are approaching the next level of support. Not shown is the level of support should 6400 not hold. That support rests another 300 points down at 6100. We'll find a bottom, but the markets are still very dangerous.

In times of economic stress, treasury yields usually fall as investors flee to the safety of treasuries. As demand goes up for these bonds, yields fall. However, in the current environment, investors are much more concerned with the reemergence of inflation than they are the economy. The spread between high yields and treasuries (not shown) is a common measurement of economic stress and credit issues. When spreads widen, it is indicative of fundamental cracks in the economy. We are not seeing this currently. This can be seen as a positive in the near term as the inflation risk could easily be curtailed with a reopening of the Strait of Hormuz and a resolution to the conflict in Iran.

Our Point

To this point, the current decline remains in the realm of a normal (albeit unsettling) correction. The long-term bull market trend line remains intact (it won't break until the 5500 level on the S&P). The Middle East conflict is driving an inordinate amount of fear and uncertainty. Normally, uncertainty drives investors into Treasuries, pushing yields lower. This time, inflation concerns, heavy government borrowing, and reduced global demand are outweighing that safety bid—keeping pressure on rates. Geopolitical events are often one of the greatest causes of poor investment decisions. While the events themselves can sometimes lead to a broadening concern within the economy, many times the events are settled (or contained) and the economy recovers quickly – we saw this with the Gulf War, 9/11, Russia/Ukraine and the tariff tantrum. Market participants often price in worst case scenarios (shoot first, ask questions later) that are unlikely to occur. We believe that to be the case in the current environment. That is not to say that we have seen the lows – we very well could go down further. However, we believe we are nearing a tradeable area. The markets are oversold so any good news on the Iran front will lead to a strong short covering rally. Holding any oversold rally will be key as there is much technical damage to repair. Headlines will continue to create volatility until some resolution occurs. Eventually, the markets will adjust. The risk is that an escalation of tensions that doesn't create some level of peace and forces the market to endure a much longer disruption of the world economy could begin to significantly bleed into the economies of the world and create a global recession. We are not near that point yet, but it is not out of the realm of possibility. Should that happen, then we will be forced to reassess and make adjustments. We have generated some cash over the last couple of weeks and are awaiting an opportunity to deploy it. We will generate more cash if the markets continue their decline. The markets are fluid and subject to wild swings based on headlines and daily developments in the Middle East. Thank you for your trust as we navigate an increasingly challenging market environment. It looks to be a beautiful weekend, and I am hoping for a Big Orange sunrise tomorrow morning. Enjoy your March Madness weekend wherever it finds you.

The content of the BAM Market Note is provided for general informational purposes only and should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.