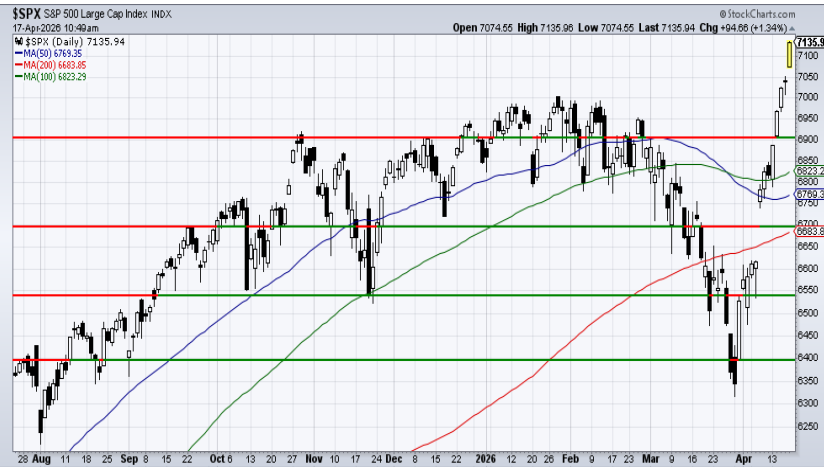


BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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Wow! As we thought, the only thing holding this market back was the Iran war. The S&P and the rest of the market has been on a tear since the late March lows. Any technical damage done by the spring swoon has all been repaired and then some. Resistance levels have proven to be a nuisance rather than a barrier. All of the major indices are at all-time highs and show no signs of slowing down. However, the market is obviously stretched to the upside, so some level of rest is due over the coming days. If peace proves illusive, markets could give back a big chunk of the gains next week. We wouldn't chase the market here but would be buying on any market weakness.

The price of oil surged with the conflict in the Middle East. West Texas crude went from the mid-50's to nearly 120 per barrel at the height of the conflict. With the possibility of peace, oil has declined back to the 80's today. The price is still significantly higher than earlier this year indicating that there is much further for it to fall which would be another positive for the economy and the stock market. A further fall in oil prices would be another tailwind for the markets to extend this rally.

Our Point

The rally off of the late March lows has been nothing short of extraordinary. It is reminiscent of the bounce off of the tariff tantrum in April of last year. We have talked about how quickly event led declines can turn on a dime and both this rally and the tariff rally last year are illustrative of our point. Since the March low, the S&P is up over 12% and has erased all the losses and surged to new market highs. The other market indices have followed suit. With the market up 12 out of the last 13 days, it is getting stretched to the upside. It is likely we will see a little weakness before another leg up. Peace and a favorable resolution is now priced into the market. If that disappoints or if tensions re-escalate, we could see a sharp sell-off. Should the peace hold, attention will turn back to earnings, the economy and interest rates. The price of oil (as mentioned above) is something to monitor closely. The Fed was largely on hold with even some talk of an interest rate hike as oil prices accelerated to the upside. However, if oil prices normalize then the probability of interest rate cuts will return which would be an additional boost for the market. Several of the big banks reported earnings this week. Earnings were strong with much of the gains generated through trading due to stock market volatility. Forward earnings projections were more measured with uncertainty due to the Iran war and the price of oil – both of which may be settled in the coming week or two. We get more earnings next week with Tesla, Boeing, Intel, and Proctor and Gamble being the big names. We'll get a read on growth (TSLA), cyclicals (Boeing), tech (Intel) and the consumer (P&G). Investors will be looking ahead to the following week when several of the Mag 7 report. We'll also see a number of economic reports that could move the market. Surprisingly, the inflation readings of this week and last were in line with few surprises. Traders and the Fed will be watching to see if the oil spike will lead to longer-lasting inflation. We had anticipated investing some of our cash back into the markets this week but waiting on a pullback has proven to be difficult! We should get one next week and will put the little cash we have back into the markets. We have a laundry list of compelling investments to make, and it will be difficult to choose just a couple. For those non-clients reading, if you have been less than satisfied with how your portfolio has performed during this turmoil, we'd welcome the opportunity to visit with you, review your portfolio and share our approach. This time of year, it seems I only have time to refill my lawn mower before the yard needs mowing again. It will be a weekend spent in the yard and enjoying the sunshine. Enjoy your weekend wherever it finds you.

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