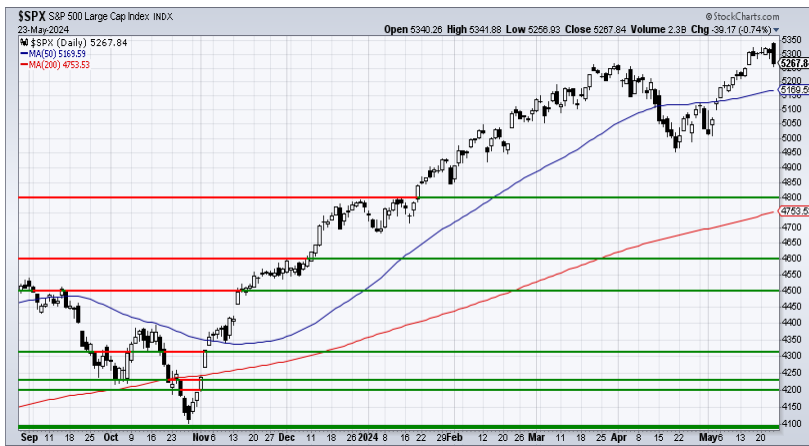


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

MAY 24, 2024

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Yesterday's market day may turn out to be a very significant day. From a technical analysis viewpoint, it was an outside reversal day where the days highs and lows exceeded the previous day's highs and lows. An outside reversal day often marks a change in trend, so it has our attention. The fact that it happened on a day when Nvidia soared makes it even more noteworthy. We'll have to see if the selling carries over into next week. Futures are indicating a small gain in today's trading. A pullback to the 50-day moving average would be 3% and would mark a logical and healthy place to pause. Losses below this level could cause us to re-evaluate the health of the market.

High yields also fell sharply yesterday. They remain in a messy uptrend but are approaching their 50-day moving average. Holding this level will be key. The rainbows and puppies that this market was looking like was interrupted by an ugly day yesterday. Caution is warranted and we should see soon if yesterday's market action was an anomaly in an otherwise uptrending market or something more ominous.

Our Point

Wednesday's much-anticipated earnings from Nvidia didn't disappoint. The earnings and guidance were stellar, and shareholders were rewarded with a 10% gain. However, the impressive results didn't translate into a rally for the rest of the market. Considering that Nvidia represents over 6% of the Nasdaq and over 5% of the S&P indexes, it is concerning that the rest of the market fell sharply yesterday. The market action serves as a warning. Stocks are at lofty levels and are ripe for another pullback. We remain in the bullish camp and will consider any pullback as an opportunity to put our small remaining cash to work. While Target's impact on the market is not as pronounced as Nvidia, their earnings were important to get a gauge on the consumer. Consumers drive the economy and weakness in retail sales will precede weakness in the economy. Target reported weak sales and earnings and the market responded with an 8% sell off in its shares. The weak sales by Target continues a quarterly theme of lagging retail sales. Starbucks, McDonalds, Macy's, Lowes, etc. all showed weakening sales numbers. While we are not anywhere near a recession at this point, the markets are starting to trend that way. That said, it could be several more quarters before any recession materializes. We also got lots of Fed speak and the release of the Fed Minutes this week. Both the speakers and the minutes caused a little uneasiness in the markets. A few comments in particular created some market concern – "Various participants mentioned a willingness to tighten policy further should risks to inflation materialize" and participants noted that the "disinflation process would likely take longer than previously thought." While the comments are not particularly surprising, saying the quiet part out loud does have greater effect. The monthly PCE report will be released on Friday, so we'll get another look at inflation and another potential market mover. We made no changes to our portfolios this week. We may be at another inflection point with a new pullback beginning. We don't expect it to be deep and should be contained in the 2-3% range. We will look to put our small measure of cash to work on a pullback. Memorial Day bbqs should be plentiful this weekend but bring your ear plugs – the cicadas are in full noise mode! Have a great weekend and take a moment to remember all our heroes who left us fighting for our country and our freedoms.

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