BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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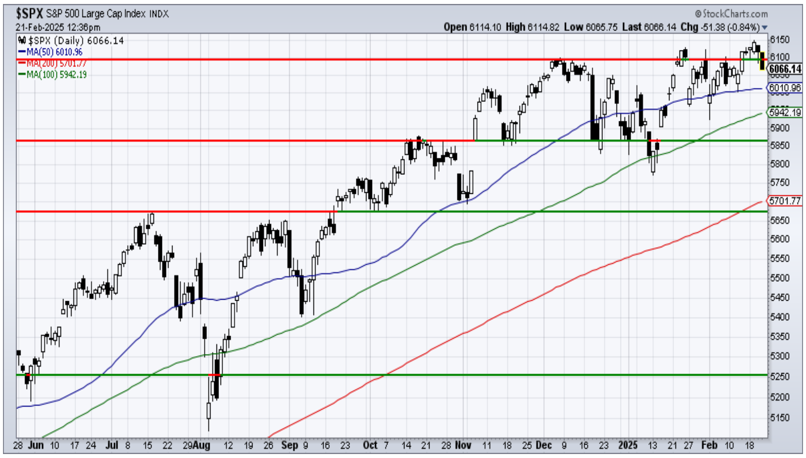
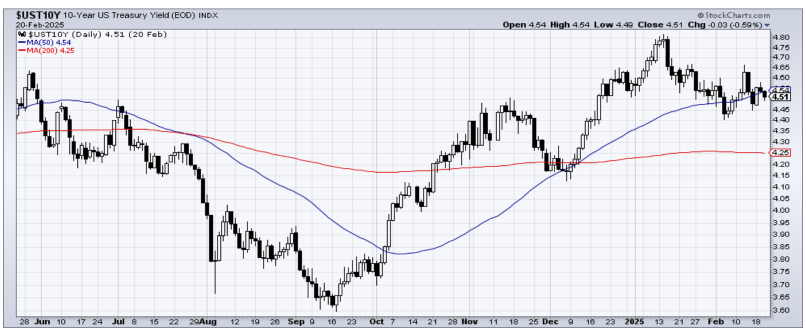
FEBRUARY 21, 2025



After a strong start to the week, the markets have sold off the last two days. Importantly, the S&P has now fallen below support. Intraday moves are not as important as closing prices, so we will be watching to see if the S&P can recapture and hold above support later in the day. If not, it will be important for the market to rally next week to stay out of the malaise of the longer-term trading range the market has been embroiled in over the last 4 months. For now, the decline is orderly and minor but a trip down to the middle of the trading range or below is possible. The increased market volatility suggests caution. Be careful.



The decline in the 10-year treasury yield has provided a bit of a buffer for the stock market so far this year. Should interest rates turn up with a market that is trying to find its footing, we could see increased selling. At this point, the declining yields do not reflect a flight to safety but rather just the normal ebb and flow of interest rates.

Our Point

The market was marching upward before Walmart (WMT) surprised on Thursday with a cautious outlook in its earnings report. While the retail giant recorded increased revenues and profits and exceeded market estimates, their forward-looking guidance was below market expectations. The sobering outlook led to a nearly 7% sell-off in the stock. As a significant holding of both the Dow and S&P, the decline took both indices down on Thursday. The red on the screen led to broad based selling across the board. To this point today, the market is again struggling to find buyers as United Health Care (UNH) (another significant holding of both the Dow and S&P 500) fell 12% at the market open on news that the DOJ is opening a fraud investigation on its Medicare billing practices. The news from these two behemoth companies has given investors a reason to sell. However, as mentioned above, the selling has been orderly and, while unpleasant, hasn't yet changed much in the way of the market trends. The major indices are all within a strong day or two of their highs. We will likely get a resolution to the upside or downside next week as the much-anticipated earnings from AI-focused chipmaker Nvidia (NVDA) are released Wednesday after market close. With the Deep Seek news of a few weeks ago, investors will be eager to see how the company projects its upcoming quarters. We will also get another inflation reading with the PCE report due out Friday morning. Finally, the parliament elections in Germany could create volatility in the European markets and by extension global market sentiment. With the markets in the mood to sell, perceived bad news could have an outsized effect on market movements. We continue to believe that weakness should be bought with any excess cash. We have done a little of that this week as we sold a couple of lagging positions and have purchased a couple of new positions on weakness. Our stops are in place, and we will not be hesitant to reduce portfolio risk should things continue to weaken. Active tactical management cannot avoid all losses, but it can avoid life changing ones. We continue to watch things closely. Investors should not get complacent in this market. While buying positions is easy, selling is the other half of successful investing that is all too often overlooked. My fingers are crossed that this recent bout of frigid weather is the last of Old Man Winter and we can head into spring! Bundle up and enjoy your weekend wherever it finds you.