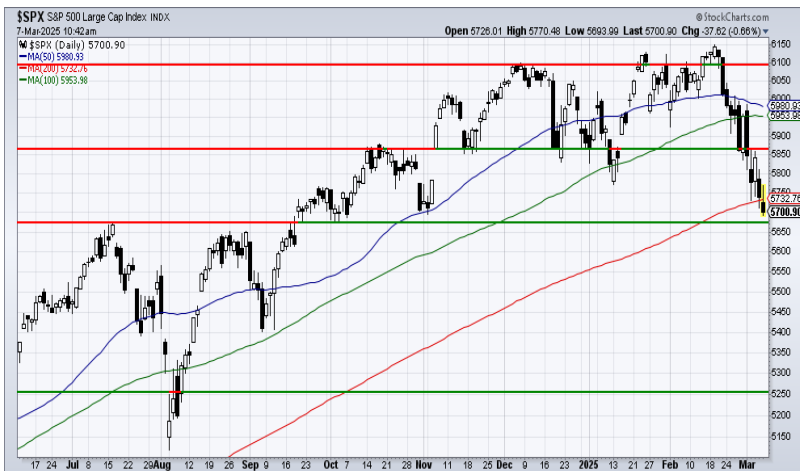
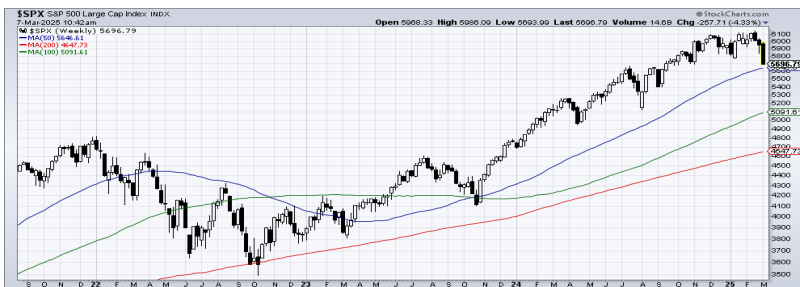


BILLS ASSET MANAGEMENT
BAM MARKET NOTE
MARCH 7, 2025

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The S&P had another bad week as the index looks to fall another 3.5%. From peak to trough, we have fallen nearly 7%. While certainly no fun, the decline is not abnormal. However, much technical damage has been done. Support has been anything but as the market has barely paused at each support level. The most widely followed and most important level of support is the 200-day moving average and we are resting right at it. Just below is another minor level of support. If the market is going to make a final stand, it will need to do so at/around current levels. Otherwise, we could be heading much lower. As we have been saying for a few weeks, caution is the word of the day. Not fear but caution. Opportunities come from times such as this.



When things get bad as they are now, it is often helpful to step back and look at the bigger picture. The weekly chart of the S&P does just that. While the current selling is uncomfortable, it is far from abnormal to this point. As you can see, we have had similar weakness several times over the last 3 years. In fact, just last year we had two similar declines not to mention the 25% decline we saw in 2022.

Our Point

Uncertainty rules the day. From the on again, off again tariffs, the on again, off again peace talks in Ukraine, the effects of the DOGE government cuts, etc., the market is having indigestion dealing with the back and forth and the onslaught of day-to-day new information. There are headlines daily of how bad the tariffs will be (assuming they even go into place) and how the US is losing its leadership role in the world. Tariffs themselves are a divisive issue with smart people on both sides of the issue arguing counterpoints. Could they be bad for the economy, spark a trade war and create inflation? – many say yes. Could they be good for the economy, bring back business to the US and provide a much-needed boost to the Treasury? – many say yes. We won't pretend to know the answer but what we won't do is jump to conclusions. Instead, we will continue to follow the charts and see how it unfolds. Regardless of the ultimate effects, the markets despise the uncertainty of it all and have punished stocks while waiting for a little more clarity. As we have mentioned in these pages a few times recently, the markets do an efficient job of pricing in new information. The new normal in a Trump administration may well be continued uncertainty but the markets will likely adjust to that as well. However, there is no doubt that we will see volatility continue for a while. The markets continue to be oversold. We expected a rally of some sort this week but all we got was one day surges followed by a reversal the following day. That pattern is not particularly inspiring. While markets can certainly get more oversold, we, again, expect some sort of tradeable rally to develop soon. Until such time that we get a reversal in the current downtrend, investors would be wise to play it safe. An excellent buying opportunity is developing in the markets for those that have cash to put to work. We lightened up a bit in our holdings this week and generated a little more cash to put to work on the inevitable bounce back. On the positive side, our bond and low volatility holdings have been outstanding during this recent bout of weakness. Several of these holdings have been up over the last month with the rest flat over the same period. Should the market break down below the current support, we will get much more defensive as lower prices would be more likely than not. Warren Buffett famously said to “be fearful when others are greedy and greedy when others are fearful.” It is almost time to get greedy, but we may not be there just yet. Fearful investors are ruled by their emotions and that can be a detriment to long term investment success. This too will pass. My favorite time of the year is right around the corner. Longer days, warmer weather and March Madness! Go Vols. Enjoy your weekend wherever it finds you.