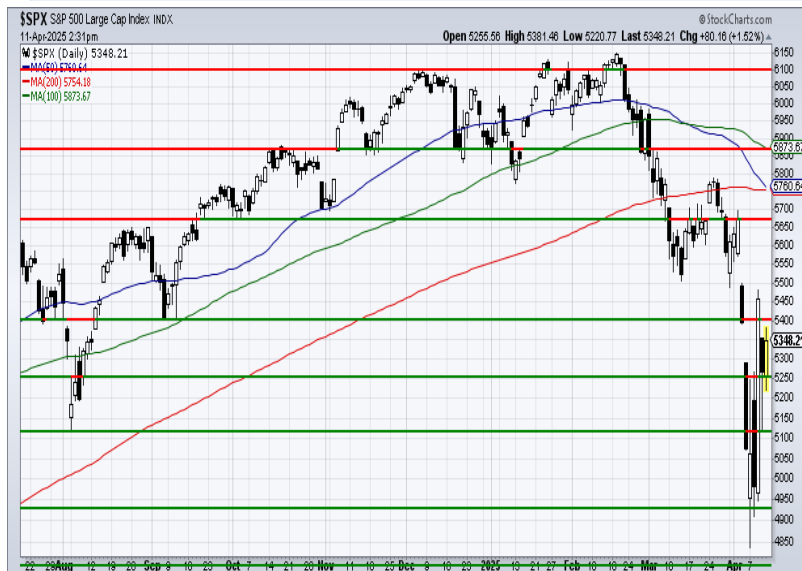


BILLS ASSET MANAGEMENT

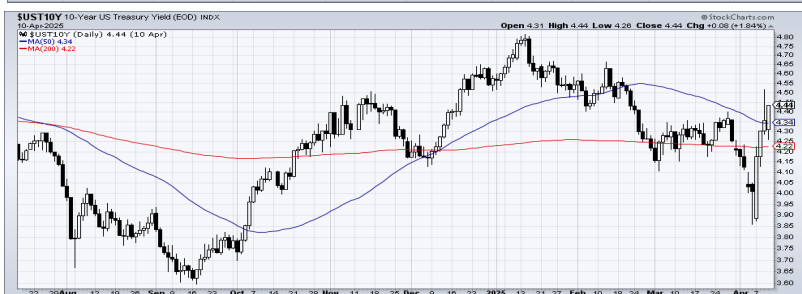
BAM MARKET NOTE

APRIL 11, 2025

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It was another eventful week!! After a quick and sharp decline that shaved 12% off of the S&P in 4 days, the S&P roared back with a 9.5% rally on Wednesday. The market gave back 3.5% yesterday but looks to get half of that decline back today. It is a rollercoaster for sure! The market went down 9% last week and is up about 5% this week. Despite the 90-day tariff pause, much uncertainty remains. We could be in the same position in a few months. We are cautiously optimistic that we will have a period of more normal market movements. However, it remains a headline market. As such, market moves up and down can be severe as news/tweets break. A return to the lows is entirely possible though we would expect a little less volatility over the coming few weeks. 5500 is a target to the upside while 4850 is the recent lows. A wide range to be sure. Remain cautious – the bottoming process is underway but may not be complete.



One of the key reasons that the White House paused the tariffs was a dislocation in the 10-year treasury market. When yields rise sharply in a falling market, it signals trouble in the bond markets. That is what happened earlier this week. The cause is still speculation but whatever it was did not portend well for the economy and needed swift action. The pause in tariffs seemed to alleviate the anomaly but this chart remains a key one to watch.

Our Point

The last several days in the markets rank right up there with the tech bubble in 2000, the great recession in 2008 and Covid in 2020. The day-to-day volatility and sharp declines were uncomfortable at best. That said, we remain just a few days into the tariffing ordeal with many moving pieces day by day. The 90 day pause provides a time for the market to catch its breath, evaluate things with less emotion and provide time for, hopefully, profitable and productive negotiations between the US and its various trading partners. Apart from China, it sounds like things are headed in the right direction with several countries. Time will tell. Settled trade deals will provide certainty and a reason for the market to strengthen. While not as important as the tariffs, we did get positive inflation news this week with both the CPI and PPI showing lower inflation – mostly due to falling energy prices which should ripple through the economy over the coming months. We also got the first reports of what will be an interesting earnings season. Some of the big banks (notably JP Morgan, Morgan Stanley and Wells Fargo) reported earnings this morning. JP Morgan, perhaps the most important of all the banks, is up sharply today with an earnings beat and a cautious but optimistic future guidance. Many more companies will report next week. Surprisingly, earnings season could provide a boost to the market as expectations have been ratcheted down. Additionally, it is likely that investors will give companies the benefit of the doubt on future guidance with so many uncertainties regarding the tariffs. With stocks beaten down, we could see some buying pressure on any good news from companies. It very much remains an emotional and headline market with developments each day having an outsized effect on trading. This will continue until we begin to see some favorable deals on the trade and tariff front. We sold a couple of bond positions this week as the selling began to affect their performance. We are glad to have a little more cash on hand to put to use when the markets settle down a bit. Opportunities abound but they may get a little better before the dust settles. We are being patient but excited about the many companies that are selling at a big discount. This week marks my 36th tax season. While I gave up the business aspect of tax preparation 25 years ago, it turns out you can take the boy out of tax but not the taxes out of the boy! I still do around 25 tax returns for friends, families and widows. April 15th will be like the last day of school. Make sure you get yours filed or extended and enjoy your weekend wherever it finds you.

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