

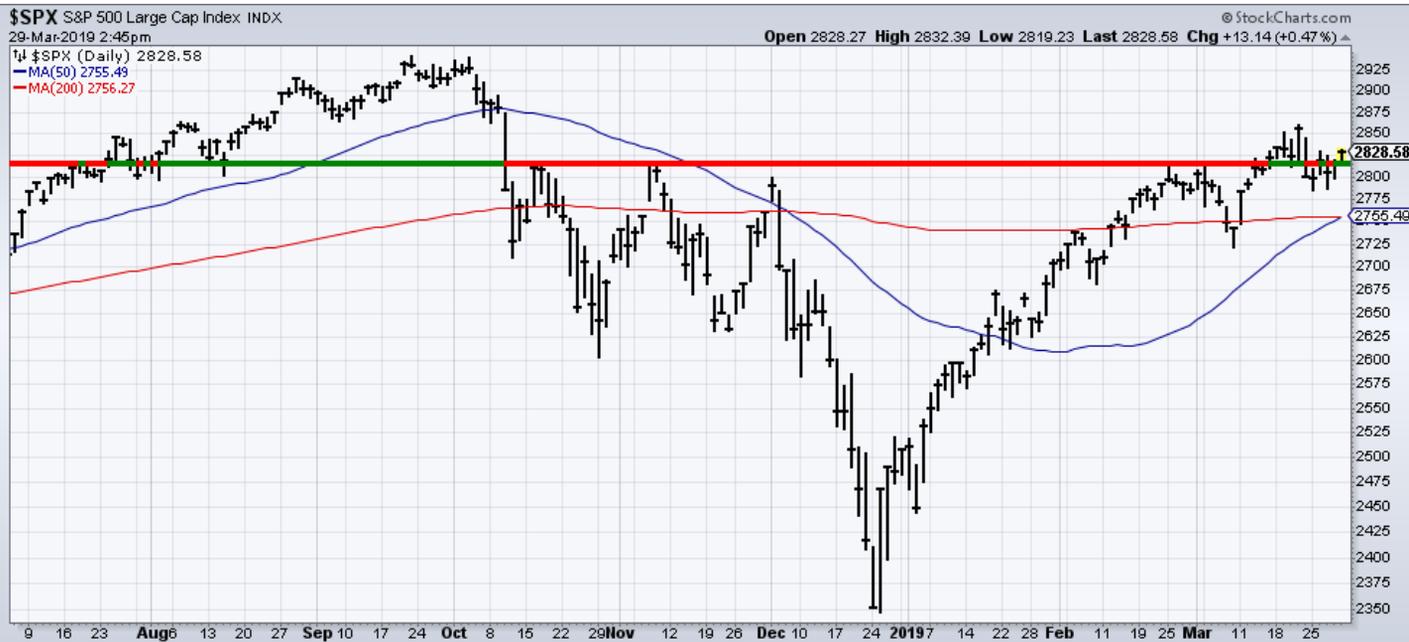
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

MARCH 29, 2019

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Our Point

Not much has changed since last week. In fact, since the market close on March 18th, the S&P is virtually unchanged. We have had some back and forth during that time frame but the index continues to hover around the significant resistance marked above. We have had a brief false break-out and a brief false break-down over the last 2 weeks. Clearly the market is trying to figure out where it goes next. As we have mentioned here several times over the last few weeks, the market movements of both small-cap stocks and US interest rates have been a cause for some concern. While the concern remains, the current week provides some hope that the basing in the S&P will resolve to the upside. Small-caps have shown a little life over the last few trading days and are up over 2% for the week – outpacing their large-cap cousins. While the Russell 2000 remains in a short-term downtrend, it is just a few points away from breaking the downtrend line which could propel it and the S&P upwards. Meanwhile, interest rates halted their freefall this week and have moved modestly higher. Relative to the dramatic fall in the ten-year rates (down 14% this month), the current bounce is minor (1.5%). However, at least the bleeding has stopped for now. A stabilization in interest rates and some strength in small-caps would likely push the S&P and the rest of the market through the current resistance levels and would set the stage for an attempt at last year's highs – some 3.5% from current levels. Much of today's strength is attributable to optimism in the ongoing tariff talks with China. China (Shanghai Composite) was up over 3% overnight. Additionally, today marks the end of the quarter so there was likely some buying due to window dressing as fund managers add to positions before the end of quarterly reporting. We will have to see if the good mood on Wall Street today moves into next week. The S&P remains on a knife edge and a move up or down from here will likely lead to the next significant move in the market. We made no changes in our portfolios this week and continue to watch for clues on the next big move. When it comes, we will be ready to make the appropriate changes. The end of tax season is fast approaching so spend some time this weekend working on them if you haven't already filed. I haven't even started mine but find myself with a little more time this weekend after the Vols loss last night. It was a great season but a disappointing end. I could go on about the game and the ... but I will stop there and wish you a good weekend.

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