

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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### Our Point

It has been another relatively quiet week so I will be brief as I am traveling. The S&P has traded down slightly this week losing .25% at the time of this writing. The dramatic shift to small caps and other lagging areas of the market that we wrote about a couple of weeks ago has subsided and small caps have resumed their relative underperformance. The Russell 2000 is down 1.5% for the week thus far. The market appears to be awaiting a catalyst for the next big move. Large caps remain a stone's throw from their highs, but will need positive news from some front in order to push through. With earnings season just around the corner, it would appear as if the market is biding its time before making its next move. Earnings expectations have been ratcheted down all year so they have been easier for companies to meet. We will have to wait and see if Wall Street has lowered expectations enough to generate sufficient positive news to move the market higher. Otherwise, we could see a revisit to the trading range that persisted over the summer. Our bond and utilities holdings, which were punished when assets shifted out of them a couple of weeks ago, have strengthened and are back close to where they were before the shift. It is an unusual market but that is often the case! We have made no portfolio changes and feel comfortable with the lower risk holdings that we have. Once the market moves decisively one way or the other, we will have a better feel for the next market leaders. For now, investors should adjust holdings to their risk tolerance and begin looking for new opportunities should the market break to the upside during the traditionally strong 4<sup>th</sup> quarter. However, as we saw last year, the 4<sup>th</sup> quarter is not always positive so some caution is warranted. Kelly and I are having a wonderful time at a Colorado dude ranch and enjoying the crisp mornings, the changing colors and the horseback riding. City Slickers with Billy Crystal comes to mind. Enjoy your weekend and cooler weather is headed your way.