Bills Asset Management

BAM MARKET NOTE

October 11, 2019

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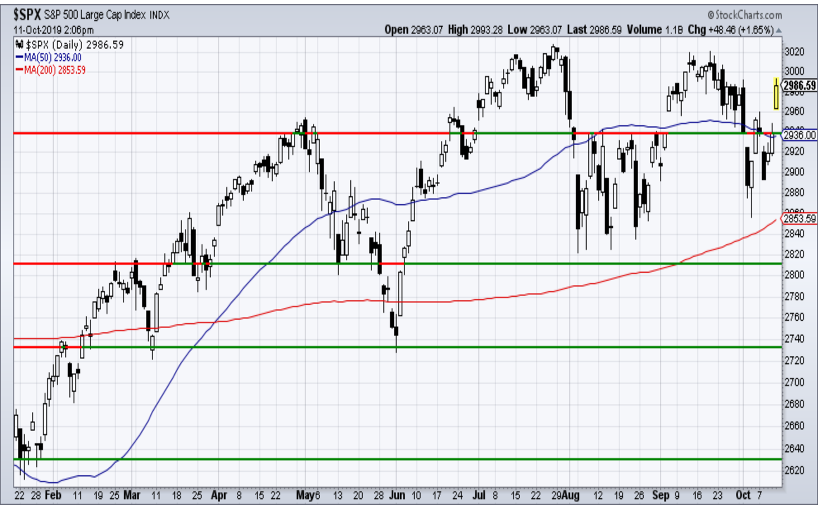
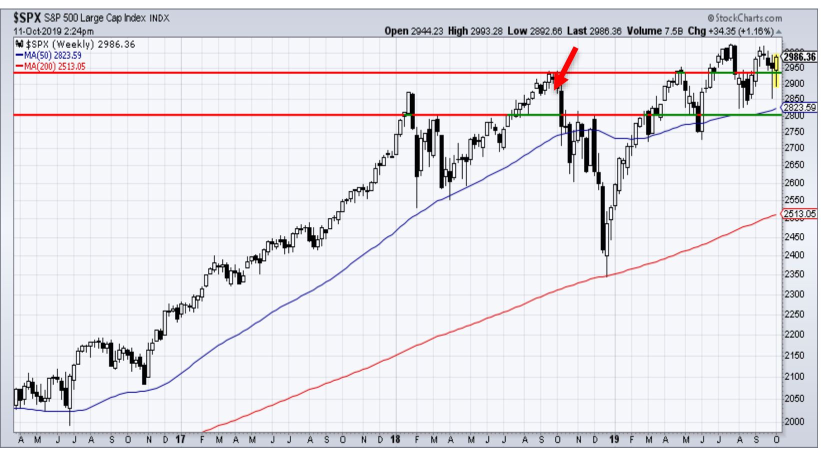


Rumors of an impending trade deal has sparked a rally on Wall Street today as the S&P has retaken the long-held resistance (now support – again!). Of course, the devil will be in the details. It is not likely that any grand deal will be announced and, perhaps, the market is getting ahead of itself. More likely, is a continuation of talks with some small agreements and a deferral of the October 15th deadline for further tariffs. We will know more later this afternoon and over the weekend. If Wall Street is disappointed with the details, we will likely see a quick reversal of today's gains early next week. Buy the rumor, sell the news. The rally today puts the highs squarely in our sights again. As of this writing, the S&P is a little over 1% from those elusive highs. Things could get interesting next week.



While the daily chart above is helpful in the short-term, it is also good to step back and look at the longer-term trends. A weekly chart is helpful in that regard. A few things of note: (1) Despite the rally and the nearing of the highs, the market has really gone nowhere over the last 12 months. From 9/20 of last year (red arrow) to now, the S&P is up 50 points (less than 2%). (2) The long-term trend remains up and should be respected. (3) Significant resistance at the highs could come into play over the next week or two. (4) A double top looked to be forming. If today's rally fails next week, we could see weakness that takes us back into the trading range.

Our Point

Today is all about the trade war. Smiles and photo-ops from both the US and Chinese delegations have Wall Street giddy that a trade deal of some significance will be announced in short order. Of course anything is possible, but our belief is that China will continue to play the long game and hope for additional leverage over the coming months. That leverage could be a continued weakening of the US economy, a desperate White House looking for a bump heading into the election or a change from the current administration to one more willing to deal after the 2020 elections. In any event, it would seem that China has little to gain by making a fair deal now when it can wait a few months and potentially get a better one. With all that said, it does seem that some progress has been made and some sort of cooling has been achieved. We will have to wait until later today and over the weekend to parse through any trade deal details. Remember we were "close" to a deal a few months ago before China pulled back. It would not be surprising to see a similar scenario play out now. If significant progress is made on the trade front, the highs will be taken out and would set the stage for another leg up in the markets during the traditionally strong 4th quarter. However, if Wall Street is disappointed in any trade announcement over the coming hours, we would likely see a quick retreat back into the trading range that has persisted for much of 2019. Earnings will begin to come into focus as companies begin reporting next week. While the tariff discussions are important, readings on the economy and company earnings will be the real drivers. Tariffs have an affect on both the economy and earnings so investors should be looking past any "agreement" (and the emotional response to it) and focus on what affect it will have on both the economy and corporate earnings. We have made no changes to our portfolios but next week could be a busy one as key levels come into play. It feels like fall (again) and hoping it sticks this time. We will be getting up our first batch of leaves over the weekend in between some football games. Late filers get those taxes done and the rest of you - enjoy time with your family and put your feet up this weekend.