

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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## Our Point

I started to copy and paste last week's note but decided against. The market continues up unabated. Nothing seems to rattle them as the government shutdown kerfuffle was met with a yawn and higher prices. Go figure! It is hard not to get caught up in the euphoria of the markets and, yet, risk management demands that caution remains in order. Despite the new highs and the continued positive economic news, valuations are stretched and a correction/pause is needed and warranted. We are not expecting anything out of the ordinary but with the lack of such correction and volatility over the last several months, it will feel much worse than most investors are prepared for. There are not many weak spots in the market. Small caps, while underperforming their large cap brethren, remain in an uptrend. High yields have bounced a bit and stabilized. Many international issues are outpacing even the US indices. What's not to like? Exactly. When everyone starts thinking the same thing, it makes us pause and worry a bit. Individuals are plowing more and more money into the markets and the result is increased demand and higher prices for equities. We aren't to the point where cabbies are touting their stock picks (like what happened in the tech boom of the late 1990's), but we are getting close to that level of euphoria. A correction would likely bring investors back to reality and in an odd way would actually be very bullish in the longer term. Resetting the bar and curtailing some of the current complacency would provide for a more sustainable long-term rally. It is becoming increasingly likely that this will end badly. However, for now, we are all smiles and enjoying the ride. We remain cognizant of the risks and will not hesitate to reduce market exposure when the market turns down. Enjoy your football free weekend.

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