

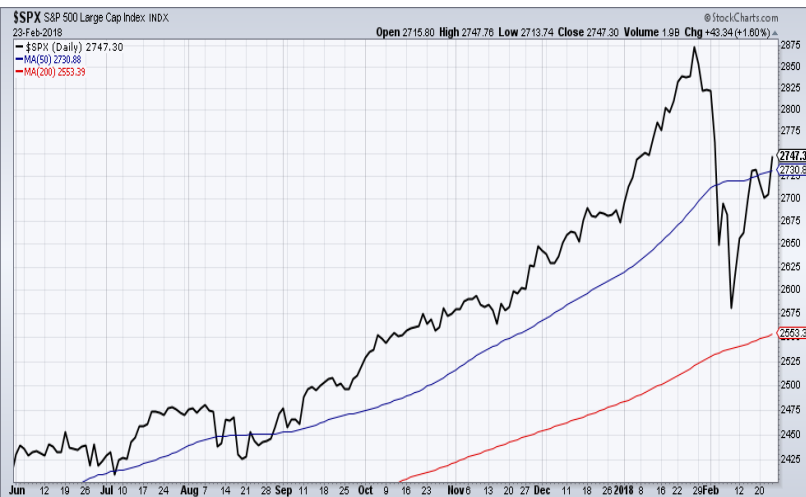
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

FEBRUARY 23, 2018

SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



At lunch time today, I was thinking I would be writing something about how this week was a constructive sideways movement. However, a late afternoon surge pushed the indices up for the week and the S&P crossed above the significant 50 day moving average. It was the second time in as many weeks that the moving average resistance had been pierced. The break above failed to hold last week so we will see if the index can hold onto this important level next week. Volume on today's up move was light which may invalidate some of its significance.



In times of great market duress, investors flee the stock market into the safety of US treasury bonds. In bear markets past, treasury bonds rallied as investors sought out safety regardless of their accompanying yield. Currently we see no such flight to safety which continues to argue that we are in the midst of a (normal) correction and not the next bear market.

Our Point

Today's late day rally is of some significance as the 50 day moving average resistance was overtaken. Additionally, it should be noted that the Nasdaq is showing relative strength which lends credibility to the rally. However, the lack of buying volume questions the validity of the break-out. Much technical damage was done during the violent two week period to start this month and it will likely take a few weeks to repair that damage. While we do not believe that we are experiencing anything more than a normal market correction, that is not to say that the lows of February 8th won't be revisited. This week a short-term uptrend began but we are still 4-5% from the highs of late January. Things certainly look much better now but weakness could easily return next week. We made no portfolio changes this week. We have a little cash in our portfolios but will wait for more confirmation in the coming week. Do not become complacent – the market has changed – but we are beginning to see signs of sunshine on the horizon. Enjoy the coming weekend and the unseasonably warm temperatures. Like the market, we are not convinced that Spring has sprung.

The contents of the BAM Market Note should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.