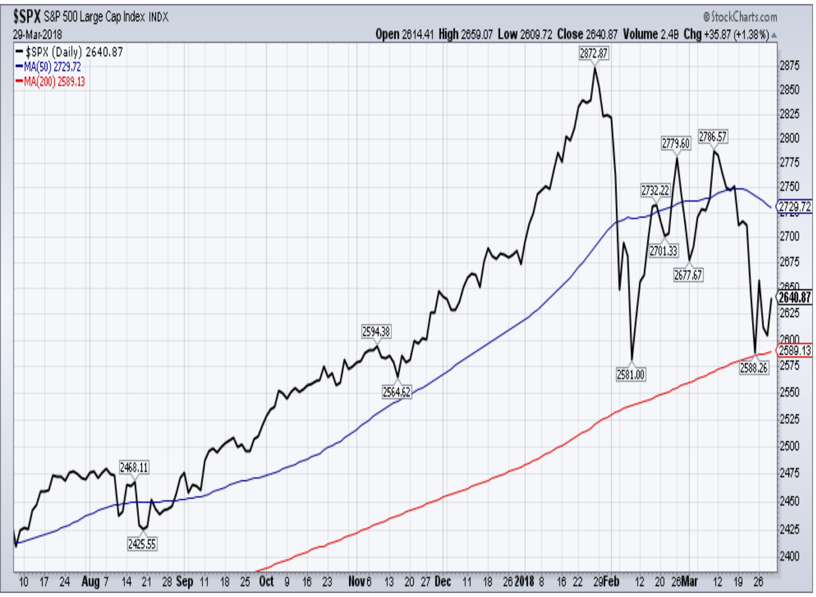
BILLS ASSET MANAGEMENT

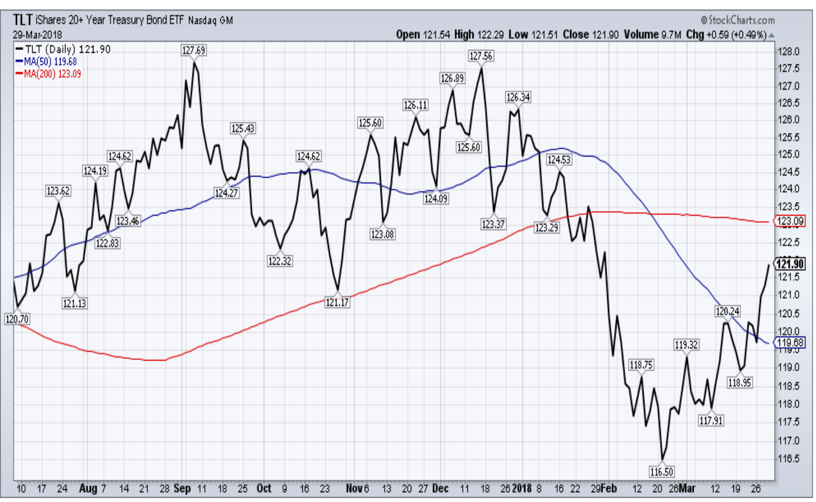
BAM MARKET NOTE

MARCH 30, 2018

SAM BILLS (865) 525-1329
BO BILLS (615) 371-5928



The S&P finished March on a high note but it only served to lessen the pain of March in general. For the week, the index was up 2% but finished down almost 3% for the month. With the first quarter in the books, the much watched index is down a little over 1% for the year. It appears that the markets are trying to find a bottom at the February lows/200 day moving average. After bouncing off these levels last Friday, the market had a volatile short trading week but did manage to make a little headway and provide some hope to the bulls that the worst might be over. At this point, it certainly looks like a double bottom but there remains much work to be done and it would not take much for the bears to again regain the upper hand.



In times of market turmoil, investors often turn to US treasuries as a safe haven. As you can see, treasury bonds starting moving up in late February and have continued that bounce throughout March. Generally, TLT moves opposite of interest rates, but in times of trouble, treasuries move up as investors move into the safety of government bonds. That is what is happening now. In spite of rising rates, treasury bond prices are moving up and this is a concerning development. We will be watching treasuries for signs that investors are throwing in the towel on the long-term bull market.

Our Point

After several years of low volatility, the first quarter of 2018 has reminded investors that investing is not always easy and that bull markets eventually come to an end. While the jury remains out on whether or not the bull market is over, it is increasingly clear that the market has changed and investors would be well-served to take on an increased risk management approach to investing. First quarter earnings will begin rolling in over the coming few weeks and bulls will be hoping that positive earnings and outlooks will be enough to overcome the increasing fear in the market. The long-term bull market remains intact for now but if the market were to have another bout of weakness, sellers would likely move to cash and treasuries if the 200 day moving average and the February lows were taken out. The resulting market fall could be significant and could bring this bull to an end. For now, the major indices are at the bottom of a wide trading range. The mandate for the bulls is clear – hold the 200 day moving average. Our portfolio positions remain unchanged from last week and we wait for more clarity before making additional moves. Enjoy your Easter weekend and the first official days of Spring.