

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

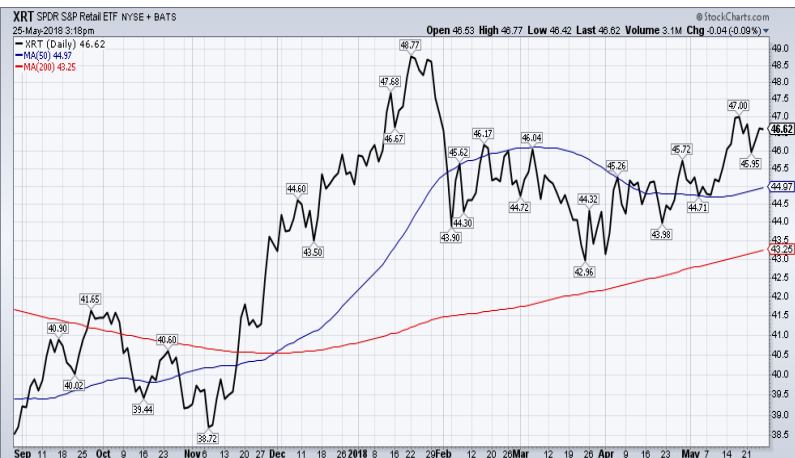
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There is not much to add this week for the major indices. The S&P continued its consolidation and has gone nowhere over the last two weeks. Generally, the consolidation is positive as they usually break in the direction they were going. If the market is going to make a run at the March and then January highs, next week would be a good time as seasonal strength comes in at the beginning and end of each month due to normal money flows. If we are heading higher, we should know something this time next week.



Retail stocks often provide clues as to the strength of the underlying economy. As a discretionary sector of the economy, when retail is moving up it belies a certain confidence in the economy. After being range bound for much of this year, XRT (the retail ETF) has shown some life over the last several weeks and is now in a nice uptrend. A break above 47 would give greater credence to the view of a strengthening economy and could provide the impetus for the major indices to break out of their consolidations.

## Our Point

The on again/off again North Korea talks provided some back and forth for the indices but were mostly a non-event. There was some intra-day volatility but the indices shrugged off the news. The sell in May crowd will be out in force over the coming days and weeks but, as mentioned before, while there is some stock in the idea it is far from a reliable investing strategy. There are plenty of summer periods where the markets do very well so we will follow the charts for our investment decisions. Earning season is all but over so economic and geopolitical news will be the driver over the coming weeks. The Fed released its minutes from the mid-May meeting and there were little surprises. The minutes had something for everyone as the headlines ranged from dovish to hawkish depending on which statement was parsed. In any event, the takeaway was the Fed really hasn't changed their thinking from their last meeting and it is likely that we will see 3 rate hikes this year. Fed fund futures indicate a 94% chance of a ¼ point increase when the Fed meets in June. With such conviction on Wall Street any deviation would cause a good bit of volatility. No changes were made to our portfolios this week and we have enjoyed a good May to this point. We are close to fully invested and could add another position or two if the market breaks out of its consolidation in the next week or two. Enjoy your long Memorial Day weekend and take time during your grilling to reflect on those that gave their lives for our freedoms.

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