BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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The S&P suffered some moderate weakness this week but nothing much out of the ordinary considering the sharp rise from May 29th to June 12th. It is noteworthy that the S&P rally stopped at the last remaining resistance standing in the way of the highs of January. To this point, the small decline is constructive and is serving to wipe out any overbought conditions. From 5/29 – 6/12 the S&P rose 3.61%. From 6/12 to today, the S&P has declined .75%. This week's tariff talk will spill over into next week and beyond so we could see some headline risk but the markets still look relatively healthy despite the weakness this week.

As we have mentioned recently, the participation by high yield bonds in the recent run-up was a positive development. In fact, the rally in HYG failed in its first attempt to break through the highs set earlier this year. High yields have weakened this week along with the rest of the market. A successful break above the resistance line would be another confirmation that this long bull market is not over yet.

Our Point

Volatility picked up a bit this week with the rhetoric from Washington and saber rattling by the US and other countries related to tariffs and what many fear will break into a trade war. Nobody will win if it comes to a trade war but we are cautiously optimistic that the saber rattling is just that and that negotiations on fairer trade will be the end result. As July approaches trading volume will decrease as traders head off for the beach so volatility could continue as market moves become more pronounced with lower volumes. The economic calendar has the usual reports next week so developments on the tariff front could create continued volatility. Despite all the hand-wringing, the markets handled the headlines well with the S&P down less .9%, the Nasdaq down .79% and the small cap Russell 2000 up fractionally. The big loser was the ultra large cap Dow which shed 2.0% for the week. Our positions handled the volatility well and we made no changes to our holdings. We remain fully invested in most of our portfolios with our conservative accounts holding approximately 15% in cash. While the long-term trend remains, the increase in volatility is a reminder that things can change quickly so we remain vigilant in protecting our gains for the year. Have a great first weekend of summer.