

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

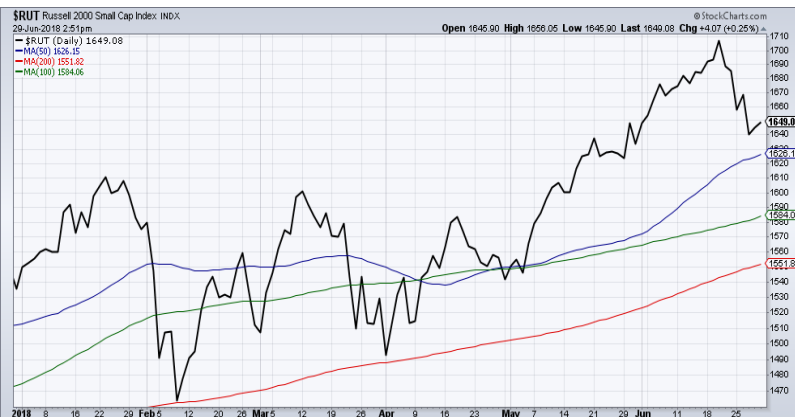
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It has felt worse than it has been. The major indices all suffered losses this week and continued the weakness from last week. However, as you can see the longer-term trend remains valid. The S&P toyed with the bottom of the trading channel of the weekly chart that dates back to early 2016. For the month, the major indices are up a tad but questions remain in the short-term. The headline risk of the back and forth of tariff threats and implementations roiled the markets over the last two weeks. We have gotten a little bit of an oversold relief rally yesterday and today. We should see a little more clarity next week once the oversold conditions are eased.



As regular readers know, we have been touting for several weeks the relative strength of small caps to the rest of the market. However, the recent decline interrupted the relative strength as small caps led the decline. It is too early to determine if the recent weakness in small-caps is a change in market character or just a well-deserved rest for small caps and an opportunity for traders to lock in some profits. It is definitely worth watching.

Our Point

Over the last couple of weeks all of the major indices declined anywhere from 2% to 3.5%. In the grand scheme of things, the declines are nothing out of the ordinary. However, in a market where many have become accustomed to a slow grind upward, it felt much worse. It is too early to say with any certainty that the worst is over but the market's bounce yesterday and today is encouraging. With July 4th falling on a Wednesday, traders will be tempted to take an extra day or two off next week and volume is likely to be low. Market moves can be accentuated in a low volume environment and, generally, have less significance. Our portfolios fell with the market but are recovering along with the major indices. The extra cash in our conservative portfolios alleviated some of the decline. While the long-term bull market remains in place, summer months often provide a few negative surprises. After next week's holiday shortened week, traders will begin to turn their attention to 2nd quarter earnings reports. We will spend the weekend and early next week evaluating each position and may choose to make a few changes. Absent any surprises next week, we'll take a week off from this report and will return on July 13th. We hope you enjoy the 4th of July surrounded by friends and family and a few fireworks. Despite all the rancor, the US remains the best country in the world.

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