

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

JUNE 8, 2018

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The break-out in the S&P that we had been hoping for arrived this week. As you recall, the resistance line plotted on the chart was touched last week which gave us cause for some optimism that the bellwether S&P would follow the small caps and technology shares higher. That happened this week as the index made a convincing surge through resistance. The index looks a little overbought so a retest of the resistance line (now support) would not be surprising. The ability of the index to hold above support will be instructive and will give clues on the S&P's ability to reach the January highs – some 3.5% higher.



It is no surprise that the rise of the S&P this week corresponds with a similar rise in the financial sector. Financials make up approximately 15% of the S&P (second only to technology). A break-out in this sector could be the fuel this market needs for the S&P to make a run at its 2018 highs. We are watching financials closely and they could be an area for us to upgrade our holdings if their strength extends up through 28.34 and beyond.

Our Point

The market strength present last Friday continued through the week with all of the indices participating. For the first time in several weeks, the Dow and S&P took leadership roles as small caps and technology lagged a little. It is a welcome sign to see the large caps beginning to play catch-up. There remains much ground for the large caps to make up. The initial market tantrums on tariffs seem a thing of the past as tariffs made headlines throughout the week but were largely ignored by Wall Street. The Fed will convene next week and it is all but certain that rates will be hiked another ¼%. The financial sector should benefit and could see another leg up though some of this week's gains are in anticipation of the rate hike. As always, the language accompanying the interest rate decision is just as important as the actual decision. Traders will be looking to parse the language to get clues on interest rate policy for the remainder of this year and next. With the strength in the large cap indices, we filled out our portfolios and are now fully invested in all but our conservative portfolio. Our conservative portfolio retains a small amount of cash. There is big news for Bills Asset Management as my son and Sam's grandson, Carter, joined us a week ago. Carter graduated from UT-Knoxville a little over a year ago with a finance major and spent a year in Denver working for a large mutual fund company. We are thrilled to have him and now have three generations in our firm. What a blessing for each of us. We are working on a name change to reflect our 3 generations and will be communicating that in the coming weeks. Stay cool and have fun this weekend.

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