

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

So much for the short-term uptrend. The markets sold off hard this week with the S&P falling 6% - 4.5% of that coming yesterday and today. Weakness in Facebook (one of the FANG stocks and a leader of the market surge over the last few years) got investors thinking about selling and the specter of a trade war with China fueled more selling. As you can see above, importantly, the selling stalled at the 200 day moving average. The February losses also served as a logical stopping point – for now. Should the market break the 200 day moving average, program trading will kick in anew and another leg down would be very likely. Today's closing level is very key for the ongoing health of the market and a continuation of the bull trend. To this point, the selling is nothing out of the ordinary and normal market behavior BUT we are on the precipice of something more ominous and current levels must be held over the coming week. Tariff talk dominated the news cycle this week and neither the US nor the Chinese will benefit from a trade war and we think it unlikely that it will get to that point. There have been unfair trade imbalances for some time and Washington is trying to right a wrong that has been going on for much too long. One can argue the methods but the substance of what Washington is trying to do is correct. In the longer term, we believe that new trade policies will be a net benefit to the US economy. Despite the weakness of the last several days, the longer term up-trend is in place and the economy remains strong. We are likely to see a bounce next week and today's close may turn out to be an excellent buying opportunity. But we shouldn't get ahead of ourselves. The VIX is elevated and the markets are at an important support. Caution should be in order until we see that the 200 day moving average holds and what the next bounce looks like. We lightened up on Tuesday of this past week selling 2 of our positions. We will continue to pare holdings if the market weakness continues but we are also beginning to look at buying opportunities. If, as we suspect, the market remains contained within this wide trading range, opportunities will be present here at the bottom of the trading range. Have a great weekend and we hope your NCAA tournament brackets aren't busted. In fact, with all of the upsets, we read recently that if you are leading your tournament pool then it is likely that you know nothing about basketball.

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