

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

The market weakness continued for the first part of the week but was halted late Thursday when a late day rally bounced off the 200 day moving average (again) and pushed the market higher today. The end result was a week that ended about where we started but not without some significant moves. The 200 day MA continues to be solid support for this market and Thursday's challenge makes this the 4th time in recent weeks that the market has approached and/or briefly breached this important psychological level. Each time the market holds this level it becomes more solid support so any future break would make for greater significance. The major indices have had trouble mounting any upside momentum even in the face of some very good earnings news. That remains of great concern. The Fed released their interest rate decision and meeting notes on Wednesday which led to a late day sell-off as inflation fears came to the surface. The weakness continued into Thursday with the S&P down almost 1.5% before a late day bounce pushed the index back to unchanged for the day. Today started off weak but quickly turned bullish as the morning's job report was digested. The jobs report came in neither hot or cold which led many on Wall Street to think that any talk of 4 rate hikes this year to be off the table. As of now, expectations have shifted to 2 and maybe 3 small interest rate hikes for 2018 which had the bulls celebrating. The S&P finished up a healthy 1.3% today erasing the losses from earlier this week. It was a lot to digest to really be in the same position as we were last Friday. The good news (and it should not be discounted) is the market continues to hold above the 200 day MA and remains in its wide trading range. The thought of positive earnings pushing the market higher seems to be dashed at this point though earnings season continues next week. Risk remains elevated but the test of support is something to build upon. Small caps continue their relative out-performance up almost .75% for the week. We made a small change in one of our portfolios buying a position in a specialty fund and are looking to upgrade another holding next week. If yesterday's late strength and today's surge hold into next week we may be doing the same for all of our portfolios. Enjoy your weekend and get out and enjoy the warmer weather.

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