

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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The S&P was on its way to another positive week before news out of Turkey rattled the market. The index remains well above the support that was broken a couple of weeks ago and remains only a good week's gains from reaching the highs of the year. Despite today's selling, the bulls remain fully in charge. All things considered, the market is handling the Turkish news well with financials feeling the brunt of the effects. European markets were broadly down as the ECB worries about its exposure.



While the US markets are certainly concerned about the effects of Turkey's currency crisis, Europe is much more exposed. Most all European markets were down close to 2% with the FEU ETF down over 2% with European banks suffering even larger losses. The risk is that the currency crisis in Turkey turns into a contagion for the rest of Europe and potentially the world. We are a long way from that but it bears watching. International shares have been lagging the US markets for several weeks.

Our Point

World markets were down broadly as the weakness in Turkey accelerated with its currency (Turkey Lira) falling 16% against the dollar today. The decline which has been weeks in the making, rattled all markets as fears of a contagion rippling through Europe and the world took traders by surprise. President Trump, not one to ease up when he has the advantage, announced new tariffs on Turkish steel and aluminum furthering Turkey's crisis. The US and Turkey have an ongoing feud with Turkey holding an American pastor among other economic issues. While Turkey's economic crisis is very real, it is unlikely to spill over to the rest of Europe or the world and today's selling, while not insignificant, was well contained. It remains an issue to watch but will most likely be a non-issue a few months from now. Dollar strength today made the small caps the relative winner on the day. The US markets continue to plod upward nearing their highs for the year. August is often a volatile month as trading volume continues to wane as traders take their last vacations of the summer. We remain mostly fully invested and made no changes in our portfolios this week. We continue to hold two different international holdings. While they have weakened they have not yet met our sell criteria but are nearing that point. Changes could be in store next week. Football season is nearing so enjoy one of these last football free weekends.

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