

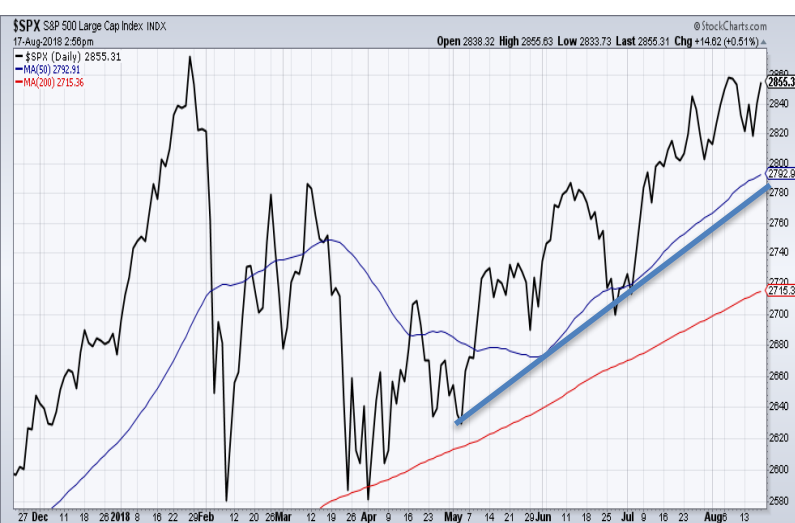
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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Despite an increase in volatility, the S&P finishes the week on an up note with a decent weekly gain. We got a glimmer of what a trade deal with China would do as the Dow soared 400 points yesterday on renewed hopes of a deal being struck. Should the tariff situation resolve favorably, we are likely to see a very broad based and possibly significant rally. Large multinational companies would be the biggest beneficiaries but all companies would benefit from the tariff cloud being lifted. All that being said, it is likely that the on again, off again tariff deals will be the norm for some time longer.



Commodity prices have slid over the last 3 months as the world economy, and most notably China, has slowed. While the US economy is chugging along nicely, many developed and emerging countries are struggling. China is the world's biggest consumer of raw materials and, as such, when their economy struggles it provides a significant headwind for commodities. China's Shanghai Composite index is down nearly 20% year-to-date. China's economic struggles and the relative strength of the US economy bode well for a favorable tariff resolution.

## Our Point

While the US markets continue to plod upward, most international markets stumbled this week. In fact, the US has been the leader all year long. The current strength in the US indices are being driven in large part by defensive issues (health care, staples, utilities, etc.). That is not ideal as leadership from technology, small caps and other more aggressive areas of the market would be preferred. However, investors must deal with the hand that is dealt and right now large multinationals (Dow and SP 500) and defensive stocks are leading the markets higher. The S&P remains tantalizingly close to its 2018 highs and as of this writing is only 20 points away from those levels. There is little doubt that those highs will be reached soon but the more important question will become – what is next? It would not be surprising to see the market pause or correct a little after reaching those long sought after highs. In any event, we are watching things closely and will respond accordingly. We sold out of one of our two international holdings as it met our sell criteria. Our other international holding is close to generating a sell signal so we are watching it closely. Our small foray into energy looks to be a little early as it sold off over the last week. It also is near its sell point and we should have more clarity next week. We have a little cash on hand and will spend the weekend and next week evaluating the prudence of putting that money to work. We will also watch a little football and hope your weekend is filled with something fun.

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