

BILLS ASSET MANAGEMENT

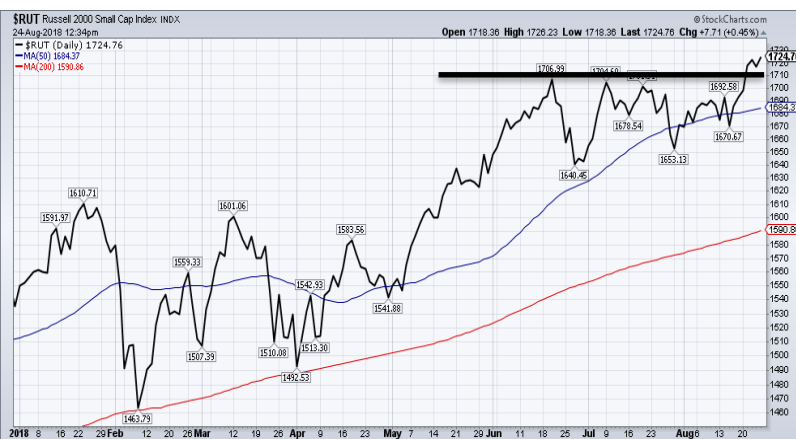
BAM MARKET NOTE

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The large cap S&P 500 continued its slow slog upwards this week – marking its 7th up week over the last 8 weeks. It has been a very impressive run. However, the index now is trying to push through significant resistance at the highs for the year. It is a logical place for the market to pause/correct after such an impressive 8 week run. We'll have to see if the market has enough momentum and strength to push through and hold the yearly highs. We have our doubts as, historically, September has proven to be a very difficult month for the markets.



While large caps have been plodding upward, small caps have surged over the last week and could be re-establishing the leadership they showed for much of the year. This would be a very positive development and cause for further optimism as the S&P takes on the resistance mentioned above. The Russell 2000 broke above its highs earlier this week and is holding to this point.

Our Point

There is not much to complain about in the current market environment. Despite continued turmoil and headlines coming out of Washington, the market seems mostly immune to tariff, impeachment, and corruption talk. To quote Bill Clinton's 1992 Presidential election slogan, "it's the economy stupid." And the economy is humming along very nicely. Earnings season is beginning to wind down and it has been a very good one by most every measure. Comments this morning by Chairman of the Fed Powell indicate that interest rate increases will continue to be measured perhaps giving some comfort to traders that the Fed won't raise rates too quickly. Inflation remains in check and, while the economy is strong, it is not overheating. All looks good and if it weren't for the significant resistance ahead and the traditional September weakness we might be a little more short-term optimistic. Of course, we could be wrong. Our remaining international position hit our sell point and we sold earlier this week. It was a very good holding as we locked in gains of over 30% in that holding. Since the markets are right at significant resistance we have opted to hold the sale proceeds in cash and will await for the markets to tip their hand. We are prepared to get more defensive if necessary or to move our available cash back into the market. We'll see where this market finishes today and where it heads next week. Have a good weekend wherever one of these last weeks of summer find you.

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