

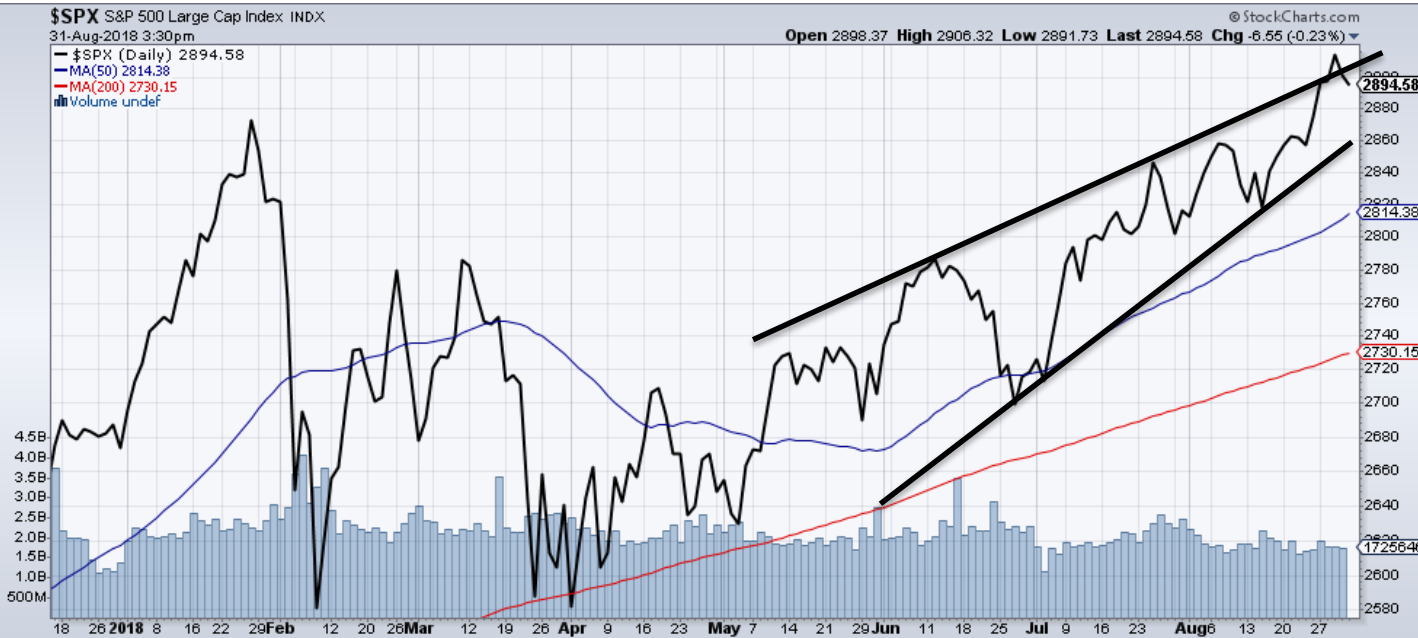
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

AUGUST 31, 2018

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Our Point

Buoyed by positive trade news between the US and Mexico the markets and, specifically, the S&P blew through the resistance we rested on last Friday. The January highs provided little more than token resistance as technology, consumer discretionary and healthcare all surged this week. It has been an impressive showing and, frankly, one we didn't expect. We anticipated that the market would pause, if not be turned back by, what we viewed as significant resistance. We are not out of the woods yet as the market is getting overbought on a short-term basis and the S&P has developed a bearish rising wedge pattern. As expected, volume has been below normal thus providing at least some reason for questioning the veracity of the break-out. The markets have paused a little yesterday and today with word of Canada's reluctance to join in the new NAFTA agreement. Market volume will begin to pick up next week so we should soon see if there is conviction with the new highs. With September's well deserved reputation for market weakness, a slightly overbought market and the potential lack of conviction, it would not be surprising if the market falls back to the highs and tests those levels again. Old resistance becomes new support so a break below the January highs could lead to increased selling going into the 4th quarter. We remain bullish in the intermediate term but suggest caution in the short-term. August was a fantastic month for the indices and we managed to keep pace even while holding some cash and managing risk. We are very comfortable with holding the 30-40% we have in cash now and will wait for a better entry point. We sold our small holding in energy as it did not respond as we had liked and had reached its sell point. Enjoy your long weekend and play outside a little, watch a little football (Go Vols!) and spend time with those you love.