

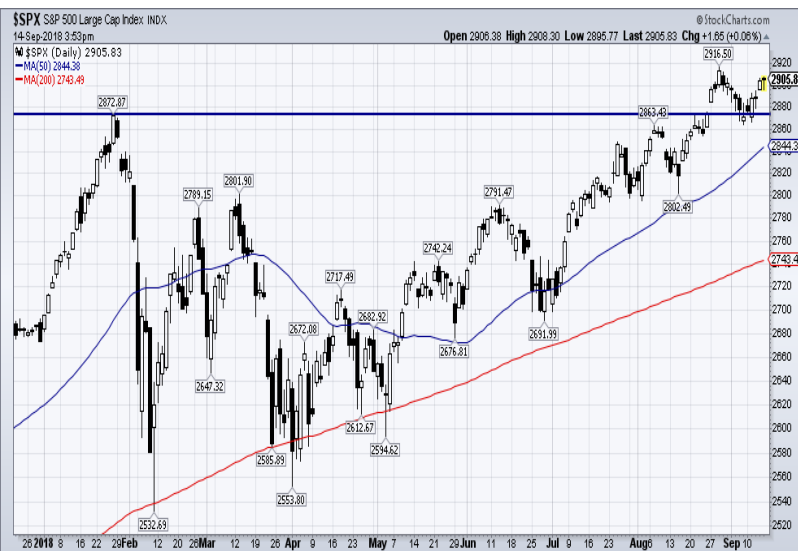
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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The S&P declined last week back to support to test the break-out area around the highs of January. It had been a long slog upward for the better part of 7 months. This week, the large cap index bounced off of support and looks to challenge the new highs achieved in late August. While things look pretty good, we aren't ready to give the all clear. There remains a few lingering concerns (aren't there always?). Nevertheless, the week's action is very positive and a resumption of the uptrend appears more likely than not at this point. A second retest of support next week would not be surprising. If that happens and it is a successful retest, then we will feel much more comfortable.



One of our lingering concerns is the continuing deviation of international markets relative to US markets. While the deviation has been a net positive for the US market (foreign money moving into the stronger US markets), it is not likely that the divergence goes on forever. The divergence is especially prevalent in emerging markets. A weakening international economy, while a potential positive in the short-term, may turn out to be the undoing of the bull market. We will continue to monitor EEM and the developed international markets.

Our Point

The markets are acting very constructive at present. As expected, the highs of the year were taken out, the markets retested the break-out levels and this week bounced off of support. The bounce has not been particularly impressive which gives us a little pause that a second retest may be coming. With the latter part of September often the worst of an historically bad month, it would not be surprising to see a little weakness next week as the market gathers its breath in an attempt to set new highs before year-end. We remain optimistic in the near and intermediate-term and suspect a strong finish to a good year. There are a number of things that could derail our hypotheses but with the information available the markets look relatively healthy. Relative weakness in semiconductors and in small caps as well as the above mentioned international issues are among the things we are watching. We made no changes in our portfolios this week but were strongly considering additions as late as this afternoon. In the end, we have decided to see what next week brings before putting more cash to work. To this point, the S&P is flat for the month as are our portfolios. Enjoy your weekend and for those in the way of Hurricane Florence – Godspeed.

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