**BILLS ASSET MANAGEMENT**

# BAM MARKET NOTE

**OCTOBER 26, 2018**

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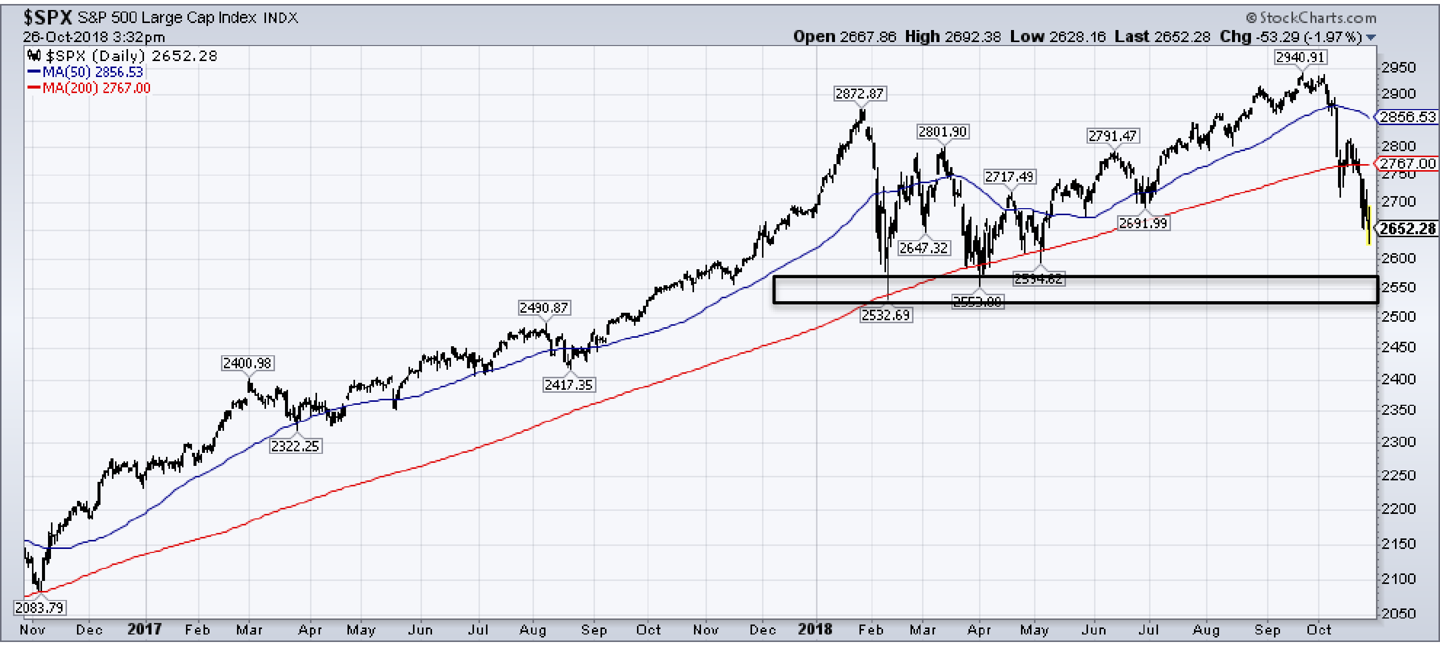


## Our Point

Despite an impressive rally yesterday, the S&P will end the week down nearly 4%. The other major indices are following suit and are down like amounts. There is no way around it – it has been an ugly week. Yesterday's rally looked impressive but, as we mentioned last week, there has been much technical damage to the market and it will take some time to fix. Currently the market is searching for a bottom and, as shown above, there is little support for a bottom until we reach the area around 2,550. If the market breaks that level, then it would get many more talking about the start of a significant bear market. Should the market reverse course here, it will face resistance in the 2700 area. The volatility of the last 2 weeks is likely to continue for a while longer. Impressive up days in the midst of a correction are not unusual and should be viewed as suspect until confirmed by a new trend. The current decline is calling into question the bull market that started some 10 years ago. The next two weeks will be very instructive as we enter into a very seasonally strong period and earnings reports continue to pile in. Additionally, the uncertainty surrounding the mid-term elections will be settled over the next two weeks. If the strong period, earnings, and removal of any election uncertainty do not put a halt to the selling, then we could be in for a dreary few months. There is no way to know if this is the start of a new bear market or just a normal correction. Arguments can be made either way. However, bear markets always start out as normal corrections so extreme caution is warranted in the current environment. With the market already on edge, it would not take much in the way of bad news to lead to another significant leg down. While we continue to believe that the markets will rally into year-end, our conviction becomes less and less sure as the technical damage increases in the major indices. It is in times like this that cash becomes a great investment and an asset class in and of itself. Accordingly, our cash positions are high with our net investment remaining in the market around 10%. Our conservative accounts currently hold a little less cash as one of our holdings is doing very well in the current market and is up for the month. For now cash is king but we are ready to redeploy should the market stabilize. Enjoy your weekend and any trick or treaters that find their way to your house.