

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

Politically, this has been a charged week. However, the markets have mostly been mundane with little movement in the markets and not much ground gained or lost by the major market indices. All in all, a mundane week to finish an historically bad market month is not all bad! For the month, the Dow was the big winner – up almost 2%. The S&P was up less than ½%, the Nasdaq down close to 1% and the Russell 2000 bringing up the rear - down almost 3%. The fact that the Russell and Nasdaq were the relative losers for the month raises some concerns going forward. Both of these indices will need to firm and turn back to the upside for the much anticipated end of the year rally to be realized. It always make us a little nervous when everyone is expecting a certain result and that is the case now with most every market pundit calling for a rally in the 4th quarter. As it has been famously said, “The main purpose of the stock market is to make fools of as many men as possible.” We continue to believe that a 4th quarter rally is more likely than not but rather than guess, we will follow the charts and what the market is actually doing and will respond accordingly. As was widely expected, the Fed raised interest rates another ¼% with the rate now the highest it has been in the last 10 years. That said, the rate remains at a historically low number. The Fed indicated that they are likely to raise rates again in December. Interestingly, the Fed officials are split for expected 2019 rate increases with an equal number of officials indicating 2, 3 and 4 rate hikes. Regardless, after 30-40 years of a falling interest rate environment, we are now entering into a period of rising rates. We don’t believe that interest rates will soar to the upside but we are convinced that interest rates will rise over the next 10-20 years and that will have a significant impact on bonds and other “safe haven” investments for years to come. Unfortunately, the current generation of investors have not lived through a rising rate environment and the effects will come as a surprise to many. That is a topic for another day. Have a joyous weekend. We are finally rain-free in middle Tennessee and are looking forward to a pretty fall weekend.

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