

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

JANUARY 25, 2019

SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



## Our Point

Several market positive news items hit the airwaves this week. The European Central Bank acknowledged a slowing of the European economy (that it seems everyone else saw months ago!) leading many to believe that even more business friendly policies would be put in place. Meanwhile, in the US, a Wall Street Journal story indicated that the Fed is considering scaling back its liquidation of bonds on its balance sheet. Removing the bonds from the Fed balance sheet decreases market liquidity and has been a criticism of the Fed since the policy's inception in late 2017. More clarity will come next week as the Fed meets on Tuesday and Wednesday. There was no real news on the tariff front but that could be viewed as good news as China and the US continue to try to live up to the optimism shown over the last couple of weeks. The market's response to the temporary reopening of the government was more muted but a positive nonetheless. We will have another shutdown showdown in 3 weeks so we shall see. Earnings have continued to be mixed as Intel missed badly last night but other high profile names exceeded their marks. There was a little this week for both bull and bear. The bulls will argue that the market held their gains and are consolidating ahead of the next move upwards. The bears will argue that despite the good news the markets failed to make any headway and finished the week where it started. There are good arguments on both sides and rather than make a guess we will simply follow the charts. After the steep run-up over the last 3 weeks, a sideways consolidation would be the most bullish outcome to work off some of the overbought conditions. The S&P sits between recent support around 2630 and the downtrend line (around 2675) in effect since October of last year. This is not a rally we want to chase but, at the same time, we may be forced to move into the market if the market consolidates and heads back up. We continue to believe that a pull-back is more likely than not and would be the healthiest response to the oversized gains of the last 3 week. Any such pullback would provide a much better entry point to become a little more aggressive. However, the market rarely acts like we want it to! We have made no portfolio changes this week but will continue to watch for confirmation that more current upside exists. While there was little gloating (more shame) during football season on these pages, it sure is nice to have college basketball in full swing. How about those Vols? Have a good weekend and enjoy your family.

The contents of the BAM Market Note should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.