

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

The markets got a double dose of good news this morning. First, the monthly employment report far exceeded consensus estimates and surprised many. The consensus estimate was 180,000 new jobs but the report actually came in showing 312,000. Traders took the number as a sign that weakness in the economy has been overstated and, perhaps, things aren't as bad as they thought. Second, Fed Chairman Powell indicated in a prepared speech delivered to an economics conference that the Fed would continue to be "patient" in raising rates. The takeaway from many was that the Fed is becoming a little more dovish in its interest rate policy and that future rate hikes, if any, would be measured. The market has exploded to the upside on the double dose of good news (strong economy and an interest rate policy that won't get in the way). There is no doubt that much of today's gains are due to short-covering rather than buyers flocking into the market but the result is nonetheless impressive. We'll see if the gains hold into the final closing hours of the market. More important than today's gains will be if the market can build on them and if buyers emerge to push the market higher. From a technical standpoint, we have the beginning of a short-term uptrend (higher highs and higher lows). For the S&P the next stop would be in the neighborhood of 2580 (the lows of early 2018) and beyond that 2630 (4% from where we are now). Reaching 2630 would mark a 50% recapture of the recent down move. Movement between here and 2630 would largely be technically insignificant. Though the markets may reach this level over the coming days/weeks, it is more likely than not that a return to the lows of December will need to be revisited before a final bottom is in place. We expect these lows to be revisited and perhaps broken sometime this year – probably sooner rather than later. Despite today's impressive rally, investors should remain cautious. It is a volatile market and will likely remain so for the foreseeable future. We have made no changes in our portfolio holdings over the last 2 weeks and remain comfortable with our current holdings. Despite a wild and tumultuous finish to 2018, all of our portfolios ended the year with modest gains. We expect 2019 to be just as challenging and risk management will be key to ensuring the health of your portfolio. For that reason, we continue to focus on principal protection until market volatility subsides. We hope you enjoyed a wonderful holiday season and that your 2019 is off to a great start!

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