

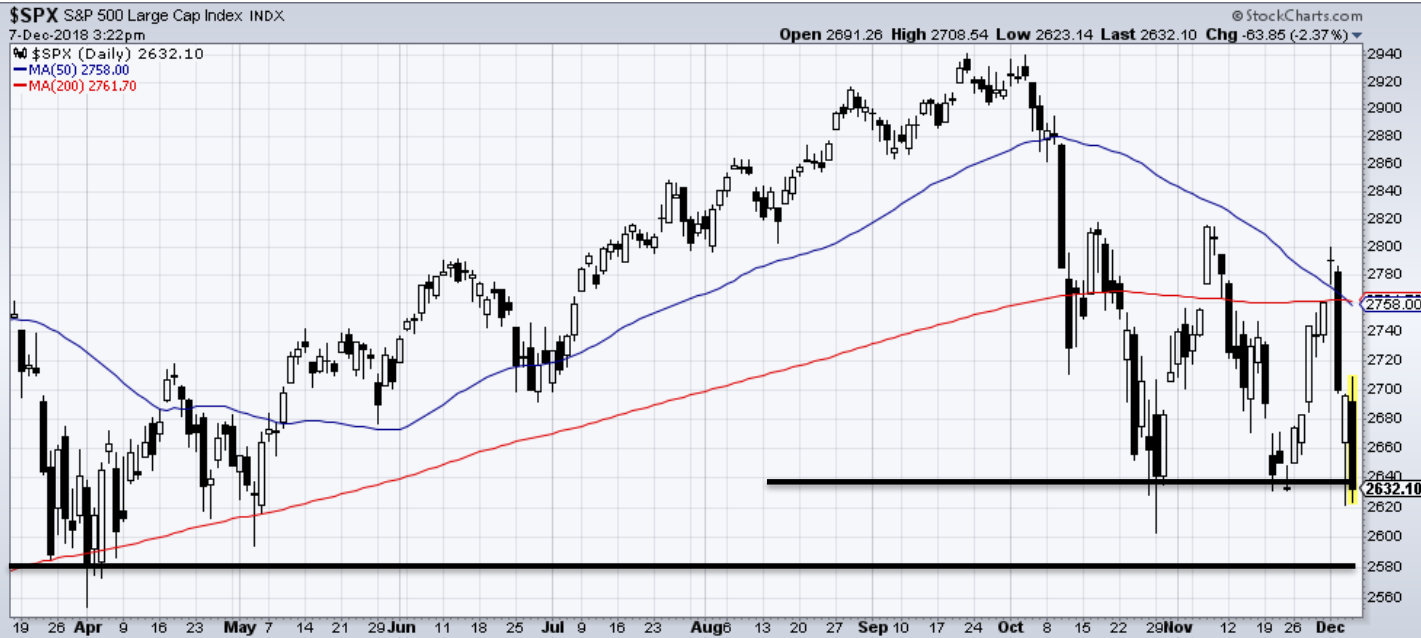
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

The optimism surrounding the Fed's more dovish interest rate policy and possible tariff truces coming out of the G20 meeting was very short-lived. The 6% rally that began 2 weeks ago faltered this week as the market's have now given up all of those gains and show no sign of abating. Today the market is re-testing the lows of October and November. This will be the third such test of those lows. A failure here would lead to a quick dive down to re-test the lows set earlier this year. This is not a market for the timid with wild swings day to day and even intra-day. There was some feeling of a bottom yesterday as the S&P sold off nearly 3% before rallying into the close to finish the day nearly unchanged. Those hopes were dashed today as sellers returned - seeing a decline close to the lows of yesterday. Today's job's report was a little weaker than expected leaving many to expect a further dovish Federal Reserve. However, the weaker than expected report also indicates a slowing economy. The market is trying to balance the good news of a more accommodative Federal Reserve with the prospects of a slow-down in the economy. Today, at least, investors chose to focus on the weakening economy. The on again, off again tariff truce is resulting in wild gyrations in the market. Conflicting statements out of the White House and from China are not helping matters any. It will likely be several weeks before there is any concrete hopes of a resolution. Hang on. If small caps lead the market (and they often do), we are probably going lower still. Small caps continue to be the weakest part of the market and are well below their lows of earlier this year. It is becoming less likely that Santa will make a stop to Wall and Broad but we haven't completely given up hope for a rally into year-end. The news driven nature of this market could change yet again with positive news on the tariff front. For now, however, caution is highly advised. As we discussed last week, we were considering a move back into the market dependent upon the market retaining last week's strength into this week. The market made our decision easy for us and we made no moves in our portfolio. Our portfolio's remain mostly in cash as they have been for several weeks now. In fact, our current holdings have actually managed to make a little money over the last month. Things can change quickly so remain vigilant. Bundle up and enjoy your weekend.

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