

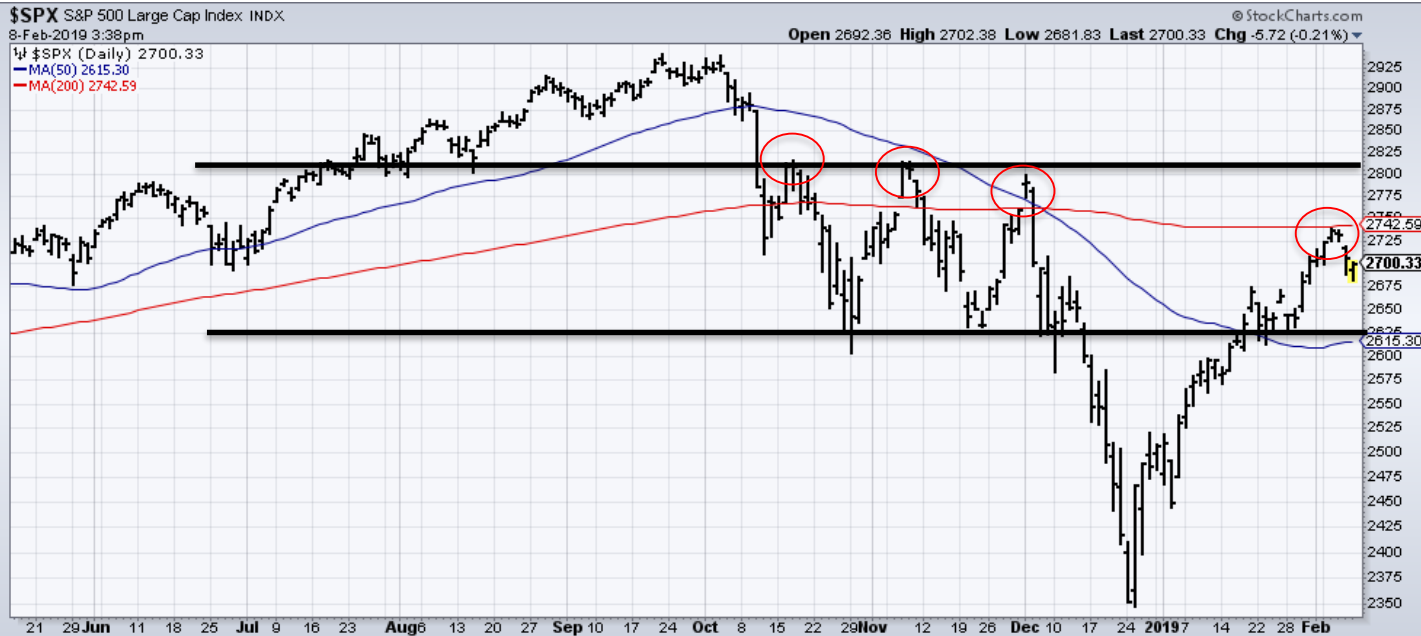
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

With news that the China tariff situation was a “long way” from being resolved, the markets paused this week. To this point, the decline has been very modest – especially in light of the rally that started the first trading day after Christmas. Earlier this week, the S&P rallied up to the 200 day moving average resistance but was turned away... for now. It would not be unexpected for the market to pullback another 3-4% from current levels. Support is found at the bottom of the trading range in the 2600-2620 area. If the market pulls back to these levels and heads back up then it becomes more likely that the market will make a run at the all-time highs set last Fall (some 8% above current levels). Though the market has had an astounding run over the last 6 weeks, it should not be ignored that it came after an astounding decline that lasted the entire 4th quarter of last year. The S&P remains in an intermediate downtrend – lower highs marked by the red circles above. Accordingly, despite the recent strength, there remains higher than normal risk to the downside. The intermediate downtrend will remain until the December 1 high (top of the trading range) is exceeded. Despite the intermediate downtrend, the market is showing a great deal of resilience and appears like it wants to continue going up. As mentioned in a previous missive, the recent actions by the Fed has changed the investing environment and the market believes (rightly or wrongly) that Chairman Powell and the rest of the Fed will backstop any deep losses with future changes to interest rate policy. We will have to wait and see if the market is right. Statements by the Fed contrary to what the market believes, will likely lead to a sharp decline. In the meantime, we continue to wait patiently for a better entry point (if it comes). We made no changes in our portfolios this week but have our list of areas and funds that we like ready when the time is right. If the market heads back up next week, it is probable that we will begin incrementally increasing our holdings. It is a beautiful and brisk Friday with much the same expected all weekend – put on a coat and get outside! Have a great weekend.

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