BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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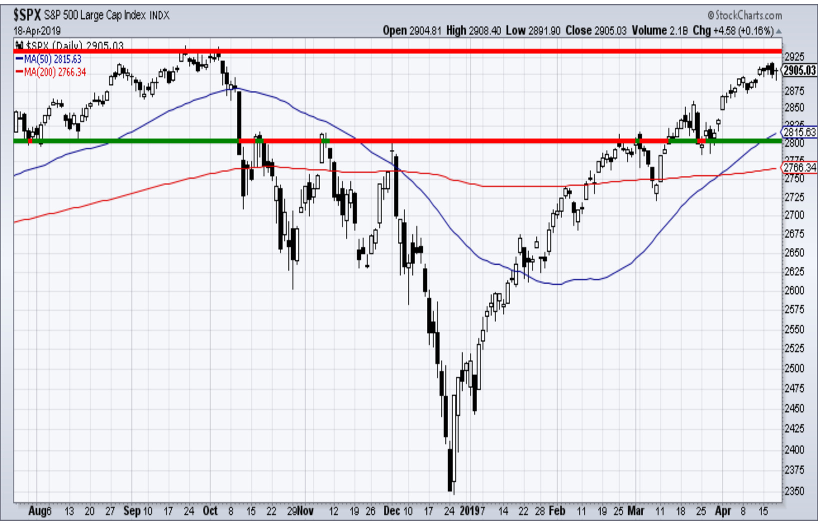
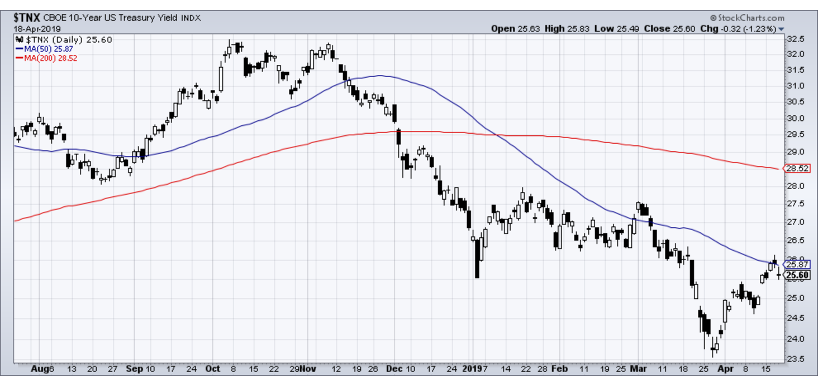


It was a short trading week as the markets are closed today for Good Friday. It was also a very quiet trading week as the S&P moved fewer than 26 points and finished the week right where it started. Much of our analysis from last week holds true for this week. The major large cap indices are near (but have not yet exceeded) their highs from last year. This is significant resistance and could prove difficult to push through as we near the end of a traditionally strong market time. Meanwhile, small and mid-cap indices continue to lag, though mid-caps have begun to show some strength over the last 2 weeks. The S&P has strong support at 2800 which is likely to curtail any short-term selling.



Interest rates have ticked up over the last couple of weeks leading to strength in financials. Meanwhile, the rise in interest rates has been a drag on real estate (which had been a strong performer for the year) and utilities. In a strong economy, rising interest rates are not a bad thing but could be a negative if the economy falters. Interest rates are still in a intermediate term downtrend but are close to breaking that trend. Something to watch over the coming weeks.

Our Point

Traders looked to leave early on the holiday shortened week and volatility was surprisingly low. Earnings season is now in full swing with a number of reports to digest daily. Financials have been relatively strong. With the rise in interest rates and good earnings, this sector has been a relative outperformer over the last month. It is a welcome change as financials have been a lagging sector for some time. Since financials are among the largest contingent of the S&P, continued strength would only serve to push the index higher. Technology has been a driving force this year so any strength in financials would be a welcome addition. With the Mueller report (mostly) out of the way, traders will continue to look to tariff talks, earnings and measures of the economy in the coming weeks. Volatility should pick up as we get even closer to the resistance at last year's highs. Caution should be taken here as the markets are at another logical place for traders to take some profits and a correction of some import would not be surprising. Until otherwise indicated, corrections should be bought as there are still many investors that got out late last year and have been waiting on opportunities (there have not been many) to get back into the market. Small caps and technology remain areas of interest on pullbacks to the overall market. Our portfolios were stopped out of our position in real estate. However, we did manage to hold onto some gains. Similarly, utilities remains very close to hitting our stops and further weakness will likely trigger them. We have some cash to put to work and will be looking at a number of opportunities on any market weakness. It is a cold and dreary day in Nashville but it promises to be a beautiful weekend. We hope you have the opportunity to spend it with those you love. Have a great Easter weekend.

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