**BILLS ASSET MANAGEMENT**

# BAM MARKET NOTE

**MAY 17, 2019**

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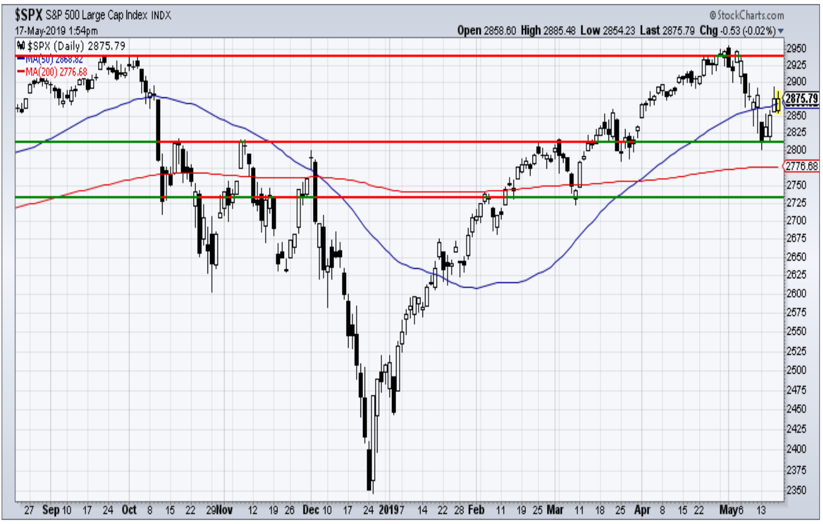
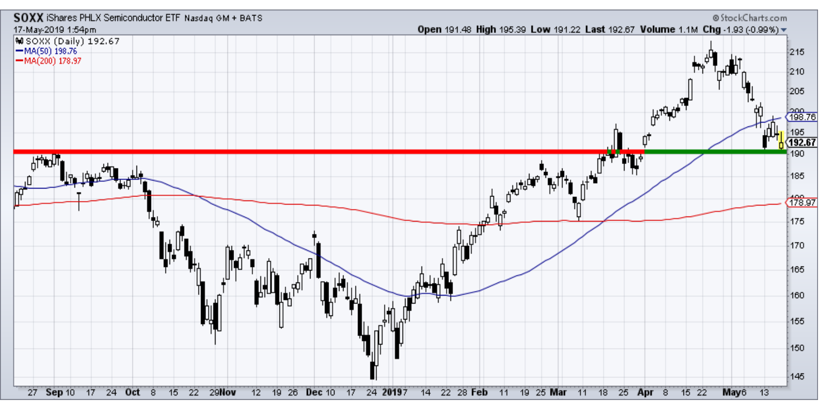



The week started on a sour note with the major indices shedding 2-3% on Monday. The S&P found support where expected and bounced the rest of the week. While support held, it is more likely than not that the S&P will retest Monday's low over the next week or two. The S&P's ability to hold support on a retest will provide some assurance that the worst is over - for now. However, a failure at support would lead to a deeper decline to the 2730 area or below. While the recent decline was violent and quick, it was relatively mild compared to the advance since the Christmas Eve low. Further weakness would not be unexpected as we head into a traditionally weak market period. Trade tensions and a little saber rattling in the Middle East will provide a little volatility in the near-term.




Semiconductors often lead the market both to the upside and downside. Their failure to rally much after the recent decline provides some clues for the rest of the market and leads us to believe that a retest of the recent S&P lows is likely. A break-down at current levels by the SOXX would not bode well for the rest of the market.

## Our Point

The S&P 500 fell nearly 5% in a space of 6 trading days. It was a scary decline though some perspective is in order. The S&P had rallied 25% off of the Christmas Eve low so a 5% decline is well within the norm. In fact, it could be argued that a 10-15% decline would have been normal. We may yet see that as we head into the summer months. Relative underperformance of small caps continue to be of concern. High yield bonds (another canary in the coal mine) weakened with the rest of the market but to this point are holding up. With the on again/off again trade talks with China showing no sign of resolution anytime soon and renewed tensions with Iran, headlines will cause some additional volatility. However, with most economic measures indicating a healthy and growing economy and the Fed's increasingly dovish stance, there is reason to be optimistic. While there may be some bumps in the road in the short-term and dark clouds longer term, the intermediate term looks to be positive. Despite what you may hear on CNBC, Bloomberg, or Fox Business, prognostications are dangerous as nobody knows what lies ahead. As the great thinker Jon Stewart says, "If I'd only followed CNBC's advice, I'd have a million dollars today. Provided I'd started with a hundred million dollars." While we strive to provide some relevant thoughts here and give you a few things to think about, we choose to follow the charts and invest by what the markets are doing today and not what we think they will do tomorrow, next week, or next year. We have our thoughts and opinions but they are overridden by the reality of what is happening now. Our portfolios declined with the rest of the market but weathered the storm a little better with our mix of low volatility funds and a remaining cash position. We made no changes but a few positions would be stopped out on another significant decline. Our defensive utilities holding has done very well and is right at its all time highs. We'll see what next week brings – in the meantime, enjoy your weekend and play outside a bit.