

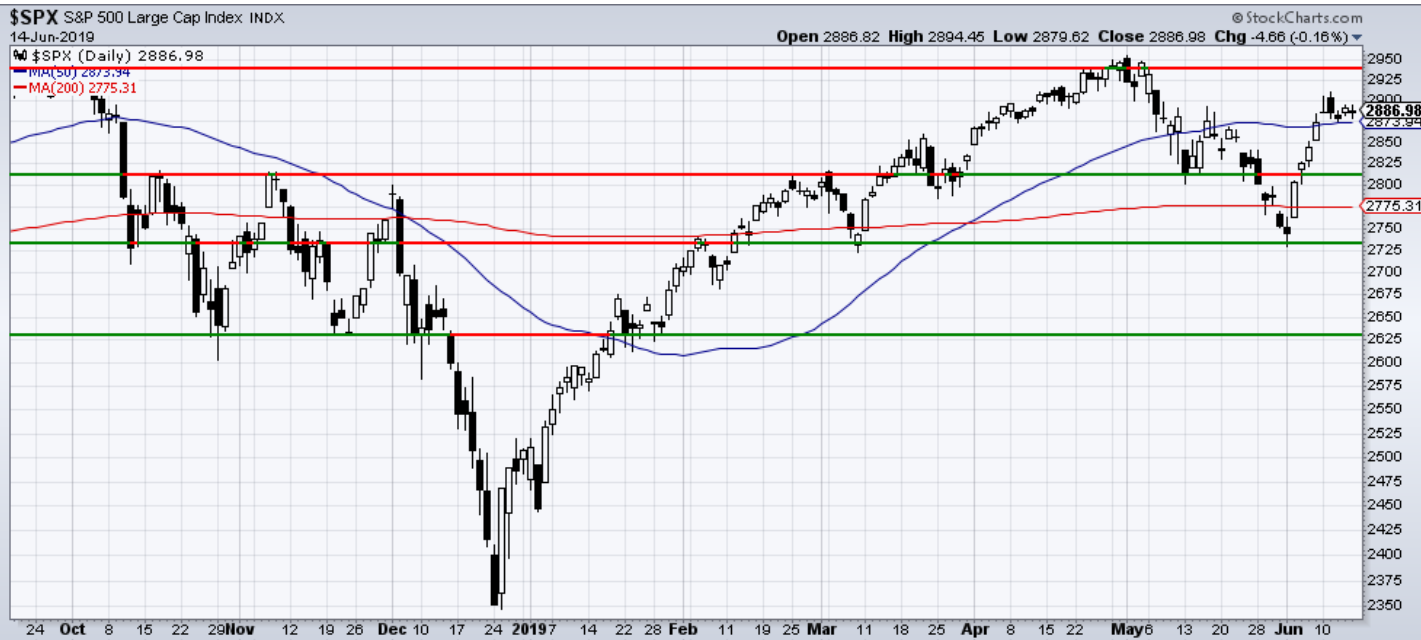
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

JUNE 14, 2019

SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



Our Point

After a hot start to the month of June, the S&P and other major indices have drifted slowly to the upside with modest gains since last Friday. Investors seem to be digesting the interest rate and trade talk headlines. All eyes will be on the Fed next week as they meet Tuesday and Wednesday. With the abrupt shift in interest rate policy, it will be a tough balancing act for Chairman Powell. Remember, only seven months ago, the Fed indicated 2-3 rate hikes in 2019. However, if you look at the bond market, it now looks likely that there could be 2-4 rate cuts before the end of the year! As of this writing, Fed fund futures are pointing to odds of about 20% for a June cut and 80% for a July cut. While we do not know exactly when a rate cut will happen, it seems almost a foregone conclusion that rates will be reduced and that could add fuel to a market that is traditionally weaker over the summer months. Much of the expected interest rate cut is priced into the market already but a surprise in the Fed's stance could shift momentum in either direction quite quickly. We will be closely monitoring what Fed Chairman Powell says for any clues regarding what to expect in terms of policy going forward. From a technical perspective, the market seems to be bound to a trading range for the near future. However, a surprise from the Fed next week or developments on the trade front could lead to outsized moves in either direction. The reduced trading volume over the summer may help to keep the market within this trading range for the foreseeable future. The S&P is bound between resistance around 2950 and support around 2725. A breakout in either direction would be significant and could certainly be the start of the next major leg of the market's run, whether that be up or down. This week many investors have rotated into traditional safe havens such as gold, treasuries, utilities and real estate. Our portfolios have benefited from the rally in utilities and we are maintaining a fair amount of cash to hedge against downside risk but we remain ready to push more money onto the table if the charts indicate we should do so. We hope you enjoy your weekend and celebrate those father's in your life this Sunday.

The contents of the BAM Market Note should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.