BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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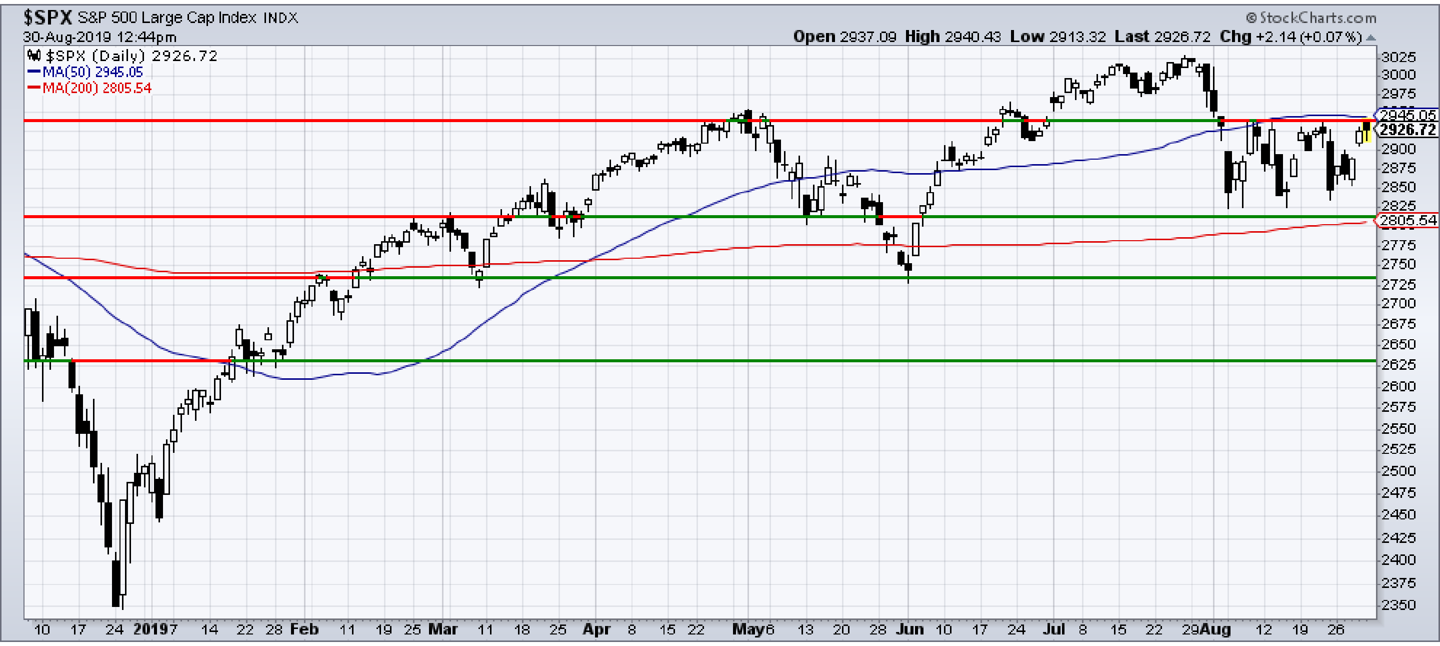
SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



Our Point

For the 5th time this month, the S&P is trying to challenge the upward bounds of the trading range it has been mired in for much of this year. It should be noted that the S&P has also visited the lower bounds some 3 times. With the holiday weekend impending, trading volume is light which could lead to some outsized moves later this afternoon. The markets remain resilient. High yield bonds (one of the best indicators of market health) are trending up and show few signs of the turmoil that has gripped much of the market. HYG hit new highs over the last couple of weeks. Small caps (that thorn in the side) continue to disappoint and flash caution. Mixed signals to be sure. Despite all the talk of recession fears, inverted yield curves, tariff threats, panic on CNBC, etc..., the S&P rests a mere 3% below its highs. Despite all the naysayers, the bull market lives on. That said, the headline nature of the market and the resulting volatility is not something to be ignored. The markets are not out of the woods with September looming. Volatility is likely to continue for a while longer and the trading range is likely to persist. The weekend's events in Hong Kong should be watched carefully. Protests that spin out of control could throw a wrench in the ongoing trade talks. A heavy hand from Beijing would surely produce a tweet or two and this market has sold off hard on prior negative trade news/tweets. However, as we have been saying for weeks, the movements within the trading range are mostly meaningless. When the market makes a break to the upside or downside, we will have a much clearer picture of the next major market move. Until such time, investors would be wise to catch their breath and mostly ignore the volatile yoyo swings. The increased volatility does increase market risk so adjust your holdings to a level of risk you are comfortable with. We made a few portfolio changes this week. Our emerging market debt holding was caught up in the technical bond default in Argentina. We were hopeful that the holding would bounce back quickly but it doesn't appear that way. There are better opportunities and we liquidated those positions. We reallocated some of the cash to precious metals (a hedge to the current volatility) and will look to add additional positions later today or next week. Our portfolios look to finish the month flat to up a little despite the market volatility and decline. There is a little bit of fall in the air and I can almost hear The Pride of the Southland band – It's football time in Tennessee. Have a fantastic weekend.