

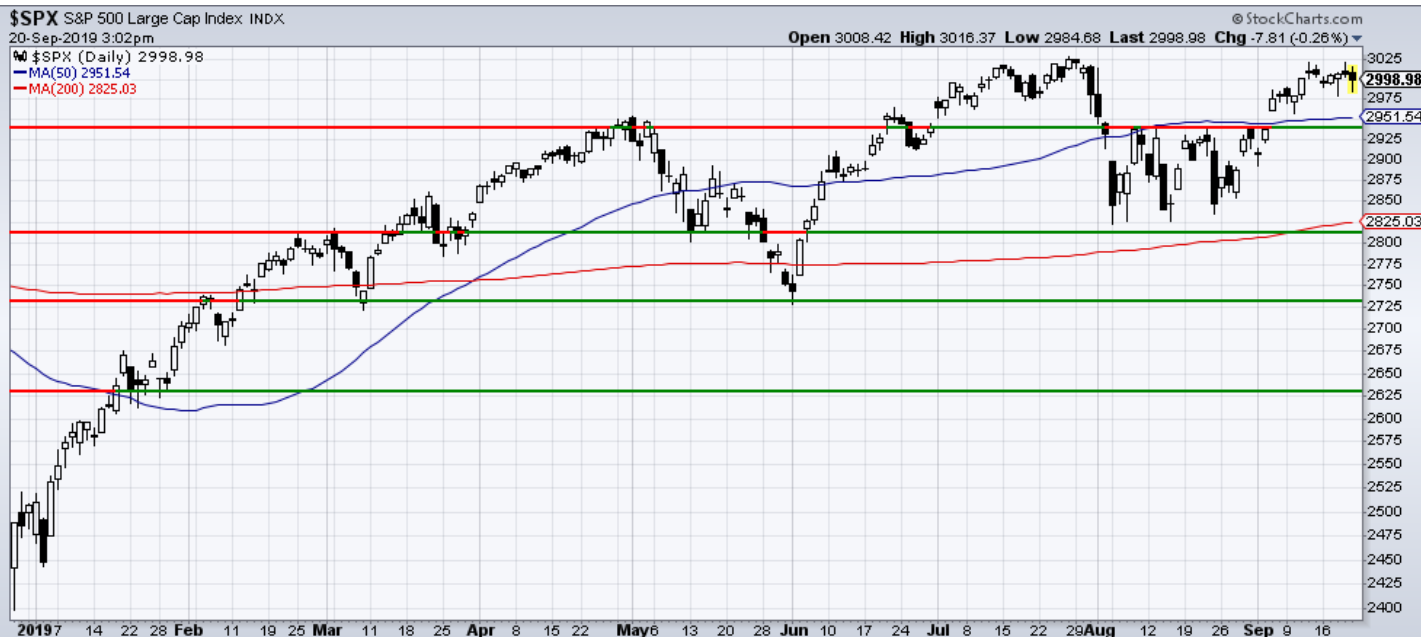
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

SEPTEMBER 20, 2019

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Our Point

It has been a quiet market week. The S&P opened the week at 3007 and looks to finish the week right at the 3000 level. Day to day movements have been mild and a far cry from the volatility we had in August. After touching the highs a couple of times over the last couple of weeks, the S&P has turned down modestly. The index remains less than 1% from the highs at 3025. The sideways market is constructive and is serving to digest the market gains from earlier this month. As largely expected, the Fed reduced interest rates by $\frac{1}{4}$ percent earlier this week. The announcement surprised a few market participants as the probability of a rate cut had drifted down to 60% in the Fed Funds futures. Chairman Powell's press conference didn't produce any surprises (the market does not like surprises) so volatility was kept at a minimum. With the September Fed meeting just passed, eyes have now turned to the October meeting and what the market is hoping/expecting. At this point, the market is fully expecting another $\frac{1}{4}$ basis point cut in October. Obviously, the data between now and then will drive expectations. The major shift that took place last week in various sectors has settled down a little this week. Interest rate sensitive bonds were hit hard last week as rates spiked and money flowed out and into many of the losers for the year. Small caps, which have lagged for much of the year, surged on the inflows. However, this week some of the small cap gains have been given back as the Russell 2000 is down over 1% for the week. Our bond holdings have also started to recover. We are watching them carefully to see if this is a more permanent shift in market sentiment or just a temporary blip in market action. At this point, it appears that the one week shift was transient. We made no portfolio changes this week. The S&P has significant resistance at the highs of the year and significant support at the 2940 level. With earnings season right around the corner, the reported results will largely be the driver of whether or not the market breaks to new highs or heads down to support or below. September's bad reputation has not come to fruition yet but the month is not over so stay alert. Kelly and I will be heading out on a mini-vacation next week to a dude ranch in Colorado. It should be fun and a great getaway for Kelly and I. Carter will be holding down the fort here and Sam in Knoxville. Have a great weekend.