

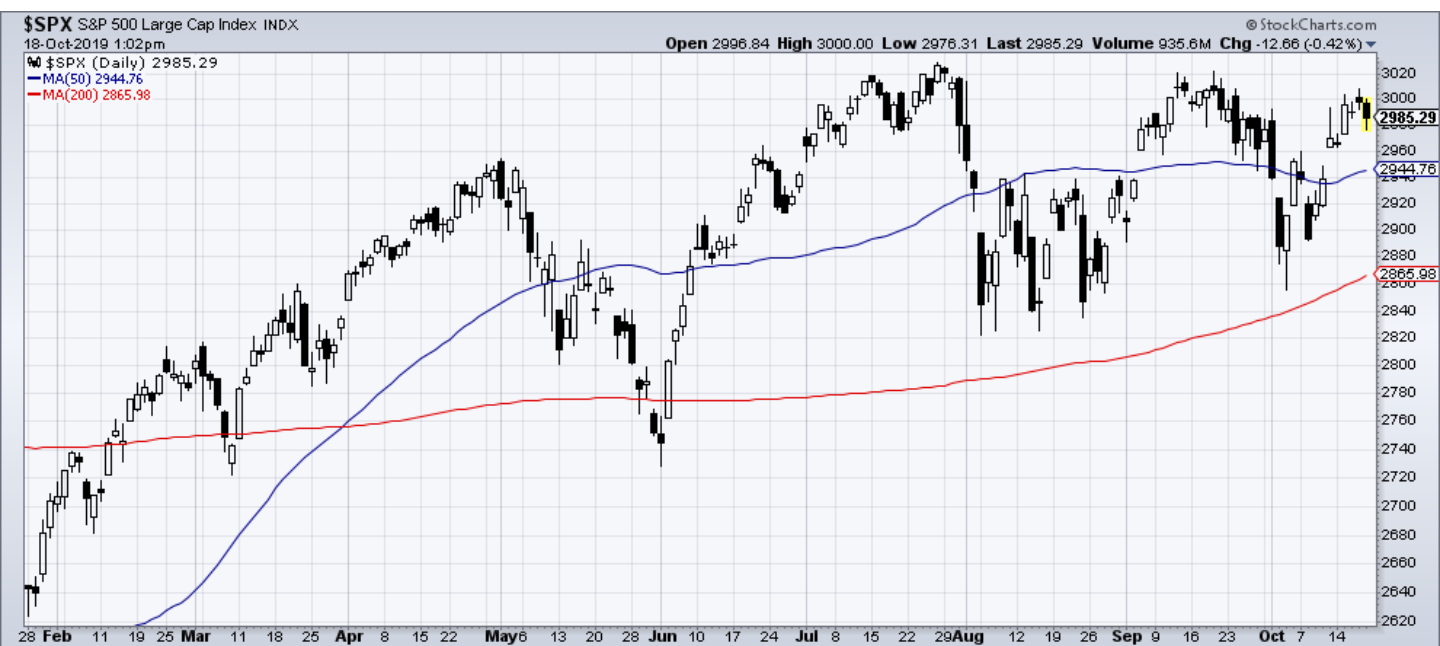
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

The market has been muted this week with small gains in the major indices. At this point, the bulls have received much of what they were wishing for just a few short months ago. The Fed continues to be very accommodative with 2 rate cuts this year and another rate cut a real possibility before the end of the year. Additionally, the Fed is now engaged in “Quantitative Lite.” The new short-term treasury bond buyback strategy is designed to provide more liquidity in the overnight lending space. However, the resulting liquidity will certainly provide a boost of some sort to equity markets. It appears to be the first step towards another round of QE that worked so well for the equity markets in prior years. Will it continue to be a boost or will the Fed’s bloated balance sheet become a greater concern? Bulls have also longed for some resolution of the trade dispute with China. While nothing much has happened, there is an agreement in principle to halt additional tariffs in exchange for China buying more agricultural products. We will have to see if the agreement comes to fruition and if the small agreement leads to a more permanent and substantive one. However, the quelling of tensions is certainly a temporary relief and reason for optimism on Wall Street. Market bulls have received a big part of their 2019 wish list and yet the market is still struggling to push higher beyond the resistance at the prior highs. The pause here begs the question, what will push the market higher from here? The obvious answer is 3rd quarter earnings. Earnings are starting to come in and results have been modestly good. Note that many of the “earnings beats” have been revised forecasts that are making it much easier for companies to show positive earnings. The market is forward looking so expectations of future earnings and company comments are much more important than headline earnings numbers. Not much has changed from last week. All of the major equity indices are within a good day or two of their highs but none have made much headway this week. Small and mid-cap indices continue to be laggards. We have made no changes this week to our portfolios. If the market fails to break through the highs, we are positioned well and will benefit from the resulting flight to more defensive issues. However, should the market move higher from here, we will begin adding more equity positions as we enter the traditionally strong 4th quarter. We should have short-term resolution soon. Have a great weekend. Hoping the Tide doesn’t roll too much.

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