

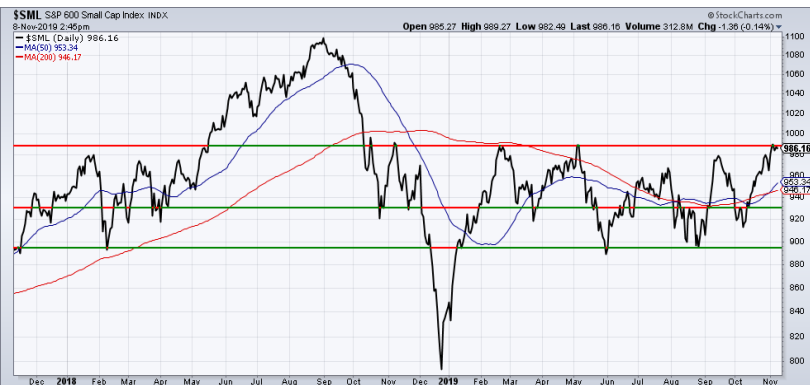
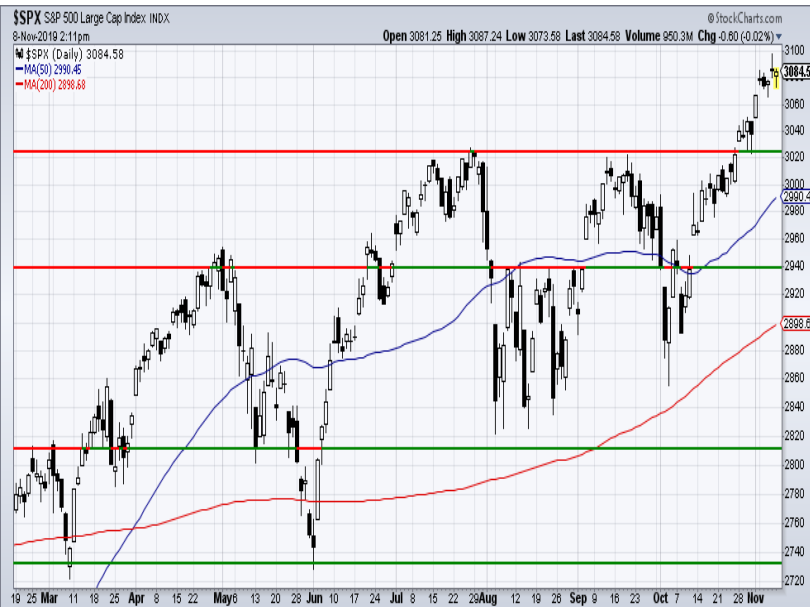
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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The markets have held the break-out from the resistance we have been watching for all of 2019. This week's sideways market has been constructive and is helping to alleviate some of the overbought conditions. It should be noted, however, that the market can remain overbought in a bull market for some time. The S&P is now a little less than 3% above those levels and looks poised to continue the rally through the 4th quarter. That said, there will likely be a few pull-backs along the way. A pull-back of 1-2% from these levels would not be unexpected. Investors should use market corrections to reposition their portfolios to their level of risk tolerance. If the S&P were to correct below the year-long resistance/support at the 3025 level, it would be cause for a re-evaluation. Absent that, any pullback should be a reason to add positions to your comfort level.

As we mentioned last week, small caps looked poised to break out of their long-time resistance as well. While they did briefly break-out earlier this week, they did not hold those levels and remain just below this important resistance. As you can see, the S&P 600 index remains well below their highs from last year. Should the large cap rally continue, small caps could have outsized gains as they try and close the gap with their large cap brethren. We continue to watch this index closely for clues on the overall market and its health.

Our Point

The major indices continue to look like they want to go up through year-end. With earnings season nearing its end, investors will turn their attention back to the Fed, the trade talks, and broad economic measures. Market participants will continue to watch the Fed for any hints of further rate cuts as well as changes to their quasi-quantitative easing that we have discussed over the last few weeks. Trade talks continued with their on-again/off-again nature as China said that an agreement in principle had been reached to rollback tariffs as part of an initial trade agreement. The markets jumped on the news but were soon tempered as the White House indicated that no such rollback had been agreed to. In retrospect, the market moves were modest as it seems that Wall Street has become a little numb to the back and forth. Let's hope so. As we have said, we don't expect any significant agreement until after the 2020 elections, at best. The back and forth will surely continue and another round of tariffs are set to be levied on December 15th. The White House indicated earlier today that they are considering delaying the December tariffs. Despite all of the trade rumblings the market has taken it all in stride and continued its grind upwards. As we indicated last week, we have continued to reposition our portfolios for the 4th quarter. We exchanged a couple of positions this week for new holdings in both the large cap and small cap space. We still have a few positions that we are considering upgrading but will wait and see if a better entry point develops over the next week or two. It is disappointing to start looking towards basketball season in November, but with the Vols and Titans struggling to stay relevant, I am forced to find new dreams. We hope your teams continue to bring you smiles and expectations. In the meantime, I am going to get some leaves up this weekend. Enjoy yours.

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