

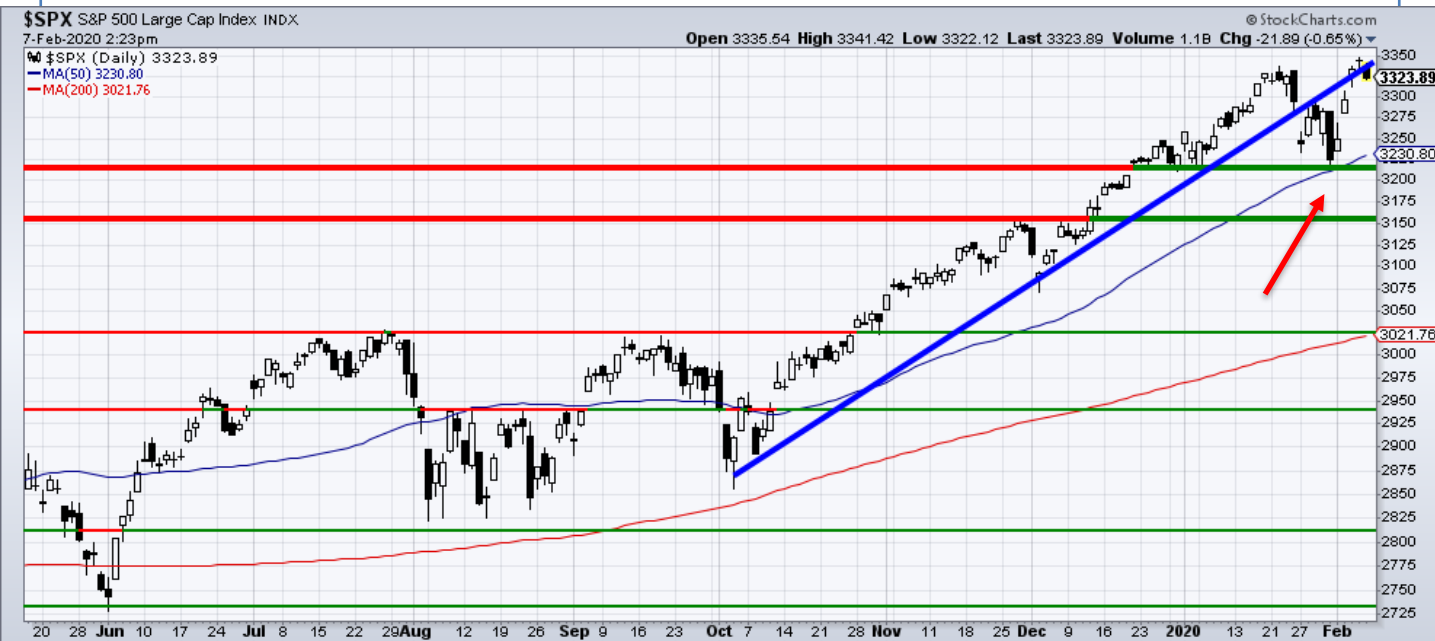
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

After a mild 3% pullback that began in mid-January and carried us through the end of the month, the S&P roared back this week. The late January decline erased all of the S&P gains for the month but February is off to a good start and has recovered the January swoon. The uncertainty surrounding the impeachment of President Trump was put in the rear view mirror (for now) but the coronavirus remains a market concern. While we don't expect the pandemic to have a lasting effect on the markets, a failure to contain and the further spread to more countries would lead to increased market nervousness. With a correction overdue, it would not take much nervousness to lead to additional weakness. The V bottom (marked by the red arrow) has become commonplace over the last several years and may mark the end of the recent decline. Many investors (us included) expected a deeper correction. Despite this morning's blow out monthly jobs report, the market is weak today. It is surprising that weakness followed such a good economic report. Perhaps the market is worried that the positive news would lead to a more hawkish Fed or perhaps the February bounce was more short covering than strength or maybe just some profit taking or ... Many times the rationale for market moves aren't known for days, weeks or months. Rather than spin one's wheels trying to figure out each market move, it is more feasible and more profitable to focus on the longer term trend and watch the prices. The bullish trend remains undeniable. Even so, volatility has increased this week which is sometimes a harbinger of weakness ahead. Though the S&P briefly made new highs this week it remains below the bullish trendline. Many times you don't know the veracity of a new market move until you get the first bout of selling. We are getting that today. Is the late January sell-off the long awaited market correction? Does it have further to run? We will know a bit more next week after we see how the market reacts to today's weakness. In our opinion, the 3% pullback was not enough to work off the excesses of the last few months. We expect the markets to have another sell off in the coming week or two and it is likely to be greater than the recent 3% decline. In any event, we took advantage of the decline to upgrade a few positions and purchased a new holding in large cap stocks. We have a little cash remaining but will wait to see how the market reacts next week before putting it to work. Tennessee weather seems like the market of late. 60's and 70's one day and snow the next. I am excited about the next bull market of consistent Spring weather. Enjoy your football free weekend.