BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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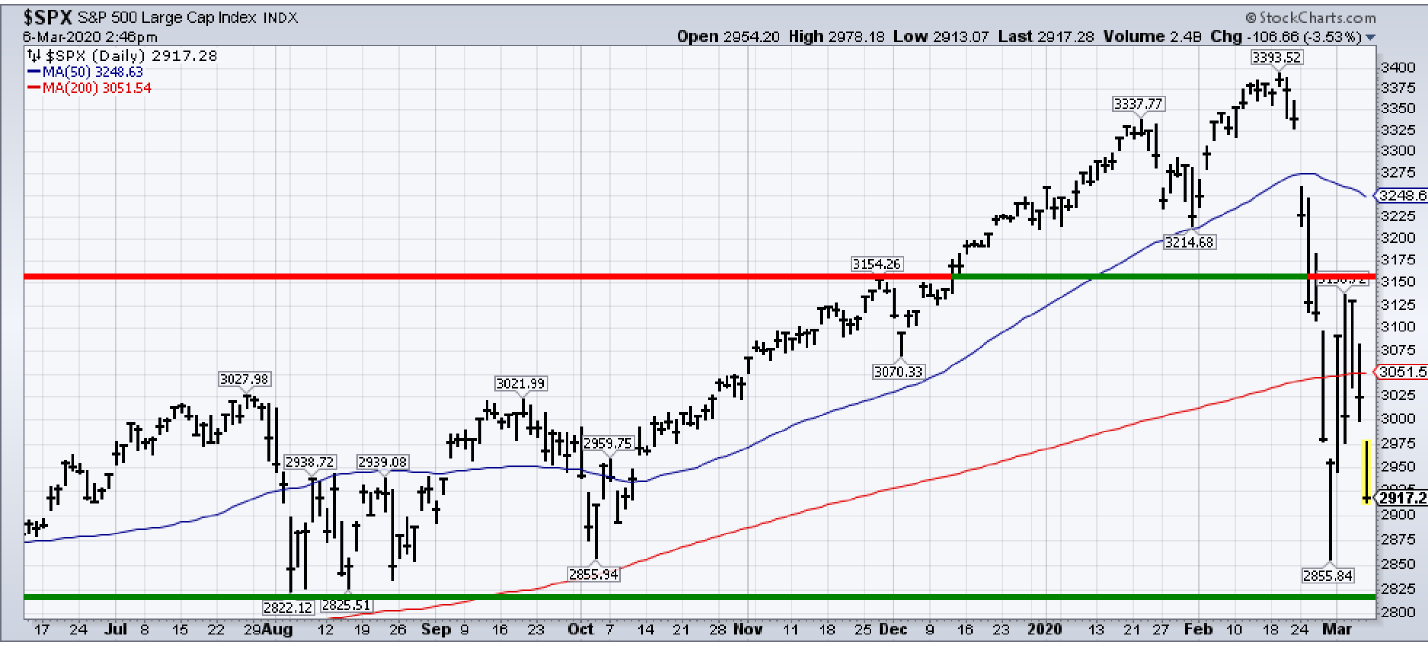

Our Point

As we stated last Friday, "The market will likely stabilize soon and mount an impressive rally over a few days. While it will be tempting to get excited, the damage to the technical underpinnings of the market have been significant. It will likely take weeks before things "return to normal." While we have had a number of "V" bottoms over the last several years, history shows us that a bottom that develops over time with ups and downs and retests of the lows is much more likely – a "W" bottom. We suspect that we are close to a bottom and that we should rally next week." As expected, the market has followed the script so far. It has been a week full of impressive rallies followed by deflating declines. I am showing a little different chart of the S&P this week. This chart shows the high and low for each day with the close indicated by the horizontal line. As if you needed to see it visually, the spread between each days highs and lows has been dramatic! Note the small bars as the market climbed from October to late February. The low volatility rise led to complacency and a wide spread above the 200 day moving average (red line). The 200 day moving average is very important as many investors (professional and otherwise) use the moving average for some of their investing decisions. The decline below the 200 day moving average should not be minimized. The green support bar at the bottom will be key for the market to hold. It marks the lows of last summer as well as the intraday lows that neared support last Friday. A breach below these levels would set up further damage to the downside. To the upside, resistance is now set around the 3150 level. We are likely going to bounce around this level for the next several days. Volatility is here to stay. This is not a market to play in and investors should continue to use rallies to limit exposure to levels that you are comfortable with and that suit your tolerance to risk. It is a risky market. While it remains unlikely that the coronavirus will create widespread death, it has already significantly altered our economy. Each day brings news of its spread and companies that are altering their corporate travel and work environments. As people stay home and factories cut back on production, the ripples will be felt throughout the economy. The travel industry has been decimated and other sectors are sure to follow suit. While today's blow-out jobs report was encouraging, it is backward looking and shows where the economy was last month. Next month's report will be widely watched to determine the effect of the virus on employment. The Fed's surprise interest rate cut (50 basis points) on Tuesday did little to assuage market fears. In fact, it could be argued that the surprise cut raised more questions. What is the Fed seeing that compelled them to act so rashly? In hindsight, the Fed would have been much better served by adding liquidity to the market via balance sheet expansion. Some would argue that the Fed should stand back and let market forces work without interference and save their ammunition for when it is really needed. Despite the violent and sharp decline, the market has only retraced the gains of the last 5 months to this point and has "only" declined 12% - just a tad more than a normal correction (albeit much faster than the usual correction). It is not time to panic but the decline should get your attention and risk has increased markedly. We have continued to lessen our exposure to the market this week on strength and will continue that process. Most investors would be wise to do the same. The tornadoes that roared through Nashville this week were tragic and devastating. The damage done is indescribable and will take months, if not longer, to clean up and restored to something akin to normal. Our thoughts and prayers are with all those that have been affected. Good fortune should not be taken for granted.