

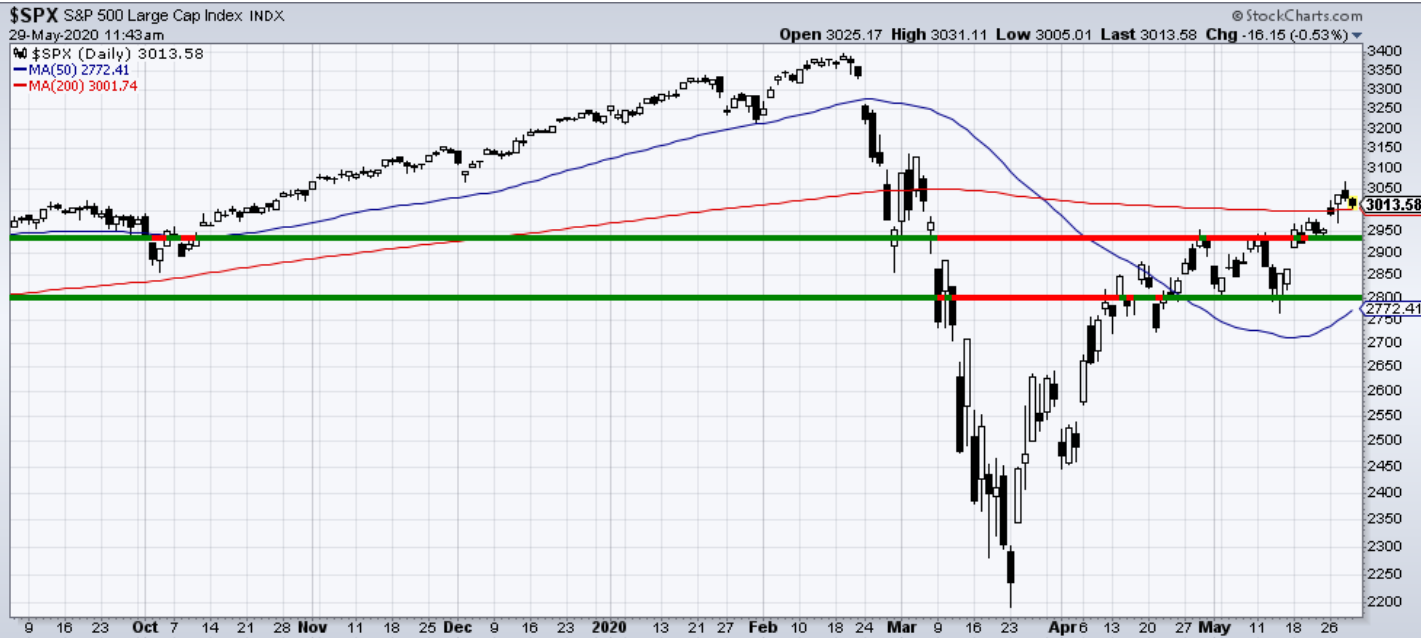
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

It's been another good week for the market. After breaking out of the long-standing trading range last week, the S&P built upon its momentum and took out the 200 day moving average. The 200 day moving average is an important level of support and resistance. Even more so as it hovers around the psychologically important 3000 level for the S&P 500. Bad news has done little to mute the rally. The market is over-bought in the short-term so some level of profit taking would not be surprising. The bulls will be trying to hold support at the 200 day moving average but the bigger test will come at the top of the trading range around the 2940-2950 area. Failure to hold these levels would bring the trading range back into play and the recent strength would be deemed a false break-out. President Trump's expected statements sometime today on the recent developments surrounding Hong Kong could move the market significantly. China's move to pull Hong Kong under its governmental structure threatens the economic and political freedom that Hong Kong has enjoyed since 1984. The tensions are significant as Hong Kong has become an important financial and economic hub for the Eastern World. If the China/US tensions result in new tariffs or a scrapping of the recent phase 1 trade deal, markets would head down quickly. There has been significant rotation in the markets over the last 2 weeks. Technology and other growth shares, which have been the stalwarts in the recovery from the March bottom, have taken a back seat to other areas of the market. Defensive and value stocks have surged of late. Financials have also joined the party after being laggards over the last 2 months. Small caps have also strengthened a bit. It is too early to know if the shift is the start of a new market dynamic or just a pause for the prior market leaders and catch up for the market stragglers. Regardless, it is something to watch over the next few weeks. While the disconnect between the market and the economy remains, there is no denying the strength of the rally. There are green shoots everywhere with a decline in virus deaths and the successful re-openings across the country. There remains a number of uncertainties, however. It looks like a return to some degree of normalcy is imminent but the devastation of the shut-down remains uncertain. How long will it take people to feel comfortable resuming their activities? Will businesses survive the wait for the return? Will the virus return in the fall? When will a vaccine be widely available? To add to the questions that have been apparent over the last several weeks, the increased tensions with China are a new significant unknown. The Fed's unprecedented (yes that term is overused but truly applies here) support of the markets, is a large reason the markets have been able to rally over the last two months. Don't fight the Fed certainly applies. We'll see what consequences the Fed actions have over the coming months and years. We made no changes to our portfolios this week and remain invested in a number of low volatility bond and income funds with a small allocation to gold and equities. The portfolios have performed well and the risk-adjusted returns have been excellent. Thank you for your trust in these continuing uncertain times. Have a good weekend and venture out safely and carefully.

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