BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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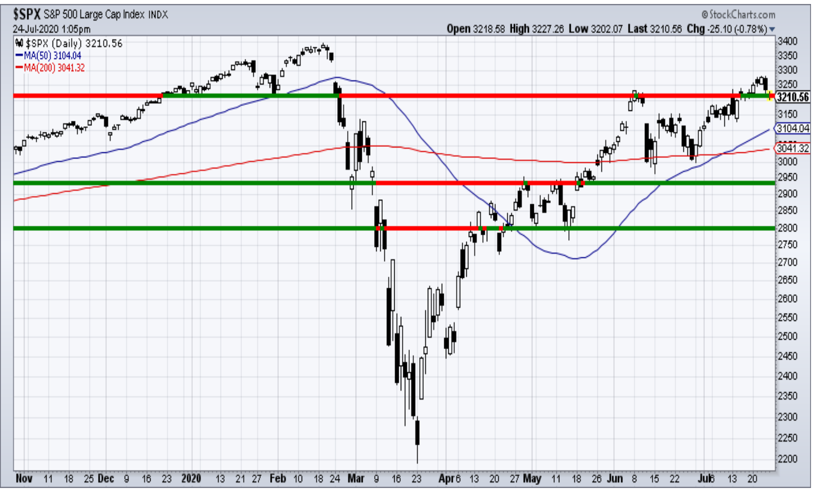

After breaking out of the trading range on Monday and continuing up on Tuesday and Wednesday, the S&P has turned back down are is right where we closed last Friday. The question now is whether or not we have a break-out of the trading range or just a fake out. The bulls and bears alike are at a key level today. The S&P sits right at the top of the trading range we have been monitoring for the last few weeks. Strength later today or early next week would signal that the break out was real. However, weakness from here, would push us back in the trading range with a decline back into the range likely. August has a history of being a difficult month for the market so the bears appear to have the upper hand.

Gold continues to sparkle. The yellow metal has taken off over the last few weeks and is nearing its all-time highs. The all time high will be significant resistance and lays a little over 1% from current levels. While we are not adding to our gold position at these levels, we are likely to add to our holdings on any pull-backs. We are bullish on gold for a number of reasons and believe that new highs will be set in the coming weeks/months. With the continued uncertainty in the markets, gold provides a reasonable hedge for the unexpected.

Our Point

A strong start to the week has turned south with the S&P currently trading just below last Friday's close. While the S&P is mostly unchanged, the NASDAQ has taken the brunt of the selling. Technology shares have been leading the rally since late March and were due for a pull-back and a consolidation of their gains. If you have large gains in this space, it may be time to book some profits. Nobody ever lost money selling for a profit. Earnings have continued to disappoint but investors are looking past the current quarter to forecasts (to the extent that companies make them) of future quarters. Much of the optimism relies on a vaccine in the near future and no further setbacks on the virus front. From a psychological standpoint the successful return of live sports will do much for the psyche of the country. On the flip side, should any of the major sports stumble or delay, fear could creep back into the markets. Congress looks to add another trillion (funny how small a trillion sounds of late) in stimulus over the coming weeks. The markets have largely priced that in so the risk is now that Congress fails to act. The boon of $600 extra per week in unemployment benefits is set to expire on July 31st. There have been discussions to extend some or all of the extra benefits. An end or reduction to the program could impact the markets. As has been the rule over the last few months, there are many moving pieces to consider. "Experts" claim to know where the market is headed. However, we believe that predicting the future moves of the market sets one up for much disappointment. Instead, we will follow the charts. The markets remain in an uptrend and we continue to be fully invested in our collection of low volatility funds, gold and a few equities. They continue to serve us well. We made no changes over the last week but, as always, stand ready to adjust our holdings should market conditions warrant. I will be out of the office next Friday so, absent any market surprises, will be skipping this note. Enjoy the heat and your weekend.