

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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The S&P continued to make headway this week though at a much slower pace. As of this writing, the important index is up .5% for the week and sits right at his highs of earlier this year. In fact, the index closed above those highs on Tuesday. Resistance at this level remains strong, to this point, and it will take another push by the bulls to eclipse these levels and maintain them. A break to 3400 would not be surprising; but holding those levels will be more challenging. The traditional summer weakness has not materialized this year. Thus far, the “sell in May” crowd has been very disappointed. The bears still have time to make their mark, but market participants remain resolute in not only keeping their gains but adding to them!



We have written about the increasing narrowness of the rally over the last few weeks. To further illustrate declining market breadth, the NYSE Advance Decline line is presented to the left. The chart illustrates the number of issues going up less the number of issues going down on a daily basis. As you can see, this measurement often follows the direction of the market. That makes sense logically. If more issues are advancing rather than declining, then it is at least a reasonable assumption that the market should be going up. However, when the market continues to go up while the indicator turns down (as is the current case), it is a sign that fewer and fewer companies are participating in the ongoing rally. The divergence is worth watching.

Our Point

The market looked to be turned back at resistance yesterday with some weakness intraday. However, by the close, investors had returned to the markets and had it finishing in the black. It has been a similar story this morning. Weakness in the futures quickly evaporated as buyers stepped in at the open. There just aren't many sellers in the current environment. Despite the apparent calm in the market, we continue to believe that risk is ever-present and elevated. At these extended levels, it would not take much of a decline to get the attention of those that have ridden this market higher. Earnings season is on the downward slope. Dismal results by a number of companies reporting did little to sway the market bulls. Democrats took center stage this week with Republicans on tap next week. It is incredibly strange to see virtual conventions and will be interesting to see if either party gets the traditional post-convention bumps. With the conventions over next week, the real campaign for the White House will start in earnest. As the election gets closer and closer, market participants will pay more and more attention to polls and prognosticators – Vegas odds too. Volatility is sure to increase. There are striking differences and approaches to the economy in the party platforms that will create winners and losers. Down ballot races and control of the House and Senate will also play into the volatility. It will certainly be an interesting next 2 ½ months! We made no changes to our portfolios this week and continue to enjoy the ride upward. I celebrated another birthday this week (the older you get the less you take them for granted!). Just glad to be here and glad to enjoy another Tennessee weekend with the hopes of football laden weekends soon. Enjoy yours and stay healthy and safe.

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