

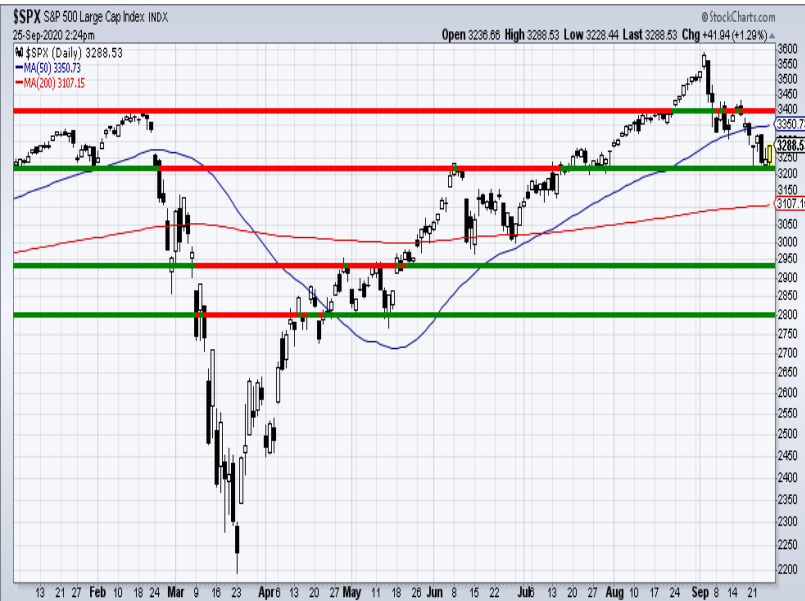
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Absent a huge rally into the close today, the S&P will extend its run of consecutive down weeks to 4. After a stellar August, the markets have given back all of the August gains. It is a painful reminder that markets can both go up and down. While a disregard of risk ruled for the last few months, September is worth remembering for the lessons we can learn. While there are many, first among them is that complacency has no place in a successful investor's portfolio. A close second would be that losing money is no fun! Is the correction over? Perhaps. The S&P successfully tested the lower band of the trading range 4 times over the last 5 trading sessions. Each time the index came down to support, buyers stepped in and the index closed above support. That is a positive development, and it is very encouraging to see the bulls putting up a fight. The S&P declined over 10% at its lowest which was right at support.

One clue to the market's next big move may come from the dollar. While the dollar is not always instructive on the movement of the stock market, it can provide some clues. Over the last several months, the market's decline was accompanied by a steadily weakening dollar. However, as the dollar strengthened over the last month, the market has declined. The dollar is currently overbought and due for a pullback. With the markets near support, a weakening dollar could provide the impetus for the market to rally back up to resistance at the top of the range and maybe beyond.

Our Point

Weakness has persisted this week and the intraday volatility has increased significantly. Clearly the market is trying to find its direction and is being pulled by bulls and bears alike. Election rhetoric and the potential for a contested election have not helped the volatility. The impending Supreme Court battle and the upcoming debates are sure to further rhetoric and controversy. October could easily continue the volatility that we have witnessed over the last several weeks. No time for complacency or sitting on your hands. Investors should continue to adjust their portfolios to their level of risk. A good buying opportunity may come out of the current weakness, but we aren't ready to sound the all clear just yet. The recent dollar strength has been a negative for the market and even more so for our position in gold. The yellow metal has been weak for the last couple of weeks and is nearing a sell signal. We still have significant gains in our position but don't want to give it all back. The movement of the dollar will determine where gold goes from here. With the dollar overbought and gold oversold, a bounce in gold is likely over the coming days. We will be watching that position closely. Our remaining holdings have held up extremely well during the course of the September fall. With the markets down 7 - 10% (depending on the index), our portfolios are only down .5 - 1.5%. While there are no good losses, declines are a fact of life in investing. The key is in limiting them to manageable levels. We have done that and are very happy with how our portfolios have handled the recent weakness. We made no changes to our holdings this week. We continue to monitor each holding and will make changes as the market dictates. Though we remain long-term bullish on gold, further weakness will likely stop us out of this position. We are watching a number of market indicators and will respond accordingly. For the first time in a long time, both the Vols and Titans are undefeated after 2 weeks of football – certainly helps that the Vols haven't played yet. Hopefully, I can say the same after 3 weeks. It will be a fun weekend of SEC football, Vols and Titans. Stay healthy and safe and enjoy yours wherever it finds you.

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