

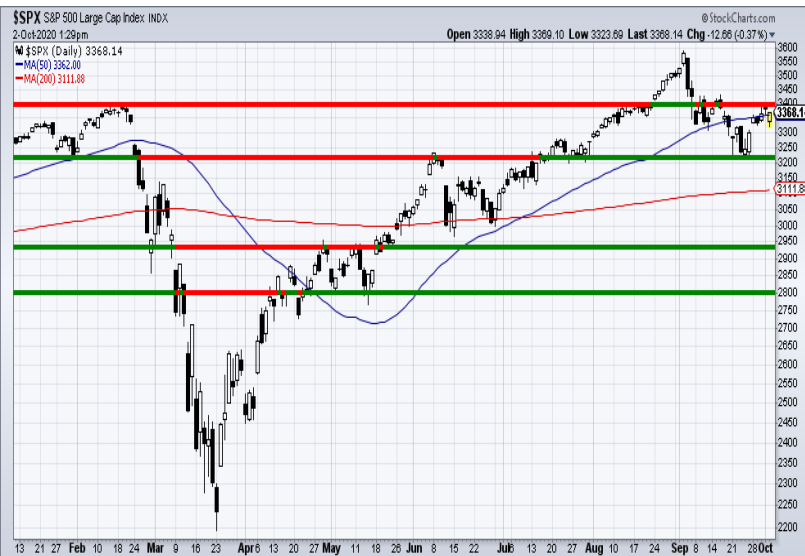
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

OCTOBER 2, 2020

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After testing the bottom of the range last week, the S&P tested the top of the range this week. As we have discussed in prior notes, the movements between the upper and lower levels of the range are largely irrelevant. The S&P is now at the 50-day moving average and struggling to stay above it. The news overnight about the President testing positive for COVID initially resulted in a significant sell-off but the markets are well off their lows. October has a reputation for volatility so this year will probably not be an exception. With the election and all things COVID (resurgence, shutdowns, vaccine, etc...), October could be a scary month even without trick or treaters. Remain vigilant and cautious. Opportunity will come out of any weakness but now is not the time to get aggressive.



We talked about the dollar last week and right on cue, the markets rallied as the dollar weakened. Gold has also rallied with the market and the dollar weakness. We'll continue to watch this important chart for clues on the near-term direction of gold and the markets in general. A break below the indicated support could provide the impetus for the S&P to rise back up through its upper level of resistance in the 3400 area – shown above.

## Our Point

2020 continues to deliver the unusual. The early October surprise is a break-out of the virus in the White House. With both the President and First Lady infected as well as a few advisors and at least one Senator, the development throws an already chaotic election process into more disorder and unknowns. Regardless of your political persuasion, I hope we can all hope for a quick recovery by those in power for the good of the country and our national security. The overnight news roiled the markets with the Dow futures down over 600 points this morning. However, the markets have recovered much of the losses and the Dow is now trying to turn positive for the day. The tech laden Nasdaq and the large cap S&P are off of their lows but have not recovered as much of their losses. After 4 weeks of declines, the S&P is on track to finish in the green this week with gains around 2% as of this writing. Today's volatility is likely a harbinger of things to come during this historically volatile month. This morning's jobs report disappointed as the pace of recovery slowed. And, yet, the market rallied. It is a strange market indeed. Congress continues to try and hammer out another stimulus bill but politics on both sides are hindering any real progress in getting the people the relief that they need. It is a sad state. It is increasingly likely that any significant deal will not be done until after the election (or beyond, if the results are contested or unclear). It is often said that the market climbs a wall of worry – well this is one heck of a wall to climb. Investors should hold what they have until the markets break out (one way or the other) of the current trading range. We made no changes to our portfolio this week but have developed a short list of names we want to buy on weakness or strength that takes us above the top end of the range. Our portfolios continue to perform as expected with a nice upward trend line despite market conditions. The Titans finally got the national recognition we have been begging for over the last few years. Unfortunately, it was for their Coronavirus outbreak and not their performance on the field. Nevertheless, they stand at 3-0 and will remain undefeated at least for another week. Bundle up this weekend and enjoy the first vestiges of Fall.

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