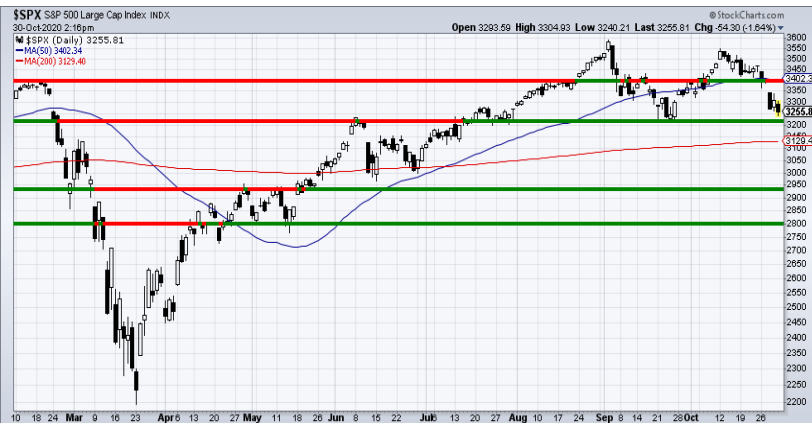


# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

OCTOBER 30, 2020

SAM BILLS (865) 525-1329  
BO BILLS (615) 371-5928



The support we have been watching at the 3400 level gave way this week and the S&P has 3200 in its sights. We are now back in the trading range that the S&P has bounced around in a few times since May. 3200 will need to hold on the downside or a much more significant decline will be in store. The current decline is now in its 3<sup>rd</sup> week and has shed nearly 8% since October 12<sup>th</sup>. As we mentioned last week, the risk to the downside was much greater than any upside potential. That has proven prescient as the markets now look like they will revisit support at 3200. Watch this level carefully and remain cautious.

We have discussed the VIX a number of times in these pages. It is currently spiking and at levels not seen since the quick 12% market decline in June. VIX levels above 30 and rising are an indication of increasing investor fear. While that does not mean the market is going to continue to fall, it does mean that there is a greater chance of an outsized downward move. Investors would be well-served to wait until the VIX stabilizes and begins to turn down before putting new capital in the market.

## Our Point

The early October rally has given way to selling for the remainder of the month. As of this writing, the S&P looks to finish the month down over 3%. The gains for the year are all but gone. The re-emergence of Covid shutdowns across Europe have raised the specter of new shutdowns in the U.S. With rising Covid infections in a number of U.S. cities, a shutdown is not out of the question though it is unlikely that we will have the draconian closures that we saw in the early stages of the pandemic. As if Covid wasn't enough for the markets to deal with, we also have the election next Tuesday! I, for one, will be very glad to see November 3<sup>rd</sup> come and go. Hopefully, we will know our next President on the 3<sup>rd</sup> or soon thereafter. In the current environment, prolonged uncertainty will definitely cause increasing market jitters and a sell-off below the support mentioned above. Several tech leaders reported excellent earnings last night. However, the market was in no mood for positive results and the selling has continued all day today. We suspect that earnings and economic measures will continue to take a back-seat to Covid and the election until some of those uncertainties are settled. Despite the current weakness and uncertainty, we remain optimistic after we get through the next few weeks. The market is setting up for a strong end to the year. The market decline should create a very good buying opportunity for those that don't ride the market down and have capital to buy positions at lower prices once the dust settles. We are continuing to develop our buy list and you should be too. Our low volatility portfolio has declined a little but has held up very well to this point. Should that change, we will make alterations to our portfolios. However, to this point, we remain comfortable with our holdings and made no changes this week. Each of our portfolios are unchanged for the month and have healthy gains for the year to date. We started a tradition years ago where we hosted a Halloween party for our kids and their friends. Traditions are hard to abandon and so tomorrow night we will once again host a Halloween party for our (now adult) kids and their friends. We now have kids of our kid's friends in attendance! It is always fun but will surely be a little different this year with social distancing, candy delivery systems and more outdoor activities. 2020 continues to be a year for the ages! Have a safe and enjoyable weekend with family and friends and more treats than tricks.