

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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I added a new support/resistance line to our ongoing S&P chart this week. The top bar represents resistance at the September highs. As you can see, the S&P took a run at the highs on Monday with news of the efficacy and availability of the new Covid vaccine. The initial thrust of the market took the index far above resistance. However, some late Monday profit taking brought the S&P back below resistance. The market has had some volatility since Monday with alternating big up and down days. Today we are up. With the possibility of new stimulus, an effective vaccine, a Fed that reiterated its accommodative stance and an historically strong market period on the horizon, there is reason to believe that the September highs will be taken out in short order.

This week has been a very unusual week. Monday's market action looked good on the surface but below the surface is some reason for concern. The market leaders on Monday (and throughout the week) have been those sectors that lagged significantly over the last 9 months. Energy, financials, and the beaten down travel stocks all surged with the vaccine news. Tech and other stocks that have benefited from the shutdowns all tumbled. The Nasdaq has led this market for several months but that may be changing. The relative strength relationship between the Nasdaq and S&P clearly shows tech leadership waning. We will have to see if this continues and where new leadership comes from.

Our Point

The good vaccine news on Monday led to a surge in the markets. Well... at least most of the markets. Strangely, the tech laden Nasdaq sold off on Monday ending the day down over 2%. The rest of the market was off to the races. Delta and American Airlines were up 17% and 15% on Monday while the likes of Amazon, Apple, Netflix, Microsoft and other tech leaders were down significantly. The losers of yesterday became the winners of today and vice versa. It was a dramatic shift as investors started to look to the end of the pandemic. The celebration might be short lived. Despite the fantastic vaccine news, there is still some time before it is widely available. In the meantime, it appears that many states are in the throes of a second wave. The dreaded "lockdown" word has been uttered several times this week by several prominent state and federal leaders. Another shutdown would do untold damage to the economy and the psyche of the American people. Not to mention the other ill health results of a shutdown. Hopefully, the virus surge can be managed without another meaningful shutdown. The markets have begun digesting the election results and vaccine news. It may take another week or two for trends to play out and market leaders to emerge as the vaccine news changes many things. We continue to expect a rally into year-end but also believe that we could see some weakness before renewed strength. The markets are currently a little on the frothy side so some back and forth and some weakness next week would not be unexpected. Available capital should be put to use on any weakness. While we are fully invested, we will look to upgrade some of our holdings on any weakness and we could see a significant shift in our portfolios in the coming weeks. We are continually looking to alter our portfolios to adapt to changing market conditions. There is the potential for a major shift in market leaders with the vaccine and election results, so we are on high alert. Our portfolios continue to perform well in both up and down markets. Two weeks until Thanksgiving and only 42 shopping days until Christmas! 2020 has in many ways flown by and in other ways has gone at a snail's pace. We hope your weekend flies by filled with many fun activities.

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