

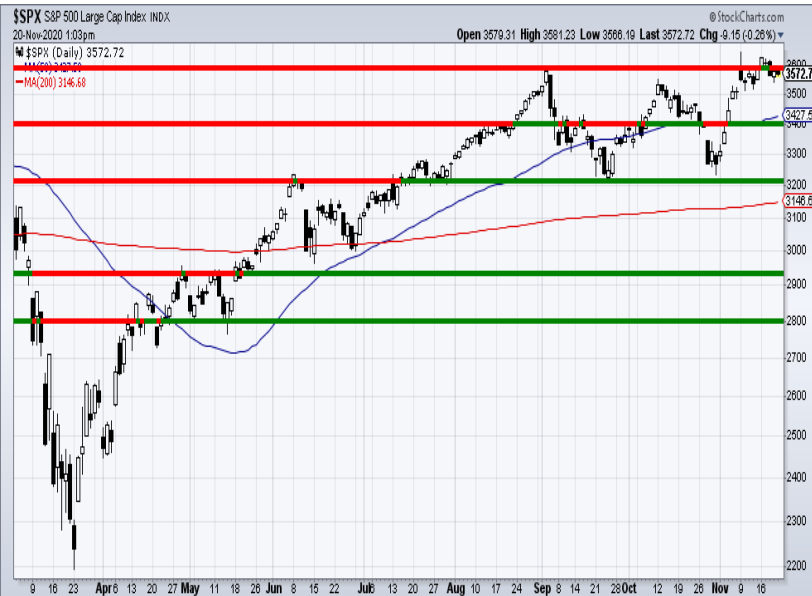
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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In a replay of last week, the markets jumped on news of another successful vaccine but then pulled back a little. For the week, the market is mostly sideways with the S&P showing a small loss of .34% as of this writing. The index is trading water right at support/resistance at the 3570-3600 levels. Both bulls and bears have good arguments for whether or not this level holds. The bulls would argue that with the election behind us and the strong part of the year coming, a break-out is coming soon. The bears would argue that the market is overbought and with virus cases surging, that a break down is on the horizon. Not to be politically correct, but we probably have one foot in either camp. Some short-term weakness with a rally to end the year would be our best guess. Investing with guesses is never a good thing and why we just follow the charts. Watch this important support/resistance before making any big changes to your portfolio.

The rotation we spoke of last week is continuing to play out. Large caps (specifically, the mega caps) that have led this market all year have taken a back seat to specific sectors and, more broadly, small caps. You can clearly see the rotation in the relative performance chart. Small caps have been a relative star over the last two weeks. This is a positive development as small caps often lead new bull market advances. Small caps should be considered for new equity positions once the current consolidation plays out.

Our Point

More vaccine news led to renewed strength early in the week. The markets are digesting the news and have pulled back to just below significant support. Some continued consolidation or weakness would not be unexpected next week. While the vaccine news is very welcome and a testament to our medical community, the availability and distribution of the vaccine will take months. In the meantime, virus cases are surging, and lockdowns continue to be called for and implemented in some areas. The rotation out of pandemic related stocks could soon reverse again as we adjust to another virus wave. The potential for further lockdowns may prompt Congress to act on another round of stimulus in the coming days. Talks are continuing but there remains a significant gap between Democrats and Republicans. Another relief bill is likely and just a matter of timing. Prior relief bills have been met with market strength and there is no reason to believe that any forthcoming bill would be met any differently. Wall Street loves liquidity and Washington spending! The likelihood of a new stimulus bill and the seasonally strong calendar months leads us to believe that we will finish the year at or above current levels. Aggressive investors may want to ease into more equities while conservative investors would be wise to wait. A pullback into the trading range above would provide a good entry point for all investors to become a little more aggressive. We made no changes in our portfolios this week but will likely make several adjustments on any weakness. Similarly, if the markets break to the upside from here, we will likely become a little more aggressive. Until we get a bit more clarity, we are content to hold what we have and wait for the next opportune buying opportunity. Our portfolios continue to generate excellent risk adjusted returns. Next week will be a shortened holiday week with Thanksgiving on Thursday. Trading volumes will be light which could lead to some volatility. With the Thanksgiving holiday, absent any significant market moves, we will not publish this note next Friday. While 2020 has been a crazy year, we still count our blessings. We hope your Thanksgiving is filled with turkey, dressing, and socially distanced family. Thank you for trusting us with your financial well-being.