Bills Asset Management

BAM MARKET NOTE

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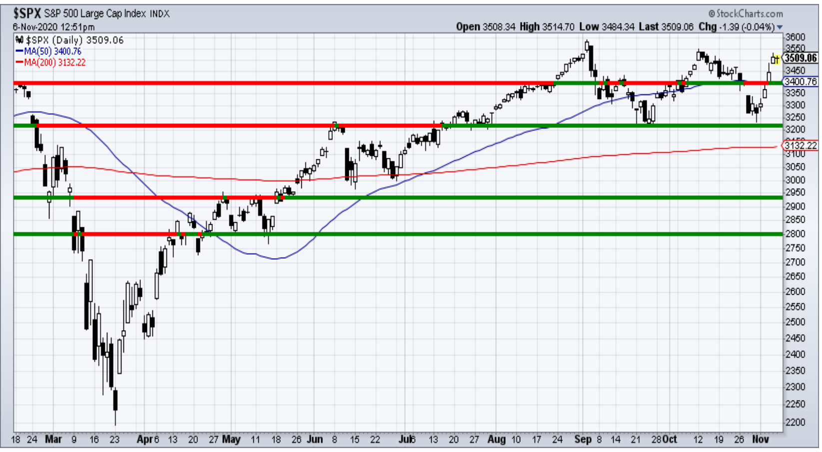

To the surprise of many, the markets rallied this week heading into the election and have yet to catch their breath. Many that expected a market crash in the midst of election chaos have missed out on the recent move. After touching the bottom of the trading range last Friday, the market has moved rapidly to the upside and is now back above the top of the trading range. We are optimistic heading into the latter part of the year but do think there will be some volatility over the next few weeks as the election dust settles. Some pullback in the markets should be expected in the coming days. As long as it holds above the 3400 level, any pullback should be viewed as a buying opportunity.

We have been following the VIX over the last several weeks and warned investors that an elevated VIX would make investing difficult. The pre-election market jitters gave way this week and the VIX has rapidly declined back into more favorable territory. As long as the VIX remains below 30, investors should consider adding more risk into their portfolios going into the traditionally strong months of the year.

Our Point

Despite many fears and doomsday predictions, the sun came up on November 4th. However, nobody seems particularly thrilled with the results. While the Democrats are all but certain to take the White House, they lost many seats across the country, lost seats in the House and appear to have failed to win a majority in the Senate. On the flip side, Republicans look to lose the White House, but gain seats in the House and throughout the country and will likely maintain a slight majority in the Senate. Nobody appears to be happy with the results! Democrats were hoping for a resounding repudiation of Trump which they didn't get and Republicans were hoping for a surprise victory which is very unlikely at this point. Certainly the pollsters are unhappy too as they failed miserably. Wall Street, however, seems downright giddy! As we have discussed for the last several weeks, Wall Street cared less about who was in the White House than they did about who wielded power. With an apparent split government, the markets are relieved that no one party will make decisions without some checks and balances. The Senate race(s) in Georgia will take center stage as it could tip the balance of power should the Democratic candidate(s) prevail. As of now, it looks like both Senate races will have run-off elections on January 5th and, what could well be, record money spent in a state election. The markets will be watching those races closely and there could be increased nervousness and volatility as we get closer to January. The Presidential election will drag on for a while longer as legal challenges are addressed, and recounts are done. At this point, there is little reason to believe that any results will be overturned but the process needs to unfold and concerns (some legitimate, others not) addressed. Democracies are not always pretty but the process eventually works. With much of the election uncertainty behind us, the markets are breathing a sigh of relief and are already looking at new stimulus and adjusting to what a muted Biden administration will look like. Regardless of who won the White House, there were always going to be winners and losers. We will begin to see those trends emerge over the coming weeks. We made no changes to our portfolios coming into the election but will likely make some changes over the coming week or two as new trends become apparent. Our portfolios continue to perform admirably and as expected. It looks to be another glorious weekend in Tennessee and time to get up some leaves. Regardless of whether or not your candidate won on Tuesday, I hope your team wins on Saturday or Sunday (Arkansas and Chicago excepted).