

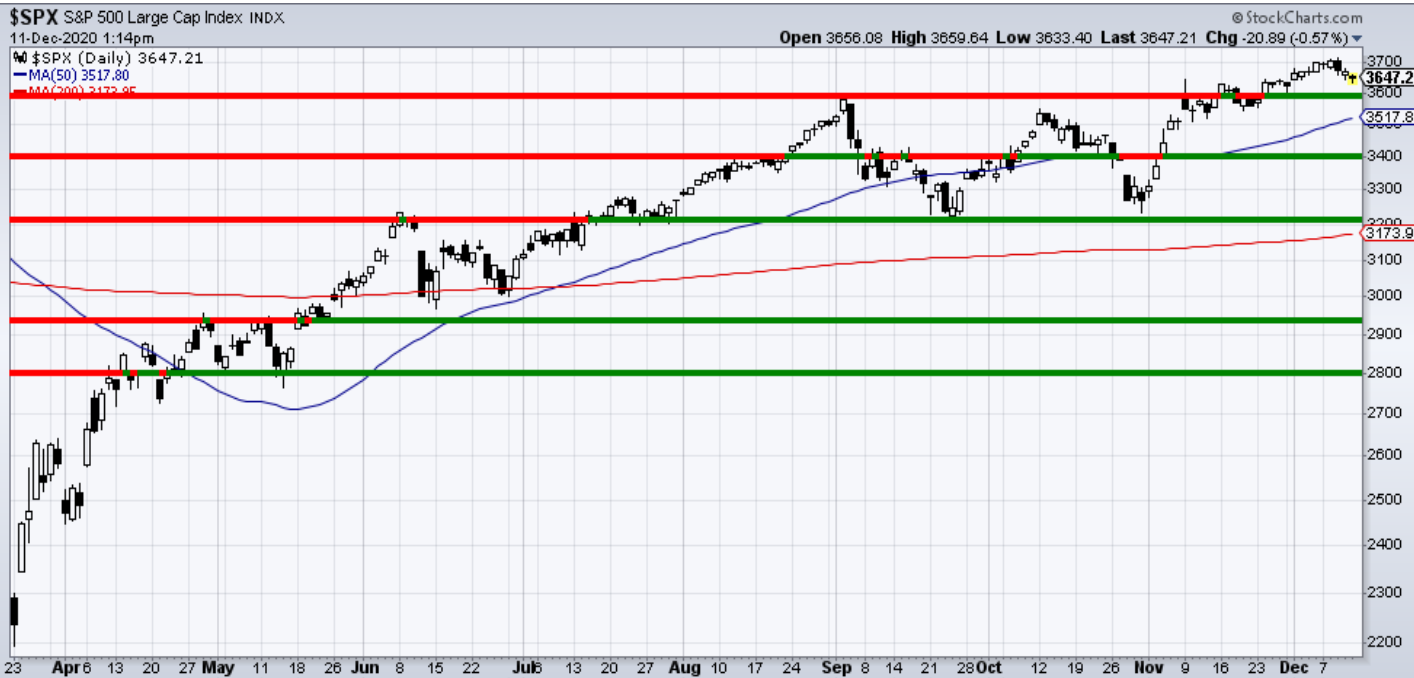
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

As we mentioned last week, a small pullback in the markets was to be expected. We got a small dose of weakness this week with the S&P down around 1.5% this week. The area around 3600 for the S&P remains key support and a likely spot for the market to test. 3600 is about 1.3% from current levels and would mark a 3% pullback for the large cap index. Considering the run the market has had, a 3% correction is very modest. However, all indications are that support will hold at 3600 and we are likely to rally into year-end. The traditional Santa Claus rally takes place over the last 5 days of the year and the first two in January. With the large rally in November, it is not unreasonable to ask if Santa came early this year. Perhaps he did – would you expect anything else from 2020? However, we do believe that the market still has a bit more gains between here and early 2021. The on and off stimulus talks are currently off but that can change quickly as political maneuvering continues. There remains the chance for a government shutdown at midnight tonight, but it is likely that any shutdown would be short-lived and would pave the way for a resumption of stimulus talks and hopefully an agreement next week before Congress breaks for the holidays. Certainly, that is what the markets are expecting so a prolonged shutdown or a failure on the stimulus front would create a great deal of volatility. Risk on assets remain in favor as small caps and technology shares continue to outperform the broader market. High yields are also confirming the strength of the market and remain well above their 50-day moving average. The markets saw two high-profile IPOs this week as Door Dash and AirBNB came to market. Both issues made billionaires out of their founders as shares rocketed up. The favorable reception of both IPOs are another marker in the risk on nature of the current market. With easy money from the Fed and more likely from Congress, the holiday party should continue for awhile. We made no changes to our portfolios and continue to enjoy steady returns. A successful retest of support may convince us to get a little more aggressive but there is nothing wrong with slow steady returns. We have a laundry list of possible positions that are of interest but will await the right opportunity after the current bout of weakness. With Christmas and New Year's both falling on Friday this year, our schedule for the Market Note will be revised for the rest of the month. We will post a regular Market Note next Friday but will abstain from Notes on Christmas and New Years Day. Instead, we will issue a Market Note during the week between the 25th and 31st. We will resume our regular schedule on January 8th. As always, we will put out interim Notes should market conditions warrant. We hope all of our readers remain healthy and safe. Thank you for sharing your Friday's with us. Enjoy your weekend and I hope you have something fun planned (or at least a new Netflix series to watch). I highly recommend The Queen's Gambit on Netflix – who knew chess could be that exciting?

The contents of the BAM Market Note should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.