

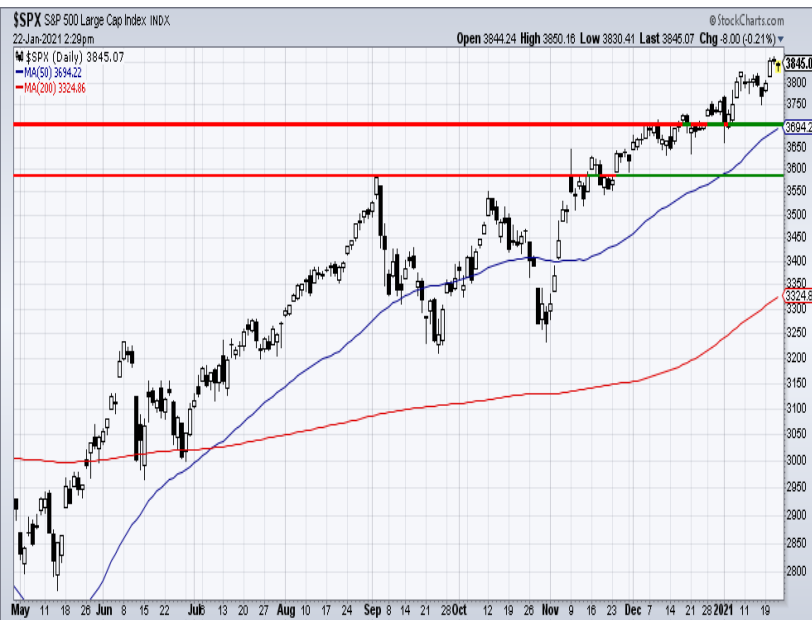
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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The weakness of last week has faded with gains this week. The relative calm and the peaceful transition of power gave the markets one less thing to worry about. With the Biden administration now beginning to set their priorities, leadership in new sectors and industries will begin to emerge. For the week, the S&P looks to finish up close to 2% - a strong week in a strong year to this point. As we have mentioned over the last few weeks, the market is ripe for a little profit taking. We suspect that will come sooner rather than later and some weakness is expected over the next few weeks. We don't expect the rally to end but rather for it to pause and refresh. Accordingly, weakness should be used as an opportunity to realign your portfolio to your risk tolerance. The S&P support levels to the left are logical places for any pullback to regain its footing.



International issues have not been left behind in the rally that began in early November. EEM has continued its ascent adding 9% so far in 2021 – among the market leaders early this year. The dollar weakness has only added to the momentum. We expect international to continue its strength in 2021 and have some exposure in our portfolios. We will look to add more exposure on market weakness.

Our Point

The beat goes on. The weakness of last week looked like it could be the start of a more significant decline. However, the market had a different idea as strength re-emerged this week. The over-extended markets keep getting a little more over-extended! Certainly, the passing of inauguration day without any issues elicited a sigh of relief for all and the markets took notice. Early weakness this morning has mostly reversed, and we may yet finish the week on an up note. As mentioned above, the markets look frothy, and a quick pullback is becoming increasingly likely. We would expect any weakness to be contained and short-lived. New investments at these levels come with increased risk and investors would be better served to wait until a correction to put new money to work. At least that is what we are thinking. We have taken some profits this week and will look to re-deploy the freed-up cash on weakness. The bulk of our portfolio continues to perform admirably and remains in a steady low volatility uptrend. It has been a good start to January. One popular market maxim states that “As January goes, so goes the year.” Going back to 1950, a positive January has led to a positive year 87% of the time. If that holds true, then it should be another good market year. With market liquidity and a friendly Federal Reserve, we are optimistic too. However, it won't come without some volatility. As always, we'll do our best to capture most of the gains and avoid most of the downside. Hoping your weekend is filled with lots of upside and no downside. Thank you for your continued trust.

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