

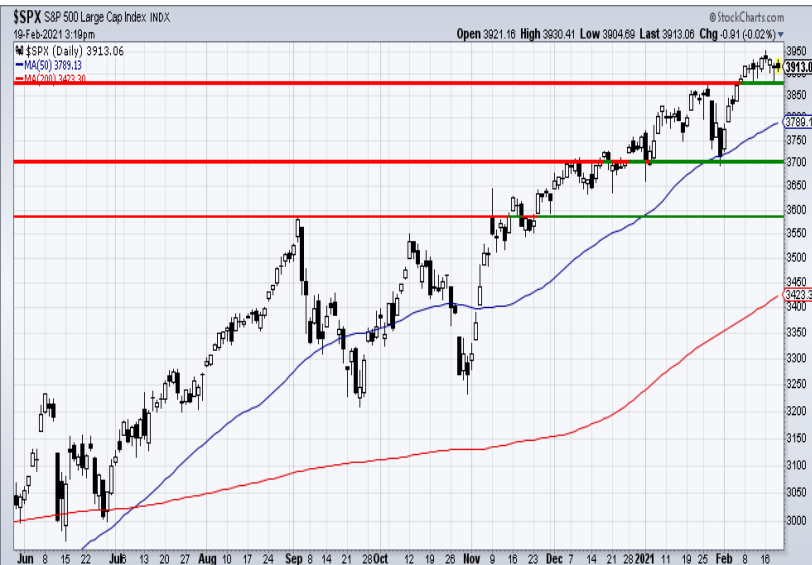
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

FEBRUARY 19, 2021

SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



The markets have continued to trade mostly flat in another relatively quiet week on Wall Street. The S&P looks to finish the week down .5% or so. Minor support can be found at the 3880 level that was touched yesterday before bouncing at the close. The markets opened today on an up-note but have since trended down and are mostly unchanged on the day. As we mentioned last week, the healthiest way for the market to work off any over-bought conditions is to move sideways for some period of time. To this point, that is what the markets are doing and may be setting the stage for another move upward. We would like to see some strength before committing new money, but the current environment looks pretty healthy. Any further weakness would set up a better buying opportunity but the stock exchanges may not be willing to give a better entry point.



Despite falling over 3% in recent days, small cap issues continue to outperform. While the rest of the indices tread water today, small caps are up nearly 2% and bounced off of their minor support yesterday. For the year, small caps have performed 3 times better than the S&P. In the current environment, small caps should be a part of any equity investor's portfolio.

## Our Point

With the markets closed Monday for President's Day, it has been a short and quiet week with trading muted. With earnings season behind us, traders will continue to take cues from economic measures, Fed activity, and movement in Washington on any stimulus bill. We remain in the ironic position of too much good news on the economy and the virus front, could be bad news for the markets. The better the news becomes the less pressure Washington feels to pass the size stimulus bill Wall Street is pining for. Similarly, better news could curtail some of the actions of the Fed. Investors have become addicted to the "free" money that has been sloshing around for months (some could argue years) so anything that threatens the spigot is likely to be met with disdain by traders. Currently, economic news is a bit mixed with January retail sales beating estimates significantly while unemployment claims climbed unexpectedly this week. Meanwhile, Covid continues to trend in the right direction with some even arguing that the US will reach herd immunity as early as April. Absent any new surprises from Covid or its variants, economies should return to something approaching normal over the next few months. There are certainly a number of moving pieces – aren't there always! Regardless, the bull market trend remains up with no visible storm clouds on the horizon. As always, investors should stay vigilant, but all looks good for now. We made no changes to our portfolios this week but could see changes next week depending on which way the markets break. We will likely add to our small cap positions on market weakness. So many across the country were affected by the recent winter storms. Nashville was not spared and will be digging out from the snow and ice over the weekend. We hope you managed the storm and cold temps. Stay warm and enjoy a little more warmth this weekend.