Bills Asset Management

BAM MARKET NOTE

March 12, 2021

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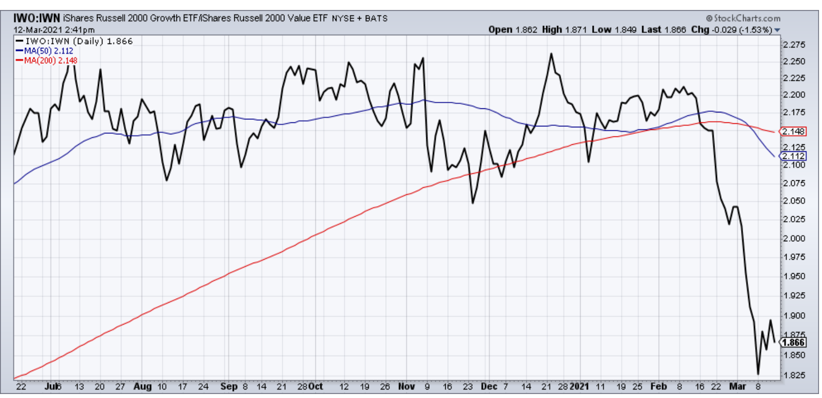
As we mentioned last week, "we don't expect the current weakness to persist and think any downside would be confined to the lower support level at 3700." While we expected some backing and filling before new highs, the market had different ideas. The S&P broke out to new highs yesterday before pulling back at the close and finishing right at the prior highs. Today, the market is digesting those gains. Support remains at the 3880 level. On an intraday basis, support at 3700 was tested (or nearly so). We remain bullish on the market. With lots and lots of money being poured into the economy, it has to go somewhere. There will be consequences for the extraordinary level of spending but that is a subject for another day. It has been a good week for the S&P as it looks to finish the week on an up note – or at least not a down note.



The now month-long transition from growth to value took a breather this week as growth has had a few good days. Growth has been volatile with large gains one day and large losses the next. While the market is flat to up today, the NASDAQ is under pressure again and is down 1.5% at last reading. The dramatic shift from growth to value can be seen in the chart to the left. The relative strength of the Russell 2000 growth to the Russell 2000 value has fallen off a cliff since mid-February. Growth may play catch up over the coming weeks so we are watching this relationship closely.

Our Point

The markets have enjoyed a good week. The S&P looks to finish the week up 2.5%. The growth driven Nasdaq is lagging a little up around 2% for the week. Small caps continue to be the star - up an astonishing 7% this week alone. To the surprise of virtually nobody, Congress passed the enormous Covid Relief Bill. What was a bit of a surprise was that the original $1.9 trillion price tag remained intact throughout. One can argue (and indeed have) the level of Covid relief in the bill (estimates range from 10-50% of the bill), but nobody can argue with the fact that Wall Street loves a government that spends. The huge spending will eventually find its way into the economy. Interest rates have continued to move up which continues to put pressure on the growth area of the market. As we mentioned in prior notes, rising interest rates are not necessarily a negative for the markets. However, rapidly rising rates will be unsettling for stocks and especially the growth area of the market. We are continuing to see that play out. Importantly, the Nasdaq held important support this week. Perhaps much of the damage to that area of the market has been done. We made no changes to our portfolios this week. Our positions include a variety of low volatility income funds, small cap, small cap value, mid cap, and financials. We are very pleased with how our portfolios performed during the recent correction and subsequent recovery. We remain optimistic and bullish. We will make changes to our portfolios as necessary to keep in step with the major market trends. It is hard to believe that it has been year since Covid brought the economy to a halt. As I watch the Vols play basketball today, I am reminded of this time last year when I was sitting in this same chair and getting ready to watch the Vols play their SEC tournament game when all sports came to a grinding halt. It was surreal – it was another kind of March Madness. I am hoping the tournaments go off without a hitch. I am looking forward to a weekend of basketball and trust you are looking forward to something this weekend too! Have a great one.