BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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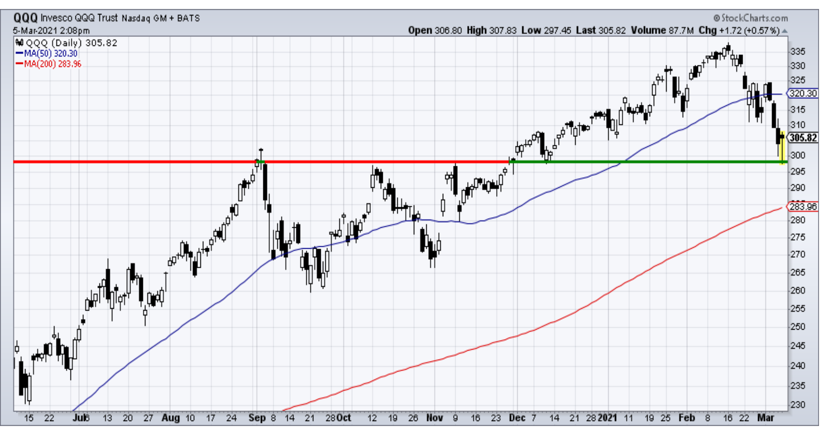
SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928

It has been an up and down week as the market has been on again and off again. Intraday, the losses have been much greater as the index came close to testing the lower support level at 3700 both yesterday and today. The rally back off the lows on Thursday and again today have been encouraging that there is buying interest at the lower levels. We'll see where the markets close. The break below the 50-day moving average is providing some upside resistance as the market stalled there yesterday. We don't expect the current weakness to persist and think any downside would be confined to the lower support level at 3700. It may take another week or two of backing and filling before the S&P moves back up to above resistance, but we expect new highs before the end of Spring.



Growth stocks and more specifically the tech laden Nasdaq have taken the brunt of the recent weakness. Many of the high-profile tech names have declined 10% or more over the last month and a shift to value has taken place. Whether or not that is a long-term shift is anyone's guess but it does bear watching. The Nasdaq 100 represented by QQQ reached important support this morning at 300 but was able to bounce upwards. A break below 300 would be concerning and could serve to bring the rest of the market down with it. We are watching this level closely as it could lead to deeper losses across all asset classes and sectors.

Our Point

The big news this week has been the continued shift out of large cap growth into other areas of the market. The Nasdaq is by far the weakest of the major indices. Many of the large technology companies have entered correction territory (10%) with some flirting with bear market like losses (20%). As mentioned above, the Nasdaq will need to stabilize before any sustained move upward is possible. The monthly jobs report was released this morning with much stronger growth than expected. The market is having a hard time deciding if it wants good news or bad news. Good news means the economy is strengthening but lessens pressure on Congress and the Fed to act with more stimulus. Bad news increases that pressure on Washington but means the economy could be faltering. The market hopes for both good news and a stimulus bill – they may not go hand in hand. That said, the market has strengthened this morning after an initial sell-off on the good news. Treasury rates continue rising as they have risen another 6% this week. Chairman Powell disappointed Wall Street earlier this week when he failed to assure the market that he would stem the rise in Treasury yields. Rising rates continue to be a headwind for the market, but we don't believe that the increase in rates present any short to mid-term risk to the markets. However, our view will certainly change if rates continue rising at their current pace. As we noted in prior weeks, we raised a little cash by taking profits in a few of our positions with the expectation to put that cash back to work on any weakness. With this week's weakness, we have done just that. We purchased positions in small-cap value, energy, banking, and added to our holdings in the mortgage space. We are fully invested. Should the market continue its recent weakness, we will obviously take steps to limit risks. However, we feel we are well positioned for any rally from current levels. Enjoy your sunny weekend wherever it finds you.