BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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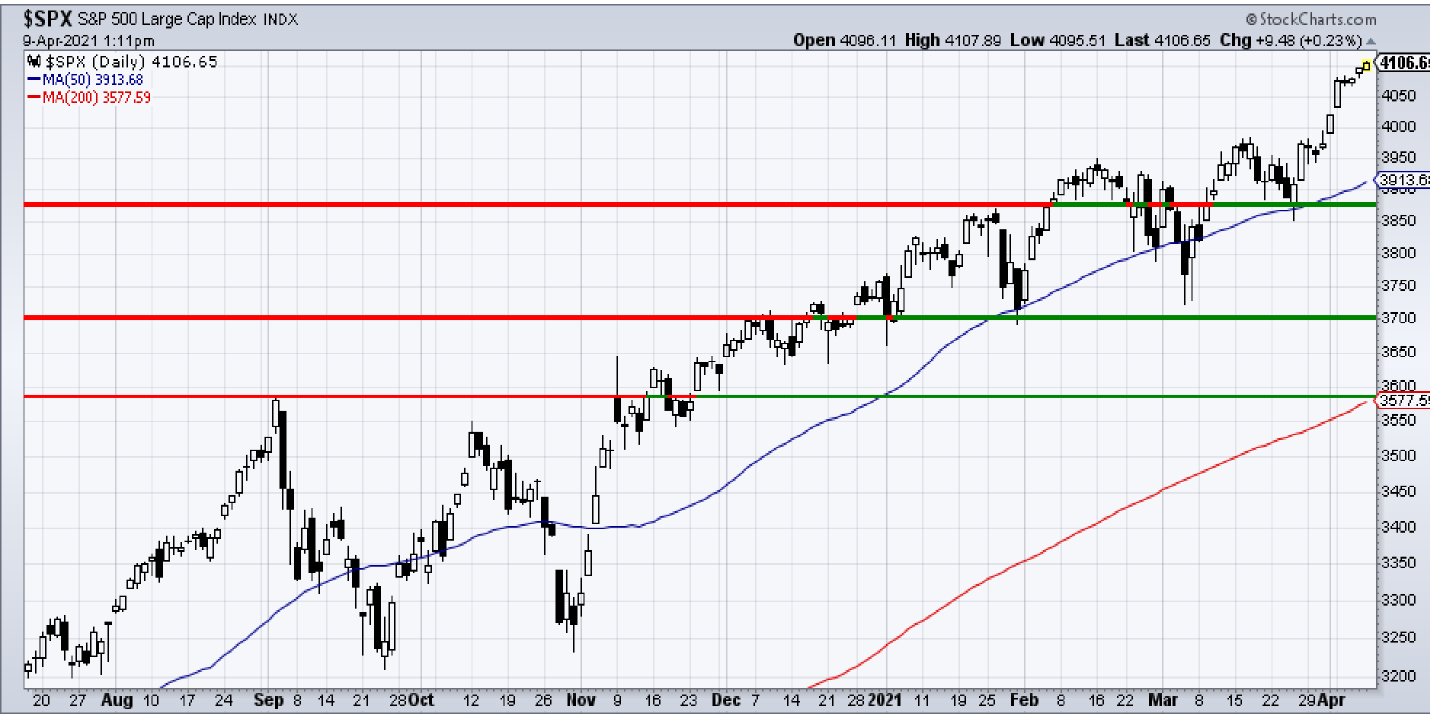

Our Point

The large cap S&P 500 continued its upward move this week and has now logged three straight weeks of gains. The index is beginning to look a little extended but an uptrending market can stay extended for longer than one might imagine. The S&P is now almost 5% above its 50-day moving average and nearing the point where prior pullbacks have occurred. With the market at these levels, it is not time to throw caution to the wind. However, it is also not a time to take profits and get defensive. Rather, investors should be alert to a pullback and use it as an opportunity to upgrade their positions or put unused cash to use. From a technical standpoint, the market looks healthy. We remain in a favorable time of year for the markets, and they are still awash in money from the various Fed and Congressional stimulus packages. Large caps from the S&P 500 have definitely been the stand-out over the last few weeks. Large cap growth companies like those found in the NASDAQ fell precipitously in March but have begun to play catch up and have outperformed the staider S&P 500 since April 1st. After leading the market since November, small caps have lagged significantly over the last few weeks. The recent outperformance of the NASDAQ may foretell a renewed strength in small caps. It is not likely that the market continues up without small cap stocks participating. Earnings season (which starts in earnest next week) will tell us if this rally has run its course or if it has more room to run. Financial services take center stage next week with the likes of Charles Schwab, JP Morgan, Wells Fargo, Goldman Sachs, Bank of America, Citi Group, and Morgan Stanley all reporting. Wall Street is not only expecting improved earnings but also optimistic forecasts for coming quarters as the economy continues its recovery and reopens more and more. We expect a good earnings season and a continuation of the current rally though at a likely more measured pace. A pause or a small decline over the next week or two would not be unexpected. A decline in the S&P back to its prior highs at 4000 (2.5% from current levels) would be healthy and not a cause for any concern. Our portfolios are lagging a bit as our small cap holdings have not kept pace with the S&P. We continue to expect that to change but if it doesn't, we will make the necessary adjustments to keep pace with the market. We made no changes to our portfolios this week but have a few positions that we are watching carefully to see if upgraded positions are advisable. We'll know more next week. It looks to be a good weekend to watch the Masters. Have a great weekend - whether it finds you out playing, inside watching, or doing what you enjoy.