Bills Asset Management

BAM MARKET NOTE

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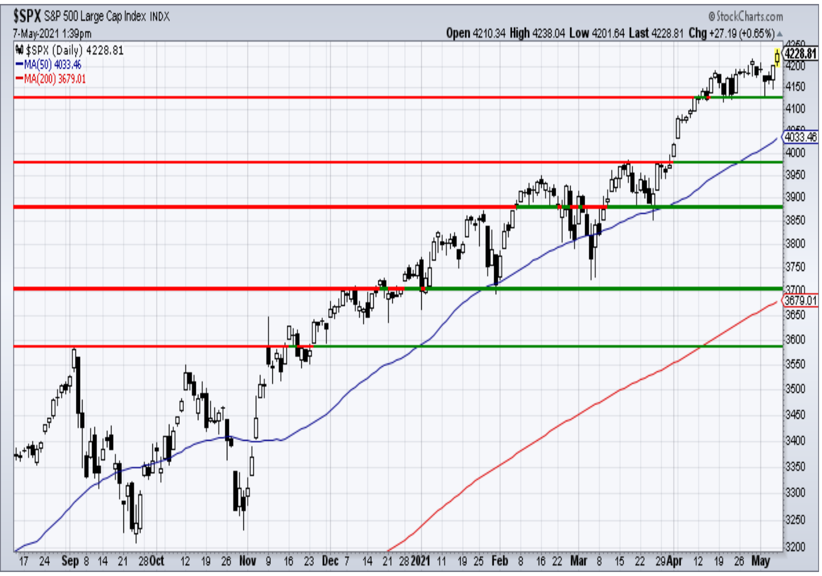
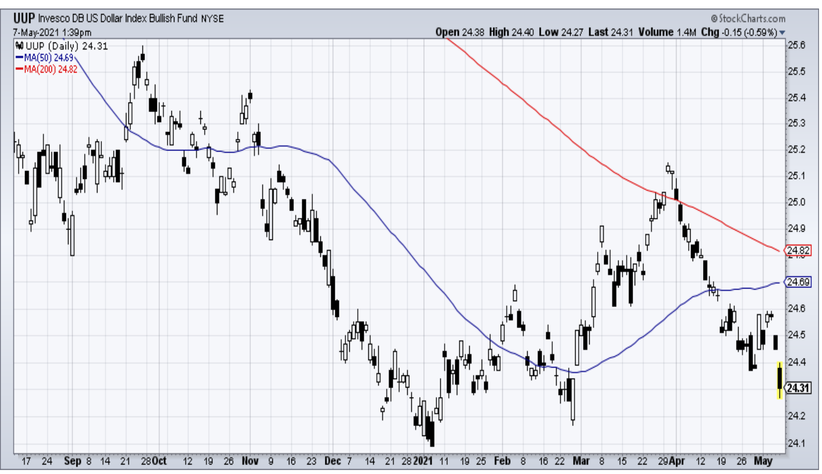


The S&P continues its march upward with no resistance in sight. The large cap index continues to get more and more stretched to the upside setting up the increasingly likelihood of a quick and, perhaps, violent correction in the coming weeks. The NASDAQ has been flashing warning signs for at least a few weeks (though tech stocks are rallying nicely today). Small caps started to show some signs of recovery last week but have underwhelmed this week. It is a bit of a bifurcated market with the largest of stocks (outside of the tech world) continuing to move higher while the rest of the market has taken a pause. One or the other will need to break in the near future – we'll have to see if the S&P rises all boats or whether the rest of the market prevails. With the S&P stretched to the upside, extreme caution is warranted.



One tailwind for the markets has been the undue weakness of the US dollar. The value of the dollar has been falling steadily since late March and is nearing its lows of earlier this year. With the dollar closing in on this level of support, some bounce upward would not be unexpected. Any strength in the dollar would likely put pressure on the markets and could be the impetus for some profit taking in the major market indices.

Our Point

The market was blindsided this morning by the lackluster monthly jobs report. While analysts, economists and other "experts" expected new jobs to approach 1 million, the actual number was just north of 250,000. It was a colossal miss by "those in the know" and the largest miscalculation since the 1990's! One might have rightly expected the markets to sell off on the decidedly bad market news. However, in this continued upside-down world, bad news continues to be good news (to a point). Many have argued this morning that the numbers are wrong (not particularly comforting), and they will be corrected and revised with next month's report. I am not relying on the "experts" and will wait and see. For now, we have a jobs situation that, apparently, is not growing as expected. There are a myriad of reasons for why that may be, but we have to deal with the numbers we have been provided. The "good" news for the market is that any perceived hiccups in the recovery enables the White House and Congress additional cover and motivation to further increase spending. Wall Street loves money to be sloshing around so the bad news on the jobs front serves to increase the probability of additional spending coming out of Washington. There will be a price to be paid for all this spending, but it is likely years down the road. For now, Wall Street screams "show me the money" as it leaps higher and higher. We decided to take a little risk out of our portfolios this week as we sold one of our holdings. We will hold the proceeds in cash and wait for a better entry point. We may continue to generate a little cash next week as this market continues to get more and more stretched. You never lose money taking profits! Have a great weekend and don't forget to call your mom and wish her the happiest of Mother's Days!