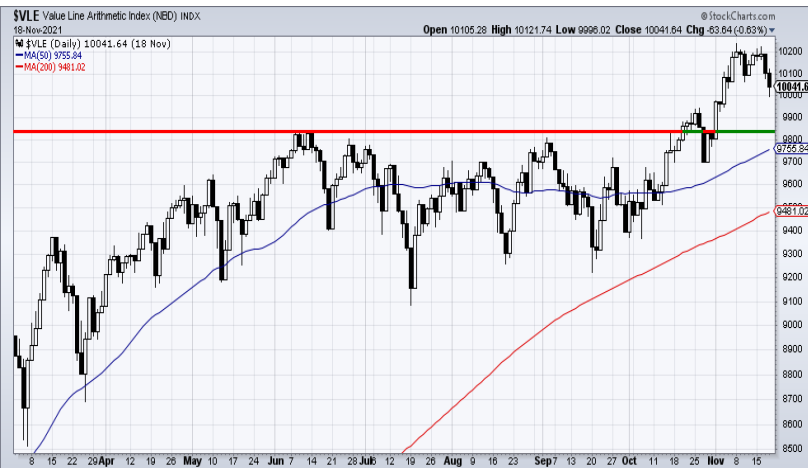


BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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After a brief retreat, the S&P is back up to its highs and are on the verge of setting new ones. Morning weakness the last two days, has been met with buying. The large cap names are showing tremendous resiliency. There has been some weakness this week in the small-caps but I would not expect that to last as long as the rest of the market powers forward. The calendar favors a continuation of the rally up. Weakness should continue to be bought until the market indicates otherwise.



While the S&P is widely used as a barometer for the stock market, the Value Line Arithmetic Index (VLE) is a better indicator. The VLE represents an equally weighted sample of 1700 individual stocks. The index made new highs in the last couple of weeks but has since pulled back a little. The decline illustrates that not all stocks are performing as well as the major large cap indices. Support lies about 2% from current levels but I am not sure that support will be tested. While there are pockets of weakness in the current market, they are nothing out of the ordinary and will likely reverse to the upside soon.

Our Point

Headlines this morning out of Austria and other European countries warning of new lockdowns raises the specter of new lockdowns in the US. The thought has some traders worried, but we are far from that point here. Politically, it would be very difficult (if not impossible) to enact any widespread lockdowns. The big news today is the passage of the Build Back Better legislation in the House. The legislation is enormous and would provide additional liquidity for the markets. However, in its current form, it seems unlikely to gather enough votes in the Senate. Several provisions of the House bill have already been identified as non-starters by the likes of Senators Manchin and Sinema. The passage, though, does start the discussion in the Senate and increases the chances that some compromise will be made and that something will be passed. While the price tag is likely to be reduced, the amount will still be extremely large in scope and dollars. It will be interesting to see how the progressive and moderate wings of the Democratic party compromise. Wall Street is much more concerned with the Fed than on Washington so any movement on this bill should not have much effect on trading. Next week will be a short trading week due to Thanksgiving but there will be a slew of retail earnings reports on Monday and some key economic reports and the Fed minutes on Wednesday. Volume will be light with many traders getting an early start on the holiday so any big surprises could have an outsized effect. The path of least resistance continues to be up despite a little weakness underlying the market. We made no changes to our portfolios this week and will respond to changing market conditions accordingly. With the holiday, we will spend time next Friday recovering from an abundance of turkey and will not be issuing a market note. We have much to be thankful for and hope that each of you have a wonderful family filled Thanksgiving. Thanks for reading and have a great weekend!

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