

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Our Point

Went to market and THIS little piggy went home. With the market volatility as it is, we are sitting out much of the day-to-day movements. As the saying goes, pigs get fat and hogs get slaughtered. Those investors that got a little greedy from last year have suffered the consequences with more likely to come. I am traveling today so this will be an early and abbreviated market note. Earnings have been the catalyst for some of the recent volatility. Company results have been mixed with Facebook being the big loser. Yesterday, FB lost over 25% of its value (\$230 Billion) in the worst loss in value for an individual stock in stock market history. The disappointing forward guidance led to a sell-off across the board. The market was at an inflection point to begin with, so FB was a valid excuse for traders to sell. The S&P had risen 6% over the prior 4 days and had broken through some resistance only to be turned away by the rising channel. The Nasdaq and Russell 2000 are both much weaker than the S&P, so it certainly appears that traders are in a risk-off mood. What happens next will largely determine if the worst is over or if more pain is ahead. A resumption of the downtrend, would set up a re-test of the recent intraday lows around the 4250 level. We believe it is highly likely that a retest of that level is forthcoming over the coming days/weeks. However, should the market stage another rally that exceeds the highs of earlier this week, then we will have to adjust our thinking. As we have mentioned over the last few market notes, investors would be well-served to use any counter-trend rally to adjust to their risk tolerance. We did just that and liquidated our remaining equity positions on Wednesday. All that remains in our portfolios are low-volatility holdings that continue to make small gains despite the market turbulence. Of course, those positions could change so we remain ready to make further adjustments should market conditions warrant. Similarly, if we are wrong in our thinking of a revisit to the lows of January 27th, we will begin layering in new equity positions of market leaders that rise to the top. Market risk remains elevated, and we are happy to be on the sidelines as the market determines its next move. Enjoy your weekend wherever it finds you.