BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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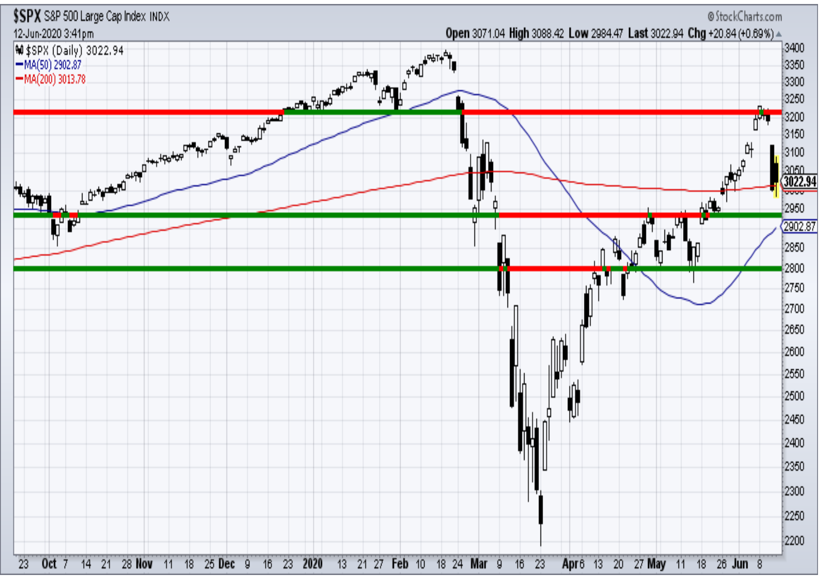
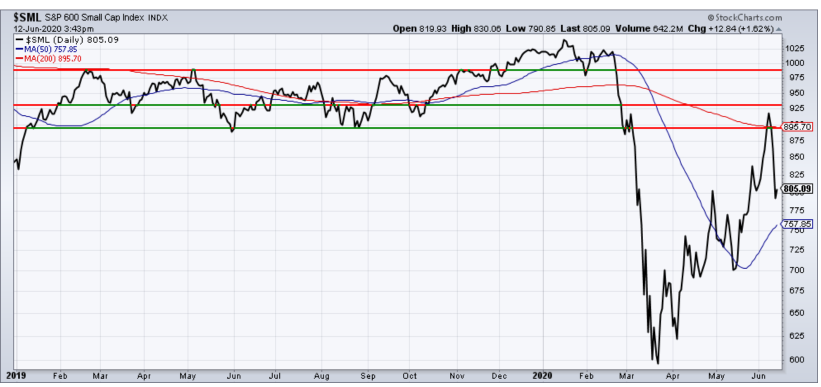


After staging a very impressive break-out from the long-standing trading range almost 3 weeks ago, the market fell in dramatic fashion over the course of the last 3 days. Thursday was a watershed day that brought back memories of the early part of March which say routine days of 3-6% declines. Thursday saw the S&P decline almost 6%. Volatility continues today with the S&P up 3% this morning but back down .5% a little while ago. 3.5% swings are not typical of bull markets. We will have to see where things close today but the market complacency felt over the last few weeks has been replaced with renewed fears of the pace of the recovery. The S&P was on the verge of turning positive for the year but is now down 7% YTD.



Small caps had been enjoying a strong rally of their own. In fact, their relative performance to large caps began to turn up a few weeks ago and had continued to pick up steam. However, small-caps have led the downside this week falling almost 14% in the last 3 trading sessions. Small caps continue to be one area to watch carefully for clues on the risk appetite of investors. The S&P 600 is down over 22% YTD.

Our Point

Thursday's market was a stark reminder that there remains much risk in the markets. Despite what many have heard on CNBC, Fox Business, Bloomberg, etc., the markets are still recovering from the precipitous decline in February and March. Comments by Fed Chairman Powell get the blame for the market decline, but in reality his comments were pretty supportive of the markets and contained little, if any, surprises. He reiterated the Fed's commitment to supporting the markets and indicated interest rates would continue to remain low for some time – likely through 2022! The Fed statement was just an excuse for sellers to sell in an otherwise overbought and extended market. The key now will be for the bulls to hold their ground and protect support at the 200 day moving average and, below that, the top of the long-standing trading range that they worked so hard to overcome. That level rests at 2950 or so for the S&P. Yesterday's decline fell below the 200 day moving average and the battle currently rages there. The S&P has bounced above and below that level several times already today. After such a steep decline yesterday, a bounce back today is not unexpected. However, the markets failure to bounce in any significant way today increases the likelihood of more selling next week. Investors should remain cautious. Our portfolios managed the sell off well yesterday and remain up for the month. We have made no changes to our portfolios this week. We are evaluating positions and could add to our existing positions or purchase new ones if the markets can hold the levels of support. After several days of oppressive heat and humidity, we will get a break this weekend with sunny skies and moderate temperatures. It will be a great weekend to be outside. Enjoy yours.