

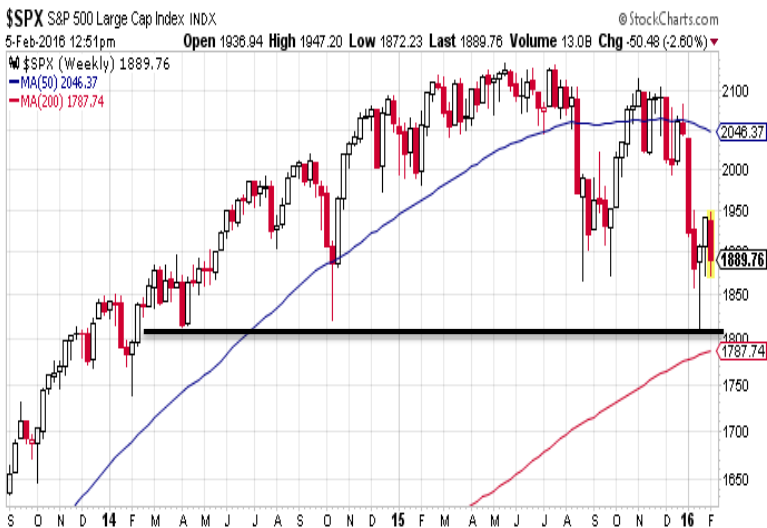
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

FEBRUARY 5, 2016

SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



Today I am showing a weekly chart of the S&P which provides a little different view. The red candlesticks represent down weeks and the black are up weeks. It is clear looking at the chart that we are in a significant downturn. The bounce (so far) off the lows in mid January were pretty lackluster and lends credence to the idea that more selling is coming. We are approaching the closing low of 1860 with today's sell off. The intraday spike lower (1812) on January 20th remains a line in the sand for the bulls.

Financials have been among the weakest sectors this year (not good) and have already pierced the January intraday low. If the financials have a closing low below these levels then it will mark just one more reason to be extra cautious in this market. On a relative basis, financials have been much weaker than the S&P on both rallies and sell-offs. The market will be hard pressed to establish any momentum with financials underperforming.

Our Point

To this point, earnings have been a disappointment. While earnings numbers are generally being met, revenues continue to drift lower suggesting the slow down in the economy that many fear and more and more pundits are noticing. International markets remain weak. Today's less than stellar jobs report did little to allay any concerns. While some suggested a weak number would be viewed favorably as it might forestall the Fed taking any more steps to raise interest rates, the market (to this point) is showing its disdain by selling off more than 1%. Often these knee jerk reactions to headline numbers are reversed in the next trading session or two so we will be looking for confirmation early next week. Cash remains a very viable asset class in this environment. We made one small change in our sole holding by exchanging our inverse high yield position for a position in Treasury bills. With the weakening economies world-wide, it remains a real possibility that the Fed will defer any interest rate moves until later this year at the earliest.

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