

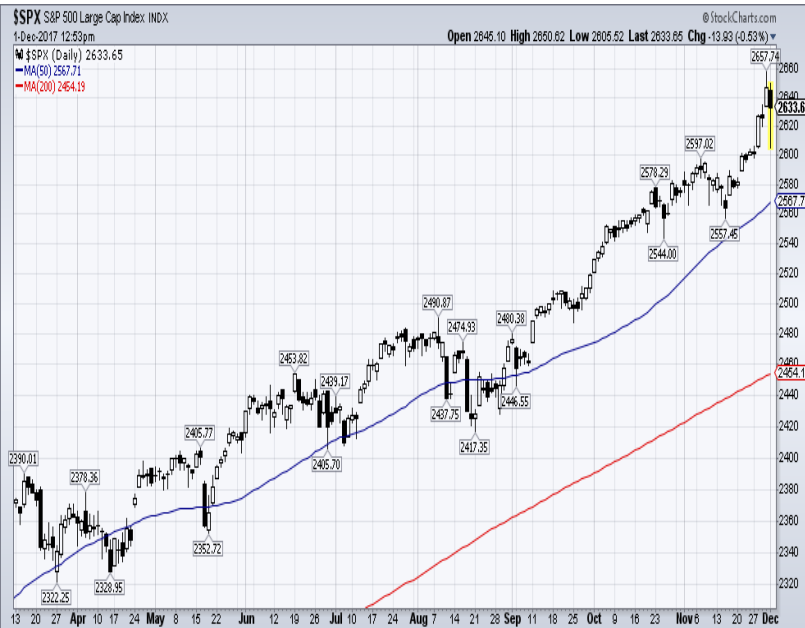
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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While last week was mundane with the markets drifting in a holiday shortened trading week, this week has been filled with dramatic moves in the market. Beginning on Tuesday, the markets bolted to the upside with renewed hopes of a tax bill finally making it through Congress. Yesterday saw another leg upward as more and more Congressmen indicated support of the tax bill. The optimism came crashing down this morning as Special Prosecutor Mueller indicated that Michael Flynn was implicating President Trump in Russia dealings. We will have to see what comes of the new development but it was enough to send the markets tumbling in early trading. Since the initial sell-off the markets have rebounded significantly. Today's close will be instructive.



The NASDAQ paints a different picture as it has struggled over the last few days. We will have to wait and see if the NDX is rolling over or if this is just normal profit-taking. It would be highly unusual for the market to continue moving up without the participation of this widely followed index. On a positive note, while the NDX has struggled, sellers have simply shifted their investments to other areas of the market. Financials have been a big beneficiary of the shift out of technology.

Our Point

Market volatility has picked up considerably this week and is likely to continue with news daily about the on again, off again tax bill. Additionally, the new Russia revelations will need to be processed. Depending on what news station you watch, this is either the new Watergate or nothing more than normal activity for a politician. Hopefully, we will find out sooner rather than later. Throw in a possible government shut-down and a likely interest rate hike over the coming days/weeks and volatility could get worse before things settle down. December still holds promise for a good ending to a good investing year. We continue to expect a good December with challenges pushed into January. Time will tell and expectations are always ready to be revised as new information presents itself. Investing based on expectations is a fools game and we choose to invest based upon what the market is actually doing rather than what we think it should be doing. We have made no changes to our portfolios though we are evaluating several positions that have shown relative weakness of late. If the NASDAQ fails to turn back up or should internationals continue to lag, we will be upgrading those positions to new market leaders.

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