

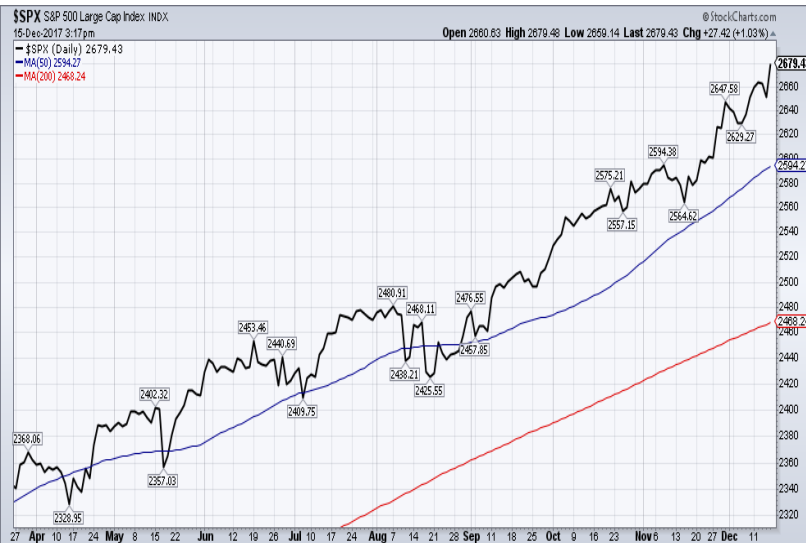
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

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After a brief pause yesterday due to some concern over the on again off again tax bill, the markets responded today with gusto. All of the major indices are up significantly as the tax bill looks to be on pace for passage next week. Large caps (S&P and Dow) have been the leaders over the last few weeks with the small cap Russell 2000 and technology laden Nasdaq lagging. Interestingly, both small caps and technology are leading the markets higher today.



The Russell 2000 has been one of the few concerns over the last 3 weeks but is showing renewed strength today. Just before market close, small caps are up twice as much as the major indices. Small caps have a tendency to do very well the latter part of December so continued strength here would bode well to a very good rally into year end. We maintain a position in small caps and will be evaluating whether or not more exposure here is warranted.

## Our Point

The Fed released its interest rate decision and it was met with a yawn. As widely expected, rates were increased a ¼ percent and the target of three rate increases in 2018 was maintained. There were little surprises in the announcement and, yet, financials (a big beneficiary of higher rates) sold off on the news. It was a case of buying the rumor and selling the news. It is something to watch as the long awaited tax bill potentially comes to fruition next week. While any selling should be short-lived, it would not be unexpected to see the market pull back a little once the tax bill is passed. Longer term tax reform should be a boost to both the economy and the markets. We continue to expect a positive end to the year. Sector rotation continues as money moves from sector to sector resulting in some divergences in areas of the market while the major indices move higher. Accordingly, we have shifted some of our holdings out of individual sectors and into the major indices. We also sold one of our international holdings as it weakened enough to trigger a sell signal. We have a bit of cash remaining and will spend the weekend evaluating positions that look favorable into year-end and beyond. Have a great weekend

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