

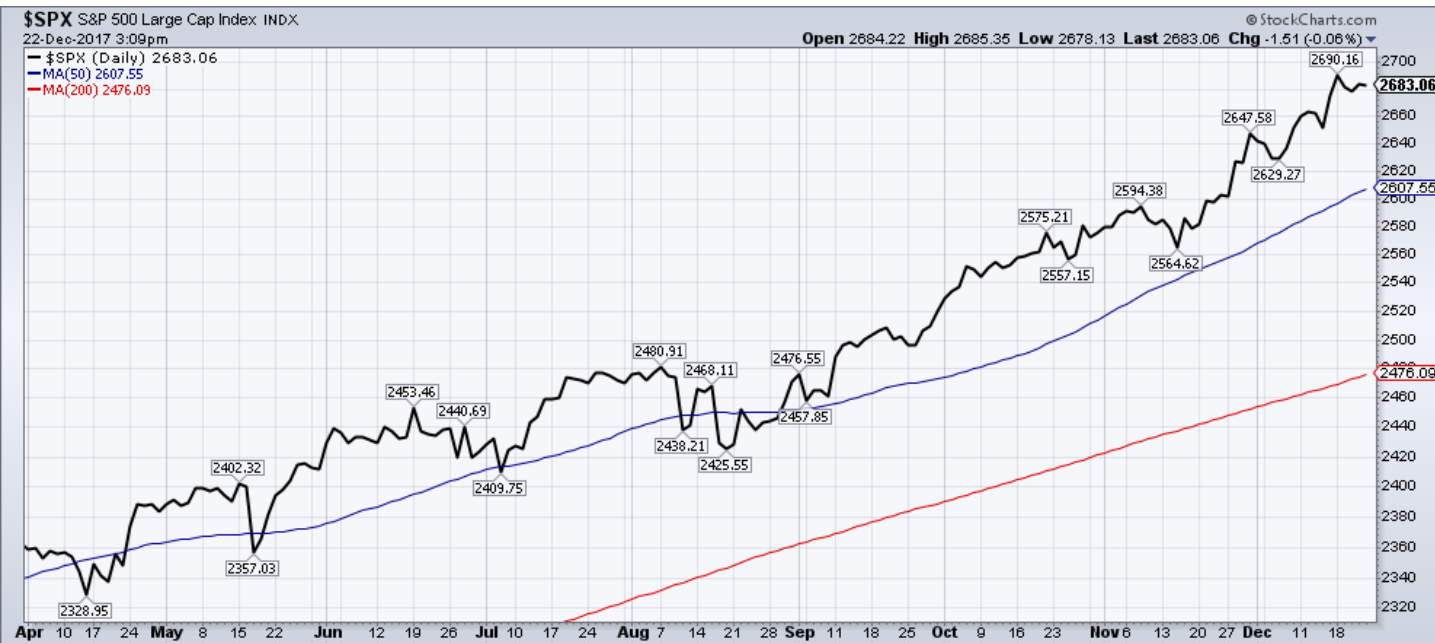
BILLS ASSET MANAGEMENT

BAM MARKET NOTE

DECEMBER 22, 2017

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Our Point

As we stated over the last several weeks, tax reform has largely been priced into the market. In fact, we wondered in last week's missive whether or not the market might even sell off on the passage. While there has been no significant decline, the markets have moved mostly sideways to down over the last several days. With trading volume drying up for the remainder of 2017, it is likely that any moves next week will be muted. However, the tailwind of the end of December should provide a little upside bias. Speaking of tax reform, we have posted a very good recap of the bill on our [blog](#). While the end of the year is likely to meander upwards, the turning of the calendar often brings increased volatility and even sharp sell-offs. Mutual fund managers and other professional investors will begin making bets on the winners and losers for 2018 and taking profits on those holdings that did well in 2017 or that they wanted to show their investors they were holding when their holdings reports come out. The economy continues to strengthen and the current risk of recession in 2018 is low. Tax reform should provide additional stimulus. While there are many issues (some quite serious), 2018 is likely to be another profitable year albeit with more volatility. 2017 has been one of the least volatile years on record so 2018 almost has to be a little more volatile. Energy, commodities and financials look to be interesting places in the New Year with utilities, REITS and other interest rate sensitive areas the likely losers. All that said, predictions of the stock market is a fool's game and so we will continue to practice risk management and responding to what the market does and not what we think it should do! There will not be a market note next Friday unless there is some excitement to report. To our valued clients and our other readers, we wish you the Merriest of Christmases, a very Happy Holiday and a joyous and profitable New Year.