

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

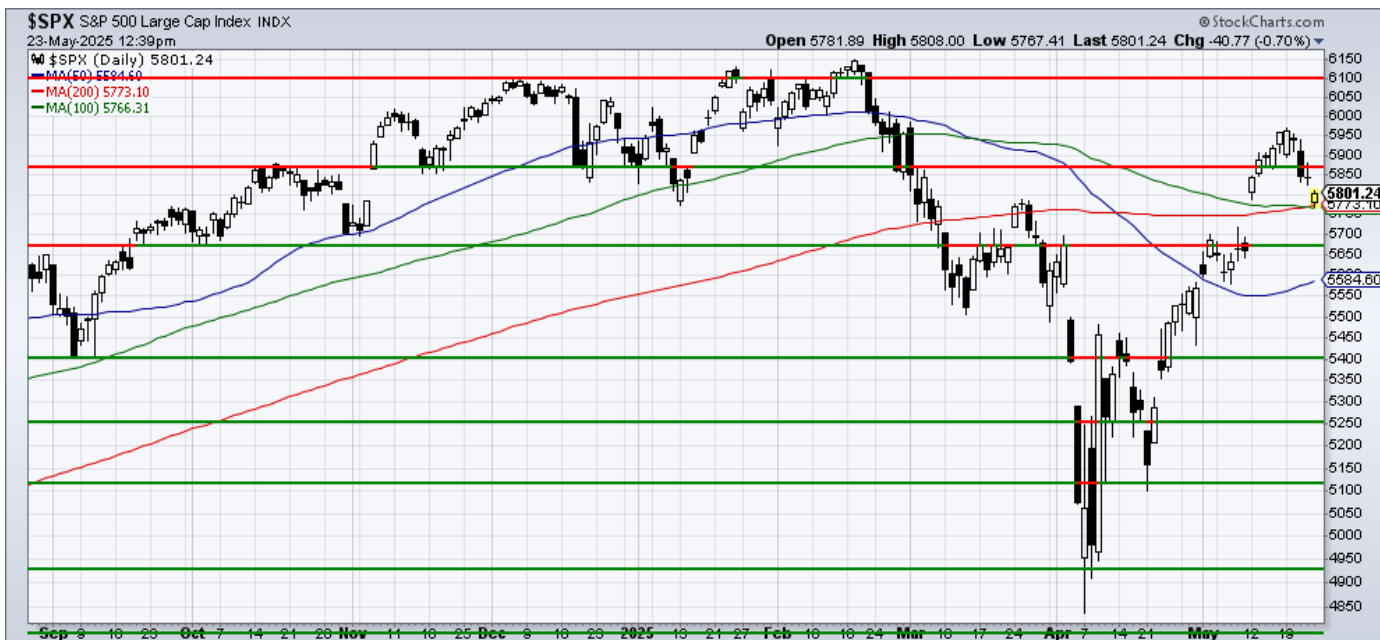
MAY 23, 2025

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Our Point

After surging over 5% last week, the market is taking a breather this week. With this morning's weakness the S&P has pulled back to the level of the 50 and 100-day moving averages – just as we noted last week: “it would not be surprising for the markets to pullback to these levels over the coming week or two.” The bulls will try and take a stand here. Should they fail, there is another significant support level just below (2% from the 50-day/100-day support). There is also an unfilled gap between here and there so a drop to the next level of support would not warrant undue nervousness. A break below the support line at 5675, however, would put the bulls on the defensive and would be cause for some alarm. We don't expect that to happen. The market continues to handle bad news well. This morning, President Trump commented that negotiations with the EU on tariffs were going nowhere and he indicated that 50% tariffs would go into effect on June 1st. The futures immediately turned down and markets were in a sea of red on the news. However, after some initial selling at the open, the markets have recovered much of the losses as buyers continue to step in every time there is a decline. That is positive action. It will be further instructive to see how the market finishes the day going into a long holiday weekend. There will be much for the market to react to in the holiday shortened next week. We'll get a GDP revision and the all important PCE inflation report. There will also be a number of Fed members speaking with investors watching to see if there are any tells on future Fed policy. Finally, earnings season gets closer to ending with what many believe to be the grand finale. Nvidia reports on the 28th and its earnings are sure to move the technology sector if not the entire market. As we have indicated for at least a few weeks, we have been buying the dips in the market and continued that approach this week. Our portfolios are now fully invested. As always, what we think will happen and how we invest is not always congruent. We follow charts and invest on what markets are doing and not what we think they will do! The charts currently indicate higher prices and that is how we are invested – if that should change, then our portfolio investments will also change. There is likely to be continued volatility as headlines and tariff news continue to move the market. As we head into the long weekend, we want to wish you a peaceful Memorial Day. It's a time to pause, reflect and honor those who gave their lives in service to our country — a reminder of the sacrifices that make our freedoms, and even our market pursuits, possible. We hope you enjoy the weekend wherever it finds you.