

BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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The markets continued to grind upward; logging another solid week. The S&P looks to close this week up over 1.25%. The gains bring the YTD total up over 9%. It has been an astounding recovery from the lows seen in early April after Liberation Day. With the market at all time highs and no resistance above, tailwinds are at the market's back. However, the market is getting stretched to the upside and a pullback is very likely over the coming weeks. August has a well-deserved reputation for being a weak market month. We would expect that to be true this year. However, we could go up another few percentage points before then on the back of solid earnings reports. Enjoy the ride but be ready to get a little defensive as we near the end of the month and begin August.



For the last several years, small caps have been a laggard. While the S&P, Nasdaq, and Dow have all logged new all-time highs, the Russell 2000 remains well below those levels. The index stands at important resistance. In fact, it has been trying to get through this level all month long. Should it break to the upside it would pave the way for a run to its all-time highs. It would be another huge positive for the markets.

Our Point

Earnings and tariff deals have been positives for the market this week as the major indices continue to march upward. As noted above, however, the indices are getting stretched to the upside. Market bears who claimed a new depression after the tariffs were announced in early April have been chasing this market ever since. Many of them have thrown in the towel but there are others left behind. With each new high, the bears are folding and joining the party. That has been a big part of the strength of the rally off the April lows. With the markets stretched it would not be surprising to see some profit taking over the coming weeks. We don't expect an end to the ongoing bull market but a decline of 2-5% would be normal and healthy. As long as support at the 6100 level holds, weakness should be bought with any excess cash you have. The first 2 of the Mag 7 reported earnings this week with Google posting strong earnings and being rewarded and Tesla posting weak earnings and being punished. However, with lowered earnings expectations many other companies are posting strong earnings and providing optimistic guidance. Next week will be another big week with lots of earnings and a Fed meeting. Paypal, United Health, Visa, Microsoft, Meta, Amazon, Apple, Exxon and Mastercard headline the list of companies reporting next week. Additionally, the Fed will meet and announce their decision on interest rate policy on Wednesday. It is very unlikely that the Fed makes any change to interest rates (though they should) but, with inflation drifting down, pressure is building on the Fed to cut rates. While rates are unlikely to be cut, a more dovish tone is entirely possible. Indications of upcoming rate cuts would set the stage for more market strength. With all of the incoming data, it could be an explosive week. Positive earnings and a dovish Fed would propel the market higher. However, weaker than expected earnings and a Fed that remains defiant would spark a pullback. The markets won't be lacking catalysts next week. We made no changes to our holdings this week. However, we are tightening up stops on some positions. We aren't taking a negative tone but, rather, would like to capture some gains and have some cash available to deploy on any weakness. No investor ever lost money taking profits! It has been an angry heat in Tennessee over the last couple of weeks with more heat on the way. It is the price one pays for the pleasant rest of the four seasons. Despite the heat, fall is in the air with the opening of NFL training camps and college football a little over a month away. We hope you enjoy your hot and humid weekend.