

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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Despite the release of some unfavorable inflation data, equities markets are on track to book yet another positive weekly gain. The S&P is up about 1% and the Nasdaq looks to add a bit over a .5% gain for the week at the time I am writing this note. We are halfway through the traditionally weaker month of August, yet the prevailing trend continues to take equities higher. While we anticipate some weakness over the next month or so, we remain optimistic and believe any significant dips should be bought.



Consumer discretionary spending has extended its impressive rally since the beginning of August. Increased discretionary spending usually signals growing consumer confidence and rising disposable income. This often suggests the broader economy is strong and adds to the weight of evidence that this market will seek out higher prices in the coming months. Rising discretionary spending can also come with higher volatility and sensitivity to economic news, so we will continue to monitor inflation and tariff news to get a read on what may be coming next.

Our Point

The U.S. Consumer Price Index (CPI) data released this week showed relatively steady inflation, providing some hope for the Federal Reserve to consider more aggressive rate cuts at the next Fed meeting. However, the Producer Price Index (PPI) for July revealed a sharp surprise to the upside, showing a 3.3% increase year-over-year, the highest since February. It is important to note that the data for the Fed's preferred measure of inflation, Personal Consumption Expenditures (PCE), is not released until August 29th. The PCE data could move the market in either direction, as investors will use it to speculate on whether—and by how much—the Fed might cut rates. With the hot numbers released this morning, the market has now lowered its expectations to a 90% chance of a 25 basis point cut, and a 10% chance that they keep rates unchanged during the upcoming FOMC meeting in September. In addition to inflation data, tariff developments this week intensified market uncertainty. The U.S. maintained and increased tariffs on imports from several countries, including doubling tariffs on Indian goods and continuing its new semiconductor tariffs. These trade tensions feed into inflation dynamics and could further limit the chance of the market seeing a dovish Fed. Earnings season has all but come to an end except for the tech giant NVIDIA which will report at the end of August. While we wouldn't be surprised to see some weakness over the next month or two, we remain close to fully invested in all of our portfolios and we will attempt to be nimble and move fast should any opportunities to upgrade positions or take profits present themselves. We should have a slower week in the market next week as there will be less economic data to parse through. The brief reprieve from the heat that we enjoyed last week is now a distant memory and sweltering heat and humidity have returned to help us close out the summer here in Tennessee. With Bo out of town for the next week, please reach out to me (Carter) if you have any questions. We hope you enjoy your weekend in the midst of the heat, and we appreciate your trust as we manage your investments.