

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

AUGUST 22, 2025

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The markets have had mixed results this week as we are on pace to see the Nasdaq close down .6% and the S&P500 close up .5% at the time I am writing this note. We were looking at some substantial weekly losses, but Chair Powell gave the greenlight for upcoming rate cuts this morning at the annual Jackson Hole conference. The dovish tone from the Federal Reserve chair has renewed hopes for a more accommodative Federal Reserve for the remainder of the year, propelling the markets higher to close this week's trading session.



The S&P equal weighted ETF (RSP) surged higher today with Powells remarks and is now at all-time-highs. The continued participation of smaller companies in the rally is a positive development and sets the stage for higher prices in the coming months. We are encouraged to see broad participation and believe that the impressive rally that we have enjoyed still has some room to run.

Our Point

The stock market drifted lower to begin this week's action. It was looking to be a good week for the bears until Jerome Powell stepped in to provide a catalyst to push the market higher. Powell cautiously set the stage for a rate cut stating: "The balance of risks appears to be shifting." While labor markets remain in balance, "it is a curious kind of balance that results from a marked slowing in both the supply of and demand for workers. This unusual situation suggests that downside risks to employment are rising. If those risks materialize, they may do so quickly in the form of sharply higher layoffs and rising unemployment." If we do see weaker employment data come to fruition, the Fed could justify more aggressive rate cuts. It is all but certain that we see a 25-basis point cut at September's FOMC meeting, but the market is always forward looking and anticipating the possibility of additional cuts later this year. The dovish shift in Powell's tone comes despite last week's sticky PPI data that indicated inflation risks are still very much present. We will be closely monitoring the PCE report released next Friday for clues that may hint at the Fed's next move. With Jackson Hole now in the rearview, investors will look to NVIDIA's upcoming earnings release to be the next major market moving event. Any earnings miss or downward revision to the company's forward guidance could send this market lower. We continue to remain on guard for any significant pullbacks that can be used as a buying opportunity to put the little cash we hold back to work at lower prices. We still anticipate higher prices to close out this year and remain well positioned to take advantage of this resilient rally. We made some minor changes in our portfolios this week and sold a small portion of our equity exposure so that we have dry powder ready to use in the event that we do see a pullback in the next couple of weeks. As always, thank you for your trust as we navigate the market's ebbs and flows and please don't hesitate to reach out to us if you have any questions. We hope you have a restful weekend wherever it may find you.