

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

AUGUST 29, 2025

BO BILLS

(615) 371-5928

CARTER BILLS

(615) 585-6867



The markets are weak today but have been mostly flat for the week. We will see how we close going into a long weekend. The resilience of the market continues to surprise many investors. There is support at 6400 (less than 1% from current levels). The rising 50-day moving average at 5931 should also provide some support should selling continue into next week. The August decline didn't materialize as the S&P will finish the month up around 1.75%. September is also an historically weak month so no time to become complacent.

As we noted a few weeks ago, we have been watching small caps closely. Last Friday, small caps broke decisively to the upside. Importantly, they have held those gains this week. With the prospect of lower interest rates, small caps have the potential to be a relative winner over the coming months. Small caps have been a frustrating asset class over the years as we have seen this setup before. That said, we did take a small position in small caps this week. We will see if this rally has legs.

## Our Point

Nvidia reported earnings this week and suffered the consequences of ever-increasing expectations. After blowing out earnings quarter after quarter, Nvidia failed to excite Wall Street. By any measure, it was another extraordinary quarter, and future guidance continued its optimistic growth prospects. However, Wall Street wanted more. Nvidia stock has fallen 4.5% since earnings. The disappointment has weighed on the tech heavy Nasdaq. The PCE inflation report was released this morning with very little in the way of surprises. The in-line report continues to pave the way for a rate cut at the next Fed meeting on September 17 and 18<sup>th</sup>. Absent big surprises in the CPI and PPI, the Fed is very likely to cut rates by 25 basis points. More data points will also come from the August jobs report next Friday. Continued weakness in the jobs market could tilt the Fed to consider a 50-basis point cut. As noted above, small caps will be a big beneficiary of rate cuts. Much of the financing for small caps are interest rate dependent so a cut in rates will bolster their bottom lines. We'll talk about other areas of the market that will be beneficiaries of rate cuts in the coming market notes. In the meantime, it will be interesting to see if a buy the rumor sell the news happens when a rate cut does come. While we didn't get the market pullback in August, September looms as another historically troublesome month. Nobody knows what will come next, but we are prepared to respond to any changing market conditions. As mentioned above, we took a small position in small caps this week. It isn't the first time over the last few years that we have dipped our toes in this sector of the market (only to be disappointed). We will see if this time is different. The big news of the week is the opening of college football season!! It's Football Time in Tennessee. My Vols will be taking the field tomorrow and there will be games all weekend long. It promises to be a fun filled weekend with good weather to boot! Enjoy your long Labor Day weekend wherever it finds you and Go Big Orange.