

BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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After a bit of a pullback last week on the heels of the bad jobs report, the market rebounded this week. As of this writing, nearly all of last week's losses have been recovered and the bulls are back in control. If nothing else, the market is certainly resilient. For the week, the S&P is up over 2% and the panic of last Friday is just a memory. All is not roses and unicorns, however, as the market is beginning to look a little tired. With the reputation of August and September, investors should not be complacent. Stops should be kept pretty tight as a correction over the coming weeks is likely.



The VIX is a measure of expected market volatility. After a small spike last week, the VIX settled back into the teens this week. As long as the VIX remains in the teens, the markets will have the wind at its back. Should we break back above 20 and stay there for a few days, it will be an early warning sign to begin looking to get a little defensive.

Our Point

With earnings mostly reported (NVIDIA is the lone big earnings left at the end of the month), the market had little news to move it. There remains a bit of a floor under the market as there are many hedge funds and other investors that have missed the huge rally off of the April lows. With each up day more and more of these bears are throwing in the towel and moving back into the market. The increased buying pressure continues to push up stocks. That will stop when we get enough negative news to cause a panic or if profit-taking takes hold for those that rode the market up over the last 4 months. As mentioned last week, the silver lining to the poor jobs report was the increasing likelihood that the report will pressure the Fed to do what many (us included) have been calling for over the last several months. The chances of a September rate cut of reached the point of near certainty. Add to that the abrupt retirement of one of the Fed governors and the opportunity for President Trump to appoint a dovish one, and the pressure on the Fed to lower rates only increases. With an historic 2 dissenting votes at the July meeting, there will be an unprecedented 3 dissenting votes at the next meeting if the Fed stands pat. A September cut is all but assured. Big upside inflation surprises in next week's CPI and PPI could change things but that is not expected. Tariff news continues to come in daily but its influence on the markets continues to wane. That said, a favorable deal with China could provide another catalyst for further upside. As mentioned above, August and September have historically been the 2 worst market months. We are seeing some of that trepidation as intraday volatility has picked up a bit over the last couple of weeks. The markets have opened up strongly a couple of times over the last several trading sessions only to sell off at the end of the day – that is a potential early warning sign of trouble ahead. Investors should not get too cocky with the market at lofty levels but there is no reason for undue concern at this point. Keep your head on a swivel and be market aware for changes in market dynamics. We made no changes in our holdings this week. After last Friday's sell off, we considered lightening up a bit on our risk but the strong bounce back abated our current concerns. We are watching things closely and are prepared to respond to weakness and changing markets. Thank you for your trust as we navigate these markets. It has been a wonderful few days with unseasonably cool temperatures (or at least it felt that way after the sweltering heat wave that gripped Tennessee in late July). I swear it felt a little bit like football season! Indeed, the Titans kick off their preseason with a game this weekend. It is a time of year when everyone's team is on the verge of a Super Bowl – I am not there with the Titans! However, I do hope we will be more competitive than last year. It looks to be another beautiful weekend – get out and enjoy it wherever it finds you.