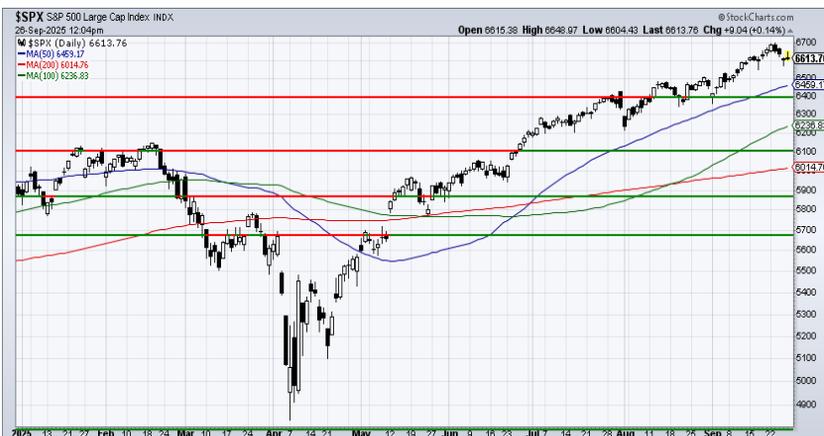


BILLS ASSET MANAGEMENT

BAM MARKET NOTE

SEPTEMBER 26, 2025

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Markets took a breather this week. After several up weeks, it was due. With 3 trading days left in September, the S&P is up over 2% for the month. September has defied its weak moniker. Nothing in the current weakness looks particularly ominous. The decline has been very mild (less than 1%) but after such a strong run it feels worse. The rising 50-day moving average at 6460 (2% from current levels) should be strong support should weakness persist into next week. If we get there, it will mark an approximate 3% pullback and would be well within the range of what can be expected in a bull market.



The Volatility Index (VIX) remains below 20 indicating that traders do not expect a large degree of volatility over the next month. When the VIX is below 20, it is most always a good time to be invested. When it creeps into the low 20's caution is warranted. Over 25 and it becomes increasingly difficult to earn profits. With a low VIX, we continue to enjoy a risk on environment. The market doesn't expect the current weakness to extend much longer or deeper.

Our Point

Comments this week from Chairman Powell put a bit of a damper on the market's expectation for 2 more rate cuts to end the year. Powell warned of inflation risks if the Fed moves too much on rates. The market sold off a bit on the comments and treasury yields moved up. The Fed Funds futures shifted down and lowered the chances of a December cut to 65% - down from 80% last week. The odds of a cut at the next meeting, however, stayed around 90%. The hawkish comments from the Fed chair provided the markets with a reason to take some profits. This morning's PCE inflation report came in at expectations throwing a little bit of cold water on Powell's inflation trepidation. We continue to be optimistic about a strong finish to a strong year in the markets. As we have mentioned many times over the last several notes, many professional investors have missed much of this year's rally and will feel increasing pressure to make up for lost opportunities. The resulting buying should put a floor under this market and should spark higher prices over the coming quarter. Many of those same investors were betting (hoping) for August and September weakness to prove themselves correct in their caution. However, the markets (as it is wont to do!) has proved them wrong and the August/September markets have been exceptionally strong (the S&P is up over 4% since August 1st). With the traditionally strong 4th quarter around the corner, higher prices are more likely than not. While not necessarily a weak month, October does have a reputation for market surprises. It is not a time to be complacent. With the end of the quarter next week, the markets will begin turning their attention to earnings. Earnings will begin in earnest the week of October 12th. Next Friday's job report will be closely watched for signs of continued job weakness. The number will highly influence future Fed interest rate decisions. After some much needed rain, it looks to be a gorgeous weekend in Tennessee with mild sunny days. Fall is coming... It will be another weekend full of football, the Ryder Cup and lots of outdoor fun for me. There is a long list of home projects that need to be done so I will be moving inside and out in between games and projects. We hope your weekend is filled with something fun. Enjoy it wherever it finds you.