

BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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As we discussed last week, the S&P had support at the 6400 level and additional support at the rising 50-day moving average. On cue, the market fell to the 6400 level and held that support. The S&P went on to rally to new highs yesterday before pulling back to this point today. As of now, the index is flat for the week. Support remains just below current levels so any selling should be confined to a 2-5% pullback. With the prospect of lower interest rates and the historically strong 4th quarter coming up, we advise buying market weakness.



The advance/decline line is another measure of market breadth. The line moves up as advancing stocks exceed declining stocks and vice versa. As you can see, the line has been in a steady uptrend since the April lows. Market breadth continues to show the strength of the market and the fact that more and more individual issues are moving up. Breadth is not an issue in the current environment, and the advance/decline line reflects a healthy market condition. No warning signs currently in breadth.

Our Point

The big news of the week came this morning as the much-anticipated August jobs report was released in the pre-market. The report showed an increasingly deteriorating job market. Wall Street anticipated jobs of 75,000 to be reported. Instead, there were only 22,000 new jobs. Additionally, prior month's job numbers were revised downward (June was revised to a job loss of 13,000). The market rallied on the news as it most assuredly cements at least a 25-basis point cut by the Fed at its meeting the week after next. The poor jobs report also opens up the prospect of a 50-basis point cut (unlikely in our view as it would be an admission by Chairman Powell that he has been behind the curve – again). With Fed Funds Futures showing a 100% chance of a rate cut any deviation from that would initiate a big market move. No cut would lead to a large market sell-off and a 50-basis point cut would likely lead to a significant rally. Despite some clarity on the interest rate cuts, the market has turned red this morning on fears that the anemic job growth is a warning sign for upcoming economic weakness. While the economy is slowing a bit, we don't believe that undue economic weakness is forthcoming. As noted in prior market notes, September has the well-deserved reputation as a weak market month. Specifically, the third week of September holds the title as the weakest week of the year. We'll see if that holds true this year. Regardless of what happens the rest of this month, we remain firmly in the bull market camp and expect higher prices over the coming months. We are well positioned to take advantage of additional market strength. However, we are always on the lookout for cracks in our thinking and will change our portfolios as market conditions warrant. We made no changes to our holdings this week and remain nearly fully invested across all of our portfolios. The Vols opened up the 2025 season with a strong showing and cause for optimism for the rest of the season – not the case for all SEC teams (what is going on at Alabama?!). The Titans open up their season on Sunday and while expectations are low, I do have hope that we have found a quarterback. It will be another wonderful weekend of sunshine and football – enjoy yours wherever it finds you.

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