

# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

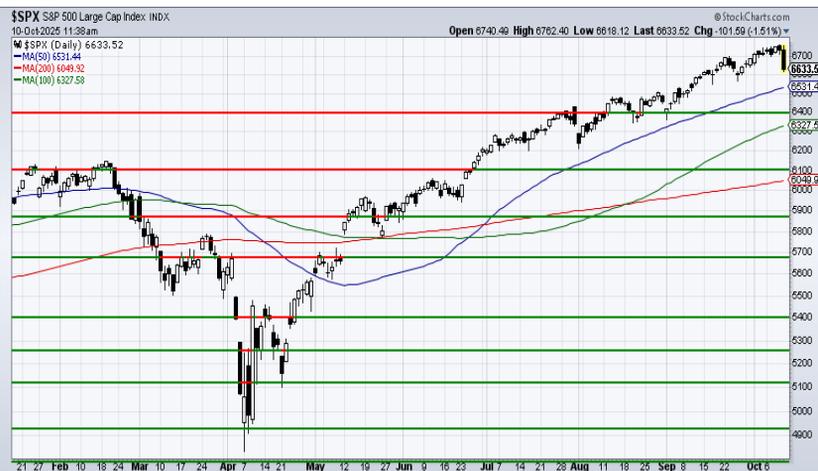
OCTOBER 10, 2025

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The mild correction we have been expecting may be here. After a rather mundane grind upward earlier this week, we got a sudden steep sell off this morning. The drop sent the weekly gains for the S&P negative. We don't expect this to be a deep correction. A pullback to the 50-day moving average would be a 3% decline. If support fails there, 6400 (5% decline) provides another level for the bulls to take a stand. It will be interesting to see how today progresses and if early morning weakness accelerates or buyers step in. Regardless, we continue to believe that weakness should be bought. However, caution should be taken until we see how much this weakness persists.



High yield bonds started to weaken late last week and accelerated their declines throughout this week. They have just pierced the 50-day moving average this morning so that is something to watch. If traders believe that the economy is weakening, HYG will continue to fall and provide a warning sign for the rest of the market. However, a relatively quick (week or two) reversal to the upside or some stabilization at or just above current levels will be welcome news. We are watching this chart closely.

## Our Point

Markets were humming along pretty nicely this morning and looking to have another positive week. However, just before 10 CST, President Trump posted a tweet that noted that "some very strange things were happening in China." Trump went on to accuse China of becoming very hostile in the trade war and questioned if they were negotiating in good faith. He promised "massive tariffs" and indicated that the upcoming meeting with President Xi may not happen. The potential escalation of the trade war sent the markets reeling and the VIX jumped 30%. It should be noted that nothing has changed with the US economy and that we have seen back and forth escalations with China before. Furthermore, the markets were overdue for a bit of a rest and pullback so the news provides some excuse for traders to take some profits. We will have to see how this plays out. We saw back in April with the original tariff scare that it was a tremendous opportunity to buy – we believe that this will play out similarly and suggest using this weakness to add to your positions. Nobody knows if this is the start of something deeper and more painful, but we don't believe that it is. If we are wrong, then we will adjust and adapt but little in the current environment suggests this is anything more than a pause in the bull market. Adding to the uncertainty this morning is the ongoing government shutdown. As noted last week, the shutdown will not have any lasting effects on the market, but it can add to some additional volatility. The lack of government economic reports only adds to that uncertainty and volatility. With the lack of government reports, earnings will take on additional significance and could move the markets more than usual. Next week, we will likely get more developments on the escalations with China as well as a slew of earnings from many of the big banks. The bank results will set the tone for the rest of earnings season. Disappointments from the banks, will further the decline while good earnings are likely to stall the recent weakness. It will be an interesting next week. We made no changes to our holdings this week but are on alert. While we don't pretend to know what the markets will do, we can adapt to what they are doing. We are ready to do just that if the recent weakness continues and our stops are hit. The Vols are back in action this week with a trip to Arkansas. It should be a comfortable win but nothing in the SEC is easy – especially on the road. The Titans also have a new winning streak! It is only one game but a win streak nonetheless. Sunshine and fall temps this weekend so get out and enjoy! Have a great weekend wherever it finds you.

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