

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

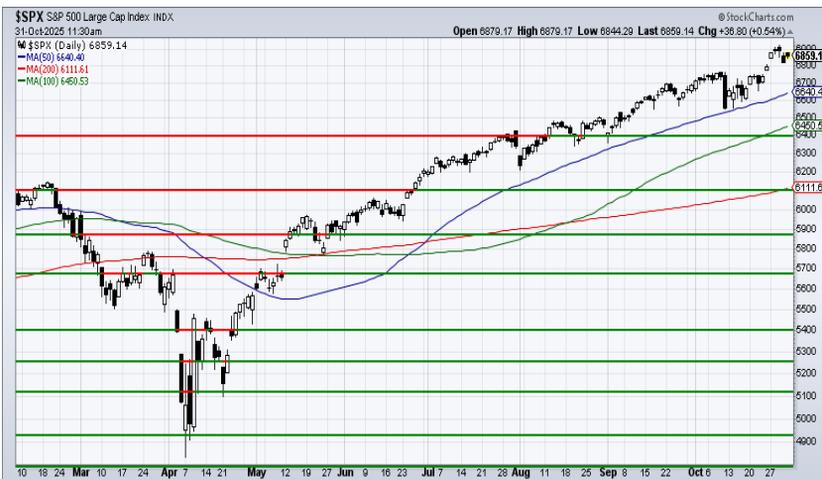
OCTOBER 31, 2025

BO BILLS

(615) 371-5928

CARTER BILLS

(615) 585-6867



Despite a mid-week swoon, the S&P looks to have another solid week. As of this writing, the S&P is up over 1% for the week and just off all time highs. Buyers continue to step up any time there is a bit of weakness. Should we have a pullback it would likely be contained by the rising 50-day moving average (3% below current levels). We are not necessarily calling for that, but it is certainly possible. Buying on the dips continues to be a winning strategy. This will end at some point, but we think this bull still has room to run. There remains a number of tailwinds as we enter the home stretch of 2025.



The dollar has strengthened considerably over the last few weeks. Over time, there is a slightly negative correlation between the markets and the dollar. However, there are often short-term blips in this relationship. We suspect some of the recent moves are just an oversold bounce and, more recently, a move higher on the Fed's somewhat hawkish comments. However, a dollar that continues to strengthen could create some selling pressure to the overall market. It is worth watching.

Our Point

As we noted last Friday, the markets had a lot to digest this week. The week brought the Fed decision on interest rates, a multitude of earnings and a key meeting between Presidents Trump and Xi. Microsoft started the news with an excellent earnings report – beating expectations on multiple levels. However, the market wanted more and was concerned with some of the spending on AI and when those investments might pay off. To the surprise of no one, the Fed announced on Wednesday another 25-basis point cut to interest rates. However, in Chairman Powell's press conference following the announcement he noted that another cut in December was not a foregone conclusion. Powell's tenor was much more hawkish than the market anticipated with the odds of another cut in December falling from over 85% to 65%. Earnings on Thursday didn't help much to calm things as Meta (Facebook) was punished for a one-time tax charge and concern (again) for their AI spending. Investors are increasingly worried that excessive investments in AI may not bear fruit in the near term. Google and Apple produced gains after beating their estimates easing some of the selling pressure that Meta created. Amazon, however, was the star of the Magnificent Seven releases with shares jumping 13% overnight after a stellar earnings report. The jump in Amazon is largely responsible for the rally today. Nvidia is the last of the Mag 7 to report with their earnings due out in mid November. Even though it seems that trade tensions have eased with China and a new agreement may be signed as early as next week, the markets barely moved. It is another reminder that markets have become less concerned with tariffs and trade and have come to expect favorable resolutions of any dust ups. The mostly positive earnings results this week and the likely China deal have kept the market in the black despite the Fed disappointment. The shutdown continues and will become increasingly painful for those affected. We noted a few weeks ago that the shutdown would have little to no effect on the economy assuming it would be solved quickly. However, with both sides entrenched and missing paychecks and food stamps in jeopardy, the effects on the economy will start to be felt. The effects will be short-lived as the shutdown will eventually end but stock market volatility may increase the longer it goes. We made no changes to our holdings this week and remain mostly fully invested. It should be a beautiful night in Tennessee for all the trick or treaters. Have fun, be safe and give good candy. Enjoy your weekend wherever it finds you.

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