

BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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The market has steadied a bit this week with the S&P logging a slight gain. Importantly, the index held onto support at the 100-day moving average and took a stab at resistance this morning at the 50-day moving average. The 50-day average gains extra significance as it also corresponds with the support line at the 6900 level. While we have had significant rotation within the various stocks that make up the S&P 500, the index itself has not moved much this year. After the gains of last year, a sideways move for several weeks is not a bad chart pattern. Things can change quickly but nothing in the chart is of undue concern.



To further emphasize our lack of current concern, the NYSE advance decline has continued its advance this year. The chart shows the number of advancing stocks minus the number of declining stocks in the NYSE. If the markets were stressed, we would be seeing this chart decline. While market leadership has shifted, the majority of stocks are continuing to rise. High yield bonds (not shown) have a similar chart pattern with a steady, albeit slow and modest uptrend. The charts are illustrative of our belief that the current market weakness is temporary and should be modest.

Our Point

The markets have bounced back a bit this week with the major indices all in the green. Much of the weekly gain is coming this morning as the Supreme Court struck down President Trump's tariffs. Upon the decision, the markets took a leg up as some of the uncertainty regarding the tariffs were removed from the market. While the White House indicates that there are other authorities to use for tariffs, they will likely take some time to implement and may take more effort and time to enact than the tariffs of the past. As we have mentioned many times over the years, the markets do not like uncertainty and having a Supreme Court decision was widely applauded by the markets. However, if we have learned anything about President Trump, he is creative and will push the limits of the law. The lack of uncertainty may be short-lived as the White House tries to devise other ways to implement tariffs to level the trade playing field with the rest of the world. Walmart released earnings this week and while they beat for the prior quarter, they were more measured for upcoming quarters. The conference call after earnings noted a concern of a weakening consumer. The stock is down 9% this week but remains up considerably this year (10%). While WMT was punished, the rest of the market didn't blink. Likewise, a weak print of 4th quarter GDP did nothing this morning to rattle the markets. The first reading of GDP came in at 1.4% - much lower than the anticipated 2.5%. Some, if not all, of the disappointment may be attributed to the government shutdown. The PCE inflation report came in a little hotter than expectations. The small increase in inflation was also similarly shrugged off by the market. The fact that disappointing economic news did little to roil the markets is another reason to remain confident that the weakness over the last few weeks may be coming to an end. However, earnings next week from Nvidia will largely determine which way this market heads next. All eyes will be on the release next Wednesday. We made no changes to our holdings this week as we wait to see if the tech sell off has run its course. It looks to be another beautiful weekend – get out and enjoy it wherever your weekend finds you.