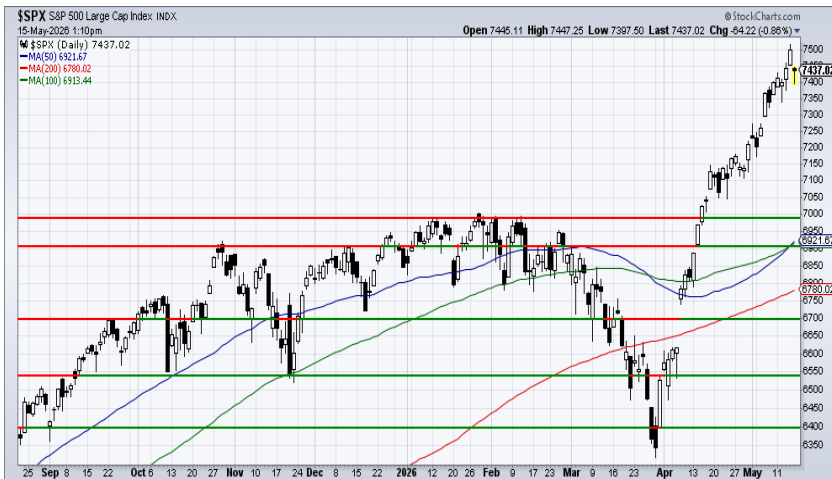


BILLS ASSET MANAGEMENT
BAM MARKET NOTE
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Despite elevated inflation reports, the markets have held onto their gains this week. The S&P is mostly flat this week which, all things considered, is a great week. With the Iran conflict still in limbo, elevated oil prices and inflation data, and an overbought market, a sideways market is a good thing. It would be healthy to have another week or two of sideways to down markets to work off the froth and give investors a chance to catch their breath. Any weakness we see in the near-term is likely more profit taking than fear selling. The \$VIX (not shown) remains in the teens which indicates a favorable trading environment. This bull looks like it has more room to run but some degree of caution should be taken in the short term.



The advance/decline line has leveled out and has trended down this week showing a narrowing market with fewer leaders. It is a warning sign to watch but may be only an indication that the market is taking a breather after such an extended and pronounced rally.

Our Point

Earnings have slowed to a trickle with only a few big names remaining to report. Nvidia will be the one to watch next week as it reports on Wednesday. As mentioned above, the CPI and PPI reports were issued this week and to the surprise of nobody, showed elevated inflation. With the Iran war dragging on, the increased cost of oil is putting a drag on an otherwise strong economy. The market shrugged off the inflation numbers as it continues to believe that the Iran conflict will sort itself out over the coming weeks and that oil prices will return to more normalized levels. Time will tell if the markets are correct. Treasury yields trended up this week as inflation concerns were heightened. The increase in yields should be monitored as elevated yields will continue to be a headwind for equities. The increase in yields also reflect the growing consensus on Wall Street that Fed rate cuts are less and less likely. Chairman Powell's term as Fed president ends today and new president Kevin Warsh takes the helm. With Powell's refusal to retire, the most dovish board member Stephen Miran was forced to resign. As a result, Warsh's term begins with a more hawkish Fed than it was yesterday. Interest rate cuts this year have now been all but eliminated in the Fed futures and the odds of interest rate hikes steadily increase as we move through the year. Of course, those odds could change quickly with a settlement of the Iran war, the return of oil prices to a more moderate level, and a subsequent decline in inflation pressures. The meeting between Presidents Trump and Xi didn't produce any fireworks or explosive news but did reduce some uncertainty. There were some trade deals made and, importantly, there doesn't appear to be any escalation in the form of tariffs or restrictions to rare earth minerals that the US needs. All in all, the meeting was viewed modestly positive by the markets. Nvidia isn't the only earnings to watch next week as we also get a look at the consumer with Walmart, Target, Home Depot and Lowe's all reporting. It should be another full trading week with lots of data points. We made no changes to our holdings this week and remain mostly fully invested with small amounts of cash to deploy on any weakness. This weekend appears ready for an unofficial start to summer. We'll see our first day in the 90's on Sunday. Lots of sunshine so get outside and enjoy your weekend.