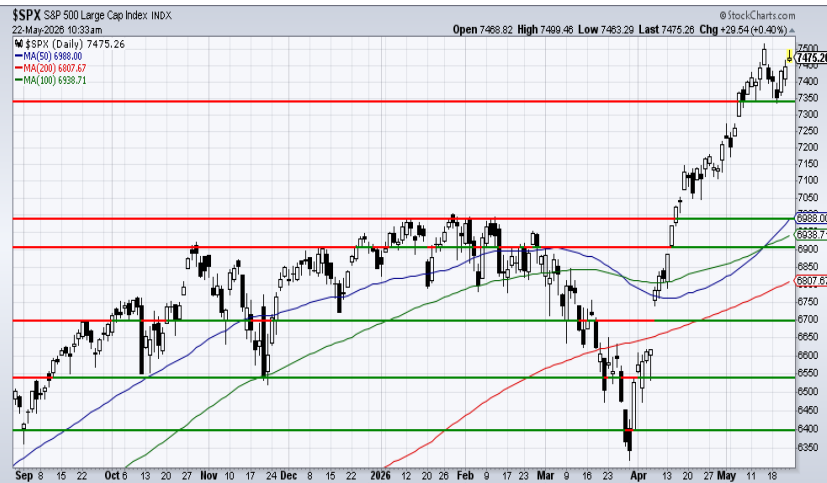


**BILLS ASSET MANAGEMENT**  
**BAM MARKET NOTE**  
**MAY 22, 2026**

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Last week, the S&P churned a little and worked off any overbought conditions. This week, the market has continued its incredible run from the late March lows. At this writing, the large cap index looks to finish the week up another 1%. While the rise has slowed and gotten a little choppier, the strength of the markets continue. Market breadth is less than we would like but market strength is undeniable. With the small pullback we got, we have added a new support line for any weakness. The support is not particularly strong at this point but would be a logical stopping point for any small correction to work off market froth. Despite the market nearing all time highs again, we are a little cautious with markets at these levels.

Treasury yields across all durations have risen significantly over the last couple of weeks. The increase in rates can be attributed to rising expectations of greater inflation. The rise in rates are also a visual of the markets shift from the idea of Fed interest rate cuts to Fed interest rate hikes. In this environment, rising rates will be a barrier for the markets to overcome if new highs are to be achieved. It should be noted that rates will likely decline rapidly if the conflict with Iran is resolved soon.

## Our Point

As noted last week, earnings from a handful of big names would mark the unofficial end to earnings season. The biggest of this week's earnings was Nvidia. As expected, Nvidia had another banner quarter exceeding all expectations. Despite the impressive earnings, the stock failed to move significantly. Wall Street has become accustomed to Nvidia's astounding earnings and growth and had already priced in an excellent quarter. On the retail side, Walmart reported steady earnings but warned of consumer weakness in their forward guidance. In response, the markets punished the stock with a decline of over 10%. Despite rising interest rates, mixed earnings, and the continued peace/no peace in Iran, the markets keep climbing that wall of worry. It has been an astounding advance especially considering so many were calling for a bear market and a collapse in the markets a short 6 weeks ago. Next week will be a holiday shortened week with the markets closed for Memorial Day. The economic calendar will be relatively quiet. With treasury yields rising, next week's PCE inflation report will be closely watched for signs of growing inflation. Another report showing increased inflation would only exacerbate the increase in treasury yields and would further solidify that interest rate cuts are unlikely this year with the growing possibility of interest rate hikes. Kevin Warsh was officially sworn in this morning as the new Chairman of the Fed. While markets have a general idea of Chairman Warsh's thinking, it will be interesting to see if any of that shifts now that he has been installed. Certainly, his words and speeches over the coming weeks will be given more weight now that he is in office. While there are no official speeches scheduled by Warsh before the mid-June Fed meeting, he will likely provide some thoughts before then. The markets will be listening carefully to glean whether or not the new chairman will be as dovish and pro-growth as President Trump hopes. With the uncertainty going into a long weekend, it would not be surprising for the markets to sell off a little into the close today. Trump has often surprised with big decisions over weekends (presumably to give markets time to adjust). With the on again/off again threat of a renewal of hostilities in Iran, it is certainly possible that a new bombing campaign could begin over the weekend. We made no changes to our holdings this week and continue to enjoy the positive markets. We will be traveling next Friday so there will be no market note next week unless market conditions dictate an update. Have a wonderful long weekend and take a pause to remember all those who paid the ultimate sacrifice for our freedoms.

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