

Rail-Splitter Capital Management

Rail-Splitter Insights

a weekly commentary on
investing

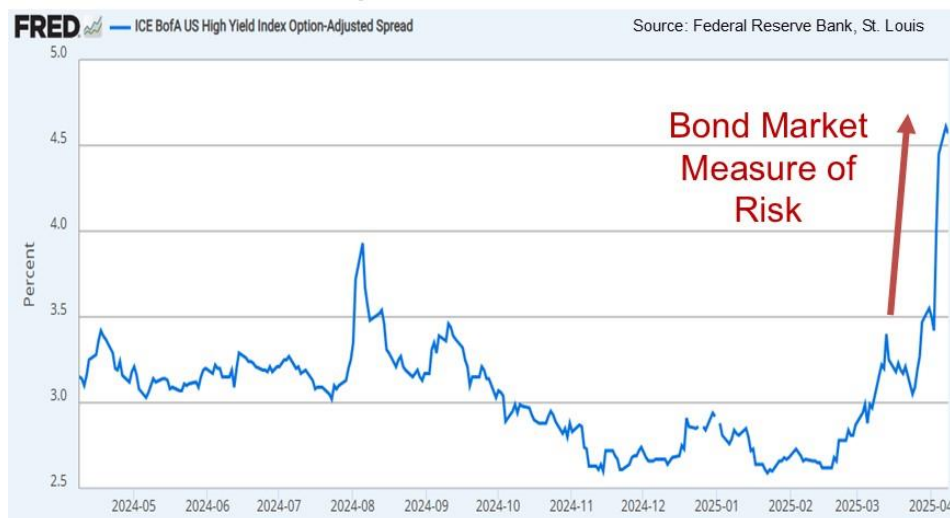
Rail-Splitter Capital Management is focused on protecting and growing wealth for our clients. Our services are provided through Delta Investment Management a registered investment advisory firm. We welcome discussions on how we can help you manage your assets and maximize your wealth. Please contact us at info@rail-splitter.com or 312-724-8722.

One Spike Leads to Another, Part II

April 11, 2025

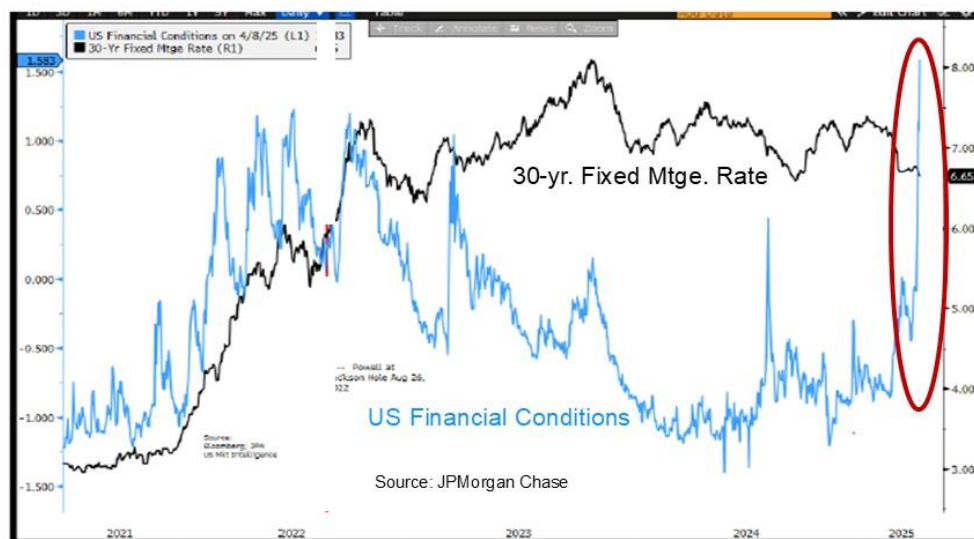
Last week, we talked about how a spike in uncertainty led to a spike in the high yield credit spread which is a measure of perceived debt market credit risk (company defaults) which implies a rising probability of recession. As an update, the spread increased from about 3.4% to 4.5% this week.

High Yield Spread



This week, we experienced an overnight spike in the 10-year U.S. treasury interest rate on Tuesday from 4.1% to 4.5%. Although the Fed may cut the Fed Funds rate, a short-term lending rate between banks, the 10-year treasury rate sets many commercial loan rates including mortgage rates. It also impacts Federal borrowing costs which places further strain on a ballooning deficit. It increases the discount rate used to value stocks. A spike in the 10-year treasury rate implies a tightening of financial conditions and further pressure towards an economic slowdown and job loss.

U.S. Financial Conditions on 4/8/2025



Normally, when the stock market is experiencing high uncertainty/volatility and depreciation, investors flock to safety. They buy U.S. treasuries which causes interest rates to decline.

The top two holders of U.S. treasuries are Japan and China. When foreign countries sell goods to the U.S., they receive U.S. dollars. They may earn interest on these dollars by buying U.S. treasuries.

Given the heated nature of the recent tariff announcements, especially with China, it is possible that China sold treasury securities in a demonstration that it has the ability to tighten financial conditions in the U.S. One indication that the Tuesday night rate increase was primarily driven by actions taken by China was rates increased overnight between 8pm and 3am ET, a time when foreign markets are open, and the U.S. is asleep. 24-hour trading platforms like BrokerTec and CME Globex allow foreign central banks, sovereign wealth funds and institutional investors to trade anytime.

Mid-day Wednesday, Trump announced: "I have authorized a 90-day pause, and a

substantially lowered reciprocal tariff during this period, of 10%..." Not included in this announcement was China.

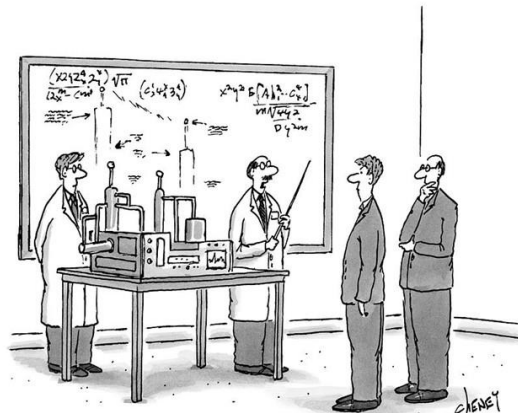
Based on investor uncertainty and exceptionally high market volatility, it is clear tariff wars have ripple effects. Given the amount of goods imported from China and their status as the second largest holder of U.S. government debt, it is important that we arrive at a mutually favorable settlement of our trade differences. The pace of tariff news moves fast. A positive turn in the China tariff negotiation would likely cause the U.S. stock market to leg higher.

Let Us Help You Position Your Portfolio – Give Us a Call Today

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Whether you're a seasoned investor looking to optimize your portfolio or someone just starting to explore investment opportunities, our team is dedicated to providing tailored solutions to meet your financial goals.

To learn more about how we can help you navigate the complexities of the financial markets and achieve your investment objectives, we invite you to reach out to us. You can give us a call at **(312) 724-8722**, visit our website at www.rail-splitter.com, or simply email us at info@rail-splitter.com.



"It's designed to generate electricity by moving
with fluctuations in the Dow."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

19.3

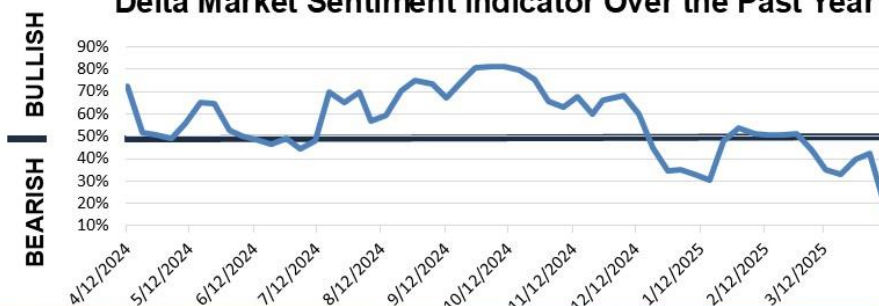
Our technical indicator decreased
from 42.3 to 19.3 this week

INDICATOR STATISTICS

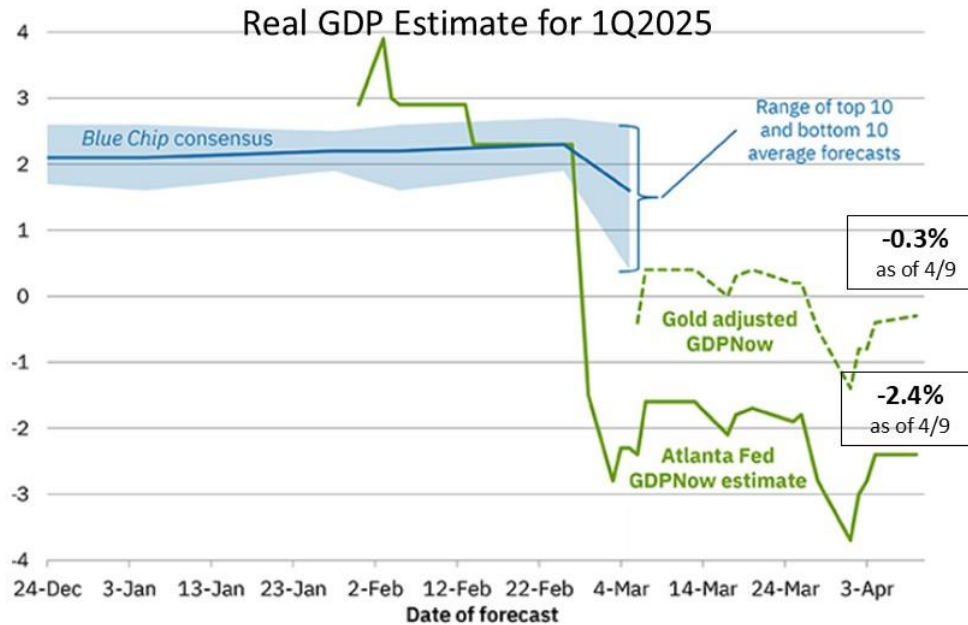
Consecutive Bearish Weeks:	6
Cycle Inception Date:	3/6/2025
Range:	19.3 - 43.9
Mean::	35.6
Bullish Weeks YTD:	5
Bearish Weeks YTD:	10
*S&P 500	-7.3%
*DJIA	-6.0%
*NASDAQ	-8.1%

* Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year



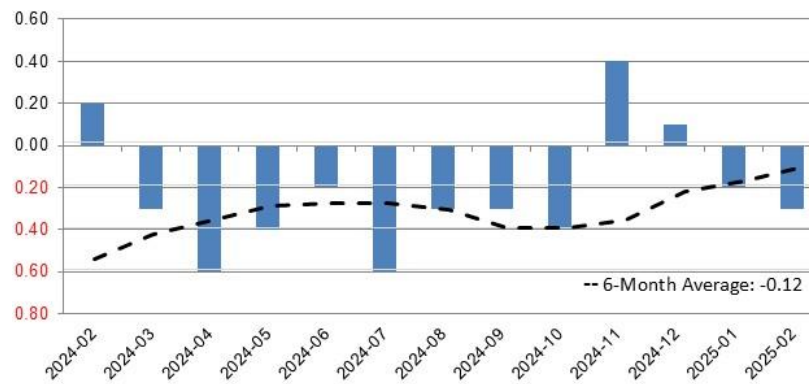
Evolution of Atlanta Fed GDPNow Forecast



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

Feb 2024 – Feb 2025



Source: The Conference Board – last update 3/20/2025

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