

Rail-Splitter Capital Management

Rail-Splitter Insights

a weekly commentary on
investing

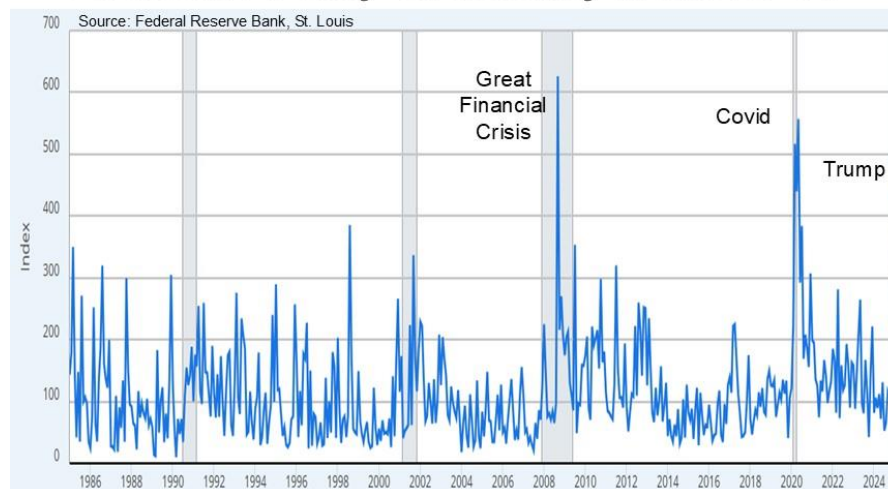
Rail-Splitter Capital Management is focused on protecting and growing wealth for our clients. Our services are provided through Delta Investment Management a registered investment advisory firm. We welcome discussions on how we can help you manage your assets and maximize your wealth. Please contact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

One Spike Leads to Another

April 4, 2025

Since the presidential election, there has been a whirlwind of U.S. government policy changes. Rapid change creates investor uncertainty. The chart below shows how economic policy uncertainty recently reached the third-highest level in the past 40 years.

Economic Policy Uncertainty Index for US



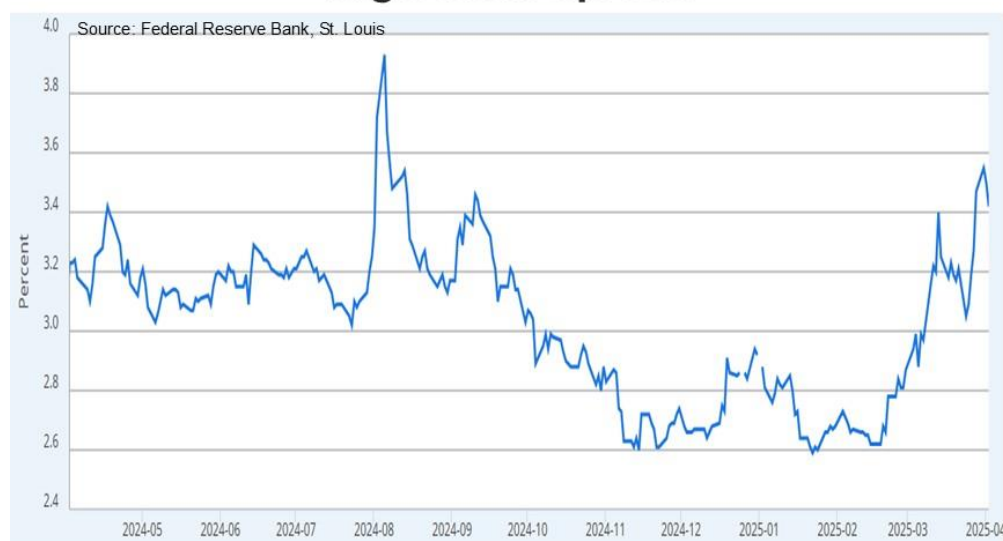
The primary driver of economic uncertainty has been evolving tariff policy. This week on Wednesday, the U.S. tariff policy was clarified. Tariffs are set to reach the highest share of GDP in 100 years. We have most likely passed the point of peak uncertainty regarding tariffs and now the financial markets are adjusting.

The argument in favor of tariffs is they should incentivize manufacturing to return to the United States in the intermediate and long-term. For investors today, the eventual success of the tariffs will not be known for some time.

In the near term, the financial markets are pricing in a higher probability of recession. One of the primary measures of investment risk for fixed-income investors is the High Yield Spread which has remained near record lows from the November election through about a month ago. Although the economic uncertainty index spiked, the credit market remained relatively complacent as the hard economic data remained biased towards growth.

As tariff activity has intensified over the past month, credit spreads have begun to widen. The chart below reflects the spread-widening through Wednesday morning. Given the “flight to safety” in government bonds on Thursday, we expect the spread to have widened further when next reported.

High Yield Spread



The spike in the spread indicates elevated recession risk. As of Wednesday morning, the interest rate spread between non-investment grade corporate debt and U.S. treasuries was 3.4%. Spreads above 5% have coincided with equity market volatility and depreciation.

Other barometers of economic activity are showing a deteriorating condition. The price of West Texas Intermediate (WTI) crude oil declined 7% on Thursday. The consumer

discretionary sector ETF (XLY) is down 15% year-to-date with 6% of the decline occurring on Thursday.

The pace of change remains high. Retaliation, escalation or reconciliation could come next. As measured by the CBOE Volatility Index (VIX at ~28), the higher-than-expected tariff rates have not caused investor panic. The stock market is repricing, in a relatively orderly manner, a broader array of possible economic outcomes.

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

We pride ourselves on our unique and sophisticated investment strategies designed to capture the gains of the stock market while minimizing drawdowns during bear markets. If you're seeking expert guidance in your financial planning journey, we're here to assist you.

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.



"The market was volatile."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

42.3

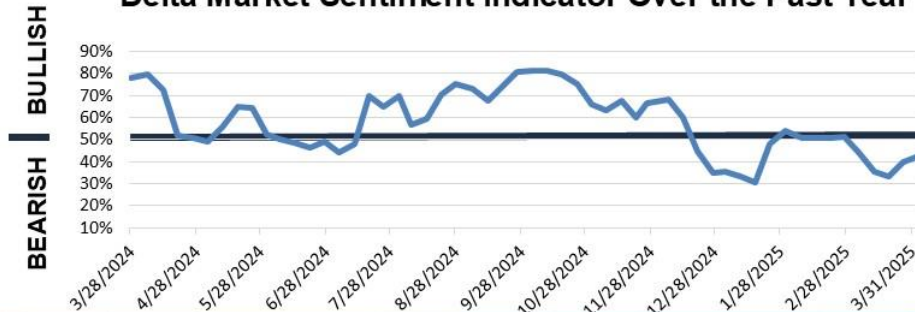
Our technical indicator increased
from 39.6 to 42.3 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	5
Cycle Inception Date:	3/6/2025
Range:	33.0 - 43.9
Mean::	37.9
Bullish Weeks YTD:	5
Bearish Weeks YTD:	9
*S&P 500	-5.2%
*DJIA	-3.7%
*NASDAQ	-7.3%

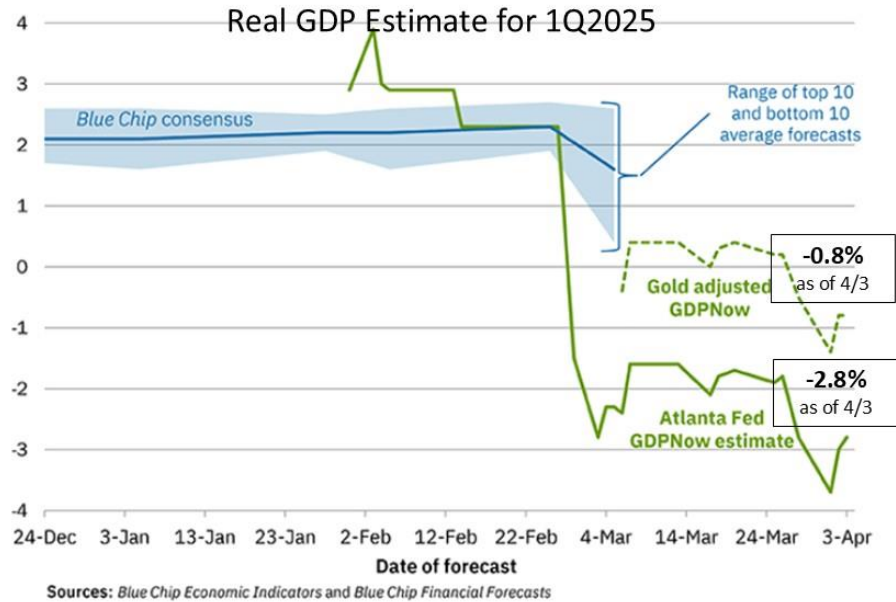
* Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year



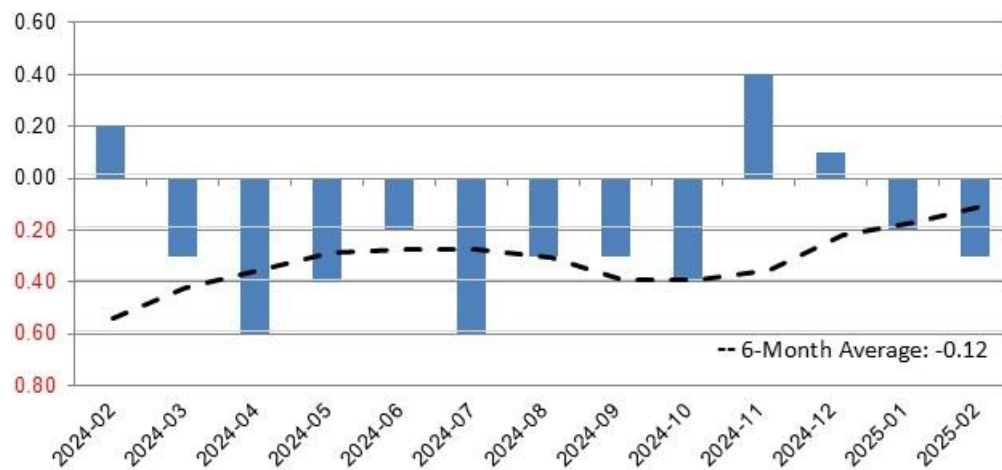
Delta Market Sentiment Indicator (MSI) is published weekly in [Barron's](#)

Evolution of Atlanta Fed GDPNow Forecast



Leading Economic Index % Change Monthly

Feb 2024 – Feb 2025



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

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