

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.

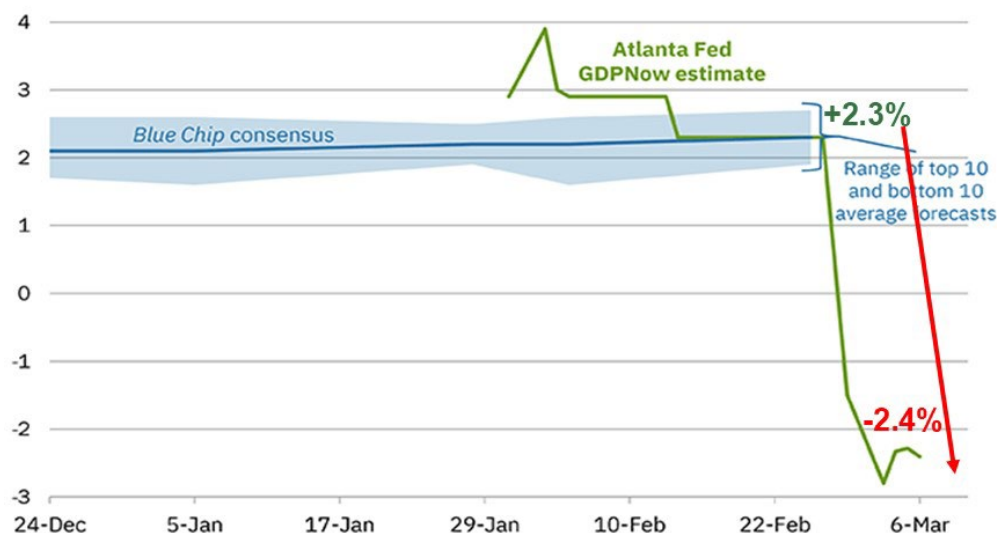
Volatility Pocket or Trend Change

March 7, 2025

Tariff talk has raised stock market volatility in the past week. The S&P 500 is now about 5% below its all-time highs reached on February 19th of this year. There has been a rapid downward shift in the economic growth outlook over the past two weeks best captured by the change in the Atlanta Federal Reserve Bank's GDPNow model.

The Atlanta Fed GDPNow is a forecast of GDP growth and not a measure of actual GDP growth. In about two weeks, the forecast fell from positive 2.3% to a contraction of 2.4%. It is possible that the forecast is too negative and may be revised higher. The ISM Services PMI (Institute for **S**upply **M**anagement, **P**urchasing **M**anagers' Index) report for February was better-than-expected at 53.5% and indicated the pace of expansion in the nation's largest economic sector accelerated.

GDPNow Forecast of Q1 GDP Growth



The headline rich environment is creating high intraday stock market volatility with the average intraday trading band being 2.2% in the S&P 500 for the five days ending on Wednesday of this week. The question many investors are asking is are we experiencing a short-term drawdown (in the words of a professional trader, “a technical/gamma driven volatility pocket”) or has the economy and the stock market started a more extended downward trend.

Unfortunately, we will not know the answer to the “pocket” or trend change question for at least several weeks. If significant tariffs are kept in place for an extended duration, Canada and Mexico may experience recession. U.S. GDP growth expectations may decline further and earnings revisions may be materially lower. In this scenario, investors benefit by being more defensive.

This week, Delta’s intermediate term price signal (Delta Market Sentiment Indicator – MSI) turned Bearish. The good news for investors is in the current environment, there are many options to remain invested while managing downside risk and creating return. There are attractive fixed income and hedged equity offerings. Attractive valuation opportunities are beginning to present in individual, high-quality stocks. In a rapidly shifting investment environment, active management may yield significant benefits.

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.



"Where do you want to worry that we're spending too much money this summer?"

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

43.9

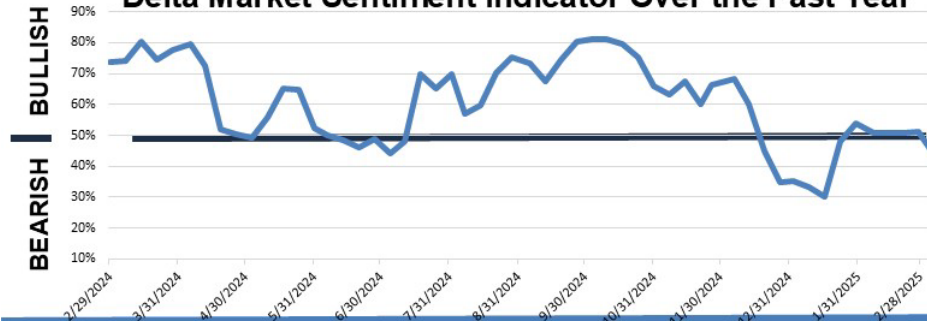
Our technical indicator decreased from 51.3 to 43.9 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	1
Cycle Inception Date:	3/6/2025
Range:	43.9
Mean::	43.9
Bullish Weeks YTD:	5
Bearish Weeks YTD:	5
*S&P 500	NA%
*DJIA	NA%
*NASDAQ	NA%

* Percentage change during current cycle

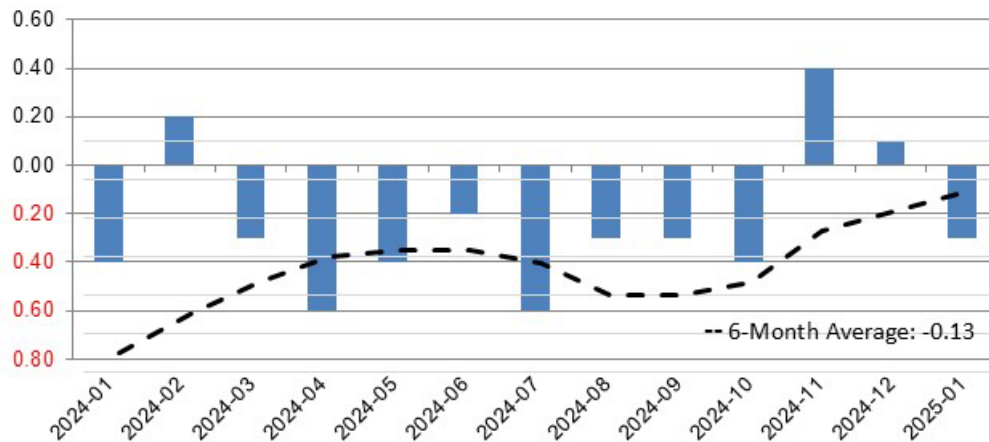
Delta Market Sentiment Indicator Over the Past Year



Delta Market Sentiment Indicator (MSI) is published weekly in *Barron's*

Leading Economic Index % Change Monthly

Jan 2024 – Jan 2025



Source: The Conference Board – last update 2/20/2025

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