



# THE INVESTOR'S EDGE

MARKET / PORTFOLIO UPDATE

April 3rd, 2025



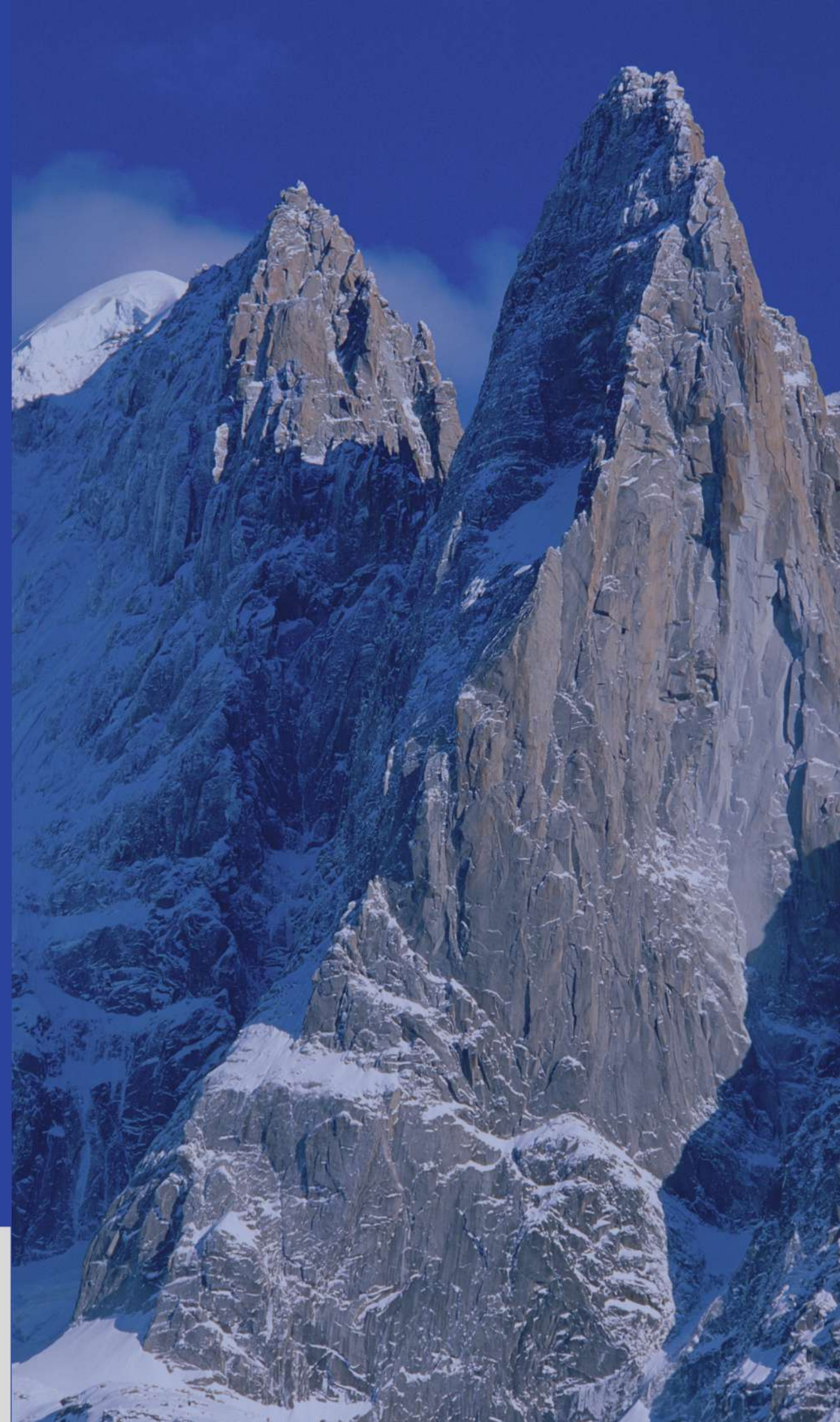
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As seen on



By Todd Gordon & Kyle Wasson



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The information within this report was researched by Inside Edge Capital with the tools available to the Inside Edge Capital from DTN IQ, Optuma, YCharts, CNBC, TD Ameritrade, Schwab.

Various indexes were chosen that are generally recognized as indicators or representation of the stock market in general. Indices are typically not available for direct investment, are unmanaged and do not include fees or expenses. Some indices may also not reflect reinvestment of dividends.



# ECONOMIC AND MARKET UPDATE- Q1 '25



# THE STARTING GATE



## TOPICS TO COVER TODAY

- Business Updates - New website and Active Opps
- Market Volatility with Tarif Tantrum
  - Trump open to negotiation
- Market Technicals and Internals
  - % change of indexes - perspectives. Emotions!
- Trade Balance / Credit spreads
- Position Updates. Cut Approximately 10% of our exposure today: SPY, QQQ, GOOGL, MANH, ALAB, TTD, ESI

INSIDE EDGE CAPITAL

Investment Management Financial Planning Strategy Insights About Us

Log In Schedule A Call

Active Management Comprehensive Planning

## Active Management Of Your Financial Future

A competitive advantage to wealth management with expert guidance to navigate any financial challenge with confidence

Schedule A Call

As seen on

THE EXCHANGE CLOSING BELL CNBC HALFTIME REPORT trading NATION

Video player showing a snowy mountain landscape.

- Active Opps Portfolio

- Is now live! Is considered our tactical “active opportunities” model that will act as a speedboat so speak. Will be aggressive in bull markets holding only the strongest fundamental / technical names that are growing earnings, raising guidance, and leading their respective industries
- Will also move to neutral or even net short via leverage ETF’s and options in the case of bear markets, possibly like now! I’ve been building this out on TradingAnalysis.com ad now it’s live at Inside Edge Capital

**COMPANY UPDATES - NEW WEBSITE AND ACTIVE OPPTS**





- Market in limbo until April 9<sup>th</sup> when reciprocal tariffs go into place, following the 10% baseline tariff on April 5th
- Market Watch “...tariffs are estimated to generate as much as \$500 billion a year, or \$5 trillion in a decade according to Trump advisor Stephan Miran. Budget Lab at Yale says \$3.1 trillion is more reasonable if imports don't fall.” Is this setting the stage for sweeping tax cuts beyond the 2017 tax cuts becoming permanent?



U.S. President Donald Trump waves as he boards Air Force One at Joint Base Andrews in Maryland on April 3, 2025.

Mandel Ngan | Afp | Getty Images

After multiple White House aides insisted that the new tariffs were not a negotiation, Trump said he would be open to negotiating with other countries about the duties.

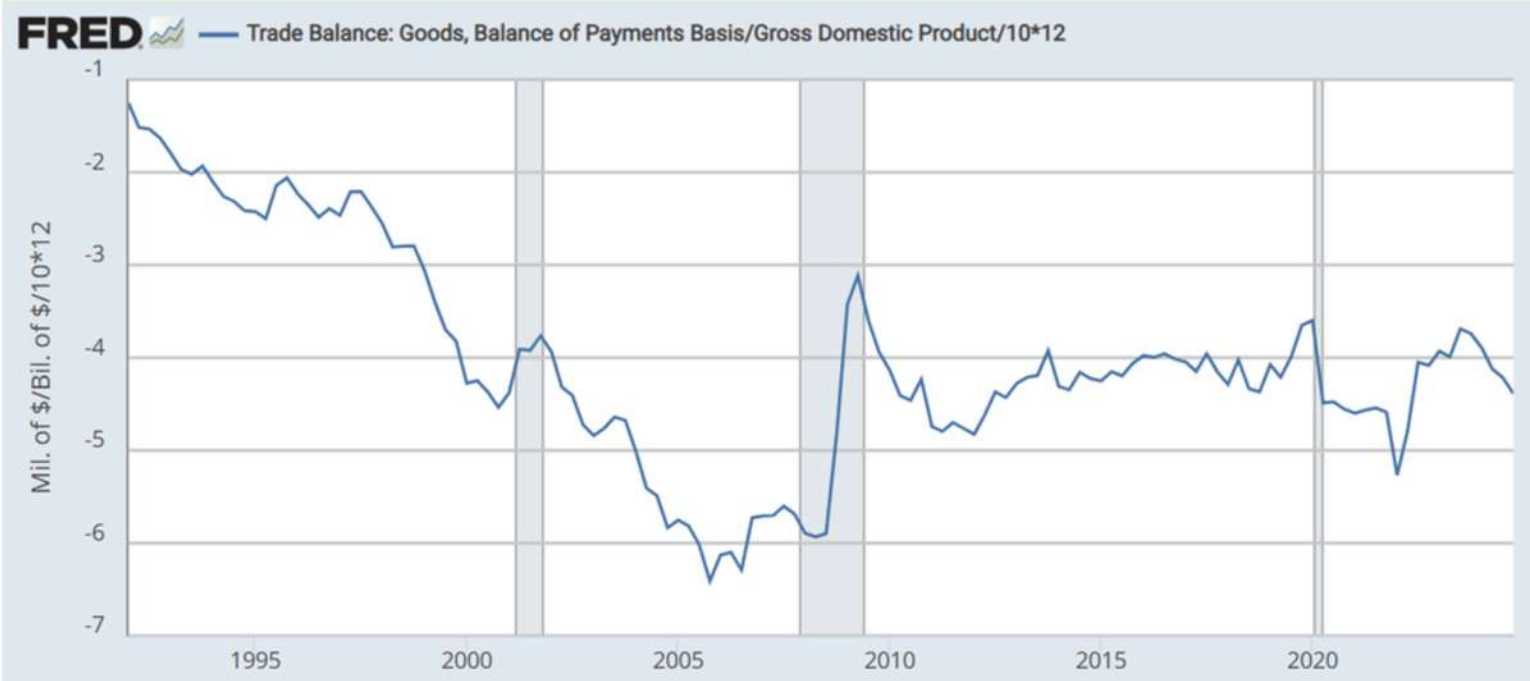
Trump said he would be open to tariff talks with other countries if they offer something phenomenal, Reuters reported him saying on Air Force One.

Top trade aide Peter Navarro told CNBC less than an hour earlier that the sweeping tariffs are “not a negotiation.”



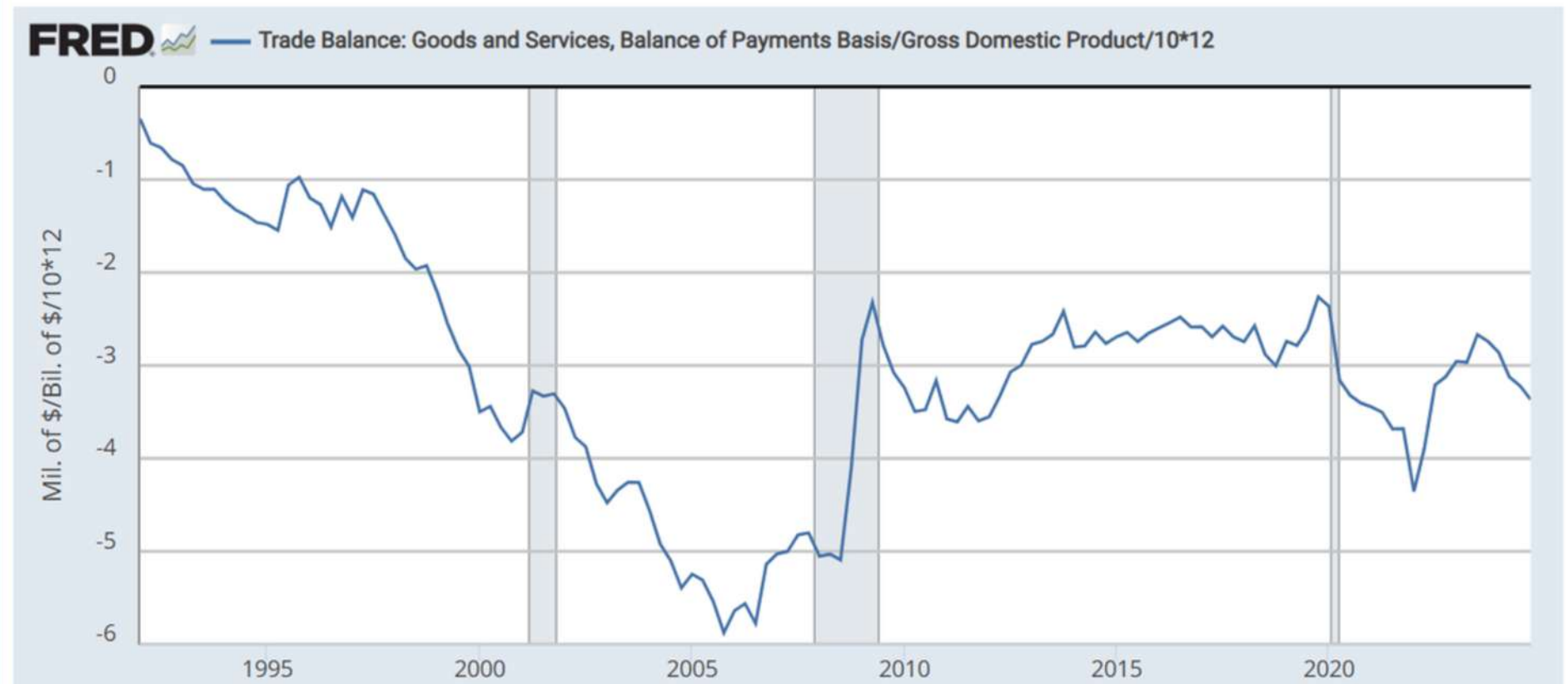
Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau via FRED®  
 Shaded areas indicate U.S. recessions.  
[Customize](#) | [Download Data](#) myf.red/g/fjvB

Consider the graph above, which shows the U.S. trade balance. It looks like things are seriously heading south, with a deficit that's ten times larger than it was 25 years ago. Is it really that bad? For one thing, the economy as a whole has grown significantly over this period, and prices have increased, too. To address these biases, we should divide the trade balance by our favorite nominal index, nominal GDP. The result is the graph below.



Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau via FRED®  
 Shaded areas indicate U.S. recessions.  
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Now that the units are percentages of GDP, we can see that the deficit is five times as large as it was 25 years ago, not ten times. And it has actually improved since the previous recession, to a little more than three times its size, topping out at -4% of GDP. But wait, there's more: International trade doesn't pertain to goods alone; it also involves services. And here, the United States actually enjoys a surplus. So, if you redo the second graph with the trade balance for goods *and* services, you obtain the graph below:



Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau via FRED®  
 Shaded areas indicate U.S. recessions.  
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Finally, we see that the current trade deficit is at about 3% of GDP. Is that a lot? Actually, a deficit isn't necessarily bad. See a [previous blog post](#) on the topic.

**How these graphs were created:** For the first graph, simply search for "trade balance" and take the series that pertains only to goods. For the second graph, use the first and then go to the "Edit Graph" panel: From there, add "nominal GDP" and apply the formula  $a/b/10*12$ . (The idea is to divide by 1,000 to put both series into the same units and then multiply by 100 to obtain results in percentages, which reduces to simply dividing by 10. Multiplying by 12 changes the trade balance's monthly frequency to an annual frequency, to match nominal GDP's annual frequency.) For the the third graph, replace the trade balance for goods with the trade balance for goods and services.

Suggested by Christian Zimmermann.

[FRED St.Louis Fed](#)

# TRADE BALANCE EXPLAINED - TARIFFS





**ICE BofA US High Yield Index Option-Adjusted Spread** (BAMLH0A0HYM2)

Source: [Ice Data Indices, LLC](#) Release: [ICE BofA Indices](#)

Units: Percent, Not Seasonally Adjusted

Frequency: Daily, Close

Notes:

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

This data represents the ICE BofA US High Yield Index value, which tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of \$100 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the eurobond and US domestic bond markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index.

ICE BofA Explains the Construction Methodology of this series as:

Index constituents are capitalization-weighted based on their current amount outstanding. With the exception of U.S. mortgage pass-throughs and U.S. structured products (ABS, CMBS and CMOs), accrued interest is calculated assuming next-day settlement. Accrued interest for U.S. mortgage pass-through and U.S. structured products is calculated assuming same-day settlement. Cash flows from bond payments that are received during the month are retained in the index until the end of the month and then are removed as part of the rebalancing. Cash does not earn any reinvestment income while it is held in the Index. The Index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. Issues that meet the qualifying criteria are included in the Index for the following month. Issues that no longer meet the criteria during the course of the month remain in the Index until the next month-end rebalancing at which point they are removed from the Index.

FRED St.Louis Fed

# HIGH YIELD JUNK (BB OR LESS) VS US TREASURY YIELDS





# US Consumer Inflation Expectation Spike to 30-Year High

Get caught up.



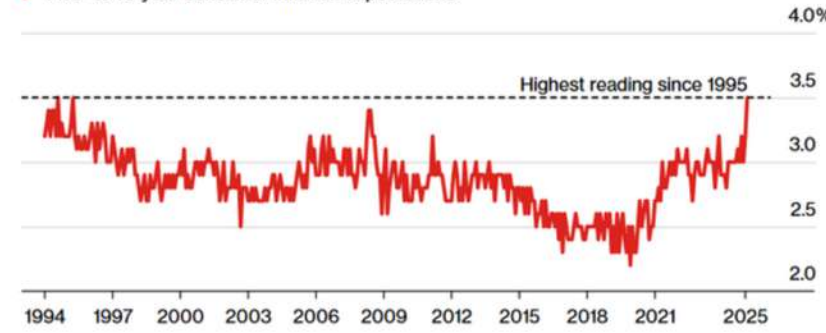
Photographer: David Paul Morris/Bloomberg

Consumers said they expect prices will climb at an annual rate of 3.5% over the next five to 10 years, according to the final February reading from the University of Michigan. The rate is the highest since 1995, based on data compiled by Bloomberg. All five components of the index deteriorated, including a drop in buying conditions for big-ticket items. And more than half of consumers in the survey expect the unemployment rate to rise over the next year, the highest since 2020.

## US Long-Term Inflation Views Jump to Nearly 30-Year High

Americans expect higher prices as Trump pushes forward with tariffs

Five- to 10-year consumer inflation expectations



Source: University of Michigan

Interestingly enough, and perhaps a sign of how America's furious polarization may in part tinge economic attitudes, the spike was almost entirely driven by views among survey respondents who identify as Democrats.

## 5-Year Breakeven Inflation Rate (T5YIE)

Observations

2025-04-03: 2.50

Updated: Apr 3, 2025 4:01 PM CDT

Next Release Date: Apr 4, 2025

Units:

Percent,

Not Seasonally Adjusted

Frequency:

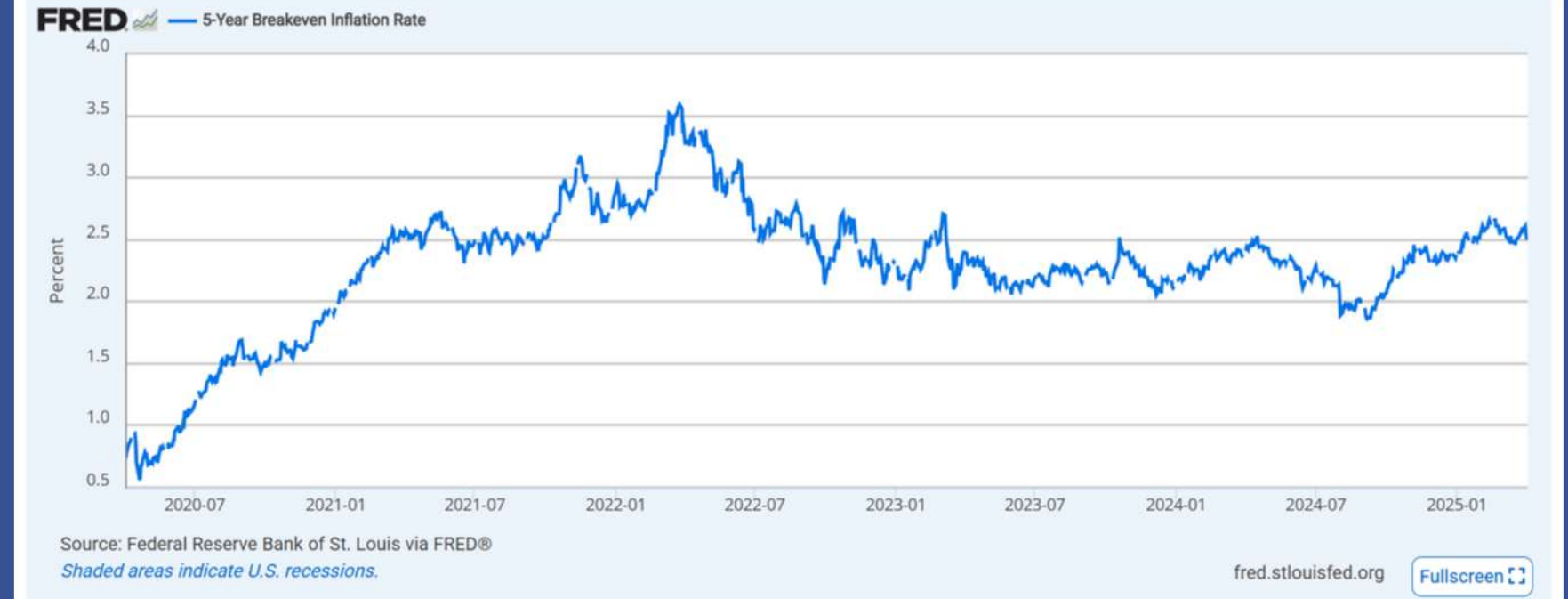
Daily

1Y | 5Y | 10Y | Max

2020-04-03 to 2025-04-03

Edit Graph

Download



Source: Federal Reserve Bank of St. Louis via FRED®

Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Fullscreen

Source: Federal Reserve Bank of St. Louis

Release: Interest Rate Spreads

Units: Percent, Not Seasonally Adjusted

Frequency: Daily

Notes:

The breakeven inflation rate represents a measure of expected inflation derived from 5-Year Treasury Constant Maturity Securities (BC\_5YEAR) and 5-Year Treasury Inflation-Indexed Constant Maturity Securities (TC\_5YEAR). The latest value implies what market participants expect inflation to be in the next 5 years, on average. Starting with the update on June 21, 2019, the Treasury bond data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department.

Suggested Citation:

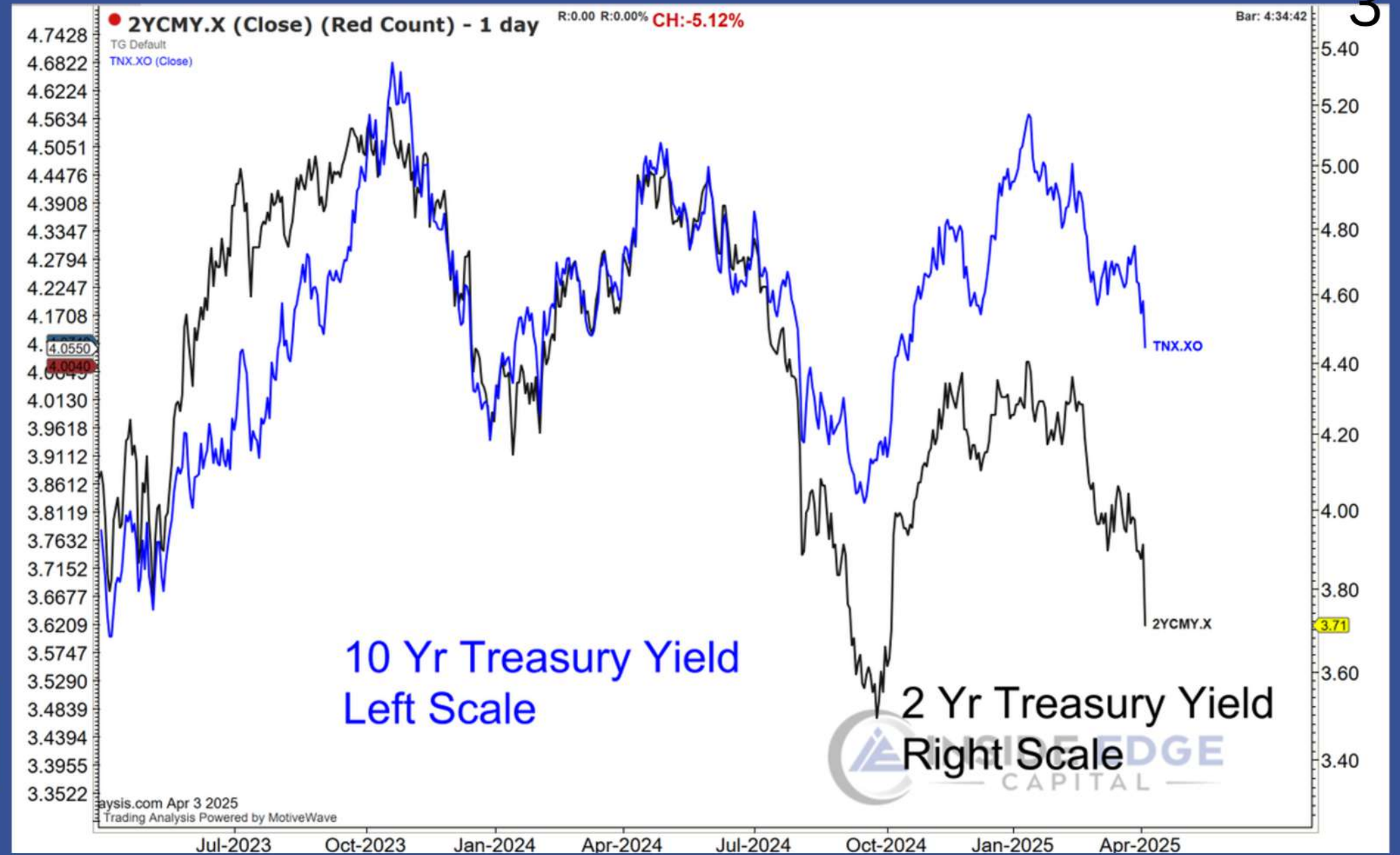
Federal Reserve Bank of St. Louis, 5-Year Breakeven Inflation Rate [T5YIE], retrieved from FRED, Federal Reserve Bank of St. Louis;

https://fred.stlouisfed.org/series/T5YIE, April 3, 2025.

Bloomberg

CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES							
MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450
5/7/2025	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	32.73 %	67.27 %
6/18/2025	0.00 %	0.00 %	0.00 %	0.00 %	5.90 %	94.10 %	0.00 %
7/30/2025	0.00 %	0.00 %	0.00 %	0.00 %	71.00 %	29.00 %	0.00 %
9/17/2025	0.00 %	0.00 %	0.00 %	46.38 %	53.62 %	0.00 %	0.00 %
10/29/2025	0.00 %	0.00 %	18.00 %	82.00 %	0.00 %	0.00 %	0.00 %
12/10/2025	0.00 %	0.00 %	81.93 %	18.07 %	0.00 %	0.00 %	0.00 %
1/28/2026	0.00 %	0.00 %	93.00 %	7.00 %	0.00 %	0.00 %	0.00 %
3/18/2026	0.00 %	33.69 %	66.31 %	0.00 %	0.00 %	0.00 %	0.00 %
4/29/2026	0.00 %	73.00 %	27.00 %	0.00 %	0.00 %	0.00 %	0.00 %
6/17/2026	0.00 %	72.59 %	27.41 %	0.00 %	0.00 %	0.00 %	0.00 %
7/29/2026	10.00 %	90.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
9/16/2026	0.00 %	83.86 %	16.14 %	0.00 %	0.00 %	0.00 %	0.00 %
10/28/2026	0.00 %	75.00 %	25.00 %	0.00 %	0.00 %	0.00 %	0.00 %
12/9/2026	55.32 %	44.68 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

The Fedwatch tool's "Aggregated" view compares the rates implied by CME's Fed Funds futures with the current target rate range as set by the Federal Reserve. As such, it provides a view into the cumulative number of hikes or cuts that the market is pricing by a certain point in the future. This is provided in addition to the traditional "Conditional" view of probabilities, familiar to long-term users of the FedWatch tool.



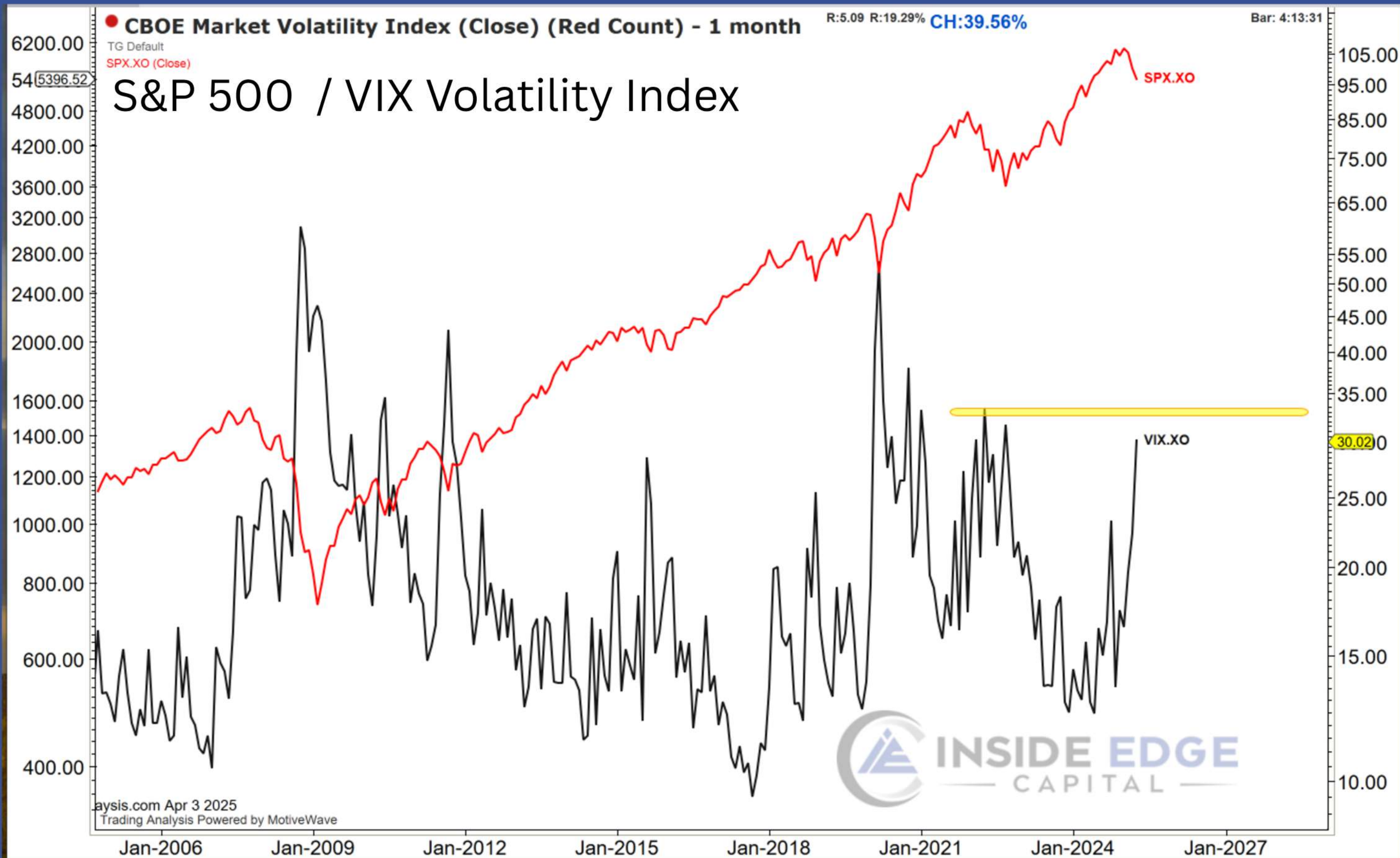
# US YIELDS AND FED FUND FUTURES



# US YIELD CURVE (10-2) AND S&P OVERLAY



# ROTATION OUT OF US STOCKS?



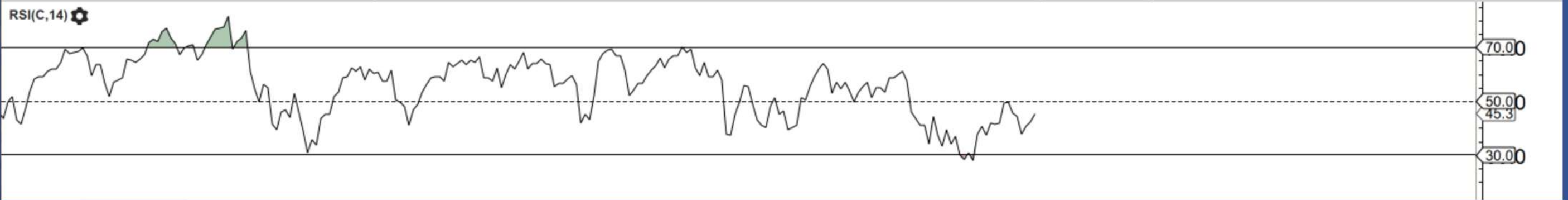
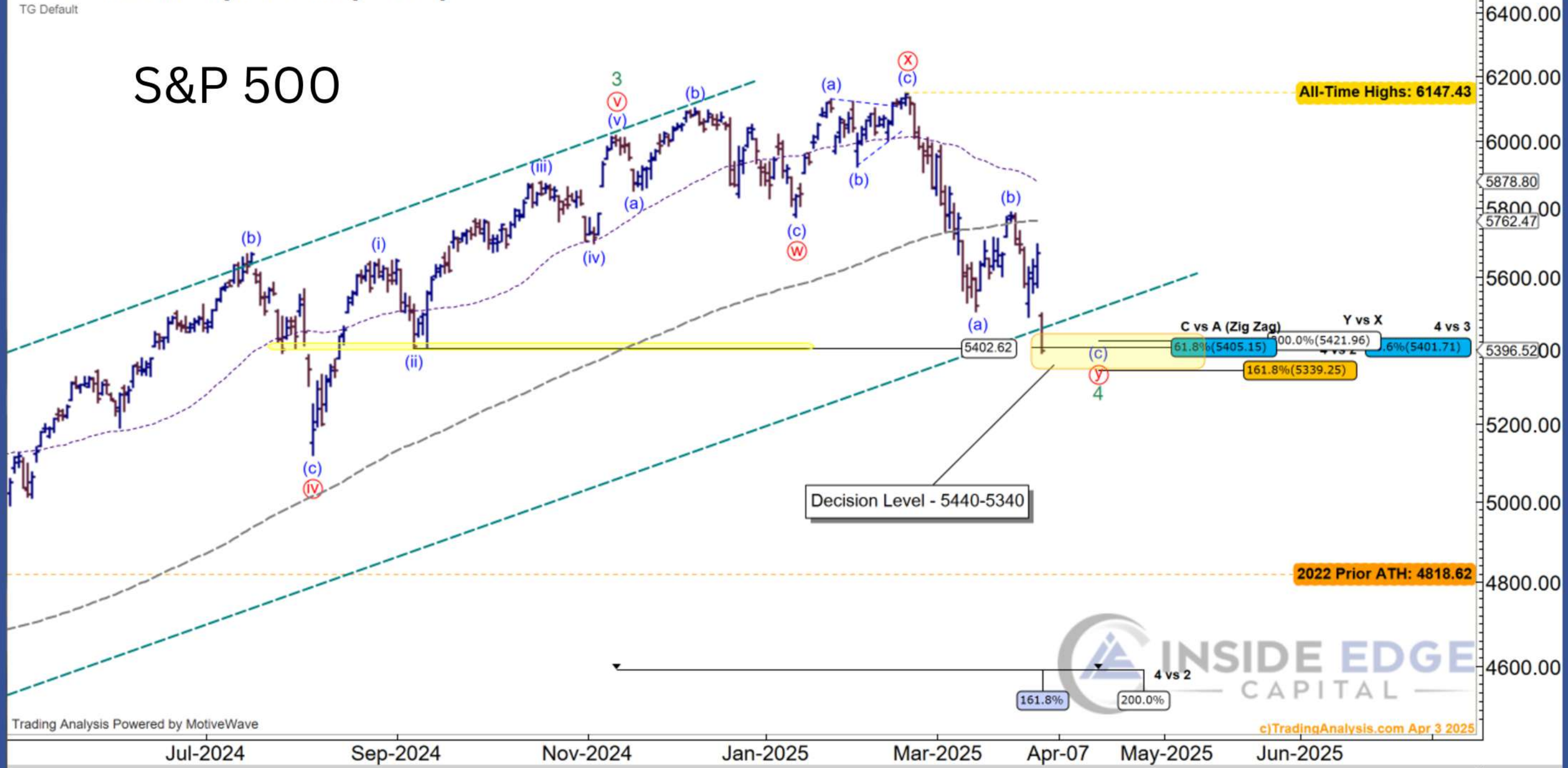
# ROTATION OUT OF US STOCKS?



S&P 500 Index (Red Count) - 1 day R:108.70 R:1.98% CH:-4.84%

Bar: 4:07:09

# S&P 500



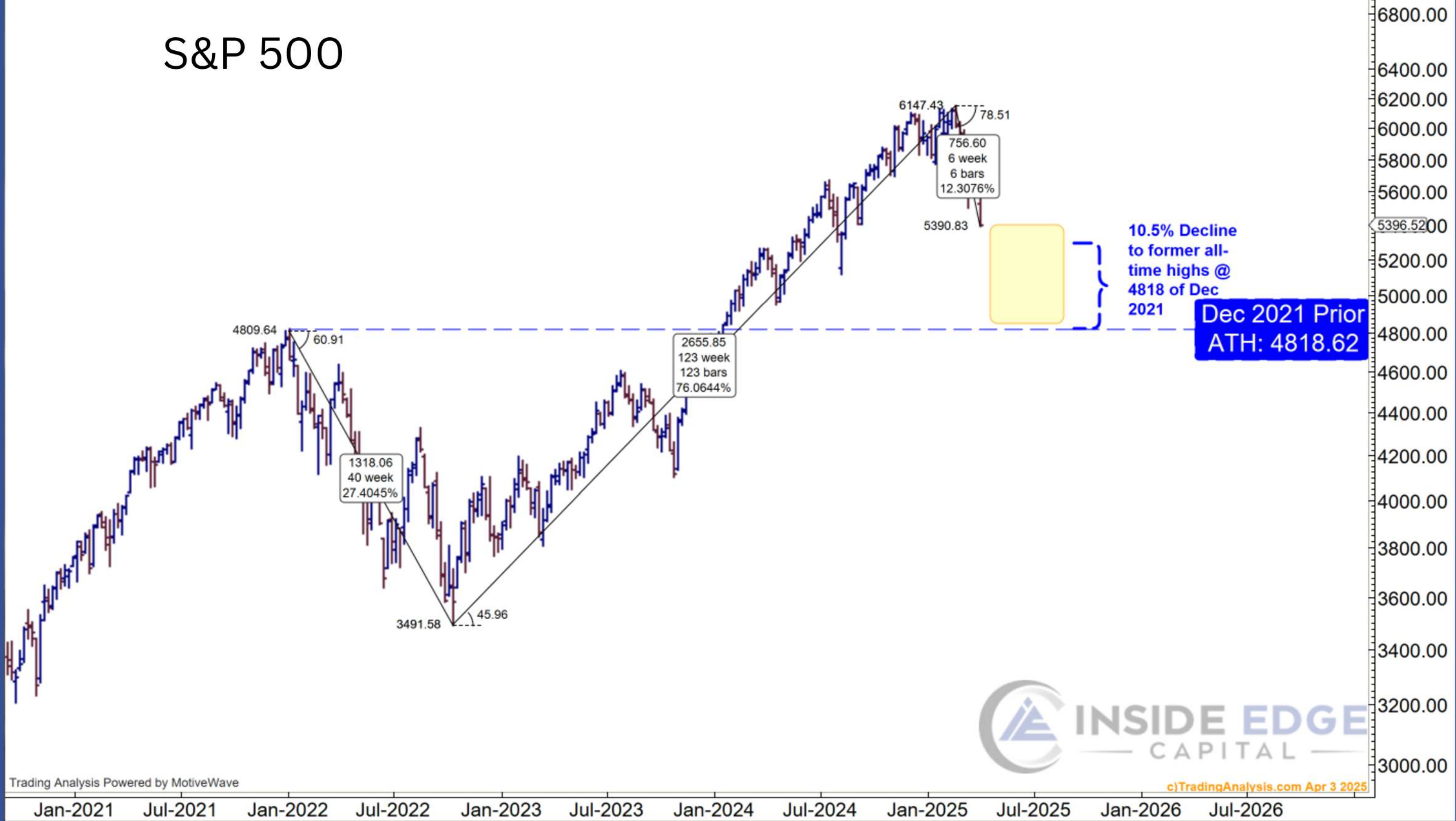
## ROTATION OUT OF US STOCKS?



c)TradingAnalysis.com Apr 3 2025

TG Default

# S&P 500



Trading Analysis Powered by MotiveWave



ciTradingAnalysis.com Apr 3 2025

## ROTATION OUT OF US STOCKS?





**THANK YOU!**

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**Todd Gordon**



**Kyle Wasson**





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