



Weekly Update

10-April-2026

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Managing Partner

- War and Peace and War again?
- Stagflation to Growth without Inflation?
- A volatile market without extreme outlier moves
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- The Earnings bar is high
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	Last	5d %	YTD %	1yr %
S&P 500	6,817	3.6%	-0.4%	29.4%
QQQ	\$611.91	4.5%	-0.5%	37.0%
US 10 YR	4.32%	4.32%	4.17%	4.49%
USD/DXY	98.7	100.0	98.3	100.1
VIX	19.2%	23.9%	15.0%	37.6%
Oil	\$95.70	-14.2%	68.2%	60.8%

*10yr, DXY, and VIX are levels not changes

** Oil is front month futures, beware

The markets have been pretty topsy turvy since our last missive a few weeks ago. In late March, stagflation worries became more mainstream as Employment was showing signs of cracking while Inflation was proving sticky with or without the war in Iran. High Yield spreads over Treasuries (a good gauge of looming economic weakness) were continuing to climb (from about 2.6% in late January to almost 3.5% in late March). While there was increased talk of a recession in the US over the back half of the year, the real global growth scare comes from Europe. Diesel prices there surged to over \$200 per barrel. And natural gas prices increased to over 7x what they are here after a large chunk of the Qatari natgas production was destroyed (and they claim it will take three to five years to bring back online). The Trump administration was seeking \$200b for the war...this loosely

translates to three or four months of fighting. The doves (those more inclined to cut interest rates) at the Federal Reserve were getting cold feet. Governor Waller wanted to cut after the abysmal Employment Report in February. But now he thinks that the spike in oil prices will have lasting effects. He went from wanting two interest rate cuts to zero in the span of two weeks. Overall, the probability of a single rate cut by December fell to about 12%. The interest rate outlook is even worse in Europe. The European Central Bank and the Bank of England were signaling potential rate hikes in the teeth of a slowdown (the ECB explicitly has a single mandate of price stability; the BOE considers Employment, but its primary focus is Inflation). There has even been some speculation that the ECB would hike rates before the next meeting. One of the reasons to be bullish heading into this year was the tailwinds coming from higher tax refunds. But Merrill reports that people are using their refunds to pay down debt...they are not going on spending sprees. The IEA (the useless International Energy Agency) was telling Europeans to "drive less." Private Credit funds are still capping redemptions, adding insult to injury to the retail holders of these institutional products. Backward looking GDP keeps getting revised lower. And current GDP forecasts are dropping rapidly. For the first time in a long while, Earnings expectations are high (more downside than upside). Hedge funds were panicking like their pets heads were falling off (with their largest selling since 2011...larger than the Virus-lockdown craziness). ETFs accounted for 40% of all trading volume. This means funds were scrambling to get short exposure while holding onto their preferred longs.

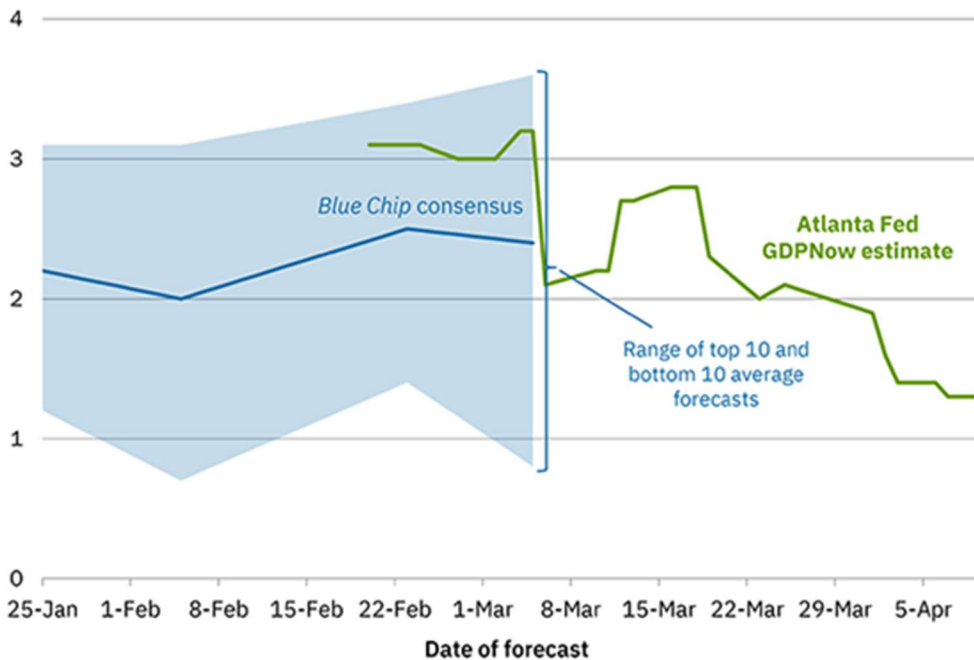
But then peace broke out in the Middle East! Obviously, this is hyperbole, but even the mere suggestion of a ceasefire started the markets rallying (a la Michael Scott declaring bankruptcy!). Right on cue, the Employment Report for March surprised to the upside by a huge margin. Inflation was also tamer than expected. All the stagflation talk was out the window. Oil prices cooled a bit and not just on the ceasefire talks. The idea that more oil is able to leave the region through pipelines was becoming a possibility (the Strait of Hormuz is still the central chokepoint, but it is not a completely binary condition). High Yield Spreads quickly reversed back to 2.9% (these are fast moves). The 12% chance of a rate cut in December jumped to 27% (still not great, but the chances of a hike also dropped to only 1% from almost 8%). And talk of rate hikes in Europe turned silent as natural gas prices fell from about EUR\$62/MWh to \$EUR43.60 (about \$21/MMBtu to \$15/MMBtu). These prices are still crazy high compared to our Henry Hub benchmark of \$3 (Waha gas prices are still negative!). But it is still quite the relief.

Gold, silver, Micron, South Korea, and all the crowded longs became the darlings again. And the short covering in all the new macro positioning was manic. But there were also healthy signs in the rally. Notably, AI infrastructure deals were being signed and the stocks responded with enthusiasm (from hyperscalers to chip designer and makers). Software stocks resumed being the big losers. Differentiation is what we want to see, and this is the most logical step (until people can figure out which Software companies will embrace and thrive on AI and which ones will be eaten by it, the whole space will remain under pressure).

Of course, now it looks like the ceasefire talks have fallen apart. We had planned on being modestly bullish in the short term as the markets tend to move beyond caring about geopolitical tensions rather quickly. Ultimately, we think the markets only care if oil is flowing (via the Strait or newly built pipelines, etc). Whatever happens in the short term, our medium-term plan is unchanged. We think the gravity of the underlying stagflation trends will resume and keep a lid on the markets. We expect to see the factor rotations resume with Energy leading. Of course, stable Big Tech is also a winner in this environment. Industrials, Financials, and Consumer Discretionary are the typical losers in a stagnating economy with inflation. Of course, the most recent Employment and Inflation reports make this much more of a toss-up. So, while we have tilted a bit towards this stagflation set-up, we are still balanced.

Here is how Q1 GDP is trending:

Evolution of Atlanta Fed GDPNow real GDP estimate for 2026: Q1
 Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
 Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

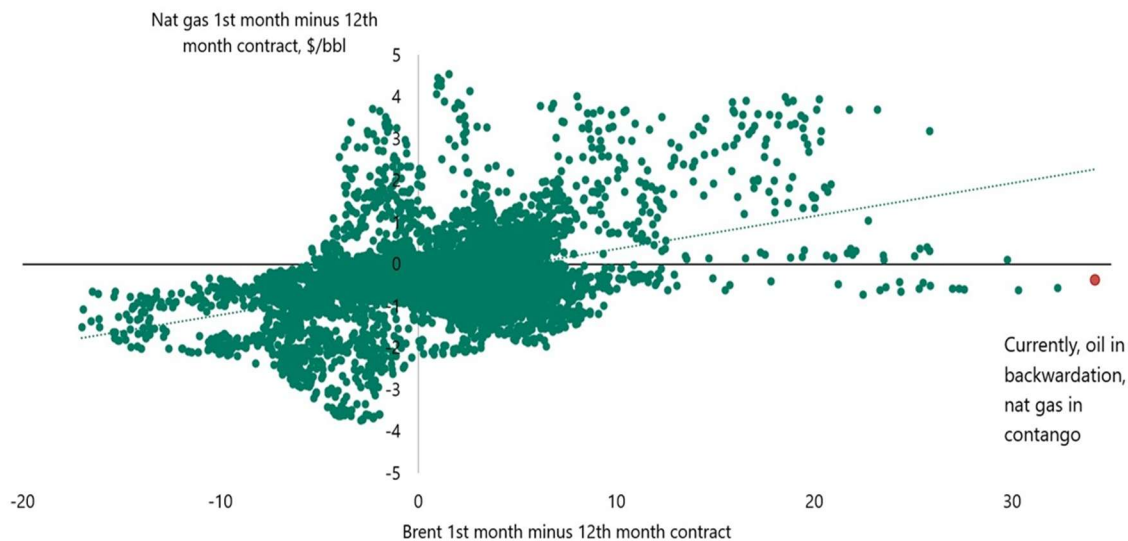
- A volatile market without extreme outlier moves

Obviously, Volatility has jumped sharply since the onset of the war. Actually, short-term Volatility (using the 1-standard deviation of returns on the S&P 500 over the trailing 30 days) has been on the rise since the middle of October (right when some crowded trades started to wobble a bit). It has gone from ~0.50% implied daily move to ~0.90% (and back down to 0.84%). The outlier moves have also increased. Over the 30 days ending March 27, there were nine moves outside of the 1-standard deviation. This has only dropped to eight outlier moves over the past 30 days. However, there were 0 moves greater than the 2-standard deviation (March 27). And there have been two instances over the most recent 30 days. This is very counterintuitive to us. Then again, that just shows that despite large headline moves, sector and factor rotations have kept a lid on these moves. It is worth noting that when the markets have felt their worst pain, “death rotations” were absent. And the two upside outliers recently? Those were both to the upside!

- Even the Energy markets are confused

Apollo shows us that it is highly unusual for Brent prices to be higher in the short-term (backwardation, downward sloping futures curve) while natural gas prices are higher in the long-term (contango, upward sloping futures curve). We think this is telling us that the market will be moving to natural gas away from oil. This has long been a Doomberg hypothesis (they are a great Substack focused on Energy). They based their view on the abundance of gas and the improving engineering of extraction and refining. Now, with countries and companies rethinking on whom they should rely for their energy needs, geopolitics are influencing this change, too.

Highly unusual that Brent is in backwardation and natural gas is in contango



➤ Credit card delinquencies and charge-offs on the rise

One of the worst sectors to suffer under stagflation is Financials. In particular, the consumer finance industry is particularly susceptible. Unfortunately, both Delinquencies and Charge Offs have both been softening before Iran. We have drastically reduced our exposure to Financials. The group starts to report earnings next week.

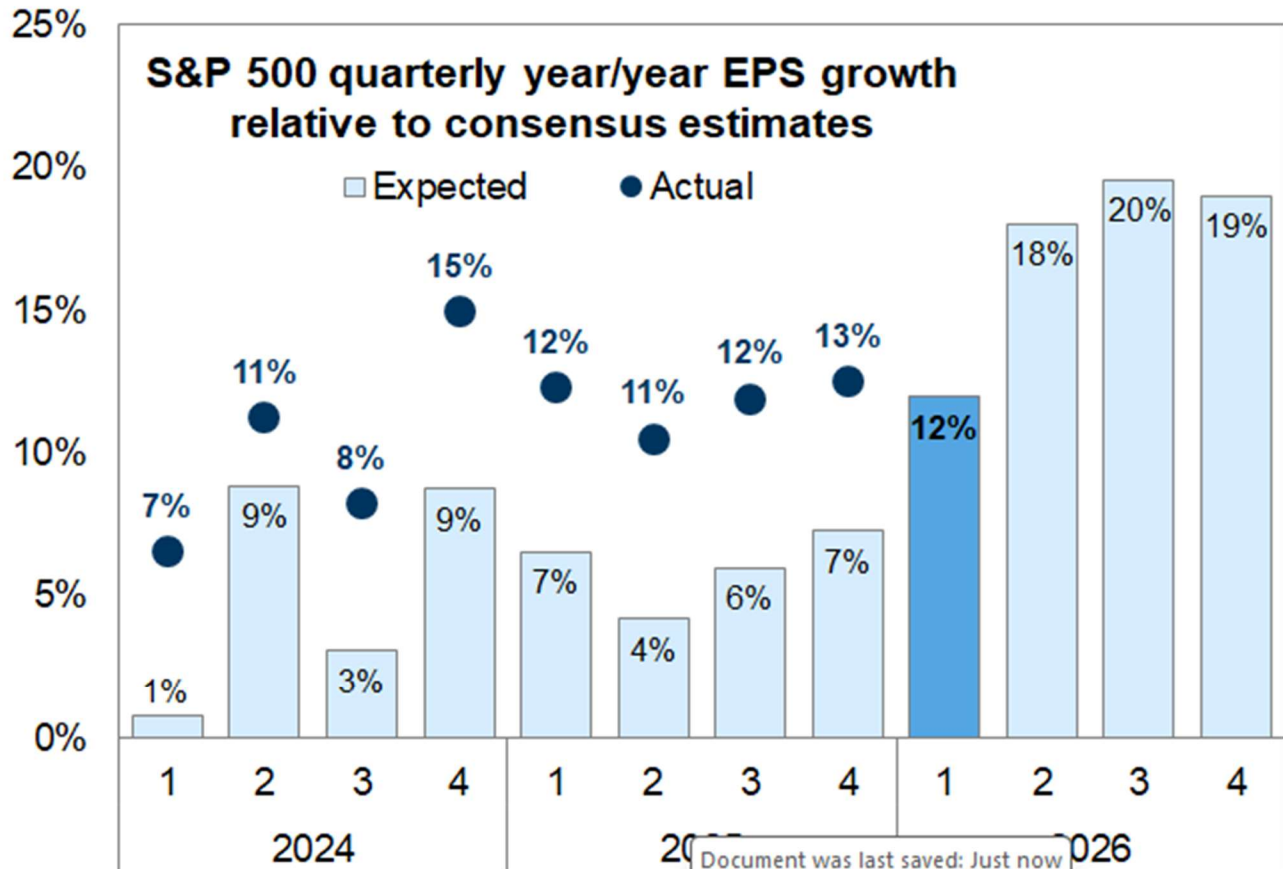
Company	Ticker	Type	2026		2025	3-month average	Feb. 2025	Feb. 2020
			Feb.	Jan.	Dec.			
Capital One*	[[COF]]	delinquency	3.96%	4.04%	3.99%	4.00%	4.52%	4.10%
		charge-off	5.17%	5.04%	5.01%	5.07%	6.35%	4.31%
American Express	[[AXP]]	delinquency	1.4%	1.4%	1.3%	1.4%	1.4%	1.6%
		charge-off	2.0%	1.9%	2.1%	2.0%	2.5%	2.3%
JPMorgan	[[JPM]]	delinquency	0.92%	0.88%	0.84%	0.88%	0.91%	1.14%
		charge-off	1.66%	1.69%	1.59%	1.65%	1.68%	2.19%
Synchrony	[[SYF]]	delinquency	4.7%	4.6%	4.5%	4.6%	4.7%	4.5%
		adjusted charge-off	5.8%	4.7%	5.4%	5.3%	6.8%	5.2%
Bread Financial	[[BFH]]	delinquency	5.8%	5.9%	5.8%	5.8%	6.2%	6.0%
		charge-off	7.7%	7.1%	7.4%	7.4%	8.6%	7.2%
Citigroup	[[C]]	delinquency	1.46%	1.46%	1.42%	1.45%	1.47%	1.58%
		charge-off	2.19%	2.03%	2.51%	2.24%	2.28%	2.49%
Bank of America	[[BAC]]	delinquency	1.43%	1.39%	1.37%	1.40%	1.51%	1.61%
		charge-off	2.26%	2.28%	2.18%	2.24%	2.50%	2.54%
		Avg. delinquency	2.81%	2.81%	2.75%	2.79%	2.59%	2.93%
		Avg. charge-off	3.83%	3.53%	3.27%	3.54%	4.39%	3.75%
		Avg. delinquency ex-BFH	2.31%	2.30%	2.24%	2.28%	2.07%	2.42%
		Avg. charge-off ex-BFH	3.18%	2.94%	3.13%	3.08%	3.69%	3.17%

*Capital One data includes Discover starting in June 2025; prior periods' data reflect Capital One card performance before its acquisition of Discover.

- The Earnings bar is high

Earnings expectations are high for the first time in years. And the bar is only getting higher throughout the year.

Exhibit 1: Consensus expects S&P 500 EPS growth of 12% year/year in Q1 2026



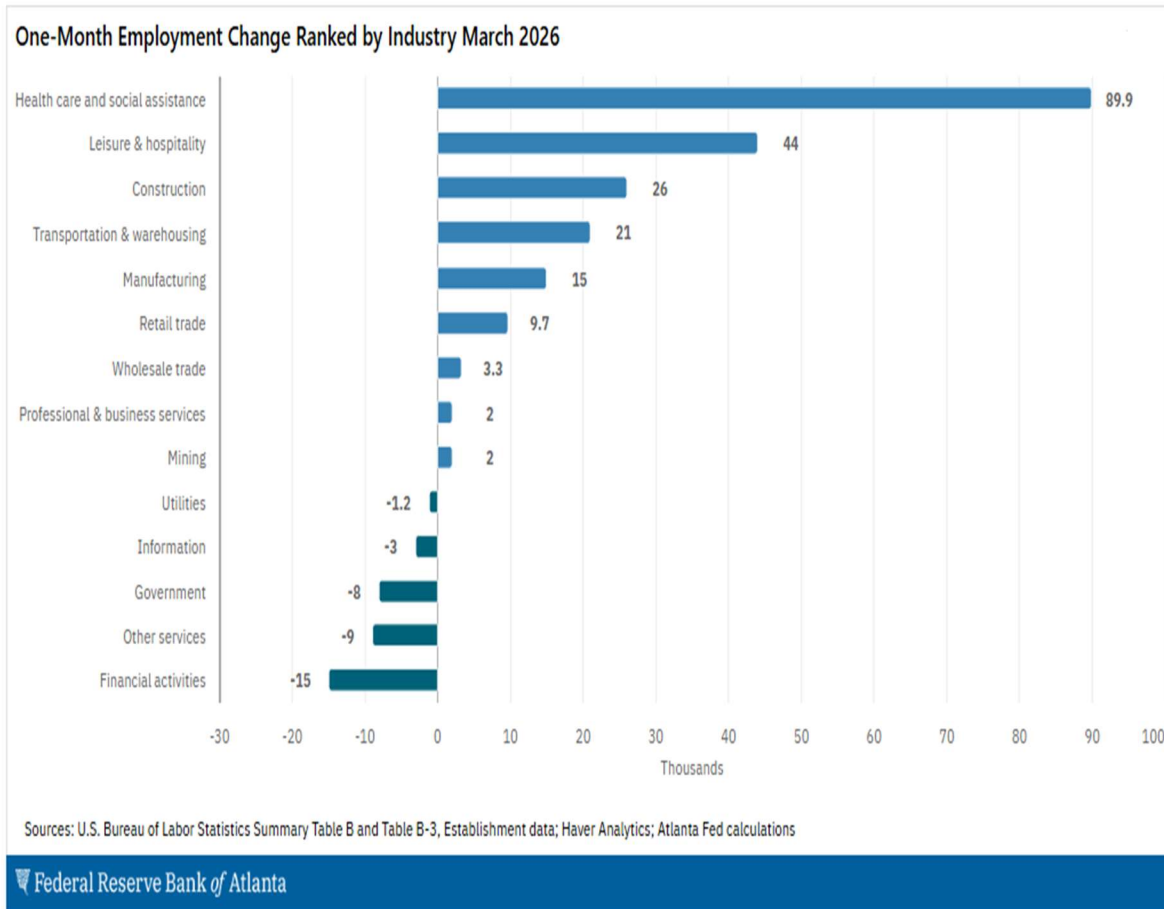
Source: FactSet, Goldman Sachs Global Investment Research

- Payrolls bounce back sharply but not Employment

The Employment Report for March snapped back aggressively with a gain of 178k jobs (Nonfarm Payrolls, NFP). February’s drop of -133k (revised worse from -92k originally) sounded the stagflation alarm bells. All of the Feb weakness was in Private Payrolls with a collapse of -129k. But this jumped to +186k in March. Some of Feb was impacted by a healthcare strike which reversed in March (about 35k). Government Payrolls fell -98k. Manufacturing flipped from -6 to +15k. The Unemployment Rate ticked down from 4.4% to 4.3%. The Participation Rate also ticked down to 61.9% from 62%. This math means that Total Employment actually fell 64k. So, more people are working multiple jobs, but fewer people are working overall.

Average Hourly Earnings increased +0.2% which is a slowdown from +0.4%. The brings the annual growth rate to +3.5% down from +3.8%.

Here is the industry breakdown. Healthcare jobs do not exactly stimulate the economy. But otherwise, there is pretty decent breadth in the growth. Financial Services stands out as a loser. The big banks have been telling us this is AI-related.



The weekly ADP Employment change strengthened throughout the month of March: +10k, +15k, +26k so far.

Jobless Claims have been 211k, 202k, and 219k over the last three weeks. Continuing Claims have been 1.82mm, 1.84mm, and 1.79mm. Claims (Initial and Continuing) are still low and trending lower.

Jobless Openings (the JOLT survey) fell in February from 7.24mm to 6.88mm. The January number was revised higher, so the drop is not as sharp as it seems (relative to where we were). Quits dropped from 3.13mm to 2.97mm).

- Inflation accelerates as expected (but mostly just oil so far)

CPI inflation in March (the change in the Consumer Price Index) jumped +0.9% vs February as expected. This brings the annual rate to +3.3% up from +2.4%. The “Core” rate only ticked up +0.2% which was slightly better than expected. The annual rate is +2.6% vs +2.5%. Obviously, Energy prices were the driver of the headline jump with a +10.9% monthly increase. Utility gas actually fell -0.9% on the month. The good news is that Food prices remained flat for the month. Food at Home fell -0.2% and Food away from Home increased +0.2%. Apparel prices jumped 1%, and Transportation increased +0.6% (dominated by Airfares). Shelter increased by +0.3%. Its annual increase is +3.0%. Rent increased +0.2% and OER (Owners’s Equivalent Rent...what you think your home could rent for) increased +0.3%. Most economists point out that there are severe lags to inflation in other categories after an oil spike.

This chart is getting some airtime in the punditsphere. It purportedly shows that the market-implied inflation rate in the US for the next year has jumped to almost 5.25%. It took us a while to dissect this data...and we

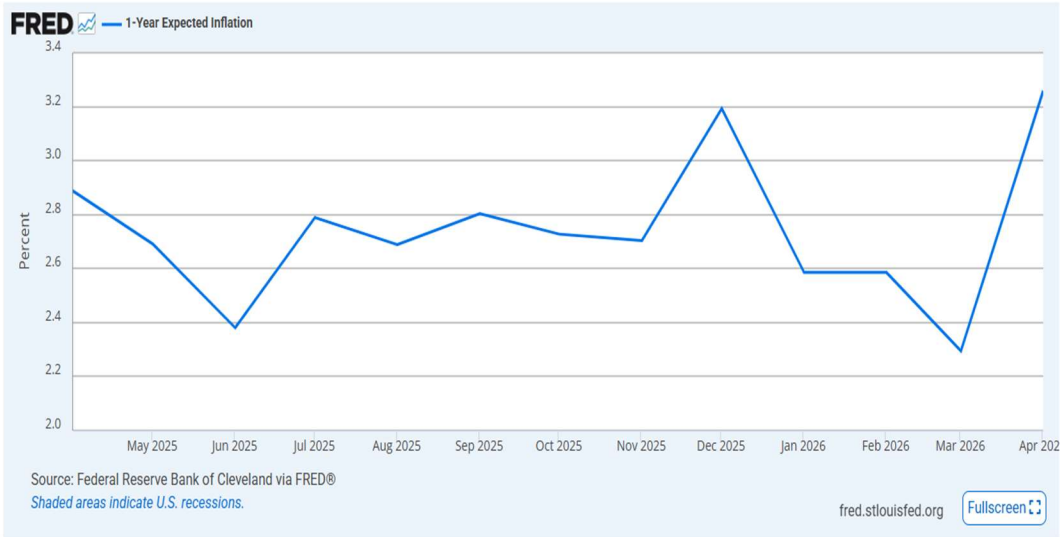
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conclude it is tautologically fake news. This expected inflation gauge uses an expected inflation input. People are literally just plugging in a number and getting the same number. There is an inflation “breakeven” which uses market prices (the 1-year nominal yield minus the 1-year TIPS yield (inflation adjusted Treasuries)).



Implied inflation rate from 1-year breakeven (Mike Dorning | Bloomberg)

Here is the market-based data. Yes, it has turned higher. But 3.2% is a long way from 5.2%.



To be fair, there probably should be an “inflation risk premium” adjustment added to the breakeven rate. But even the biggest inflation hawks /warmongers would have a hard time explaining how inflation is going to jump with monetary and fiscal policies likely on hold for a bit. (But we will surely qualify this statement by saying it is definitely possible!)

- Business surveys are screaming stagflation, but Business Spending remains solid (pre-war)

The S&P Composite PMI moved lower from 51.9 in Feb to 50.3 in March. This was driven by a slowdown in services which fell from 51.7 to 49.8. Manufacturing, on the other hand, increased from 51.6 to 52.4. Services have been trending lower for five months. Manufacturing has been stable.

The ISM business survey reflects the same trends. Manufacturing increased from 52.4 to 52.7. And Services fell from 56.1 to 54.0. however, the details of both surveys are worse than the surface. Employment is sagging and Prices are surging. While we continually repeat how we have lost faith in these surveys to a certain extent, both of these are showing the stagflation trends.

The Philly Fed Manufacturing index increased to 18.1 from 16.3 (March). The Richmond Fed Manufacturing index improved from -10 to 0 (March). The Kansas City Fed Manufacturing index improved from 5 to 11 (March). The Dallas Fed Manufacturing index was relatively unchanged (+0.2 to -0.2).

Durable Goods Orders fell in February -1.4% vs -0.5% in Jan (which was revised lower from 0.0%). But Core Capital Goods Orders (aka business spending) increased +0.6%. This is an acceleration from -0.4% in Jan (although this was also revised lower from 0.0%).

- Retail Sales bounce back in Feb (pre-war, pre-gasoline spike)

Retail Sales (government data per Census Bureau) in February were better than expected at +0.6% vs the -0.1% drop in January (+0.5% was the expectation). Sales were strongest at old school Department Stores, Health and Personal Care, Clothing, and Sporting Goods. Food & Beverage and Furniture were the losers. The “Control” group (only including the businesses that contribute to the calculation of GDP) increased +0.5% (better than expected).

Weekly Redbook Retail Sales increased +6.7%, +6.9%, and 7.6% over the last three weeks.

Total Vehicle Sales in March increased to 16.3mm from 15.8m (annualized run-rate).

- Other economic data is weak across the board

4Q2025 GDP was revised down again. The Final reading shows just +0.5% growth. The first government estimate was +1.4%, and the second was +0.7%. The silver lining is that Real Consumer Spending still increased +1.9%.

Personal Spending in Feb increased +0.5% in Feb. Personal Income fell -0.1%. Obviously the key question will be if consumers can keep spending with their incomes falling.

The Leading Economic Indicators index for January dropped again (-0.1%). This datapoint has been useless for a while now. Back in the day, it truly was an advanced signal of bad times ahead. But it has been straight down since 2021. Its sister index, Coincident Economic Indicators, has been going straight up since the Virus.

Construction Spending in January fell -0.3%

Wholesale Inventories fell -0.5% in January.

The Chicago Fed's National Activity index dipped into negative territory (for Feb).

U Michigan's Consumer Sentiment dropped. The 1-year Inflation Expectation increased from 3.4% to 3.8%. But the 5-year Expectation dropped from 3.3% to 3.2%.

Building Permits for January fell almost 5% vs Dec.

New Home Sales fell almost 18%. The annualized run-rate is 587k. This is down from 712k last month (Dec). This is the lowest level in about 2.5 years.

The average 30-year mortgage rate has increased from 6.09% in late February to 6.51% now.

Weekly Mortgage Applications have dropped sharply over the last month.

China's PMI's bounced back into positive territory in March. Manufacturing bumped from 49 to 50.4, and Services went from 49.5 to 50.1. These are not big moves, but we always say, it is the direction that matters (true everywhere, but especially in China). Government Spending was strong, but so were AI-driven exports. However, the private Manufacturing PMI (RatingDog!) dipped from 52.1 to 50.8.

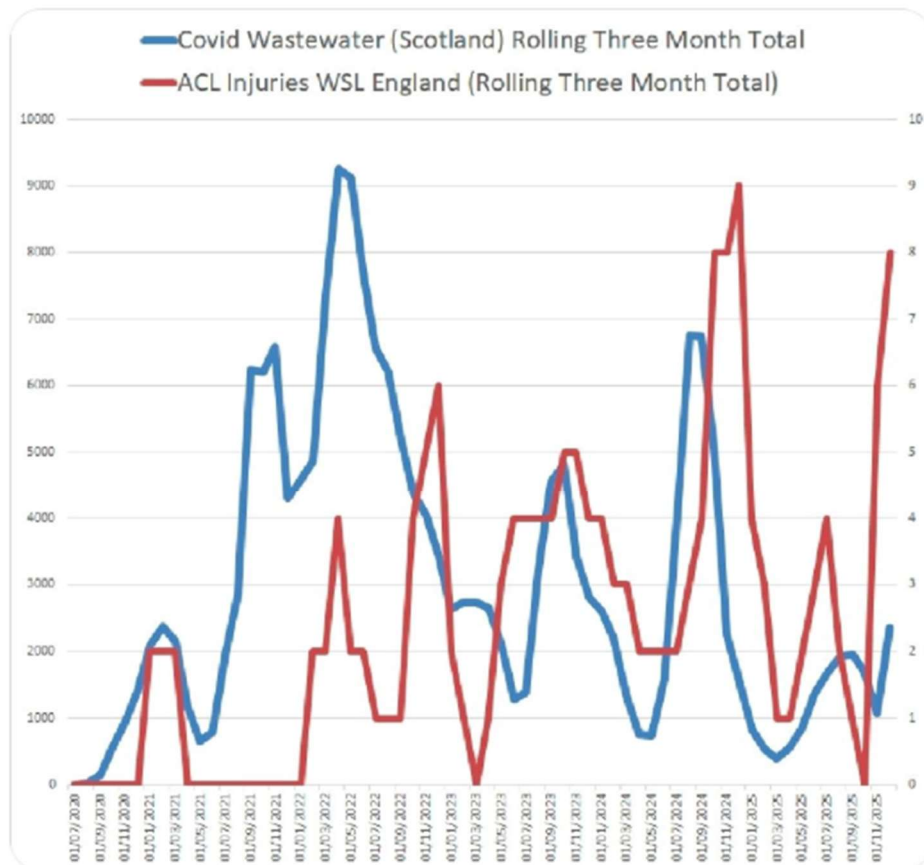
➤ Where did all the crypto money go?

Another crypto "protocol" (platform...at least they are using the term "exchange" any longer) was quietly hacked last week. The platform Drift explained the attack as, "a malicious actor gained unauthorized access to Drift Protocol through a novel attack involving durable nonces, resulting in a rapid takeover of Drift's Security Council administrative powers." This is a crypto-way of saying that hackers duped an employee at Drift into giving up the keys to the castle. Drift touts itself as being "decentralized." But if you let humans control the money (fake or not), you are not that decentralized. The hackers stole \$280mm. Amazingly, this "protocol" which most have never heard of, has over \$148b in outstanding futures contracts!

➤ Chart Crime of the week

We think this one was posted just a few months ago. She is trying to say, with a straight face, that ACL knee injuries in women's professional soccer are correlated with Covid. She somehow misses that injuries perfectly correlate with....the soccer season.

Seems like most people in sports would rather claw out their own eyes than acknowledge that ACL injury waves track precisely with Covid infection waves.



We want to give this guy the benefit of the doubt, but if you are posting about the rise of certain kinds of office space, you really should know the difference between vacancy and occupancy.

A CHASM OF OPPORTUNITY

The gap between declining traditional office and thriving flex space.

19.4%



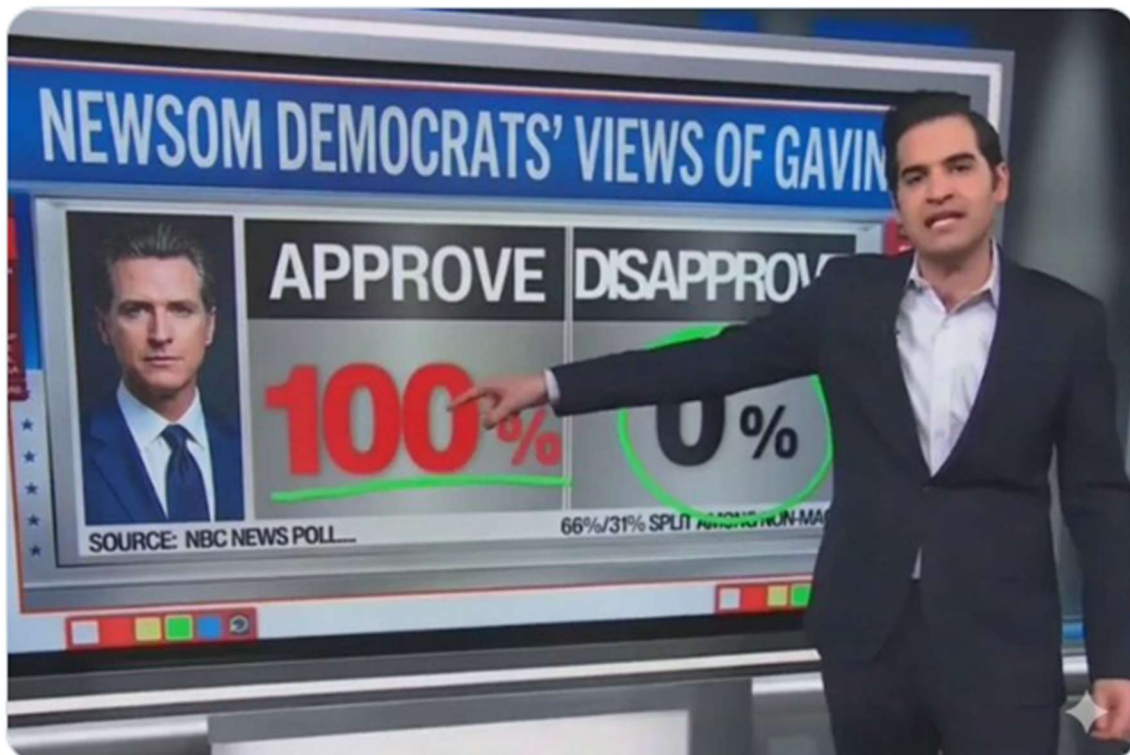
Office Vacancy

74.7%



Flex Desk
Occupancy

We think this one is a joke...but it is politics...so who knows...



This is probably some world class trolling:



A scoreboard graphic titled "MOST COMBINED POINTS SCORED BY FATHER-SON DUO" with the NBA logo. Below the title is "NBA ALL-TIME". The scoreboard lists several father-son duos with their individual and combined points. The combined points are highlighted in yellow.

NBA ALL-TIME		
LeBron James (42,601)	Bronny (91)	42,692
▶ Dell Curry (12,670)	Stephen (26,226)	38,896
Joe Bryant (5,202)	Kobe (33,643)	38,895
Mychal Thompson (12,810)	Klay (16,940)	29,750
Dolph Schayes (18,438)	Danny (8,780)	27,218

➤ Quick Hits

- The internet reports that soccer player Ronaldo has “purchased” a star in the sky for \$37.5mm (we think the internet might have this one wrong, but we appreciate the story).
- When electricity was installed in the White House for the first time, President Harrison refused to touch the light switches.
- The world record for the most parachute jumps in 24 hours by one person is 640.
- When red foxes walk, they place their rear paws precisely where their front paws were (leaving only two paw prints).
- Credito Emiliano, a bank in Northern Italy, accepts Parmigiano Reggiano cheese as collateral for small business loans.
- Chuck Norris was awarded the title of Honorary Marine. He was one of about 100 to ever receive the honor. He was also an Air Force veteran who served in Korea.
- Carrots were originally purple (like the famous purple potatoes of Peru...all Baring Asset Mgmt veterans know this one.) They were bred to be orange in the 1600’s to please the Dutch Royals.
- The Major League Baseball Players Association has assets of \$519mm.
- The NFL blames insufficient face-mask protection for 44% of all concussions.
- The Artemis II space rocket launched at over 17,500 mph.
- Apollo noted this week that the number of \$20 bills in circulation is falling while the number of \$100 bills is on the rise. As a reminder, \$100 bills often trade at a discount to \$20 bills in sketchy emerging markets. Nigeria used to be the poster child for this anomaly. This is a function of people knowing that \$100 bills are primarily used for criminal activity.
- China produced the same amount of oil in 2024 as it did in 2014. Its consumption grew by 50%.
- Meta removed ads on Instagram and Facebook by law firms seeking plaintiffs to sue...Meta.
- Jack Nicklaus’s worst finish at the Masters in the 1970s was 8th.
- 1500 private jets will visit Augusta this year.
- Iceland has the highest internet penetration in the world (98.2%).
- Wrigley Field used to have a McDonald’s in the parking lot.
- Only 18 people have ever been World Chess Championship (since 1886).

- In 1983, a passenger plane took off with only half the fuel it was supposed to have. It had to make an emergency landing when the plane started to fall from the sky. The reason for the fuel screw-up? Canada had recently switched to the metric system (a slow rollout over years) and the grounds crew calculated the fuel in pounds instead of kilograms.
- Bill Gates holds a McDonald's Gold card which allows him to get free food at any McDonald's whenever he wants.
- Cars made on Mondays allegedly have a higher recall rate than those made on Fridays.
- American Airlines sometimes replaces small regional jets with buses.

TSLAQ: There are always a bunch of lawsuits swirling around the Musk-sphere. Currently, there are three lawsuits against Musk in Delaware. They generally revolve around whether Musk created some of his private empire (X and xAI which were combined into one entity and then combined again with SpaceX) at the expense of Tesla. But the story here is that the judge in all three cases is recusing herself. She is the same judge that ruled against Musk and forced him to complete his acquisition of Twitter. Musk claims that the judge is biased against him with evidence that she "liked" a recent LinkedIn post celebrating Musk losing a separate lawsuit. The crazy part of the story is that she claims she did not like or post anything in response or in reference to the post. She thinks her LinkedIn account was hacked to make it look like she was biased. She is reassigning the cases just to make everything above board. But we cannot wait to find out what really happened here.

As the SpaceX IPO nears, Musk is taking a novel approach at boosting his company's revenue. Apparently, he is requiring the investment bankers on the deal to subscribe generously to his Grok AI services. The story goes that the banks have agreed to spend "tens of millions of dollars on the chatbot, and they have already started integrating Grok into their IT systems."

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