

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.

What's Good for Stocks May Not Be Good for Jobs

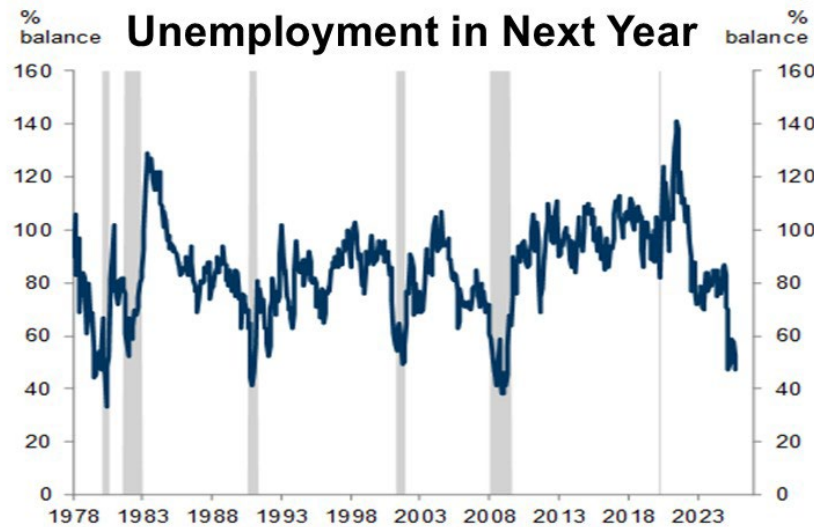
October 24, 2025

The ten largest US stocks, eight of which are tech-related, now account for nearly 25% of the global equity market and represent a collective value greater than the economic output of Germany, Japan, India, the UK, France, Italy, and Canada combined. JPMorgan expects S&P 500 third-quarter earnings to be up 12% year-over-year versus the consensus expectation of 8%. Artificial Intelligence (AI) capital spending was up 56% year-over-year in the first half of 2025 and is expected to grow at least 35% in the next twelve months. The Dow Jones Industrial Average reached a new record high this week.

Stock market valuations are being supported by a tremendous AI spending cycle, expansive fiscal policy (i.e., substantial government spending), lower interest rates and higher tax refunds in early 2026. For 2026, the consensus S&P 500 earnings estimate is now \$304.87, up 14.2% year-over-year.

Paradoxically, the same forces lifting stock valuations may be weighing on consumer sentiment. For example, the expected change in the unemployment rate over the next year has rarely been this weak outside recessionary periods since the University of Michigan started asking the question in 1978.

University of Michigan: Expected Change Unemployment in Next Year



Hiring Plans vs. AI Adoption

Many companies are slowing hiring until they better understand how AI might impact labor needs. For example, certain sectors such as marketing and call centers—where AI is substituting for labor—are experiencing job growth about 10,000 below pre-pandemic trends. Meta is looking to eliminate 600 jobs in its artificial intelligence division. Goldman Sachs announced a hiring slowdown and potential job cuts through year-end as it is assessing the impact of AI on its personnel needs. "The rapidly accelerating advancements in AI can unlock significant productivity gains for us, and we are confident we can reinvest those gains to continue delivering world-class solutions for our clients." - Goldman Sach's memo signed by CEO David Solomon, President John Waldron and CFO Denis Coleman.

Youth unemployment underscores the challenge: the jobless rate for 16–19-year-olds is 13.9%. The unemployment rate for 20–24-year-olds is 9.2% per the Bureau of Labor Statistics (August 2025). AI may be making it more difficult for recent graduates to secure entry roles.

Sentiment vs. Stocks

The CNN Fear & Greed index (scale 0-100, 0=Extreme Fear, 50=Neutral, 100-Extreme Greed) is currently about 26 which expresses a "risk-off" sentiment. Below is a chart showing the recent divergence between the CNN Fear & Greed index and the S&P 500.



The stock market and Main Street are not the same thing. Rapid productivity gains can boost corporate profitability while disrupting the labor market. Over time, technological advances tend to raise the standard of living for all. Currently, it may cause the stock market to climb a wall of worry.

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.



"Instead, let me be your investment advisor and get you eleven-percent return, year in and year out, regardless of market conditions."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

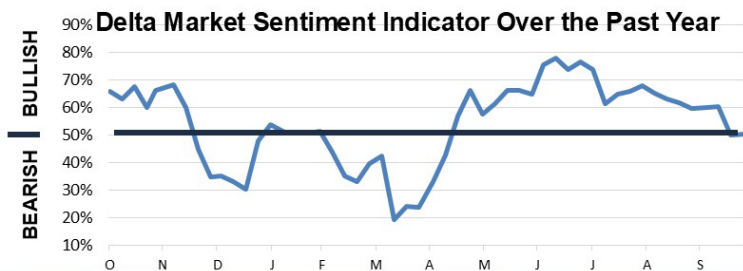
50.5

Our technical indicator increased
from 50.1 to 50.5 this week

INDICATOR STATISTICS

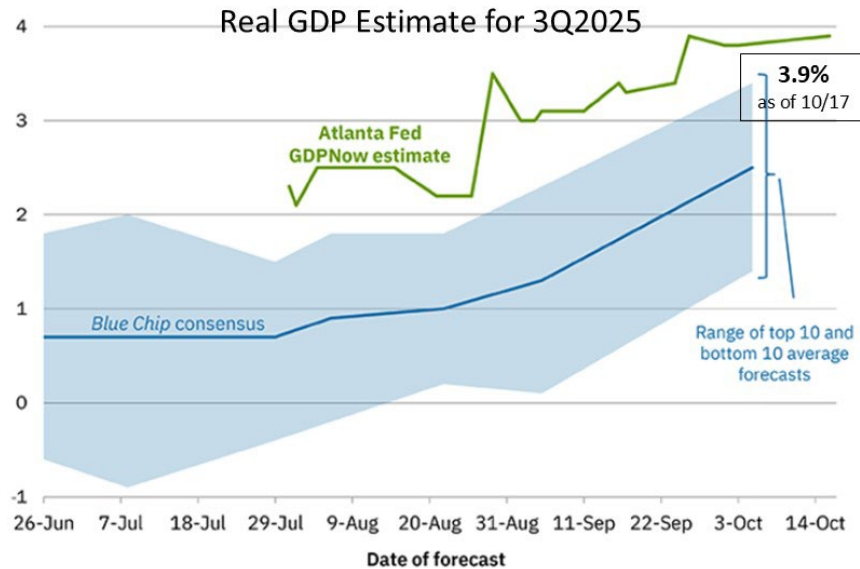
Consecutive Bullish Weeks:	24
Cycle Inception Date:	5/15/2025
Range:	50.1 – 77.9
Mean::	64.5
Bullish Weeks YTD:	29
Bearish Weeks YTD:	14
*S&P 500	13.4%
*DJIA	9.9%
*NASDAQ	19.5%

* Percentage change during current cycle



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

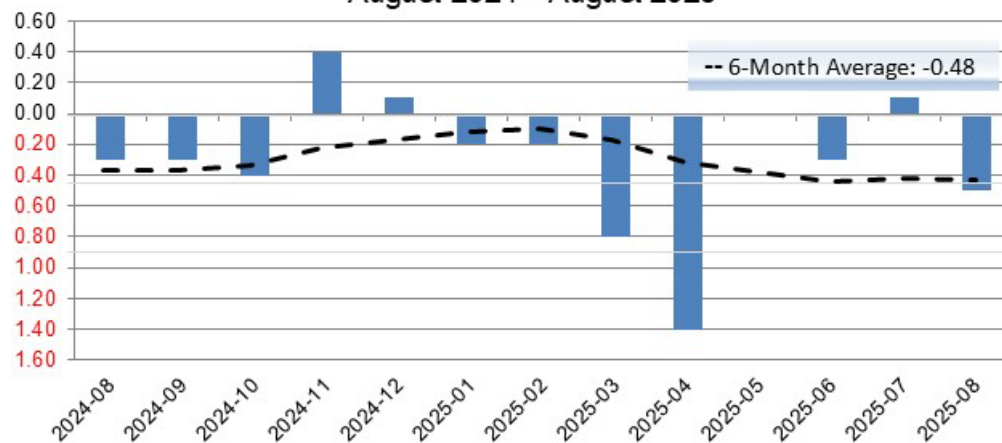
Atlanta Fed GDPNow Forecast



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

August 2024 – August 2025



Source: The Conference Board – last update 9/18/2025

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