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.

Gamma 101 and Other Market-Moving News

October 31, 2025

Option traders use Greek letters (math symbols) to describe the rate of change of an option price relative to a specific variable. One of the most common "Greeks" is Delta, which measures the sensitivity of the option's price to a $1 change in the underlying stock. A "1" Delta means the option price is moving perfectly in sync with the stock price.

Professional traders also focus on "Gamma", another Greek. Gamma is how much the Delta changes when the underlying stock moves by $1. If this all sounds like Greek to you, do not worry, here's the takeaway:

If the S&P 500 index moves above 7000, market makers who are short Gamma may need to cover this short position by buying the S&P 500 Index which could add fuel to the rally.

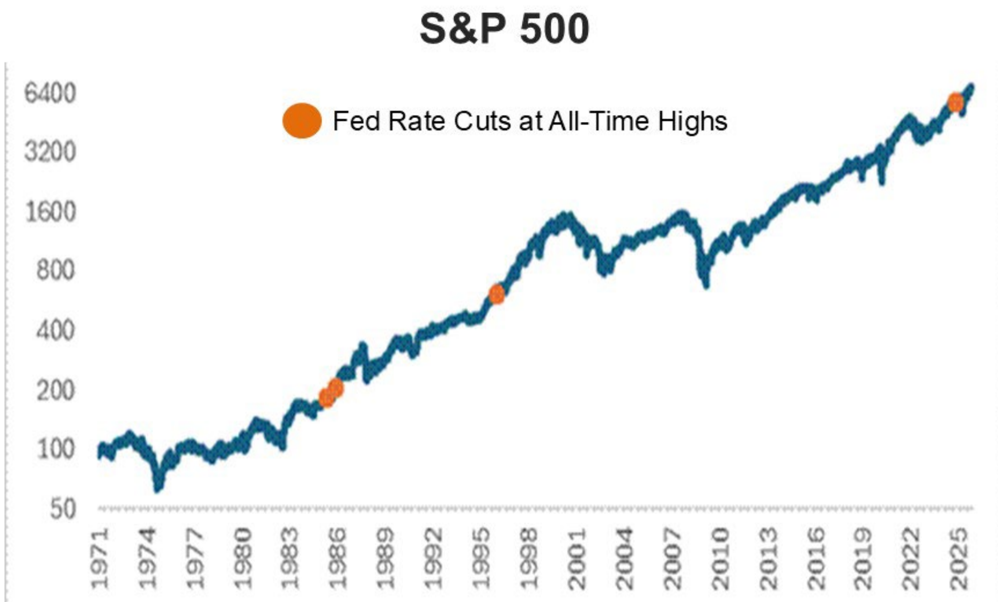
Option market makers dynamically hedge their positions by buying or selling the underlying asset, in this case SPX futures or S&P 500 stocks. When investors buy call options, dealers sell calls and they are then short Gamma. JPMorgan is reporting a large amount of call options with strikes near 7000 were sold by market makers. To remain "Delta Neutral"/hedged, they will need to buy the S&P 500 as it approaches 7000. If the S&P 500 breaks above 7000, market-maker buying could accelerate the market rally.

Flow of Funds

Goldman Sachs forecasts $1 trillion in corporate buybacks next year. Households are expected to purchase $500 billion worth of stock. Combined, that implies roughly $6 billion of average daily demand ($1.5T divided by 250 trading days).

Fed Cut Followed by a Higher Market

This week marked the fifth time the Fed cut rates with the S&P 500 index at an all-time high. In all prior instances, the index was higher a year later with an average return of 20%. The worst one-year outcome was a 15% gain which occurred last year.



Company Updates

Visa (V): Consumer Still Solid

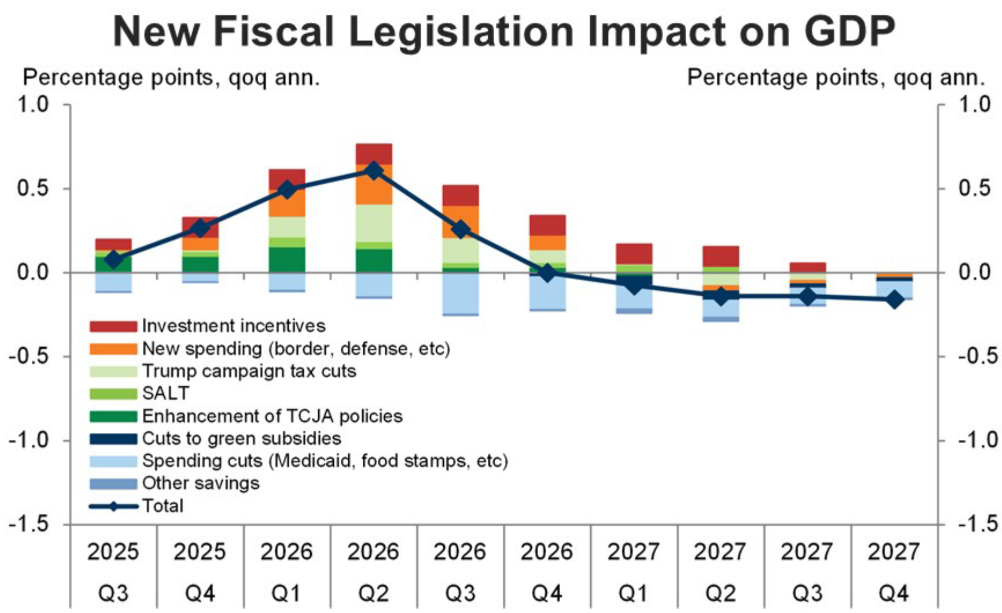
Visa reported better-than-expected earnings and revenues this week. Management cited continued strong U.S. spending and now expects revenue growth at the upper end of its long-term growth guidance as U.S. payment volumes accelerate.

Nvidia (NVDA): Keynote Address

Nvidia's CEO Jensen Huang presented a keynote address at the company's GPU Technology Conference in Washington, DC on October 28. He indicated revenue visibility of $500 billion in cumulative datacenter revenue in 2025-26. $500 billion is 12% above the current Wall Street analyst consensus expectation of $447 billion. NVDA traded ~8% higher over the two days following this announcement. We remain in the early phases of AI implementation, suggesting ongoing upside catalysts.

Fiscal Legislation Bullish for 2026 GDP

The chart below illustrates how increased government spending and lower taxes should boost GDP through 2027. The peak spending impact is expected in Q2 2026.



Bottom Line

Macro data continues to illustrate a resilient economy with potential for re-acceleration higher. Trade talks with China, South Korea and Mexico seem to be going well. The Fed is cautious to commit to a rate cut in December as inflation is running at 2.8% (higher than their 2% target) and the economy may be stronger than expected. The Bullish thesis remains in place.

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.

"Oh, that's just the decoy bag—the real Halloween candy is hidden under some laundry he won't do."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

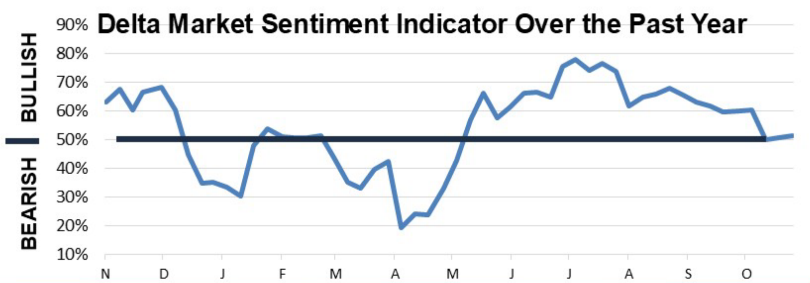
51.3

Our technical indicator increased from 50.5 to 51.3 this week

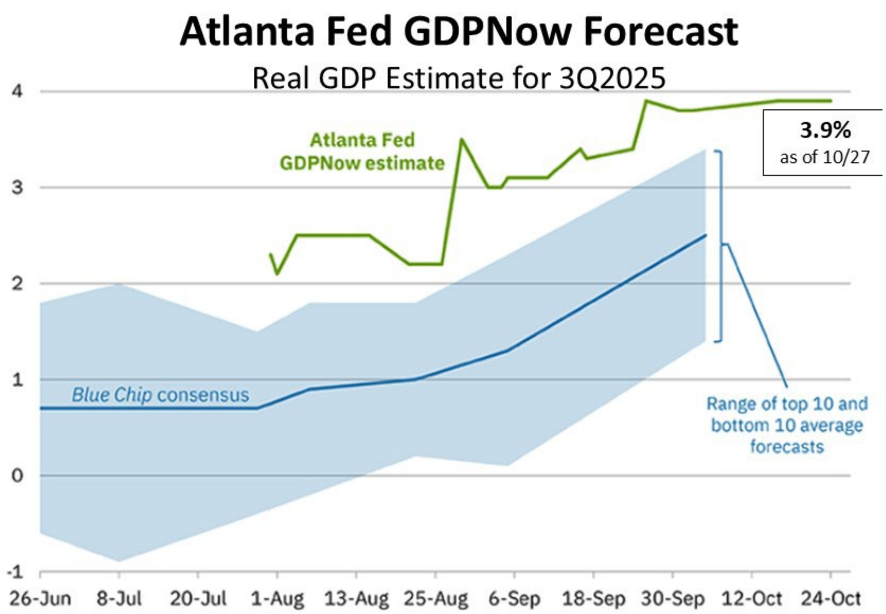
INDICATOR STATISTICS

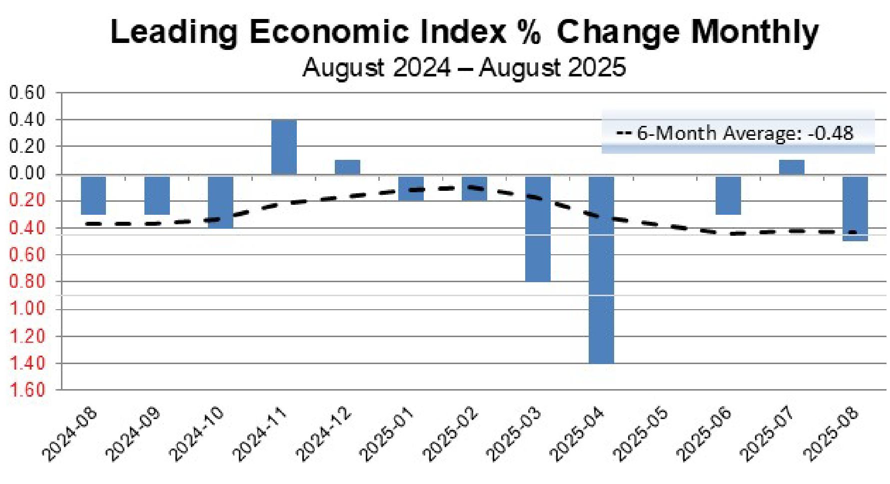
Consecutive Bullish Weeks:	25
Cycle Inception Date:	5/15/2025
Range:	50.1 – 77.9
Mean::	64.0
Bullish Weeks YTD:	30
Bearish Weeks YTD:	14
*S&P 500	15.7%
*DJIA	12.9%
*NASDAQ	24.2%

** Percentage change during current cycle*



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





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

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