

# Rail-Splitter Capital Management

**Rail-Splitter Insights**

a weekly commentary on  
investing

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*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](mailto:info@rail-splitter.com) or 312-724-8722.*

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## Ready, Aim, Fire

March 14, 2025

Pi Day ( $\pi$ ) 3.14

The Federal Reserve can be wrong on its economic predictions. To help improve their forecasting accuracy, they have become more data dependent in recent years. The Fed's current view of the market is we are in "ready" portion of the Ready, Aim, Fire sequence. Powell says: "the economy remains on solid footing which gives it time to read/react to Trump's policies, potential retaliation, and the impact on growth and inflation. While the recent market moves have led to recession fears, the strength of the household and corporate sectors would be enough to propel the US back to above-trend GDP growth should the trade war dissolve."

Given the lack of conclusive evidence, we continue to be in a data driven time before we might declare recession. In non-recessionary periods, the calendar year returns of the market are usually positive (37 of the last 45 years or 82%). With the S&P 500 off almost 10% from its highs, the market has reached its typical drawdown level for non-recessionary periods. If we do not enter a recession, this would imply the current drawdown is a buying opportunity. On the other hand, if the economy slips into recession, stocks are likely to depreciate further.

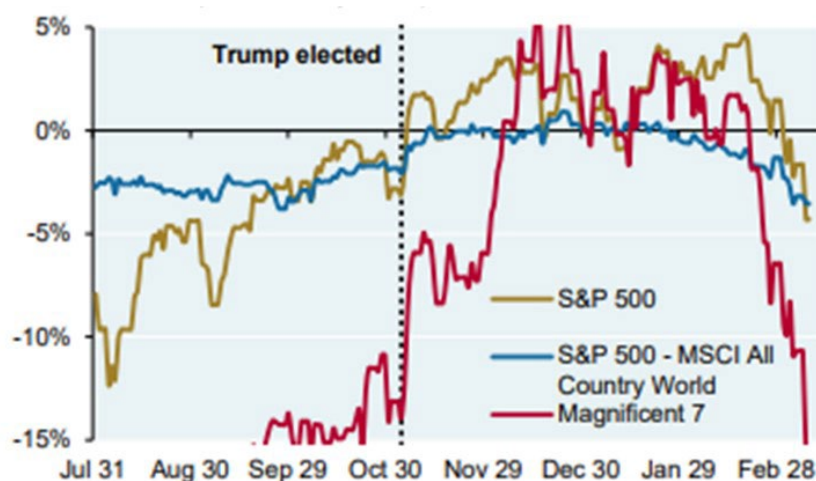
Many of the major investment banks currently view the probability of recession occurring in 2025 in a range of 20-40% vs. 15-30% at the start of the year.

A significant portion of the current sell-off in stocks has been driven by over-concentrated

hedge funds unwinding their levered, Magnificent 7 stock positions. The chart below shows the relative performance of the Magnificent 7 stocks (red line) versus the S&P 500 and MSCI All World index.

### Relative Returns: Mag. 7, S&P 500, World

Percent, index (0 = January 2025)



Source: Bloomberg, JPMAM, March 11, 2025

From a price/earnings to growth perspective, many of the Magnificent 7 stocks are becoming attractively valued. For example, Nvidia's (NVDA) forward P/E is 25x vs. S&P 500 at 21x. Nvidia is expected to grow earnings roughly 50% while the S&P 500 forecasted earnings growth is 10%. The P/E multiple differential between the Magnificent 7 and the remaining 493 S&P 500 stocks is the lowest it has been since 2017.

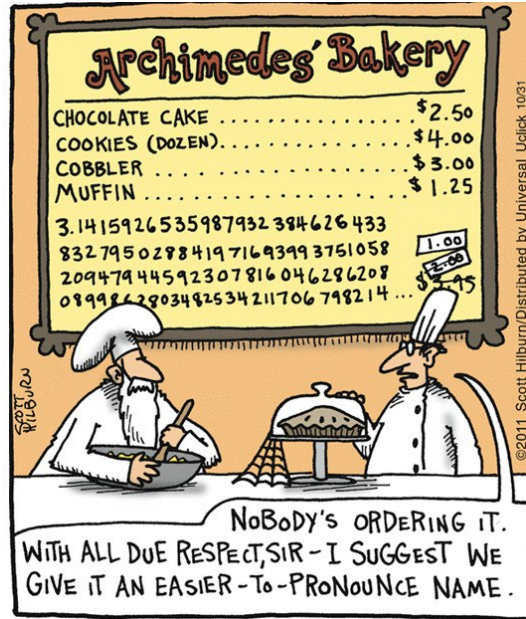
#### Let Us Help You Position Your Portfolio – Give Us a Call Today

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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](http://www.rail-splitter.com), or simply email us at [info@rail-splitter.com](mailto:info@rail-splitter.com).



"Am I Irish? Are you kidding? I was born green!"

# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

**35.2**

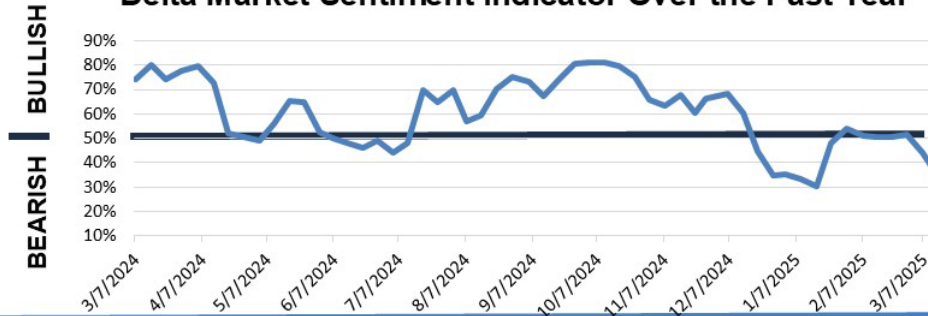
Our technical indicator decreased from 43.9 to 35.2 this week

## INDICATOR STATISTICS

Consecutive Bearish Weeks:	2
Cycle Inception Date:	3/6/2025
Range:	35.2 - 43.9
Mean::	39.6
Bullish Weeks YTD:	5
Bearish Weeks YTD:	6
*S&P 500	-2.5%
*DJIA	-2.7%
*NASDAQ	-2.6%

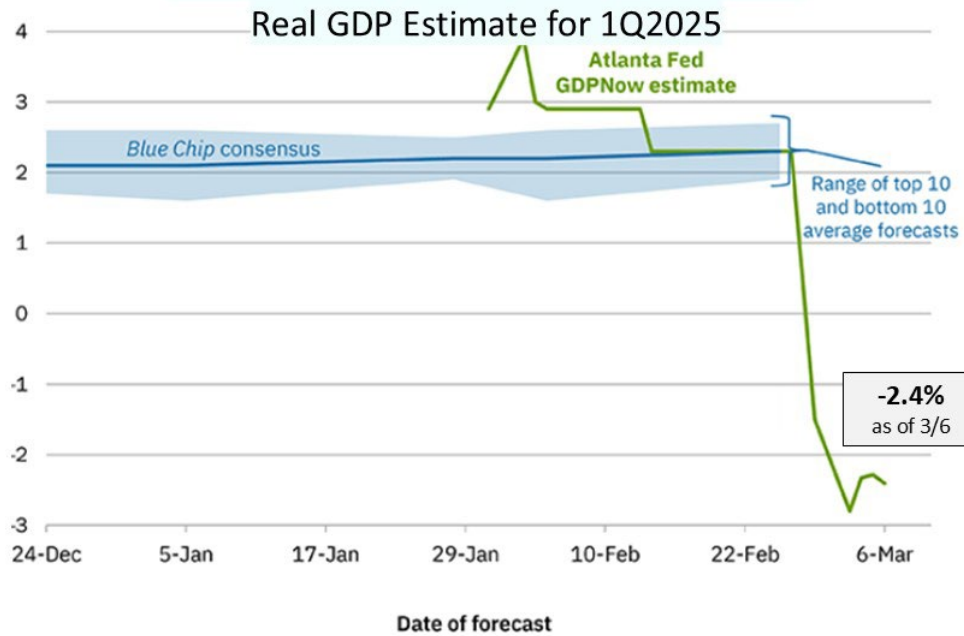
\* Percentage change during current cycle

## Delta Market Sentiment Indicator Over the Past Year



Delta Market Sentiment Indicator (MSI) is published weekly in [Barron's](#)

# Atlanta Fed GDPNow Forecast



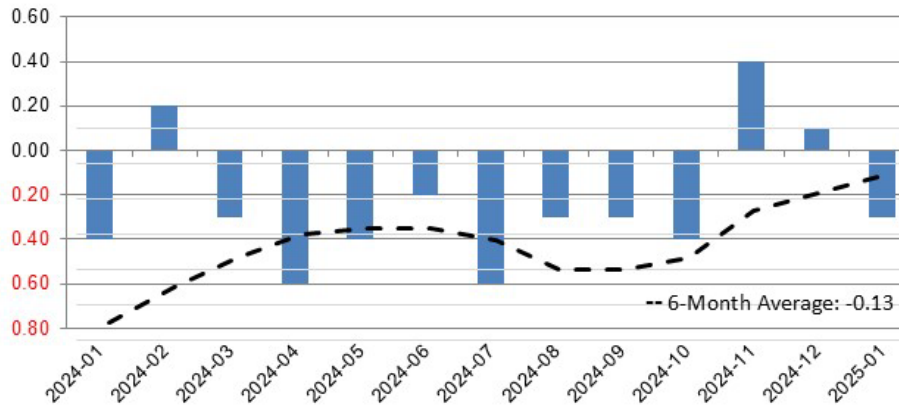
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

A large part of the drop can be attributed to accelerated imports due to potential tariff policy.

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## Leading Economic Index % Change Monthly

Jan 2024 – Jan 2025



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

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