

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.

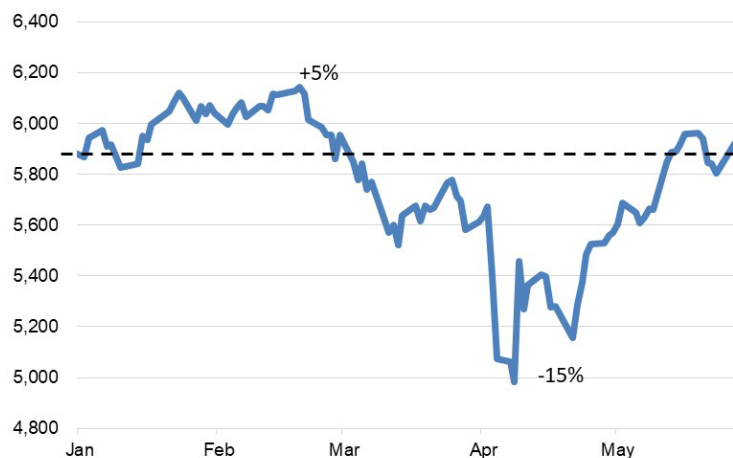
Please contact us at info@rail-splitter.com or 312-724-8722.

Flat to Up

May 30, 2025

The S&P 500 with dividends is roughly flat on the year. On the way to a zero-return year-to-date result, the S&P 500 has been up by about 5% and down by about 15%. The stabilizing force year-to-date has been the consumer cash pile.

S&P 500 Index Year-to-Date



Cash held by consumers in checking, savings, and consumer money-market funds reached a new record of \$21.6 trillion in the fourth quarter of 2024, up from \$14.8 trillion in the fourth quarter of 2019. Consumer credit levels are rising but household debt payments as a percentage of disposable income are returning to pre-COVID levels, off of historical lows. This may be viewed as a 'normalization' and not a 'deterioration'.

The May Consumer Confidence index rose to 98.0, well above the consensus expectation of 87.0 and the prior month's reading of 85.7 – the lowest level since October 2011. Generally, first-quarter earnings reflected a resilient consumer with, so far, minimal tariff impacts felt by the real economy.

Counterbalancing a relatively stable consumer has been yo-yo tariff announcements. Since April 2 Liberation Day when Trump first announced his tariff program, the market has reacted sharply downward to more tariffs and sharply upward to fewer tariffs. On Monday of this week, the Administration announced a delay until July 9th of 50% European Union tariffs. On Thursday, the U.S. Court of International Trade ruled that President Trump does not have legal authority to impose reciprocal tariffs. The ruling has already been appealed. Both announcements helped the S&P 500 recover from the sell-off last Friday from the initial 50% EU tariff announcement.

Assuming American consumers remain resilient, and tariff news oscillates less, the Artificial Intelligence (AI) growth story may eventually pull the overall market higher. At the center of AI development is the leading AI chip maker, Nvidia (NVDA). This week, NVDA reported better-than-expected earnings and revenues. For the first quarter, revenue was \$44.1 billion, a 69% year-over-year increase. Guidance was strong with \$45 billion in revenue inclusive of an \$8 billion revenue deduction from the China sales ban. This implies almost 14% July quarter sequential revenue growth with a full de-risking of China sales. Gross margins were up to 72%. Forward 12-month EPS growth is expected to be about 30%.

The rapid adoption of AI may measurably increase S&P 500 operating margins (profitability) across the board and is driving demand in recently stagnated industries such as electricity production. Much like earlier technology shifts including the adoption of personal computers, cell phones, and the Internet, AI should be a powerful impetus for earnings growth through time. Without a recession in the second half of 2025, history suggests the market should appreciate from current levels.

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



Delta Stock Market Dashboard

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

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

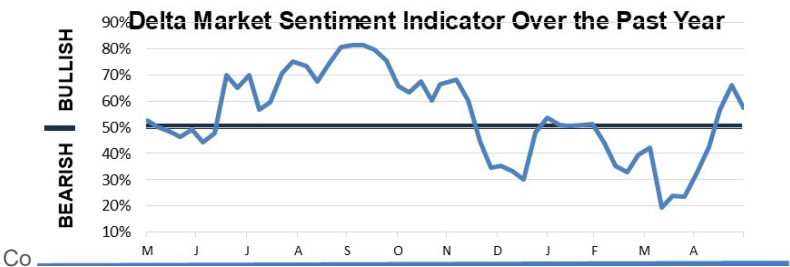
57.5

Our technical indicator decreased
from 66.1 to 57.5 this week

INDICATOR STATISTICS

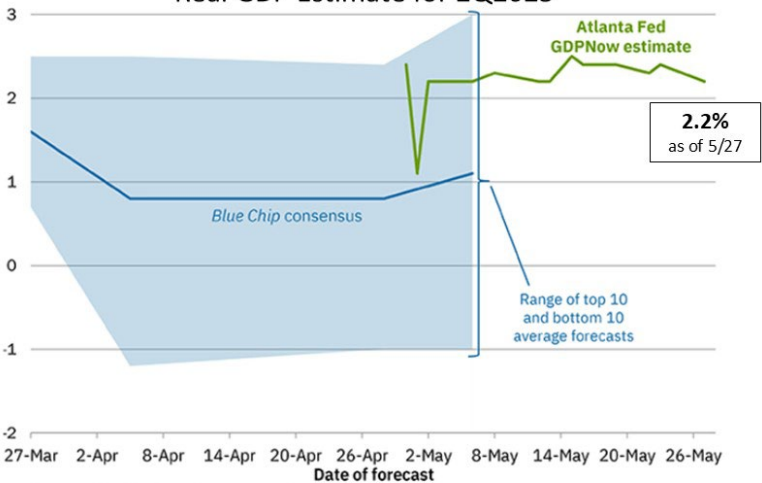
Consecutive Bullish Weeks:	3
Cycle Inception Date:	5/15/2025
Range:	56.9 – 66.1
Mean::	60.2
Bullish Weeks YTD:	8
Bearish Weeks YTD:	14
*S&P 500	-0.2%
*DJIA	-0.6%
*NASDAQ	-0.4%

* Percentage change during current cycle



Evolution of Atlanta Fed GDPNow Forecast

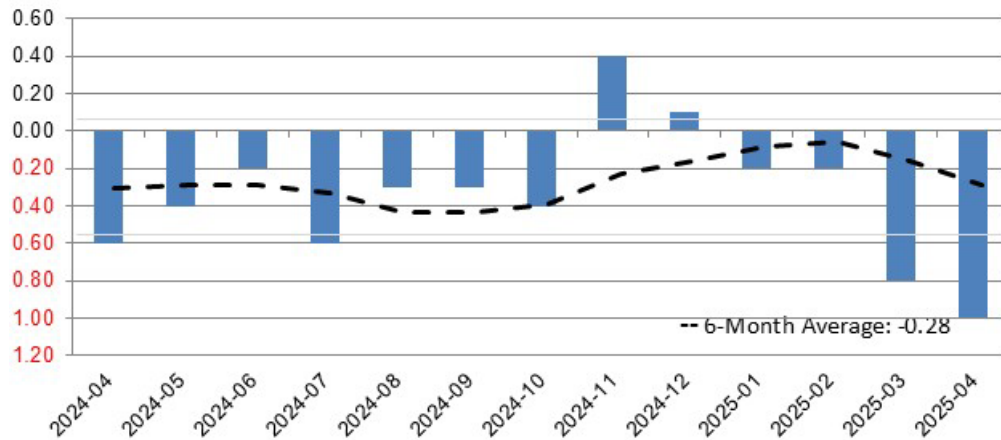
Real GDP Estimate for 2Q2025



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

April 2024 – April 2025



Source: The Conference Board – last update 5/19/2025

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