

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.

Reading the Market

June 27, 2025

The stock market surged this week despite U.S.-Iran military tensions. It rallied when bombings began, climbed further on ceasefire news, and even gained after reports suggested limited damage to Iran's nuclear capabilities. The S&P 500 rose over 2%, now within 1% of its all-time high. If you predicted this response, you're operating at an elite level.

Consumer confidence paints a mixed picture. The Conference Board's Consumer Confidence Expectations Index fell from 73.6 to 69.0 on Tuesday, remaining below the 80 threshold that often signals a looming recession. The Conference Board's Leading Economic Index (LEI) for May dipped slightly (-0.1%), with its six-month moving average has been negative for the 37th consecutive month—a historically reliable recession signal that hasn't yet materialized. This period's negative 6-month average is closing in on the record, which occurred during the Great Financial Crisis (2007-2009).

Leading Economic Index

LEI 6-Month Average Negative

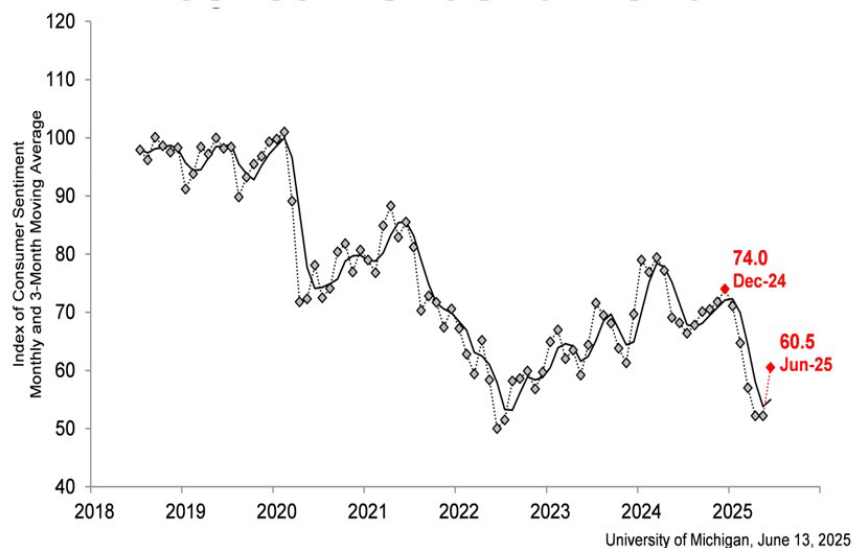
US Recessions

<u>Start Date</u>	<u>End Date</u>	<u>Months</u>	<u>Start Date</u>	<u>End Date</u>	<u>Days LEI- Recession</u>
May-22		37			1156
Oct-19	Aug-20	11	Feb-20	Apr-20	123
May-06	Jul-09	39	Dec-07	Jun-09	579
Jul-00	Feb-02	20	Mar-01	Nov-01	243
May-89	May-91	25	Jul-90	Mar-91	426
Feb-81	Oct-82	21	Jul-81	Nov-82	150
Jan-79	Sep-80	21	Jan-80	Jul-80	365
Jul-73	May-75	23	Nov-73	Mar-75	123
Averages		25			287

Sources: The Conference Board and NBER

In contrast, the University of Michigan's Index of Consumer Sentiment rose from 52.2 to 60.5 in June, exceeding expectations of 53.5 (per preliminary estimates). This first uptick in six months, driven by easing tariff concerns, shows cautious optimism, though consumers remain wary of the economy's path.

Consumer Sentiment



JP Morgan's "Consumer Cash Pile"—comprising checking, savings, and money market funds—hit a record \$21.7 trillion in Q1 2025, up from \$14.8 trillion in Q4 2019. Contrary to expectations of depletion, this cash hoard has grown over six years, even as consumer sentiment has trended downward - rising cash reserves fuel elevated spending, a key driver of stronger-than-expected GDP growth.

Market signals remain robust despite mixed fundamentals. The Delta Market Sentiment Indicator is bullish, and the CBOE Volatility Index (VIX), a gauge of investor anxiety, sits at normal levels. The bond market shows little concern, with high-yield spreads at a low 3%. The 10-year U.S. Treasury yield, at 4.3%, aligns with its 200-day moving average, reflecting steady institutional capital flows.

Fundamentally, tariff fears may be easing, and the U.S.-Iran conflict appears to be de-escalating. Inflation is cooling, and economic growth remains resilient. Fed Futures indicate an 84% chance of a rate cut by the September Fed meeting, with two cuts expected by year-end. Despite softness in housing and retail sales, the stock market's price action suggests sustained economic and earnings growth.

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



"No problem, B.J. I can talk and baste at the same time."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

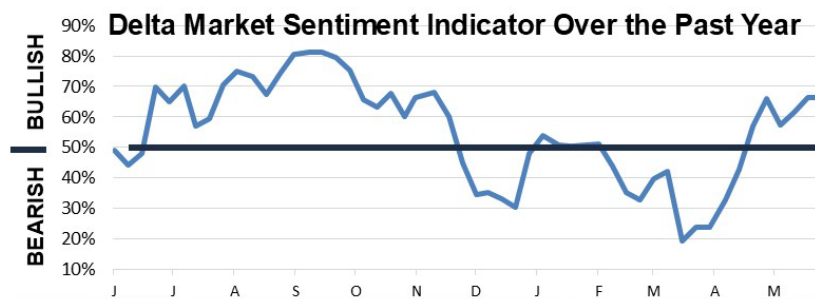
64.8

Our technical indicator decreased
from 66.4 to 64.8 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	7
Cycle Inception Date:	5/15/2025
Range:	56.9 – 66.4
Mean::	62.8
Bullish Weeks YTD:	12
Bearish Weeks YTD:	14
*S&P 500	3.0%
*DJIA	1.5%
*NASDAQ	4.5%

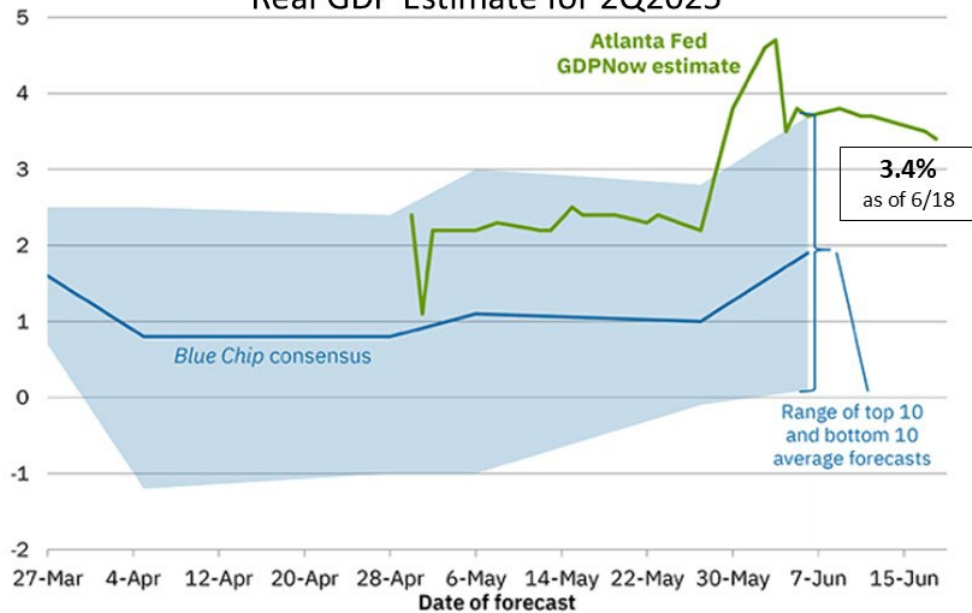
* Percentage change during current cycle



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

Evolution of Atlanta Fed GDPNow Forecast

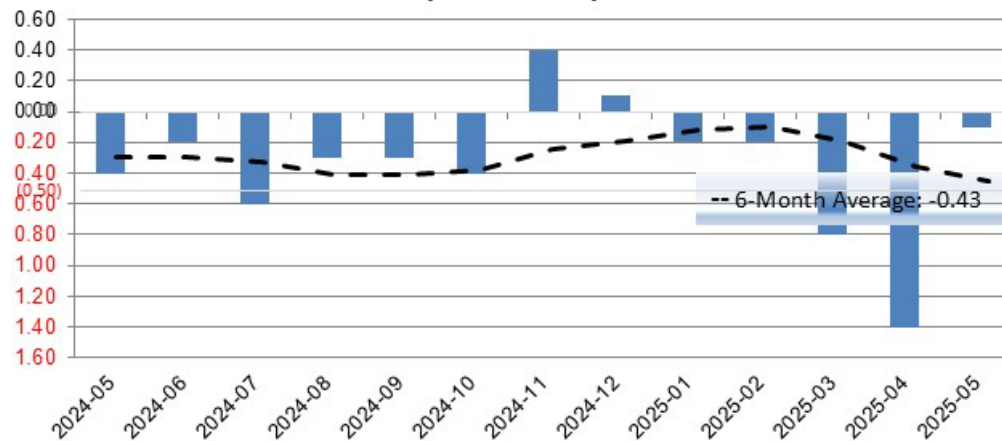
Real GDP Estimate for 2Q2025



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

May 2024 – May 2025



Source: The Conference Board – last update 6/20/2025

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