

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.

More So Than Ever, the Stock Market Is Not the Economy

August 15, 2025

The median company in the S&P 500 will generate revenues of approximately \$14 billion in 2025. If we break the largest technology firms down by separate lines of business, each business line is substantially larger than the median S&P 500 company measured by revenues.

Amazon (AMZN): Online sales are \$268 billion, Amazon Web Services (AWS) are \$127 billion and Amazon advertising revenue is \$66 billion.

Alphabet (GOOG/GOOGL): Revenue from search is \$219 billion, Cloud services \$56 billion, YouTube is \$40 billion.

Microsoft (MSFT): Core business revenue is \$129 billion, Cloud computing (AZURE) is \$86 billion, Personal computing is \$55 billion.

Apple (AAPL): \$313 billion in revenue from products and \$111 billion from services.

These four companies represent 21% of the S&P 500. If you add Nvidia (NVDA) to the list, nearly 30% of the S&P 500 index is represented by these five companies.

These large capitalization technology companies are exposed to higher margin, faster growing business sectors than the typical S&P 500 company. 90% of S&P 500 companies have reported second-quarter earnings. The Magnificent 7 companies delivered 21.8% earnings

growth versus the S&P 493 companies with 8.1% growth. Revenues were up 12.7% year-over-year versus 5.2% for the rest of the S&P 500. Nvidia reports earnings after market close on August 27. Given that NVDA is 8% of the S&P 500 index, this has the potential to be a market-moving event.

Last week, we talked about how spending on Artificial Intelligence (AI) technology had a larger impact on second-quarter GDP growth than consumer spending. From second quarter earnings, we learned that the rate of AI capital expenditure increased to a pace of 24% year-over-year versus 17% y/y announced last quarter.

GOOG/GOOGL: Alphabet increased its 2025 capex outlook by \$10B to \$75B, reflecting additional investment in servers and an acceleration in the pace of data center construction to meet Cloud customer demand.

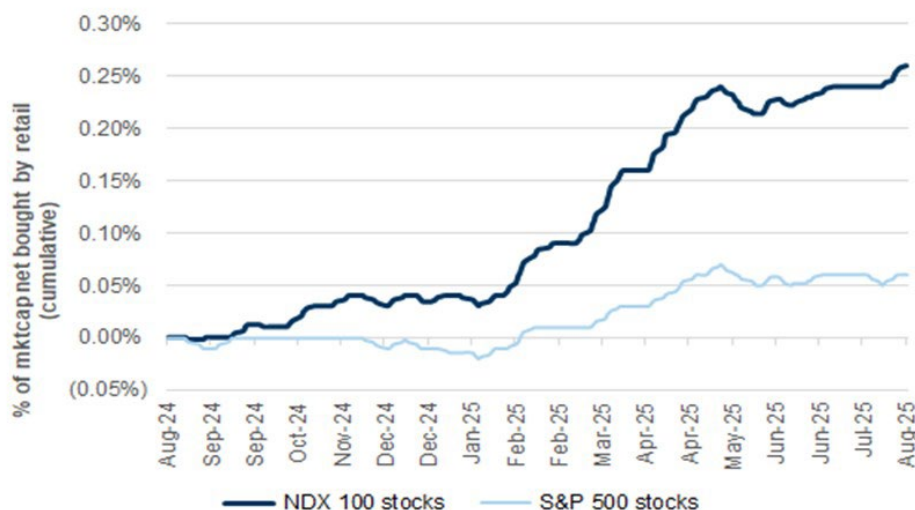
AAPL: Apple announced a revised and higher commitment to US domestic investment, which is now expected to track to \$600B over the next four years relative to its earlier commitment of \$500B announced a few months ago.

META: Meta expects to spend \$66-72B this year, a \$30B increase from a few months ago. Meta indicated that it is likely to spend around \$100B on capex in 2026.

MSFT: Microsoft guided over \$30B in Capex for next quarter versus the Street expectation of \$24 billion.

Many of the points above have not been missed by individual investors. Retail buying of NASDAQ 100 stocks has surpassed that of the S&P 500 over the past year and has accelerated over the past month. The chart below shows retail investment flows as a percent of aggregate market cap; \$Buys less \$Sells.

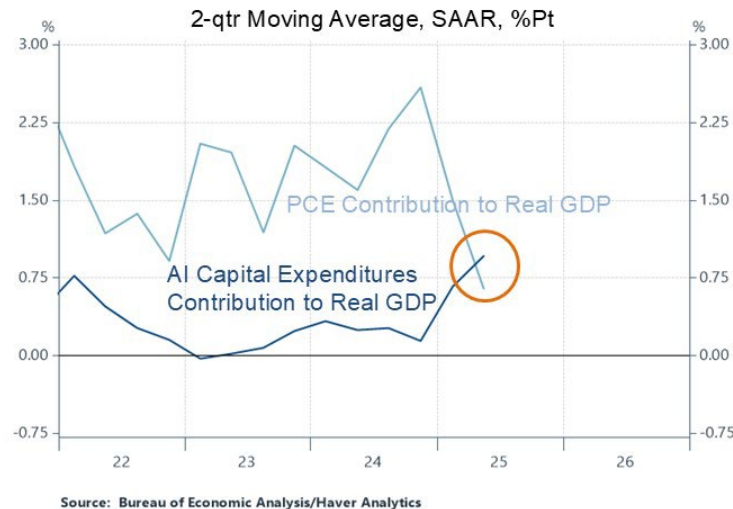
Retail Flows: \$Buy Minus \$Sell



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

Many of the large investment banks track retail versus institutional investing behavior. “Small lots” (less than \$2,000 trade value) and trades submitted via on-line, retail portals provide good insight into what type of investor is behind each trade. Over the short-term, retail trading often leads to outperformance in those stocks traded. Again, in the short-term, it tends to be a leading indicator rather than a contrarian indicator. Over longer periods, excessive retail exuberance may lead to market corrections.

AI vs. Consumer Spending Impact on GDP



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

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

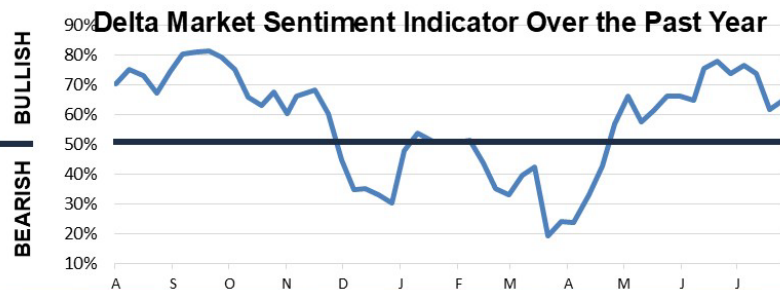
64.8%

Our technical indicator increased
from 61.6 to 64.8 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	13
Cycle Inception Date:	5/15/2025
Range:	56.9 – 77.9
Mean:	67.4
Bullish Weeks YTD:	19
Bearish Weeks YTD:	14
*S&P 500	9.1%
*DJIA	5.9%
*NASDAQ	13.5%

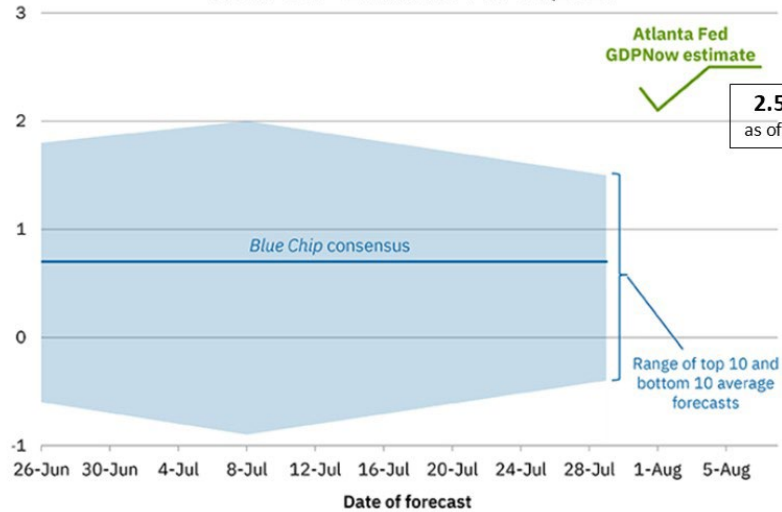
* Percentage change during current cycle



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

Atlanta Fed GDPNow Forecast

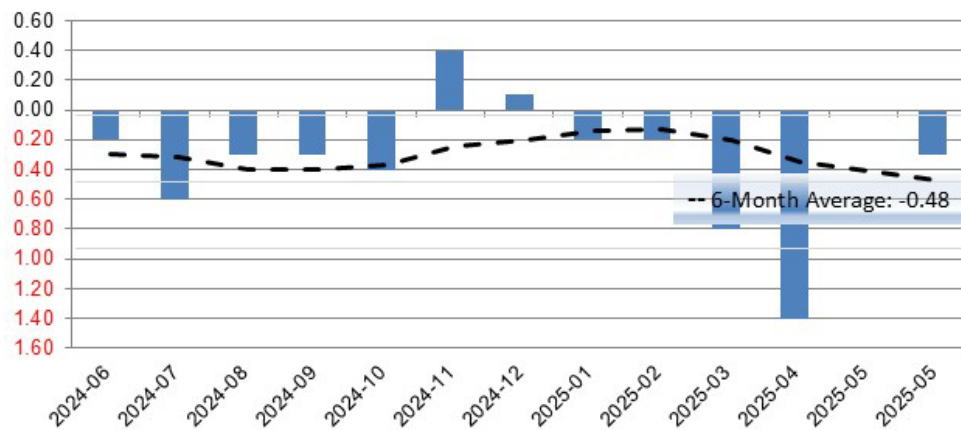
Real GDP Estimate for 3Q2025



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

June 2024 – June 2025



Source: The Conference Board – last update 7/21/2025

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