

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.

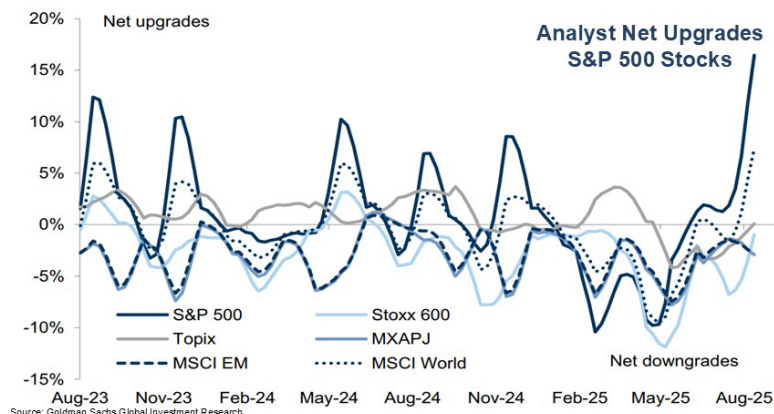
Upside Surprise(s)

August 29, 2025

All eyes were focused on the Nvidia (NVDA) earnings report this week as Nvidia represents 8% of the S&P 500 and is the bellwether AI stock. Nvidia delivered upside to consensus analyst estimates which was not a surprise. Nvidia's results were good enough not to significantly disrupt the broader market's advance or Nvidia's 35% appreciation year-to-date.

Although Nvidia did not deliver a surprise, the rest of the market and economy are consistently surprising investors to the upside. In the wake of second quarter earnings reports, the number of net analyst upgrades were by far the strongest for U.S. companies in the S&P 500.

Analyst Rating Upgrades of U.S. Stocks



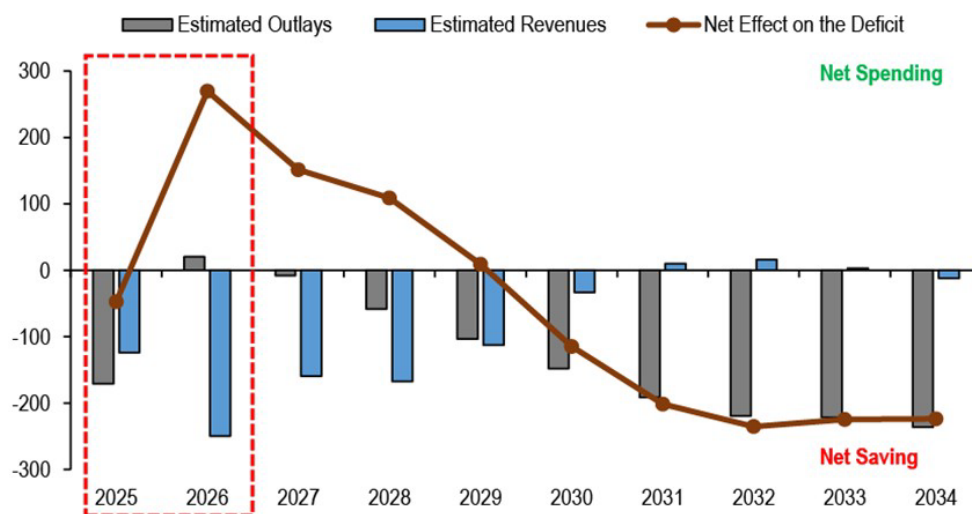
This week, the economic reports have also surprised to the upside. Business and consumer sentiment were better than expected. U.S. durable goods orders surprised to the upside. Second quarter GDP was revised up to 3.3% versus the advance estimate of 3.0%, helped by an upward revision to consumer spending. Initial jobless claims for the week ending August 23, a leading indicator, decreased by 5,000, well better than consensus expectations.

The bond market is sanguine about the prospects for the economy. The spread between the interest rate that non-investment grade borrowers pay versus what U.S. treasuries yields is near all-time lows despite expectations that yields would widen this year. The spreads are tight because:

- Credit risk and balance sheets have improved for Investment Grade (IG) issuers
- Credit conditions in the financial markets are at the easiest level since pre-COVID
- The Fed will soon embark upon an easing cycle
- Corporate earnings are strengthening
- The risk of recession is low
- Investor demand is robust

Looking forward, the net effect of the One Big Beautiful Bill Act (OBBBA) is likely to deliver positive surprises for the first 6-18 months. The bill allows for the immediate expensing of capex and R&D expenditures. Analysts are estimating total spending on both to be \$1.8 trillion in 2025 and \$2 trillion in 2026. According to the Congressional Budget Office (CBO), sectors with high capital intensity (e.g., AI, large-cap tech.) are expected to see about \$200B in tax benefits between 2025/26 given the retroactive nature of the bill and largely through stronger cash flow.

OBBBA Benefits Largely in First 6-18 Months



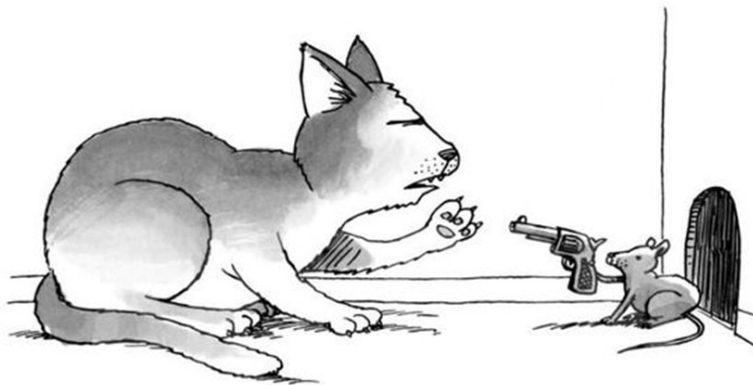
This week, the S&P 500 reached another new all-time high. We are heading into the seasonally weak months of September and October. Given the recent momentum in upside surprises, it is prudent to keep your portfolio exposures balanced so as not to be surprised by additional new market highs through year end.

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.



JOE DATATO

"Six rounds. Nine lives. You do the math."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

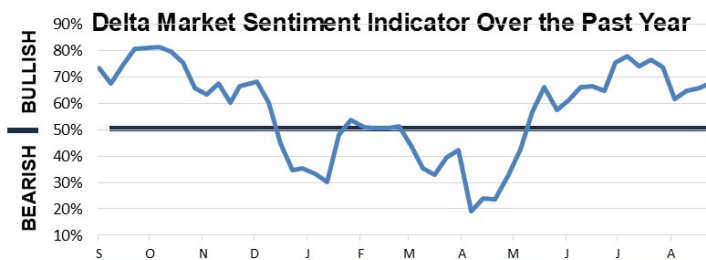
68.0%

Our technical indicator increased
from 65.8 to 68.0 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	16
Cycle Inception Date:	5/15/2025
Range:	56.9 – 77.9
Mean::	67.3
Bullish Weeks YTD:	21
Bearish Weeks YTD:	14
*S&P 500	9.5%
*DJIA	7.5%
*NASDAQ	13.1%

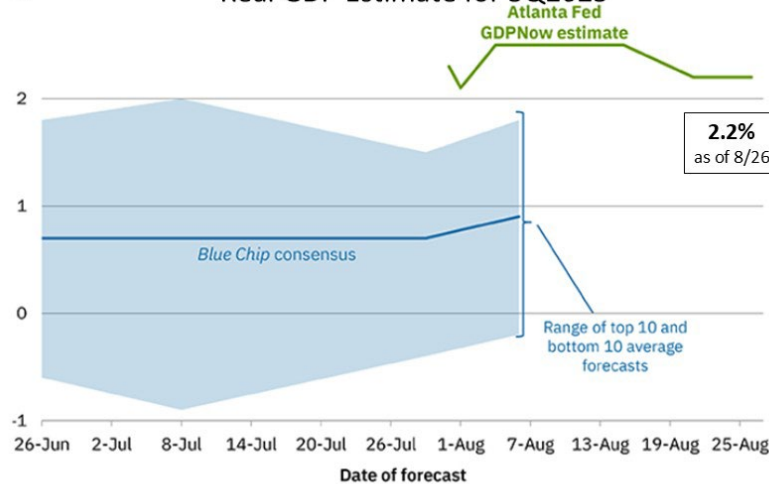
* Percentage change during current cycle



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

Atlanta Fed GDPNow Forecast

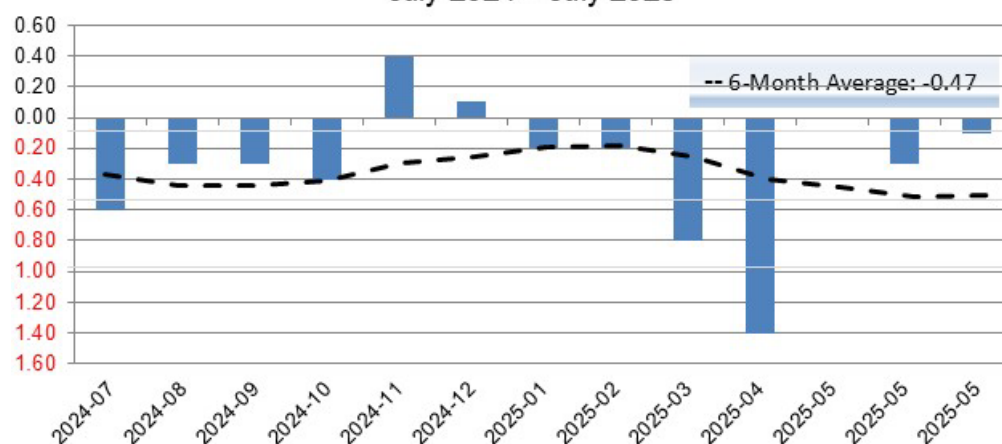
Real GDP Estimate for 3Q2025



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

July 2024 – July 2025



Source: The Conference Board – last update 8/21/2025

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