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.

Concentration at the Top

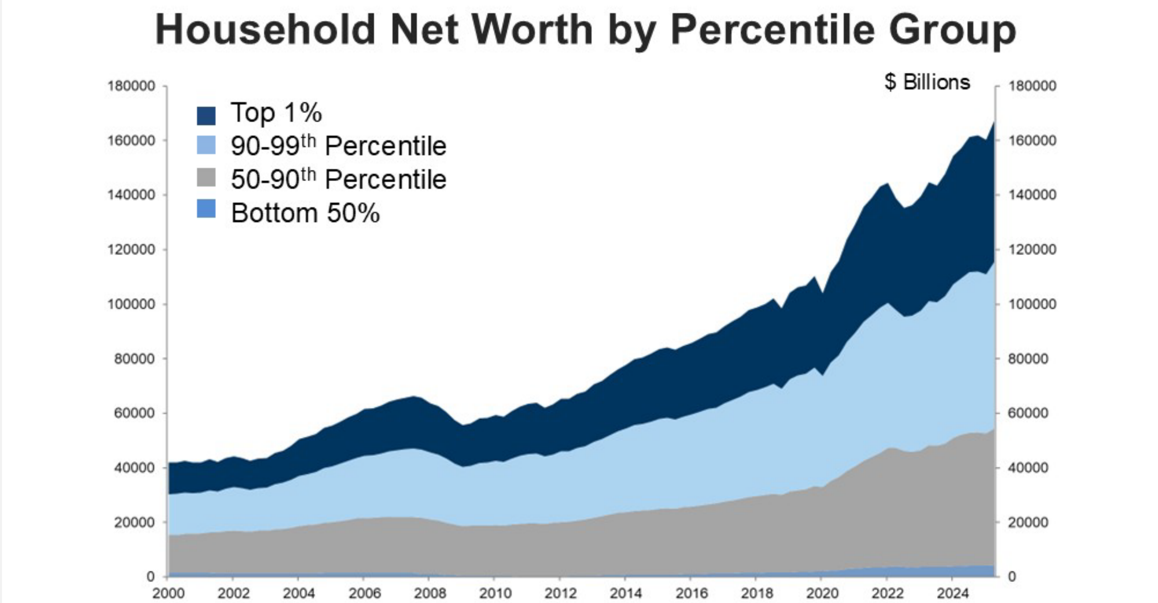
September 26, 2025

World prosperity is expanding, especially for the top percentile. The Organisation for Economic Co-operation and Development (OECD) raised its 2025 global growth forecast to 3.2% from 2.9% this week. The second-quarter GDP estimate was revised up to 3.8% from 3.3% driven by an upward revision to consumer spending – real final sales to private domestic purchasers were up 2.9% versus 1.9% in the second quarter. Goldman Sachs raised its 12-month S&P 500 target level for the index to 7,200.

Whether it is the wealthiest corporations or the wealthiest households, the rich are getting richer. The remainder is roughly stagnant.

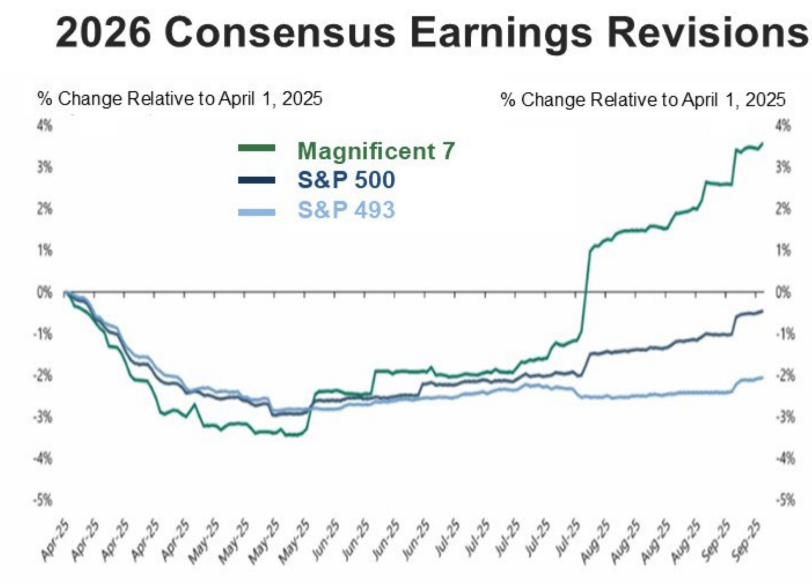
According to Bloomberg, consumers in the top 10% of the income distribution accounted for 49.2% of total spending in the second quarter, reaching the highest level in Federal Reserve data going back to 1989. In contrast, the bottom 80% of the income distribution, or consumers making less than roughly $175,000 a year, have seen their spending merely keep pace with inflation since the pandemic.

The top 10% of households have roughly 70% of all household net worth. The bottom 50% of households have almost no net worth.



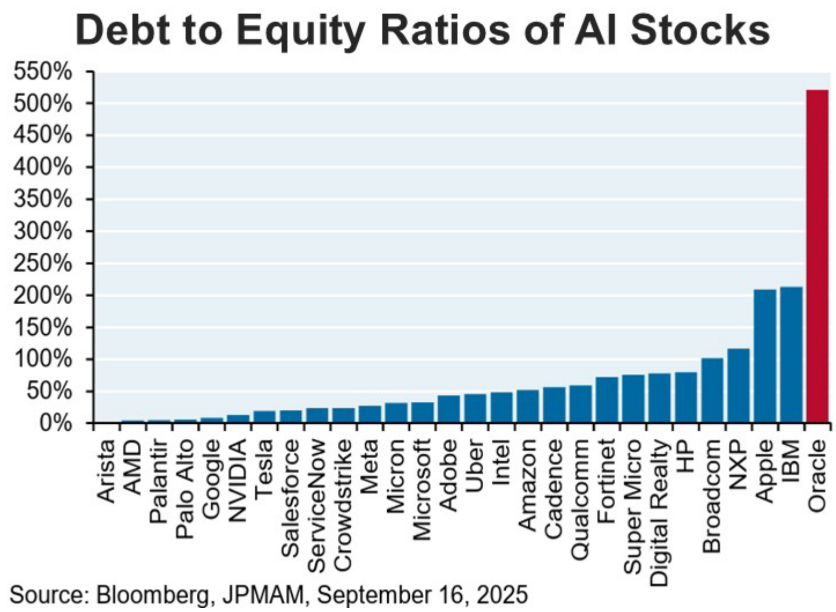
The wealthiest and largest technology companies dominate earnings growth and stock price appreciation. AI-related stocks have accounted for 75% of S&P 500 returns, 80% of earnings growth and 90% of capital spending growth since ChatGPT launched in November 2022.

Looking ahead, the aggregate upward earnings revisions for the S&P 493 (S&P 500 minus the Magnificent 7 stocks) for 2026 is negative. The Magnificent 7 is where we see consensus upward earnings expectations.



Income disparity is near a historic high. When trends reach extremes, they often reverse. Larry Ellison, founder of Oracle Corporation (ORCL) became the wealthiest person in the world on September 10 when ORCL announced its huge backlog of AI-related business.

Unlike almost every other major, large market-capitalization technology company, Oracle is financing its explosive growth with borrowed money rather than funds from cash flow. In the words of JPMorgan this week: “Oracle’s stock jumped by 25% after being promised $60 billion a year from OpenAI (this week), an amount of money OpenAI doesn’t earn yet, to provide cloud computing facilities that Oracle hasn’t built yet, and which will require 4.5 GW of power (the equivalent of 2.25 Hoover Dams or four nuclear plants), as well as increased borrowing by Oracle whose debt to equity ratio is already 500% compared to 50% for Amazon, 30% for Microsoft and even less at Meta and Google.”



Oracle is willing to take on a huge amount of debt and/or equity dilution to grab AI market share. “The implications are profound. Amazon, Microsoft and Google can no longer treat AI infrastructure as a discretionary investment. They must defend their turf. What had been a disciplined, cashflow-funded race may now turn into a debt-fueled arms race.” Dan O’Laughlin, Fabricated Knowledge, Sept 2025

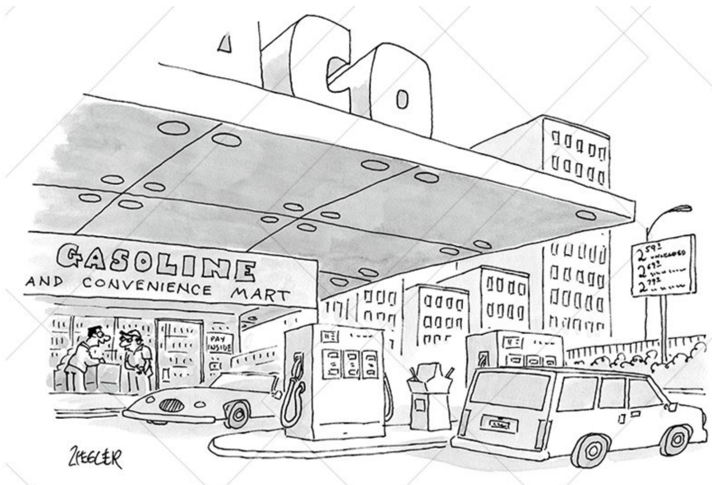
Dan O’Laughlin’s view that the largest technology companies may accelerate AI spending with debt financing is only speculation at this point. But, if we see large new borrowings from technology companies, it may be the signal that the era of Mag 7 dominance is nearing the end. The 1929 and 2008 bear markets were a direct result of too much borrowing.
.

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.



"The good news is that a delicious stick of jerky is still a very affordable seventy-five cents."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

59.6

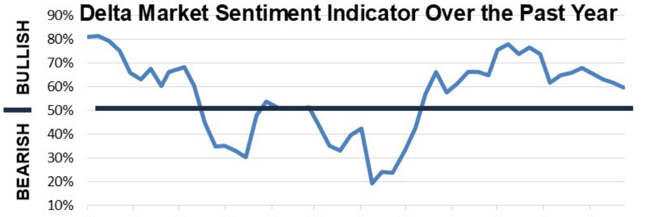
Our technical indicator decreased from 61.8 to 59.6 this week

INDICATOR STATISTICS

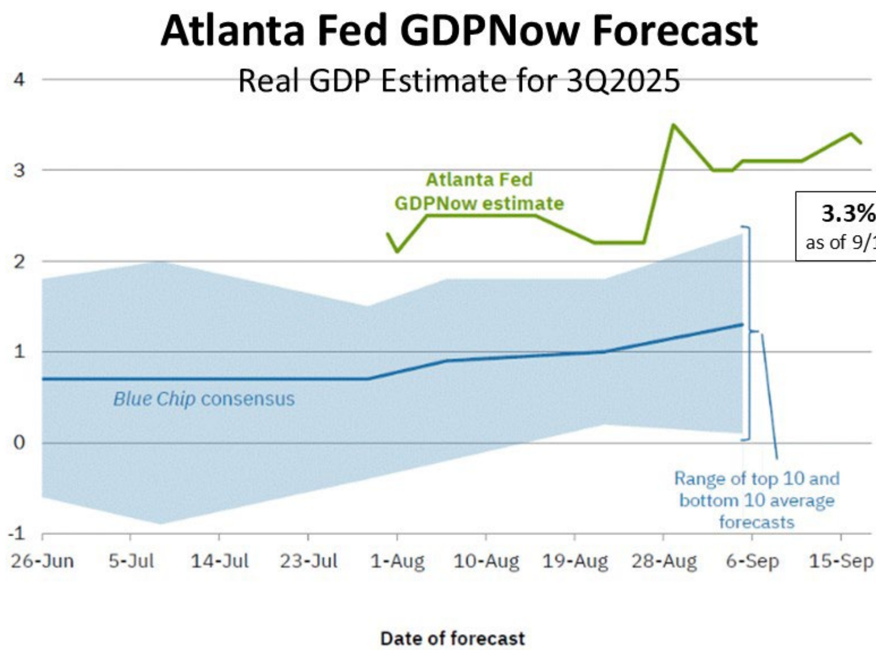
Consecutive Bullish Weeks:	20
Cycle Inception Date:	5/15/2025
Range:	56.9 – 77.9
Mean::	66.4
Bullish Weeks YTD:	25
Bearish Weeks YTD:	14
*S&P 500	11.1%
*DJIA	8.4%
*NASDAQ	16.8%

* Percentage change during current cycle

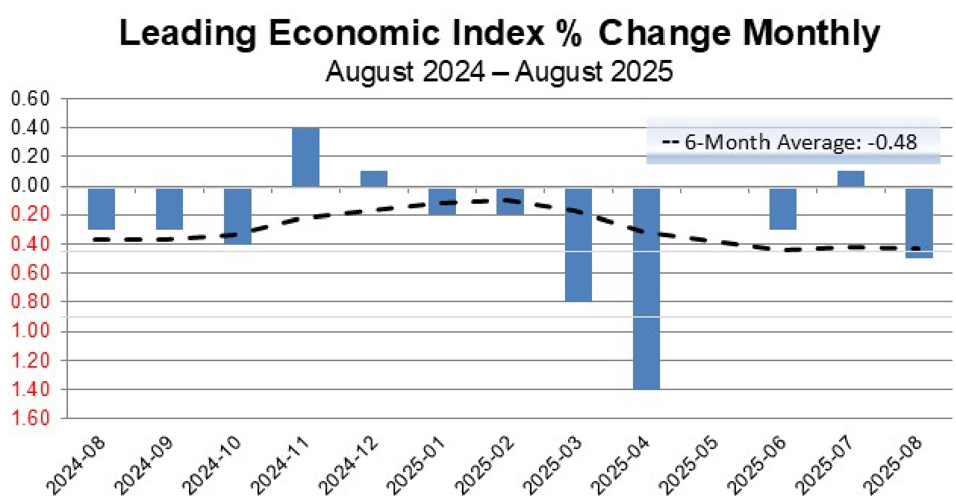
Delta Market Sentiment Indicator Over the Past Year



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



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*



Source: The Conference Board – last update 9/18/2025

Our mailing address is:
Rail-Splitter Capital Management
200 S. Wacker Drive, Suite 2650
Chicago, IL 60606