

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.

Dichotomy Resolved to the Upside

July 3, 2025

All year, a tension has persisted between low consumer confidence and robust economic data. So far, the stock market has aligned with the positive hard data, shrugging off bearish consumer sentiment.

The University of Michigan's Consumer Sentiment Index, reported last Friday, remains near historic lows. Consumers are pessimistic about prices, business conditions, incomes, job security, housing, and stock markets. This spring, the index plummeted 29% in just four months—one of the sharpest declines in its 79-year history, typically a recession signal. While sentiment edged up slightly in June, Americans still anticipate higher prices and a slower economy in the year ahead.

Contrast that with these encouraging data points:

- **Consumer Spending:** Fiserv, a bank software and credit card processing provider, reported June spending on its network rose 4.4%, up from 3.0% in May. The Consumer Discretionary ETF (XLY) has broken above resistance after two months of consolidation.

Consumer Discretionary ETF XLY Past 12 Months



Source: stockcharts.com

- **Labor Market:** The U.S. Bureau of Labor Statistics' JOLTS report showed renewed hiring, fewer layoffs, and a higher quits rate, signaling growing confidence in job mobility.
- **Unemployment:** The rate stands at a healthy 4.1%.
- **Manufacturing:** This week's ISM-Manufacturing Index exceeded expectations. The report's chief economist noted:

"June saw a welcome return to growth for US manufacturing production after three months of decline, with higher workloads driven by rising orders from both domestic and export customers. Reviving demand has also encouraged factories to take on additional staff at a rate not seen since September 2022 ... More encouragingly, business confidence has continued to improve from the low point seen in April, with US manufacturers becoming more optimistic in the face of fewer trade and tariff worries compared to the heightened uncertainty seen in April."

Since COVID, conflicting signals have clouded the outlook. The Leading Economic Index has signaled recession since mid-2022, and the U.S. Treasury yield curve was inverted for nearly two years—a reliable recession indicator—before turning positive recently.

In 2023, consensus forecasts pegged a 60% chance of recession, yet the S&P 500 has surged nearly 80% from its 2022 lows. Earnings season kicks off in two weeks, with Wall Street expecting 4% S&P 500 earnings growth for Q2—a figure likely too conservative. The CBOE Volatility Index (VIX) sits at 16.7, the 10-year Treasury yield is at 4.3%, and market price action remains bullish. The near-term outlook is positive.

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



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Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

75.5

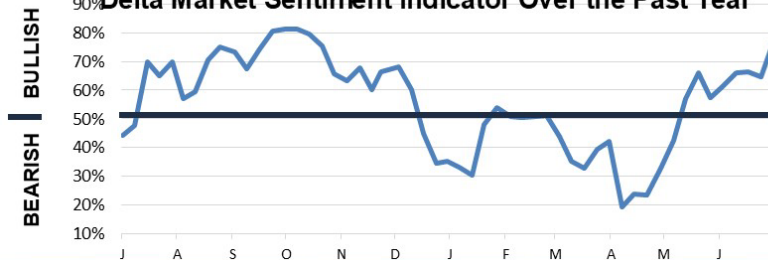
Our technical indicator increased
from 64.8 to 75.5 this week

INDICATOR STATISTICS

| | |
|----------------------------|-------------|
| Consecutive Bullish Weeks: | 8 |
| Cycle Inception Date: | 5/15/2025 |
| Range: | 56.9 – 75.5 |
| Mean:: | 64.4 |
| Bullish Weeks YTD: | 13 |
| Bearish Weeks YTD: | 14 |
| *S&P 500 | 5.1% |
| *DJIA | 5.0% |
| *NASDAQ | 6.7% |

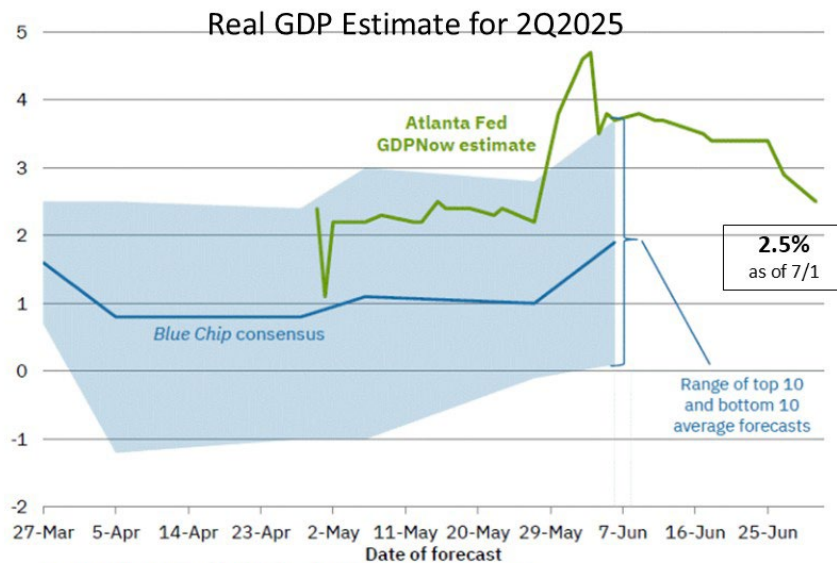
* Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year



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

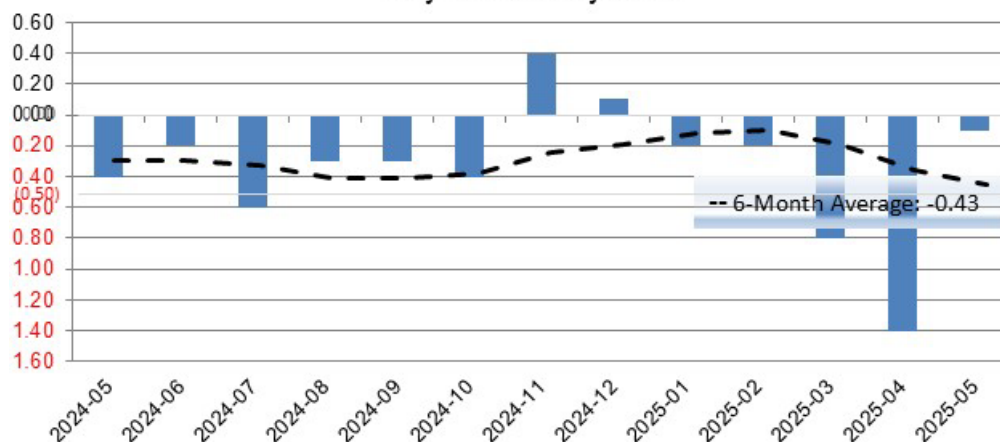
Evolution of Atlanta Fed GDPNow Forecast



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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