

# 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](mailto:info@rail-splitter.com) or 312-724-8722.*

## Market Able to Carry Load

**August 8, 2025**

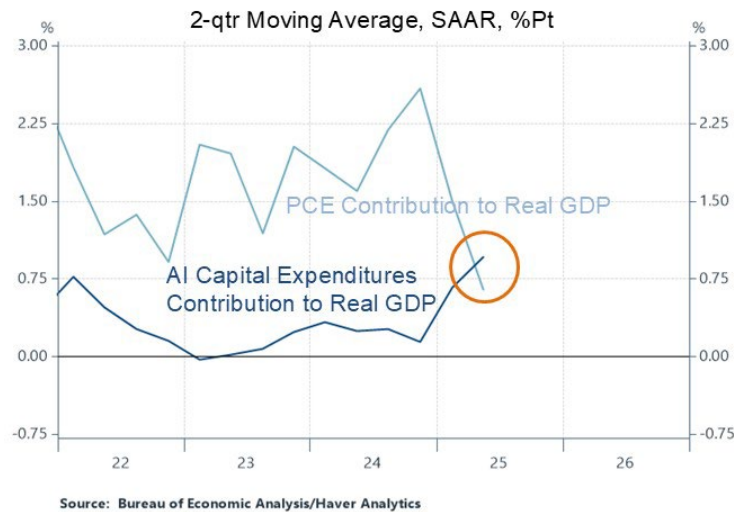
Tariff implementation, weaker-than-expected manufacturing and services data and a disappointing non-farm payrolls report last Friday would normally weigh on the stock market. These market-moving data points imply slowing economic growth and a deteriorating labor market. From the low of last Friday, when the employment data was released, the S&P 500 is up 2%.

Part of the rebound in the market comes from high confidence that the Federal Reserve will cut the Fed Funds rate at the September meeting in response to the weak economic data. The Fed Funds futures market is currently pricing in a 91% probability of a 0.25% rate cut - before last week's weak jobs report, the futures market probability was 38%.

The AI technology implementation is creating a huge amount of GDP growth. So far this year, AI capital expenditures, defined as information processing equipment plus software, have added more to GDP growth than consumers' spending.

Over time, stock prices follow earnings. Q2 earnings have been materially better than expected. Revenue growth so far has been 6.0%, earnings growth is 10.3%, and margins are exceeding 12%. This compares to expectations of approximately 4.0% top-line growth, 4.9% bottom-line growth, with margins around 12%. The Magnificent 7 reported earnings growth of 25.7% vs. 13.9% expected.

## AI vs. Consumer Spending Impact on GDP

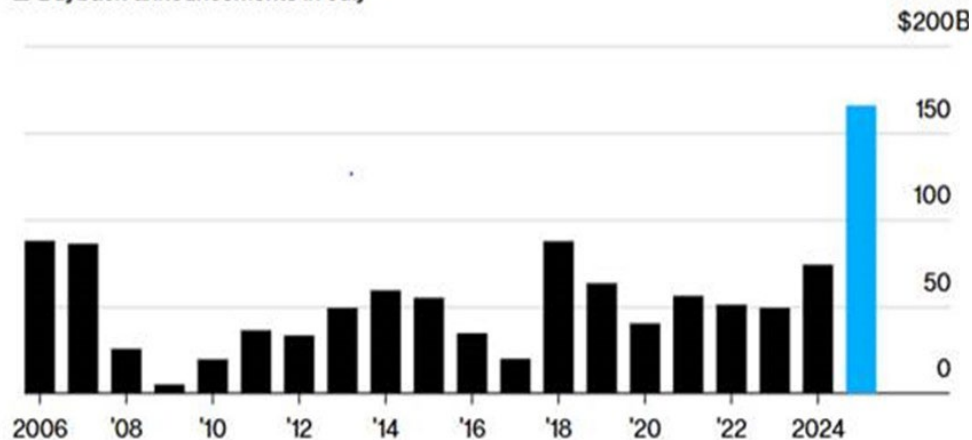


Stock valuations are the result of an equilibrium being discovered between buyers and sellers. High demand for stocks generally lifts valuations, all else being equal. Bloomberg reports that buybacks reached \$166B in July versus the previous July record of \$88bn. After \$600B in buybacks in the first half of the year, the market should easily exceed \$1 trillion in buybacks versus the previous record of \$943B set in 2024.

## Buybacks Reach Record in July

Announced buybacks see highest dollar volume for July at \$166B

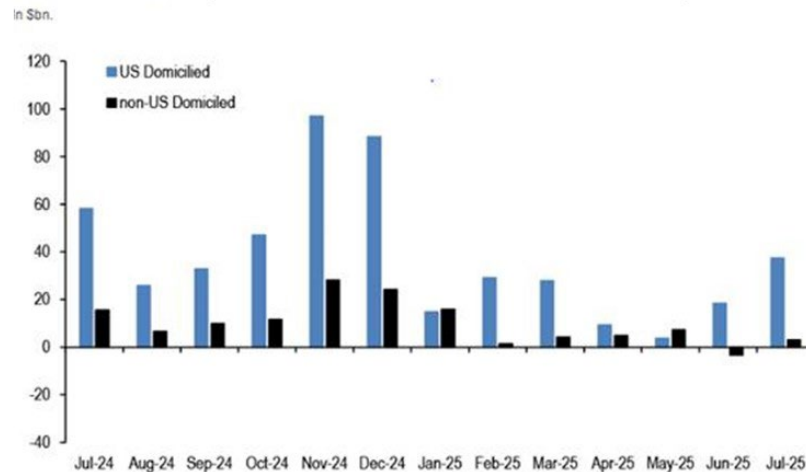
■ Buyback announcements in July



In addition to companies buying their own stock back at a record pace, hedge funds became net buyers in May, purchasing a net positive \$114 billion worth of stock.

Retail investors have also stepped up their stock purchases. The chart below shows that monthly net inflows into U.S. equity ETFs jumped higher in July.

## Monthly Net Flow into US Equity ETFs



Source: Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

Between now and the end of the year, we will learn what the ultimate effects of higher tariffs, slowing manufacturing and services activity and a weakening job market will be on the trajectory of the stock market. The Atlanta Fed's GDPNow model is forecasting third-quarter GDP growth to be 2.5%, well above the Street's consensus estimate of less than 1%. Without a recession, the stock market usually appreciates over time.

### 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](http://www.rail-splitter.com), or simply email us at [info@rail-splitter.com](mailto:info@rail-splitter.com).



*"Shall I compare thee to a summer's day?"*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

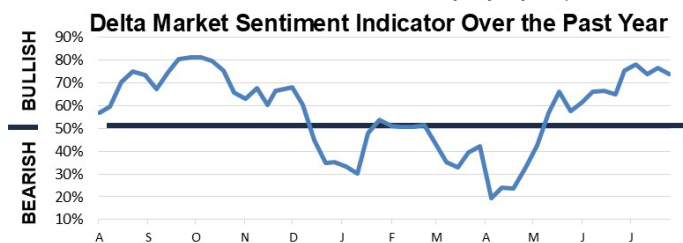
**73.8%**

Our technical indicator decreased  
from 76.5 to 73.8 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	12
Cycle Inception Date:	5/15/2025
Range:	56.9 – 77.9
Mean:	68.1
Bullish Weeks YTD:	17
Bearish Weeks YTD:	14
*S&P 500	8.1%
*DJIA	5.2%
*NASDAQ	11.9%

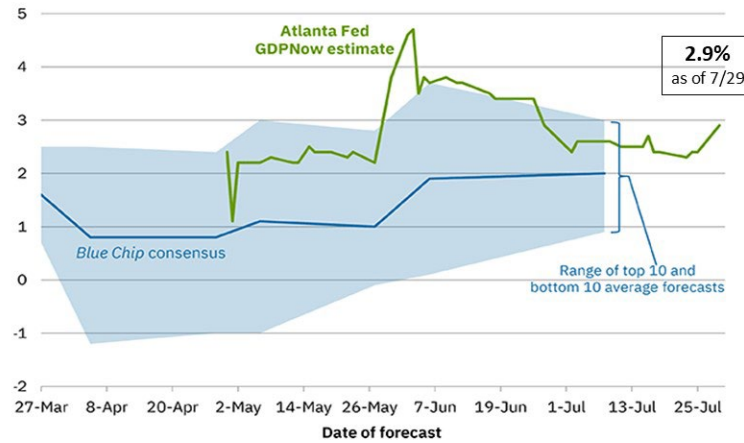
\* Percentage change during current cycle



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

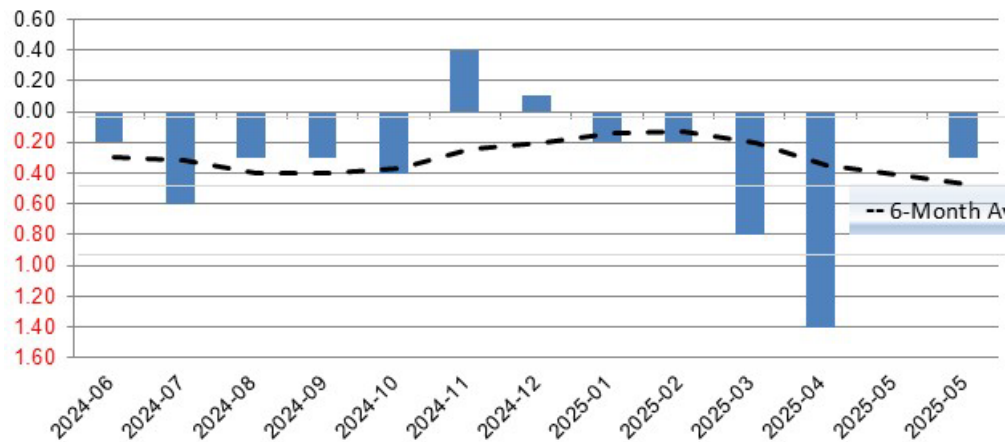
## Evolution of Atlanta Fed GDPNow Forecast

Real GDP Estimate for 2Q2025



## Leading Economic Index % Change Monthly

June 2024 – June 2025



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

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