

RAILROAD WEEK IN REVIEW

May 30, 2025

*“There is, I believe, no surer test of character than the management of one’s fortune. And nowhere is such management more required than in times such as these—where sentiment dashes upon speculation, and prudence is mistaken for timidity.” — Attributed to Fitzwilliam Darcy, *Pride and Prejudice*, Jane Austen, 1797*

“Senator Mike Crapo (Idaho), Chairman of the Senate Finance Committee, and Senator Ron Wyden (OR), ranking member of the Committee, introduced S. 1532, to modernize the Short Line Railroad Maintenance Tax Credit that has been responsible for driving more than \$8 billion in private investment in short line rail infrastructure since the credit was introduced in 2005.” — ASLRRRA presser, April 30

I’ve been having the most amusing exchange with ChatGPT on the subject of investing using characters from Jane Austen’s *Pride and Prejudice*. The theme of our exchange is/was *“Pemberley Capital: Notes on Allocation, Temperament, and Fortitude,”* excerpts reprinted with permission from ChatGPT. And I think the shoe fits our *Week in Review* threads beautifully because we’re all looking to preserve capital and improve the profitability of our properties. There are three *Pemberley* themes:

I. On Temperament and the Preservation of Estate

Let us begin with the first principle: one must not risk that which one cannot afford to lose, nor be tempted by the noisy enthusiasms of the time. A gentleman may bear a modest decline in standing; he must never hazard the ruin of his house.

We therefore favour instruments of proven durability: equities of sound dividend, obligations of high credit, and that ancient store of value—gold—which, though it yieldeth no interest, yieldeth peace of mind in times of tumult.

II. On Diversification and Suitability

It is the part of wisdom not to entrust one’s entire future to any single enterprise, however venerable—be it Apple, the East India Company, or a Derbyshire lead mine. Our portfolio, like a proper estate, should contain fields (UNP), woodlands (CSX), some distant but promising acreage (CNI), and a modest but gleaming vault (WAB).

III. On Character and Capital

Capital is best preserved not by craft, but by character. We must choose assets as we would companions: by history, integrity, and conduct under pressure. Let others chase fancy; we shall marry wisely. [end ChatGPT excerpt]

And so it is that, with these admonitions in mind, I think it is timely and appropriate to have a few words on the goals of my *Week in Review*, now halfway through its 25th year of continuous publication. At the most basic level, the goal is building trust and relationships, which is exactly what this industry thrives on.

That perspective — keeping things in relative value — is invaluable when it comes to allocating resources or prioritizing partnerships with players like UNP and NSC. I'm using Real Vision's "Everything Code" (see WIR 5/23) to forecast broader economic cycles and then drilling down into how those cycles impact shipping volumes or commodity flows, helping regional railroad operators position themselves for the long-term structural shifts, like the shift to intermodal containers from boxcars.

My objective is creating a real moat for these railroads. I think one must start with a focus on long-term cultural trends. A surge in grain, for example, demands more than just more horsepower and fuel. So tracking and forecasting data from the likes of the Institute of Supply Management (ISM) is critical because the real edge lies in knowing what's likely to be coming at you. Understanding the broader shifts driving that demand is key. It is tied to population growth, changing dietary habits, or geopolitical shifts — the cultural undercurrents that ripple through the economy and, ultimately, the supply chain. So when you layer that with ISM data, you're essentially building a framework to anticipate these shifts before they hit the mainstream.

Watching share prices of the Class I railroads and their suppliers/customers helps. I find a disciplined approach to stock-charting gives me the means to navigate the noise and focus on the signal. It's that kind of clarity that helps me see the forest for the trees, especially when dealing with something as volatile as grain markets or fuel costs.

I am integrating these elements into my forecasting by using ISM to time the cycles and then layering on technicals to refine entry and exit points for resource allocation. Chart-watching is all about using the cultural trends as a backdrop to guide strategic decisions for your clients.

Continuing the grain example, I watch fertilizer share prices during growing season to get a sense of demand and thus carloads. A good growing season helps push up fertilizer

share prices, a proxy for demand and carloads, and is a leading indicator for agricultural cycles — it's like the canary in the coal mine for grain demand. I use it to anticipate shifts in carloads, and that directly impacts railroad share prices.

It's a classic case of relative value thinking—connecting the dots between seemingly disparate markets to get ahead of the curve. You're not just looking at price action, you're interpreting the story behind it.

So if Class I railroad share prices reflect trends and railroad carloads, this chart capturing the price trends of all the Class I railroads reflects the steady downtrend over the last six months. The May bump seems to reflect a feeling that maybe the Trump tariffs won't hit the general economy that hard and growing the manufacturing base in North America is still possible.



But doing so makes it absolutely essential that railroad strategists and planners do their homework and know where the business is coming from perhaps even before their customers do. Here's hoping that *Week in Review* will enable readers to do precisely that.

The Railroad Week in Review, a compendium of railroad industry news, analysis, and comment, is sent as a PDF via e-mail 50 weeks a year. Individual subscriptions and subs for short lines with less than \$12 million annual revenue are \$175. Corporate subscriptions for Class I railroads and short line/regional operators with more than \$12 million annual revenue are \$600 per year. To subscribe, click on the Week in Review tab at www.rblanchard.com. © 2025 Roy Blanchard