

# ***Rail-Splitter Capital Management***

***Rail-Splitter Insights***

a weekly commentary on  
investing

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*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.*

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## **Rate Cuts Near Market High**

**August 22, 2025**

In a traditional business cycle, the Federal Reserve lowers interest rates to stimulate the economy out of a slowdown or recession. Typically, by the time the Fed begins to lower interest rates, the stock market is well off its all-time high.

There is a high likelihood that the Federal Reserve will lower the fed funds rate in September. The stock market is currently within 1.5% of its all-time high. If the Fed lowers interest rates, it will be a proactive cut ahead of a possible economic slowdown rather than in reaction to one.

Since 1990, there have been nine instances when the Federal Reserve lowered the Fed Funds rate with the S&P 500 at or within 1% of its all-time high. Over a one-year period, the market has been higher by 8% on average. If the time frame is less than one year, returns have been mixed.

When you invest in equities, your time frame should be at least one year. Hopefully, you have many years of compounded growth still ahead of you. For longer-term investors who may be too anxious to invest in equities, inflation is a very destructive force.

Using CPI inflation numbers, one dollar in 2000 is now worth 53 cents. Just since COVID, the dollar has lost 20% of its value. If you are holding money in cash because you are worried about potential downside market volatility, inflation is eroding your buying power at a surprisingly fast rate.

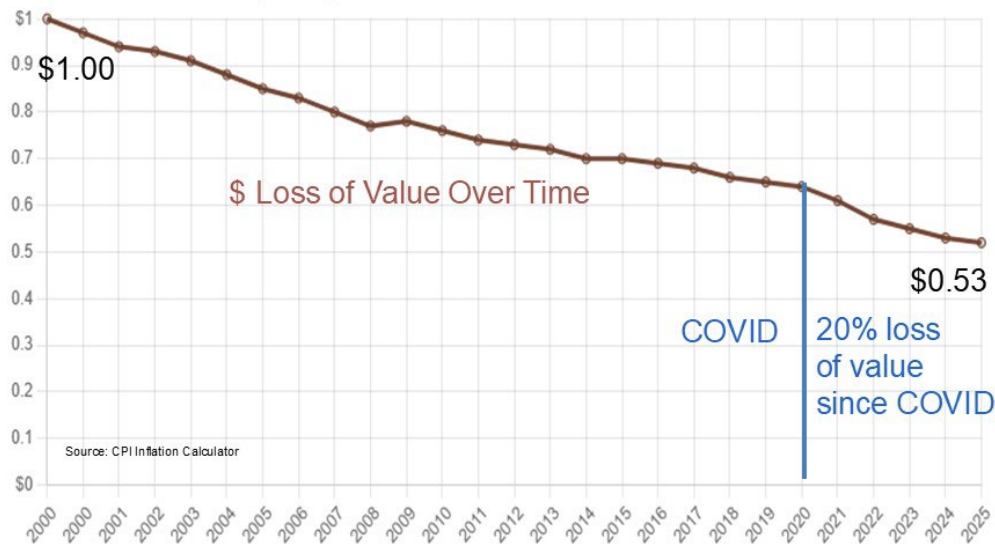
## Rate Cuts Since 1990 with Market Near High

Fed rate cuts since 1990 where the S&P 500 is at or within 1% of its all-time high

Fed rate cut date	S&P 500 % off ATH 1d before FOMC	S&P 500 price return					
		FOMC day	+1 week	+1 month	+3 months	+6 months	+1 year
13-Jul-1990	(1)%	1 %	(2)%	(8)%	(20)%	(14)%	4 %
8-Mar-1991	(0)	(0)	(0)	(0)	1	4	8
31-Oct-1991	(1)	(0)	0	(3)	4	5	7
6-Jul-1995	(1)	1	1	1	5	12	21
31-Jan-1996	0	1	2	1	3	1	21
19-Sep-2019	(1)	0	(1)	(1)	6	(23)	10
31-Oct-2019	0	(0)	2	3	7	(6)	8
19-Sep-2024	(1)	2	1	3	3	1	NA
8-Nov-2024	0	0	(2)	1	1	(2)	NA
S&P 500 near ATH median (N = 9)		0 %	0 %	1 %	3 %	1 %	8 %

Source: Goldman Sachs Global Investment Research

## Buying Power \$1, 2000 - 2025



From January 7, 2000 through August 20, 2025, the S&P 500 has advanced 608% including dividends. What is impressive about this return is that the S&P 500 lost half of its value in the Dot.com Bubble Burst (2000-2002) and the Global Financial Crisis (GFC: 2007-2009). It had another significant drawdown in 2020 during the COVID-19 Pandemic.

## S&P 500: 1/7/2000 to 8/20/2025



Today, the common negative themes presented for the U.S. stock market are:

- Valuation is historically very high – S&P 500 P/E 24x forward earnings estimates
- Too much government debt
- Tariffs may slow consumption and increase inflation
- Benefits of AI are overestimated – too much exuberance

The above concerns are real and valid. But it is unlikely that today's concerns are any larger than what we faced in the Dot.com Bubble, the GFC or the Pandemic. Holding money in cash is certain to be a losing strategy over time. Owning equity historically builds wealth through a variety of challenging conditions.

### 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).



*"We're not year-round people, weekend people, or summer people. We're last-ten-days-in-August people."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

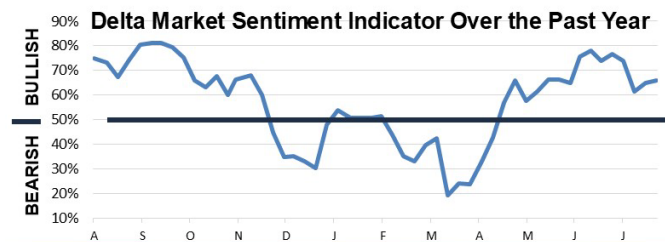
**65.8%**

Our technical indicator increased  
from 64.8 to 65.8 this week

### INDICATOR STATISTICS

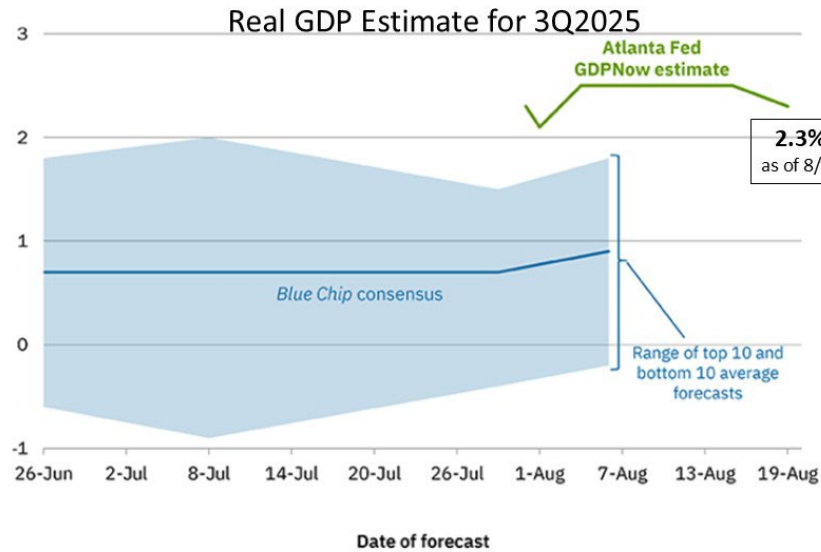
Consecutive Bullish Weeks:	15
Cycle Inception Date:	5/15/2025
Range:	56.9 – 77.9
Mean::	67.3
Bullish Weeks YTD:	20
Bearish Weeks YTD:	14
*S&P 500	7.8%
*DJIA	5.8%
*NASDAQ	10.5%

\* Percentage change during current cycle



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

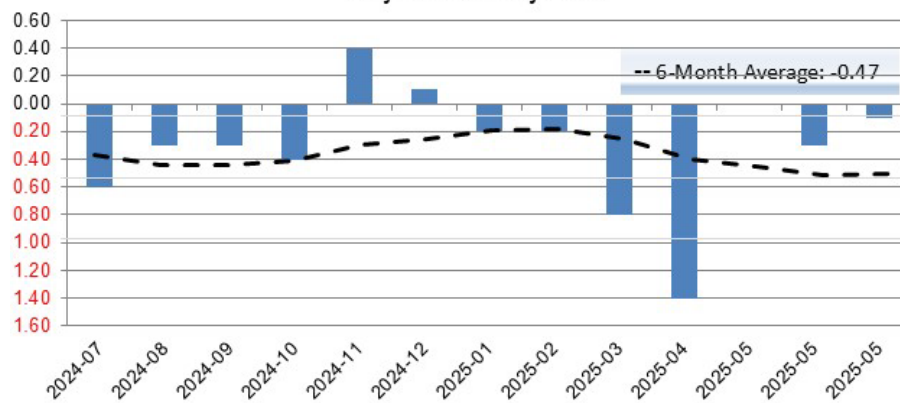
## Atlanta Fed GDPNow Forecast



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

## Negative 6-Month LEI and US Recessions

### Negative LEI 6-Month Average

<u>Start Date</u>	<u>End Date</u>	<u>Months</u>
May-22	tbd	39
Oct-19	Aug-20	11
May-06	Jul-09	39
Jul-00	Feb-02	20
May-89	May-91	25
Feb-81	Oct-82	21
Jan-79	Sep-80	21
Jul-73	May-75	23

### US Recessions

<u>Start Date</u>	<u>End Date</u>
Feb-20	Apr-20
Dec-07	Jun-09
Mar-01	Nov-01
Jul-90	Mar-91
Jul-81	Nov-82
Jan-80	Jul-80
Nov-73	Mar-75

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