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.

Legs of the Market Table

November 21, 2025

Four important legs have supported the 22x forward twelve-month P/E S&P 500. These legs include expectations of lower interest rates, a resilient consumer, ramping fiscal stimulus and the AI secular growth story.

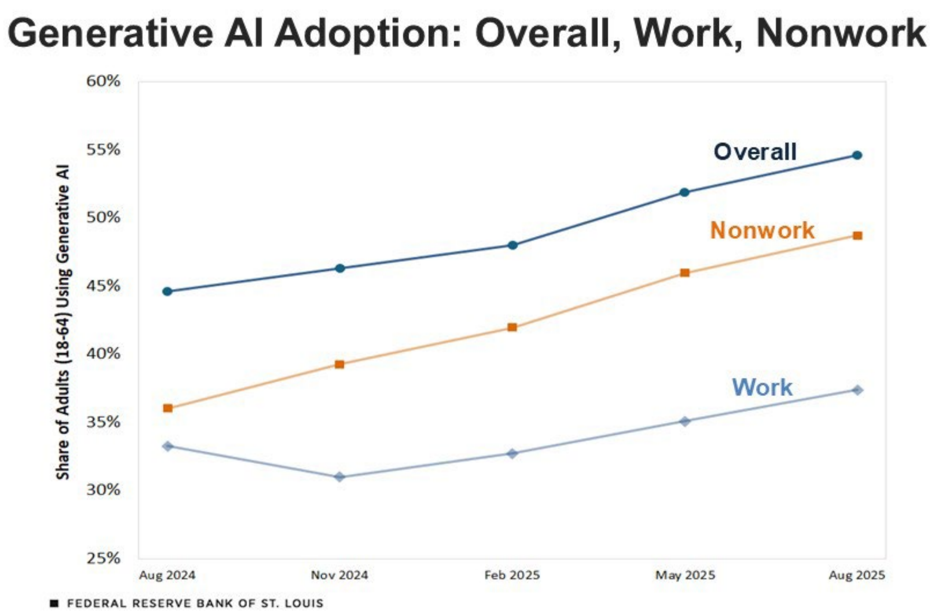
For the past two months, the upward market momentum stalled as the stability of these legs came into question.

- On October 29, Fed Chairman Jerome Powell stated that a rate cut at the December 10 meeting is not guaranteed. The Fed Funds futures market expectation for a December 10 rate cut declined from roughly 100% to a 40% probability today.
- The strength and resiliency of the consumer came into question. The 30-day delinquency rate for auto loans exceeds pre-pandemic levels by about 0.6% currently. Home Depot (HD) reported its largest earnings miss in over five years and lowered guidance. Consumer sentiment is near its lowest level since 2022 according to the University of Michigan Consumer Sentiment Index. The “current personal finances” component dropped by about 17% month-on-month and the “year-ahead expected business conditions” declined by about 11%. Home builders are experiencing weak demand. About 41% of builders cut home prices in November which was a record share.
- The CEO of Alphabet/Google, Sundar Pichai, said in an interview with the BBC this week that while the current AI boom is an “extraordinary moment,” it also shows “elements of irrationality” in how much is being invested. Pichai warned that no company—including Google—is “immune” if an AI bubble were to burst.

- Possibly the only leg of the market table that has not suffered from investor doubt lately is the willingness and ability of the Federal Government to spend money.

The Nvidia (NVDA) report on Wednesday after market close greatly stabilized the AI super-cycle leg. The company exceeded earnings and revenue expectations and raised forward guidance. "Blackwell sales are off the charts, and cloud GPUs are sold out...Compute demand keeps accelerating and compounding across training and inference — each growing exponentially." NVDA does not see an AI bubble.

The St. Louis Fed has a new paper out finding AI adoption rate exceeds that of other transformative technologies with evidence that AI is already driving productivity gains. The current generative AI adoption rate of 54.6% exceeds the 19.7% adoption rate of the personal computer (PC) in 1984, three years after the first mass-market computer (the IBM PC in 1981), and the internet's 30.1% adoption rate in 1998, three years after the internet was opened to commercial traffic. The study highlighted how industries with higher exposure to AI adoption are experiencing the highest levels of productivity gains.



The largest retailer in the U.S., Walmart (WMT), exceeded earnings expectations and raised guidance this week. This out-performance comes after a rare miss in the second quarter. Gross margins expanded despite tariffs. Offsetting Target's (TGT) disappointing quarterly report, WMT said it is seeing improving trends in discretionary categories like fashion and home. In this report, the consumer leg of the table was buttressed.

As of the end of this week, the largest AI company and the largest retailer did much to reassure investors that at least two of the legs of the table remain firmly in place. The Fed Funds rate cut leg is showing the most concern currently.

Taking Care of Business: Year-End Checklist

As the year winds down, now is a great time to review your accounts and button up year-end items. Please review the list below and reply with anything you would like help with.

Profile & Beneficiaries

- **Contact info:** Is your mailing address, email, and phone current on all accounts? If not, log in to Schwab and update your profile. Out-of-date info can trigger trading or "move money" restrictions.
- **Beneficiaries**: Confirm beneficiaries on both retirement (IRAs/qualified) and non-qualified accounts (we highly recommend doing both). If you cannot see/do not know your beneficiaries, please check with us.

Required Minimum Distributions (RMDs)

- If you're **age 73+**, you must withdraw your 2025 RMD by December 31, 2025.
- Schwab experiences heavy year-end volume; to avoid delays, please initiate RMDs as early as possible. We highly recommend submitting any RMD request no later than December 1, 2025 to help ensure timely processing.

Qualified Charitable Distributions (QCDs)

- A QCD lets individuals age 70½+ donate from an IRA directly to a qualified charity.
- QCDs do not increase taxable income and can count toward your RMD.
- If you plan to use a 2025 QCD, please let us know soon so we can prepare the paperwork.

Tax Planning & Realized Gains/Losses

- **Tax-loss harvesting:** We can review taxable accounts for opportunities. Remember, the wash-sale rule (30 days) applies.
- **Estimated taxes:** If you make quarterly payments, your next due date is January 15, 2026.
- **Roth conversions (2025):** Conversions must be completed by December 31, 2025. Given year-end activity at Schwab, we recommend submitting paperwork by December 3, 2025; after that date, Schwab cannot guarantee processing before year-end.

Contributions & Benefits

- **401(k)/403(b):** Make any final salary-deferral changes before your last 2025 paycheck.
- **IRAs/Roth IRAs:** We'll confirm eligibility and funding strategy with you (2025 limits apply).
- **529 plans:** Consider year-end contributions (state tax benefits vary).

- **FSA/HSA:** Use remaining FSA dollars if your plan is "use-it-or-lose-it"; consider topping up HSA contributions.

Housekeeping & Risk

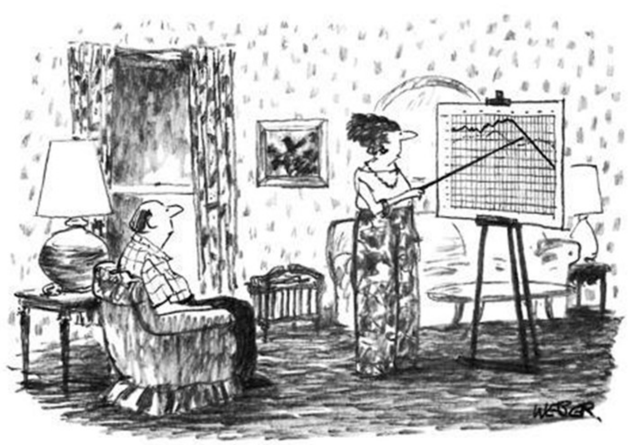
- **Cash management:** Confirm adequate emergency reserves and a competitive yield on idle cash.
- **Estate & documents:** Ensure wills, POAs, and healthcare directives reflect your wishes; verify accounts are correctly titled (e.g., to trusts where applicable).

Please feel free to call or email us to talk about the above.
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.



"This line represents my expectations."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

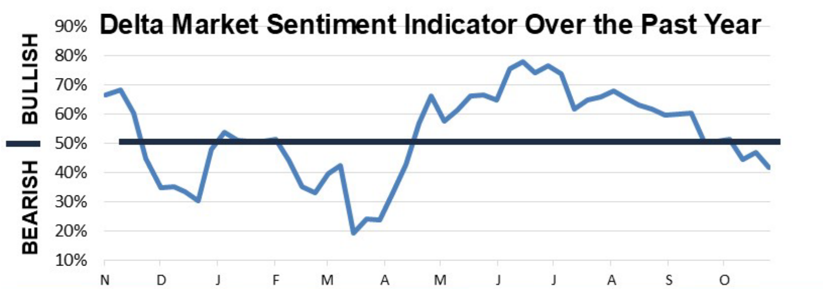
41.7

Our technical indicator decreased from 46.7 to 41.7 this week

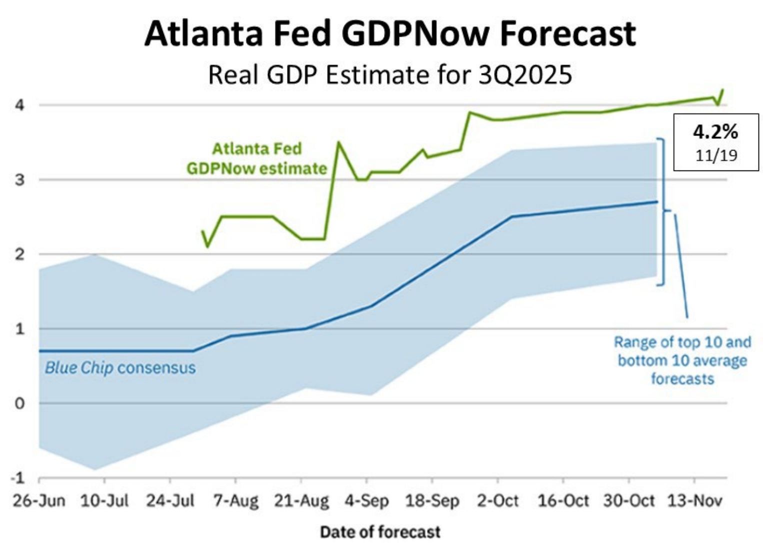
INDICATOR STATISTICS

Consecutive Bearish Weeks:	3
Cycle Inception Date:	11/6/2025
Range:	41.7 -46.7
Mean::	44.3
Bullish Weeks YTD:	30
Bearish Weeks YTD:	17
*S&P 500	-0.1%
*DJIA	-0.5%
*NASDAQ	-1.1%

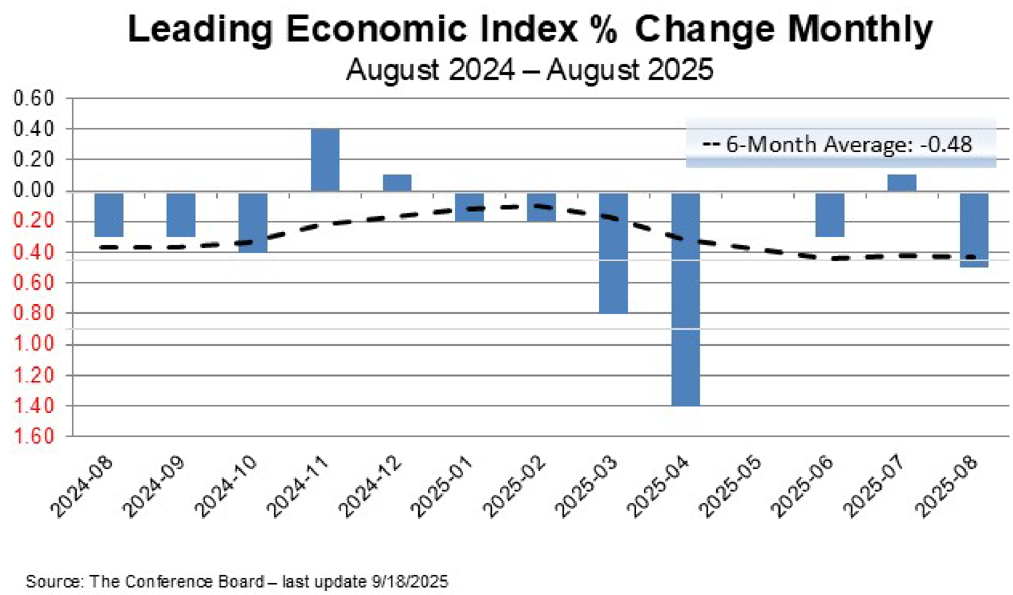
** Percentage change during current cycle*



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



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



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