

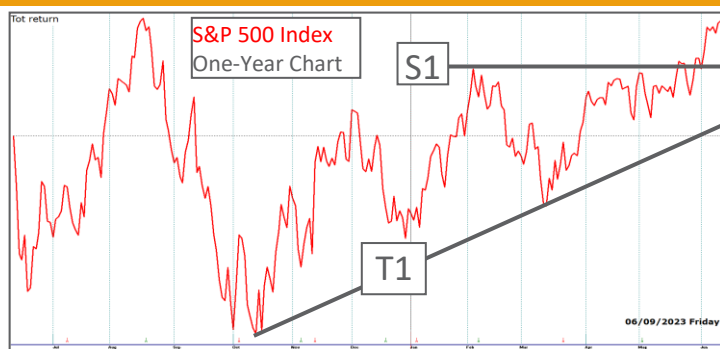


RGB Perspectives

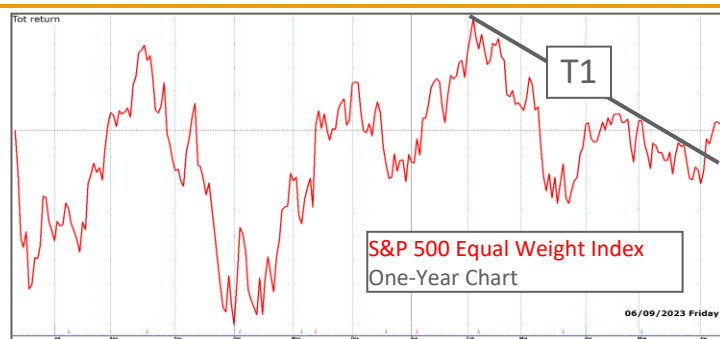
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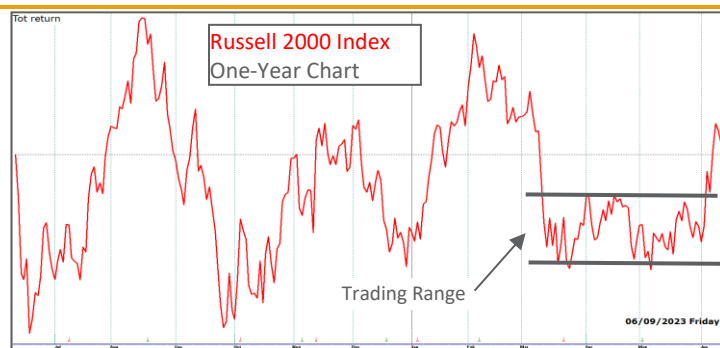
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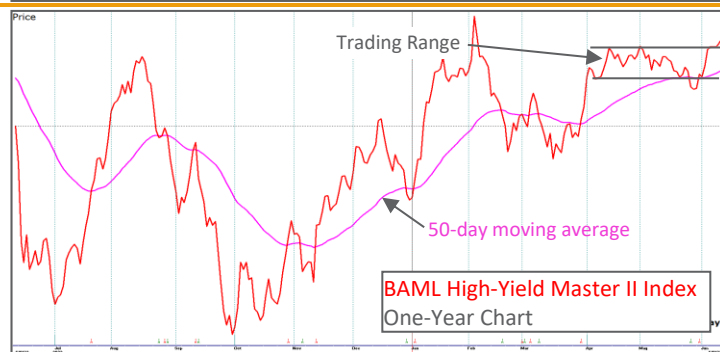
The **S&P 500 Index** is in a strong uptrend (T1) off the lows set last October. The index recently broke above the early February highs (S1) and is approaching the 52-week high set in August last year. However, this capitalization-weighted index, which is heavily influenced by the largest companies in the index, is masking the performance of the rest of the stock market.



The **S&P 500 Equal Weight Index**, which gives equal weight to all companies in the index, has been in a downtrend (T1) since early February. Following the recent passage of legislation to increase the debt ceiling, the downtrend was broken and the index surged higher.



The improvement in market breadth can also be seen with the **Russell 2000 Index** of small-cap stocks. The index had been in a trading range for the last four months but broke decisively above the top of the range last week.



Even junk bonds have moved higher. The **BAML High-Yield Master II Index** (junk bond index) broke out above the top of the recent trading range and is an indication that investors are willing to take on risk. While this is not a decisive breakout at this time, it is a promising development that the balance between buyers and sellers is starting to shift.

It is widely expected that the Fed will pause from raising interest rates at the FOMC meeting this week but that will be influenced by incoming inflation data as both the May Consumer Price Index (CPI) and Producer Price Index (PPI) data will be released before the conclusion of that meeting. While concerns remain for an economic slowdown in the next 8 to 12 months, it is evident that the stock market environment has improved. As a result, I have increased exposure to low volatility mutual funds in both the RGB Capital Group Core and Balanced strategies over the last week and will continue to adjust our holdings based on overall market conditions. The Flex+ strategy remains fully invested.

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