

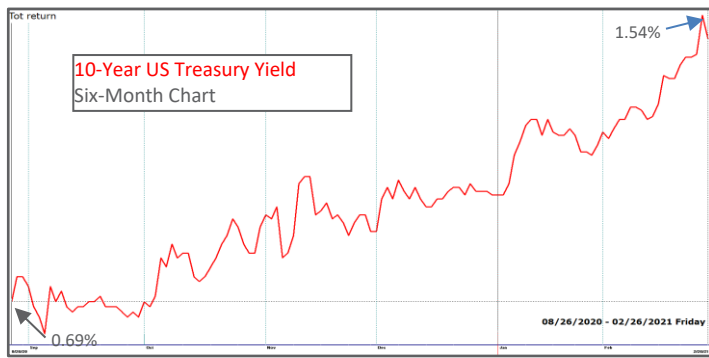


# RGB Perspectives

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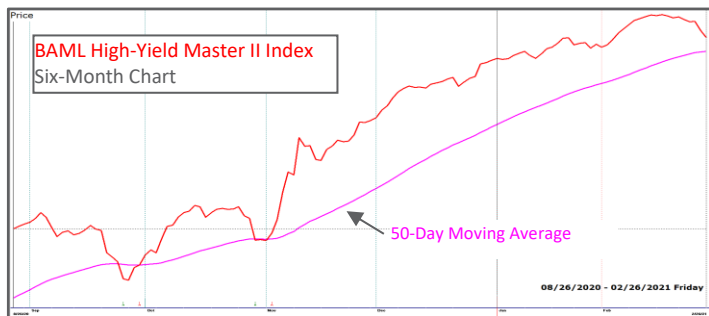
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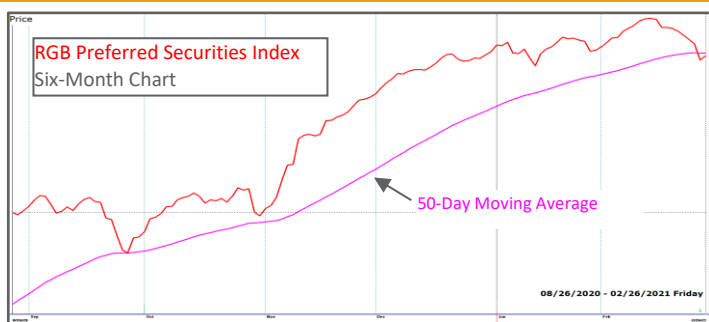
Interest rates continued to surge higher last week with the **10-Year US Treasury Yield** reaching 1.54% on Thursday before settling at 1.44% on Friday. While rates have steadily risen over the last six months, the spike in rates over the last four weeks may be an indication of higher inflation in the future.



The recent spike in interest rates pushed most of the major stock market indices lower over the last half of February. Since February 12<sup>th</sup>, the **S&P 500 Index** fell -3.1% and the tech heavy **Nasdaq 100 Index** fell -6.5%.



The rise in interest rates has started to impact some of the economic sensitive bond groups that have provided excellent risk-adjusted returns over the last year. The **BAML High-Yield Master II Index** (junk bond index) has declined -0.7% over the last two weeks but remains above its 50-day moving average.



Preferred securities, which are not bonds, but have similar risk and return characteristics to many economically sensitive bond groups, have also declined over the second half of February. The **RGB Preferred Securities Index** declined -1.1% since its recent peak and is resting along its 50-day moving average.

The recent rise in rates and decline in stocks has caught my attention. Interest rates remain at historically low levels and the Federal Reserve has made it clear that they do not anticipate raising short-term interest rates any time soon. These factors, along with increased vaccine distribution, additional government stimulus and a reduction in the economic restrictions put in place by states to control the spread of the virus are all positive for the stock market. As such, I believe this is a temporary headwind for the stock and bond markets. Despite what I believe, I will continue to monitor the markets and the holdings in each of the RGB investment strategies and adjust, as necessary. While I do not have the final numbers for February, the RGB investment strategies will all end the month in positive territory.

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