



RGB Perspectives

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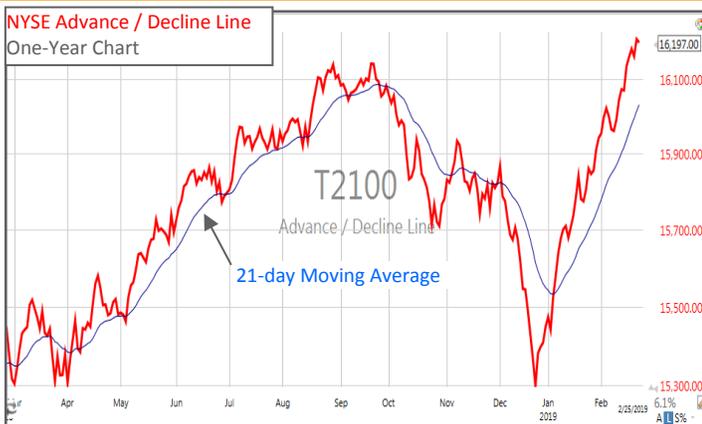
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The impressive rally continues. Junk bonds, as well as other economic sensitive bonds, are in well-established uptrends. The **Merrill Lynch High-Yield Master II Index** (junk bonds) is in a strong uptrend, trending above its' rising 50-day moving average and has already surpassed its' 2018 highs.



The **S&P 500 Composite Index** continues to trend up but remains below its 2018 highs. While the rally has been impressive, this type of uptrend cannot last forever. The S&P 500 Composite Index has just broken up through the bottom of an area of resistance defined by the October – December peaks. This would be a logical level for the uptrend to take a pause. It doesn't necessarily have to go down, but a period of sideways movement would not be surprising to consolidate the recent gains.



It is useful to measure market performance using metrics other than price. The **NYSE Advance/Decline Line**, a running total of daily advancing stocks less declining stocks, confirms the recent uptrend. In fact, while the major indices remain below their 2018 highs, the NYSE A/D Line is at an all-time new high providing evidence that the recent rally is broad based.

The type of strong uptrend we are experiencing will not last forever. Some sort of pullback/correction is inevitable. The longer the current rally continues without a pause or correction, the odds of a steep decline increases. Many of the early warning indicators that I track, including overbought/oversold indicators as well as investor sentiment indicators, are flashing warning signs that the market is ripe for some sort of pull back (or at least a period of consolidation). So far, the dips have been mild but it will not always be that way.

Managing risk is key to our long-term success as investors. I continue to focus on risk management within all the RGB Capital Group strategies in an attempt to provide better risk-adjusted returns for myself and my clients.

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