



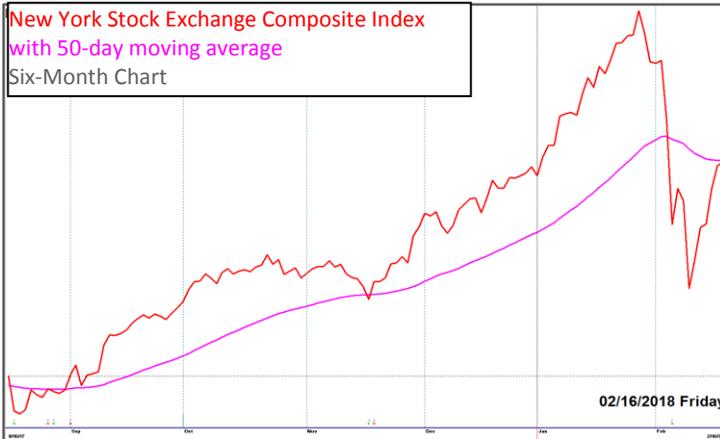
RGB Perspectives

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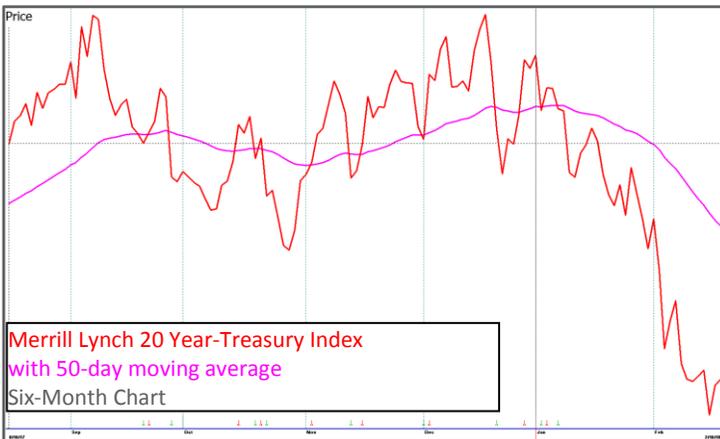
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New York Stock Exchange Composite Index
with 50-day moving average
Six-Month Chart



After a very rapid decline in early February, most of the major indices have bounced higher over the last week. The **New York Stock Exchange (NYSE) Composite Index** fell 10% from its January peak over the course of nine trading days and then bounced, recovering slightly less than half of that decline. This broad index remains just below its 50-day moving average and is now down 5.6% from its peak.



Merrill Lynch 20 Year-Treasury Index
with 50-day moving average
Six-Month Chart

Treasury bonds also fell in early February. However, unlike stocks, they continue to decline. The **Merrill Lynch 20-Year Treasury Index** is down 7.1% from its December peak and there is no indication that the decline in Treasury bond prices (and rise in interest rates) is over.

Merrill Lynch High-Yield Master II Index
Six-Month Chart



Junk bonds share characteristics with both bonds and stocks as they are influenced by interest rates and overall economic conditions. Therefore, it is no surprise that the **Merrill Lynch High-Yield Master II Index** dropped along with stocks and bonds during this time period. The index fell a little over 2% before recovering about 0.8% of that decline over the last two trading days.

The strong recovery in stocks indicates that we may be experiencing a V-shaped bottom. However, until we see a pattern of stronger up legs followed by weaker down legs (the definition of an uptrend), a little caution is warranted. In addition, a break back above the 50-day moving average in the junk bond index would be an encouraging sign that investors are willing to take on risk.

I have increased exposure in all the RGB Capital Group models over the last week and will continue to increase exposure if the market continues to show signs of improvement. All the models remain down for the month.

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