



RGB Perspectives

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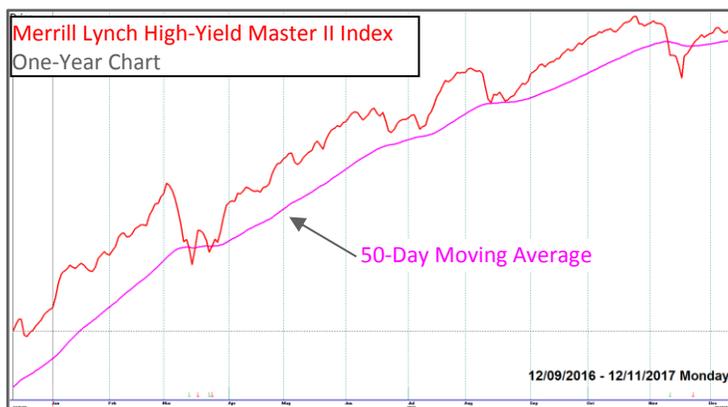
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The **S&P 500 Composite Index** (large-cap stocks) remains in a low volatility uptrend. The uptrend has accelerated over the last three months as the S&P 500 has pulled away from its uptrend line (T1). It would not be surprising to see some pull back, or sideways consolidation, to get back in line with the dominant uptrend (T1) that started over a year ago.



The **Russell 2000 Index** (small-cap stocks) started trending up in August after trending sideways for most of the year. The current uptrend is significantly steeper than that of the S&P 500 Composite Index and comes with considerably more volatility.



The **Merrill Lynch High-Yield Master II Index** (junk bonds), which generally follows the direction of the overall equity markets, is trading at about the same level it did in early October. As I have mentioned in prior RGB Perspectives, I don't expect junk bonds will have strong gains in the current market environment. However, junk bonds are still an important asset class to monitor as a sudden decline in this low volatility group would be an indication that market risk is increasing.

The equity markets continue to climb higher and the RGB Capital Group models continue to be positioned to benefit from these trends. Although we are positioned to take advantage of this uptrending market, I continue to monitor the markets for changes in these trends. Uptrends can change to downtrends rather quickly and it will be important to maintain the majority of our capital when that change ultimately happens. The RGB Capital Group models are flat to up slightly for the month of December.

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