

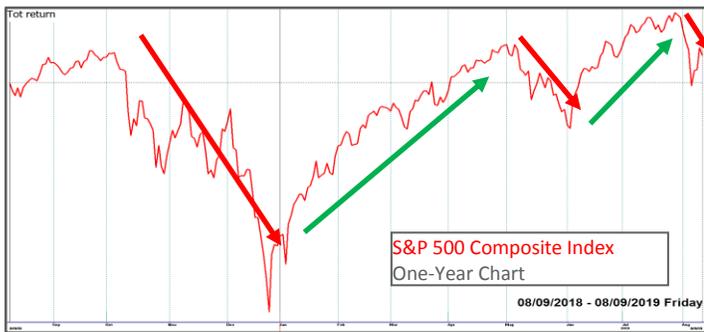


# RGB Perspectives

August 12, 2019

Written by Rob Bernstein ([rob@rgbcapitalgroup.com](mailto:rob@rgbcapitalgroup.com))

RGB Capital Group LLC • 858-367-5200 • [www.rgbcapitalgroup.com](http://www.rgbcapitalgroup.com)



The stock market has been volatile over the last year with large declines followed by quick recoveries. After the numerous declines (→) and recoveries (→) over the last year the **S&P 500 Composite Index** is up 2.3% during this time period.



Small-cap stocks have fared even worse. The **Russell 2000 Index** is in a six-month trading range and sits 10.5% below the level it was at 12 months ago. When small-cap stocks underperform large-cap stocks, it is generally not an indication of a robust stock market. A significant drop below the bottom of this trading range would increase the odds of a continuation of the recent downtrend.



US Treasury yields continue to decline. The **10-Year U.S. Treasury Yield** has fallen from 2.93% one year ago to 1.74% on Friday. This is over a 40% decline and generally doesn't point to a robust economy!!



While the stock market continues to show signs of weakness, junk bonds have held up relatively well. The **BofAML High-Yield Master II Index**, which is sensitive to overall economic conditions as well as interest rates, sold off in late 2018 along with equities, but since that time has had a relatively smooth uptrend throughout 2019. Junk bonds declined slightly during the May and August selloffs, dropping just below its 50-day moving average in both instances before quickly recovering.

The stock market stabilized a bit this week but it is too early to tell if the recent volatility has run its course. Junk bonds continue to point to a positive market environment as the trend remains up. One of the big factors controlling the market is the Federal Reserve who lowered short-term rates at their last meeting and the market is expecting another reduction in rates at their September meeting. Historically, when the Fed is easing (i.e. reducing rates) the market has responded positively.

RGB Perspectives is provided for general information purposes only. It does not constitute an offer to sell or a solicitation to buy a security, and is not an offer to provide any specific investment advice. Securities held in the RGB models are subject to change without notice. Past performance is not a guarantee of future performance. It is not possible to invest directly in an index. Individual account results will vary from RGB models due to timing of investment, amount of investment and actual securities used. Advisory fees are deducted within the first month of the quarter for the prior quarter. Most data and charts are provided by [www.fasttrack.net](http://www.fasttrack.net) or TC2000 ([www.worden.com](http://www.worden.com)). RGB Capital Group contact info: (858) 367-5200. Email: [info@rgbcapitalgroup.com](mailto:info@rgbcapitalgroup.com)