

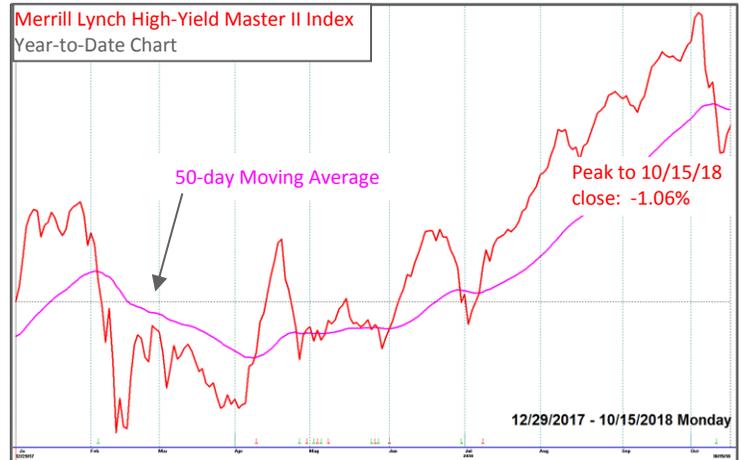
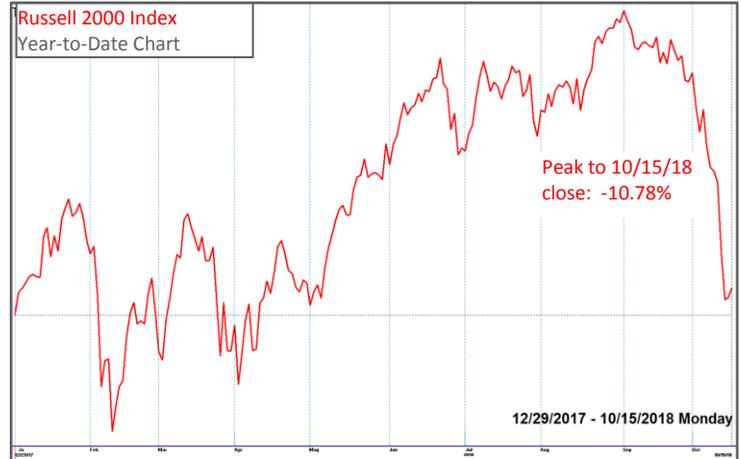
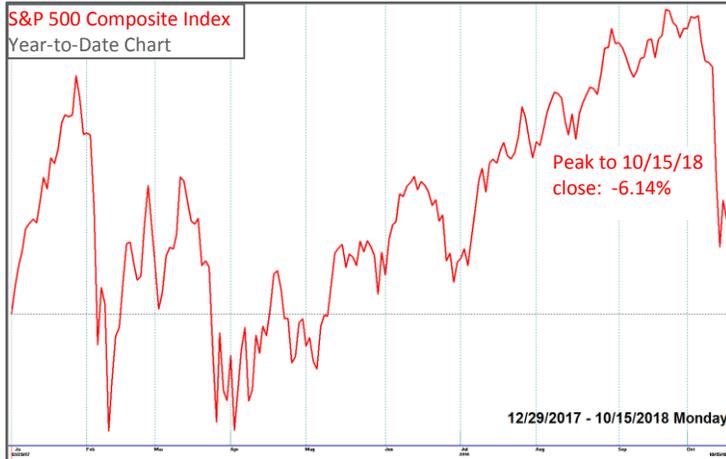


RGB Perspectives

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Written by Rob Bernstein (rob@rgbcapitalgroup.com)

RGB Capital Group LLC • 858-367-5200 • www.rgbcapitalgroup.com



The market declined quickly last week with most the major indices declining 5% to 10% from their recent highs through today's close. Not surprisingly, large-cap stocks (S&P 500 Composite Index) have fared better than both small-cap (Russell 2000 Index) and growth stocks (Nasdaq 100), which is typical during significant market declines. The size of the decline so far is not all that surprising, but the speed at which it happened took many, including myself, by surprise. Much of the recent decline has been attributed to computer-driven trading strategies that re-balance based on risk levels and a lack of liquidity to meet the demand once those computerized strategies kicked into gear.

Junk bonds also declined as risk increased over the last two weeks. The Merrill Lynch High-Yield Master II (MLHY) Index is down a little over 1% since peaking earlier this month. The MLHY Index declined below its 50-day moving average but has bounced and now sits slightly below this level. Although it is too early to say that junk bonds have bottomed, the fact they have bounced given the perceived risk in the market is encouraging. A continuation of this trend and a close back above the 50-day moving average would be an indication that the market may have put in a temporary bottom.

The RGB Conservative models are about flat for the month (down about 1/10 of 1%) and remains invested in low volatility income funds. The RGB Flexible strategies that have some exposure to equities, are down less than the overall market (approximately -2.5% month-to-date).

The new, RGB Flex+ strategy which launched this month, is down in line with the market indices. This was a tough month to start this strategy. However, as a strategy that is focused on long-term growth, this type of volatility is to be expected.

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