



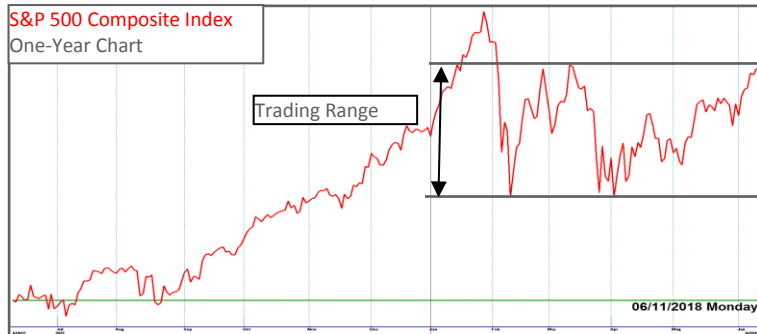
# RGB Perspectives

June 11, 2018

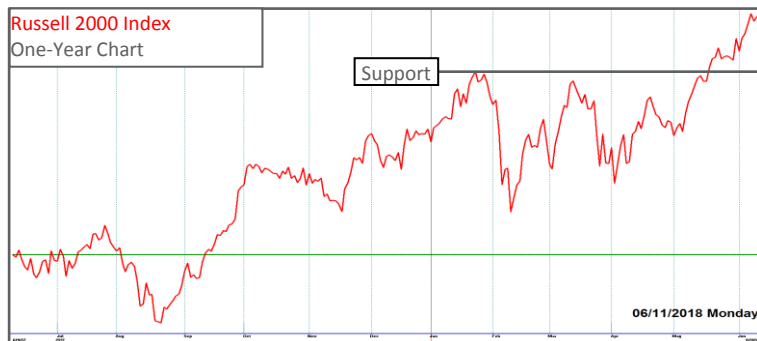
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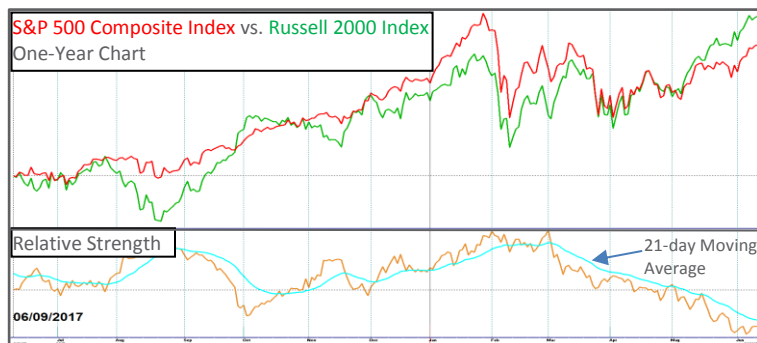
All clients and friends of RGB Capital Group are invited to attend our annual meeting scheduled for Saturday, September 29 in Los Angeles and Saturday, October 6 in San Diego. For details and online registration please use the following links: [Los Angeles Meeting Details and Registration](#) or [San Diego Meeting Details and Registration](#). If you would like to attend one of these meetings, you must register. For questions, please contact Lois at [lois@rgbcapitalgroup.com](mailto:lois@rgbcapitalgroup.com) or 858-367-5200.



The **S&P 500 Composite Index** is a large-cap stock index that tracks 500 large stocks that trade on the NYSE and the NASDAQ exchanges. The index is at the upper end of a trading range that has persisted for most of 2018. We will likely find out shortly whether the index will remain in this trading range or if the recent short-term uptrend has enough momentum to propel it out of the trading range and test the January highs.



The **Russell 2000 Index** of small-cap stocks, on the other hand, broke above its January highs last month (marked as support) and continues to trend up.



Comparing the **S&P 500 Index** to that of the **Russell 2000 Index** reveals that the forces driving the market changed in March of this year. At that time large-cap stocks started to underperform small-cap stocks as evidenced by the downward trending relative strength line (bottom section of chart). Investors are currently favoring small-cap stocks which is generally a good sign for the market.

The outperformance of small-cap stocks is likely due to a number of factors including a stronger US dollar (a stronger US dollar makes US products more expensive to foreign buyers) and the impact of proposed tariffs. Both these will likely impact the ability of large, multi-national companies to be competitive more so than small-cap companies that tend to generate a majority of their revenues domestically. Regardless of the reason, by reviewing charts like the ones above, we can conclude that small-cap stocks are outperforming in the current environment regardless of the reason.

All of the RGB Capital Group models have some exposure to small-cap stocks with the Flexible models having a greater exposure than the Conservative models. All of the RGB Capital Group models are up a little for the month of June.

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