

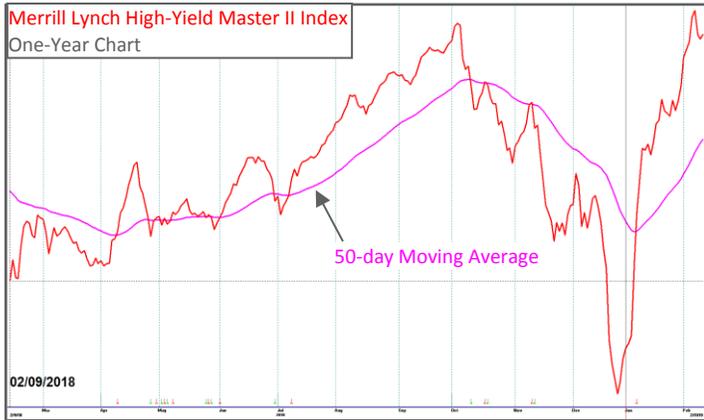


# RGB Perspectives

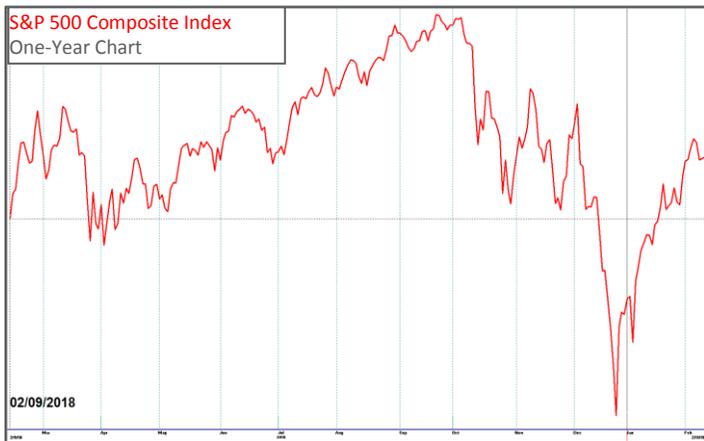
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High-yield (junk) bonds tend to trend up when economic conditions are favorable. The **Merrill Lynch High-Yield Master II Index**, that tracks the domestic junk bond market, is in a strong uptrend trending above its 50-day moving average, indicating investors are willing to take on risk.



Therefore, it is no surprise that the equity markets are also trending higher. The **S&P 500 Composite Index** is in a strong uptrend. This is a broad based uptrend with all the major indices (Russell 2000, Nasdaq, Dow, NYSE, etc.) trending higher. The minor pullback over the last few days has not changed the overall trend.



However, the minor pull back has worked off the overbought condition that was created during the initial stages of this uptrend. The **McClellan Oscillator**, a short-term overbought/oversold indicator, had been in overbought territory (> +100) for most of January but has recently moved back into the normal range (between +100 and -100). This doesn't mean the market will continue higher, but rather reduces the odds of a sharp profit taking decline.

Ongoing budget negotiations to avoid another government shutdown and US-China trade talks will likely dominate the headlines over the next few weeks. Positive outcomes to both these would likely drive stocks higher with the potential to test the 2018 highs, while an adverse outcome would likely bring in some selling.

We have made no adjustments to the RGB Capital Group strategies over the last week and remain invested in a mix of economic sensitive bond funds and/or equities.

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