



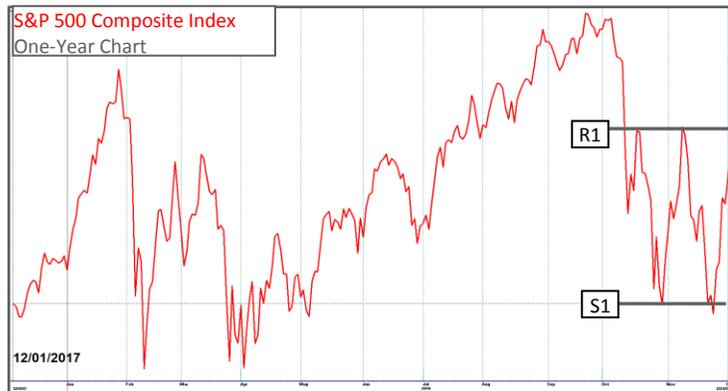
RGB Perspectives

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Written by Rob Bernstein (rob@rgbcapitalgroup.com)

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

What a difference a week makes!! Last week investors were concerned about an overly aggressive Fed and the potential for an escalation of a trade war with China. Both those concerns have been taken off the table...at least for now. Fed Chairman Powell made a U-turn and went from hawkish to dovish when he indicated that short-term rates were close to neutral, meaning that there will be fewer interest rate hikes in the future than anticipated just a week ago. With respect to trade negotiations with China, President Trump's threat to raise tariffs on \$200B of Chinese goods from 10% to 25% was pushed back 90 days to give both sides time to reach an agreement. And the markets loved it.



The **S&P 500 Composite Index** bounced off of support (S1) just prior to the two announcements mentioned above and continued climbing higher. In fact, the large-cap index climbed 6% in just 6 trading days. The next hurdle for the S&P 500 Composite Index is in the area of the November highs (R1) where it may encounter some resistance. What happens as it approaches R1 may dictate whether we march back to the September highs or remain range bound between R1 and S1.



The **Russell 2000 Index** bounced near significant support (S1) as well and the small-cap index climbed 5.4% over the last six trading days. It remains about 2% to 3% below a resistance zone that would need to be penetrated if the rally is to continue.



Junk bonds have also started to trend up. The **Merrill Lynch High-Yield Master II Index** is still below its 50-day moving average but is showing signs that the short-term correction may be over. A break back above the 50-day moving average would be a positive sign for the continuation of the trend in the equity markets.

I don't have our final numbers yet but my preliminary reports indicate the RGB models were mixed last month. The Conservative strategy was down a little, while the Flexible strategy was flat and the Flex+ strategy was up a little bit.

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