

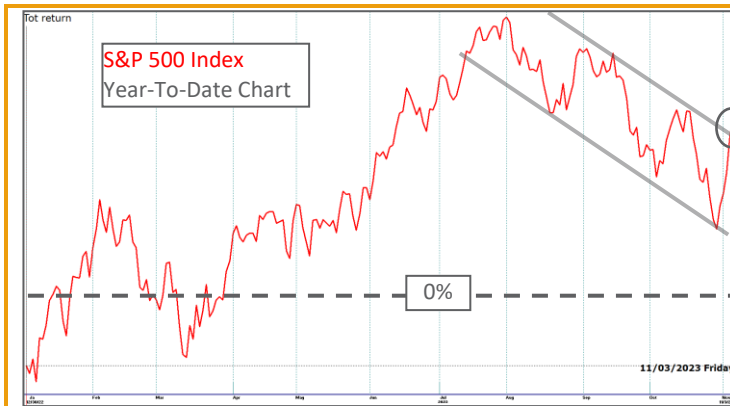


# RGB Perspectives

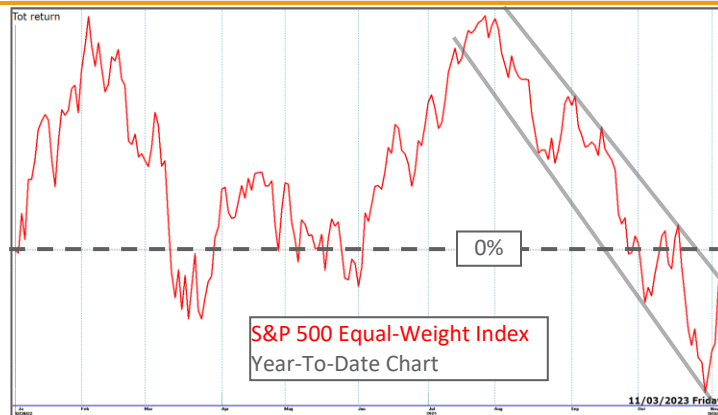
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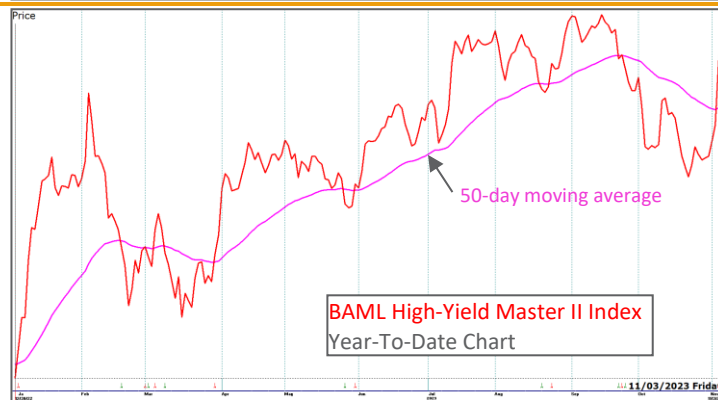
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Following Fed Chairman Jerome Powell's comments this past Wednesday, expectations for further interest rate hikes collapsed and both stocks and bonds surged higher. The **S&P 500 Index** climbed 5.9% last week and broke above the downtrend channel (circled area) that has defined the market over the last three months.



I believe that the **S&P 500 Equal-Weight Index** is a better representation of the broader market as each stock has an equal weight in the calculation of the price of the index. The index has underperformed this year but welcomed comments from the Fed that higher Treasury rates have slowed economic activity. The index climbed 5.9% last week and is now breaking above the downtrend channel, which is an initial indication that the recent weakness in stocks may be behind us.



Junk bonds soared higher as well. The **BAML High-Yield Master II Index** shot back to recent highs set back in September. A definitive break above these levels would be an encouraging sign that the recent risk in the market is abating.

The Fed continues to navigate a fine line between keeping inflation under control and not pushing the economy into a recession. Recent economic reports indicate that this soft landing scenario might still be a possibility. The Gross Domestic Product (GDP) report for the third quarter indicated a 4.9% increase in economic output; a bit higher than expected but shows the economy isn't heading into recession any time soon. In addition, the jobs report released on Friday indicated that employers slowed down the rate of new hires and the unemployment rate ticked up slightly; both signs that the labor market is starting to cool. These reports, along with the Fed press conference, drove interest rates lower and stock/bond prices higher. While the recent news is encouraging, it will take more time to determine whether this is a sustainable trend.

I adjusted both the Core and Balanced strategies by adding exposure to low volatility mutual funds that should benefit from falling interest rates and an economy that remains solid. I will continue to monitor all the strategies and increase market exposure if risk continues to abate.

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