

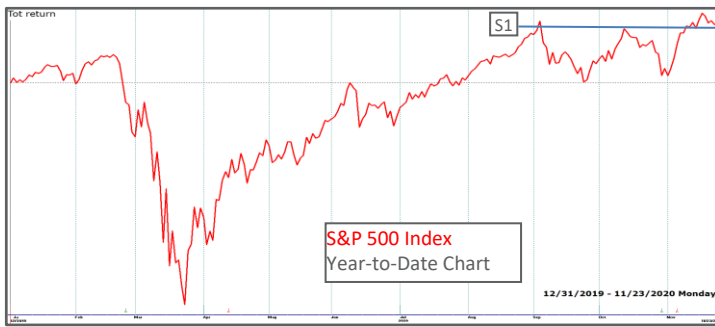


# RGB Perspectives

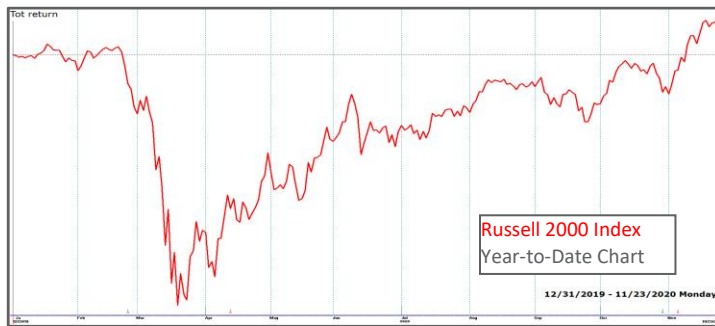
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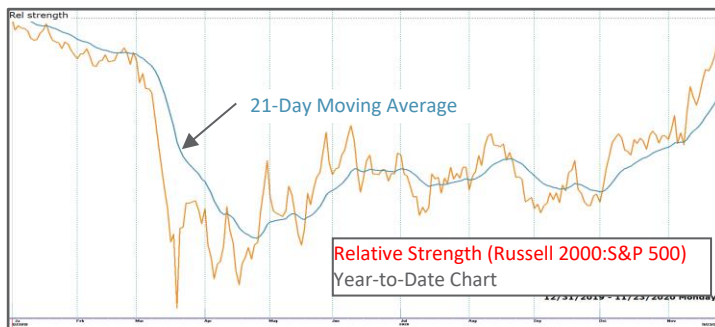
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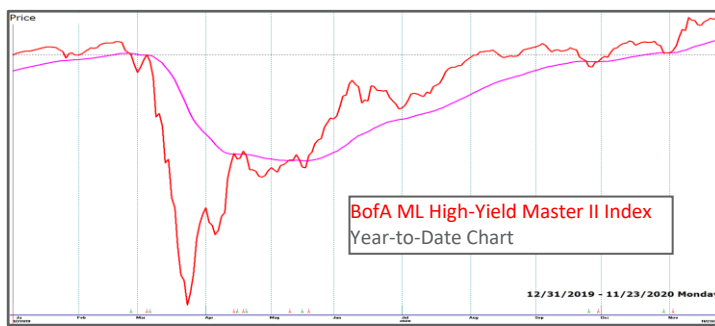
The **S&P 500 Index** is consolidating above recent support (S1). As long as the index can maintain above S1, the odds favor a continuation of the recent short-term uptrend that started this month. The index is up 9.4% for the month and 10.7% year-to-date.



While the large-cap stocks have been consolidating their recent gains, small-cap stocks continue to trend higher. The **Russell 2000 Index** is up an impressive 18.2% this month alone and has now turned positive year-to-date (up 9.0%). This is certainly encouraging as small-cap stocks have underperformed large-cap stocks for most of the last two years.



To help visualize the relationship between small- and large-cap stocks, we can use a relative strength chart. This chart is calculated by taking the price of the Russell 2000 and dividing it by the price of the S&P 500. When the Russell 2000 outperforms, the line will trend up, as it is doing now. I think this rotation out of large-cap stocks and into small-cap stocks is a bullish sign for the stock market.



Junk bonds are confirming the bullish market environment and that risk in the market is below normal. The **BofA ML High-Yield Master II Index** continues to trend comfortably above its 50-day moving average.

Positive news surrounding potential coronavirus vaccines are offsetting the spike in new cases that are being seen around the globe. While these news headlines will move markets on a day-to-day basis, the market tends to look out 12 to 18 months. I believe the current bullish nature of the market is in anticipation of a world that returns to some sort of normalcy in the second half of 2021.

Lois and I wish all of you a happy Thanksgiving. While we will only be visiting our extended family via Zoom this year, we are thankful that we are all healthy and safe. We are also thankful for all our wonderful clients and relationships that we have developed over the years and look forward to the future when we might be able to meet in person again.

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