

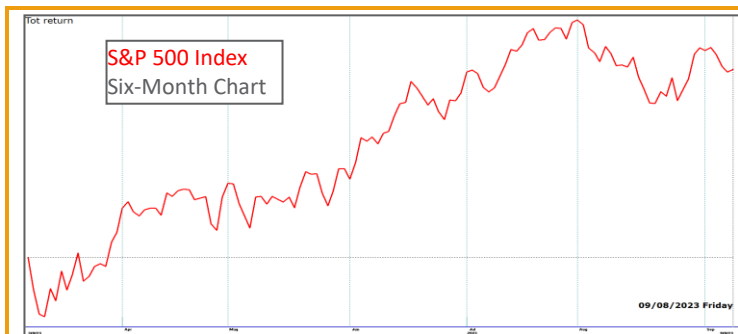


RGB Perspectives

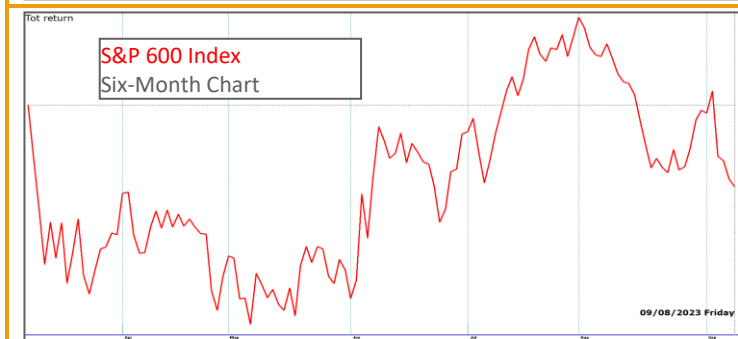
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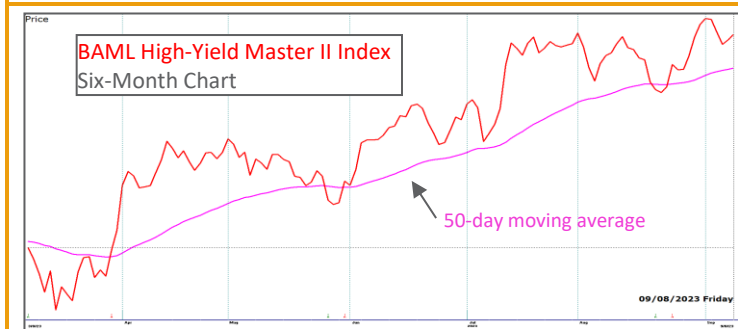
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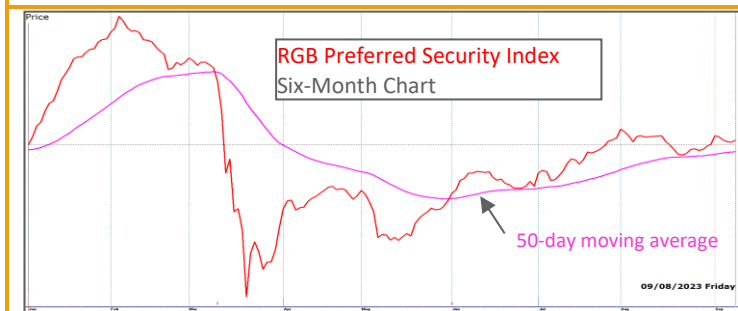
Large-cap stocks appear to be taking a breather after an impressive run up through the first part of the year. The **S&P 500 Index** is about the same level it was a month ago and only 2.9% below its early August peak.



Small-cap stocks, however, are in an intermediate-term downtrend. The **S&P 600 Index** is 7.6% below the early August high and down 3.7% over the last six months.



When the stock market indices are providing conflicting signals, it is helpful to look at other indicators. One of my favorite indicators of overall market sentiment is the junk bond index. The **BAML High-Yield Master II Index** has held up relatively well given the uncertainty in the markets over the last month or so. The index is in an uptrend and trending above its 50-day moving average.



Other low volatility groups that tend to trend up when the economy is doing well have also held up reasonably well. The **RGB Preferred Securities Index** has flattened out since the beginning of August but remains above its 50-day moving average.

It appears that the market is digesting its recent gains and waiting for additional data on inflation, corporate earnings and interest rate policy. These are likely to be the primary drivers of the stock market through the end of the year. While the Fed is trying to engineer a soft landing (i.e. slow the economy just enough to bring down inflation without creating a recession), it is too early to determine whether they will be successful.

I reduced exposure to all the RGB Capital Group strategies over the last several weeks. If the market breaks down from here, I will reduce our exposure even more as our triggers are hit, however, the recent performance of junk bonds and other low volatility groups gives me some confidence that the recent weakness may only be temporary.

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