



RGB Perspectives

December 10, 2018

Written by Rob Bernstein (rob@rgbcapitalgroup.com)

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



The **S&P 500 Composite Index** is at the bottom of a volatile trading range marked by the November high (R1) and the November low (S1). The distance from the top of the range to the bottom is about 6.5%.

At some point, the index will either break above R1 or below S1 indicating a shift in the market. Until that time, movement within the range should be considered noise.



The **Russell 2000 Index** has a less favorable chart pattern. It broke below the February low last week which was serving as an important level of support. This area on the chart will now act as resistance (R1). In addition, the Russell 2000 Index is demonstrating a series of declining peaks (A → B → C) which is the definition of a downtrend.



Junk bonds are also reflecting a weak market environment. The **Merrill Lynch High-Yield Master II Index** is trending down below its 50-day moving average. One positive is that junk bonds remain above the November lows.

Bottom line is that the stock market is weak. Although the technical chart patterns above don't define what the market will do, it does give us an understanding of investor behavior. For example, as long as the S&P 500 Composite Index remains above S1, traders are likely to support the market by 'buying the dips'. A drop below S1, could bring in additional sellers.

I continue to believe that the increased volatility we have seen over the last two months is a correction in a long-term bull market and not the start of a protracted bear market. The indicators that I watch continue to suggest that the economy is strong and corporate earnings are positive. The market appears to be reacting to every headline regarding trade talks with China and whether the Fed will continue to shift to a more accommodative stance. Positive news on either of these fronts will likely push the market higher.

RGB Perspectives is provided for general information purposes only. It does not constitute an offer to sell or a solicitation to buy a security, and is not an offer to provide any specific investment advice. Securities held in the RGB models are subject to change without notice. Past performance is not a guarantee of future performance. It is not possible to invest directly in an index. Individual account results will vary from RGB models due to timing of investment, amount of investment and actual securities used. Advisory fees are deducted within the first month of the quarter for the prior quarter. Most data and charts are provided by www.fasttrack.net or TC2000 (www.worden.com). RGB Capital Group contact info: (858) 367-5200. Email: info@rgbcapitalgroup.com