

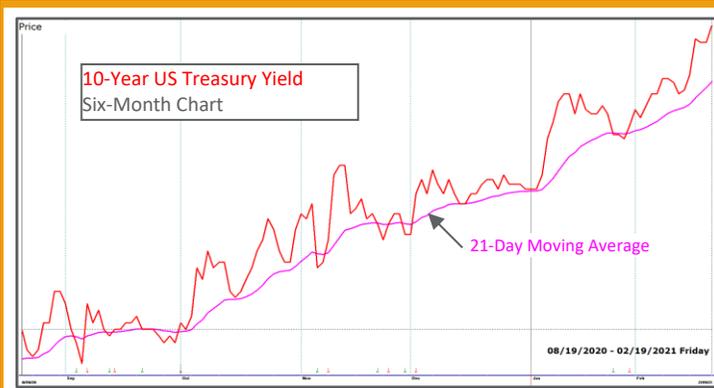


RGB Perspectives

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Interest rates are rising quickly. The **10-Year US Treasury Yield** has moved up sharply this month, climbing over 20% since the end of January. Over the last six months, the 10-Year Treasury Yield has almost doubled moving from 0.68% to 1.34% this past Friday. The 21-day moving average helps us visualize the steady uptrend in Treasury yields.



Rising rates create a headwind for interest rate sensitive bonds as bond yields and bond prices are inversely correlated. Therefore, it is not a surprise that the **BAML Long-Term Treasury Index** has steadily declined over the last six months. The index is down almost 12% during this six-month time period.



Not all bonds are influenced by interest rates to the same degree. Economic sensitive bonds, such as junk bonds, tend to be more influenced by the overall the health of the economy and therefore have not been impacted by the recent rise in rates. In fact, the **BAML High-Yield Master II Index** (junk bond index) has steadily risen over the last six months reflecting a healthy market environment.



If interest rates continue to rise, that could put downward pressure on the stock market but that has not happened yet. The **S&P 500 Index**, for example, continues to rise and closed Friday less than 1% below its all-time high. The 21-day moving average reflects a continuation of the strong uptrend that started in November of last year.

I have made no changes to the RGB Capital Group investment strategies over the last week. All strategies remain fully invested and the Core Non-Qualified and Balanced Non-Qualified strategies remain in a margined position in primarily low volatility bond and income funds. The steady uptrend in the stock and economic sensitive bond/income funds will come to an end eventually and I will strive to adjust our portfolios to minimize drawdowns when that happens.

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