RGB Perspectives

August 21, 2023

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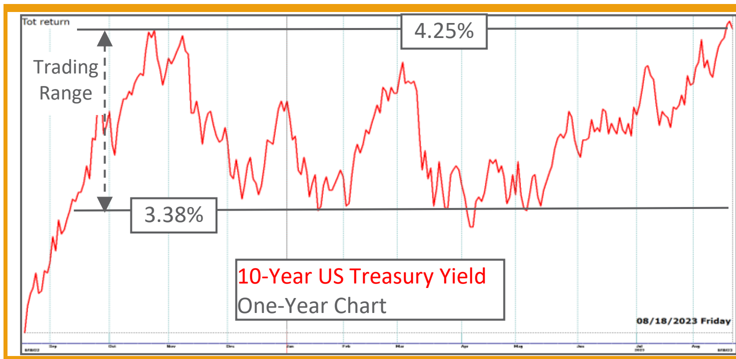
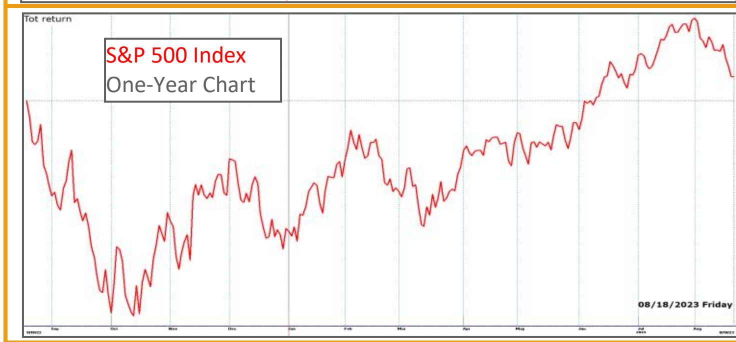
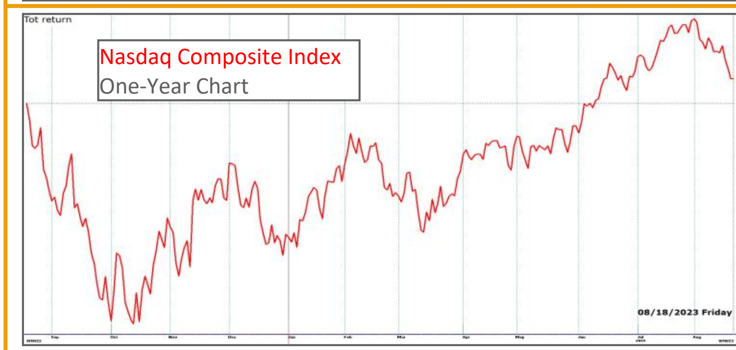


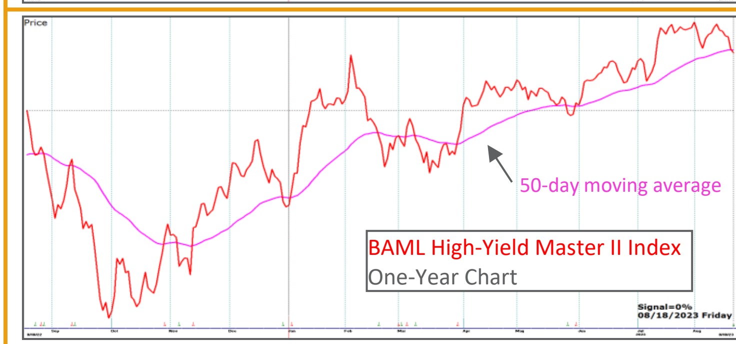
Concerns that the Fed will continue to raise interest rates later this year has driven the US 10-Year Treasury Yield to the top of the range that has defined much of the movement in yields for the last year. Yields jumped above the top of the range this past week and ended Friday right at the top of the range.



Higher yields put downward pressure on both stocks and bonds. The S&P 500 Index peaked in early August and is in a short-term downtrend. The index is down -4.8% for the month but remains positive for the year.



Growth and technology stocks tend to be more sensitive to rising rates. The Nasdaq Composite Index is down -7.4% so far this month.



Junk bonds, which held up relatively well during the first part of the month, started to decline last week as yields continued to climb. The BAML High-Yield Master II Index dropped back to its 50-day moving average and may be starting to roll over. A declining junk bond index is an indication that risk is rising.

As risk rises, I adjust our holdings to stay in line with overall market conditions and that is what I did last week as I started to reduce exposure in both the Core and Balanced strategies. No changes have been made to the Flex+ strategy at this time.

This has been a difficult market environment for the Core strategies. While this can be frustrating, I will continue to manage risk the way I always have by reducing exposure to the market when conditions deteriorate. This has served my family and my clients well during previous periods of market weakness. At some point in the future, market conditions will improve, and we will be able to take advantage of a more favorable market environment. I anticipate that once it is clear that the Fed has stopped raising rates and becomes more accommodative, conditions are likely to improve considerably.

Prepared with data through 8/18/2023