RGB Perspectives

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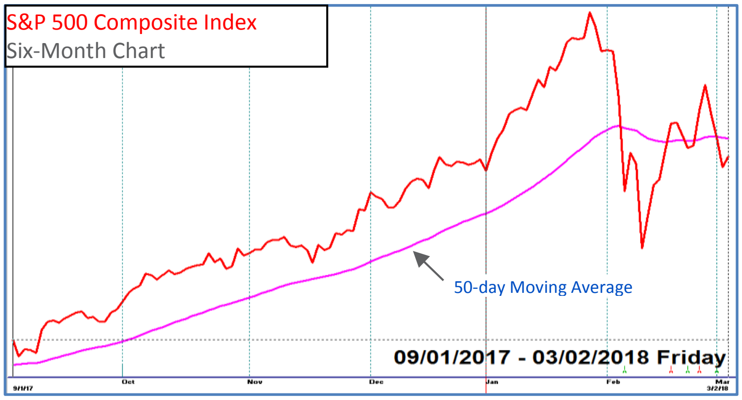
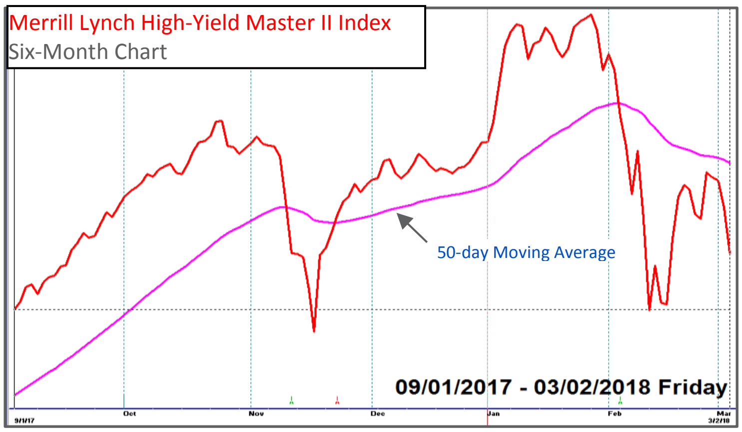
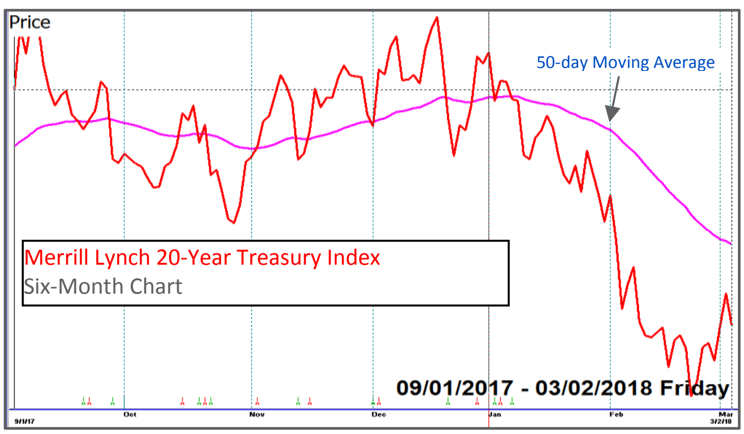


The S&P 500 Composite Index had another wild week with large intra-day swings each day for a second week in a row. Large intra-day swings, both up and down, are an indication of elevated risk. The index closed down a little over 2% for the week and closed below its 50-day moving average which is now trending sideways.



Junk bonds are confirming the elevated risk in the market. The Merrill Lynch High-Yield Master II Index, an index of the domestic junk bond market, also closed below its 50-day moving average. When risk rises, junk bonds tend to sell off as investors demand a higher yield to hold lower quality bonds. Note that the 50-day moving average peaked in early February and is now trending down.



One notable difference during the last week was with the behavior of Treasury Bonds. The Merrill Lynch 20-Year Treasury Index is up 1.6% over the last seven trading days. This is significant as investors tend to purchase US Treasuries when market risk rises. The increased demand for US Treasuries cause yields to fall and prices to rise. This doesn't appear to be a flight to safety yet, but is certainly something to keep an eye on.

Market risk remains elevated and my primary focus is on capital preservation. We do have exposure to the market but most of the market risk is hedged away. When risk subsides, I will once again focus on capital appreciation.

We ended the month of February down for the month. I don't like losses but it is a part of investing. What is important is to limit the losses when the market environment turns down so that the losses don't turn into life altering losses. I don't know if this is the beginning of a longer-term downtrend or simply a period of consolidation after two years of strong gains. Regardless of what happens, I will continue to monitor the market and adjust the RGB model portfolios based on what is actually happening in the market. Thank you for your continued trust during this volatile time.

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Prepared with data through 3/2/2018