RGB Perspectives

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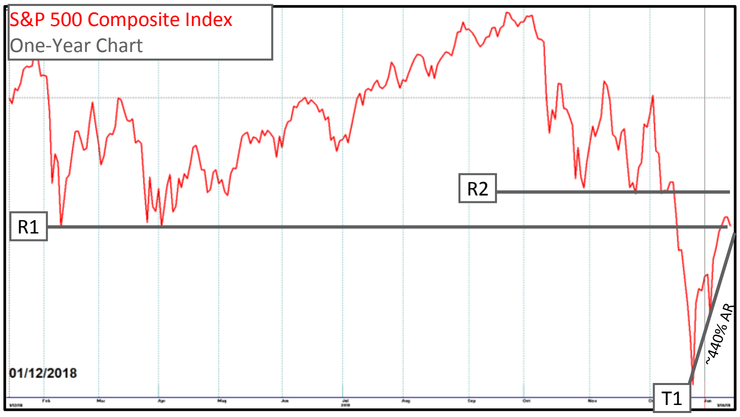
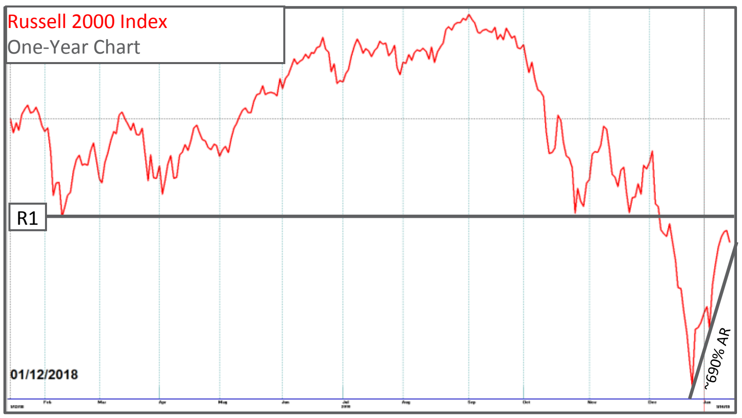
Written by Rob Bernstein (rob@rgbcapitalgroup.com)

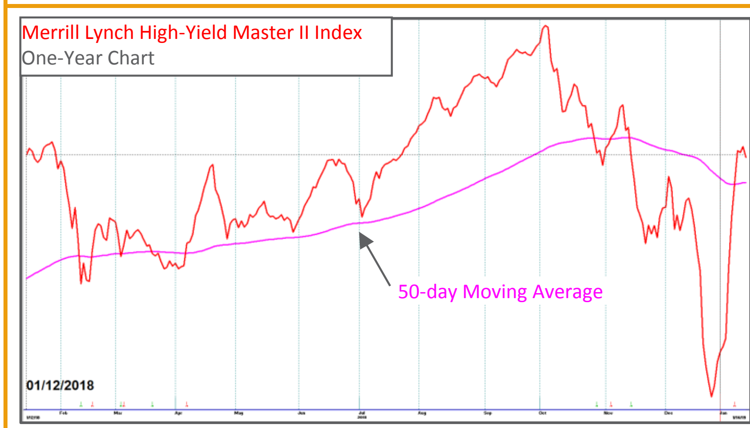
RGB Capital Group LLC • 858-367-5200 • www.rgbcapitalgroup.com



The S&P 500 Composite Index continues its strong rally -- approximately 440% annualized return (AR) -- off the December 24th bottom. The index has rallied back through the early 2018 lows (marked as R1) and is retesting those lows as the index pulled back to that level today. If that level holds, it will become an important level of support and then will need to push through another level of resistance (R2).



The Russell 2000 Index (small-cap stocks) has rallied in a similar fashion and is currently trending up at approximately a 690% annualized return! The index will face a significant test as it approaches the 2018 lows (R1). The fact that small-caps are outpacing large-caps is a positive sign for the market as investors are pushing up the prices of riskier small-cap stocks.



The Merrill Lynch High-Yield Master II Index (junk bonds) has surged higher and remains above its 50-day moving average. Although junk bonds tend to have strong trend persistence, we have seen other breaks above the 50-day moving average quickly reversed over the last year. The strong uptrend off the December 24th low is equivalent to an approximately 116% annualized return.

The strong uptrends shown above are not likely to persist for much longer as these types of uptrends are not sustainable over extended periods of time. Strong uptrends like these tend to correct either through a swift reversal in trend (i.e. a crash) or through a period of sideways consolidation, which would be a more constructive way for the market to work off this overbought condition. However, the longer the strong uptrend persists, the more likely it is to come crashing back down.

The RGB Capital Group strategies are partially invested and all are up a little for the month of January. The Conservative strategy has exposure to economic sensitive bond funds, the Flex+ strategy has some exposure to equities and the Flexible strategy has exposure to both. If the market turns down, I am prepared to reduce our exposure to the market.

Prepared with data through 1/14/2019