



# RGB Perspectives

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When the market experiences a sharp decline, it is not unusual for the market to rally and then test the previous lows. That is exactly what has happened with the **S&P 500 Composite Index**. After declining through the month of October it rallied and then dropped back to the late October lows (S1) last week. The S&P 500 is -8.8% below its all-time high.



The **Russell 2000 Index** has a very similar chart pattern. The index declined in October down to its early 2018 lows (S1). It then rallied and retested those lows last week. The Russell 2000 is -13.5% below its all-time high.



Junk bonds give us a good indication of overall market sentiment. The **Merrill Lynch High-Yield Master II Index** is in a downtrend and that downtrend picked up momentum over the last two weeks. Junk bonds tend to lag the equity markets at key turning points. Therefore, if the equity markets are putting in a bottom, we would expect to see some improvement in the junk bond index over the next week or so. The Merrill Lynch High-Yield Master II Index is -3% below its all-time high.

Most of the major equity indices have bounced at or near key support levels. If these support levels hold, it may provide the foundation for an end-of-year rally as we head into the seasonally positive month of December. I continue to believe that the recent downturn is a correction within an ongoing bull market and not the start of a prolonged bear market. If that is the case, it increases the odds of a strong December.

All the RGB Capital Group investment strategies are down for the month, with the Conservative strategies down less than the Flexible and Flex+ strategies.

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