

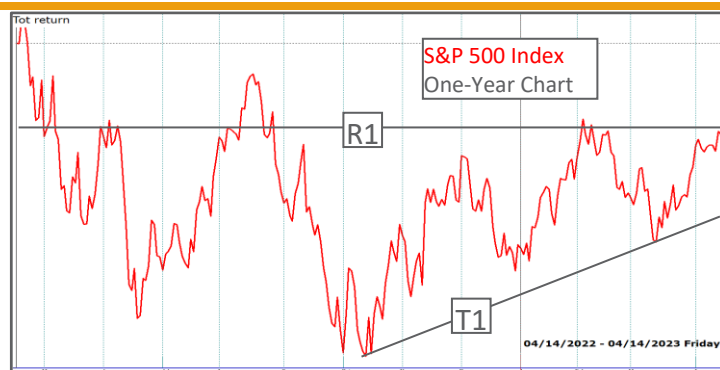


RGB Perspectives

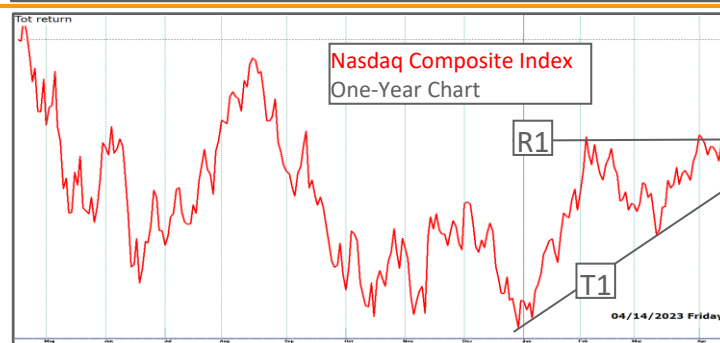
April 17, 2023

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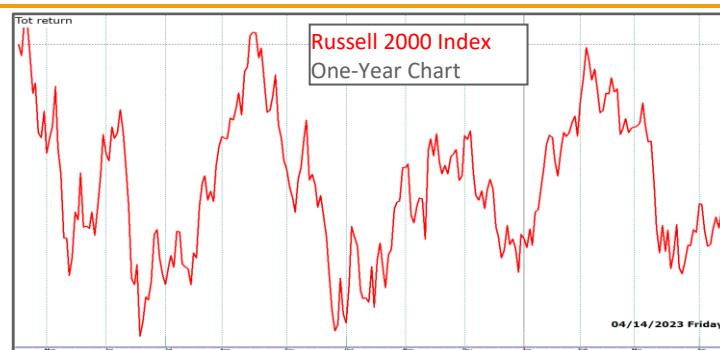
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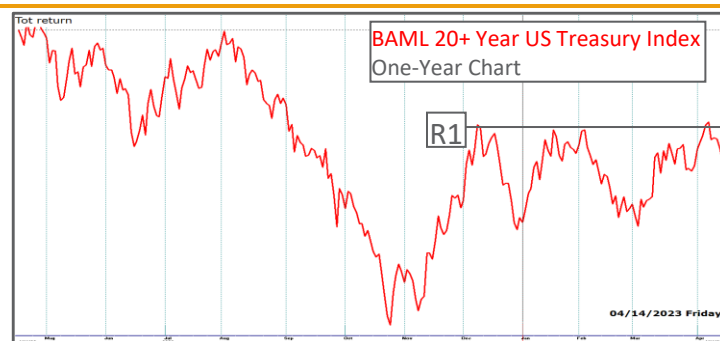
The **S&P 500 Index** is in an uptrend (T1) and approaching an important level of resistance (R1). With the exception of a brief period in August of last year, the S&P 500 Index has not broken above R1 since early last May. Within the next month or two, one of these two levels will likely be penetrated which will give clues to the future, short-term direction of the market. A break above R1 would indicate that the uptrend off the October lows has further to run, while a drop below T1 would indicate an increased chance of further choppy price movement with the potential of testing last year's lows.



The **Nasdaq Composite Index** has a similar chart pattern and is bumping up against resistance (R1).



Small-cap stocks, however, are not participating in the recent rally. The **Russell 2000 Index** is in a wide trading range (the distance from the top to the bottom of this chart is about 18%). If we were in the beginning stages of a new long-term uptrend, I would expect to see small-cap stocks rallying. That is not happening and some caution is warranted.



US Treasuries and other interest rate sensitive bonds have stabilized after incurring significant declines last year. The **BAML 20+ Year US Treasury Index**, for example, is trending up off the October lows but has bumped up against a level of resistance (R1). If the economy continues to slow, interest rate sensitive bonds should benefit. A break above R1 would be one indication this has started.

There are many indications that the Fed's aggressive monetary policy is starting to have the desired results by slowing down the economy and reducing the surge in prices experienced over the last year. Most experts anticipate that the Fed will raise rates by 0.25% at the next FOMC meeting in early May and then pause. What happens next will certainly have an impact on the future of stock and bond prices. A more severe recession could push stock prices lower while benefiting bond prices. I increased exposure to interest rate sensitive bonds last week in the Core and Balanced strategies. No changes were made to the Flex+ strategy. I remain cautious and stand ready to make adjustments as market conditions dictate.

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Prepared with data through 4/14/2023