



# RGB Perspectives

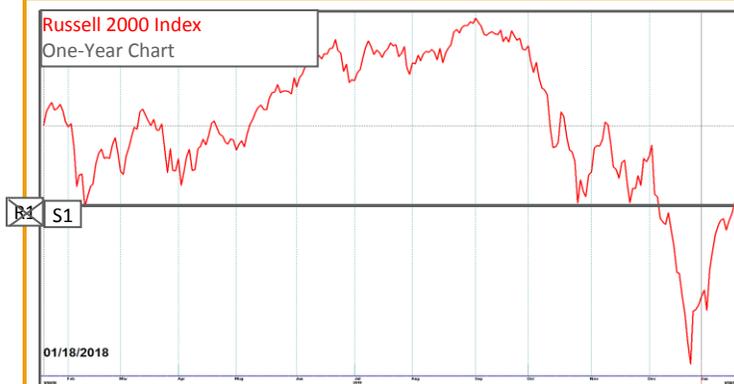
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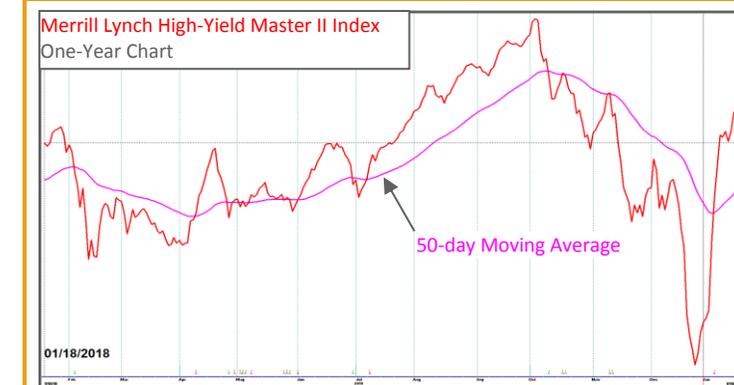
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The **S&P 500 Composite Index** blasted through the 'resistance zone' last week extending the recent rally off the December 24 lows. The resistance zone (area on the chart between R1 and R2) is a logical point for investors who bought into the market at this level back in December to sell in order to breakeven. Well, there was no indication of any selling pressure and those resistance levels have now become important levels of support (S1 and S2).



The **Russell 2000 Index** (small-cap stocks) continues to rally and has broken through the early 2018 lows. This former area of resistance is now an important level of support (S1). As long as any selling over the next few days/weeks keeps the index above S1, I would consider the rally off the December lows to be intact.



The **Merrill Lynch High-Yield Master II Index** (junk bonds) is confirming investors' increased appetite for risk in the current environment. It bounced at the end of December and is in a strong uptrend. It surged above its 50-day moving average in early January and that moving average has also turned up.



During uncertain times, investors flee to the safety of US Treasuries, as they did during the last part of 2018. When risk subsides, US Treasuries tend to decline as investors sell Treasuries in favor of riskier assets. The current downtrend in US Treasuries supports the 'risk on' environment that we see on the charts above.

While these charts reflect a healthy market environment, the market is overbought and due for some sort of pullback. The extent of that pull back will help us put this recent bounce into perspective.

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