

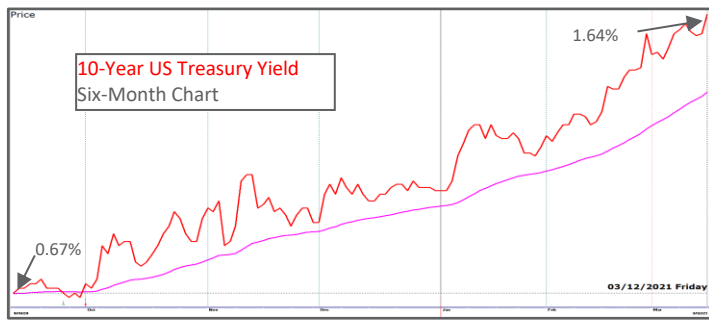


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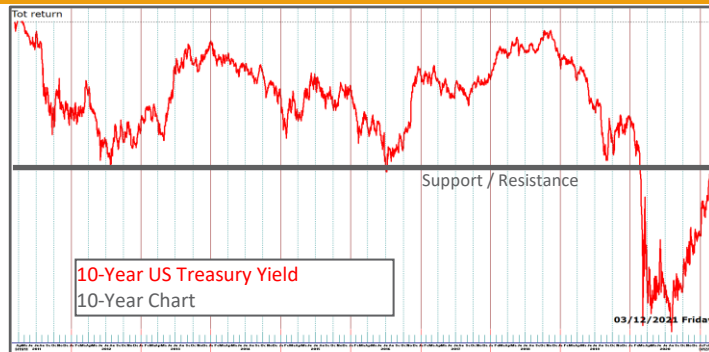
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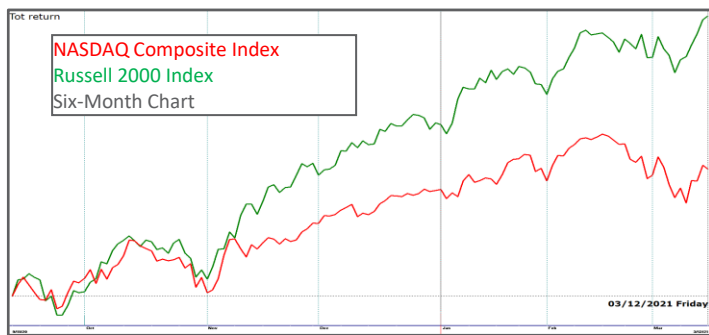
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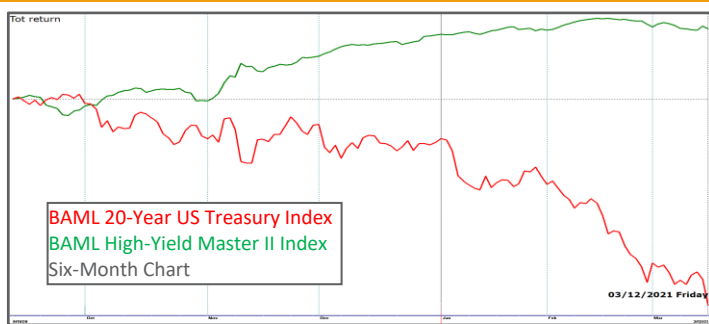
Interest rates continue to climb higher. The **10-Year US Treasury Yield** climbed another 5% last week to close at 1.64%.



While the recent rise in interest rates has been spectacular, it is important to put rates into perspective. The **10-Year US Treasury Yield** has climbed back to the pre-pandemic lows that provided a strong level of support over the last decade. By historical standards, interest rates remain low.



Not all segments of the stock market will be impacted by rising rates equally. For example, the **Nasdaq Composite Index**, that tracks growth and technology stocks, tends to be more influenced by higher rates than small-cap stocks, as represented by the **Russell 2000 Index**. The Nasdaq is up 3.4% year-to-date while the Russell 2000 Index is up a whopping 19.1%!



Rising rates do not affect all segments of the bond market equally either. Comparing the **BAML 20-Year US Treasury Index** (-13.6% year-to-date) to the **BAML High-Yield Master II Index** (+0.5% year-to-date) clearly shows the underperformance of interest rate sensitive US Treasury bonds compared to economically sensitive bonds, such as high-yield corporate bonds.

Rising interest rates are creating shifts in the financial markets and headwinds for certain segments of the market. In general, I believe the financial markets can absorb rising rates if rates don't rise too far, too fast.

I have made some adjustments this month to all the RGB Capital Group investment strategies to keep in sync with the changing market environment and will continue to monitor the strategies to make sure we are managing risk appropriately.

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