

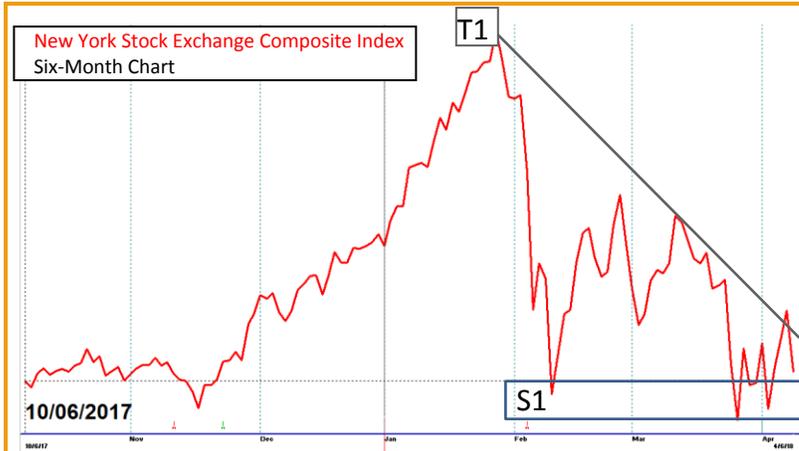


RGB Perspectives

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The **New York Stock Exchange (NYSE) Composite Index**, like most of the major indices, is in an intermediate term downtrend. It has held above a major level of support (marked by the rectangle S1) but remains below the primary downtrend line (T1). A break above T1 would be an indication that the downtrend might be over. However, a drop below S1 would indicate that the downtrend has further to go. We are likely to find out which of these two scenarios will play out within the next week or so.



The **Merrill Lynch Long-Term Treasury Index** bottomed in late February and is now trending up. Investors typically buy US Treasury Bonds during times of elevated risk driving treasury prices higher. This appears to be what is happening in the current market environment.



Junk bonds on the other hand bounced last week. The **Merrill Lynch High-Yield Master II Index** rose last week and is now approaching its 50-day moving average. If this trend continues, odds favor that the equity markets will also start to trend up.

Market activity over the next week or two will likely provide some additional clues to the future direction of the market. Until I see a clear change in the direction of the market, the RGB Capital Group models will remain defensively positioned. All the models are flat for the month.

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