RGB Perspectives

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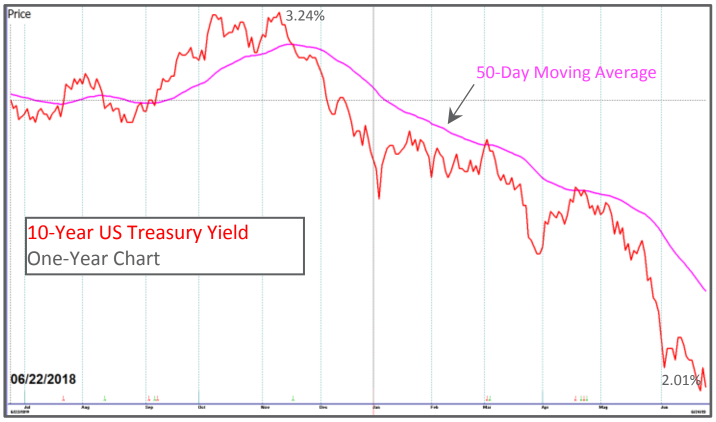
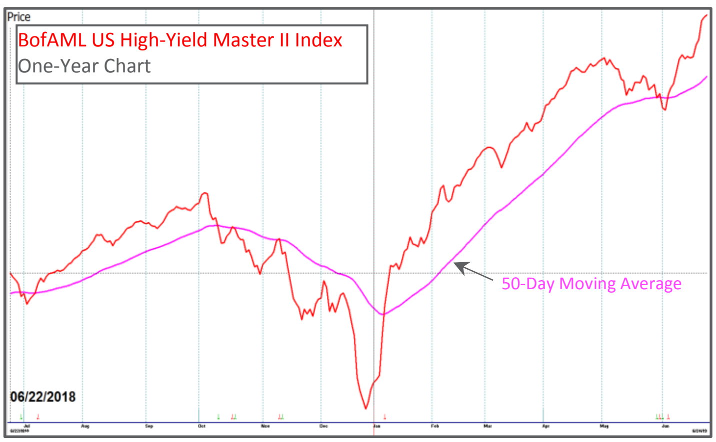
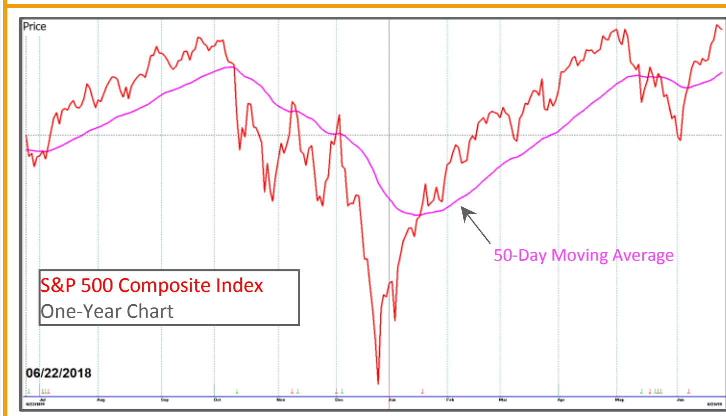


The Federal Reserve, the European Central Bank and other central banks around the world turned dovish last week continuing to drive yields down. The 10-Year US Treasury Yield fell over 38% since the end of 2018 to 2.01% last week; its lowest level in over two years.



Lower yields have had a positive impact on bonds of all types, including high-yield bonds (junk bonds). The BofAML US High-Yield Master II Index surged higher and is solidly above its 50-day moving average indicating investors' appetite to take on risk.



The anticipation of lower yields and potentially other means of stimulating the economy (i.e. quantitative easing) in the future also had a positive impact on the equity markets. The S&P 500 Composite Index surpassed its all-time high briefly before pulling back a little over the last two trading days.

Stocks and bonds are responding positively to the world banks' dovish comments to stimulate growth, spur inflation and extend the current economic expansion. While this is generally a positive market environment for both stocks and bonds, external factors continue to dominate the news headlines. These include the highly anticipated meeting between President Trump and Chinese President Xi Jinping this week which will set the tone for the future of trade negotiations between the two countries and the escalating nuclear tensions with Iran. I anticipate these types of headlines will continue to influence the short-term trend but the actions of the world banks will have a bigger influence on the longer-term trend.

The RGB Capital Group investment strategies are all positive month-to-date.

Prepared with data through 6/24/2019