



RGB Perspectives

January 29, 2018

Written by Rob Bernstein (rob@rgbcapitalgroup.com)

RGB Capital Group LLC • 858-367-5200 • www.rgbcapitalgroup.com



Stocks across the market capitalization spectrum (large-, mid- and small-cap) continue to trend up. What has been noteworthy about the recent trend is the relative outperformance of large-cap stocks compared to small-cap stocks. The **S&P 500 Composite Index** (large-cap stocks) surged higher at the beginning of the year and is up 6.7% month-to-date. The **Russell 2000 Index** (small-cap stocks) also climbed higher at the start of the year but is underperforming the S&P 500 Composite Index. The Russell 2000 by comparison is up 4.1% month-to-date.



The **S&P 500 Composite Index** is also outperforming junk bonds. Junk bonds tend to perform well in strong economic environments, however, when the **Merrill Lynch High-Yield Master II Index** is plotted with the S&P 500 Composite Index, the trend appears muted due to the strong surge in large-cap stocks. The Merrill Lynch High-Yield Master II Index is up about 0.8% month-to-date. This is equal to an approximate 11.5% annualized rate of return...not a bad return for conservative investors.



One area of the market that is outperforming large-cap stocks is commodities. The **AMEX Oil Index**, as an example, started surging higher in December and has continued that trend into 2018. The index is up 7.1% month-to-date. Commodities tend to do well as the economy picks up steam and demand increases. Recently, commodities have been buoyed by a declining US Dollar which generally provides a positive bias for commodity prices.

The market is in a strong uptrend. As I have mentioned in recent RGB Perspectives newsletters, we were well positioned to benefit from this strong uptrend in the market heading into 2018. Barring any catastrophic market collapse during the last two trading days of the month, we should have solid gains for the month of January in all the RGB Capital Group models with the Flexible models providing higher returns than the Conservative models. Although these strong returns are nice, they will not persist forever. The market will correct at some point in the future and risk management will be critical to protecting our portfolios from large losses. Thank you for your continued trust.

RGB Perspectives is provided for general information purposes only. It does not constitute an offer to sell or a solicitation to buy a security, and is not an offer to provide any specific investment advice. Securities held in the RGB models are subject to change without notice. Past performance is not a guarantee of future performance. It is not possible to invest directly in an index. Individual account results will vary from RGB models due to timing of investment, amount of investment and actual securities used. Advisory fees are deducted within the first month of the quarter for the prior quarter. Most data and charts are provided by www.fasttrack.net or TC2000 (www.worden.com). RGB Capital Group contact info: (858) 367-5200. Email: info@rgbcapitalgroup.com