



RGB Perspectives

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The **S&P 500 Index** is in a short-term uptrend. After bouncing around the September lows (marked as S1) for about two weeks, the index is now climbing higher. Despite these short-term favorable conditions, the index remains in a long-term down trend.



Junk bonds have also started to trend higher. The **BAML High-Yield Master II Index** (junk bond index) has moved above its 50-day moving average which is generally a positive configuration, indicating that investors are willing to take on market risk in the current environment.



Treasury yields continue to climb higher putting downward pressure on interest rate sensitive bonds. The **10-Year US Treasury Yield** remains in a long-term uptrend and is above 4%.

As I have indicated in the past, I don't believe that we will see a sustained uptrend in risk assets until interest rates either level off or start to drop. With interest rates across the yield curve continuing to climb higher, I doubt that the recent uptrend will be the start of the next long-term bull market. However, it doesn't mean that a shorter-term rally isn't possible; especially as we enter a generally favorable time of the year for the stock market.

This week the Federal Open Market Committee (FOMC) is expected to raise very short-term interest rates by 75 basis points. This has already been incorporated into the stock market. What will be interesting is the committee's outlook for interest rates in the future. Any indication that the rate of increases will start to slow over the next six months, would likely be viewed as favorable by the market.

I have started to take on some additional exposure in all the RGB Capital Group investment strategies while maintaining risk below that of the market. If the recent rally starts to fade, I am prepared to quickly reduce exposure.

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