

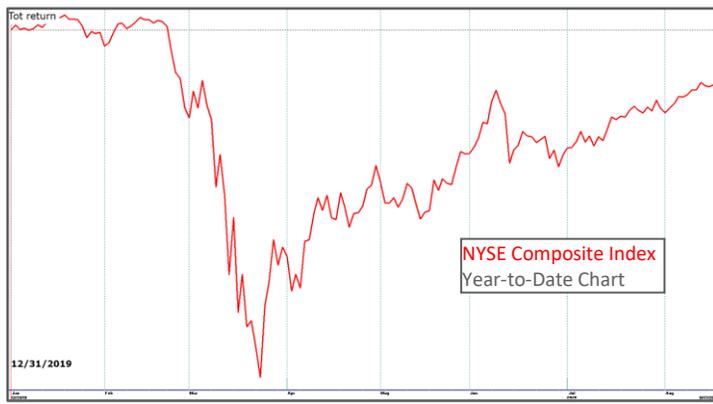


RGB Perspectives

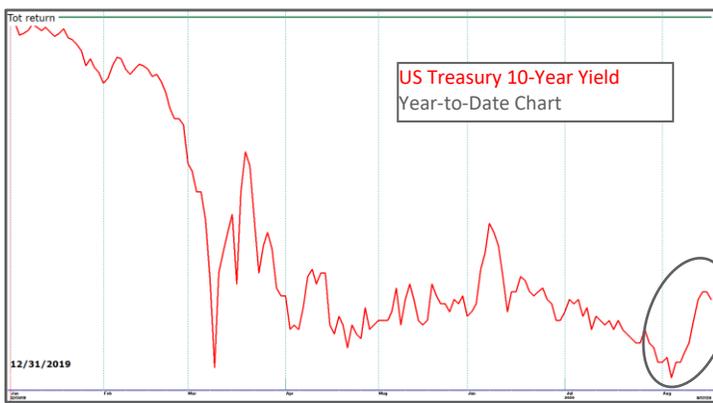
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Not much has changed in the equity markets as most of the major market indices have continued to trend up. The **NYSE Composite Index**, for example, continues to trend up and is up 3.8% for the month of August. While the different indices are not all trending up at the same rate, they are all moving in the same general direction.



One factor that has changed is the short-term trend of US Treasury yields. The **US Treasury 10-Year Yield** moved sharply higher from 0.52% (an all-time low) to 0.69%, or a 32% increase during the first part of August (see circled area). While yields remain near historical lows, the change in the short-term trend is something worth watching.



Bonds tend to be sensitive to changes in interest rates as bond prices tend to fall when bond yields rise. Not surprisingly, US Treasury prices have declined as yields rose. The **Merrill Lynch 20+ Year Treasury Index** is down 3.88% this month.



However, some bonds, like junk bonds, are more sensitive to overall economic conditions than they are to interest rates. The **Merrill Lynch High-Yield Master II Index** has declined slightly during the last few days (approximately 0.7% from its recent high) but remains above its 50-day moving average.

The rise in interest rates has had minimal effect on the RGB strategies, at least so far, as our bond/income holdings are primarily driven by factors other than interest rates. All strategies remain positive month-to-date and year-to-date.

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