

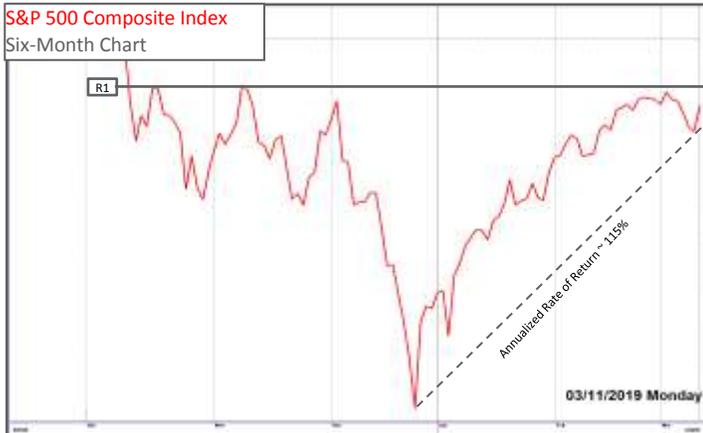


RGB Perspectives

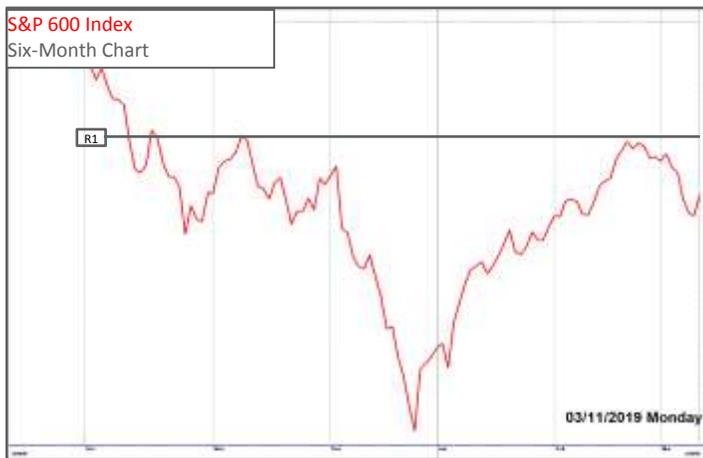
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The strong uptrend off the December lows has taken a brief pause. After rocketing up over 19% off the December lows, the **S&P 500 Composite Index** started to retreat as it approached the October/November peaks (R1). Even with the recent pause, the current uptrend off the December lows is over 100% annualized...too strong of an uptrend to last for an extended period of time.



The **S&P 600 Index** (small-cap stocks), which has a similar chart pattern, started to turn down just below the October/November peaks as well. It fell 5.4% before recovering some of that today. Even with the recent pullback, the current uptrend in small-cap stocks (over 125% annually) is not likely to last indefinitely. A period of sideways price movement would be a healthy way to adjust the current trend to a more sustainable rate.



Junk bonds pulled back a little as the equity markets turned down but the **Merrill Lynch High-Yield Master II Index** continues to trend up above its 50-day moving average and is only 0.4% away from its all-time high. The trend of junk bonds after the initial rally off the December lows is about 20% annualized; a rate that could be sustained if the economy continues to grow at a reasonable pace.

While I have no way of knowing what the future holds, the recent slowdown in the equity markets looks like a pause rather than the start of a significant reversal at this point. This type of pause is healthy as the current uptrends in the equity markets are not sustainable. We have made only minor adjustments to the RGB investment strategies over the last week and all the strategies are flat for the month.

There will be no RGB Perspectives next Monday. The next RGB Perspectives will be published on Monday, March 25th.

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