

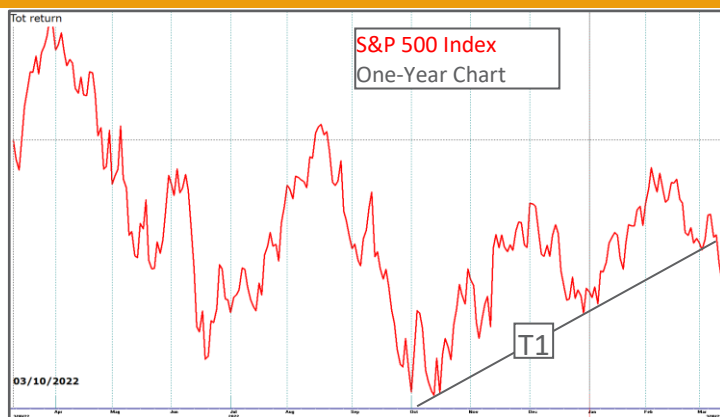


RGB Perspectives

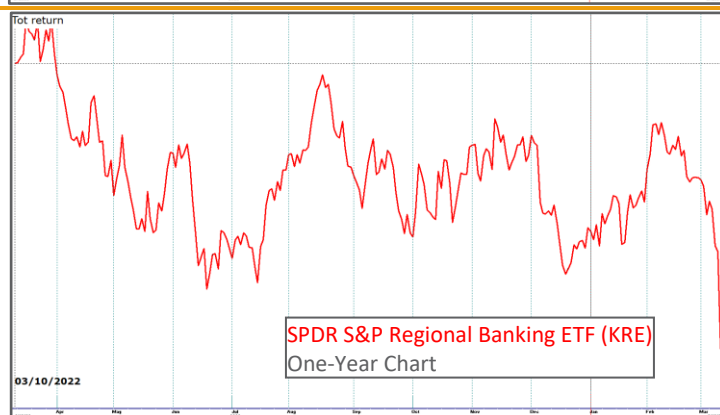
March 13, 2023

Written by Rob Bernstein (rob@rgbcapitalgroup.com)

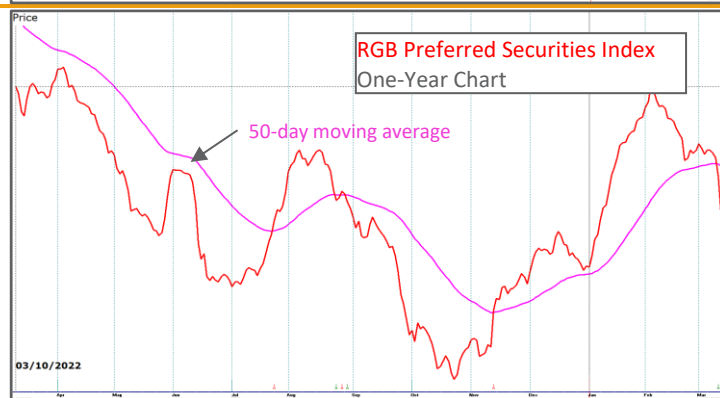
RGB Capital Group LLC • 858-367-5200 • www.rgbcapitalgroup.com



Investors were caught off guard this past week as Silicon Valley Bank (SVB), one of the top 20 largest banks in the US, was shuttered after a failed attempt to raise capital to meet increasing deposit outflows. This created a run on bank deposits and uncertainty in the stock market. The **S&P 500 Index** was down -4.6% for the week and broke below the uptrend line (T1) that had been in place since October 2022.



Not surprisingly, banks were hit hard as concerns that the issues at Silicon Valley Bank will spread to other banks. The **SPDR S&P Regional Banking ETF (KRE)** was down -16% last week.



Even some of the low volatility groups were impacted. Preferred securities, which are typically issued by banks and insurance companies, fell hard on Friday, but less than the rest of the market. The **RGB Preferred Securities Index** was down -2.5% last week.

The issues at SVB, at least in part, is an unintended consequence of the Federal Reserve increasing interest rates to fight inflation. SVB was focused primarily on the startup industry which is heavily funded by venture capital. In the current higher interest rate environment, access to venture capital funding is more difficult and instead, these firms have been drawing down on available cash. Diminishing deposits created issues for SVB to maintain capital ratios required by regulators and a run on bank deposits ensued as depositors attempted to get their cash out. The question is whether this is an issue specific to SVB given its focus on the startup industry or will other banks see similar issues? This also puts the Fed in a jam. Do they continue to raise rates, potentially creating additional banking issues, or do they ease up on the fight against inflation?

The RGB Core and Balanced strategies had some exposure to preferred securities which has been liquidated as our sell stops were hit last week and the majority of both strategies are in very low volatility funds (cash and short-duration bonds). The current environment is fluid and the full impact of the SVB failure is unknown. My focus remains on risk management for this portion of the portfolios. The Flex+ strategy remains invested.

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 www.stockcharts.com. RGB Capital Group contact info: (858) 367-5200. Email: info@rgbcapitalgroup.com

Prepared with data through 3/10/2023