

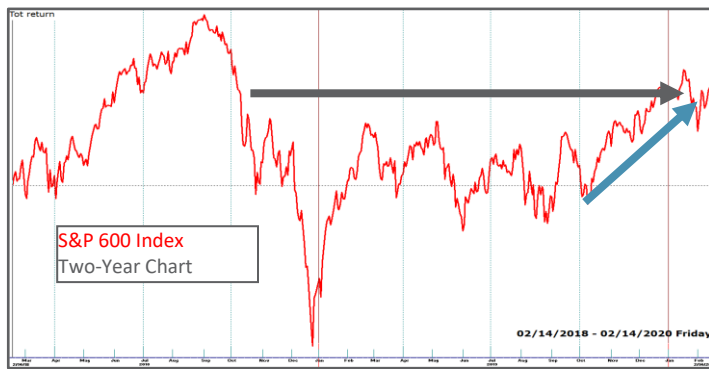


RGB Perspectives

February 17, 2020

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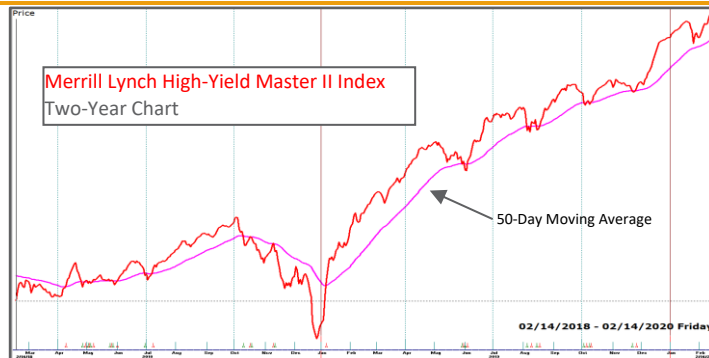
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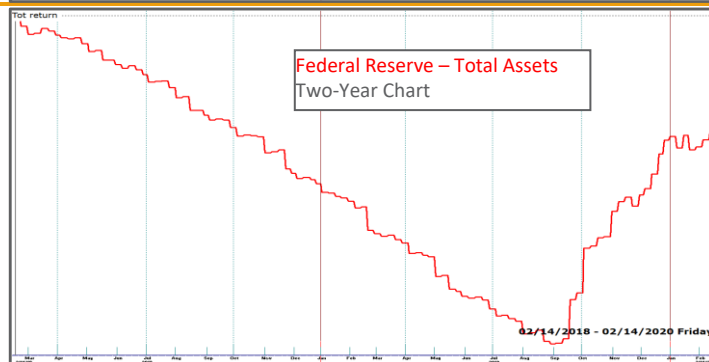
Small-cap stocks have been in an intermediate-term uptrend (blue arrow) since the fourth quarter of 2019, but the longer-term trend (grey arrow) remains questionable. The **S&P 600 Index** of small-cap stocks still remains over 7% below the all-time high set back in August 2018. Just looking at the small-cap segment of the market would lead one to question the overall health of the market.



Large-cap stocks are telling a much different story. The **S&P 500 Composite Index** is in a long-term uptrend. (I define a long-term uptrend as an uptrend lasting more than 6 months.) The divergence between large-cap and small-cap stocks highlights some of the uncertainty with the current market. Generally, in strong bull markets, small-cap stocks tend to outperform large-cap stocks as investors are willing to accept the additional risk associated with this part of the market.



Despite the divergence, I continue to be bullish on the stock market as there are indicators that support the continuation of the current uptrend. High-yield bonds, as represented by the **Merrill Lynch High-Yield Master II Index**, do a great job of providing clues to the overall health of the market. As long as they are trending up, as they are now, it is an indication that investors are willing to accept the additional risk associated with these types of bonds.



In addition, the Federal Reserve continues to provide support by keeping interest rates low and providing liquidity to the market. When the **Federal Reserve - Total Assets** grow, the Federal Reserve is buying bonds from big banks and holding them on its balance sheet. Total Assets, which were declining through 2018 and 2019, took a dramatic change last September and that new trend doesn't appear to be slowing.

My job is to recognize the overall trends in the market and take advantage of the market trends when they are providing returns. I will continue to monitor the market and make adjustments to our investment strategies once the current uptrends turn and go the other way. I made no changes over the last week to the holdings in the RGB Capital Group investment strategies. Thank you for your continued trust.

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Prepared with data through 2/14/2020