RGB Perspectives

July 15, 2019

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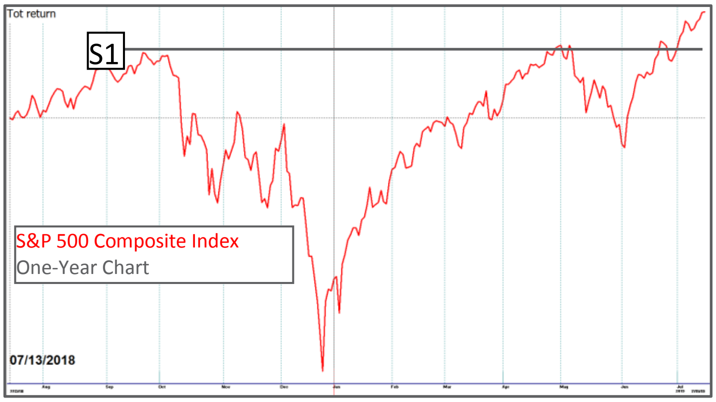
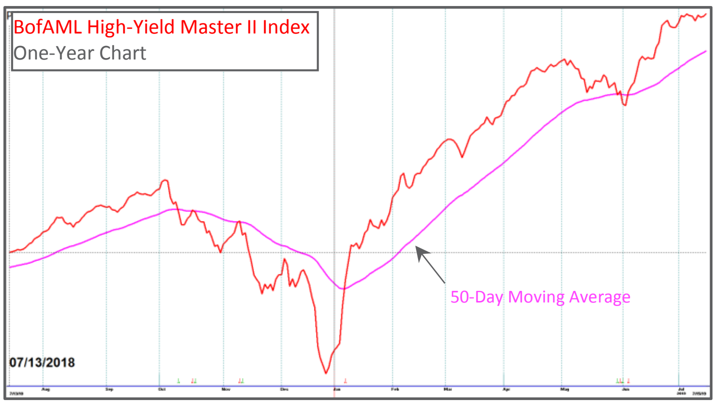
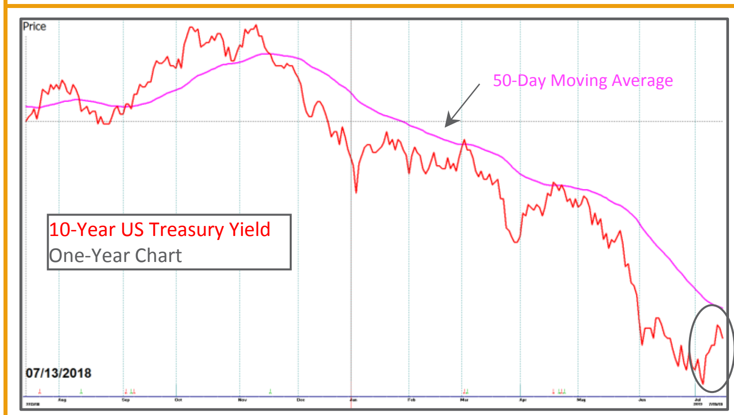


Large cap stocks are in an uptrend. The S&P 500 Composite Index has broken decisively above last year's highs which will now serve as an important level of support (S1). The recent surge in large cap stocks has been driven, at least in part by, the Federal Reserve's desire to continue to support the ongoing economic expansion through accommodative monetary policy.



Junk bonds are confirming the uptrend in the stock market. The BofAML High-Yield Master II Index is trending up above its 50-day moving average, indicating a willingness of investors to take on risk in the current market environment. Junk bonds have flattened out recently but that has not changed the overall trend.



One of the reasons junk bonds have flattened out may be due to interest rates ticking up after the strong jobs report released on July 5. The 10-Year US Treasury Yield, which has been declining most of the year, has edged up slightly over the last week (see circled area). The current yield on the 10-year treasury is 2.09%. Despite the recent rise in yields, the trend remains down.

The Federal Reserve is widely expected to lower interest rates at the upcoming FOMC meeting on July 30-31 which is already 'baked in' to stock market prices. While the Fed has a heavy hand over the markets, stock prices are driven by many factors, including corporate earnings. With the second quarter earnings season just beginning, any big surprises, either positive or negative, could have an impact on the market as well. With corporate earnings expectations set fairly low, it wouldn't be surprising to see some upside surprises.

I have made no changes to the RGB investment strategies over the last week. The conservative portion of the strategies remain fully invested and margined, where applicable, in low volatility bond and income funds while the equity portion of the strategies is 100% invested in equities. All investment strategies are positive for the month-to-date and year-to-date periods.

Prepared with data through 7/15/2019