

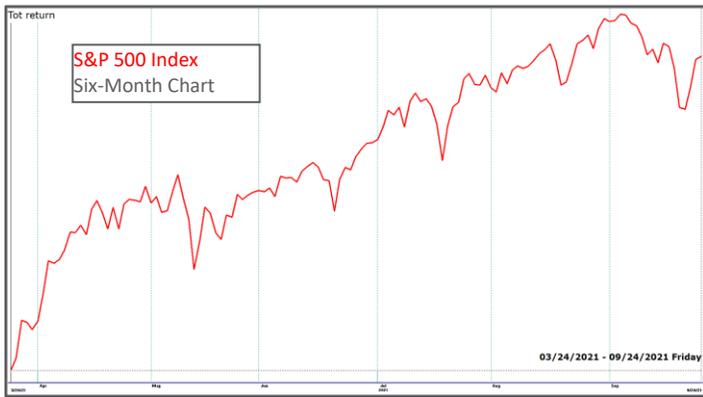


RGB Perspectives

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Last week was an interesting week in the equity markets. The stock market sold off early in the week but quickly recovered those losses with most of the major stock market indices ending in positive territory for the week. For example, the **S&P 500 Index** fell -1.8% during the first two days of the week but ended the week up +0.5%. The index is down -1.5% for the month.



High-yield bonds, which started the month with a continuation of their uptrend, finally rolled over and started to decline early last week. However, the decline was short-lived as the **BAML High-Yield Master II Index** bounced and recovered about one-half the decline by the end of the week. The decline was very minor, and the index is 0.2% below its all-time high.



After declining for the better part of the last six months, treasury yields spiked higher last week. The **US Treasury 10-Year Bond Yield** jumped over 11% in two days. This jump in yields will create downward pressure for treasury and investment grade corporate bonds and create headwinds for many economic sensitive bonds such as junk bonds.

The short-term decline in stocks appears to have run its course but the recent jump in interest rates is worth watching. A continuation of the short-term uptrend in interest rates will likely impact some of the holdings in the RGB Capital Group Core and Balanced investment strategies that are focused on low volatility bond and income mutual funds. I made a small adjustment to these strategies at the end of last week by reducing our exposure to high-yield municipal bonds. I will reallocate these funds once we have a better understanding if the recent spike in interest rates is the beginning of a longer-term trend.

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