RGB Perspectives

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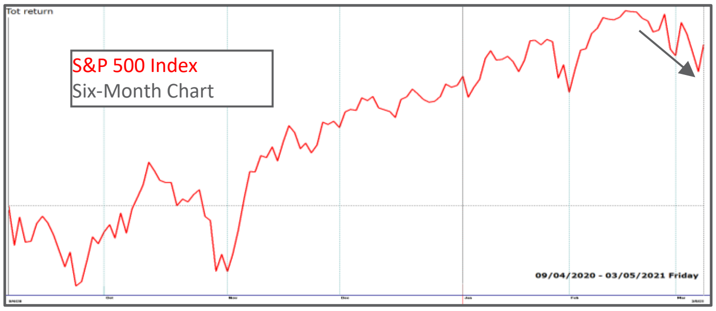
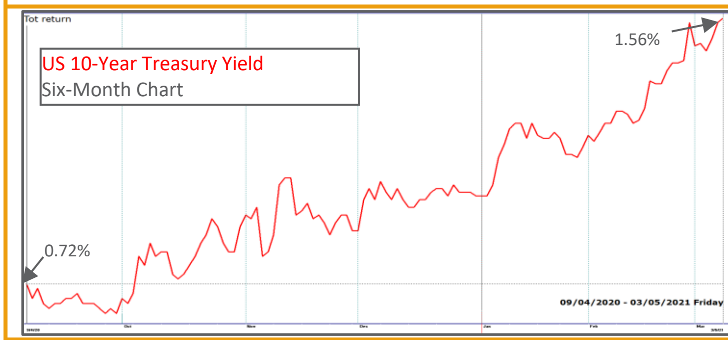
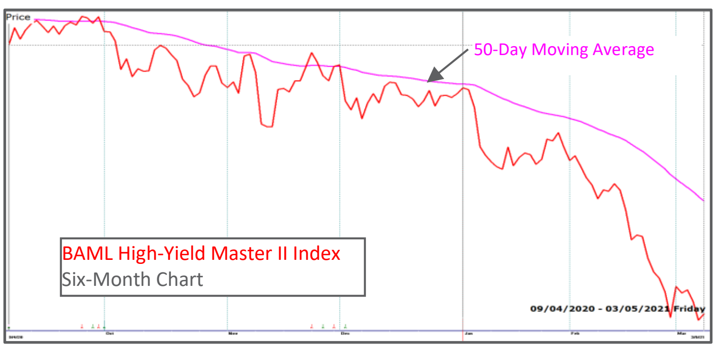


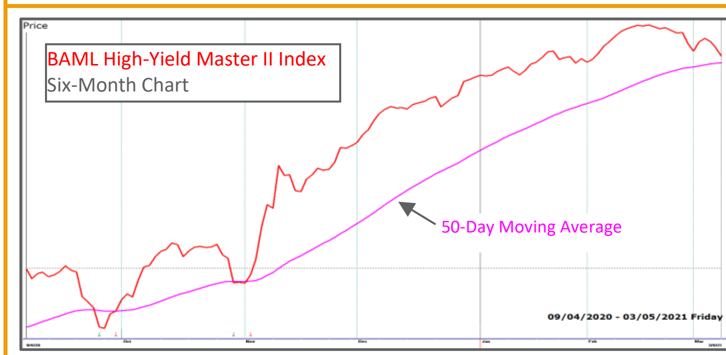
The stock market, as represented by the S&P 500 Index, has entered into a short-term decline. The index is down -2.4% since its mid-February peak. Other stock market indices fared much worse. For example, the Nasdaq 100 Index (not shown) is down -8.3% mid-February.



The recent decline in the equity markets is being attributed to a spike in interest rates. The US 10-Year Treasury Yield has climbed from 0.72% just six months ago to 1.56% this past Friday. That is over 115% increase and the trend is accelerating!



The rise in interest rates has caused interest rate sensitive bonds, including US Treasury bonds and investment grade corporate bonds, to decline. The BAML US 20-Year Treasury Index is in a steady decline trending below its 50-day moving average. The index is down -11.6% year-to-date.



Other bonds that are influenced by both interest rates and overall economic conditions are also starting to decline, but the decline has been limited so far. Junk bonds, as represented by the BAML High-Yield Master II Index, has started to decline but remains above its 50-day moving average. The index is down less than -1% since its February peak.

The overall economic backdrop looks extremely positive. The number of COVID vaccines available continues to increase and this will result in consumers getting out and returning to a life that looks more normal. However, a strong economic environment does not always equate to a positive stock market environment. As investors push interest rates higher over fears of higher costs and a tighter labor market in the future, some risk assets will continue to struggle.

The RGB Capital Group investment strategies are all hovering around the breakeven point for the month. While the rise in interest rates has not had a large impact on our portfolios at this point, I will continue to monitor the strategies and adjust, as necessary.

Prepared with data through 3/5/2021