

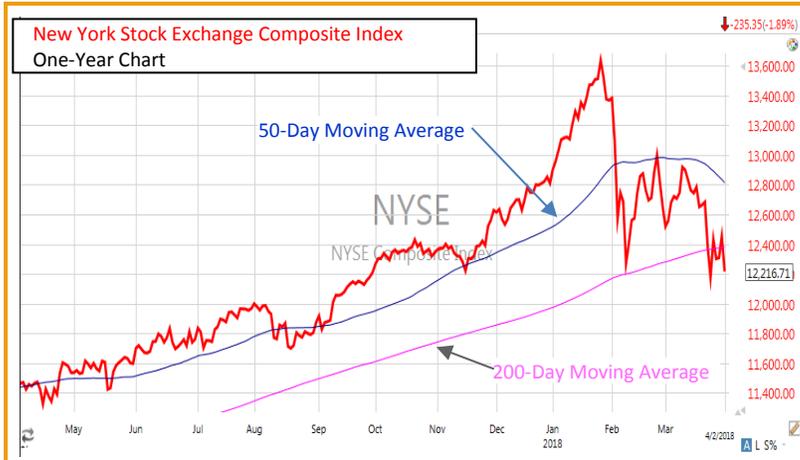


# RGB Perspectives

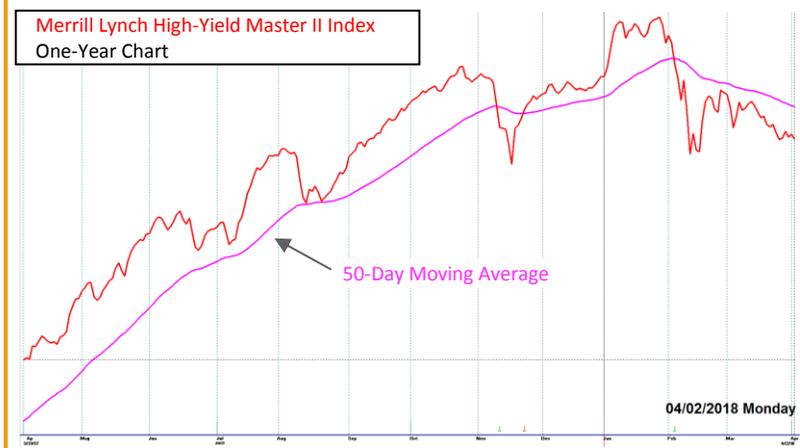
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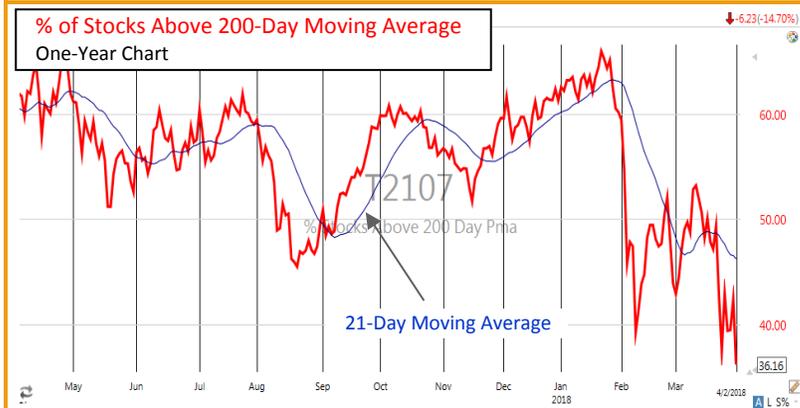
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The **New York Stock Exchange (NYSE) Composite Index** is down a little over 10% from its January peak. The NYSE Composite Index is now bouncing along its' 200-day moving average. A significant penetration of this important level of support might generate additional selling pressure.



Not surprisingly, junk bonds are trending down as well. The **Merrill Lynch High-Yield Master II Index** (junk bond index) is trending below its downtrending 50-day moving average. Junk bonds tend to have high trend persistence. Once they establish a trend in one direction that trend tends to continue for awhile.



The overall decline in the market can also be seen in many of the metrics that track the market using metrics other than price. For example, the **% of Stocks Above 200-Day Moving Average** is at its lowest point in the last year. Currently only 36% of stocks are trending up above their 200-day moving average, indicating that a majority of stocks are in intermediate to long-term downtrends.

When the downtrend started in February, many market indicators I track suggested that this might be a short-term correction. It now appears that the correction may be something more. The positions held in the RGB Capital Group models during the first part of March were hedged with short index funds. As the correction continued, the relationships between our long and short positions changed which resulted in a down month. By the end of the month I sold all the long and short positions and the models are now invested in cash or other low volatility bond instruments that have very low correlation to the overall market. I will continue to maintain a conservative posture until the volatility subsides and positive trends develop.

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