

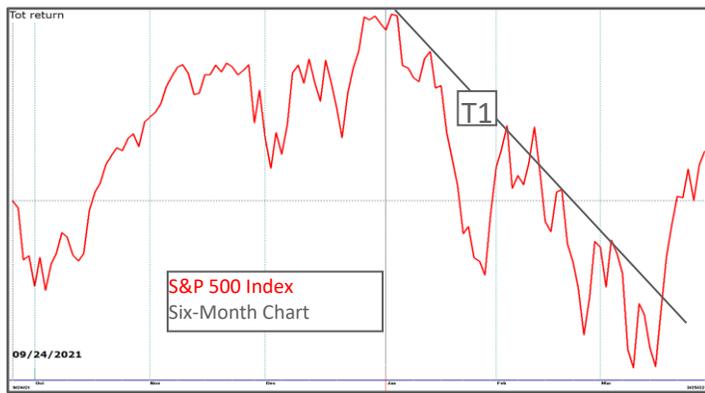


# RGB Perspectives

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The short-term stock market rally continues as the major stock market indices trend up from the recent lows set earlier this month. The **S&P 500 Index** broke above the recent downtrend line (T1) but remains -5.3% from the all time highs set in early January.



The **Wilshire 4500 Completion Index**, an index that measures the performance of the actively traded stocks in the United States excluding the S&P 500 Index, has also rallied off the recent March lows. However, the index remains -14.1% from its all-time high set back in November of last year.



The **BAML High-Yield Master II Index** (junk bonds) is in a steady downtrend, trending below its 50-day moving average. A down trending junk bond index is generally an indication of elevated risk for all risk assets (including equities).

While the stock market rally over the last two weeks has been impressive, I am not convinced that this is the beginning of a new bull market rally. The inflationary pressures driving the current economic environment persist and the Russian invasion of Ukraine has exasperated the situation. The Federal Reserve has only just started to tighten monetary policy and we don't know yet if they will be successful in reigning in inflation without pushing the economy into a recession. The probability of a recession at some point over the next 12 to 18 months is high and risk remains above normal.

The uncertain environment has kept the RGB Capital Group Core strategies conservatively positioned and the RGB Flex+ strategy is in a reduced risk profile. While there may be tradable rallies that present themselves from time to time, I do not believe this is the time to be overly aggressive. Investors that preserve capital during this uncertain time will be rewarded with a great opportunity at some point in the future.

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