

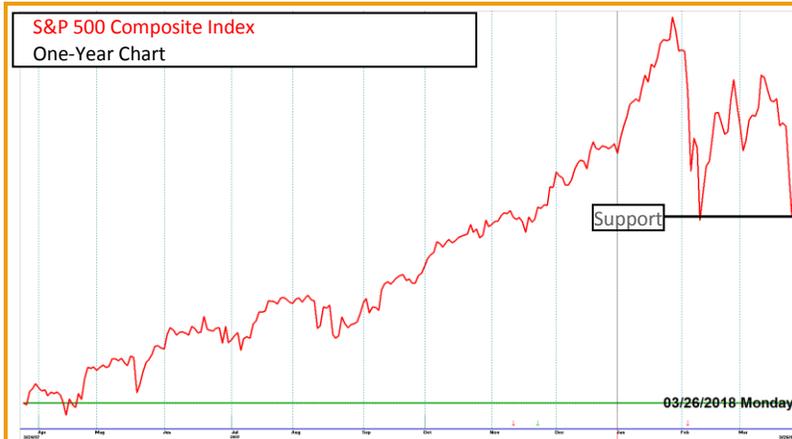


# RGB Perspectives

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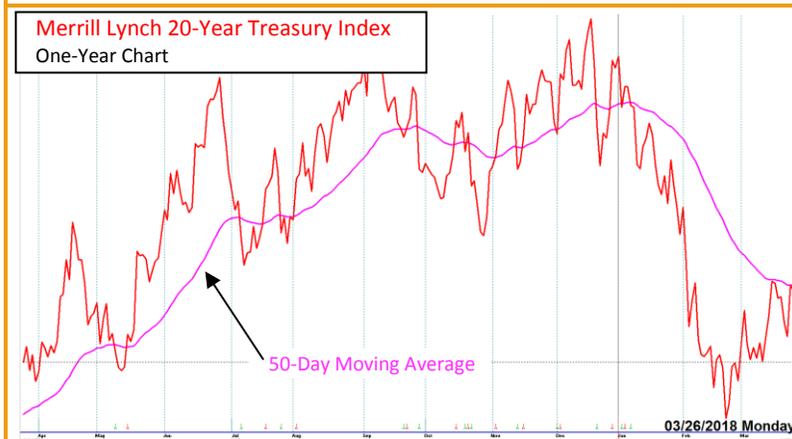
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The equity markets turned back down over the last two weeks. The **S&P 500 Composite Index** fell 7% during the last 10 trading days before bouncing off the February lows today marked as 'support'. Although today's bounce was impressive, it does not change the fact that we are in a volatile market environment. The S&P is down 2% month-to-date and slightly negative year-to-date.



The **Merrill Lynch High-Yield Master II Index** (junk bonds) is an excellent barometer of the overall health of the market. When the index is trending up above its' 50-day moving average, it is an indicator that investors are willing to take on risk. However, when it is trending below its' 50-day moving average, as it is now, it is an indication that market risk is elevated.



The **Merrill Lynch 20-Year Treasury Index** bottomed in late February and is now trending up. When US Treasuries are trending up at the same time junk bonds are trending down, it generally indicates a negative market environment.

The market is weak and today's bounce did little to change the overall environment. The possibility that the market is in the process of forming a top is still a possibility. It will take a sustained uptrend and a break above the January highs to confirm a resumption of the uptrend.

I am not pleased with the volatility of the RGB Capital Group models over the last two months and I have taken steps to adjust our holdings. At the current time the Flexible and Conservative models are positioned in a similar fashion with the primary focus of preserving capital. We will remain in a capital preservation mode until there is sufficient evidence that the uptrend has resumed. The RGB Capital Group models are down for the month.

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