

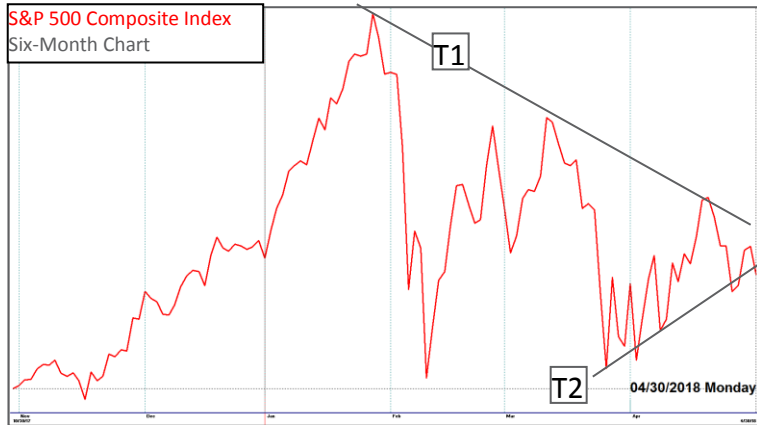


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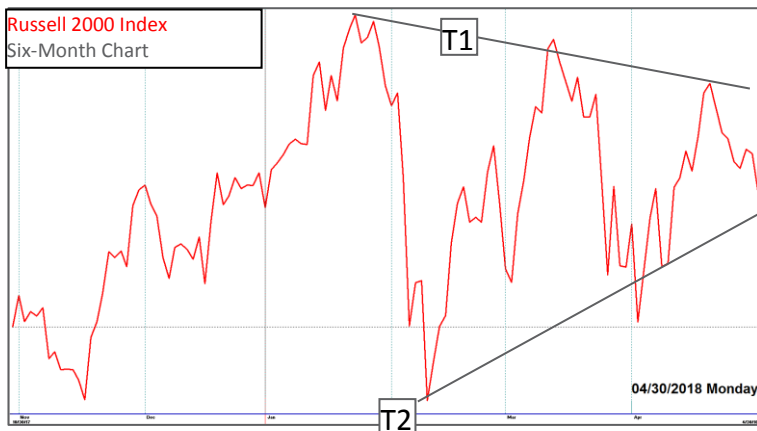
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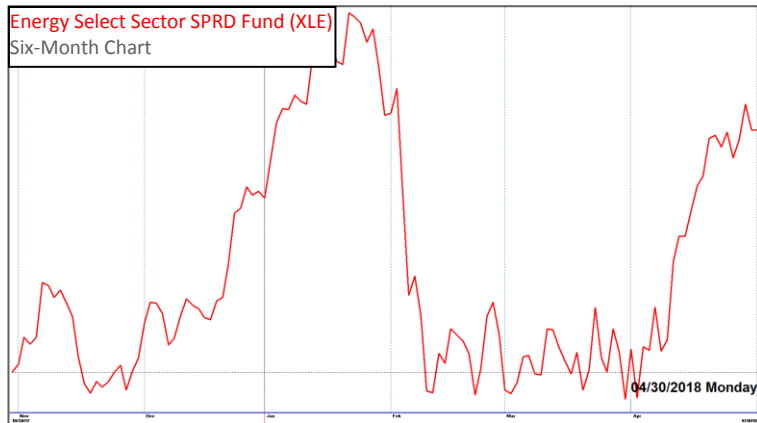
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The **S&P 500 Composite Index** is consolidating between the intermediate downtrend line, T1, and the shorter term uptrend line, T2. This is a triangle pattern where the price action narrows over time. Eventually, there will be a break above or a drop below the triangle formation. A break above T1, would indicate that the recent downtrend may be coming to an end. However, a decisive break below T2, would indicate a continuation of the downtrend. We are likely to know which scenario will play out within the next few days.



The **Russell 2000 Index** of small-cap stocks has a similar triangle chart pattern. The price of the index is currently trending towards the bottom of the triangle. Like large-cap stocks, we will likely know in the not too distant future whether T1 or T2 will prevail.



Energy is one of the few areas of the market that is trending up. The **Energy Select Sector Fund (XLE)** is in a strong uptrend and is up 9.5% for the month of April. Despite this strong uptrend, this can be a dangerous time for the markets. When bonds (not shown) are weak, stocks are deteriorating and energy (as well as other commodities) start to climb it is indicative of late economic cycle behavior. If we are indeed in the later stages of the economic cycle, commodities will likely fall when overall economic growth slows.

I have no way to know with any certainty what part of the economic cycle we are in or what the markets will do in the future. However, I do know that the current environment is far from a strong, healthy market. The Federal Reserve is meeting this week and the April jobs report will be released this Friday; both of these events have the potential to move the markets.

All of the RGB Capital Group models are down a little for the month. We remain defensively positioned awaiting more evidence that the recent volatility has run its course.

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