RGB Perspectives

September 16, 2019

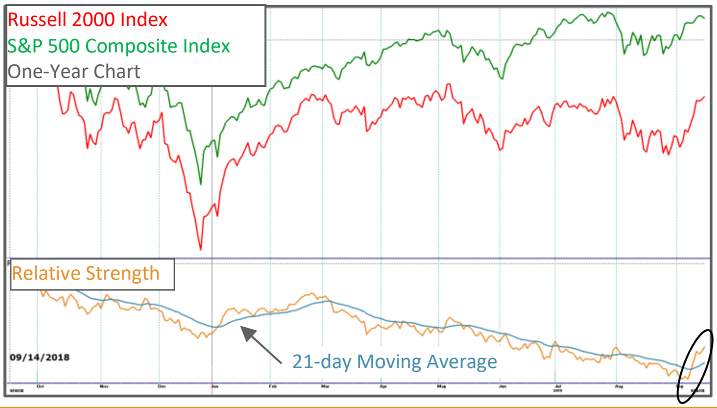
Written by Rob Bernstein (rob@rgbcapitalgroup.com)

RGB Capital Group LLC • 858-367-5200 • www.rgbcapitalgroup.com

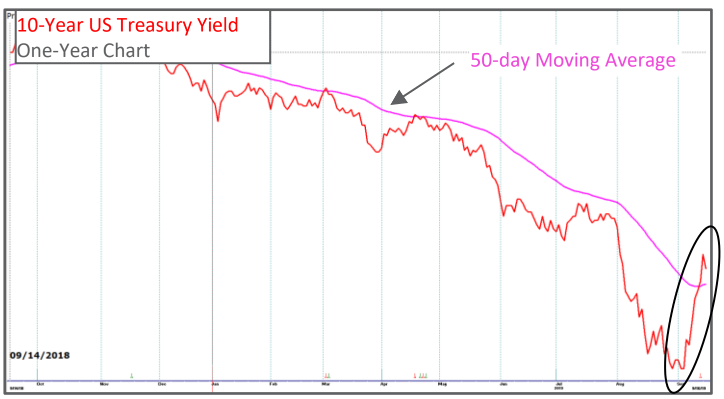
The RGB Capital Group Annual Meeting is scheduled for Saturday, November 2 at 10 am PDT at the DoubleTree by Hilton San Diego – Del Mar and simultaneously broadcast via a live webinar. The meeting is open to both clients and non-clients who want to learn more about our risk management techniques and business operations. Details of the meeting can be found at www.rgbcapitalgroup.com/events. To attend, you must register using one of the two links below.

Register to Attend in Person   Register to Attend the Webinar

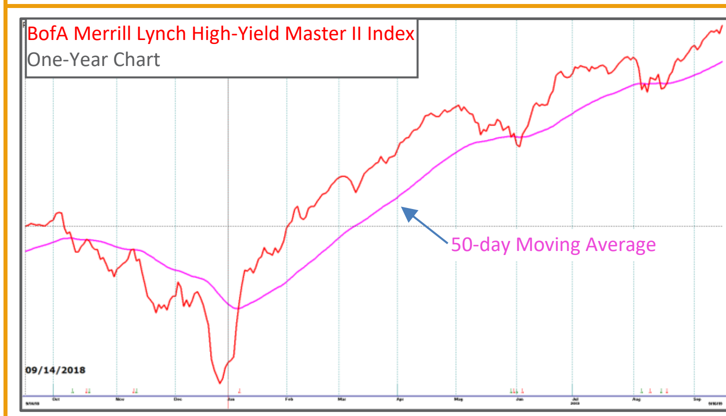
Of course, if you have any questions, please don't hesitate to give us a call in the office (858-367-5200).



A significant change in the financial markets over the last week points to an increased appetite for risk by investors. The first notable shift is the performance of small-cap stocks. While small-cap stocks have underperformed large-cap stocks for most of the last year (note the down trending relative strength line of the Russell 2000 Index vs. the S&P 500 Composite Index), that may be changing. Last week we saw a spike in the relative performance line (see circled area). When small-cap stocks outperform on a relative basis it is generally a positive indication for the market as a whole.



Another significant change occurred in the bond market where interest rates surged higher. The 10-Year US Treasury Yield came close to a multi-decade low in early September when the 10-year yield hit 1.47%. However, over the last week, the 10-Year US Treasury Yield spiked over 30% to 1.9% on Friday before pulling back slightly today. While this jump in yields has had a negative impact on many bond type investments, it is a sign that investors are fleeing the relative safety of US Treasuries in favor of riskier assets.



My favorite barometer of the overall health of the stock market is the BofA Merrill Lynch High-Yield Master II Index (aka the junk bond index). When the index is trending up on low volatility, as it is doing now, it is a sign that investors are willing to take on more risk and are more confident in future economic growth. While junk bonds are influenced by interest rates, they are also influenced by the overall health of the economy. As you can see, junk bonds continued to trend up despite the surge in interest rates last week.

The changes in the market last week negatively impacted many of the interest rate sensitive bond groups as money shifted to riskier assets with more upside potential. The RGB Conservative strategies were impacted by the surge in rates and are down for the month (less than 1%). The RGB Flexible and Flex+ strategies have benefited from the uptick in equities and are both up month-to-date.

Prepared with data through 9/16/2019