RGB Perspectives

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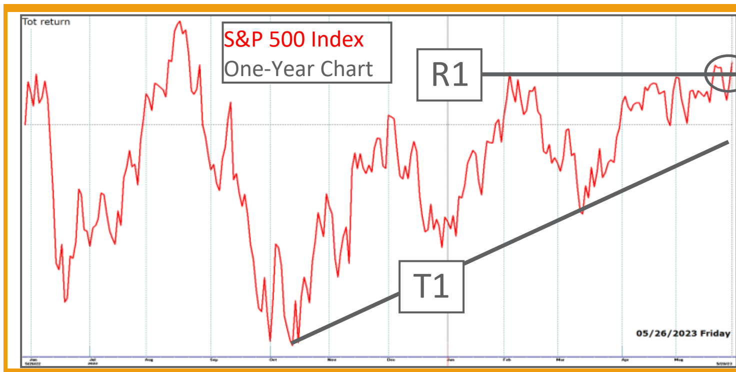
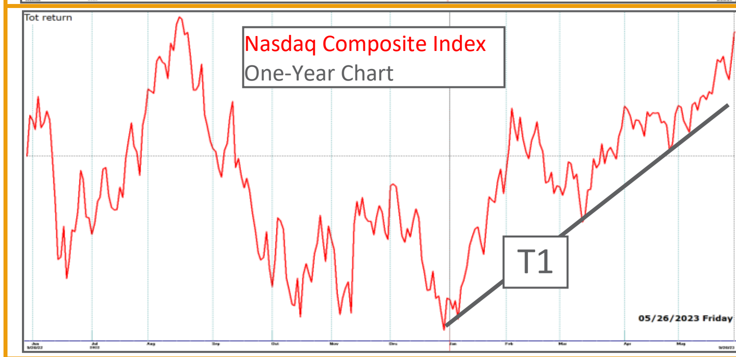
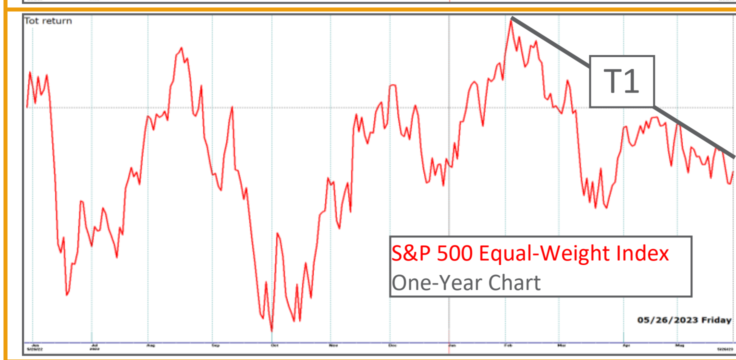


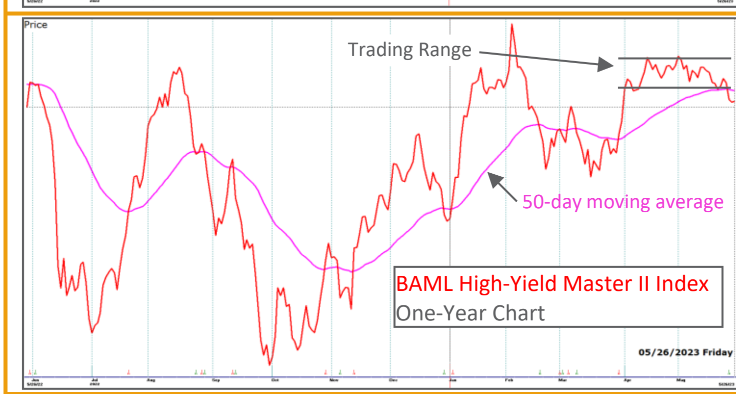
The financial markets continue to provide mixed messages. On the one-hand we have the S&P 500 Index that broke above resistance (R1) for a second time at the end of last week and notched out a new year-to-date high (see circled area).



In addition, the Nasdaq Composite Index is in an extremely strong uptrend (T1) and outperforming the rest of the market. This is primarily being driven by companies involved with artificial intelligence, or AI, which many believe will drive the next growth phase in the technology sector.



However, both those indices are cap-weighted indices and being held up by very few large technology stocks. The picture is much different when you look at the S&P 500 Equal-Weight Index, which gives equal weight to all stocks in the index. The index remains in a defined downtrend (T1) and is negative for the year-to-date period.



Junk bonds are also indicating an uncertain market environment. The BAML High-Yield Master II Index has dropped below the trading range that defined the price action in the index for the last two months and is now below its 50-day moving average. This doesn't mean that the market will decline from here, but the configuration is not an indication of a strong market environment.

Ultimately the divergence between the large-cap tech stocks and the rest of the market will be resolved but until then, market risk remains above normal. Over this past weekend a tentative deal to raise the debt ceiling was reached. If the deal is successfully passed in both the House and the Senate, one risk factor facing the markets recently will be removed. Investors' attention will then return to the future path of inflation, monetary policy changes, and a potential recession in the months ahead. I made no changes to the RGB Capital Group investment strategies over the last week.

Prepared with data through 5/26/2023