

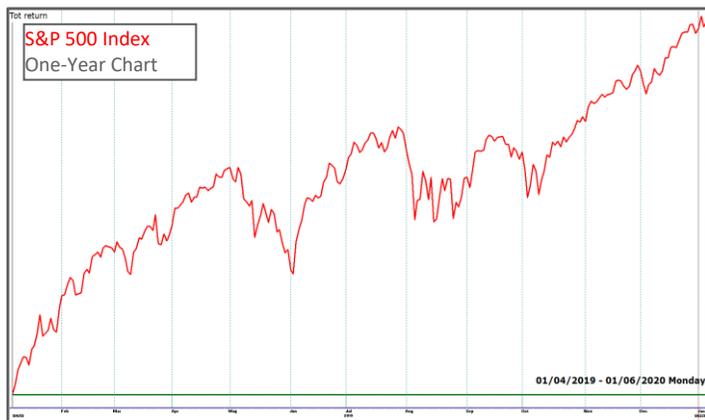


RGB Perspectives

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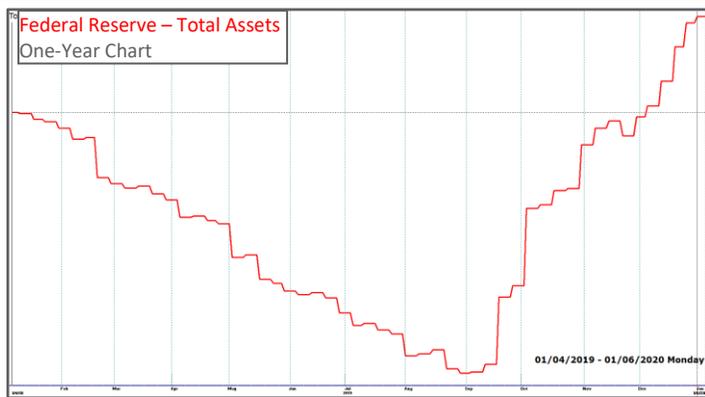
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The stock market has started 2020 right where it left off last year. That is, it continues to trend up on relatively low volatility. Even the recent escalation of tensions in the Middle East caused by the December 31st bombing of the U.S. Embassy in Baghdad and the subsequent airstrike by the U.S. that killed the head of Iran’s elite forces is hardly discernable on this chart of the **S&P 500 Index**, as it continues to trend up.



Junk bonds tend to trend down during times of elevated risk. That isn’t the case right now as the **Merrill Lynch High-Yield Master II Index** (junk bond index) continues to trend up above its 50-day moving average on very low volatility.



One of the reasons that I believe stocks and junk bonds are trending up is the accommodative policies of the Federal Reserve. One way the Federal Reserve provides liquidity to the financial system is to buy assets (such as bonds) as they did following the 2008 Financial Crisis, called quantitative easing. While the Fed has indicated they are not currently undertaking quantitative easing efforts, the chart of the **Federal Reserve – Total Assets** tells a different story. The Federal Reserve – Total Assets has increased from \$3.8 trillion to \$4.2 trillion, or 11%, since September 1st.

The increase in the total assets of the Federal Reserve is just one of the many factors that influences the markets and currently the confluence of factors is resulting in a positive stock market environment. During times like these, even bad news (such as a U.S. airstrike on Iran’s top military leader) doesn’t have much impact on the trend of the stock market. This, of course, will all change at some point in the future but for now it appears the market is set to continue trending up.

We remain fully invested in all of the RGB Capital Group investment strategies with an overweight in equities in our Flex+ and Balanced strategies. Our Core strategies remain fully invested with the non-qualified version maintaining a margined position. I will continue to look for signs of a change to the current trend and make adjustments as necessary.

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