

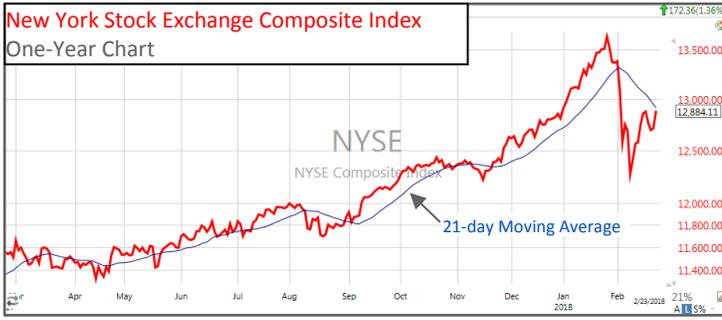


RGB Perspectives

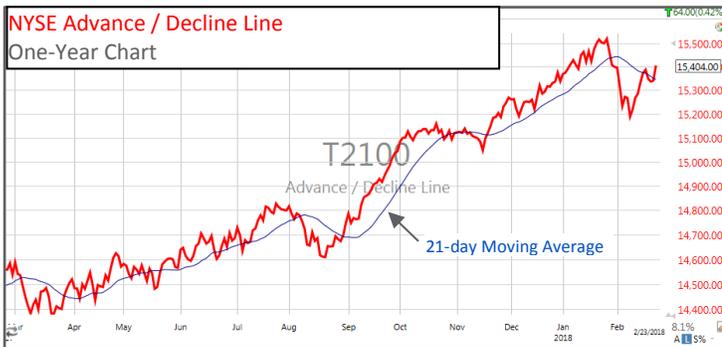
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Written by Rob Bernstein (rob@rgbcapitalgroup.com)

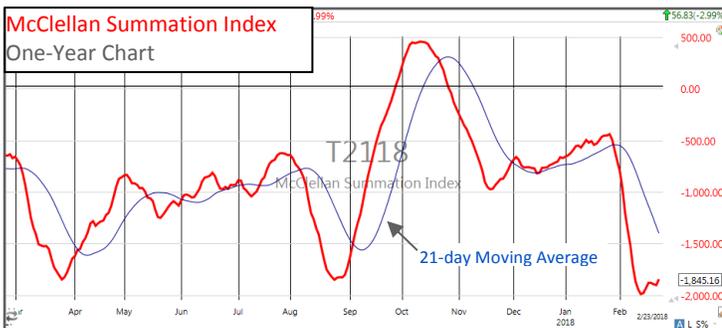
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Last week was a volatile week in the market with many of the major indices experiencing large (approximately 1%) intra-day swings each day. The **New York Stock Exchange (NYSE) Composite Index** ended the week up 0.1%. The NYSE Composite Index remains below its January peak and is below its downward trending 21-day moving average.



Short-term market breadth has improved considerably over the last two weeks. The **NYSE Advance / Decline Line**, a market breadth indicator representing the cumulative number of daily net advancing issues, has mirrored the NYSE Composite Index above, confirming the recent advance and has climbed above its 21-day moving average. Other short-term market breadth indicators have also improved.



However, the damage caused by the recent selloff to longer-term market breadth indicators has not been resolved. The **McClellan Summation Index**, a long-term breadth indicator derived from the number of advancing and declining stocks on the NYSE Composite Index, has remained near its recent lows. Even before the recent selloff, this indicator was trending down providing indications that there were underlining issues with the strong advance.



The **Cumulative 4-Week New High / New Low Index**, a long-term breadth indicator that does a decent job of confirming longer-term trends, pulled back during the recent selloff. It has trended sideways over the last two weeks and has not yet confirmed the resumption of the longer-term trend.

The market environment has improved considerably but some caution is still warranted. Improvement in longer-term market breadth indicators would provide additional evidence that the recent selloff was simply a short-term correction within a longer term bull market.

I increased market exposure in the RGB Flexible models last week and will continue increasing exposure as the market environment improves. No changes were made to the RGB Conservative models. All models remain down for the month.

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