

The Market Monitor

San Diego Chapter AAll – Risk Management SIG

Presented by Rob Bernstein, President RGB Capital Group LLC

February 5, 2025

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Upcoming Events

All meetings will be held in person at the Good Samaritan Church in La Jolla, CA.



February 8, 2025 – “Post-Election Strategy: Which Investments Will Outperform Under the New Trump Era?”, presented by Mark Skousen, Presidential Fellow, Chapman University

April 12, 2025 – TBD

May 10, 2025 – Two Presentations

- **Understanding Your Social Security Options** – Patrick Clunan, ColumbiaThreadneedle Investments
- **Medicare – What You Need to Know** – Steve Lujan, The MedicareMan

Current calendar can be found at www.aaiisandiego.com



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Market Monitor

The Market Monitor is a suite of tools designed for individual investors seeking to balance risk management with earning a fair return. It provides a unique, data-driven perspective on overall market conditions through the following key components:

1. **Market Monitor Newsletter** – A detailed monthly publication offering insights and in-depth analysis of market conditions.
2. **Stock Market Scorecard** – A weight-of-the-evidence dashboard that delivers a concise summary of the current market environment.
3. **Equity Allocation Guide** – A guide to overall market exposure, based on the Stock Market Scorecard (not an investment recommendation).
4. **Early Warning Model** – Signals when the market may be overextended, indicating potential trend reversals.
5. **Bond / Income Dashboard** – A visual snapshot of bond and income market performance, providing valuable insights into broader market trends.

Market Monitor

The Market Monitor is designed to inform; not predict. Therefore, it is:

- **Not a Market Timing System** – It won't call exact market tops or bottoms, but it helps identify shifts in risk and opportunity.
- **Not a One-Size-Fits-All Approach** – The tools provide a framework, but investors should still consider their own risk tolerance and investment strategy.
- **Not Always Right** – No system is perfect; markets can be unpredictable, and indicators can sometimes give mixed signals.
- **Not a Get-Rich-Quick Solution** – It's designed to help manage risk and improve decision-making, not chase short-term gains.
- **Not a Substitute for Personal Research** – While it provides valuable insights, investors should still do their own due diligence and consider multiple perspectives.
- **Not a Personalized Investment Plan** – The tools offer broad market insights but don't replace a customized financial strategy tailored to individual goals and circumstances.

1. Market Monitor Newsletter

The Market Monitor Newsletter is a monthly deep dive into what's happening in the markets, combining data-driven insights with Rob's own assessment of current conditions. It's designed to help individual investors cut through the noise and make more informed decisions by focusing on the key trends that matter.

- Compilation of the Market Monitor Toolset
- Technical Assessment of Market Conditions
- Macro trends impacting markets
- Overall assessment of market risk
- Assessment of whether market is over extended

Market Monitor
Version 2025-01
Written by Rob Bernstein
January 9, 2025

The Market Monitor newsletter is intended for individual investors with a desire to manage the conflicting goals of managing risk and earning a fair return by providing a unique perspective of general market conditions.

For over seven years, I have had the privilege of publishing the *Market Monitor* newsletter. In December 2018, I launched the first iteration of the RGB Stock Market Scorecard — a tool designed to help individual investors gain a clear, concise summary of the current market environment by integrating technical, fundamental and credit indicators into one cohesive framework.

Today, I'm excited to introduce the next evolution of this resource: the RGB Stock Market Scorecard^{2.0}. You'll find the updated Scorecard on the next page as well as the [RGB Capital Group website](#). While its familiar layout remains, the enhanced dashboard now includes a new market breadth section and updated indicators to help you assess the market's current state. In addition, the Equity Allocation Guide and Early Warning models have been updated to help you make informed investment decisions. To learn more, join me for a complimentary webinar on February 5th at 5 pm PST where I will review the Scorecard's features and applications in detail. [Register here](#).

The RGB Stock Market Scorecard^{2.0} is now updated daily and can be accessed anytime at www.rgbcapitalgroup.com/scorecard. The underlying data, provided by FastTrack, is refreshed nightly to ensure timely, accurate data. I welcome your feedback—please email me at rob@rgbcapitalgroup.com.

Now, on to the markets: Over the past month, the stock market environment has weakened, with major indices falling from recent peaks. Depending on the index, losses range from 2% to 8% reflecting uncertainty and an increase in volatility. The new Trump administration has introduced a mix of optimism and uncertainty. Proposals for deregulations and tax cuts have sparked hopes for economic growth, while the possibility of increased tariffs and trade disputes have tempered enthusiasm. While Trump is generally seen as business friendly, the long-term impacts of any policy shifts remain unclear. While I believe in the long-run the stock market will benefit, the path might be a bumpy one.

At the same time, the interest rate environment has also become less certain. The Federal Reserve has signaled that the number of rate reductions in 2025 will likely be fewer than initially anticipated. This will create headwinds for most bond and income funds, and signals that the Fed is still concerned about the risks of inflation on the economy.

The Market Monitor is provided for general information purposes only. It does not constitute an offer to sell or a solicitation to buy a security, and is not an offer to provide any specific investment advice. Past performance is not a guarantee of future performance. It is not possible to invest directly in an index. Subscribers of the newsletter must take into account their personal financial situation, including financial needs and tolerance for risk, when making investment decisions. Always reference a fund's prospectus before buying any mutual fund or ETF. Most data and charts are provided by FastTrack (www.fasttrack.net) or www.stockcharts.com. Questions about this newsletter can be addressed to Robert Bernstein at 858-367-5200 or rob@rgbcapitalgroup.com.


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Market Monitor Newsletter – Sign Up

If you want to receive the monthly Market Monitor newsletter and are not already receiving it, you may do so by scanning the QR code below. This is a complimentary newsletter.



The individual dashboards that make up the Market Monitor newsletter are available for free on the Resources tab at www.rgbcapitalgroup.com.

 **Privacy Assurance:** Your contact information will only be used to deliver newsletters and educational content. We never share your information with third parties.

2. Stock Market Scorecard^{2.0}



Features

- Three sections
 - Primary Cycle Analysis
 - Technical Environment
 - Early Warning Indicators
- Time Frames
 - Short – 0 days to 3 weeks
 - Intermediate – 3 weeks to 6 months
 - Long – 6+ months
- Indicator Reading
 - Positive
 - Neutral
 - Negative

Major Changes from Scorecard to Scorecard^{2.0}

| Feature | Change |
|-------------------|---|
| Indicators | Most indicators upgraded; no longer proprietary |
| Breadth Model | Added |
| Fundamental Model | Removed |
| Data Source | www.fasttrack.net |
| Data Availability | Daily @ www.rgbcapitalgroup.com on the Resources tab |

Scorecard^{2.0} Indicators – Primary Cycle Analysis



- **Secular Market Cycle**—Secular (long-term) bull markets are defined by above average returns over an extended period of time. Secular bear markets are defined by long-term periods of flat or declining prices (i.e. below average returns). Secular cycles tend to last from 5 to 25 years.
- **Cyclical Market Cycle**—Cyclical bull and bear markets are shorter trends within the context of secular (long-term) trends. There can be several cyclical bull and bear markets within a secular bull/bear market. For purposes of this report a cyclical bull market is a rise in the Dow Jones Industrial Average of 30% over 50 calendar days or a rise of 13% after 155 calendar days. A cyclical bear market is a 30% decline over 50 calendar days or a 13% decline after 145 days.

Scorecard^{2.0} Indicators - Trend

Trend Analysis

Short-Term Trend Rating

Positive

Intermediate-Term Trend Rating

Positive

Long-Term Trend Rating

Positive

| Timeframe | Index | Indicator | Reading |
|------------|---------------|--|--|
| Short-Term | S&P 500 Index | 5-Day/10-Day EMA Crossover | Positive: 5-Day > 10-Day Negative: 10-Day > 5-Day |
| Inter-Term | S&P 500 Index | 5-Week/10-Week EMA Crossover | Positive: 5-Week > 10-Week Negative: 10-week > 5-Week |
| Long-Term | S&P 500 Index | 50-Day/200-Day EMA Crossover | Positive: 50-Day > 200-Day Negative: 200-Day > 50-Day |

Short-Term Trend

S&P 500 Index 5-Day / 10-Day EMA Crossover

1-Year Chart

Current State: **Positive**



Source: www.stockcharts.com

Intermediate-Term Trend

S&P 500 Index 5-Week / 10-Week EMA Crossover

1-Year Chart

Current State: **Positive**



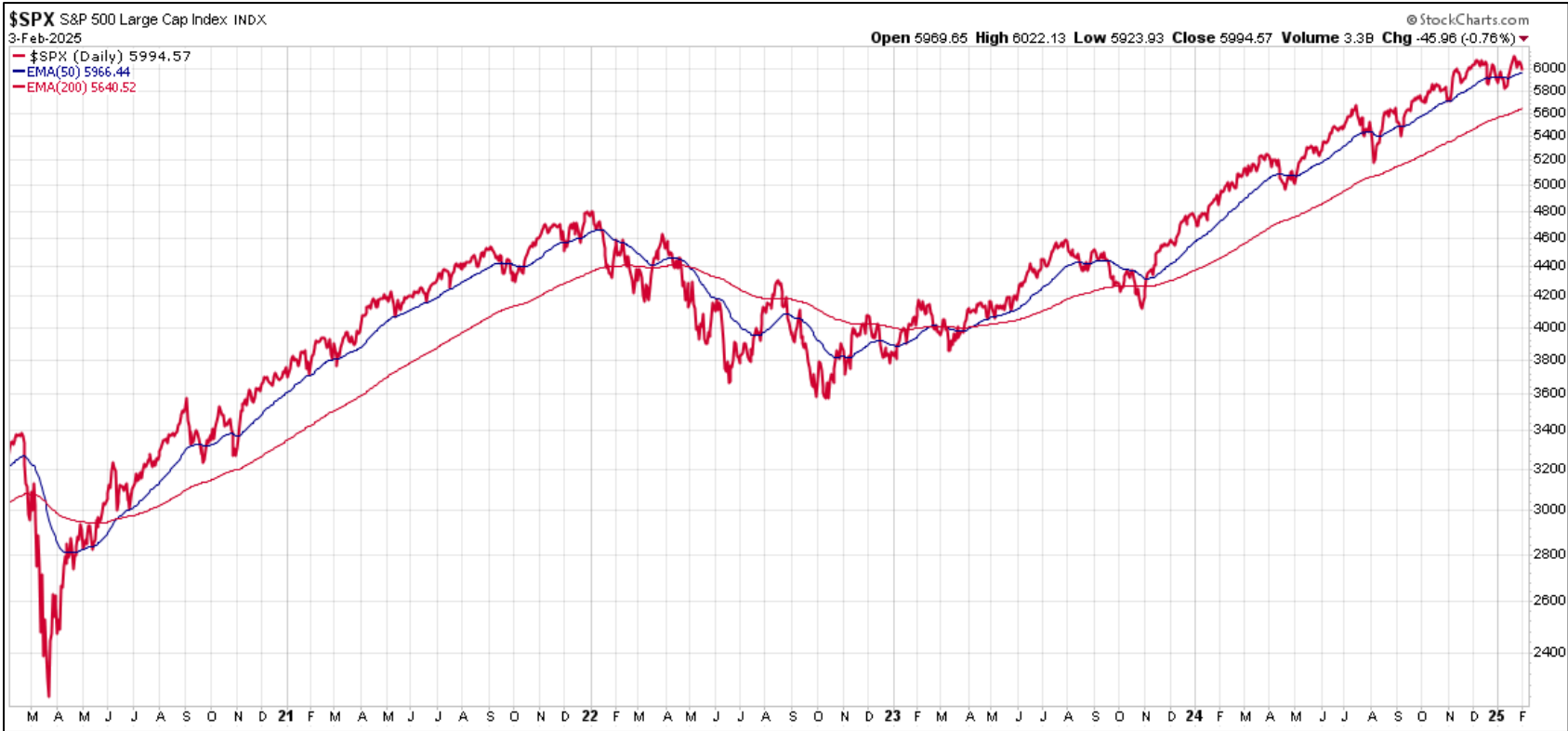
Source: www.stockcharts.com

Long-Term Trend

S&P 500 Index 50-Day / 200-Day EMA Crossover

5-Year Chart

Current State: **Positive**



Source: www.stockcharts.com

Scorecard^{2.0} Indicators - Momentum

Momentum Analysis

Short-Term Momentum Rating

Neutral

Intermediate-Term Momentum Rating

Neutral

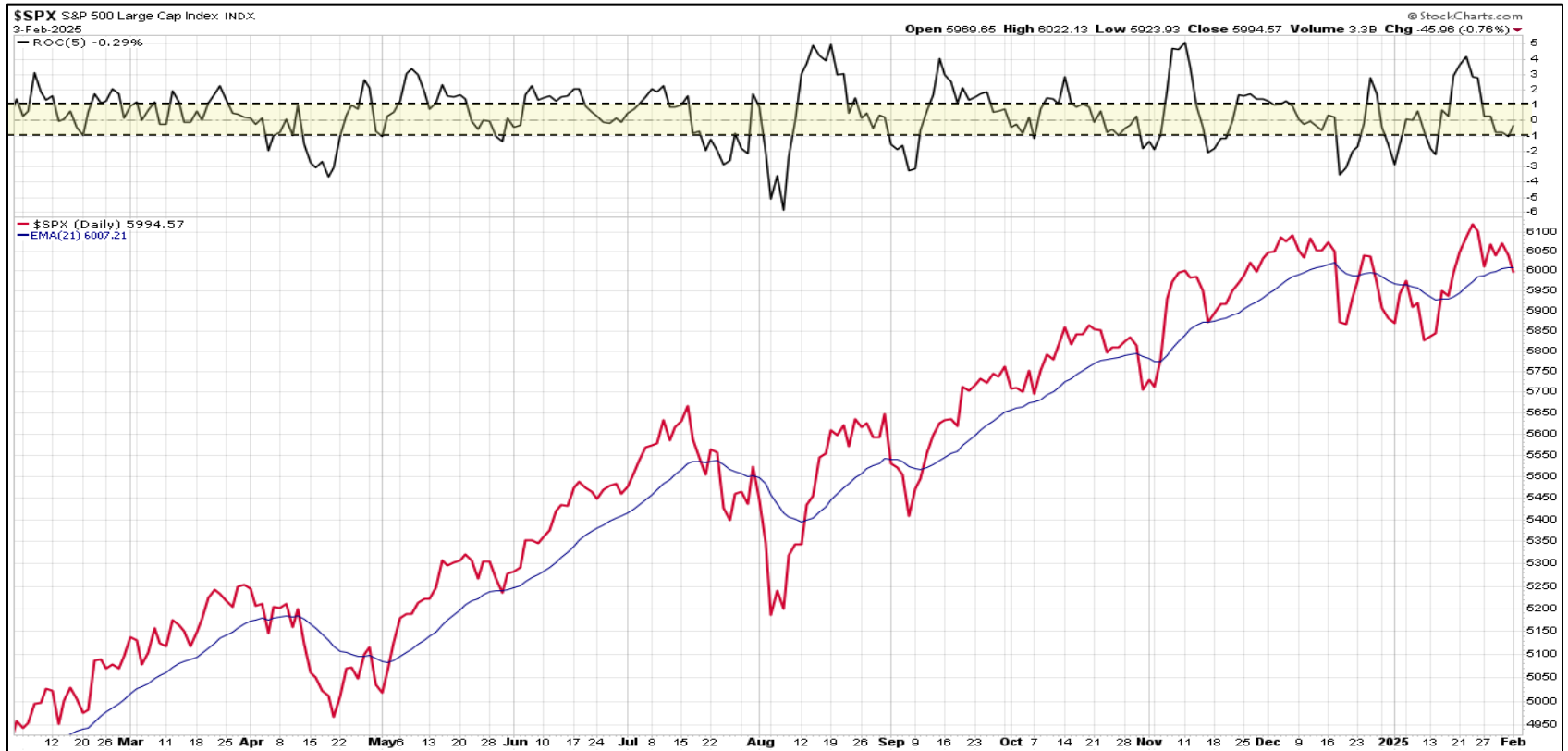
Long-Term Momentum Rating

Negative

| Timeframe | Index | Indicator | Reading |
|------------|---------------|--|--|
| Short-Term | S&P 500 Index | Rate of Change (5 Day) | Positive: > +1% Neutral: between -1% and +1% Negative: < -1% |
| Inter-Term | S&P 500 Index | Average Directional Index (14 Day) | Positive: ADX trend is up and +DI > -DI Neutral: ADX trend is down Negative: ADX trend is up and +DI < -DI |
| Long-Term | S&P 500 Index | Weekly MACD (26, 52, 18) | Positive: MACD > signal line Negative: MACD < signal line |

Short-Term Momentum S&P 500 Index – Rate of Change (5-Day) 1-Year Chart

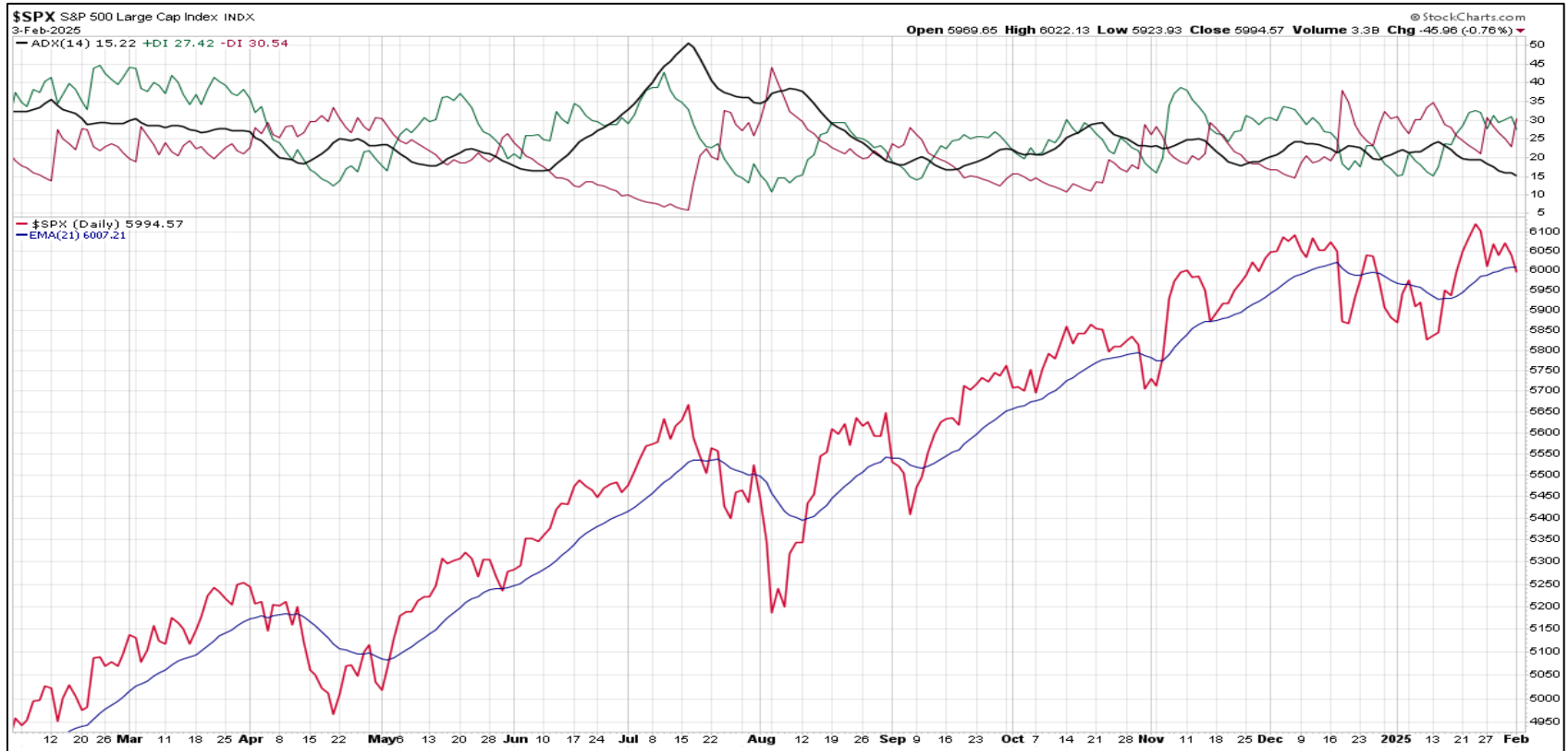
Current State: **Neutral**



Source: www.stockcharts.com

Intermediate-Term Momentum S&P 500 Index – Average Directional Index (14-Day) 1-Year Chart

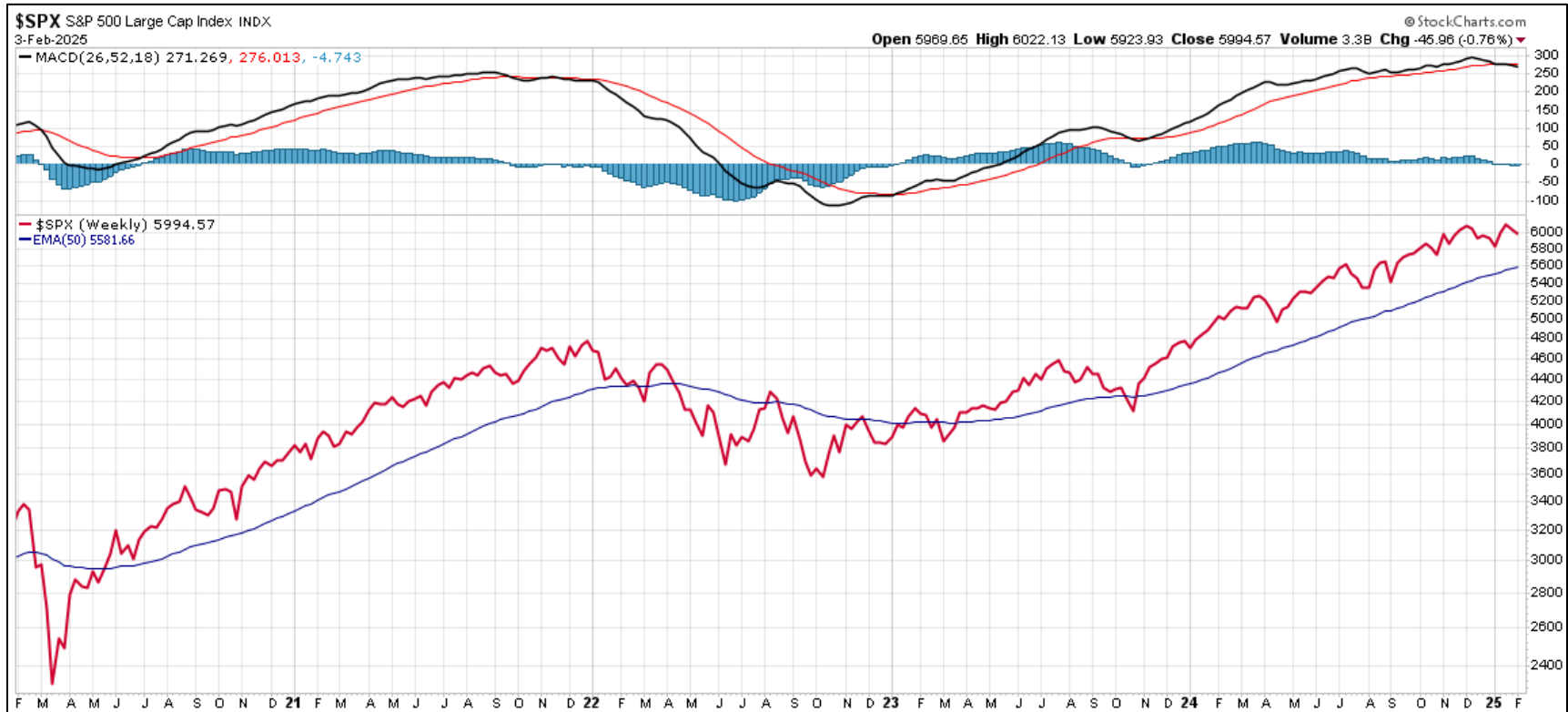
Current State: **Neutral**



Source: www.stockcharts.com

Long-Term Momentum S&P 500 Index – MACD (26,52,10) 5-Year Chart

Current State: **Negative**



Source: www.stockcharts.com

Scorecard^{2.0} Indicators - Breadth

| Market Breadth Analysis | |
|---|----------|
| Short-Term Market Breadth Rating | Positive |
| Intermediate-Term Market Breadth Rating | Positive |
| Long-Term Market Breadth Rating | Positive |

| Timeframe | Index | Indicator | Indicator |
|------------|--------------------------------|---|--|
| Short-Term | S&P 500 Advance / Decline Line | AD Line w/ 21-Day EMA Crossover | Positive: AD Line > 21-day EMA Negative: AD Line < 21-Day EMA |
| Inter-Term | NYSE Advance Decline Line | AD Line w/ 50-Day EMA Crossover | Positive: AD Line > 50-day EMA Negative: AD Line < 50-Day EMA |
| Long-Term | S&P 500 New High/Lows % | NHL% w/ 50-Day EMA | Positive: NHL% > 50-Day EMA Negative: NHL% < 50-Day EMA |

Short-Term Breadth

S&P 500 Index – Advance Decline Line with 21-Day EMA

1-Year Chart

Current State: **Positive**



Source: www.stockcharts.com

Intermediate-Term Breadth

NYSE Index – Advance Decline Line with 50-Day EMA

5-Year Chart

Current State: **Positive**



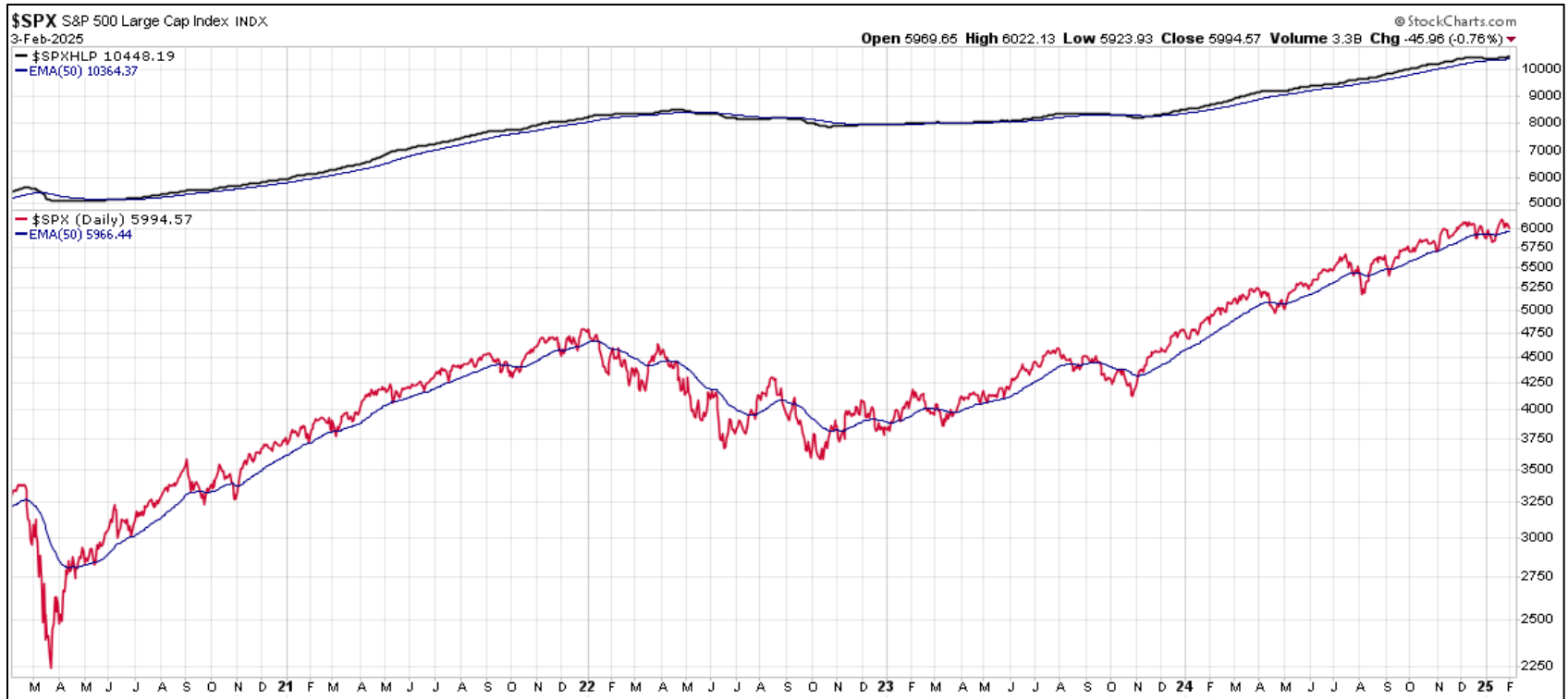
Source: www.stockcharts.com

Long-Term Breadth

S&P 500 Index New High-New Low Percent

5-Year Chart

Current State: **Positive**



Source: www.stockcharts.com

Scorecard^{2.0} Indicators - Credit

| Credit Conditions Analysis | |
|--|----------|
| Short-Term Credit Conditions Rating | Positive |
| Intermediate-Term Credit Conditions Rating | Positive |
| Long-Term Credit Conditions Rating | Positive |

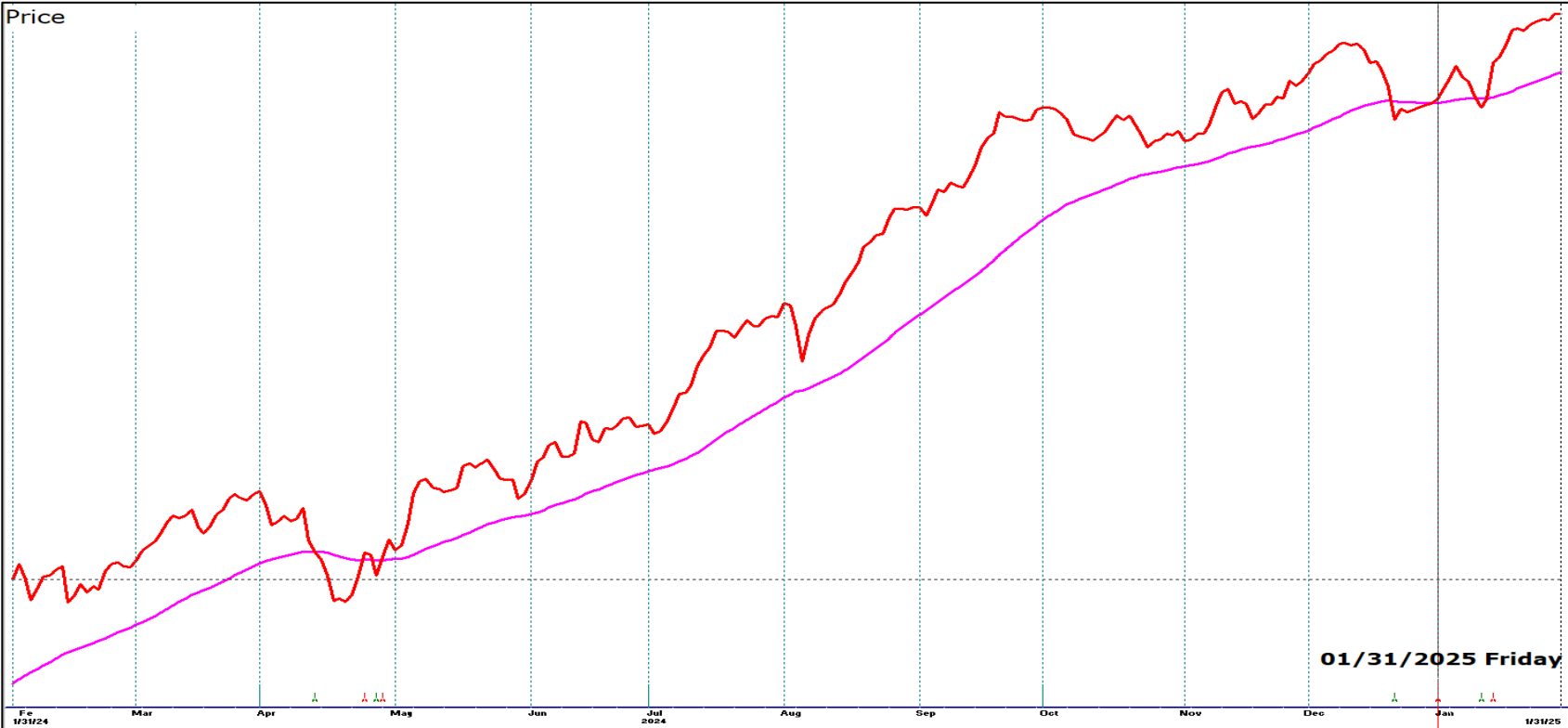
| Timeframe | Index | Indicator | Reading |
|------------|------------------------------------|--|--|
| Short-Term | BAML High-Yield Master II Index | 50-Day EMA Crossover | Positive: Index > 50-Day EMA Negative: Index < 50-Day EMA |
| Inter-Term | BAML High-Yield Master II Index | 30-Day/126-Day EMA Crossover | Positive: 30-Day EMA > 126 Day EMA Negative: 30-Day EMA < 126-Day EMA |
| Long-Term | High-Yield Option Adjusted Spreads | | Positive: Value < 400 bps Neutral: Value between 400 and 600 bps Negative: Value > 600 bps |

Short-Term Credit

BAML High-Yield Master II Index with 50-Day EMA

1-Year Chart

Current State: **Positive**



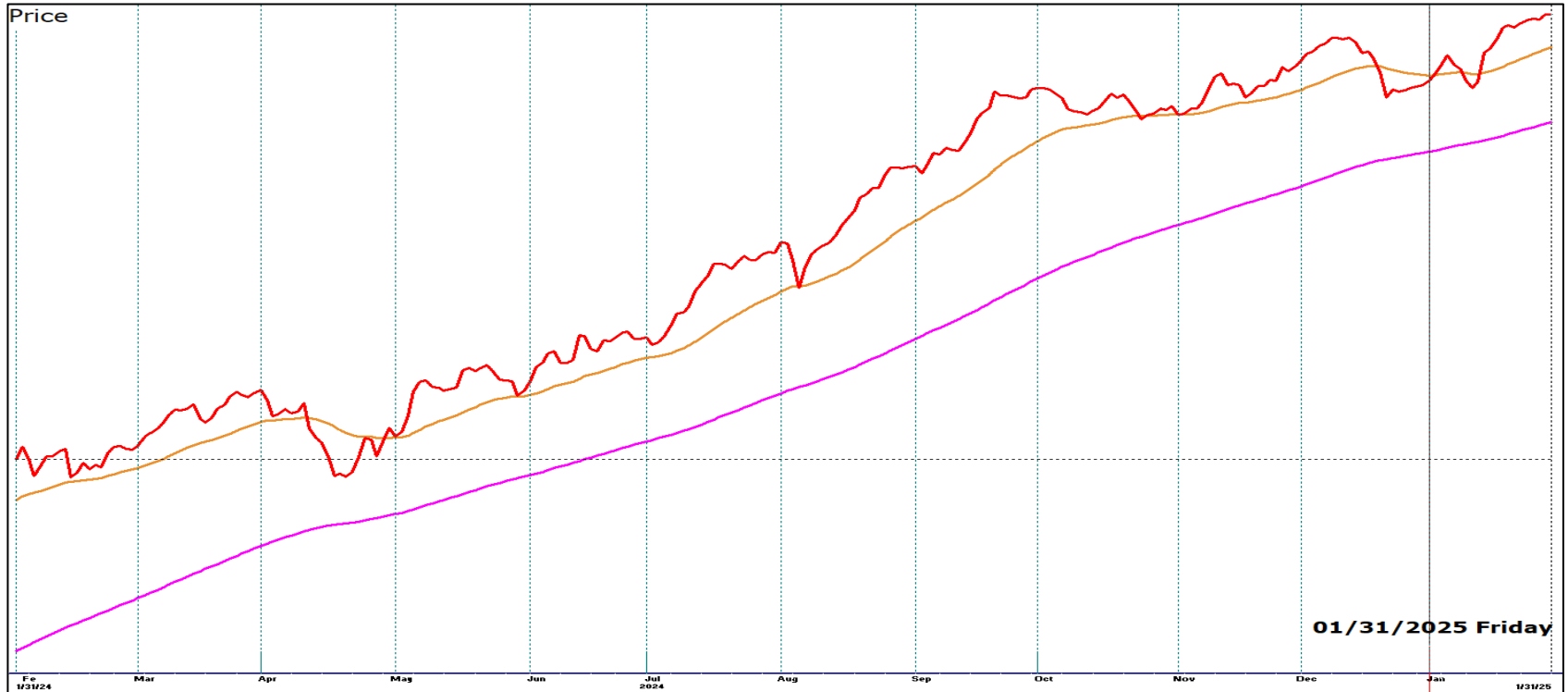
Source: www.fasttrack.net

Intermediate-Term Credit

BAML High-Yield Master II Index – 30-day / 126-day EMA Crossover

1-Year Chart

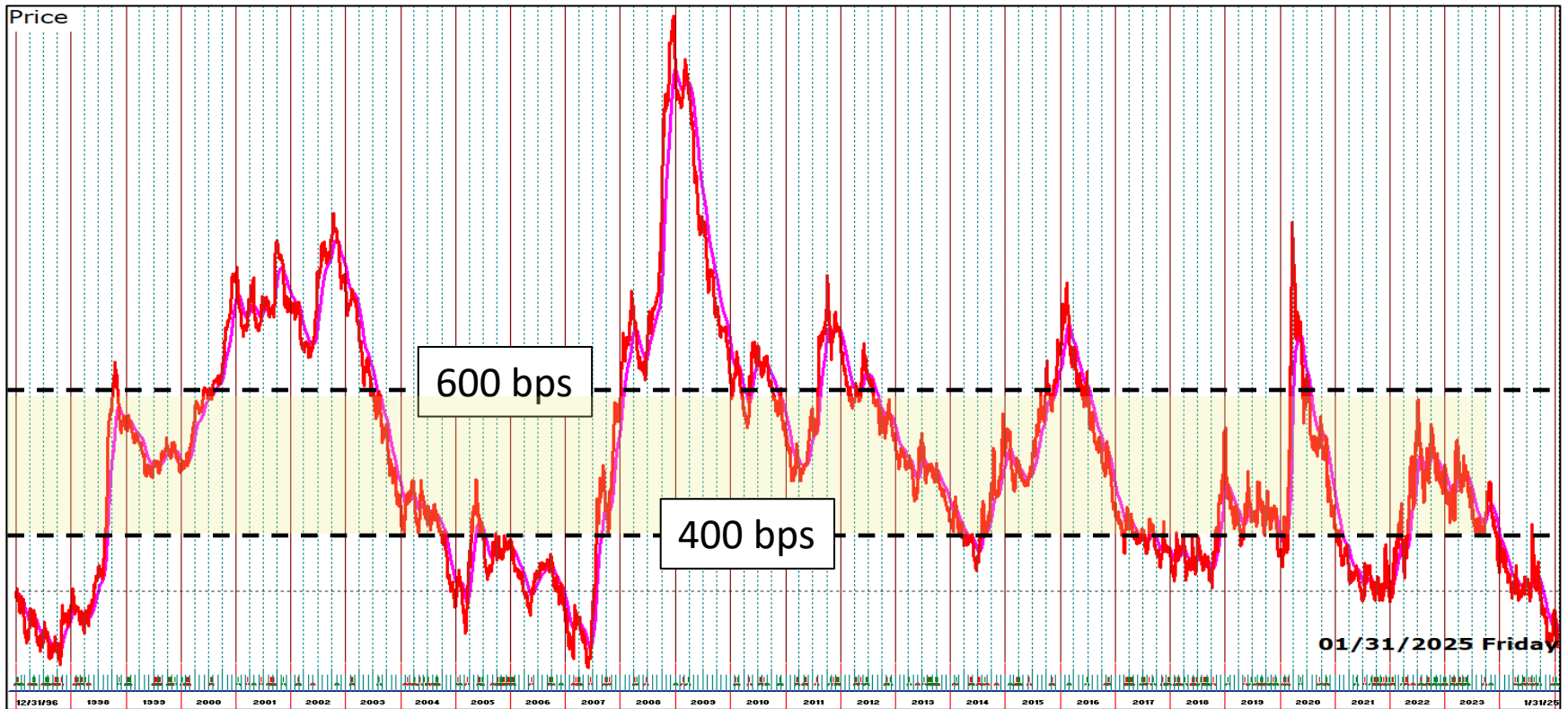
Current State: **Positive**



Source: www.fasttrack.net

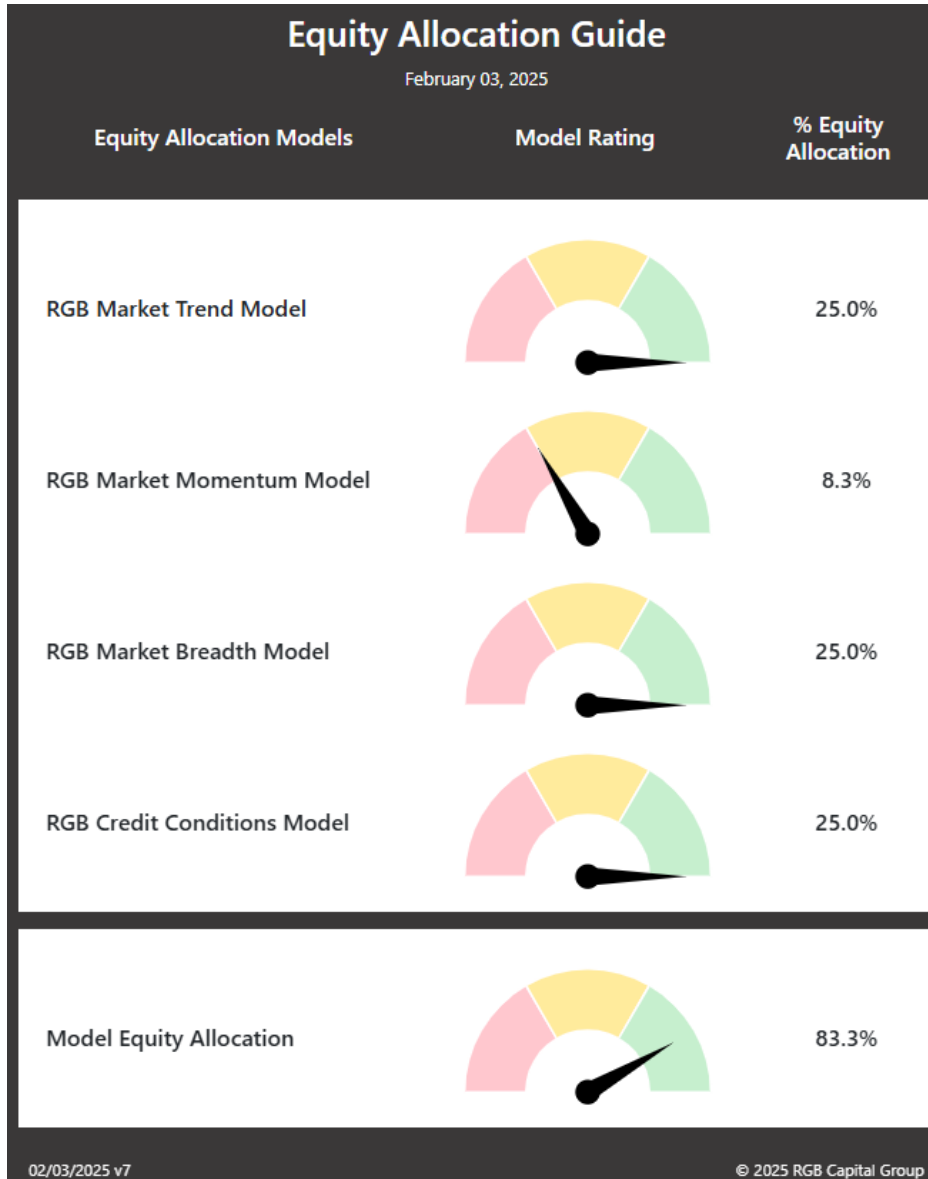
Long-Term Credit BAML High-Yield Option Adjusted Spreads 25+ Year Chart

Current State: **Positive**



Source: www.fasttrack.net

3. Equity Allocation Guide



Features

- Market driven framework to assess overall market exposure based on the current technical environment.
- Uses a weight-of-the-evidence approach to assess market risk and opportunity
- Use as a resource along side other market analysis tools to make more informed decisions. Not a timing tool and not an investment recommendation.

Dynamic Equity Allocation

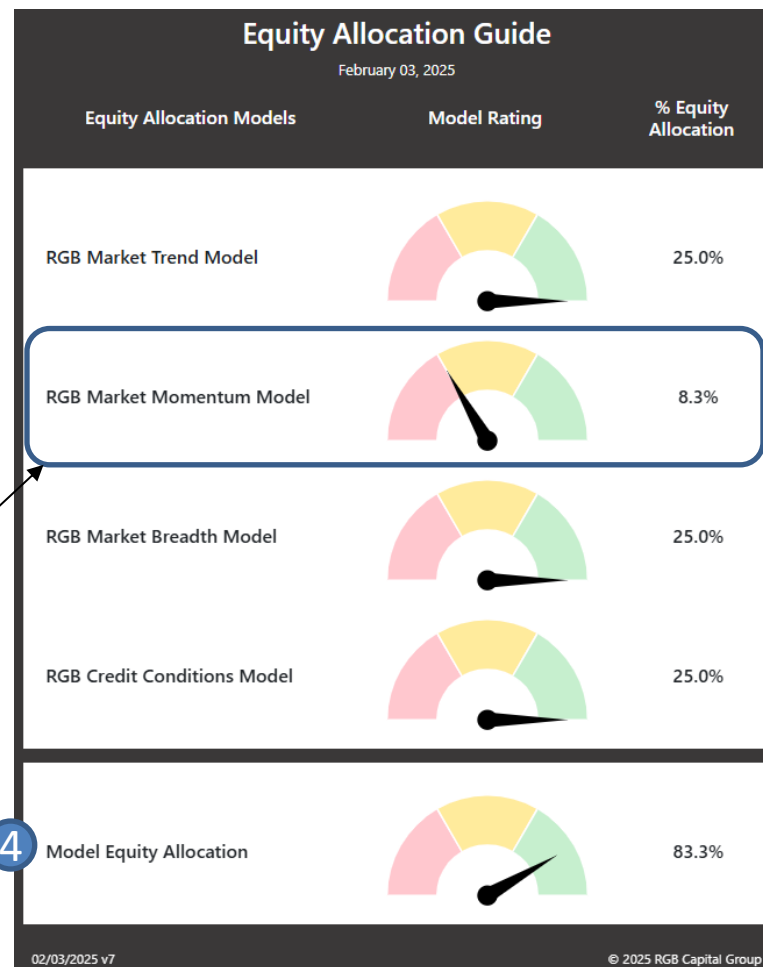
Indicator Weighting

| | |
|----------|-----|
| Positive | 1.0 |
| Neutral | 0.5 |
| Negative | 0.0 |

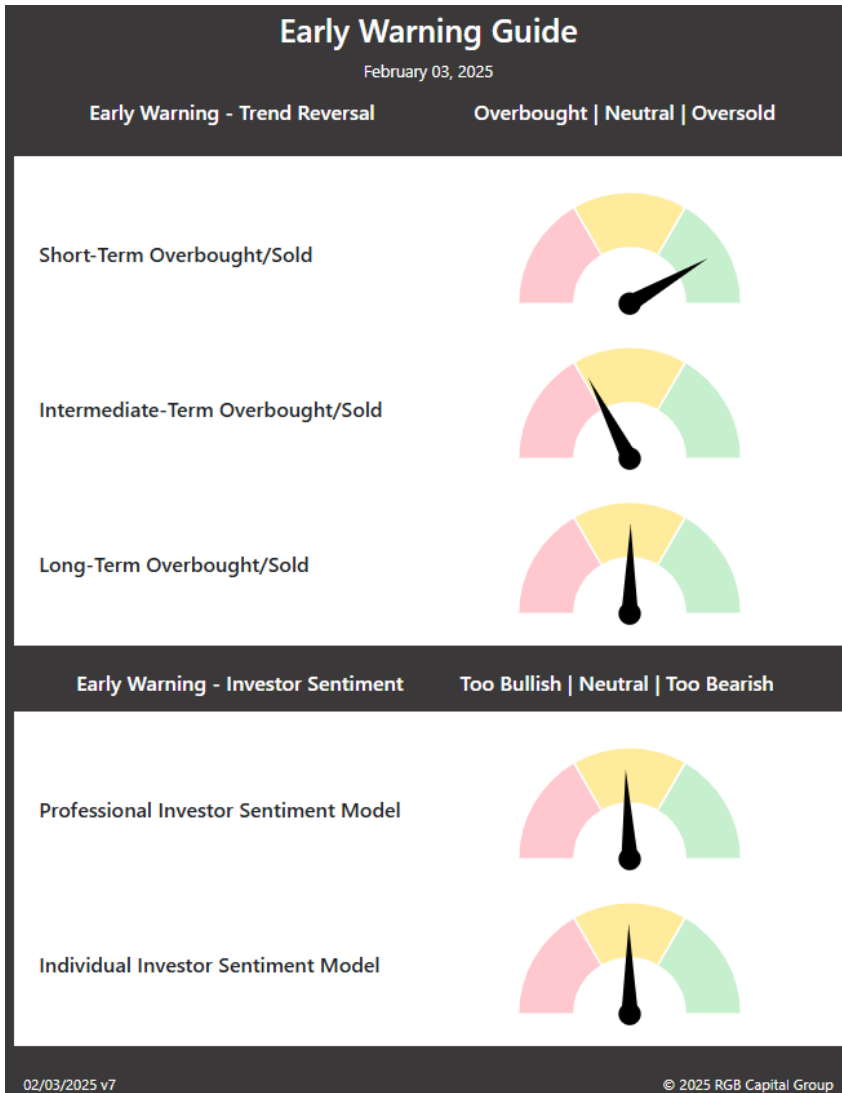
Calculation

| Momentum Analysis | | |
|-----------------------------------|----------|------|
| Short-Term Momentum Rating | Neutral | 0.50 |
| Intermediate-Term Momentum Rating | Neutral | 0.50 |
| Long-Term Momentum Rating | Negative | 0.00 |
| 2 Average Weighting | | 0.33 |
| 3 Model Weighting | | 25% |
| Equity Allocation | | 8.3% |

- 1 Apply indicator weighting
- 2 Calculate average model weighting
- 3 Apply model weighting
- 4 Sum model allocations



4. Early Warning Guide



Features

- Indicators are a contrarian view of the market.
- Assesses whether the market has moved too far in one direction, signaling potential reversal points.
- Uses professional and individual sentiment to gauge market psychology.
- Helps identify times when extreme optimism or pessimism could indicate a shift in market direction.

Scorecard^{2.0} Indicators – Overbought/Oversold

| Overbought/Oversold Analysis | |
|--|----------|
| Short-Term Overbought/Oversold Rating | Positive |
| Intermediate-Term Overbought/Oversold Rating | Neutral |
| Long-Term Overbought/Oversold Rating | Neutral |

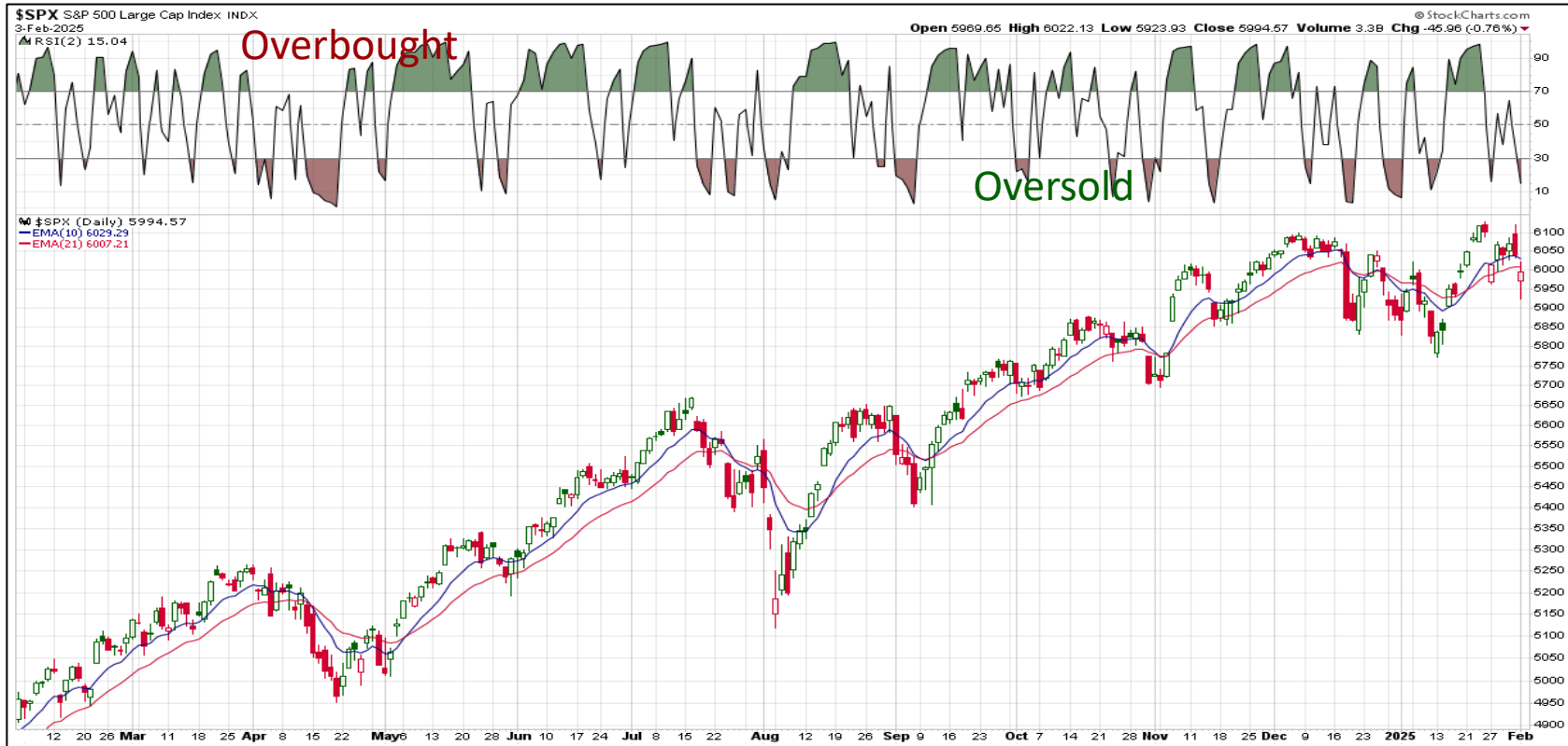
| Timeframe | Index | Indicator | Reading |
|------------|---------------|--------------------------------------|--|
| Short-Term | S&P 500 Index | RSI (2) | Overbought: RSI > 70 Neutral: RSI < 70 and RSI > 30 Oversold: RSI < 30 |
| Inter-Term | S&P 500 Index | Stochastics (14,3,3) | Overbought: Stoch > 80 Neutral: Stoch < 80 and Stoch > 20 Oversold: Stoch < 20 |
| Long-Term | S&P 500 Index | RSI (14) | Overbought: RSI > 70 Neutral: RSI < 70 and RSI > 30 Oversold: RSI < 30 |

Short-Term Overbought/Oversold

S&P 500 Index – RSI (2)

1-Year Chart

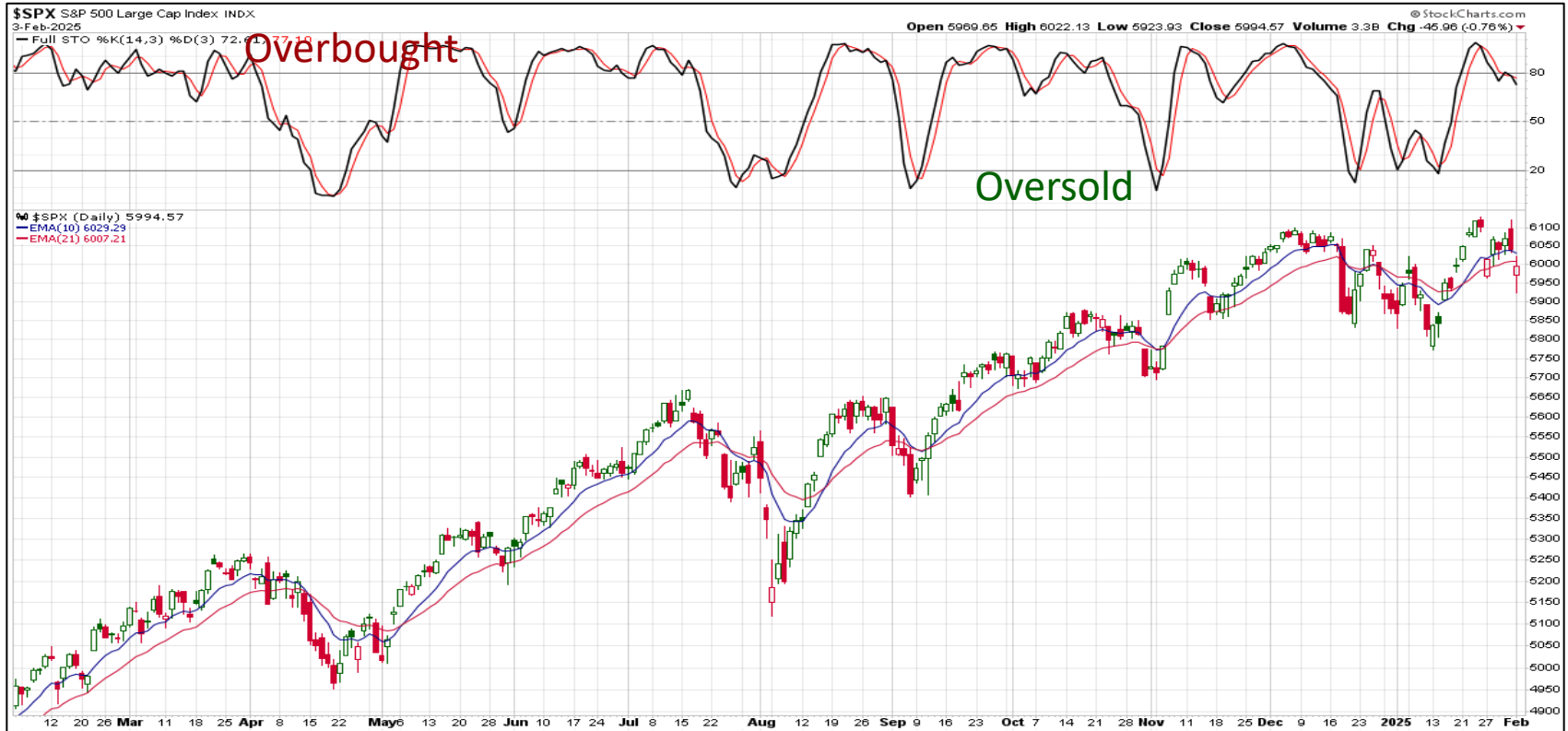
Current State: **Positive**



Source: www.stockcharts.com

Intermediate-Term Overbought/Oversold S&P 500 Index – Stochastics (14,3,3) 1-Year Chart

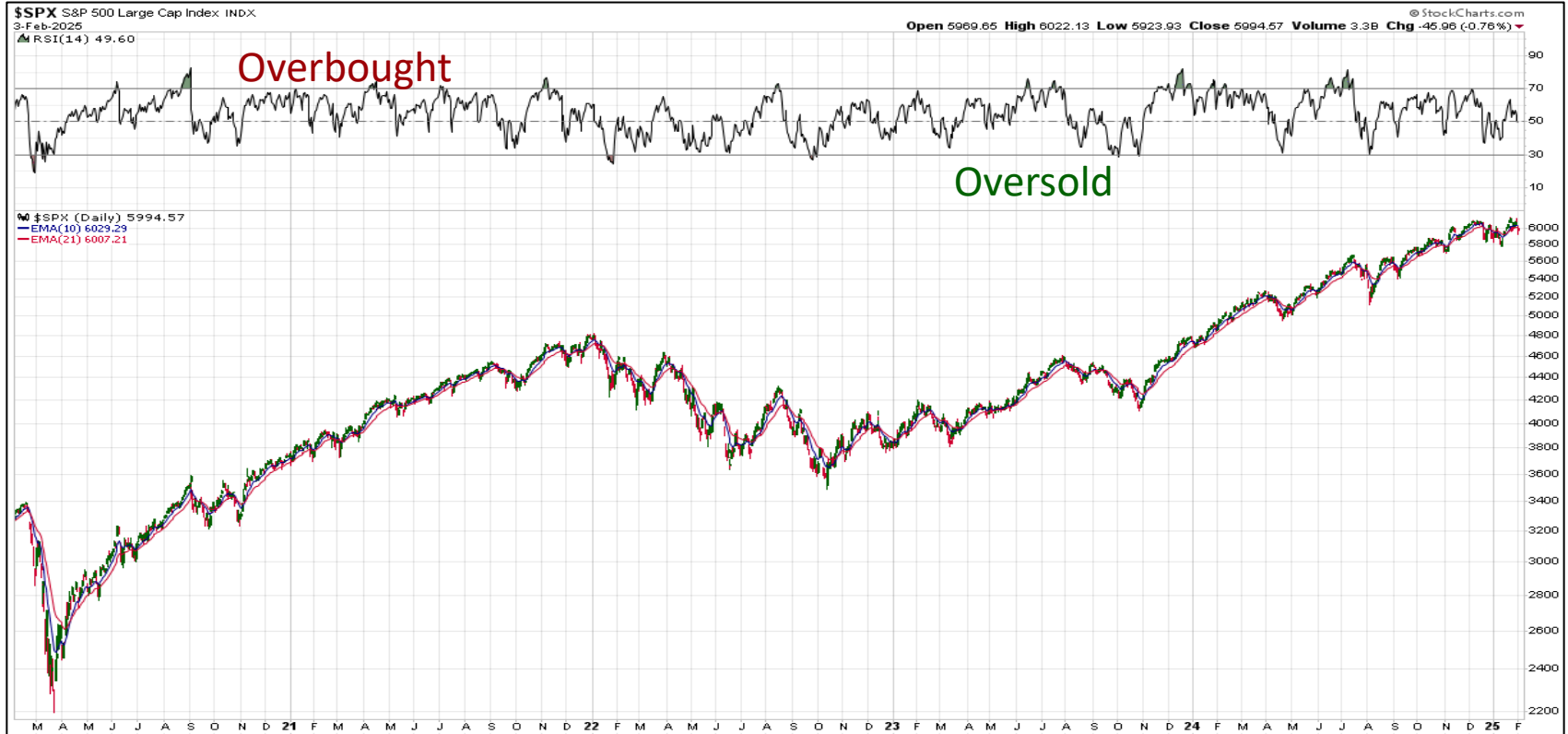
Current State: **Neutral**



Source: www.stockcharts.com

Long-Term Overbought/Oversold S&P 500 Index – RSI (14) 5-Year Chart

Current State: **Neutral**



Source: www.stockcharts.com

Scorecard^{2.0} Indicators – Investor Sentiment

| Investor Sentiment | |
|------------------------|---------|
| Professional Investors | Neutral |
| Individual Investors | Neutral |

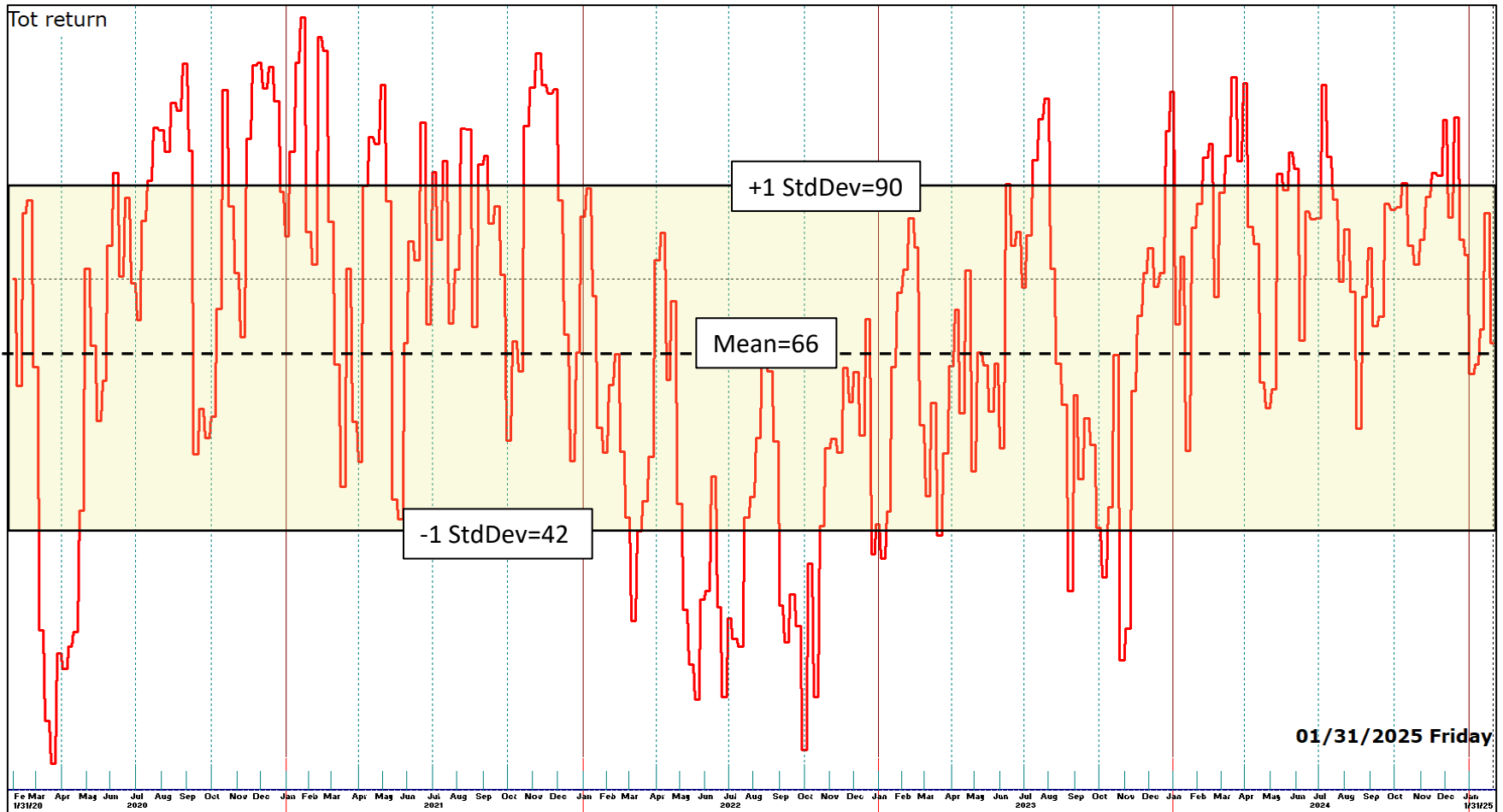
| Investor Sentiment | Index | Reading |
|------------------------|-------------------------|--|
| Professional Investors | NAAIM Exposure Index | Too Bullish: Value > +1 StdDev Neutral: -1 StdDev > Value > +1 StdDev Too Bearish: Value < -1 StdDev |
| Individual Investors | AAll Bull / Bear Spread | Too Bullish: Value > +1 StdDev Neutral: -1 StdDev > Value > +1 StdDev Too Bearish: Value < -1 StdDev |

Investor Sentiment – Professional Investors

NAAIM Exposure Index

1-Year Chart

Current State: **Neutral**



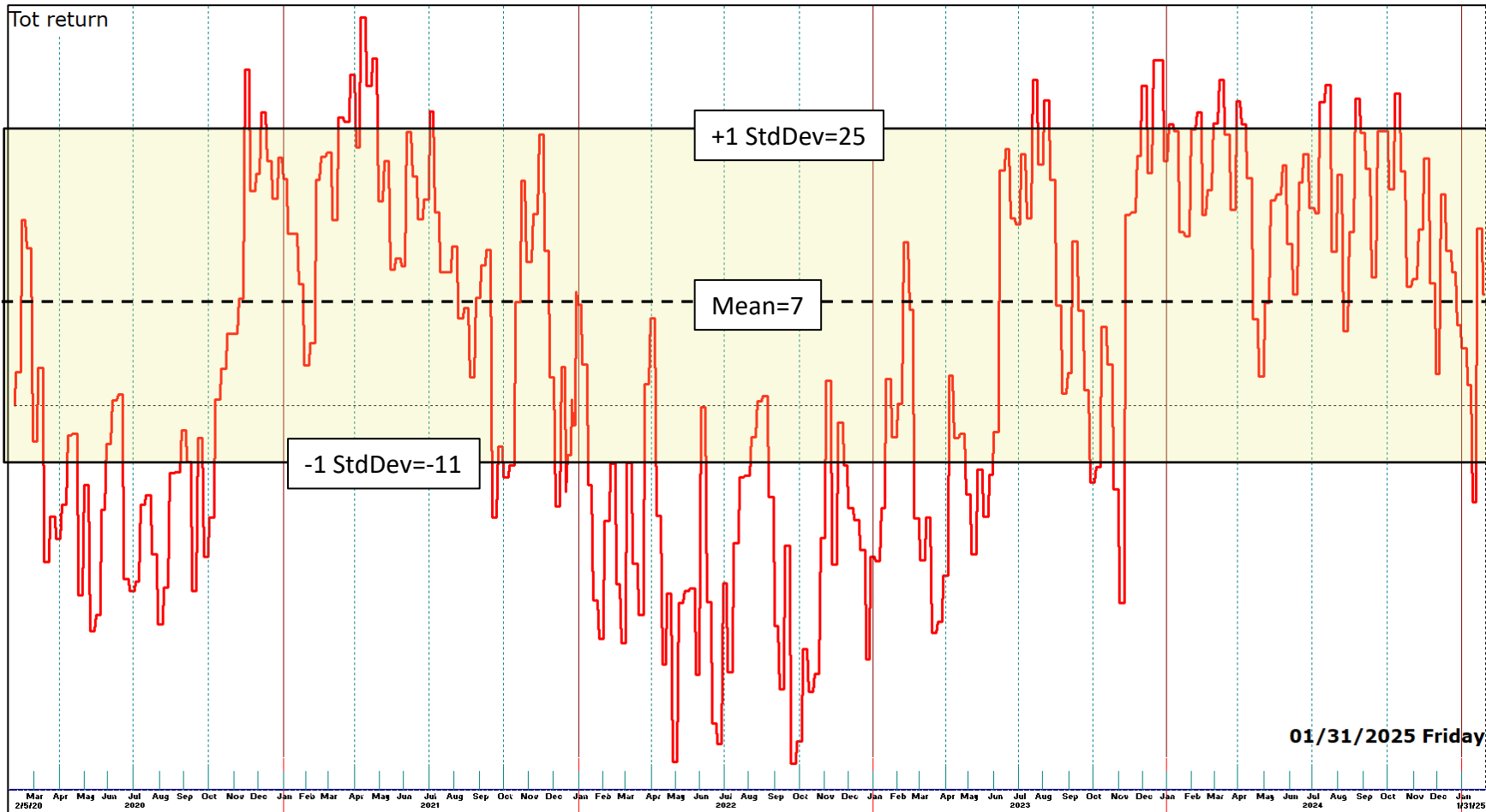
Source: www.fasttrack.net

Investor Sentiment – Individual Investors (AII)

AII Bull / Bear Spread

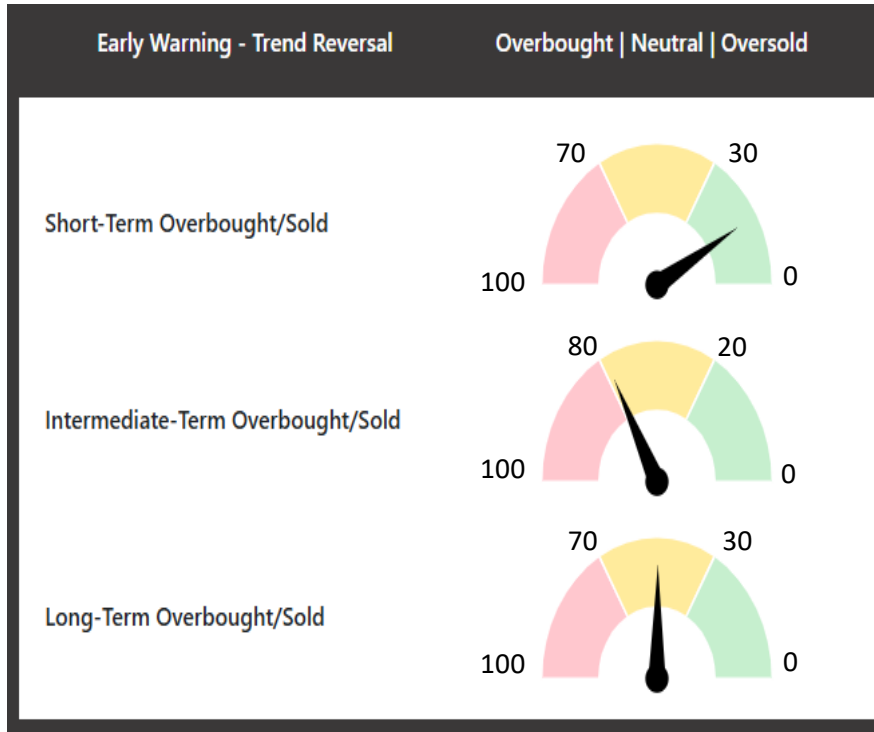
5-Year Chart

Current State: **Neutral**



Source: www.fasttrack.net

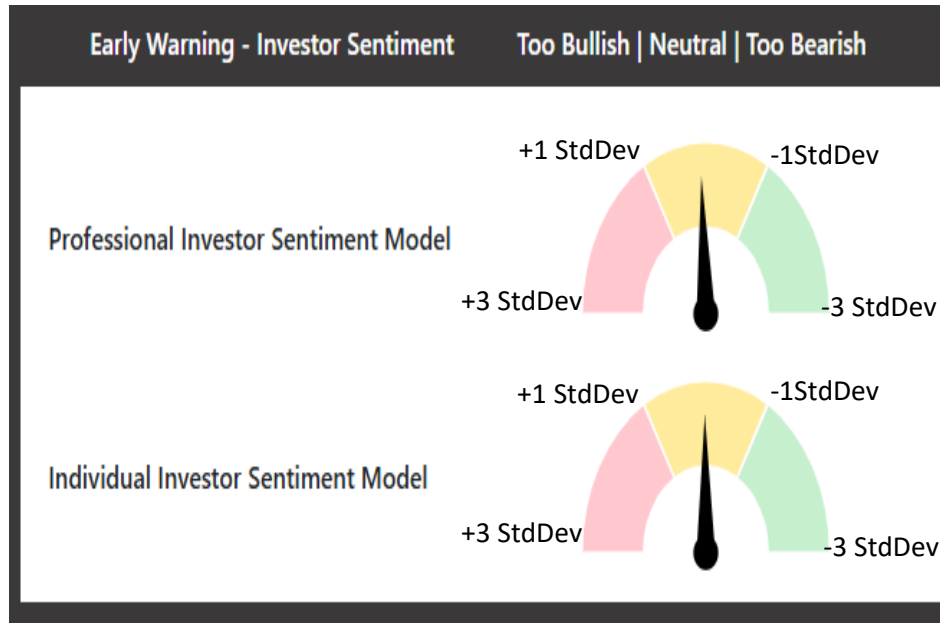
Early Warning Guide Overbought/Oversold



Features

- Use the speed dials to further refine your assessment of how far the market has moved.
- Extreme readings (either overbought or oversold) followed by a move back to neutral can be a good indicator that the reversal has started.

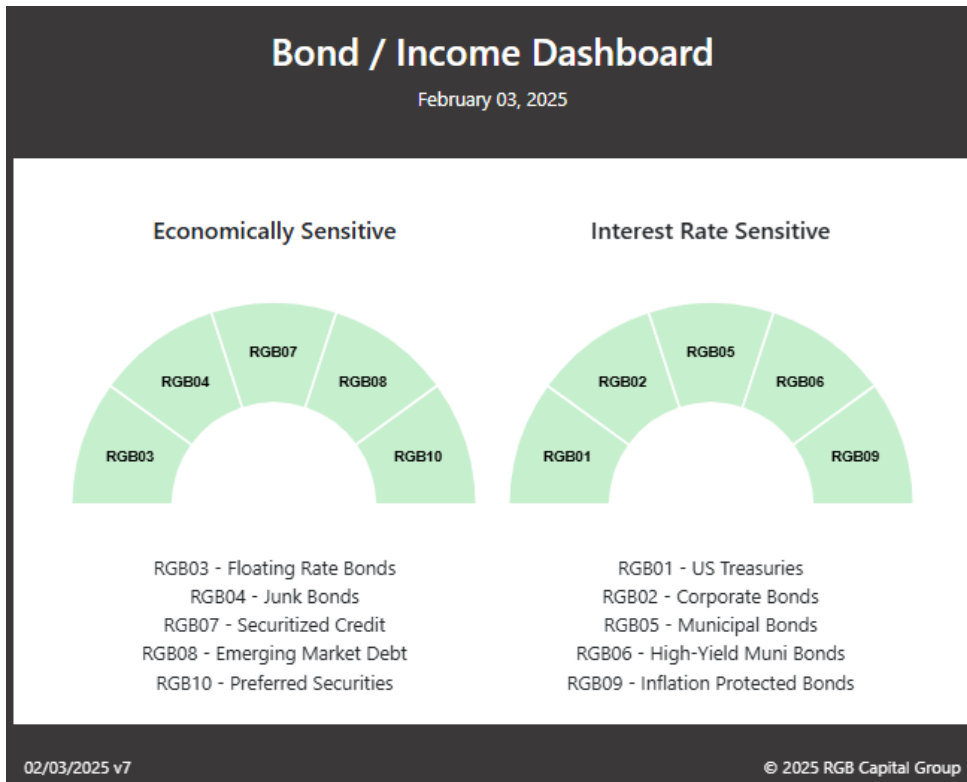
Early Warning Guide Investor Sentiment



Features

- Use the speed dials to further refine your assessment of how bullish or bearish investors have become.
- Extreme readings (either Too Bullish or Too Bearish) tend to be more valid indicators of a potential reversal.

5. Bond / Income Dashboard



Features

- Provides a quick glance of the performance of the bond / income environment.
- Based on the 10 RGB indices relative to their 50-day EMA to help assess overall momentum.
- Economically vs. Interest Rate Sensitive groups help assess overall levels of risk in the market.
 - i.e. Interest rate sensitive bonds ALL green and economically sensitive bonds ALL red may indicate a high-risk environment.

Available at www.rgbcapitalgroup.com/bond-income-dashboard

Thank You

- All tools available on the Resources page @ www.rgbcapitalgroup.com
- Sign up for newsletter using the QR code below.
- Questions: Please email me at rob@rgbcapitalgroup.com

