MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of January 18, 2021

Per a disaster declaration by Governor Inslee, all gatherings of 5 or more are suspended. If you were planning to attend a seminar and don't wish to wait until there is a change in the restrictions please call the office for a free Financial Physical.

HAPPY MARTIN LUTHER KING Jr. DAY!

FINANCIAL PHYSICAL

Due to the Lock Down, Seminars are on hold. If you'd like a phone based Financial Physical, please call…

509-922-3110

OUR FINANCIAL PHYSICALS REVIEW:

1. PROTECTION
2. ESTATE PLANNING
3. TAXES
4. RETIREMENT
5. INVESTMENTS

Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC

On the radio show last weekend we discussed some New Year's Investment Resolutions. The one we deemed most important was to ***have a plan in place today for what you will do when we hit the next bear market***.

Of course this plan should be cognizant of how much drawdown you can afford, not only financially but emotionally. We find (and the studies bear it out) most mistakes are made when people are under emotional duress; often after their accounts have declined precipitously.

Emotions will rule if you have no plan to rely upon.

It reminded me of an article written by Ben Carlson a few years back after a scary stock market decline that turned out to be nothing more than temporary (*see Lance Roberts of www.realinvestmentadvice.com)*. Mr. Carlson argued that during market declines you should have no plan other than to hold on for dear life (bitcoin investors call it HODL).

His reasoning? Since we can't be certain of the future, anything you do could be wrong. Therefore do nothing.

To prove his point he used a simple defensive mechanical system (not one we use) and analyzed how it would have worked during the twenty years between 1997 and 2017. The system utilized the 200 day moving average (200-dma) of S&P-500 closing prices. As its name implies, if you average the closing prices over the previous 200 market days, and then update it each day, it creates a moving average. Logically, if the market has been moving up, the 200 day moving average will be below the market price since most of the previous 200 day closes included in the average will have been below the current price.

The system says that if the actual market price drops below the 200-dma, you get out and when it rises back above you get back in. It's a simple system but it is mechanical so it should exclude emotion.

The problem, Mr. Carlson warns, is…

Investors need to be careful about blindly following any indicator that gets them out of the market. There is no guarantee that markets are headed for a crash just because this trend (200 day moving average) was broken. There are no market timing signals that work every single time, so there's no telling if the current correction will morph into an all-out bear market.

There are no silver bullets in the stock market. The 200-day moving average will be breached at some point during the next bear market. That's a given. But it's not a given that the most recent signal can assure investors a bear market is right around the corner. The majority of the time corrections don't

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turn into crashes. History tells us that a false breakdown is a higher-probability event than further deterioration in the markets."

He went on to say just how unreliable this simple system would have been if you had followed it consistently over the 20 year period.

"In fact, the S&P 500 has crossed the 200-day moving average 150 times (75 down through it and then 75 back up through it) since 1997. If this were a perfect signal, that would imply 75 separate market corrections.

In reality, in that time, there were only 11 market corrections when stocks fell 10 percent or worse. That means the majority of the time when the S&P 500 went below the 200-day it was a head fake, when investors sold out of the market only to buy back higher."

Let's assume - and this stacks the deck against the defensive system - that EVERY time the market didn't fall at least 10% it meant investors following the system bought back at a higher price than they sold (i.e. lost money on the round trip). That means the system lost money 6 out of every 7 times it said to get out and play defense.

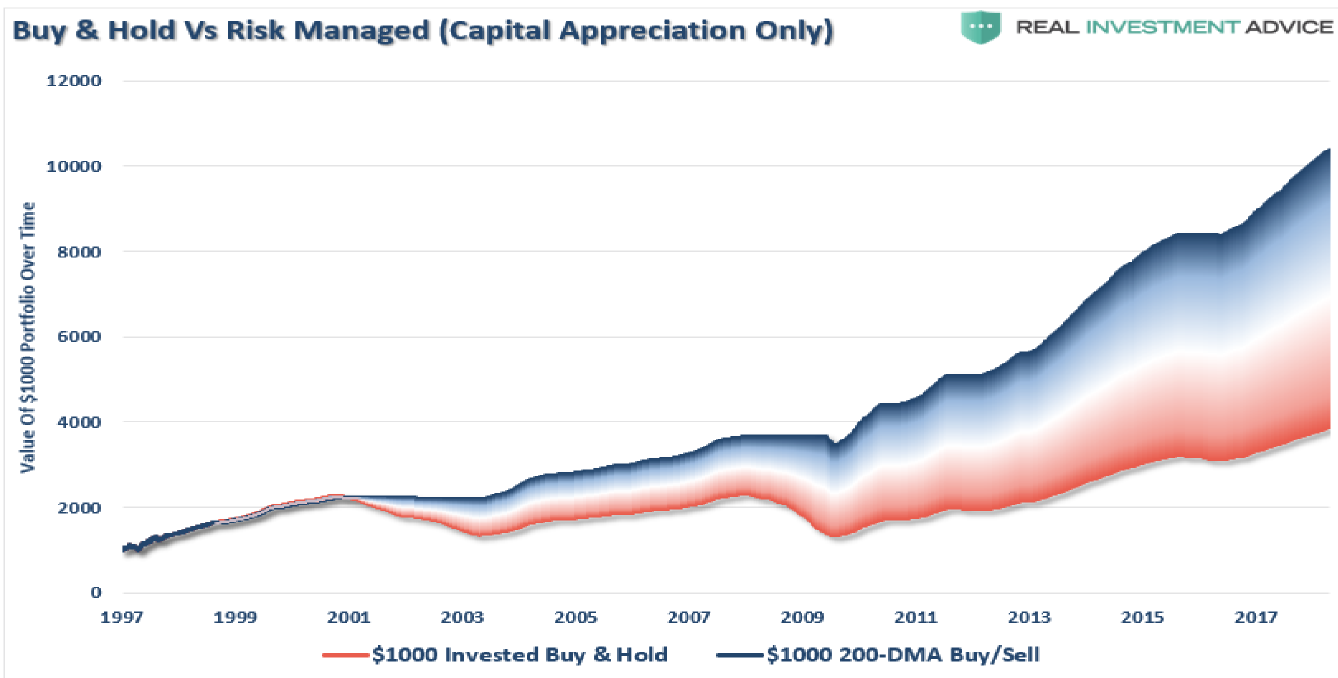
Being wrong 6 out of 7 times is not what Mr. Carlson, or many others, think defines a good system!

But Mr. Carlson missed the most important goal of a defensive system: ***CAPITAL PRESERVATION,*** rather than being "right" more often than not.

With that in mind, let's see how the two approaches would have actually performed.

The chart on the following page shows $1000 invested in the S&P 500 in 1997 on a capital appreciation basis only. The reddish line is the *"buy and hold*" plot while the blue line is the *"switch to cash"* when the 200-dma is broken plot.

Which would you have rather had?



How could "being wrong" 6 out of 7 times done so much better than buy and hold?

Because when the system was "wrong" it resulted in small losses. When the system was "right" it resulted in huge savings (in the form of avoiding large portfolio declines).

Most investors are concerned about "being right" when they should be concerned first about capital preservation and second about making money.

To that end, how many investors would have actually realized these benefits by sticking to the system and how many would have given up after being "wrong" 6 out of 7 times?

The problem with tactical investment strategies as compared to buy and hold may not be the strategies, it may be the investors who don't implement them consistently.

Will this method, or ANY sound mechanical method of protecting capital ALWAYS be right?

Absolutely not.

Will this method, or ANY sound mechanical method of protecting capital keep you from losing large parts of your portfolio?

Absolutely yes.

ASSUMING IT'S CONSISTENTLY FOLLOWED!

Of course we know you can't invest directly in an index and that past performance is not necessarily indicative of future results.

But we should also know that while a good plan won't work all the time, it will work over time.

What is your plan?

When investors should be most focused of risk management they are currently least concerned.

We continue to be vigilant.

Do you have a defensive plan?

Protect your health and your wealth.

Where are you getting your advice?

Are they fiduciaries?

Are they a Certified Financial Planner™?

Do they have a background in accounting, tax, finance?

Do they review all areas of your financial life (like income taxes, risk management, estate planning) or just talk about stocks?

Who benefits most from their "advice"?

We are in the early stages of a financial crisis, fueled by massive leverage (debt) that could make 2008 look tame in comparison.

The virus was not predictable, but it is just the pin that pricked the bubble.

Don't let anyone tell you that "no one saw this coming".

Anyone paying attention should have seen this coming.

If you're not a client, what is your advisor telling you about our current situation? If your advisor is not discussing these issues with you, shouldn't (s)he be? How much work do you

think it takes to keep up on all of this as we try to do, and how much easier do you think it would be to simply repeat over and over…

- Never sell
- You can't time the market
- You're a long term investor
- The market always comes back
- Etc., etc., etc.

Are you being told to stay invested after thoughtful analysis of world events, stock valuations, economic considerations, etc.? Or are you being told to stay invested due to a lack of thoughtful analysis of world events, stock valuations, economic considerations, etc.?

It's your money and it's your retirement.

Being told after the fact that 'everyone lost money' may make you feel better but it won't help pay your utilities.

Be careful.

If you didn't like what happened to your portfolio in the dot.com bubble or the financial crisis bubble, but you've made no moves to change the way you invest, now may be the time to seriously consider your process – NOT after the market, and your portfolio, have crashed.

Break the cycle and make your portfolio decision based on where we are likely headed, not on where we've recently been.

If we can help, call our office now and set up a no obligation review.

We think investing today must include a defensive strategy and system. It's this system that helps us decide when "enough is enough" and that it is time to protect your portfolio. If you don't have a system you should consider it now. Regardless of what happens over the next week, month or several months, stocks are overvalued in our opinion and eventually they will reset with a significant market decline.

Remember, we have a feature on our website: www.Moultonwealth.com to help you measure your risk tolerance. The problem with trying to decide how much risk to take is we all want to be aggressive when the market is going up, but conservative when it's going down. That's why a sell discipline is important. However, the first line of

defense is always our allocation. This approach to measuring risk gives a number by making investors trade off gains and losses. Just click the button to see where you stand.

On to this week's data…

U.S. Markets: After hitting a fresh record intraday high on Thursday, the major benchmarks finished the week mixed. Energy stocks pulled back sharply at the end of the week but led gains within the S&P 500, helped by a surprisingly large drawdown in domestic oil inventories. The Dow Jones Industrial Average shed 283 points finishing the week at 30,814, a decline of 0.9%. The technology-heavy NASDAQ Composite fell a steeper -1.5% closing at 12,998. By market cap, the large cap S&P 500 retreated -1.5%, while the mid cap S&P 400 rose 0.3%, and small caps rallied a market-leading1.8%.

International Markets: Most international equity markets were down last week. Canada's TSX retraced -0.7% while the United Kingdom's FTSE 100 declined -2.0%. France's CAC 40 and Germany's DAX retreated -1.7% and -1.9%, respectively. In Asia, China's Shanghai Composite ticked down -0.1%, but Japan's Nikkei closed up for a third consecutive week adding 1.4%. As grouped by Morgan Stanley Capital International, developed markets gave up -1.8%, while emerging markets retreated -0.7%.

Commodities: Gold fell for a second week, down -0.3% to $1829.90 per ounce while Silver finished the week up 0.9% to $24.87 per ounce. Oil rose for a third consecutive week. West Texas Intermediate crude oil finished the week up 0.3% to $52.42 per barrel. The industrial metal copper, viewed by some analysts as a barometer of global economic health due to its wide variety of uses, finished the week down -2%.

U.S. Economic News: The number of Americans applying for first-time unemployment benefits soared at the beginning of the year as more workers lost their jobs due to pandemic-related business closures and government restrictions. The Labor Department reported initial jobless claims jumped by 181,000 to a seasonally-adjusted 965,000 last week. It was its highest reading since August. Economists had forecast claims to total 800,000. To put that into perspective, claims had been running in the low 200,000's before the pandemic took hold in early spring of 2020. Continuing claims, which counts the number of Americans already receiving benefits, rose by 199,000 to 5.271 million. That number is reported with a one-week delay.

The labor market lost momentum in the final months of 2020 as layoffs rose to a five-month high. The Labor Department reported layoffs climbed by almost 300,000 to 1.97 million in November—its highest level since June. At the same time, the number of job openings fell slightly to 6.53 million. Restaurants and hotels were hit the hardest, laying off almost 400,000 employees in November. Many states reimposed restrictions on operating hours or the number of customers allowed in stores to combat the spread of coronavirus. The closely-watched "quits rate", seen by some as a more accurate gauge of the labor market as it is

presumed one would only quit a job if a more lucrative one were readily obtained, remained unchanged at 2.5% among private sector employees.

Sales at the nation's retailers fell for a third consecutive month as a rebound in coronavirus cases at the end of the year weighed on consumers. The Census Bureau reported retail sales dropped 0.7% in December. Economists had expected only a 0.1% decline. Excluding auto dealers and gasoline, retail sales sank a steeper 2.1%. Surprisingly, internet retailers posted a 5.8% plunge in sales. That category has been one of the standout performers during the pandemic. Bars and restaurants also suffered a 4.5% drop in sales—their third decline in a row. Senior Economists Jennifer Lee at BMO Capital Markets summed up the report succinctly writing "This is a weak handoff for 2021."

Optimism among the nation's small business owners slipped to a seven-month low in December after a resurgence in coronavirus cases and Democratic electoral victories implied an impending dramatic shift in economic policy. The National Federation of Independent Business (NFIB) reported its sentiment index fell by 5.5 points to 95.9 last month—its lowest level since last May. Economists had expected just a slight drop to 100.0. In the report, fewer owners stated now was a good time to expand and more downgraded their sales forecasts for the next three months. NFIB chief economist Bill Dunkelberg stated, "This month's drop in small-business optimism is historically very large, and most of the decline was due to the outlook of sales and business conditions in 2021."

Prices of consumer goods and services rose last month at its fastest rate since last summer, predominantly due to a sharp increase in the cost of fuel, the Bureau of Labor Statistics reported. The government stated the consumer price index advanced 0.4% last month matching economists' estimates. About 60% of the increase was tied to higher gasoline prices. The cost of food—groceries and eating out—increased 0.4% last month. Excluding gas and food, the so-called "core rate" of inflation rose a much smaller 0.1%. The core rate of inflation over the past year remained unchanged at 1.6% for the third month in a row.

Wholesale prices rose in December, primarily due to the increase in the cost of gasoline, but analysts noted few other signs of impending inflation. The government reported the producer price index increased 0.3% in December. Economists had forecast an increase of 0.4%. The cost of gasoline jumped 16%, representing about half of the increase in the price of wholesale goods last month. Prices also rose for iron, steel, meat and other forms of fuel. Over the past 12 months, the rate of wholesale inflation remained unchanged at 0.8%. Meanwhile, the core rate of inflation, which excludes food and energy, rose 0.4% in December. That reading is up 1.1% over the past year.

The Federal Reserve's "Beige Book", a collection of anecdotal reports from each of the Fed's member banks, reported a third of the Fed's districts experienced flat or declining activity at the end of the year. The majority of districts said economic activity increased only modestly. In the report, the Philadelphia and Cleveland districts reported declining activity,

while activity was flat in St. Louis and Kansas City. An indication that retail inflation may be on the horizon, almost all districts reported modest price increases with many respondents stating they were able to pass some of these increases to consumers.

International Economic News: A group of Canadian economists stated that 2021 could bring rapid changes and positive job creation but agreed much of that hinges on a successful vaccine rollout and an end to the coronavirus pandemic. All things considered, 2020 wasn't as bad as many Canadian economists first feared. Moshe Lander, economics professor at Columbia University stated, "If you told me back in March 2020 that we'd end the year still under lockdown, still under stay-at-home orders, yet we would have unemployment rates below 10 per cent, I'd high five you." Ian Lee, professor at Carleton University remarked, "Ninety per cent of people are OK while 10 per cent were hit very, very badly. So this is not like past recessions where it affected everyone across the economy."

Across the Atlantic, the latest official figures show the U.K. economy shrank 2.6% in November as an increase in coronavirus infections and fresh restrictions exacted a heavy toll. November's drop was considerably less than the 5.7% contraction economists had predicted. Still, the UK's economy remained 8.5% smaller than it was in February 2020, right before the coronavirus pandemic took hold. Since November, the UK government has tightened lockdown measures meaning more economic pain is probable. The 2.6% contraction in November, when England was placed into a month-long lockdown, followed an expansion of just 0.6% in October.

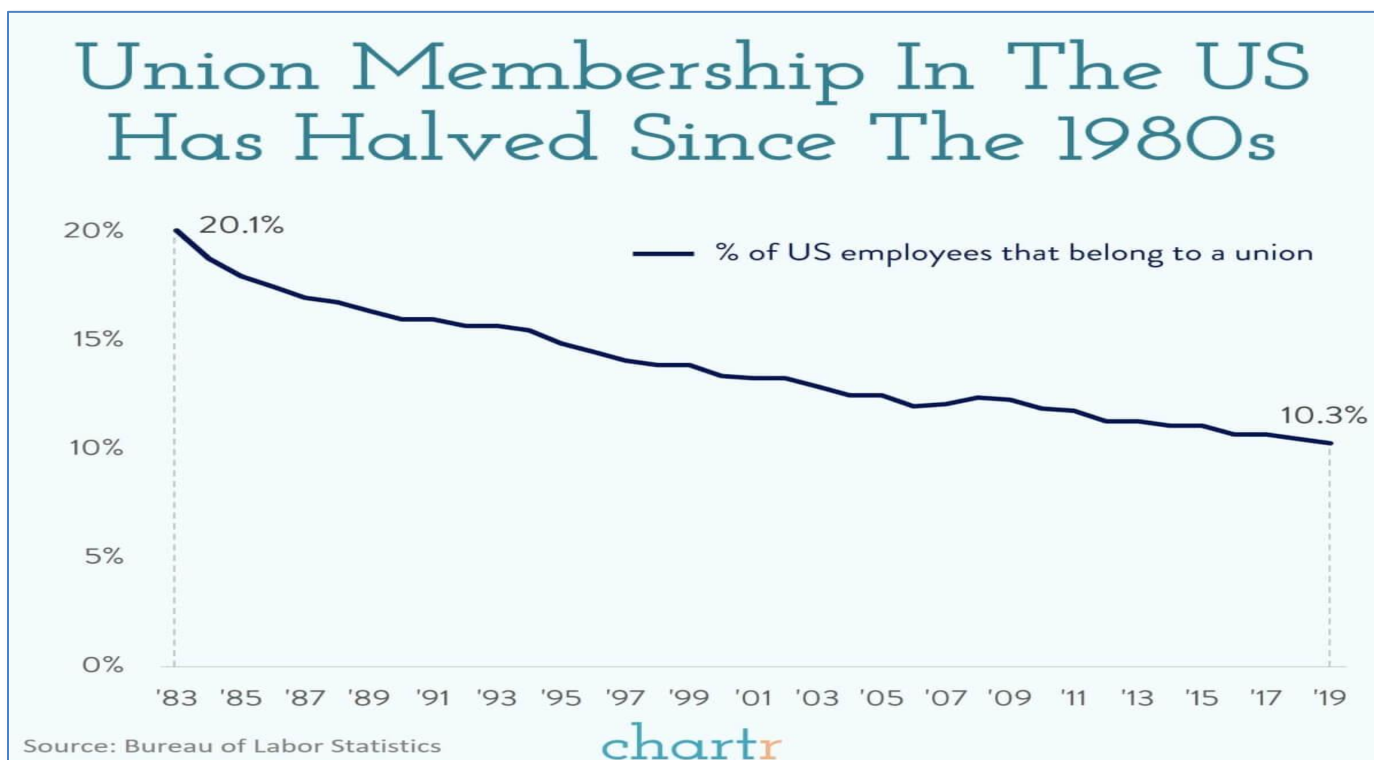
On Europe's mainland, French Finance Minister Bruno Le Maire stated that resolving trade sanctions was his priority with the incoming U.S. administration in order to keep a trade war from erupting. U.S. President Trump's administration had hit France with tariff duties on wine after failing to resolve a 16-year dispute over aircraft subsidies with the European Union. It also threatened tariffs on other French products over France's digital service tax on big internet companies. Le Maire said that he had received no "initial signals" from the Biden administration about how it would deal with trade, but that he hoped to visit Washington in February.

Germany, Europe's largest economy, reported its economy held up better during the pandemic than it did at the end of the global financial crisis. Germany's Federal Statistics Office forecast a 5% contraction in the economy in 2020 based on provisional GDP estimates. By comparison, Germany's economy shrank 5.7% in 2009. Spending by households tumbled and business investment shrank the most since the financial crisis. Exports and imports of goods and services decreased for the first time since 2009, shrinking 9.9% and 8.6% respectively. However, analysts noted the shallower than expected drop in GDP demonstrates the value of Germany's industrial backbone, which makes it less reliant on services and consumption than countries such as its European neighbors and the United States.

In Asia, China's economy continued to accelerate barely a year since its first coronavirus lockdowns. A Bloomberg survey of economists stated the world's second-largest economy is expected to report gross domestic product increased 2.1% in 2020—the world's only major economy that managed to avoid contraction. Furthermore, the trend is not expected to reverse once other large economies begin their recoveries. Economists expected China's GDP will expand 8.2% this year, continuing to outpace other major economies including the U.S.

Taro Kono, a prominent Japanese cabinet minister, stated Japan may consider a fresh economic stimulus as the government expands its state of emergency amid a record surge in coronavirus infections. "Suddenly demand has gone, so I think the government, if it is necessary, will be willing to inject money into the economy," Kono said in an interview. Prime Minister Yoshihide Suga expanded a state of emergency from the Tokyo area to seven more prefectures amid criticism that his government had acted too slowly to curb the pandemic. So far, the Japanese government has committed to spending about $3 trillion to help its economy recover from its pandemic-induced slump.

Finally: In America's manufacturing heyday of the 1950's, more than one-third of all American workers belonged to a union. It was down to 20% in the 1980's, and last year that number had fallen to just 10% - with the overwhelming majority now made up of teachers, service employees, and public sector employees. One huge area of the economy that has remained steadfastly union-free is the white-collar tech, and particularly software, sector. Perhaps a portent of change for that industry occurred on January 4th when a group calling itself the Alphabet Workers Union (AWU) emerged from secrecy and formally declared itself a legitimate union of Google employees (Alphabet, Inc. is the parent company of Google). (Data from BLS, chart from chartr.co)



GET A PHYSICAL! We invite you to attend a seminar and come in for a "financial physical", even if you think your current approach is fine. Much like going to the doctor for a physical despite feeling great, you want to make sure any negative issues you may not be aware of are caught early and addressed. For example…

- Have you addressed your investment process and adjusted it for what is going on in the world?
- Do you need a process to help manage losses during the next bear market?
- If not, what are you waiting for?

At the bottom of the 2007 - 2009 bear market the S&P-500 index returned to levels last seen in 1996.

The drop didn't retrace only a few months or even a couple years.

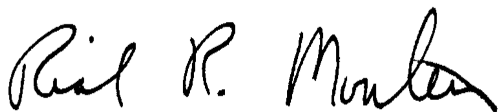
We discuss many of these issues on the weekly radio show and invite you to listen.

WEEKLY FOCUS – THINK ABOUT IT

"In the past, my success has come with sticking to one plan. That usually works. Obviously it's going to falter, and I'm going to go into slumps here and there, but stick with the plan, and hopefully it will come out successful more times than not."

Freddie Freeman – athlete

Yours truly,



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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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200 day moving average analysis by Lance Roberts of www.realinvestmentadvice.com
https://www.brainyquote.com/quotes/freddie_freeman_781917

The Barclays Capital Credit Index *is an unmanaged index composed of U.S. investment-grade corporate bonds.*

The Barclays Global Aggregate Bond Index *(formerly Lehman Brothers Global Aggregate Index), an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed income securities denominated in 13 currencies. The index reflects reinvestment of all distributions and changes in market prices.*

The Barclays U.S. 1-10 Year TIPS Index *is an unmanaged index composed of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

The Barclays U.S. Aggregate Bond Index *is an unmanaged benchmark index composed of U.S. securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million.*

The Barclays U.S. TIPS Index *is an unmanaged index composed of all U.S. Treasury Inflation- Protected Securities rated investment grade, have at least one year to final maturity, and at least $250 million par amount outstanding.*

The Barclays U.S. Treasury Index *is an unmanaged index composed of U.S. Treasuries.*

The CDX IG 12 *is a benchmark high-grade derivatives index, which measures the cost of insuring a basket of U.S. investment-grade corporate debt against defaults.*

The Chicago Board Options Exchange Volatility Index (VIX) *tracks the expected volatility in the S&P 500 over the next 30 days. A higher number indicates greater expected volatility. Common usage: The Chicago Board Options Exchange Volatility Index (VIX), a barometer of market volatility.*

The Dow Jones Industrial Average *is a widely followed market indicator based on a price-weighted average of 30 blue-chip stocks that trade on the New York Stock Exchange which are selected by editors of The Wall Street Journal.*

The Dow Jones Wilshire Real Estate Securities Index (RESI) *is used to measure the U.S. real estate market and includes both real estate investment trusts (REITs) and real estate operating companies (REOCs). It is weighted by float-adjusted market capitalization.*

The JP Morgan Emerging Market Bond Index *is a total-return, unmanaged trade-weighted index for U.S. dollar-denominated emerging-market bonds, including sovereign debt, quasi-sovereign debt, Brady bonds, loans, and Eurobonds.*

The JP Morgan EMBI Global Diversified Index *tracks the performance of external debt instruments (including U.S.-dollar-denominated and other external-currency-denominated Brady bonds, loans, Eurobonds and local market instruments) in the emerging markets.*

The JP Morgan GBI-EM Global Diversified Index *tracks the performance of local-currency bonds issued by emerging market governments.*

The MSCI World Index *is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index represents 23 developed market countries.*

The MSCI All Country World Index *is a market-capitalization-weighted index composed of over 2,400 companies, and is representative of the market structure of 46 developed and emerging market countries. The index is calculated with net dividends reinvested in U.S. dollars.*

The MSCI EAFE Index *is an unmanaged, market-capitalization-weighted equity index that represents the developed world outside North America.*

The MSCI Emerging Markets Index *is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging market equities.*

The NASDAQ Composite Index *is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.*

The Russell 1000 Index *includes 1000 of the largest U.S. equity securities based on market cap and current index membership; it is used to measure the activity of the U.S. large-cap equity market.*

The Russell 2000 Index *includes 2000 small-cap U.S. equity names and is used to measure the activity of the U.S. small-cap equity market.*

The S&P 500 Index *is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks in the Industrials, Transportation, Utilities and Financials sectors.*

Investing Terminology

Alpha *is a measure of a portfolio's return above a certain benchmarked return.*

Alternative Investments *are investments that are not one of the three traditional asset types (stocks, bonds and cash). Alternative investments include hedge funds, managed futures, real estate, commodities, and derivatives contracts.*

Asset-Backed Securities (ABS) *are bonds backed by a pool of loans or accounts receivable and commonly include payments from credit cards, auto loans and mortgage loans.*

Austerity *refers to measures taken by a country's government in an effort to reduce expenditures and a budget deficit.*

Beta *is a measure of the volatility or systematic risk of a security or a portfolio in comparison to the market as a whole.*

Book-to-Price Ratio *is the inverse of the price-to-book ratio, which is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued, and vice versa (the higher the book-to-price ratio, the better the value).*

Commercial Mortgage-Backed Securities (CMBS) *are pools of commercial mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on. In general, CMBS carry less prepayment risk than loans backed by residential mortgages.*

Corporate Bonds *are debt securities issued by corporations to raise money; these bonds usually pay higher coupon rates than government or municipal bonds.*

Correlation Risk *refers to the change in the marked to market value of an asset when the correlation between the underlying assets changes over time.*

Credit Ratings *are an assessment of the risk of default of a company or country. The higher the credit quality (or rating), the lower the perceived risk of default.*

Cyclical Sectors or Stocks *are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.*

Debt-to-Equity Ratio *is calculated as long-term debt divided by common shareholders' equity, and measures the amount of a firm's leverage, or debt.*

Donor Advised Funds *are private funds administered by a third party and created for the purpose of managing charitable donations on behalf of an organization, family, or individual.*

Duration *is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.*

Excess Returns *are investment returns from a security or portfolio that exceed a benchmark or index with a similar level of risk.*

Grantor Retained Annuity Trust *is an estate planning technique that minimizes the tax liability existing when intergenerational transfers of estate assets occur. An irrevocable trust is created for a certain term or period of time. The individual establishing the trust pays a tax when the trust is established. Assets are placed under the trust and then an annuity is paid out every year. When the trust expires, the beneficiary receives the assets estate and gift tax free.*

High Yield Debt *is rated below investment grade and is considered to be riskier.*

Managed Futures *strategies use futures contracts as part of their overall investment strategy. They provide portfolio diversification among various types of investment styles and asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments.*

Market Capitalization *is calculated as the number of company shares outstanding multiplied by the share price, and is used to determine the total market value of a company.*

Momentum *is the rate of acceleration for an economic, price or volume movement; it is used to locate trends within the market.*

Mortgage-Backed Securities (MBS) *are pools of mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on.*

Option-adjusted spreads *estimate the difference in yield between a security or collection of securities and comparable Treasuries after removing the effects of any special features, such as provisions that allow an issuer to call a security before maturity.*

Peripheral Eurozone Countries *are those countries in the Eurozone with the smallest economies.*

Price-to-Book Ratio *is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued.*

Private Foundations *are charitable organizations that do not qualify as public charities by government standards. A private foundation is a nonprofit organization which is usually created via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees or directors.*

Quantitative Easing *refers to expansionary efforts by central banks to help increase the supply of money in the economy.*

Recapitalized/recapitalization *refers to injecting fresh equity into a company or a bank, which can be used to absorb future losses. This generally takes place through the company issuing new shares. In the case of a government or organization recapitalizing a bank, it usually results in the government or organization owning a stake in the bank.*

Spreads*: Yield spreads represents the difference in yields offered between corporate and government bonds. If they tighten, this means that the difference has decreased. If they widen, this means the difference has increased.*

Standard Deviation*: Statistical measure of historical volatility. A statistical measure of the distance a quantity is likely to lie from its average value. It is applied to the annual rate of return of an investment, to measure the investment's volatility (risk). Standard deviation is synonymous with volatility, in that the greater the standard deviation the more volatile an investment's return will be. A standard deviation of zero would mean an investment has a return rate that never varies.*

Treasuries *are U.S. government debt obligations that are backed by the full faith and credit of the government. Often, they are used as a proxy for a risk-free asset when comparing other risky assets.*

Yield Curves *illustrate the relationship between the interest rate, or cost of borrowing, and the time to maturity. Yields move inversely to prices. The Barclays Capital 1-10 Year US TIPS Index: Barclays Capital 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

(Other Sources: All index- and returns-data from Yahoo Finance; news from Reuters, Barron's, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zerohedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, CNBC, FactSet.)