MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of February 1, 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.

Last week's market action was very unusual, bordering on crazy.

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

Apparently a chat room on Reddit has been used to organize a massive short squeeze on certain stocks heavily shorted by hedge funds.

The way most of us are used to investing is to be “long”. When you’re long a position you buy it, hoping its price will increase and you can sell it at a profit.

However, what if you think a position’s price is likely to decrease? You could avoid it or you could “short” it. When someone shorts a position, they borrow shares from the broker and sell them at today’s price. Sometime in the future they have to buy them back to “cover their short” thereby closing the position. Their hope, of course, is they’re buying back at a lower price than they sold, therefore making a profit.

We’ve discussed many of the distortions in this market from all-time highs in many valuation measures, to Robinhood traders buying bankrupt companies to record long positioning.

What we’ve not discussed is some very lopsided short investments.

At one point, GameStop (GME) had 138% short interest. In other words, they had more shares shorted in the market, than they had shares issued by the company.

How? The same shares borrowed and shorted more than once.

This degree of shorts is enormously rare to go along with the other rare extremes in our current market.

A bunch of folks in a chat room on Reddit decided to profit from this distortion. They reasoned if they all bought the same stock (GME) it would drive the price up. As the price rose the hedge funds shorting it would lose money. Eventually the hedge funds would be forced to also buy it to cover their shorts, which would drive it up even more. This is called a “short squeeze” when those shorting a position are forced to chase after and buy it into a rising price, just to stop the losses.

And it worked. GME at one point last week had risen 2500% *this month*.

Here’s the problem for the rest of us who are currently watching from afar.

Consider how these hedge funds raise the money to buy back shares that they may have shorted in the teens and now are trading in the hundreds; they have to sell other, less volatile positions (the stuff the rest of us own).

That likely accounted for a very volatile and negative performance in the markets last week.

We’ve warned the market is in a bubble and it will end, it’s just hard to say what will prick the bubble.

Could this be it?

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: Stocks declined sharply last week amid much higher volatility and trading volumes. Large caps held up marginally better than mid-cap and small-cap shares. The Dow Jones Industrial Average shed over 1000 points last week closing at 29,983 - a decline of 3.3%. The technology-heavy NASDAQ Composite gave up most of last week’s gains finishing down -3.5%. By market cap, the large cap S&P 500 fell -3.3%, while the mid-cap S&P 400 and small-cap Russell 2000 retreated -5.0% and -4.4% respectively.

International Markets: International markets finished the week in a sea of red. Canada's TSX fell -2.9% and the United Kingdom's FTSE 100 retreated -4.3%. On Europe's mainland, France's CAC 40 and Germany's DAX declined -2.9% and -3.2%, respectively. In Asia, China's Shanghai Composite and Japan's Nikkei each fell -3.4%. As grouped by Morgan Stanley Capital International, developed markets gave up -3.7% while emerging markets fell -4.5%.

Commodities: Precious metals ended the week mixed. Gold ticked down -0.3% to $1850.30 per ounce, while Silver rose 5.3% to $26.91. Oil finished down for a second week. West Texas Intermediate crude closed at $52.20 per barrel, a decline of -0.1%. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week down -1.9%.

January Summary: For the month of January, the Dow declined -2.0% and the S&P 500 fell -1.1%, while the NASDAQ Composite added 1.4%. Lesser-capitalization issues outperformed, with mid-caps gaining 1.5%, and small-caps gaining 5.0%. Internationally, Canada gave up -0.6% while the UK fell -0.8%. France and Germany declined -2.7% and -2.1%, respectively, while China and Japan rose 0.3% and 0.8%. Emerging markets finished the month up 3.2%, while developed markets ended down -0.8%. Gold gave up -2.4% in January, while Silver rose 1.9%. Oil had a strong January, up 7.6%, and copper added 1.2%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits dropped to a three-week low despite an uptick in coronavirus cases. The Labor Department reported initial jobless claims fell by 67,000 to a seasonally-adjusted 847,000 last week. Economists had forecast claims to total 875,000. Before the pandemic, new claims were running in the low 200,000s and they had never risen by more than 695,000 in any one week. Meanwhile, the number of people already collecting state jobless benefits declined by 203,000 to a seasonally adjusted 4.77 million. That's the lowest level since the pandemic began.

Home prices surged at a fast pace yet again in November according to two separate indices released this week. The S&P CoreLogic Case-Shiller 20-city home price index posted a 9.1% year-over-year gain in November - a 1.1% increase from the previous month. On a monthly basis, the index increased 1.5% between October and November. Across the country, the broader Case-Shiller national price index showed a 9.5% gain year-over-year, up 8.4% from the prior month. Prices rose in at least 19 of the 20 large cities tracked by Case-Shiller. Detroit, which is typically included in the 20-city index, was again excluded because of issues collecting data during previous coronavirus-related shutdowns. Phoenix experienced the largest price increase for the 18th consecutive month with a 13.8% year-over-year increase, followed by Seattle (12.7%) and San Diego (12.3%).

Despite rising prices, sales of newly built homes continued to rise in December. The Census Bureau reported new home sales occurred at a seasonally-adjusted annual rate of 842,000 last month. That was a 1.6% increase over November's reading. Analysts had expected an annual rate of 875,000. Compared to 2019, December's numbers were up roughly 15% year-over-year. Gains varied by part of the country, led by a 30.6% increase in the Midwest, but sales in the Northeast and South fell on a monthly basis, by 6.1% and 5.1% respectively. Inventory rose slightly to a 4.3-month supply. A six-month supply of homes is generally considered indicative of a balanced market. The median price of new homes for sale was $355,900, up 8% from 2019.

U.S. economic growth slowed to a 4% annual pace at the end of last year as a record wave of coronavirus cases weighed on the recovery. It followed a 33.4% surge in the previous quarter, which reflected the reopening of the economy and massive fiscal and monetary stimulus. But with COVID cases and deaths spiking since the fall, partial shutdowns in some industries and states, and brewing social unrest around the presidential election, the economic recovery lost momentum at yearend. Jim Baird, chief investment officer at Plante Moran Financial Advisors summed it up stating, “The bottom line is that the economy remains in a delicate spot.”

Confidence among the nation’s consumers recovered a bit in January as the number of coronavirus cases and fatalities continued to decline. The Conference Board reported its index of consumer confidence rose 2.2 points to 89.3 this month, after two months of declines. Last month’s reading was the lowest in five months. Economists had forecast a further decline to 88. Other measures of confidence, including the consumer-sentiment survey and daily report by Morning Consult, also recovered in January. Consumer confidence is still far below pre-pandemic levels, however. The index stood at 132.6 before the viral outbreak last February.

Americans continued to cut their spending in December, for the second month. The Commerce Department reported consumer spending declined 0.2% last month. On a positive note, spending didn’t fall as much as expected. Economists had forecast a 0.4% drop. Spending fell the most in December on recreation goods and vehicles, groceries, liquor and services such as dining out. Americans also cut spending on non-essentials. Despite the decline, at least one analyst is optimistic of a rebound in spending in the first quarter of 2021. U.S. economist Andrew Hunter at Capital Economics stated, “The recent wave of virus infections and restrictions on activity ensured that consumption ended last year on a weak note, but there are a number of reasons to expect spending to rebound sharply in the first few months of this year.”

Orders for goods expected to last at least 3 years, so-called “durable goods” rose for an eighth month in a row. Orders rose 0.2% in December, below economists’ estimates, but analysts stated it was still a solid report. The drag stemmed predominantly from a slump in new aircraft orders. Excluding transportation and transportation, core orders rose a fairly robust 0.6%. Orders for new cars and trucks increased 1.4% in the final month of 2020. Auto sales have held up pretty well during the pandemic as car buyers took advantage of ultra-low rates to lock in good deals. Jennifer Lee, senior economist at BMO Capital Markets stated, “This report shows firm upward momentum for business investment as the longest year ever came to an end.”

International Economic News: Despite seven consecutive monthly gains, Canada’s economy appears to have contracted last year according to data from Canada’s national statistics agency. Canada’s economy grew by 0.7% in November, Statistics Canada said. However, despite the increase the result means Canada’s economy was still 3% smaller in November than it was in February. Furthermore, the agency also said its preliminary estimate for December shows growth of 0.3%. For the full year, Statistics Canada’s preliminary estimate shows the economy contracted by 5.1%.

Across the Atlantic, the International Monetary Fund (IMF) downgraded its 2021 growth forecast for the United Kingdom. The IMF slashed 1.4 percentage points off its prediction made last October saying it now expects the UK economy to expand by only 4.5% in 2021. At the same time, it updated its forecast for 2022 and now expects expansion of 5%. The UK suffered one of the sharpest downgrades among advanced economies, behind only Canada and Spain. UK scientists discovered a new strain of COVID-19 in Kent, England, in December. The strain has been found to be up to up to 70% more infectious than previous versions of the virus and was behind soaring infection rates in in the UK. The new strain forced Britain to return to lockdown at the start of January.

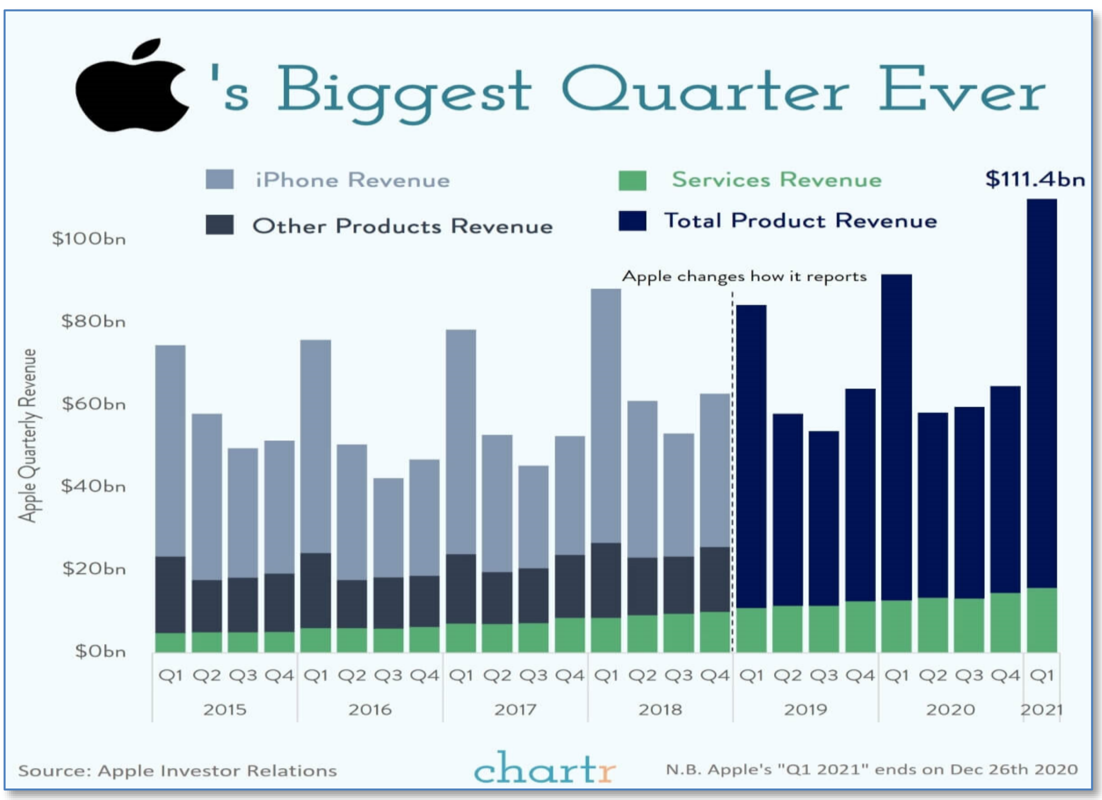
On Europe’s mainland, official data showed the French economy contracted much less than expected at the end of 2020. The Eurozone’s second-biggest economy shrank 1.3% in the final three months of last year after France entered a second coronavirus lockdown in October to contain a second wave of infections, the INSEE statistics agency said. The slump, which followed an 18.5% rebound in the third quarter after the first lockdown, was nonetheless better than expectations for a 4% contraction. It also meant that for the whole of 2020, the economy contracted 8.3%, which though France’s worst post-war recession was better than the -11% the government had forecast in its budget plans. INSEE said consumer spending surged 23% in December from the previous month as coronavirus restrictions eased heading into the holiday period.

Robust exports from Europe’s economic powerhouse helped Germany eke out 0.1% growth in the final quarter of last year, Germany’s Federal Statistics Office reported. Goods exports and construction supported the economy while a renewed lockdown at the end of last year hit private consumption. Economists had expected a reading of 0.0%. In the third quarter, the economy grew 8.5%. However, the German government slashed its growth forecast for Europe's largest economy to 3% this year, a sharp downward revision from last autumn's estimate of 4.4%, caused by a second coronavirus lockdown.

In Asia, the gap between the size of the U.S. and Chinese economies shrank by close to $1 trillion USD in 2020 after the U.S. posted its worst economic growth figures since the end of World War 2. The U.S. economy contracted by 3.5% last year, while China posted an annual growth of 2.3%. China’s economy rebounded strongly from the pandemic largely due to higher state investments and exports. China is expected to be the only major economy in the world to have officially grown last year. The current-dollar value gap in gross domestic product (GDP) between the world's two largest economies was reduced by about US$1 trillion to about US$6 trillion, according to calculations by the South China Morning Post based on official data from 2020 and 2019.

Japan's industrial output dropped 10.1% in 2020 to its lowest level in seven years, government data showed. The seasonally adjusted index of output at factories and mines stood at 90.9 against the 2015 base of 100, for the lowest reading since comparable data became available in January 2013, reported the Economy, Trade and Industry Ministry. Production fell sharply in the spring of 2020 after the expansion of the COVID-19 pandemic disrupted supply chains, constrained socioeconomic activities and reduced consumer demand. Based on manufacturers polled in a survey, the ministry said it expected output to climb 8.9% in January and fall 0.3% in February.

Finally: Amidst all the drama and non-stop news coverage this week surrounding the war between the Reddit WallStreetBets crowd and several hedge funds over GameStop and a handful of other heavily-shorted stocks, Apple posted its biggest quarter ever – and hardly anyone noticed. Apple reported it brought in $111 billion of revenue in the final quarter of 2020. The Services business, which includes Apple Music, the App Store, Apple Pay, Apple TV, iCloud and more, was a bright spot for Apple, growing 24% year-over-year, but it was actually robust sales in China that really helped Apple's revenue over the top to its first-ever $100-billion-plus quarter.



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

"Good judgement comes from experience. And a lot of that comes from bad judgement."

Will Rogers – Actor

Yours truly,

Rial R. Moulton

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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.

Investment services offered through Moulton Wealth Management, Inc., an independent Registered Investment Advisor. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in *general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Investments in securities do not offer a fixed rate of return. Principal, yield and / or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.*

https://www.brainyquote.com/quotes/will_rogers_411692

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.)*