MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of February 22, 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.

Bubbles are great while they last. In fact great fortunes are made – and lost – in bubbles. The problem with bubbles is they are very hard to invest in. Advisors and individual investors

FINANCIAL PHYSICAL

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

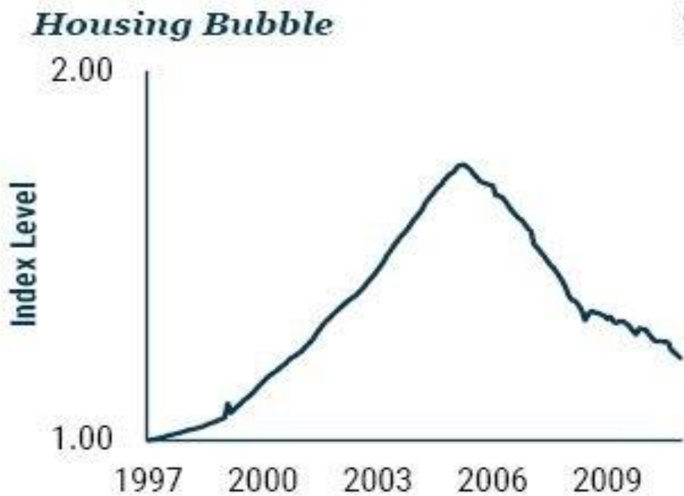
509-922-3110

OUR FINANCIAL PHYSICALS REVIEW:

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

alike are driven by every fault or individual human psychology working to pull them ever deeper into owning stocks.

Eventually this bubble will burst, just as all the past bubbles have. The Fed can delay it and push it higher but they can't arrest gravity or rearrange economic reality. And when it does, it will have a huge damaging effect on the economy and peoples' retirement alike.



Jeremy Grantham of GMO investments believes this bubble will go down in history as one of the biggest ever, rivaling the South Sea bubble, the 1929 crash and the NASDAQ crash after the dot.com bubble.

Those were not 30% declines, they were closer to 80% - 90%.

One thing does make this bubble different. This bubble, more than any other in history, is based on the idea that the Fed will not let it crash; ever. Of course nothing lasts forever.

An argument we often hear about why this isn't a bubble or why it will continue regardless is the lack of an obvious "pin" – a catalyst to begin a decline.

Searching for a "pin" as the impetus to manage risk, though, is fraught with peril.

The markets tend to like when things are improving and dislike when they are getting worse, not whether they are good or bad. As such bubbles often end when the economic data still looks good – just maybe a little less good. This makes it difficult to believe the top is in as traditional Wall Street firms continue to profess how great the backdrop is. Of course Wall Street has long ago decided that it is in their best interest to always profess bullishness. It is good for business and intellectually undemanding.

Most investors also prefer optimism to realistic appraisals.

The "*good news*"? When it pops, those with no defense can be comforted to know they are not the only ones to have lost a large portion of their lifetime savings.

After all, the market always comes back…

- Assuming you don't need the money.
- Assuming you don't age and can pick up where you left off, several years later.
- Assuming prices don't change so when it comes back it actually can purchase the same lifestyle.
- Assuming you don't sell after the damage is done and then sit out as it rallies back.
- Assuming we're not entering a Japan type economic background since their main stock market, the Nikkei, is still down just under 23% from just over 31 years ago.

But what the heck. It's much easier to buy and forget and you'd hate to make your advisor work too hard.

Lather, rinse, repeat.

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"?

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.

What's Your Risk Number?

On to this week's data…

U.S. Markets: The major U.S. indexes finished the week mostly to the downside with the large-cap benchmarks and technology-heavy NASDAQ Composite index hitting record intraday highs before falling back. The Dow Jones Industrial Average ticked up 0.1% to 31,494, its third consecutive week of gains. The NASDAQ reversed most of last week's gain finishing down -1.6%. By market cap, the large cap S&P 500 gave up -0.7%, while the mid cap S&P 400 and small cap Russell 2000 retreated -0.4% and -1.0%, respectively.

International Markets: International markets were mixed on the week. Canada's TSX retreated -0.4%, while the United Kingdom's FTSE 100 added 0.5%. On Europe's mainland, France's CAC 40 and Germany's DAX finished mixed with the CAC rising 1.2%, while the DAX declined -0.4%. Markets finished the week in the green in Asia. China's Shanghai Composite rose 1.1%, while Japan's Nikkei added 1.7%. As grouped by Morgan Stanley Capital International, developed markets ticked down -0.1%, while emerging markets fell a steeper -0.5%.

Commodities: Precious metals finished the week to the downside. Gold fell by $45.80 to $1777.40 an ounce, a decline of -2.5%. Silver closed down -0.3% to $27.25 per ounce. Following two weeks of strong gains, energy ended the week lower. West Texas Intermediate crude oil declined -0.4% to $59.26 per barrel. Copper, viewed by some analysts as a barometer of world economic health due to its wide variety of industrial uses, surged over 7.5% last week.

U.S. Economic News: The number of Americans claiming first-time unemployment benefits rose last week to a four-week high, as Americans continue losing their jobs nearly a year after the onset of the coronavirus pandemic. The Labor Department reported initial jobless claims rose by 13,000 to 861,000. Economists had expected new claims would fall to 770,000. New applications for jobless benefits rose the most in Illinois, California and Virginia, while the biggest declines took place in Texas and Georgia. Continuing claims, which counts the number of people already collecting traditional unemployment benefits, fell by 64,000 to a seasonally adjusted 4.49 million.

Sales of existing homes ticked up 0.6% to a seasonally-adjusted annual rate of 6.69 million, the National Association of Realtors (NAR) reported. Home sales were up 23.7% compared with the same time last year. The median existing-home price rose to $303,900, a 14.1% increase from a year ago. Furthermore, the inventory of homes for sale fell to record low of just 1.04 million units—that's a 25.7 decline from the same time last year. Overall, the market now has just a 1.9 month supply of homes for sale. Economists generally consider a 6-month supply a balanced housing market.

Confidence among the nation's home builders improved, but high construction costs remain a concern. The National Association of Home Builders' (NAHB) reported its monthly confidence index rose one point to 84 in February as foot traffic from home buyers improved. The modest increase comes following two consecutive months of declines. In the details, the index that measures sentiment of prospective buyers increased four points to 72. Despite high demand, the NAHB voiced its concern over rising costs of building materials. Chuck Fowke, current chairman of the National Association of Home Builders stated, "Lumber prices have been steadily rising this year and hit a record high in mid-February, adding thousands of dollars to the cost of a new home and causing some builders to abruptly halt projects at a time when inventories are already at all-time lows."

Manufacturing activity in the New York-region hit its highest level in seven months according to the latest report from the New York Fed. The Fed's Empire State business conditions index rose 8.6 points to 12.1 in February—more than double economists' estimates. Economists had expected a reading of just 5.9. In the report, the new orders index rose 4.2 points to 10.8, while shipments fell 3.3 points to 4. Notably, prices paid for goods jumped 12.3 points to 57.8 - the highest level since 2011. Manufacturers' expectations for business conditions in the next six months rose 3 points to 34.9.

Sales at the nation's retailers jumped last month, as stimulus checks helped boost the nation's economy. The Census Bureau reported retail sales surged 5.3% in January, its first increase in four months and the largest increase in eight months. Economists had expected just a 1% increase. In the details, sales were strong in every category. Department store chains, Internet retailers, electronic stores and home-furnishing outlets all recorded double digit percentage gains. Bars and restaurants also registered a nearly 7% increase in sales after receipts had fallen three months in a row. The increase in spending was fueled in part by $600 stimulus checks sent to millions of Americans and more generous unemployment benefits. Economist Katherine Judge of CIBC Economics wrote in a note, "With additional fiscal stimulus on the way, new Covid cases trending lower, and many states moving to relax social distancing measures, the worst looks to be in the rear view mirror."

Prices at the producer level posted their biggest surge since 2009, but some analysts stated it is unlikely to be sustained. The Labor Department reported the Producer Price Index jumped 1.3% last month. Economists had forecast a 0.5% gain. Over the past 12 months, the rate of wholesale inflation climbed to 1.7 in January, from just 0.8% at the end of 2020. Most of the increase in wholesale prices last month was tied to higher costs of gasoline, health care and financial services. Energy prices have risen in the past several months as more people have resumed traveling, the weather has turned colder, and supplies have tightened. The core rate of wholesale inflation, which strips out the often-volatile food and energy categories, also surged by 1.3%. The increase in the core rate over the past 12 months nearly doubled in January to 2% from 1.1% in December and is now above pre-pandemic levels.

Minutes of the January meeting of the Federal Reserve showed officials were more optimistic about the long-term health of the economy. The voting members of the Fed's interest-rate committee agreed that expected progress on vaccinations and the change in the outlook for fiscal policy had improved the longer-run prospects for the economy so much that officials "decided that the reference in previous post-meeting statements to risks to the economic outlook over the medium term was no longer warranted," according to the minutes. Notably, Fed officials were seemingly not concerned about inflation, with "most" officials saying that inflation risks were weighted towards too low rather than too high.

International Economic News: Canada's Members of Parliament voted in favor of forming a special economic relations committee with the United States. The motion passed in the

House of Commons by a vote of 326 to 3. The Conservatives, who introduced the motion earlier this month, argued that due to the ongoing coronavirus pandemic, Canada needs a “serious plan for the economic recovery that recognizes the integration of the North American economy.” In a statement, Conservative Leader Erin O’Toole said the committee will “help advance one of (the) most important pillars of our recovery, the economic relationship between Canada and the United States.”

Across the Atlantic, a brighter economic outlook and quick vaccine rollout have boosted consumer confidence in the United Kingdom to its highest level in almost a year. The UK consumer confidence index, a measure of how people view the state of their personal finances and wider economic prospects, rose 5 points to an 11-month high of -23 in February, according to closely watched data published by research company GfK. The uptick was stronger than the consensus forecast of -27. The improved sentiment has fueled hopes of a strong rebound in consumer spending. Joe Staton, GfK’s client strategy director, said that the jump in the headline confidence score, driven by a 14-point rise in the outlook for the economy over the coming year, made it “tempting to talk of a return to normality”.

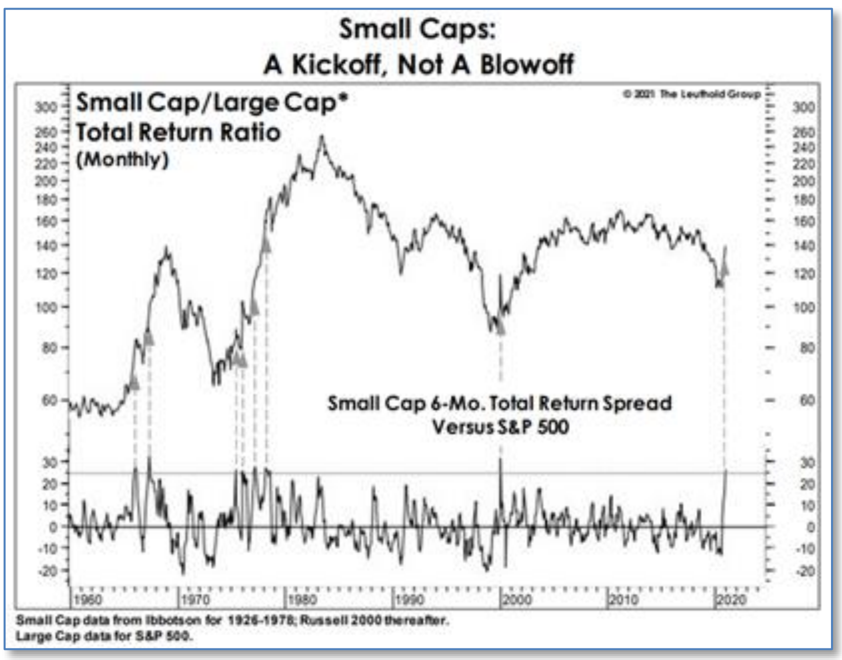
On Europe’s mainland, France took another step towards economic protectionism by rejecting the acquisition of food retailer Carrefour by Canada’s Couche-Tard group. “Food sovereignty” was cited as the reason for the move, on the grounds that deals that require foreign direct investment screening include those that affect “food security”. France, like other European countries, has drawn up a list of “sensitive” sectors in which certain takeovers need government approval. Food security was added in a new rule that took effect last year.

Investor morale in Germany surged beyond even the most optimistic forecast this month on expectations consumption will take off in the coming months. The ZEW economic research institute reported its survey of investors’ economic sentiment showed a rise to 71.2 points from 61.8 in January. Economists had expected a decline to 59.6. “The financial market experts are optimistic about the future. They are confident that the German economy will be back on the growth track within the next six months,” ZEW President Achim Wambach said in a statement. “Consumption and retail trade in particular are expected to recover significantly, accompanied by higher inflation expectations,” he added.

In Asia, China’s economy is likely to be the world’s second largest in 2050, still trailing the U.S., according to recent analysis. London-based Capital Economics forecasts that China’s economic clout will not increase steadily relative to the U.S. through time, due in part to the Chinese workforce declining by more than 0.5% a year by 2030. Meanwhile, the report notes, the U.S. workforce will expand over that same time supported by relatively higher fertility and immigration. "The most likely scenario is that slowing productivity growth and a shrinking workforce prevent China ever passing the U.S.," the analysis said. Capital Economics' chief Asia economist, Mark Williams, who wrote the analysis, said that China's growth is slowing mainly because leader Xi Jinping has rejected efforts to open up the economy.

For the first time in 10 months, Japan's government cut its view on the overall economy as an extended state of emergency to curb coronavirus infections weighed on consumer spending and business activity. In its monthly report, Japan's Cabinet Office said the economy is showing "weakness in some components" and remains in a severe situation due to the pandemic. Economy Minister Yasutoshi Nishimura said "Now is the time for fiscal spending and the government must commit to preventing a return of deflation." The government estimates the economy will expand 4.0% in the next fiscal year starting in April, after an expected 5.2% fall in the current fiscal year to March.

Finally: For the past several months, small-caps have greatly outperformed large-caps. Many observers have derided it as a "blow off" of excess that will soon reverse, but researchers at the Leuthold Group disagree. Instead, they point out that similar periods of "extreme strength" have kicked off periods of multi-year leadership by small-caps. The chart below, from The Leuthold Group, shows that in every one of the 7 prior instances of a 25% total-return differential between the 6-month returns of the Russell 2000 small-cap index and the S&P 500 large-cap index, the dominance of the small-caps continued for another 2 to 10 years. Thus, they argue that the surge in small-caps is more likely to be a "Kickoff" than a "Blow off".



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

"Stock prices have reached what looks like a permanently high plateau."

Irving Fisher – Yale Economist
NY Times 1929

(The following month started the bear market that saw the Dow Jones Industrial Average fall 89%)

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.

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.*

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https://www.gmo.com/americas/research-library/waiting-for-the-last-dance/
https://time.com/3207128/stock-market-high-1929/

***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, FactSet.)