MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

DONALD J. MOULTON
CFP®, RFC

www.moultonwealth.com

RIAL R. MOULTON
CFP®, CPA/PFS, RFC

Week of March 8, 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 movements were interesting to say the least. The S&P 500 ended the volatile week with a gain of about 0.8% while the tech heavy NASDAQ lost about -2.1% on the week.

What gives?

Conventional wisdom seems to have concluded that we are well on our way to recovery. The jobs numbers from Friday certainly lean in this direction as they were close to double estimates. A recovery means the sectors and industries most beat up by lockdowns may now be the new winners and those that benefited from the lockdowns, like tech, may now give back some of those gains.

While certainly possible, we'd be a bit less certain that the road ahead holds no potholes.

We do think there will be massive, additional stimulus between Federal Reserves and governments around the world. Historically much of this money has found its way into equities and we see no reason to think this time will be different.

That same wave of money could also stoke inflation. The price gauge of the recent ISM survey touched 71.8, the highest level in a decade. While this is a concern, we think it will be transitory. Eventually the government will have to stop stimulus and it will be before the millions of unemployed are all back to work. We see growth and inflation rates rising for the first half of the year but the second half is flashing "warning".

Regardless, we can't just print our way to prosperity; not on an economic level and not on a market level. Eventually the market is going to follow its own course regardless of what the magical Fed thinks it should do *(see bond market interest rates rising on the long end despite the Fed assuring us they will keep them lower for longer)*. We're afraid when that happens it could be the worst bear market of our lifetimes.

We all should proactively have a plan in place.

Our biggest concern is that the market appears to have bought into the notion that the Fed will always halt any meaningful decline. This creates great moral hazard – the idea that individuals get more and more reckless because they are continually spared (i.e. bailed out from) the negative consequences of their behavior.

A few observations:

- Mutual funds currently hold the lowest levels of cash – *ever*. In other words, they're all in. This makes sense in that so much more money is now invested in index funds which essentially target no cash. It means these funds are all on the same side of the boat (i.e. – the market always goes higher) and it leaves little marginal buying power available to help offset the next decline.
- Based on the Shiller P/E ratio using 10 year stock earnings vs current prices, the S&P-500 is very near to the second highest valuation – *ever*. The good news is we

could go up another 40% give or take to reach the dot.com levels of valuation. The bad news is when the dot.com bubble burst the NASDAQ lost over 80%.

- The S&P-500 is at the highest market cap to GDP – *ever*.
- Based on options, the S&P-500 is currently the most speculative it's been – *ever*.
- The increase in margin debt (borrowing to invest more than you actually have to add leverage) since the lows of March 2020 is the greatest – *ever*.
- Oh, did we mention a worldwide pandemic? Even as we (fingers crossed) seem to be recovering from Covid and getting people vaccinated, other countries are still essentially shut down with Japan and Germany actually extending lock downs. Like it or not we are in a world economy.

There are other technical indicators that are concerning such as relative strength divergences and regression analysis, but massive liquidity injections (money printers go burrrrrr) have overwhelmed technicals for several years.

Regardless, seeing so many "*evers*" in our observations make us feel like portfolio guinea pigs. Maybe we continue higher unabated, but if (when?) the music stops the fall could be breathtaking. Even if we believe the Fed has the ability to halt any declines, they likely won't take drastic action until there's stock market carnage.

It's interesting to us that so many would view all of this as "*too much work*". After all, you can just stick your money into index funds and ignore what's going on, justifying significant declines as the cost of long term investing. We would point to a quote from American Journalist Sydney J. Harris. Though not originally made about investing, maybe it should have been.

"An idealist believes the short run doesn't count. A cynic believes the long run doesn't matter. A realist believes that what is done or left undone in the short run determines the long run."

We have a defense.

You should too.

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. benchmark indexes finished the week mixed as longer-term interest rates continued to climb. The rise in rates weighed on growth stocks, while value stocks managed gains. The Dow Jones Industrial Average climbed 564 points finishing the week at 31,496—a gain of 1.8%. The technology-heavy NASDAQ Composite declined a third consecutive week giving up -2.1%. By market cap, the large cap S&P 500 added 0.8%, while the mid cap S&P 400 rose 0.7% and the small cap Russell 2000 declined -0.4%.

International Markets: Like the U.S., international markets were mixed on the week. Canada's TSX finished the week up 1.8%, while the United Kingdom's FTSE rose 2.3%. On Europe's mainland, France's CAC 40 and Germany's DAX added 1.4% and 1.0%, respectively. In Asia, China's Shanghai Composite ticked down -0.2%, while Japan's Nikkei retreated -0.4%. As grouped by Morgan Stanley Capital International, developed markets rose 0.8% while emerging markets added 0.2%.

Commodities: Precious metals continued their descent. Gold declined -1.75% to $1698.50 per ounce, while Silver fell a further -4.4% to $25.29 per ounce. Oil, on the other hand, continued its ascent, now up four out of the last five weeks. West Texas Intermediate crude oil surged 7.5% to $66.09 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 -0.4%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits rose slightly last week signaling the economy is still a long way from recovering all the jobs lost during the pandemic. The Labor Department reported initial jobless claims rose by 9,000 to 745,000 in the week ended February 27th. Economists had forecast claims would total 750,000. For perspective, new claims were running in the low 200,000's before the pandemic took hold in late February of last year. New applications for jobless benefits rose the most in Texas, Ohio and New York. Missouri was the only state to report a big decline.

The U.S. economy added 379,000 jobs in February - the biggest gain in four months - in what is hoped to be a preview of the surge in hiring in the months ahead as the economy fully reopens. The increase in hiring last month was concentrated at businesses such as restaurants, retailers, hotels and entertainment venues as states eased restrictions on customer limits and public gatherings. Most other industries also added workers. The official unemployment rate, meanwhile, slipped to 6.2% from 6.3%. Analysts believe warmer weather, falling coronavirus cases, rising vaccinations, and another massive increase in federal stimulus are all likely to contribute to a strong labor market in the spring and summer. The increase exceeded Wall Street expectations. Economists had expected just 210,000 new jobs. New jobs in leisure and hospitality — restaurants, hotels, casinos, theaters and the like — accounted for almost all of the gains.

Manufacturing activity grew last month at its fastest pace since the onset of the pandemic a recent survey found. The Institute for Supply Management (ISM) reported its manufacturing survey climbed 2.1 points to 60.8—a three-year high. Readings over 50 indicate growth, while readings over 55 are considered exceptional. The increase surpassed Wall Street expectations. Economists had expected a reading of just 58.9. In the report, new orders, production, and employment all improved last month. Of concern, the biggest worry of the ISM survey respondents was shortages of key materials such as lumber and semiconductors which are pushing prices higher and in some cases restricting production. That could lead to an increase in inflation and hinder the recovery. A senior executive at a maker of wood products stated, “Prices are rising so rapidly that many are wondering if [the situation] is sustainable.”

A similar survey of the vast services side of the U.S. economy showed the economy grew more slowly in February—but not because of lack of demand. Again, shortages of key supplies hurt many service providers’ ability to run their businesses at full tilt. ISM reported its services index, a survey of business leaders at service-oriented firms such as banks, retailers, and restaurants slipped 3.4 points to 55.3. The reading indicates the ninth straight month of growth for the services sector which has expanded for all but two of the last 133 months. Still, the survey fell short of Wall Street expectations. Economists had expected the index to remain at 58.7. The biggest worry in the report was the increase in prices. The price gauge component of the ISM survey soared to 71.8—its highest level in 10 years.

The Federal Reserve’s ‘Beige Book’ found only modest improvement in the economy. Overall, the survey noted, business contacts were optimistic about the rest of the year as COVID-19 vaccinations continue, but things were improving slower than desired. On the crucial question of inflation, the report found a mixed picture. Some retailers and manufacturers were able to raise prices to consumers, but many others were not. Most districts reported that nonfinancial services, a key sector badly damaged by the pandemic, saw only modest growth.

In a Wall Street Journal webinar, Federal Reserve Chairman Jerome Powell reiterated that the current fiscal policy is appropriate despite worries over inflation and troubling signs in the bond market. Powell said the bond market sell-off over the past few weeks has his attention and the central bank would not sit back and let financial conditions tighten broadly. However, Powell offered no concrete guidance on his plan to counter such events. In addition, Powell said the Fed would be "patient" with higher inflation, saying it will likely be a "one time" effect and not price increases that continue year-after-year. Powell repeated that the Fed was a "long way" from its goals of maximum employment and stable 2% inflation.

International Economic News: After its worst year on record the Canadian economy entered 2021 with nearly double-digit growth in 2020's fourth quarter. Statistics Canada reported Canada's economy grew at an annualized rate of 9.6% in the final quarter of 2020. Though impressive, it was down from the 40.6% annualized growth in the third quarter when the country fully emerged from its near-shutdown. Looking to January, Statistics Canada said its early estimate was for growth in the economy of 0.5%.

Across the Atlantic, the United Kingdom says the biggest companies must pay more tax. Britain will hike taxes on its biggest companies in 2023 as it works to repair government finances in the wake of the pandemic. Speaking in parliament, UK Finance Minister Rishi Sunak pledged another 65 billion pounds ($91 billion USD) to extend emergency support measures for workers and businesses, while making the case that taxes will need to rise once the economic effects of the pandemic have eased. "Just as it would be irresponsible to withdraw support too soon it would also be irresponsible to allow future borrowing and debt to be left unchecked," he said.

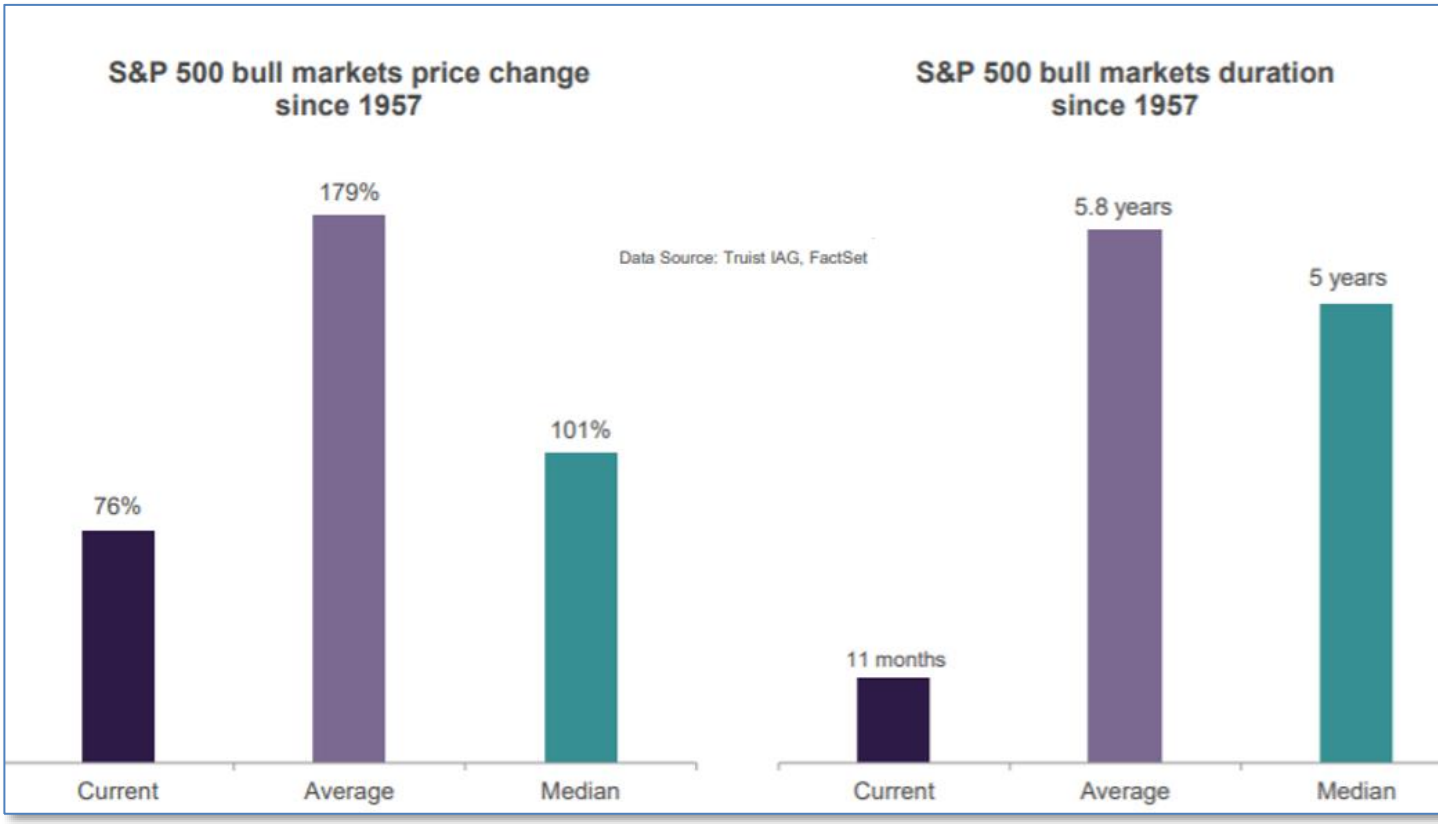
On Europe's mainland, the French government is accelerating the rollout of its economic stimulus plan by infusing 100 billion euros into support for its industrial sector, Finance Minister Bruno Le Maire said. The recovery plan aims to pull France out of its economic crisis by the end of 2022. Le Maire said there was no need to increase the overall amount of stimulus funds as the extra money for the industrial sector would be redirected from other programs within the recovery plan where take-up was slower. The wide-ranging plan gives a special focus to boosting the industrial sector, which has long struggled to be competitive and is heavily dependent on a small handful of industries such as aerospace, food processing, pharmaceuticals, and luxury brands.

German business groups expressed dismay this week after Chancellor Angela Merkel and state leaders agreed the government would only allow a gradual easing of coronavirus restrictions. The agreement dashed any hopes of a swift reopening of the economy and its associated rebound in consumer spending. "The results of the coronavirus summit are a disaster for the retail sector," said Stefan Genth, chief executive of the HDE retail association. HDE noted that German retailers were likely to lose another 10 billion euros ($12.1 billion USD) in sales by the end of March compared to 2019.

In Asia, China's Premier Li Keqiang announced the country is aiming for an economic growth rate above 6% in 2021. The target marks a return to strong growth after the COVID-19 pandemic weighed on the world's second largest economy. Despite the pandemic, China still managed growth of 2.3% last year – even so, it was the weakest annual growth in decades. The new target highlights the Chinese economy's strong rebound after the pandemic shutdowns led to a sharp 6.8% contraction in the first quarter of 2020. "A target of over 6% will enable all of us to devote full energy to promoting reform, innovation, and high-quality development," Premier Li Keqiang said. By some measures, the target appears modest. For example, the International Monetary Fund (IMF) estimates growth of 8.1% for China's economy this year.

Bank of Japan Governor Haruhiko Kuroda stressed the need to keep long-term borrowing costs "stably low" to support its economy, still weighed down by the coronavirus pandemic. Recently, there has been rampant speculation that the Bank of Japan would widen the bands the BOJ allows the 10-year bond yield to move around its 0% target to 60 bps from 40 bps. Kuroda said the BOJ has not reached a conclusion yet on whether it will widen the band, saying "much more debate" was needed before deciding at the March review of its policy tools. "It's a difficult decision. The economy remains under pressure from the COVID-19 pandemic," Kuroda told parliament. "While we need to enhance bond market functions, it's also important to keep the yield curve stably low for the time being," he said.

Finally: It has been a little over a year since the coronavirus pandemic blindsided the U.S. economy and crashed the stock market into a short-lived bear market. The new bull market that began at the end of March / start of April is thus now about 11 months old. That's one of the key reasons why analysts at Truist Wealth think the upswing in the S&P 500 still has plenty of room to run. Looking at data over the past six decades, Truist asserts that the current bull-market may be both too young and too limited in terms of price gains to be over anytime soon. The current gains are much lower than the average gain since 1957, and the age of this bull is not even close to the average duration of 5 years. *One caveat, though. The February / March "bear market" was unprecedented in its speed both down and up. We're not sure how one can now say that this "new bull market" will return to normalcy. Hopefully its not wishful thinking (selling?).*



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…

- Do you need a process to help manage losses during the next bear market?
- Have you addressed your investment process and adjusted it for what is going on in the world?
- 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

"An idealist believes the short run doesn't count. A cynic believes the long run doesn't matter. A realist believes what is done or left undone in the short run determines the long run."

Sydney J. Harris – American Journalist

Yours truly,

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™

Donald J. Moulton, CFP®, RFC
Certified Financial Planner™

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.

To unsubscribe from the "Molten Hot" Minutes please reply to this e-mail with "Unsubscribe" in the subject line, or write us at 1220 N. Mullan Road, Spokane, WA 99206.

https://www.realvision.com/rv/media/Issue/afbbd91224e646f6989786ffbc6269c3/pdf
https://www.brainyquote.com/quotes/sydney_j_harris_113853

***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.)