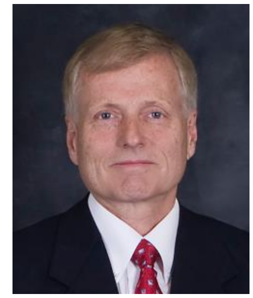
MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES



SPECIALIZING IN RETIREMENT AND TAX PLANNING

DONALD J. MOULTON
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Week of May 3, 2021

Per a disaster declaration by Governor Inslee, all gatherings are limited. 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.

Sell in May and Go Away?

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**

There's an old Wall Street saying, "Sell in May and Go Away". Its origins are debated but it is based on the fact that since 1945, the six months from May to October have badly *underperformed* the six months from November to April. In addition, many of the market's most famous crashes have happened in the May to October time frame (of course 2020's Covid crash was an exception).

Should you follow it?

In a word, "no".

In fact since 2011, the May to October "six months" has been positive nine times and negative only once.

Any rule of thumb based on long term averages, or calendars, should be used with caution (or better, not used at all). And that includes citing long term stock market returns as some kind of indicator of what to expect now.

We think it much more prudent, and frankly logical, to focus on the current environment in attempting to ascertain probable outcomes, rather than 100 years of very divergent conditions and considerations.

And the good news is, today we remain in Quad 2 with growth and inflation rising. We say good news because it's one of the most productive environments for positive stock market returns.

Growth Rising:

- First quarter GDP was announced last week at +6.4%. Outside of the -31.4% second quarter last year followed by the +33% third quarter, +6.4% is the highest quarterly GDP since 2003. And we think there's room for an even better number in the second quarter.
- Personal income rose +21.1% in the month of March. That's the biggest monthly increase since at least the 1940's.
- So far 302 of the 500 S&P-500 companies have announced earnings and they've shown a +50.56% increase year over year.

Inflation Rising:

- Used vehicles in the U.S. are now worth an average of $17,609 according to the Manheim Index. That's up $4,000, or about 31%, since the beginning of 2020 or just 16 months ago.
- Bloomberg Agricultural Spot Index annual rate of change surpassed +75% this week for the first time since 2011.

However we still think the data will roll over later in the year and we'll enter at least a shallow Quad 4 which is growth and inflation falling. This is the worst Quad for stock market returns. It will also come when almost all analysts are calling for a continuation, over even acceleration, of Quad 2 with reopenings and more vaccinations.

If we're correct - and we have been about Quad 2 since November 2020 – it will likely catch most investors off guard.

Does it mean a market crash?

Not necessarily.

But it does mean a crash is a more probable outcome than in Quad 2.

Participate but protect.

Does the investment plan include a sell strategy to protect your downside?

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.

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: The major U.S. indexes ended the week mostly lower, but the S&P 500, Nasdaq Composite, and the S&P MidCap indexes all hit new highs before surrendering their gains late in the week. The Dow Jones Industrial Average shed 169 points to finish the week at 33,874, a decline of -0.5%. The technology-heavy NASDAQ Composite closed lower for a second week, giving up -0.4%. By market cap, the large cap S&P 500 finished flat, while the mid cap S&P 400 retreated -0.7% and the small cap Russell 2000 declined -0.2%.

International Markets: International markets finished the week mixed. Canada's TSX rose 6 points to 19,108, essentially unchanged, while the United Kingdom's FTSE 100 added 0.5%. On Europe's mainland, France's CAC 40 rose 0.2%, while Germany's DAX declined -0.9%. In Asia, China's Shanghai Composite retreated -0.8% and Japan's Nikkei gave up -0.7%. As grouped by Morgan Stanley Capital International, both developed and emerging markets ended down -1.2%.

Commodities: Energy rebounded following last week's decline. West Texas Intermediate crude oil rose 2.3% to $63.58 per barrel. Precious metals closed to the downside for a second week. Gold retreated -0.6% to $1767.70 per ounce, while Silver declined -0.8% to $25.87. The industrial metal copper, viewed by some analysts as a barometer of global economic health due to its wide variety of uses rallied 3%.

April Summary: The Dow and NASDAQ Composite gained, 2.7% and 5.4%, respectively, while the large cap S&P 500 rose 5.2%, the mid cap S&P 400 gained 4.4%, and the small cap Russell 2000 added 2.1%. Almost all international markets finished April in the green. Canada's TSX rose 2.2% while the United Kingdom's FTSE 100 surged 3.8%. France's CAC 40 added 3.3%, while Germany's DAX 0.8%. China's Shanghai Composite ticked up a bare 0.1%, but Japan's Nikkei finished the month down -1.3%. As grouped by Morgan Stanley Capital International, emerging markets gained 1.2%, while developed markets rallied 3.0%. It was a solid month for commodities as oil gained 7.5%, gold rose 3.0%, silver added 5.5%, and copper surged 11.8%.

U.S. Economic News: The number of Americans filing first time claims for unemployment benefits dropped to another pandemic-low last week, with the accelerating pace of COVID vaccinations helping to support the labor market's recovery. The Department of Labor reported initial jobless claims last week fell by 13,000 to 553,000. Economists had expected 542,000 new claims. It was the third consecutive decline in claims and the lowest level since March 2020. Continuing claims, which counts the number of Americans already receiving benefits, edged up by 9,000 to 3.66 million. "A growing number of employers report struggling to find qualified workers, particularly for entry level or lower wage positions," Bankrate senior economic analyst Mark Hamrick said in an email. "The hard-hit leisure and hospitality sector, including bars and restaurants, appears to be ground zero for this challenge."

The cost of purchasing a home increased by a record amount last month, according to two widely followed home price barometers. S&P CoreLogic Case-Shiller reported it index of home prices across 20 large cities increased at an annual pace of 11.9% in February. Month-over-month, home prices rose 1.2%--their biggest gain since February 2006. Prices rose in all of the 20 cities tracked by Case-Shiller. Among these cities, Phoenix saw the largest increase once again with a 17.4% leap, followed by San Diego (up 17%) and Seattle (up 15.4%). The separate national index, which measures home prices across the country, displayed a similar 12% gain over the past year.

The confidence of America's consumers jumped to a 14-month high as rising vaccination counts, falling coronavirus cases, and a surge in hiring eased worries over the pandemic. The Conference Board reported its index of consumer confidence climbed 12.7 points to 121.7 this month. That's the highest level since February of 2020. Economists had expected a reading of just 113. In the report, the part of the survey that tracks how consumers feel about the economy right now surged to a 13-month peak of 139.6. Confidence in the future still hasn't returned to pre-pandemic levels, however. The gauge that assesses how Americans view the next six months--the so-called future expectations index--only rose slightly to 109.8 from 108.3. The index stood close to a 20-year high of 132.6 shortly before the crisis began.

Orders for goods expected to last at least three years, so called "durable goods", rebounded last month following a poor reading in February. However, manufacturers note that shortages of key supplies are still hampering production. The Census Bureau reported 'Durable Goods Orders' rose 0.5% last month. Economists had expected a 2.2% increase. Notably, orders for new cars and trucks increased 5.5% in March after slumping more than 9% in the prior month. Semiconductor shortages are still constraining production of some models, but automakers have managed to keep most of their assembly lines going. Furthermore, durable goods orders would have been three times stronger in March if not for a sharp drop in bookings for commercial and military aircraft. If transportation is excluded, new orders actually rose 1.6% in March. "Core orders", which excludes defense and transportation, rose 0.9% in March. Manufacturers reported their biggest obstacles are shortages of key supplies, a lack of skilled labor, and rising prices for raw materials.

The sentiment of American consumers soared in March after most Americans received their $1400 stimulus checks. Consumers spent their checks on new cars, recreational goods, and takeout food in March, giving a big shot in the arm to an economy still recovering from the coronavirus pandemic. The government reported consumer spending soared 4.2% in March. Economists had expected a 4% increase. Economists predict even faster growth in the spring as vaccinated Americans get out and about and businesses ratchet up production to meet rising demand. Meanwhile, a key measure of inflation known as the PCE, increased 0.5% month-over-month in March. That pushed the yearly average up to 2.3% from 1.5% in the prior month, and analysts state it's likely to head higher still over the next few months. Mickey Levy, chief economist for Americans at Berenberg Capital Markets stated, "PCE inflation will likely rise to 3% and the core PCE inflation close to 2.5%. Although these sharp spikes will dissipate, we anticipate the robust growth in aggregate demand will support more sustained inflation pressures."

The Federal Reserve reiterated its strategy of supporting the economy with ultra-low interest rates, even as it saw broad signs of faster growth. The central bank held a key short-term interest rate near zero and maintained monthly purchases of $120 billion in Treasury and mortgage-backed bonds. These policies have enabled a housing boom and made it cheap for consumers and businesses to borrow. Chairman Jerome Powell said the Fed would stay the course until the economy strengthened even further and coronavirus cases fell sharply.

Powell reiterated that the Fed is not considering a pullback anytime soon. "There is a long way to go until we reach our goal," he said.

Real Gross Domestic Product is nearly back to pre-recession levels as GDP increased at a 6.4% annual rate in the first quarter—a 2.1% increase over the previous quarter. It was the third consecutive quarterly gain following the deep contraction in the first half of 2020. Real output is now 0.4% higher than a year ago, and only 0.9% short of its pre-pandemic peak. The swift recovery has been supported by the successful vaccine rollout this year and multiple rounds of fiscal and monetary stimulus. Total COVID fiscal support has amounted to nearly 25% of 2020 GDP. Nearly all GDP components increased in the first quarter.

International Economic News: The Bank of Canada reported it is expecting strong consumption-led growth in the second half of the year as vaccinations against COVID continue. In comments to the House of Commons Finance Committee, Governor Tiff Macklem stated that slack in Canada's economy should be absorbed in the second half of next year. The bank signaled last week it could start hiking rates from their record lows in late 2022, as it sharply boosted its outlook for the Canadian economy and reduced the scope of its bond-buying program. Macklem said the biggest potential cause of uncertainty was how the coronavirus progressed.

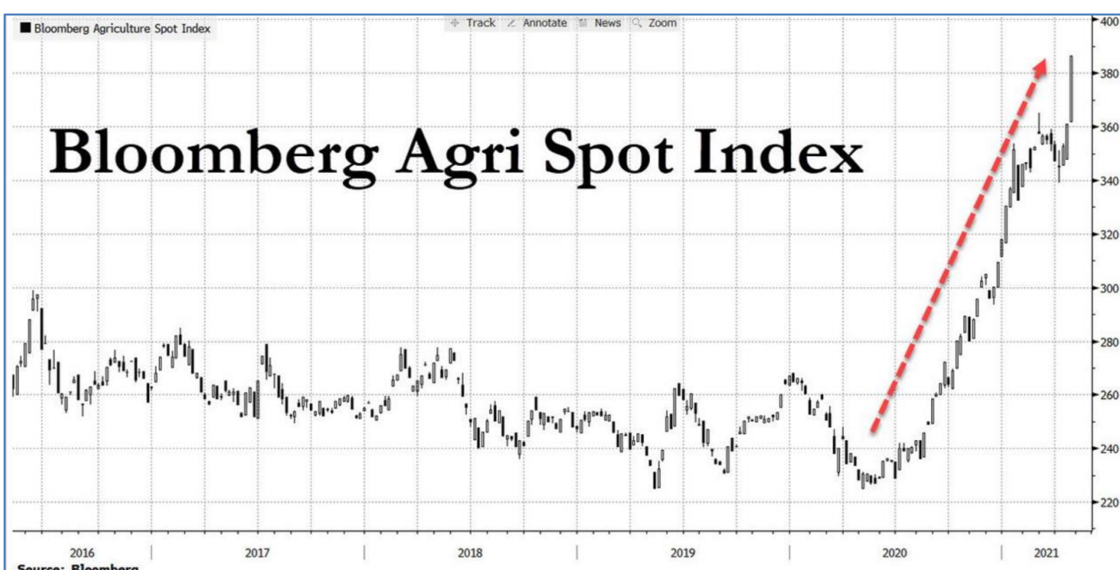
Global investment bank Goldman Sachs believes the United Kingdom's economy will grow faster than the United States due to its accelerated rollout of the COVID-19 vaccine. Early indicators show the country is bouncing back faster than expected, said Goldman economist Sven Jari Stehn, as half the population has now had its first COVID-19 shot and restrictions on nonessential shops and restaurants have been relaxed. "The U.K. economy is rebounding sharply from the COVID crisis," said Stehn, in a note. "Given recent upward revisions to real gross domestic product, our 2021 forecast is now at a striking 7.8% for 2021, above our expectations for the U.S. and sharply above the Bloomberg consensus of 5.5%." The turnaround is all the more surprising because the U.K. was the worst-performing economy of the G-7 last year, with an economy that shrank by 9.8%.

On Europe's mainland, French Economy Minister Bruno Le Maire and German Finance Minister Olaf Scholz unveiled their respective national recovery and resilience plans at a joint press conference ahead of the deadline set by the European Commission. "It was important for us to make this presentation together, because Germany and France have been working hand in hand since the beginning of the crisis," said Le Maire, who voiced hope that the French economy would return to 2019 levels by 2022. "We are not introducing reforms for the benefit of the European Commission. We are introducing reforms for the benefit of French citizens and the nation," Le Maire said. France plans to invest 100 billion euros through 'France Relance', a strategy based on ecology, competitiveness and social and territorial cohesion. Germany, for its part, has announced that 40% of the budget allocated to the recovery, worth 11 billion euros--will be earmarked for the climate.

In Asia, Taiwan's government has accused China of waging economic warfare against the island's technology sector by stealing intellectual property and enticing away engineers, as its parliament considers strengthening legislation to prevent such alleged activity. Taiwan is home to a thriving and world-leading semiconductor industry, used in a wide variety of products from vehicles to smart phones, and the government has long been worried about China's efforts to copy that success. Four Taiwanese policymakers from the ruling Democratic Progressive Party are leading a proposal to amend the commercial secrets law to widen the scope of what is considered a secret and toughen penalties. In a report to Parliament about the proposed amendments, Taiwan's National Security Bureau blamed China for most cases of industrial espionage by foreign forces discovered in recent years.

Japan's parliament approved joining the world's largest free-trade deal, the Regional Comprehensive Economic Partnership (RCEP), as signatories aim for it to come into effect from the start of next year. The approval by Japan's upper house comes after the lower house gave the green light earlier this month and a day after China called for the deal to be ratified to shore up the economy in the Asia-Pacific. The China-backed RCEP was signed in November of last year and included the 10 members of the Association of Southeast Asian Nations (Asean) plus China, Japan, South Korea, Australia and New Zealand. By eliminating tariffs on 91% of goods, the RCEP will create a free-trade zone covering nearly one-third of the world's economy, trade and population.

Finally: With upward price pressures already impacting the economy in areas like construction and building supplies, it was only a matter of time before food price inflation arrived at a supermarket near you. The Bloomberg Agriculture Spot Index has risen by 76% year-over-year - the biggest rise in nearly a decade. This is more than just a problem at the American dinner table as there is extensive literature connecting big jumps in food prices to periods of social unrest. The Arab Spring unrest in 2010-11 coincided with the last jump of this magnitude. Deutsche Bank's Jim Reid points out that "…emerging markets are more vulnerable to this trend, since their consumers spend a far greater share of their income on food than those in the developed world." And Warren Buffet said at this weekend's Berkshire Hathaway annual meeting that "We are seeing substantial inflation. We are raising prices. People are raising prices to us, and it's being accepted." Berkshire Hathaway owns, among many other holdings, food processing giant Kraft Heinz.



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

"I don't mind going back to daylight saving time. With inflation, the hour will be the only thing I've saved all year."

Victor Borge – Danish Comedian

Yours truly,

Rial R. Moulton / Donald J Moulton

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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.

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***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.)