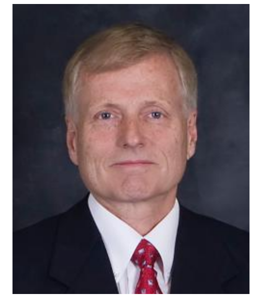
MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES



SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of May 24, 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.

"While money can't buy happiness, it

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

certainly lets you choose your own form of misery."

- *Groucho Marx*

We imagine those with too much invested in crypto currencies this last week experienced some form of misery, though unlikely by their own choosing.

From end of day May 14th through end of day May 21st, Bitcoin dropped -25.1%. At one point on May 19th it was down -30.2% *on the day*.

Before scoffing at the idiots who had money in such an investment, at the end of day on May 21st, even after the dramatic selloff, it was still up +28.9% for the year.

When anything gets big headlines, whether for gains or losses, we get a lot of questions and Bitcoin has been no different. As such, let's review what Bitcoin is and is not.

Bitcoin is a virtual, digital or "crypto" currency. It is not issued by any central entity, or government, and by design is limited to 21 million coins ever to be in existence. Its value is therefore based on some combination of scarcity, a perception that it is a store of value or that it allows anonymous, "one to one" direct payments.

Blockchain is the underlying technology that supports crypto currencies. It's an open source, public record keeping system, operating on a decentralized computer network that records all transactions between parties in a verifiable and permanent way.

Aside from simple supply / demand driven price changes, Bitcoin has possible transactional benefits. Let's say you wanted to buy a house in another state or maybe better, another country. Let's further say the seller contacts you and needs a deposit quickly as there are multiple offers, some of which are local. As the buyer you would go to your bank and set up a wire transfer. Of course the transaction takes time but the seller should see the deposit the following day, assuming you were early enough. If it's the weekend, possibly not until Tuesday. If it's to another country, there's also exchange rates and additional paperwork causing further delays. With Bitcoin or other crypto-currencies, you could get their "wallet address" and make the deposit in crypto which would be similar to sending an email. They'd have it within minutes. *Obviously the seller would have to accept crypto for the deposit.*

Furthermore, there's the promise of smart contracts with non-fungible tokens or NFTs. These also utilize the Blockchain technology. Non-fungible simply means unique or one of a kind. Recently it's been used to sell digital art. But some believe in the future it will be used for all kinds of assets.

For example, if I own a multi-million dollar office building in downtown Manhattan, I could theoretically slice it into hundreds or thousands of ownership units using NFTs and sell them to individual investors. As the owner, I get to benefit by remaining in control but I also get to become more liquid. As an individual investor I get to directly own a portion of a downtown office building that I otherwise could never afford.

Now expand the concept to owning a piece of a new Elton John song, or even a portion of an athlete's earning potential.

Although the possibilities are exciting, currently crypto is in its infancy and as such has many potential hurdles to overcome, and investor risks to understand.

- As last week showed, it is very volatile; both up and down. Some think this volatility will mitigate as it gains more acceptance – remember Amazon had a couple of close to -90% declines in the share price of its stock since going public. But anyone considering buying crypto needs to understand this risk.
- Governments could outlaw it in one form or another. Although we think it's likely too late for this to kill crypto, it could cause quite a decline. Since it's internet based, it would be difficult for a single country to effectively outlaw it.
- Governments could regulate it more thoroughly. This might actually be a plus for crypto in the long run as it could make it a more "main stream" investment.
- Theft or loss is a risk. Currently, most people use an "onramp" to buy crypto currencies. These are like brokerages for crypto. However they have no SPIC insurance. If they're hacked, investors could lose their crypto and there would be no way to recover it. Some investors instead use "cold storage" which means they move the coins to a wallet device they have in their home. Since it's no longer on the web, it can't be hacked. However there are many stories of investors who lost their password or the entire wallet. If that happens there's no recovering your money.

Hopefully this will help you understand what Bitcoin is and is not. Please don't take this as a recommendation to buy or sell any investment. We all know past performance is not necessarily indicative of future results. However, if you are considering adding crypto to your portfolio mix, please remember to volatility size the position. Regardless of the investment, more volatile positions should be smaller than less volatile positions.

And crypto is volatility on steroids.

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.

What's Your Risk Number?

On to this week's data…

U.S. Markets: U.S. indices posted mixed results in a volatile week of trading. The large-cap S&P 500 index ended the week modestly lower while the technology-heavy NASDAQ Composite gained a little ground. The Dow Jones Industrial Average had its second consecutive negative week, declining -0.5% to 34,208. The Nasdaq Composite ended a four week losing streak by finishing the week up 0.3%. By market cap, the large cap S&P 500 retreated -0.4%, while the mid-cap S&P 400 and Russell 2000 fell -1.2% and -0.4%, respectively.

International Markets: International markets finished the week predominantly to the upside, but with no large moves anywhere. Canada's TSX retraced all last week's decline and then some, rising 0.8%. The United Kingdom's FTSE 100 closed down for a second week retreating -0.4%. On Europe's mainland, France's CAC 40 finished essentially flat, while Germany's DAX ticked up 0.1%. In Asia, China's Shanghai Composite ticked down -0.1%, while Japan's Nikkei rose 0.8%. As grouped by Morgan Stanley Capital International, developed markets ended the week up 0.6% and emerging markets added 0.4%.

Commodities: Gold had a third consecutive week of gains, rising 2.1% to $1876.70 per ounce. Silver rose a lesser 0.4% to $27.49 per ounce. Following three weeks of gains, traders took profits in oil. West Texas Intermediate crude oil finished the week down -2.7% to $63.58 per barrel. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week down -3.7%, its second week of declines.

U.S. Economic News: The number of Americans filing first time unemployment benefits hit a new pandemic low coming in better than analyst estimates. The Labor Department reported initial jobless claims totaled 444,000 last week whereas economists had expected claims to total 452,000. This time last year, claims had totaled more than 2.3 million. While Federal Reserve officials stress the need for more improvement in the jobs picture, the claims numbers suggest that employment is growing consistently. However, continuing claims, which counts the number of people already receiving benefits, edged higher by rising to 3.75 million. That number is reported with a one-week delay.

The nation's homebuilders remain confident, but rising costs of materials are posing major risks the National Association of Home Builders (NAHB) reported. The NAHB said builder sentiment in the single-family housing market remained unchanged at 83 this month. Readings above 50 are considered positive sentiment. The index had plummeted to 37 last May, as the pandemic lockdown hit and the housing market shut down. It then rebounded dramatically in June and July, as consumers rushed to the suburbs seeking more space for working and schooling from home. Builders report strong buyer traffic with continued low mortgage rates helping with affordability, however with prices rising fast they note purchasing power is weakening. "First-time and first-generation homebuyers are particularly at risk for losing a purchase due to cost hikes associated with increasingly scarce material availability," said Chuck Fowler, National Association of Home Builders chairman. Aggregate residential material costs are now up 12% year over year, according to the NAHB, with some materials – most notably lumber – up much more.

Housing starts tumbled more than expected in April, likely pulled down by soaring prices for materials analysts say. The Commerce Department reported housing starts fell 9.5% to a seasonally-adjusted annual rate of 1.569 million units in April. Economists had expected starts would fall to 1.710 million units. Year-over-year starts were up 67.3% in April. Groundbreaking activity dropped in the Midwest and south, but rose in the Northeast and West. Permits for future homebuilding rose 0.3% to a rate of 1.760 million units in April. They soared 60.9% compared to April 2020.

Manufacturing activity in the New York-region remained strong this month, holding near its highest level in over three years. The New York Fed reported its Empire State Manufacturing index down-ticked to a reading of 24.3 in May from 26.3 in April. Economists had expected a reading of 24.8. In the report, the new orders index rose 2 points to 28.9, while shipments rose 4.7 points to 29.7. Both price indices hit record highs. The prices paid index rose 8.8 points to 83.5 while prices received rose 2.2 points to 37.1. On a negative note, expectations for business in the next six months slipped 3.2 points to 36.6. The Empire State reports gets particular attention as it is seen as a leading indicator of national trends.

A measure of output at U.S. manufacturers and service providers advanced to a new record this month, underscoring the solid demand that is contributing to inflationary pressures. Data firm IHS Markit said its flash U.S. manufacturing Purchasing Managers Index (PMI) increased 1 point to 61.5 in the first half of this month. That was the highest reading since the survey was expanded to cover all manufacturing industries in October 2009. Economists had forecast the index dipping to 60.2 in early May. A reading above 50 indicates growth in manufacturing, which accounts for 11.9% of the U.S. economy. Booming demand also boosted the services sector, which bore the brunt of the pandemic. The IHS Markit's flash services sector PMI surged 5.4 points to 70.1—also its highest reading since the series started in October 2009. The services sector accounts for more than two-thirds of U.S. economic activity.

The Conference Board reported its Leading Economic Index (LEI) had its second consecutive solid gain in April, further evidence that the economic recovery is gathering momentum. The LEI rose 1.6% in April after a 1.3% gain in March. It was the strongest gain since last July. "The U.S. LEI suggests the economy's upward trend should continue and growth may even accelerate in the near term," said Ataman Ozyildirim, senior director of economic research at the Conference Board. The index has recovered fully from its COVID-19 contraction. The Conference Board now forecasts real GDP could grow around in a range of 8%-9% in the second quarter, with annual growth expected to reach 6.4%.

According to minutes from the latest Federal Open Market Committee meeting, Federal Reserve officials remained cautiously optimistic about the U.S. economic recovery. Notes showed some officials signaled they were open to discussing scaling back the central bank's massive bond purchases "at some point". Minutes stated, "A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases." Officials held interest rates near zero at the meeting and pledged to continue buying $80 billion in Treasuries and $40 billion in mortgage-backed securities every month until "substantial further progress" had been made on their employment and inflation goals.

International Economic News: The Bank of Canada said high household indebtedness and imbalances in the housing market have intensified in the last year, leaving Canada's economy more vulnerable to economic shocks. Canada's housing market boom and the corresponding rise in mortgage debt prop up economic growth in the short-term but also increase the risk to the economy and financial system over the medium-term, the central bank said in its annual review of financial systems. Although consumer debt has fallen since early 2020, an increase in mortgage debt has more than offset that decline, with total household debt rising sharply since mid-2020. The share of newly issued mortgages with a loan-to-income ratio above 450% rose substantially in the second half of 2020, and now account for 22% of all new mortgages. That is above the range seen in 2016-17, before Canada's financial regulator introduced mortgage stress tests intended to cut out risky lending.

The UK economic recovery will be "fast and full", economic data suggested. Businesses reported the strongest pace of growth in activity in more than 20 years and official figures showed shoppers heading to newly reopened stores in "hordes". The flash, or interim, composite purchasing managers' index (PMI), published by research group IHS Markit and the Chartered Institute of Procurement and Supply, rose 1.3 points to 62 in May, marking the highest PMI reading since records began in January 1998. Chris Williamson, chief business economist at IHS Markit said, “The UK is enjoying an unprecedented growth spurt as the economy reopens.”

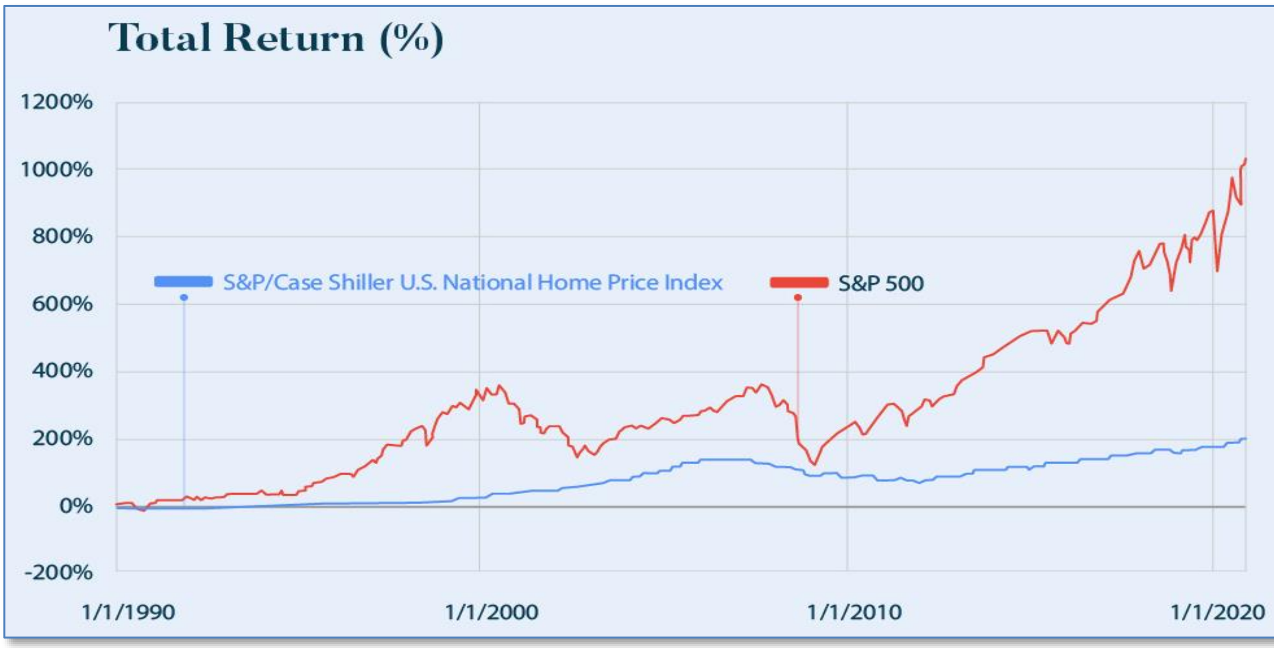
On Europe’s mainland, French Finance Minister Bruno Le Maire warned that peace, security and global stability are in danger if the world’s economic superpowers do not contribute to Africa’s economic recovery from the Covid-19 crisis. African leaders met in Paris over the past two days in a summit convened by France to strike a multibillion-dollar “New Deal” to aid the economic and health revival of the continent. The Summit on the Financing of African Economies brought together 21 heads of state from Africa and leaders of continental organizations along with European leaders and the heads of major international finance organizations. In a press conference, French President Emmanuel Macron said the summit had yielded “a New Deal for Africa and by Africa.”

Germany's DIHK Chambers of Industry and Commerce raised its growth forecast for Europe's largest economy to 3% this year after its recent survey pointed to improved business morale over the past three months. The DIHK's updated growth forecast compares with its previous estimate of 2.8% projected in February and is based on the latest findings of the association's survey among more than 27,000 companies from various sectors of the economy. The DIHK forecast is less optimistic than the government's projection of 3.5% GDP growth this year. The German economy shrank by 4.8% last year due to the pandemic. "There is cautious optimism among export-oriented industrial companies due to economic catch-up effects, but there is still a considerable amount of skepticism, particularly among the sectors affected by the lockdown, due to ongoing coronavirus restrictions," DIHK said in a summary of its survey.

In Asia, China’s National Bureau of Statistics reported retail sales were up 17.7% in April from the same time a year ago, although the reading missed analyst expectations. Analysts had expected growth of 24.9%. April’s retail sales figure also marked a slowdown from 34.2% year-on-year growth in March. “China is still seeing an unbalanced recovery, as employment, household income, consumption, manufacturing investment, (the) service sector and private firms have yet to come back to (the) pre-Pandemic level,” Bruce Pang, head of macro and strategy research at China Renaissance, said in a statement. In a quarterly monetary policy report released last week, the People’s Bank of China noted that the foundation for economic recovery is not yet solid and consumer spending remains constrained.

Japan's economy shrank more than expected in the first quarter as a slow vaccine rollout and new COVID-19 infections hit consumer spending, raising concerns the country will lag behind others emerging from the pandemic. Furthermore, capital expenditure also fell unexpectedly and export growth slowed sharply. The dismal reading and extended state of emergency curbs have heightened the risk Japan may shrink again in the current quarter and slide back to recession, some analysts say. Yoshimasa Maruyama, chief market economist at SMBC Nikko Securities stated, “Consumption will probably remain stagnant, raising risks of an economic contraction in the current quarter." The economy shrank an annualized 5.1% in the first quarter, more than the median market forecast for a 4.6% contraction.

Finally: Single-family homes had their biggest price increase on record in the first quarter of this year. With many analysts noting the real estate market is "white hot", it might be helpful to look at a relative comparison of real estate to the *other* main source of U.S. homeowner wealth - the stock market. The following graph from analytics firm Visual Capitalist shows the total return since 1990 of the U.S. National Home Price Index compared to the benchmark S&P 500 stock market index. The Home Price Index has gone up a respectable 200% since 1990, but looks quite tame compared to the 1000% return from the S&P 500 over the same period.



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

"Intaxication – Euphoria at getting a refund from the IRS, which lasts until you realize it was your money to start with."

From a Washington Post word contest

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.

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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.)