MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of May 31, 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.

"As we express our gratitude, we must never

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

forget that the highest appreciation is not to utter words, but to live by them."

- John F. Kennedy

Hopefully you had a safe and enjoyable Memorial Day weekend.

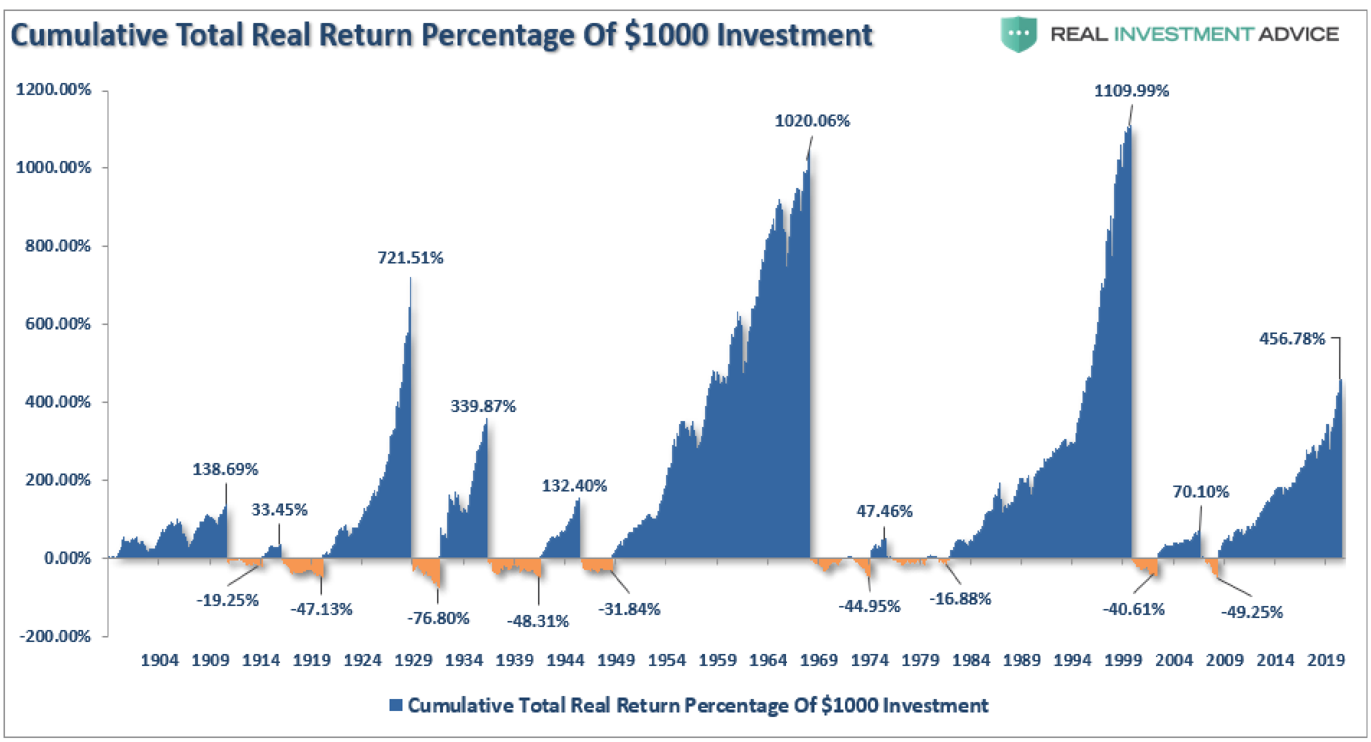
If you get our snail mail news you'll find the next one discussing our view that the economy is likely transitioning from Quad 2 (growth and inflation rising in rate of change) to Quad 4 (growth and inflation falling in rate of change).

The bad news is that while Quad 2 is one of the most supportive of higher stock prices, Quad 4 is the worst. However, the good news is it appears this will be a shallow Quad 4. While risk rises in Quad 4, the risk increases in a shallow Quad 4 are generally muted.

Of course this doesn't tell us if the market will or will not have a significant decline in the latter half of the year. It's instead a study of probabilities based on back testing of economic and market data.

One thing we do know – higher starting valuations lead to lower long term gains for those who buy and hold.

If you have been around the markets for some time, you've undoubtedly come across a chart similar to this one.



It’s often rolled out by those who are trying to convince everyone that having a defense is a waste of time. After all, look at the size of those gains vs those puny losses.

Why worry?

Math.

While an investor can certainly have a 210% gain, as an example, over a number of years, that doesn’t mean it’s 3 times better than a 70% loss. In fact if I have a $1,000,000 portfolio and enjoy a 210% gain I now have a portfolio worth $3,100,000. But that puny 70% decline from there brings me to $930,000, less than where I started.

Now picture how a 210% gain vs a 70% loss would appear in the chart above.

Do you think it gives an accurate impression of what the gains and losses do to your retirement?

We don’t know when the next bear market will hit. In fact, in some ways we’re in uncharted territory. The spending both fiscally and by the Central Banks is arguably unprecedented. The ultimate outcome could be much higher prices before any meaningful decline.

We all need to ask ourselves some questions.

- Whether considering stock prices or real estate prices; is this sustainable?
- Can we just print our way to better economic results without cost?
- If there is consequence to the massive debt increases and money printing, what will it likely do to the economy AND to your portfolio, and at the same time?

Although we think the latter half of the year will be a shallow Quad 4, it’s still Quad 4 and most bear markets of significance have happened while the economy was in Quad 4.

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: U.S. stocks recorded solid gains for the week, bringing the benchmark S&P 500 Index nearly back to its all-time highs. The Dow Jones Industrial Average gained 322 points to close at 34,529, a rise of 0.9%. The technology-heavy NASDAQ Composite had its second week of gains, adding 2.1%. By market cap, the large cap S&P 500 rose 1.2%, while the mid cap S&P 400 and small cap Russell 2000 indexes added 1.4% and 2.4%, respectively.

International Markets: Major international markets finished the week in the green. Canada's TSX rose 1.7%, while the United Kingdom's FTSE 100 ticked up 0.1%. France's CAC 40 and Germany's DAX rose 1.5% and 0.5%, respectively, while in Asia, China's Shanghai Composite rose 3.3%. Japan's Nikkei ended the week up 2.9%. As grouped by Morgan Stanley Capital International, emerging markets rose 3.3%, while developed markets added 1.0%.

Commodities: Precious metals continued their rise for a fourth week. Gold rose 1.5% to $1905.30 per ounce, while Silver finished the week up 1.9% to $28.01. Oil continued to consolidate near its highs reached in early March. West Texas Intermediate crude oil finished the week up 4.3% to $66.32 per barrel. The industrial metal copper, viewed by some analysts as a barometer of global economic health due to its wide variety of uses, retraced last week's decline finishing the week up 4.4%.

May Summary: U.S. markets were mixed for the month of May. The Dow Jones Industrial Average rose 1.9%, while the NASDAQ Composite gave up -4.4%. The large cap S&P 500 gained 0.5%, and the md cap S&P 400 and small cap Russell 2000 each ticked up a scant 0.1%. International markets outperformed U.S. indices for the month of May. Canada and the UK rose 3.9% and 0.8%, while France added 3.4% and Germany gained 2.5%. China finished the month up 4.5% and Japan added 1.2%. Emerging markets rose 1.6% in May while developed markets added 3.5%. Precious metals had an especially strong month with Gold rallying 7.8% and Silver surging 8.3%. Oil and copper gained 4.3% and 4.7%, respectively.

U.S. Economic News: The number of Americans applying for first-time unemployment benefits fell to new pandemic lows as the U.S. economy continued to recover and companies to hired more workers. The Labor Department reported initial jobless claims sank by 38,000 to 406,000 in the week ended May 22. That was the fewest number of compensation claims since the onset of the pandemic nearly 15 months ago. Economists had forecast new claims would total a seasonally-adjusted 425,000. New requests were down sharply from the nearly 900,000 readings seen in early January. Meanwhile, the number of people already collecting benefits, so-called “continuing claims”, fell by 96,000 to a seasonally-adjusted 3.64 million. That reading is reported with a one-week delay.

Home prices continued to accelerate in March, rising at their fastest pace since 2005. Analytics firm S&P CoreLogic Case-Shiller reported the index of home prices across 20 large cities increased at an annual pace of 13.3% in March. Among the 20 cities that the index tracks, Phoenix again saw the largest increase with a 20% jump, followed by San Diego (up 19.1%) and Seattle (up 18.3%). On a monthly basis, home prices were up 1.6%. Craig Lazzara, managing director and global head of index investment strategy at S&P DJI stated, “The market’s strength is broadly-based: all 20 cities rose, and all 20 gained more in the 12 months ended in March than they had gained in the 12 months ended in February.” Separately, the national home price index, which measures home prices across the country, rose a similar 13.2% over the past year. The latest reading is the highest annual gain since December 2005.

Sales of new homes fell in April by nearly 6% as affordability constraints begin to weigh on home buyers. The U.S. Census Bureau reported new residential sales occurred at a seasonally-adjusted annual rate of 863,000. Despite the lower reading, new home sales were still up 48% compared to the same time last year. The median forecast of economists polled was 959,000. Analysts noted the decline in mortgage demand could be a reflection of both buyers’ and builders’ concerns about affordability, as mortgage rates have risen this year alongside home prices. The market for new homes is seeing price pressures not just due to the high demand for housing but also because of rising material costs that are driving construction expenses substantially higher.

For the first time in six months, the confidence of American consumers slipped as they grew more worried about the rising cost of living and future job prospects. The Conference Board reported its closely followed survey of consumer confidence slipped 0.3 point to 117.2 in May. Economists had forecast a reading of 119.5. All three major surveys of consumer confidence declined in May even as states loosened or eliminated altogether restrictions put in place during the pandemic. Nonetheless, the reopening of the economy combined with massive federal stimulus has unleashed a surge in pent-up demand. That demand has pushed the cost of many goods and services to record highs, increasing worries of inflation. The part of the survey that asks how consumers feel about the economy right now surged again to 144.3 from 131.9--a new pandemic high. However, the measure of how Americans view the next six months sank to 99.1 from 107.9—a three-month low.

A key measure of inflation rose again last month hitting a 13-year high, reflecting the broad surge in consumer prices as the U.S. fully reopens for business. The Personal

Consumption Expenditures Index climbed to 3.6% in April from the same time a year earlier, hitting its highest level since 2008 and well above the Federal Reserve's stated 2% goal. A separate measure of inflation that strips out food and energy also rose to its highest level since 1992. Still, the Federal Reserve insists inflation will fade to its 2% target by next year, once the economy is on firmer footing and the pandemic is well behind us.

Orders for goods expected to last at least three years, so-called "durable goods", fell last month for the first time in a year. The Census Bureau reported orders for durable goods slipped 1.3% in April. Economists had expected a 0.9% *increase.* The decline stemmed almost entirely from a big drop in orders for new cars and trucks. Automakers have plenty of demand, but they can't fill new orders fast enough because of an ongoing global shortage of computer chips. These shortages are likely to drag on for months until bottlenecks created by the pandemic are eliminated and pent-up demand is filled. Excluding transportation, new orders rose a healthy 1.1% in April. The best news in the report was a 2.3% increase in business investment. Companies are now investing more than they did before the pandemic and it's likely to keep going up, economists say.

International Economic News: Canada's central bank is likely to cut its bond-buying program again this year, as provinces ease curbs to contain the coronavirus pandemic and inflation pressures build. Strategists from half of Canada's six largest banks expect the Bank of Canada to dial back its bond purchases to 2 billion CAD ($1.65 billion USD) per week or less, from the current level of 3 billion CAD per week. In April, the Bank of Canada became the first major central bank to cut back on pandemic-era money-printing stimulus programs and indicated it could begin raising its key interest rate from the current floor of 0.25% in the second half of the year. It said further cuts to bond purchases would be guided by its assessment of the "strength and durability" of economic recovery.

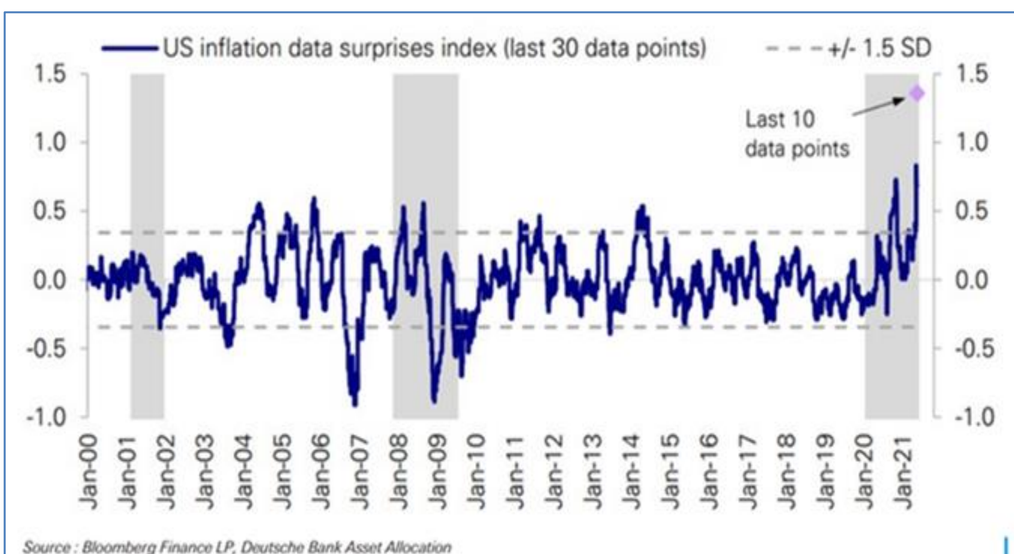
Across the Atlantic, British shoppers hit retailers en masse after shops reopened following months of lockdown closures, official data showed. Sales volumes jumped 9.2% in April, twice the average forecast of economists and the biggest rise since June, after rising 5.1% in March. Clothing sales surged by almost 70%. Alex Jones, head of retail at Lloyds Bank stated, "Fashion retailers (were) the ultimate beneficiaries of beer gardens reopening and the 'rule of six' night out returning." Bank of England policymakers are keeping a close watch on retail sales, expecting a surge in spending as wealthier households spend savings built up during lockdowns. The central bank forecast this month that the economy would grow by 7.25% this year after slumping by nearly 10% in 2020, its biggest decline in more than 300 years.

On Europe's mainland, in a joint statement by German Economy Minister Peter Altmaier, his French counterpart Bruno Le Maire, and Dutch Economic Affairs Minister Mona Keljzer said draft rules targeted at Alphabet unit Google, Facebook, Amazon, and Apple should be beefed up to allow regulators to limit their acquisitions of start-up rivals. Tech giants have faced criticism for so-called "killer acquisitions" where they buy nascent rivals with the goal of shutting them down. Regulators should use the proposed Digital Markets Act (DMA) to address this issue, the ministers said. "First, setting clear and legally certain thresholds for acquisitions by gatekeepers of targets," they said. "Second, adapting the substantive test to effectively address cases of potentially predatory acquisitions." They said the proposed rules should allow leeway for EU countries to tackle so-called online gatekeepers and anti-competitive behavior.

In Asia, just days before the coronavirus shut down the Chinese city of Wuhan, the Trump administration and China signed what both sides said would be only a temporary truce in their 18-month trade dispute. President Biden now sits as president of the United States but the truce endures, and now appears to be setting lasting ground rules for global trade. The agreement didn't stop many of the same practices that sparked the trade war, such as Chinese subsidies at a range of its industries—many of them reliant on American technology. In return, the truce left in place most of the $360 billion-a-year tariffs imposed on Chinese-made goods. However, the truce appears to be the foundation for the European Union's trade agreement. The European Union announced earlier this month that it was drafting legislation that would allow it to broadly penalize imports and investments from subsidized industries in China or elsewhere.

Japan's government slashed its overall economic view for the first time in three months in its economic report for May. The downgrade was due to the impact on consumption and business conditions from the coronavirus state of emergency imposed on major areas of the country. "The economy shows increased weakness in some parts, though it continued picking up amid severe conditions due to the coronavirus," the government said in the report. The government cut its assessment of the overall economy for the second time this year, after also doing so in February, which was its first downgrade in 10 months.

Finally: Despite the Fed's insistence that the present jump in inflation readings is "transient" and "temporary", indications of widespread inflation are becoming so numerous as to be overwhelming. Deutsche Bank maintains a data series it calls the "Inflation Data Surprises Index", which monitors unexpectedly-high or –low inflation reports across the economy. The current readings are the highest in the 20-year history of the index. Deutsche Bank strategist Jim Reid described the last 10 data points as "almost off the chart". (Chart from Deutsche Bank)



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

“Bear markets matter, and they matter much more than you think.”

Lance Roberts – Investment Advisor and Author

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.*

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https://realinvestmentadvice.com/macroview-bear-markets-matter-more-than-you-think-part-2/

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.)