MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of July 5, 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.

We've talked for some time about how Fed actions directly supporting the stock market, especially since the Great Financial Crisis, have distorted historical market signals. We guess

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**

this is beneficial to investors as long as they think printing money to prop up the stock market is a good thing; and can work forever.

But will it continue to work forever?

Consider a few facts.

- The total market cap, worldwide, of the combined stock and bond market is over $200 trillion. Certainly printing a few trillion printed dollars is significant, but it can't, by itself, change the balance of supply and demand. Instead it creates a behavioral response that pushes the market. If the market ever, for whatever reason, loses faith in the Fed and as such, doesn't have the behavioral response the Fed desires, they won't be able to counter it.
- In 2007 the U.S. Federal debt was $9.2 trillion. It's now over $28 trillion, an increase of 205% over 13 years.
- The Federal Reserve's balance sheet at the end of 2007 was $922 billion. It is now about $8.1 trillion. That's an increase of 778% in about 13 years.
- U.S. GDP at the end of 2007 was about $14.7 trillion. It was $22.1 trillion on March 31, 2021, an increase of about 50% in about 13 years.
- U.S. debt to GDP was 62% at the end of 2007. After the first quarter of 2021 it was 127%. That's over a 100% increase in 13 years. For perspective U.S. debt to GDP rose to 30% from roughly 0% during the Civil War, but was paid back down to 5% by 1900. It jumped to 110% during WWII but was paid back down to 30% by 1970. This time there was no military conflict nor any attempt to pay it back.

Yet the stock market seems not to have a worry. Some point to this as evidence that there should be no worry since the stock market is "forward looking". Yet the market wasn't "forward looking" enough in January and February of 2020 regarding the virus. It then suddenly noticed and had the fastest 30% crash ever. It was not "forward looking" in October 2007 despite the U.S. Housing market already having peaked and began declining, only to suddenly noticed and falling 57% in roughly the next 18 months (S&P-500).

Risk happens slowly and then all at once.

If it's important to dance while the music is playing, it's even more important to have a plan in place to protect yourself when risk happens, all at once.

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.

Other data…

U.S. Markets: The benchmark S&P 500 large cap index and technology-heavy NASDAQ Composite moved to new highs and closed out a fifth consecutive quarterly advance this week. The Dow Jones Industrial Average added 353 points finishing the week at 34,786, a gain of 1%. The NASDAQ, likewise, finished the week up 1.9%. By market cap, the S&P 500 added 1.7%, while the mid cap S&P 400 and small cap Russell 2000 retreated -0.6% and -1.2%, respectively.

International Markets: In international markets, Canada's TSX closed essentially unchanged, while the United Kingdom's FTSE 100 ticked down -0.2%. On Europe's mainland France's CAC 40 gave up -1.1%, while Germany's DAX rose 0.3%. China's Shanghai Composite declined -2.5% and Japan's Nikkei retreated -1.0%. As grouped by Morgan Stanley Capital International, developed markets declined -0.8% and emerging markets fell -1.3

Commodities: Precious metals finished the week to the upside, with Gold rising 0.3% to $1783.30 an ounce and Silver adding 1.6% to $26.50. Oil had its sixth consecutive week of positive closes finishing the week up 1.5% to $75.16 per barrel for West Texas Intermediate crude. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, ended the week down -0.4%.

June and Q2 Summary, U.S.: The Nasdaq led the way in June with a 5.5% gain, followed by the S&P 500, up 2.2%, and the Russell 2000, up 1.9%. The Dow and mid-caps finished the month down -0.1% and -1.1% respectively. In the second quarter, the NASDAQ led the pack with a gain of 9.5%. The Dow rose 4.6% while large caps rallied 8.2% and mid-caps and small caps tacked on a smaller 3.3% and 4.1%, respectively.

June and Q2 Summary, International: Canada and European stocks were the best international performers in June. Canada rose 1.6%, the UK gained 0.2%, France added 0.4% and Germany ticked up 0.1%. China retreated -0.3% and the Nikkei pulled back -1.2%. Emerging markets as a group finished the month flat, while developed markets ended the month down -1.3%. In the second quarter, Canada rose 7.8%, the UK gained 4.8%, France rallied 7.3%, and Germany added 3.5%. China rose 4.3%, while Japan declined -1.3%. Emerging markets added 3.1%, while developed markets gained 4.1% in the quarter.

June and Q2 Summary, Commodities: June was not kind to precious metals. Gold and silver retreated -7.0% and -6.5%, respectively. June was better for oil, which rallied 10.8% in the month. Copper finished the month down -8.3%. In the second quarter, Gold gained 3.3%, Silver added 6.8%, and Copper rose 7.4%, while oil beat them all by soaring 24.2%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits sank to a pandemic low as extra benefits began to phase out. The Labor Department reported new applications for unemployment benefits fell by 51,000 last week to a new pandemic low of 364,000, further evidence of the rapid economic rebound and more aggressive efforts by companies to hire workers. The decline in new claims was bigger than expected. Economists had expected a reading of 390,000. Of note, the enhanced federal benefits due to the coronavirus are set to expire in all states in September. New jobless claims posted the biggest decline in Pennsylvania, and fell sharply in Kentucky, California, Texas, Illinois, Michigan and Ohio. Meanwhile, continuing claims, which counts the number of people already receiving benefits rose by 56,000 to 3.47 million. Continuing claims had dropped to a pandemic low the prior week.

The U.S. added the most new jobs in almost a year in June as the economy perked up and companies rushed to hire more workers. The Bureau of Labor Statistics reported the U.S. created 850,000 new jobs. Economists had forecast just 706,000 new jobs. Most of the new jobs were in service-oriented positions such as restaurants, hotels, and retailers. Government payrolls also rose by 188,000, but that was largely the result of pandemic-related effects on education. The unemployment rate, meanwhile, rose slightly to 5.9% from 5.8%. Despite the robust economic recovery and record number of job openings, unemployment remains quite high. Some 26 states will stop giving out extra federal benefits of up to $300 a week by early July in an effort to nudge people to return to work.

The National Association of Realtors (NAR) reported that pending home sales rose 8% in May, well above the consensus forecast of a 1% decline. Compared with the same time last year, pending home sales were up 13.1%, but at that time last year home sales activity had fallen amid the onset of the COVID-19 pandemic. Lawrence Yun, chief economist at NAR stated, “May’s strong increase in transactions--following April’s decline, as well as a sudden erosion in home affordability--was indeed a surprise.” In the report, all regions saw an uptick in sales, led by a 15.5% surge in the Northeast. The South saw the smallest increase, with a 4.9% uptick.

Home prices rose at their fastest pace on record in April according to the latest data from S&P CoreLogic. S&P's Case-Shiller National Home Price index increased 14.6% over the past year—the highest year-over-year reading in more than 30 years of data. The separate 20-city index, which gauges home prices across a group of major cities across the country, increased at an even higher 14.9%, well over the 13.3% growth recorded the month prior. Comparisons between April 2020 and April 2021 are skewed due to the onset of the coronavirus pandemic, but even given that, home prices have been on a tear. CoreLogic deputy chief economist Selma Hepp stated, "Pressures on home prices that have built over the last year culminated in the strongest home-price growth since the beginning of the data series in 1987." As in recent months, Phoenix, San Diego and Seattle experienced the largest gains over the past year, with home prices in all three of these cities rising 20% from last April. Overall, there were five cities where home prices rose by record amounts: Charlotte, Cleveland, Dallas, Denver and Seattle.

Confidence among the nation's consumers surged in June, hitting its highest level since before the onset of the pandemic. The Conference Board reported its Consumer Confidence index rose over 7 points to 127.3, reflecting the growing sense that fears of COVID are fading away and people can get on with their lives. Economists had expected a reading of just 118.7. The index has risen for six consecutive months. The U.S. economy is surging again given the massive government stimulus and number of new jobs available. In the details, the part of the survey that asks how consumers feel about the economy right now shot up by almost 10 points to 157.3 - more than double the pandemic low of 68.4 in May 2020. Consumers were optimistic about the future, too. A measure of how Americans view the next six months rose to 107 from 100.9 - almost back to pre-crisis levels.

A survey of U.S. manufacturers slipped in May, according to the Institute for Supply Management (ISM). The ISM reported manufacturing activity dropped to 60.6 in June from 61.2 in May. Businesses are still struggling to cope with broad shortages of key supplies and skilled labor as customer demand for their goods soared above pre-pandemic levels. Although readings above 60 are considered exceptional, companies still had lots of concerns as orders continue to roll in. The survey highlighted that prices for many materials have risen sharply, products aren't getting delivered on time, and in some cases companies simply lack enough labor to make as much as they can sell.

International Economic News: Canada's economy appears to have suffered its worst two-month stretch since the onset of the pandemic over a year ago. Statistics Canada reported real gross domestic product fell 0.3% in April, although that was better than the initial estimate of a 0.8% decline a few weeks ago. It was the first decline in real GDP since April 2020. The agency also said its preliminary estimate for May showed a similar drop of 0.3% as many restrictions remained in place through the month while the country grappled with the third wave of the COVID-19 pandemic. The overall decline in April plus the early estimate for May put overall economic activity about one per cent below pre-pandemic levels seen in February 2020.

Across the Atlantic, the Bank of England's outgoing chief economist warned that inflation could rise by more than expected and force the central bank into a dangerous "handbrake turn" to stop the economy from overheating. Andy Haldane said he expected that a surge in consumer prices would drive UK inflation close to 4% this year. The Bank's nine-member monetary policy committee (MPC), from which he is standing down, said last week it expected inflation to peak at 3% by the end of 2021, before falling back in 2022 as the post-Covid economic boom fades. Haldane said there were reasons to believe that current isolated pockets of rising prices in parts of the UK economy would translate into a wider "significant and persistent" rise in inflation.

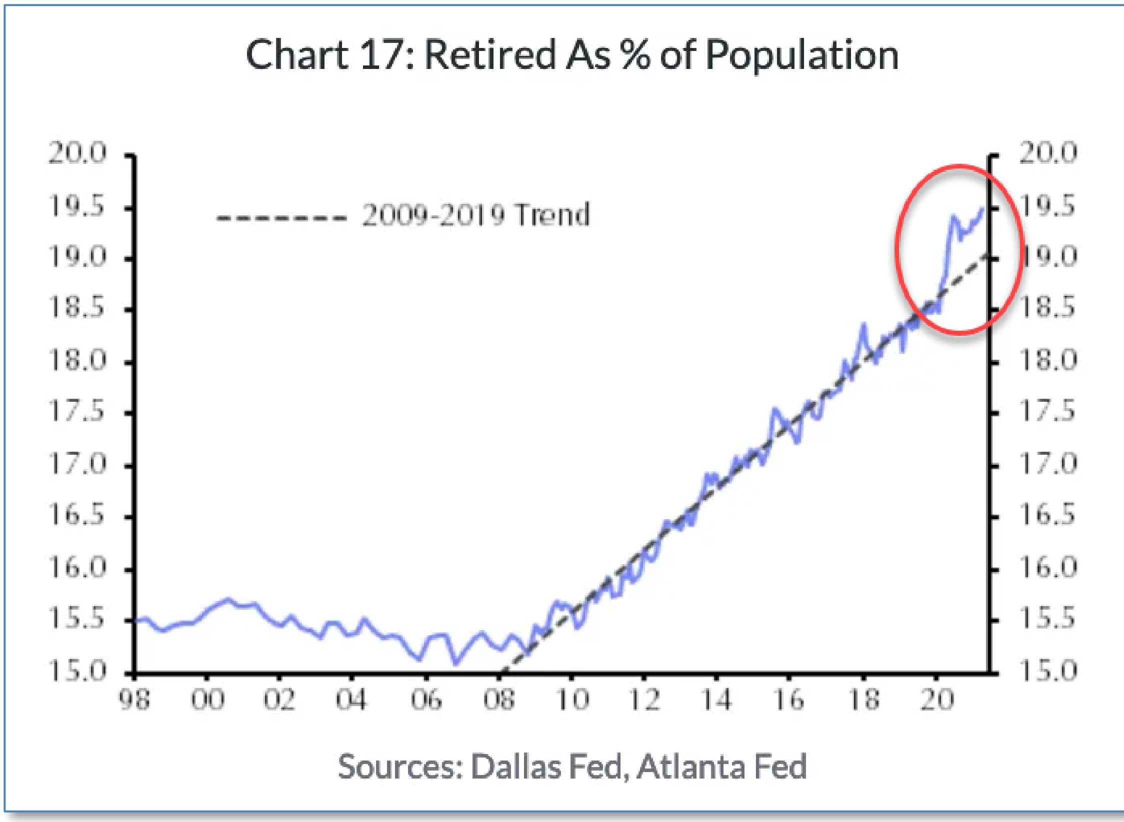
On Europe's mainland, France's Finance Ministry reported payment card data showed spending was up 18% in the third week of June from the same period in 2019, with little sign of slowing down. Finance Minister Bruno LeMaire said "The real surprise is that it's holding up over time. That proves that (consumers) are using their savings for consumption and reviving the economy." Spending on electronic goods was up more than 45%, and nearly 30% on clothes while spending in hotels and restaurants was up more than 10%, the data showed. In related news, French statistics agency INSEE reported its consumer confidence index jumped to 102 in June from 98 in May, surpassing economists' average expectation for a reading of 100.

Electricity demand in Germany, Europe's leading power market, has stagnated at levels seen before the onset of the coronavirus. Citing research for the first half of the year, Team Consult said net German power consumption last year was down 4.6% after accounting for imports and exports, storage movements and grid losses data from utility group BDEW showed. Nonetheless, Team Consult noted macro-economic analysis showing that Germany's manufacturing activity had held up strongly during the pandemic, mostly undisturbed by lockdowns, helped by generous state support measures. "The accelerating economy will continue to hold up demand for commodities," it predicted.

The Chinese government has gone "too far" in cracking down on large technology companies, which will hurt innovation and slow down economic growth, said Scott Kennedy senior advisor and trustee chair in Chinese business and economics at the Center for Strategic and International Studies. Regulators in China have in the last few months ramped up scrutiny on the country's tech giants such as Alibaba and Tencent. The companies now face fines and new rules aimed at reining in monopolistic business practices. Kennedy said the crackdowns have "basically scared the innovators from innovating". The crackdown may hinder the formation of new companies, while existing firms--particularly small ones--may be scared to make investments in the future, he added.

Business sentiment among Japan's large manufacturers has improved to the highest level since 2018, the Bank of Japan's latest Tankan survey shows, raising hopes that the economy is finally in for sustained growth. The improvement reflects strong international demand, as the U.S. and Chinese economies continue to recover steadily, boosting demand for Japanese autos and machinery. The headline diffusion index of sentiment among large manufacturers came to plus 14 in June, compared with plus 5 in March, marking a fourth straight quarter of improvement. The latest Tankan survey, conducted over the past month, covers some 9,400 companies of various sizes and industries in Japan.

Finally: What if a large factor in the current worker shortage is...unexpectedly high retirements? Oxford Economics and Capital Economics analysts have highlighted the huge jump in recent baby-boomer retirements, each one of which is another worker removed from the country's workforce. Michael Pearce of Capital Economics writes "…that is equivalent to 2 million workers, which would explain more than half of the current shortfall in the labor force." Bob Schwartz of Oxford Economics notes that "…older households hold more wealth than younger ones, and the improved balance sheets of senior workers may well have tipped them over into retirement." (Chart from Capital Economics)



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

"How did you to bankrupt? Two ways. Gradually, then suddenly."

Ernest Hemingway, The Sun Also Rises

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.

https://app.hedgeye.com/feed_items/all?page=1&with_category=24-early-look
https://www.goodreads.com/quotes/102579-how-did-you-go-bankrupt-two-ways-gradually-then-suddenly

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.)