MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of August 16, 2021

We received mixed news on inflation this past week, but clearer news on growth. Whether the Federal Reserve is correct in predicting inflation will be transitory, or whether it becomes stickier may be the most important determinant of where the market is headed, as higher inflation restricts the ability of the Fed to react to market volatility.

SEMINARS ARE BACK!

(but with reduced capacity)

- **SEPTEMBER 15TH @ 11 AM – RICHLAND**
- **SEPTEMBER 22ND @ 930 AM – SPOKANE NORTH** *(BREAKFAST)*
- **SEPTEMBER 29TH @ 930 AM – SPOKANE VALLEY** *(BREAKFAST)*

SEATING IS VERY LIMITED. PLEASE ALLOW THOSE WHO NEED IMMEDIATE HELP TO ATTEND INITIAL SEMINARS.

DUE TO LIMITED CAPACITY, RESERVATIONS REQUIRED:

CALL 509-922-3110

Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC

For at least the last 13 years the Fed has demonstrated that they very much care about what the stock market is doing. During the most recent Covid decline the Fed rolled out massive money printing stimulus to drive the market back up.

But probably a better demonstration was the fourth quarter of 2018. In October 2018 Fed Chair Powell said the economy was doing so well the Fed was going to “normalize our monetary policy”. Normalizing monetary policy means reduced money printing and eventually raising rates. The market didn’t like it and fell about 20% before the Fed reversed course and began printing again.

Remember the Fed has a dual mandate officially, and a triple mandate in many peoples’ minds. The Fed is supposed to keep inflation low and jobs high. But they increasingly seem to also feel their job includes propping up the stock market. They’ve been able to do so over the last 13 years because inflation has been very low and that’s given them free reign.

If inflation gets “sticky”, the Fed may have to choose between fighting inflation and propping up the stock market. The tools the Fed would use to fight inflation is reducing money printing and raising rates – the exact actions the market has railed against.

This week Consumer Price Index (CPI) was reported for July at +5.37% year over year. While that doesn’t seem like good news it may be, as it is down slightly from June’s +5.39%. That’s the first year over year decline in rate of change this year.

The Producer Price Index (PPI) was also reported at +7.77% year over year, surpassing June’s +7.31%. That is not good news.

LISTEN TO RIAL AND DON’S RADIO SHOW, “YOUR MONEY MATTERS”, EVERY SATURDAY MORNING AT 8:00 AM ON KXLY RADIO CHANNEL 920 AM IN SPOKANE AND AT 9:30 AM ON NEWSTALK RADIO CHANNEL 870 AM IN THE TRI-CITIES AREA OR LISTEN LIVE AT WWW.NEWSTALK870.AM AGAIN AT 9:30 EACH SATURDAY MORNING…

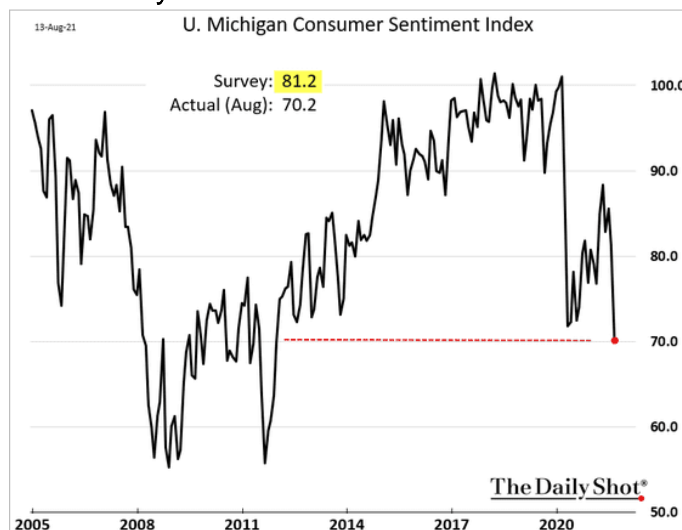
(BOTH SHOWS ARE ALSO AVAILABLE LIVE VIA THE INTERNET)

Of course we’ve said for some time that all kinds of data would appear crazy during the first half of this year as we are comparing against a time during 2020 when the economy was artificially shuttered. As the year progresses the comparisons will begin to “normalize” as the last half of 2020 saw at least partial re-openings.

Considering this, it may make more sense to look at the data annualized over the last two years to compare the numbers starting before shutdowns to numbers after opening back up. If we recalculate CPI since 2019 on an annualized basis it's up +3.15% per year. PPI calculated the same way is up +3.68% per year. Though those are still higher numbers than we've seen for some time, they are obviously closer to the Fed's 2% average target than are one year numbers.

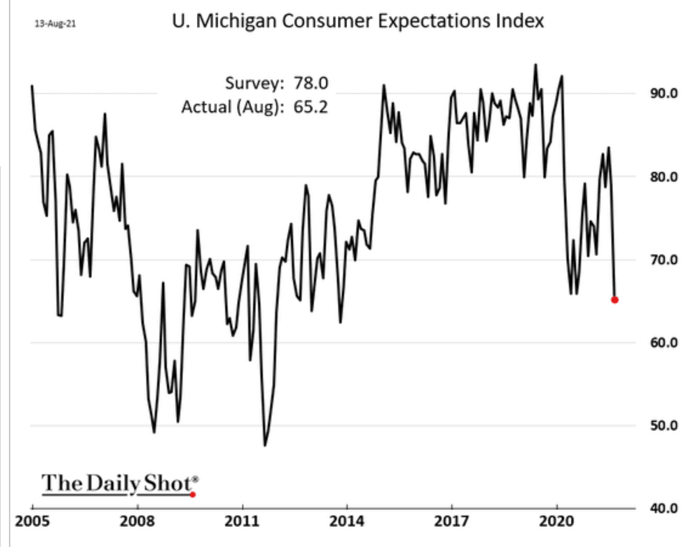
These inflation numbers, and how the Fed reacts to them, may be the most important determinant of market behavior over the remainder of the year.

Meanwhile, recent economic numbers have not been encouraging, from TheDailyShot.com.



The University of Michigan's consumer sentiment report was a shocker to the downside at 70.2 compared to estimates of 81.2. This is the lowest level in a decade. For context, it was the worst negative surprise on record.

The Citi Economic Surprise Index is intended to look forward and ascertain the direction of economic numbers. Unfortunately it continues to decline, now turning negative and warning of further economic slowdowns.



Also households' expectations of personal finances has deteriorated sharply. Expectations of finances is a large determinant of current spending, and consumer spending is about 70% of GDP. As a consumer, you're more likely to make purchases if you're confident in your personal

finances than if you're worried about them.

We've said before that if you want the best view of where the economy is headed, look at what the 10 year U.S. Treasury is doing. The bond market has long been considered the smartest money.

Why?

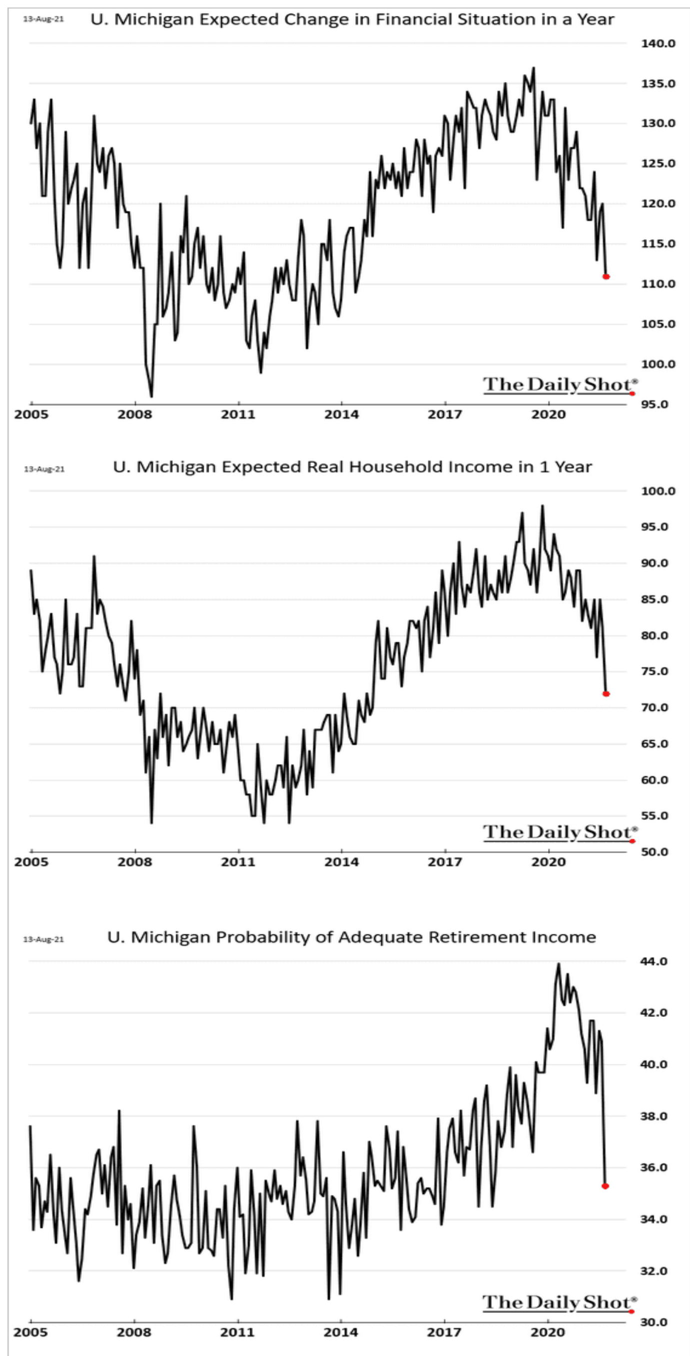
A few reasons. First bond investors tend to be more economically sensitive. They are also longer term investors. And finally, the bond market is less impacted by retail day traders, Reddit, greed and fear, etc.

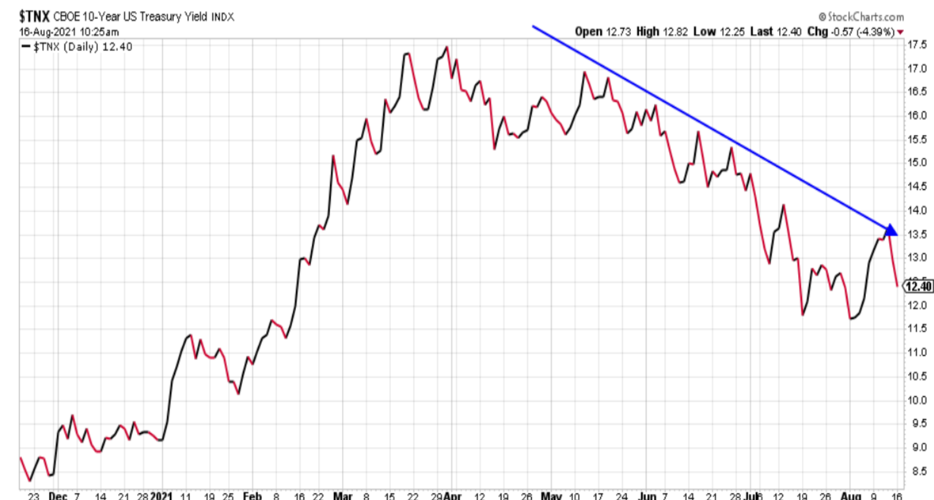
What is the 10 year yield telling us? It's falling. Yields decline when the bond market is worried about a slowing economy. It also declines when it's not worried about inflation.

We get a lot of feedback about these newsletters and the radio show; some more encouraging than others. ☺

One of the "requests" is to please stop talking about Covid, it's "beating a dead horse". However, we don't see it that way and we'd argue that neither does the stock market.

Covid is not something that happened, ***it's something that is happening***.





And it's important to understand that dynamic if you want to risk manage your investments.

The Delta variant of Covid has proven more contagious, more dangerous and less deterred by vaccinations. It's also

infecting kids at a much higher rate and with much higher severity than the original Covid. You and I may choose to treat that information cavalierly. But the majority of parents probably won't. It doesn't take ¾ or ½ of all consumers to reduce spending for it to negatively impact the economy. Instead it happens on the margins. A very small decrease in consumer activity can be catastrophic for many businesses, already operating on small margins.

Couple resurging Covid with rising prices and it likely explains the negative outlook by consumers.

Stay safe.

We continue to track the data.

What is your defensive plan?

Come to a seminar and hear about ours.

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.

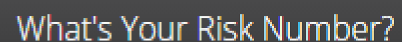
If you didn't like what happened to your portfolio in the dot.com bubble or the financial crisis bubble, but you've made no moves to change the way you invest, now may be the time to seriously consider your process – NOT after the market, and your portfolio, have crashed.

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.



In the markets:

U.S. Markets: U.S. markets were mixed, but the headline indices continued to gain ground as the market mostly shrugged off concerns about a renewed spread of the coronavirus. Within the benchmark S&P 500 index, value stocks outperformed their growth counterparts. The Dow Jones Industrial Average finished the week up 307 points closing at

35,515, a gain of 0.9%. The technology-heavy NASDAQ Composite ticked down -0.1% to 14,823. By market cap, the large cap S&P 500 added 0.7%, the mid cap S&P 400 gained 0.5% and the small cap Russell 2000 retreated -1.1%.

International Markets: Canada's TSX rose 0.2%, while the United Kingdom's FTSE 100 gained 1.3%. On Europe's mainland, France's CAC 40 and Germany's DAX added 1.2% and 1.4%, respectively. In Asia, China's Shanghai Composite gained 1.7%, while Japan's Nikkei 225 finished up 0.6%. As grouped by Morgan Stanley Capital International, developed markets added 1.4% but emerging markets pulled back -0.4%.

Commodities: Precious metals finished the week mixed with Gold rising 0.9% to $1778.20 per ounce, while Silver retreated -2.3% to $23.78. Crude oil finished essentially flat following last week's decline. West Texas Intermediate crude closed at $68.44 per barrel, an increase of 0.2%. 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 up 1.0%.

U.S. Economic News: New applications for first-time unemployment benefits fell last week to close to a pandemic low, signaling that fewer people are losing their jobs despite the resurgence in coronavirus cases. The Labor Department reported initial jobless claims dropped by 12,000 to 375,000, matching the consensus forecast. New claims had fallen to a pandemic low of 368,000 last month before a temporary increase that was likely tied to seasonal swings in summer employment. New claims were little changed in most states. Claims fell the most in New Mexico while California and Michigan posted the biggest increases. Meanwhile, continuing claims, which counts the number of people already receiving benefits slid by 114,000 to 2.87 million. Continuing claims are also now at a pandemic low.

It truly is a job-seeker's market. The number of job openings in the United States rose to a record 10.1 million in June, the Labor Department reported - the fourth consecutive all-time high. Economists had expected job openings to rise 9.3 million. The data is proof the labor market is firming and businesses continue to seek workers. Also in the report, for the first time in six months, the rate of hiring outpaced the rate of job opening increases. The number of people hired rose by 697,000 to 6.7 million. Some economists are starting to anticipate the strong labor market data will allow the Federal Reserve to start tapering its bond purchases this fall. T.J. Connelly, head of research at Contingent Macro, wrote in a note, "This report might offer the first sign that headwinds like generous unemployment benefits and childcare issues for parents might finally be abating."

Optimism among the nation's small business owners retreated in July after hitting the highest level since the November election last month. The National Federation of Independent Business (NFIB) reported its index dropped 2.8 points to 99.7. The survey found business owners are losing confidence in the strength of the economy and expect a slowdown in job creation. Owners expecting better business conditions over the next six months fell eight points to a net negative 20%. Still a net 27% of the owners planned to create new jobs

in the next three months, only down one point from a record-high reading in June. Turning to inflation, a net 46% of small business owners reported raising average retail prices. The NFIB said in its statement, "This is inflation, the question is for how long." A net 38% of owners reported raising compensation for workers, down 1 point from June's record high. A net 27% expect to raise compensation in the next three months, a 48-year record high reading.

The consumer price index climbed 0.5% in July, matching the consensus forecast. The reading was down from a 0.9% gain in June. Over the past 12 months, the rate of inflation remained at 5.4% for a second straight month—a 20-year high. However, the measure that eliminates the often volatile food and energy categories, so-called "core inflation", rose a lesser 0.3%. That measure decelerated to an annual rate of 4.3% from 4.5%, which had been a 29-year high. The key driver in the moderation of core CPI was used car prices, which rose just 0.2% after surging 30% from March to June. Federal Reserve officials are remaining patient and view the surprising surge of inflation as "largely transitory." Most economists seem to agree but uncertainty remains.

Prices at the wholesale level surged again, rising sharply in July for the sixth month in a row and offering no evidence that the increase in inflation is near its crest. The Bureau of Labor Statistics reported its Producer Price Index (PPI) jumped a whopping 1% last month. Economists had forecast only a 0.6% advance. In the report, most of the increase was concentrated in services such as airline tickets and hotel rooms amid the surge in travel this summer. Wholesale auto prices have also risen sharply due to strong demand and because carmakers have been unable to maintain production levels amid shortages of key components. The pace of wholesale inflation over the past 12 months moved up to 7.8% from 7.3%. That's the highest level since the index was reconfigured in 2010, and likely one of the highest readings since the early 1980s.

International Economic News: Canadian Prime Minister Justin Trudeau is planning a snap election on September 20th to seek voter approval for the government's costly plans to combat COVID-19. Trudeau only has a minority government and relies on other parties to push through legislation. In recent months he has complained about what he calls opposition obstruction. Trudeau came to power in 2015 with a majority of the 338 seats in the House of Commons, but in 2019 he was reduced to a minority after old photos emerged of him wearing blackface. The opposition Conservatives, Trudeau's main rivals, maintain that his spending is excessive and will leave future generations hobbled by debt.

Across the Atlantic, Britain's economy surged in the second quarter as consumers eagerly spent money following the easing of coronavirus restrictions. The rapid quarter-on-quarter growth rate allowed the economy to recover much of the ground lost over the past two years. The growth rate was in line with market expectations, although a touch slower than the Bank of England's forecast of 5% expansion. Samuel Tombs, UK economist at Pantheon Macroeconomics, said the data showed the UK was "still the straggler" among advanced

economies across the whole pandemic despite growing fastest among G7 countries in the second quarter.

On Europe's mainland, French economic activity ran 1-1.5% below normal levels in July, nearing pre-coronavirus epidemic levels. In its monthly economic report, the Bank of France confirmed a positive economic trend in the country, notably due to continued improvement in hotels, restaurants, transport, leisure and cultural activities. In July, the services sector, worst-hit by restrictions, was "increasing significantly" after a return to normal. The Bank of France expects the French economy to grow 5.8% for the whole year of 2021, 0.2% lower than the current government forecast.

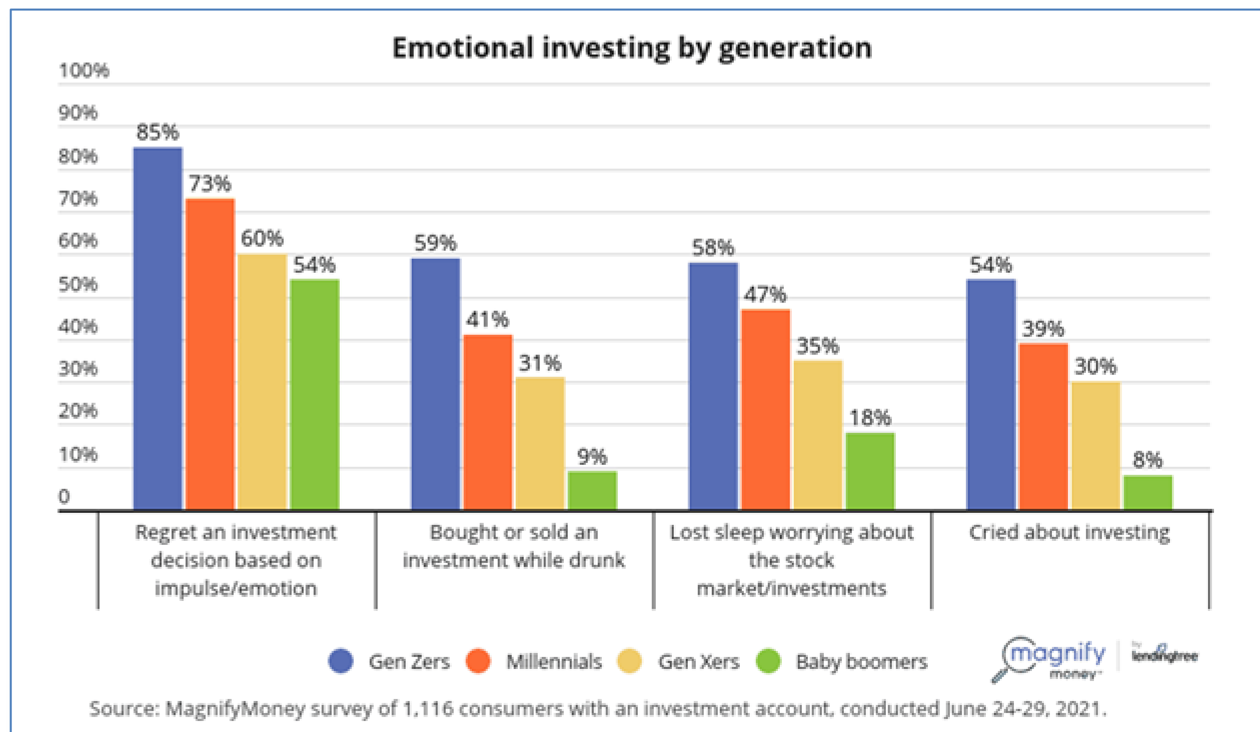
Germany's Economy Ministry argues that the recent rise in inflation will be temporary as it is largely driven by special effects that should wane at the start of next year. Germany's annual consumer price inflation accelerated by more than expected, hitting a 13-year high in July. In its monthly report, the ministry wrote, "A sustained increase in the inflation rate is not to be expected from today's perspective. Currently there are no signs of a wage-price spiral that could lead to permanently high inflation." The main factor in the jump in the inflation rate was base effects from a temporary reduction in VAT (value-added tax) rates in the second half of 2020, the ministry maintained.

In Asia, China's worst coronavirus outbreak in a year has authorities taking drastic measures to limit its spread. But while locking down cities, canceling flights and suspending trade may bring the virus back under control, those actions risk stalling a precarious recovery. While the numbers of cases remain small by comparison with recent surges in infections in the United States and Europe, China has aggressively revived its "zero-Covid" strategy. Those drastic moves have already prompted some economists to slash their growth projections for the world's second largest economy. Goldman Sachs analysts forecast China's GDP to grow by just 2.3% in the third quarter from the previous quarter — dramatically lower than the 5.8% increase they originally expected.

Ninety percent of major Japanese companies expect the country's economy to expand in 2022 on hopes that the fallout from the coronavirus pandemic will subside, a Kyodo News survey showed. The survey of 111 companies, including heavyweights like Toyota Motor Corp. and Sony Group Corp., also showed companies increasingly joining global efforts to curb greenhouse gases and striving to ensure economic security amid growing tensions between the U.S. and China. The survey found 75% of the firms expect moderate economic growth next year, followed by 15% that said the world's third-largest economy will expand in 2022. None of the companies anticipated a contraction.

Finally: Jimmy Dugan, the manager of the Rockford Peaches (played by Tom Hanks), famously told his crew of women ballplayers in "A League of Their Own" that "There's no crying in baseball!" It seems, however, there's a LOT of crying in investing – at least in some generational age brackets. A survey of more than 1,100 individual investors by Magnify Money revealed that investors generally, and Gen-Z investors in particular (under age 24),

have experienced regrets over impulsive investing decisions, have lost sleep over their investments, have invested while drunk, and defied Jimmy Dugan by crying about it. Boomers are much less prone to these behaviors than the other age cohorts, but even Boomers have some regrets. (Chart from Magnify Money)



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.

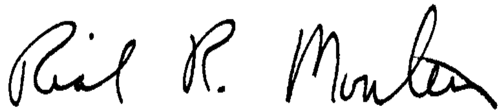
We discuss many of these issues on the weekly radio show and invite you to listen.

WEEKLY FOCUS – THINK ABOUT IT

"Instead of these pundits and columnists throwing their hands up in the air saying rates at current levels don't make any sense, the reality is that they are indeed flashing a signal of future deflation, and that the current state of the inflationary world will come and go much as it did in 2000, 2008 and 2010.."

David Rosenberg – Economist / Investor

Yours truly,



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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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Breakfast with Dave - Breakfast_with_Dave_2021_08_16.pdf (rosenbergresearch.com)

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.)