MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Have a great (and safe) Thanksgiving!

"It's the same but different."

A friend often uses this phrase to explain life changes. And it may be applicable to this stock market.

Most of us remember the Internet Bubble. Many people were quitting their jobs because they decided they could day trade their way to riches. Of course when the market goes one way – up – it's much easier to be smart than when risk management is needed.

That bubble peaked just over 20 years ago (in the year 2000). And we are currently in a very different economy and stock market.

But is that a good thing?

James Stack, editor of InvesTech Research, tells us that GDP this year is forecasted to be 120% higher than in 2000; $22.7 trillion today vs $10.3 trillion in 2000. But the stock market has increased by 233% over the same period, making this the most overvalued market in Wall Street history by almost any valuation metric.

Consider that the Wilshire 5000 stock market capitalization is up $14.5 trillion from the Covid peak of March 2020. That increase is only slightly lower than the total Wilshire 5000 stock market capitalization at the peak of 2000, $14.7 trillion.

Of course adding almost $6 trillion to the national debt and $4.5 trillion to the Fed balance sheet in under two years can do that.

But it's not just the Fed and Congress. IPOs (Initial Public Offerings) of *profitable* private companies going public in the stock market is the lowest it's been since… you guessed it, the dot.com bubble. About 80% of all companies now going public have never made a profit yet investors are quick to throw their money at them and drive up huge market capitalizations.

Looking forward, where does that leave us?

Certainly inflation will curb Fed money printing and inflation + politics will curb government spending in the year(s) ahead. The infrastructure plan we hear so much about is only a fraction of what has been spent and even at that will pay out over 10 years.

The numbers indicate that growth and inflation will likely decelerate (decline) in rate of change next year and historically that is a dangerous economic construct for assets.

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)

I would be very careful about concluding that the next few years will be much like the last 13 years in terms of market performance. For the past 13 years the Fed was actively pushing markets higher under the premise that higher stock prices would create more spending and higher GDP. They were able to do so because inflation was actually lower than what they wanted. The act of printing and buying financial instruments (euphemistically called Quantitative Easing) pushes up equities AND inflation.

Will the Fed be able to print and employ Quantitative Easing every time the market declines, if those actions also push inflation even higher?

We think not.

For at least the next few years we are unlikely to have this safety net and you may want to a defensive system as part of your investment plan.

What is your defensive plan?

Call to 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: The major U.S. indexes finished the week mixed as investors weighed strong economic data with concerns over rising inflation, ongoing supply shortages, and a sporadic rise in coronavirus infections in some areas of the country. The Dow Jones Industrial Average shed 498 points finishing the week at 35,602 - a decline of -1.4%. In contrast, the technology-heavy NASDAQ Composite gained 1.2%, closing at 16,057. By market cap, the large cap S&P 500 managed a 0.3% gain for the week, while the mid cap S&P 400 retreated -1.1% and the small cap Russell 2000 declined -2.8%.

International Markets: Major international markets were also mixed last week. Canada's TSX and the United Kingdom's FTSE 100 declined -1.0% and -1.7%, respectively, while France's CAC 40 rose 0.3% and Germany's DAX gained 0.4%. In Asia, China's Shanghai Composite added 0.6%. Japan's Nikkei finished the week up 0.5%. As grouped by Morgan Stanley Capital International, developed markets finished the week down -1.3%. Emerging markets fell a steeper -2.1%.

Commodities: Commodities finished the week predominantly to the downside. Gold declined -0.9% to $1851.60 per ounce, while Silver fell -2.2% to $24.78. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week down -0.9%. West Texas Intermediate crude oil plunged -6.0% to $75.94 per barrel as Austria's announcement of a new lockdown starting next week sent transportation and energy stocks reeling.

U.S. Economic News: The number of Americans filing first-time unemployment benefits fell for a seventh consecutive week and is nearing pre-pandemic lows amid the biggest labor shortage in decades. The Labor Department reported new filings for initial benefits slipped by 1,000 to 268,000 last week. Economists had estimated new claims would total 260,000. New jobless claims fell the most last week in Kentucky, Michigan, Tennessee and Ohio, all states with large auto-producing industries. Carmakers had recently idled some plants due to parts shortages. The only state to post a big increase in jobless claims was California. Meanwhile, “continuing claims”, which counts the number of people already receiving benefits declined by 129,000 to 2.08 million. This number is also at a pandemic low.

Homebuilders grew more confident this month, as demand for housing remained strong despite continued pressures from supply and labor shortages. The National Association of Home Builders (NAHB) reported its monthly confidence index rose three points to 83 in November. It was the highest reading since May. In the report, the sub-indexes that measure current sales conditions and traffic of prospective buyers each rose three points as well. The gauge that assesses sales expectations for the next six months remained unchanged from the previous month. Regionally, every part of the country experienced a monthly increase in confidence among home builders except the Northeast, where confidence waned. In addition to shortages of building supplies and skilled labor, the NAHB noted another constraining factor in home-builders’ ability to construct new houses—a shortage of available lots. Robert Dietz, chief economist at the National Association of Home Builders, wrote in its report, “Lot availability is at multi-decade lows and the construction industry currently has more than 330,000 open positions. Policymakers need to focus on resolving these issues to help builders produce more housing to meet strong market demand.”

Sales at the nation’s retailers rose at their fastest pace in seven months in October, but analysts noted all was not well under the surface. The Census Bureau reported sales surged 1.7% last month—their biggest gain since March when the government rolled out billions in stimulus money. Economists had expected a reading of 1.5%. However, the problem is at least half of the increase in retail sales totals was attributed to inflation. A separate government survey last week showed consumer prices rose almost 1% in October amid the biggest surge in inflation in 31 years. In the details of the report, sales rose 4% at internet retailers, 3.8% at electronics and appliance stores, and 2.2% at department stores. Increases in these sectors show Americans still have plenty of appetite for most consumer goods even though they are paying higher prices.

U.S. industrial output surged last month, recovering the previous month’s entire decline. The Federal Reserve reported industrial production rose 1.6% in October. Economists had expected just a 0.8% gain. Furthermore, capacity utilization rebounded to 76.4% from 75.2% the prior month. The capacity utilization rate reflects the limits to operating the nation’s factories, mines and utilities. Economists had forecast a 75.8% rate. The main reason for the increase was a significant rebound in car manufacturing and the recovery from the effects of Hurricane Ida which hit the U.S. Gulf Coast in late August. Motor vehicles and parts output surged 11% after a 7.1% decline in the prior month.

Manufacturing activity in the New York region rebounded this month according to the latest data from the New York Federal Reserve. The NY Fed reported its Empire State manufacturing index jumped 11.1 points to 30.9 this month. The reading far exceeded economists' expectations of a reading of 22. In the report, the new-orders index rose 4.5 points to 28.8, while the shipments index soared 19.3 points to 28.2. On the inflation front, the prices-received index hit a record high, while the prices-paid reading was just off its record high. However, respondents are increasingly worried about the next six months. The expectation index fell 15.1 points to 36.9. Economists and investors use the Empire State index as an early gauge of the strength of the national ISM November factory index, to be released early next month.

International Economic News: The Bank of Canada stated it will not raise its benchmark interest rate until the slack in the country's economy is absorbed. Governor Tiff Macklem made the comments in an op-ed for the Financial Times newspaper. Furthermore, Macklem also noted that while inflation risks have risen, the central bank continues to view the recent dynamics as transitory. He added that the central bank's policy framework--a flexible inflation target focused on the 2% midpoint of a 1-3% control range--means Canadians can be confident that inflation will be kept under control while supporting a full recovery, said Macklem. Canada's inflation rate rose to 4.4% in September and is expected to hit 4.7% in October.

Andrew Bailey, governor of the Bank of England, has told members of parliament that he's "very uneasy" about the United Kingdom's inflation situation, in comments that suggests he could vote for an interest rate rise soon. Testifying to the Treasury Committee, Bailey said this month's vote to leave interest rates on hold was a "very close call." The Office of National Statistics reported 160,000 new jobs created in October, despite the end of the UK's wage subsidy program. The data reinforces the case for the Bank of England to raise interest rates as early as next month to rein in inflation.

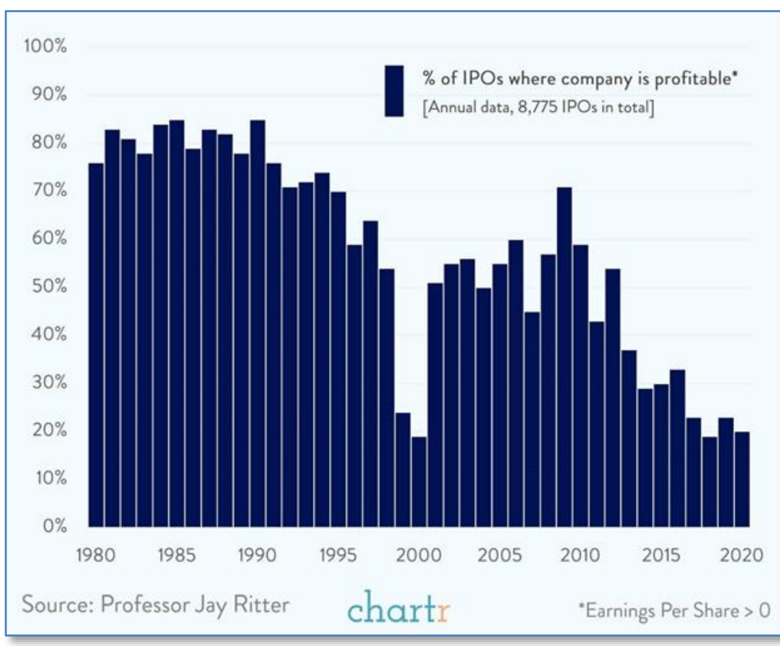
On Europe's mainland, French Industry Minister Agnès Pannier-Runacher said that the government was "very cautiously" monitoring Europe's latest wave of Covid-19 infections, urging citizens to get vaccinated to ensure stricter measures won't be necessary. The World Health Organization has once again recognized Europe as "at the epicenter" of the coronavirus pandemic, with the region accounting for the vast majority of new cases and deaths in recent weeks. France recorded more than 20,000 new daily infections as the latest wave of the epidemic picks up speed. Around 69% of the French population is fully vaccinated against the coronavirus. That's slightly higher than the vaccination rate in Austria and Germany, although significantly behind countries like Spain and Portugal.

Austria will become the first country in Western Europe to reimpose a full COVID-19 lockdown, it said on Friday and neighboring Germany warned it may follow suit. A fourth wave of infections has plunged Germany, Europe's largest economy, into a national emergency, Health Minister Jens Spahn said. Austrian Chancellor Alexander Schallenberg stated that nation's lockdown would start on Monday of next week and all civilians would be required to be vaccinated before February 1st. Asked if Germany could rule out an Austrianstyle full lockdown, Spahn said: "We are now in a situation--even if this produces a news alert--where we can't rule anything out. We are in a national emergency," he said.

In Asia, China's economic growth is likely to deteriorate further next year as rising risks of fallout from the property market and Beijing's zero-tolerance approach to the coronavirus could weigh on its economy, analysts say. Recent outbreaks of the Delta variant have prompted travel restrictions and lockdowns in some cities in China, while Beijing's tough stance on deleveraging the property sector, which contributes 14% to China's gross domestic product (GDP), will further slow growth in the coming months, according to Andrew Fennell, senior director at Fitch Ratings. China's economy grew by 4.9% in the third quarter of 2021 compared with a year earlier, down from the 7.9% growth seen in the second quarter. Fitch has also lowered its 2022 GDP growth forecast to 5.2% from 5.5%.

Japan's government agreed to spend $490 billion on stimulus measures, a move by its prime minister to boost an economy battered by coronavirus restrictions and by a supply chain crunch that has affected the country's largest manufacturers. The stimulus package, Japan's largest to date, accounts for about 10% of the country's economic output, officials said. "I want to bring Japan's economy, which has been severely damaged, onto a trajectory of recovery," Prime Minister Fumio Kishida said. The package includes aid to struggling businesses and hospitals, money for strengthening semiconductor supply chains, and programs to encourage domestic tourism and investment in a nationwide university endowment fund.

Finally: To paraphrase the famous line from the Humphrey Bogart movie "The Treasure of the Sierra Madre", recent IPOs seem to be saying "Profits? We don't need no stinkin' profits!" Rivian Automotive, a maker of electric "adventure vehicles" based in Irvine California recently went public with an eye-watering first-day valuation of $105 billion. This is a higher valuation than both Ford, whose valuation is $78 billion, and GM at $90 billion. There's just one slight problem - Rivian does not make a profit. In fact, according to Professor Jay Ritter at the University of Florida's Warrington College of Business, in the last year only about 20% of IPO's were by companies that actually made money. This is a complete reversal since the 80's, when 80% of IPOs were profitable. And it is reminiscent of 2000, when a similarly tiny percentage of IPOs were profitable - right before the dot.com crash. (Data: Professor Ritter, Chart: chartr.co)



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

"The secret of getting ahead is getting started."

Mark Twain – 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.

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The Barclays Capital Credit Index *is an unmanaged index composed of U.S. investment-grade corporate bonds.*

The Barclays Global Aggregate Bond Index *(formerly Lehman Brothers Global Aggregate Index), an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed income securities denominated in 13 currencies. The index reflects reinvestment of all distributions and changes in market prices.*

The Barclays U.S. 1-10 Year TIPS Index *is an unmanaged index composed of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

The Barclays U.S. Aggregate Bond Index *is an unmanaged benchmark index composed of U.S. securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million.*

The Barclays U.S. TIPS Index *is an unmanaged index composed of all U.S. Treasury Inflation- Protected Securities rated investment grade, have at least one year to final maturity, and at least $250 million par amount outstanding.*

The Barclays U.S. Treasury Index *is an unmanaged index composed of U.S. Treasuries.*

The CDX IG 12 *is a benchmark high-grade derivatives index, which measures the cost of insuring a basket of U.S. investment-grade corporate debt against defaults.*

The Chicago Board Options Exchange Volatility Index (VIX) *tracks the expected volatility in the S&P 500 over the next 30 days. A higher number indicates greater expected volatility. Common usage: The Chicago Board Options Exchange Volatility Index (VIX), a barometer of market volatility.*

The Dow Jones Industrial Average *is a widely followed market indicator based on a price-weighted average of 30 blue-chip stocks that trade on the New York Stock Exchange which are selected by editors of The Wall Street Journal.*

The Dow Jones Wilshire Real Estate Securities Index (RESI) *is used to measure the U.S. real estate market and includes both real estate investment trusts (REITs) and real estate operating companies (REOCs). It is weighted by float-adjusted market capitalization.*

The JP Morgan Emerging Market Bond Index *is a total-return, unmanaged trade-weighted index for U.S. dollar-denominated emerging-market bonds, including sovereign debt, quasi-sovereign debt, Brady bonds, loans, and Eurobonds.*

The JP Morgan EMBI Global Diversified Index *tracks the performance of external debt instruments (including U.S.-dollar-denominated and other external-currency-denominated Brady bonds, loans, Eurobonds and local market instruments) in the emerging markets.*

The JP Morgan GBI-EM Global Diversified Index *tracks the performance of local-currency bonds issued by emerging market governments.*

The MSCI World Index *is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index represents 23 developed market countries.*

The MSCI All Country World Index *is a market-capitalization-weighted index composed of over 2,400 companies, and is representative of the market structure of 46 developed and emerging market countries. The index is calculated with net dividends reinvested in U.S. dollars.*

The MSCI EAFE Index *is an unmanaged, market-capitalization-weighted equity index that represents the developed world outside North America.*

The MSCI Emerging Markets Index *is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging market equities.*

The NASDAQ Composite Index *is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.*

The Russell 1000 Index *includes 1000 of the largest U.S. equity securities based on market cap and current index membership; it is used to measure the activity of the U.S. large-cap equity market.*

The Russell 2000 Index *includes 2000 small-cap U.S. equity names and is used to measure the activity of the U.S. small-cap equity market.*

The S&P 500 Index *is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks in the Industrials, Transportation, Utilities and Financials sectors.*

Investing Terminology

Alpha *is a measure of a portfolio's return above a certain benchmarked return.*

Alternative Investments *are investments that are not one of the three traditional asset types (stocks, bonds and cash). Alternative investments include hedge funds, managed futures, real estate, commodities, and derivatives contracts.*

Asset-Backed Securities (ABS) *are bonds backed by a pool of loans or accounts receivable and commonly include payments from credit cards, auto loans and mortgage loans.*

Austerity *refers to measures taken by a country's government in an effort to reduce expenditures and a budget deficit.*

Beta *is a measure of the volatility or systematic risk of a security or a portfolio in comparison to the market as a whole.*

Book-to-Price Ratio *is the inverse of the price-to-book ratio, which is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued, and vice versa (the higher the book-to-price ratio, the better the value).*

Commercial Mortgage-Backed Securities (CMBS) *are pools of commercial mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on. In general, CMBS carry less prepayment risk than loans backed by residential mortgages.*

Corporate Bonds *are debt securities issued by corporations to raise money; these bonds usually pay higher coupon rates than government or municipal bonds.*

Correlation Risk *refers to the change in the marked to market value of an asset when the correlation between the underlying assets changes over time.*

Credit Ratings *are an assessment of the risk of default of a company or country. The higher the credit quality (or rating), the lower the perceived risk of default.*

Cyclical Sectors or Stocks *are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.*

Debt-to-Equity Ratio *is calculated as long-term debt divided by common shareholders' equity, and measures the amount of a firm's leverage, or debt.*

Donor Advised Funds *are private funds administered by a third party and created for the purpose of managing charitable donations on behalf of an organization, family, or individual.*

Duration *is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.*

Excess Returns *are investment returns from a security or portfolio that exceed a benchmark or index with a similar level of risk.*

Grantor Retained Annuity Trust *is an estate planning technique that minimizes the tax liability existing when intergenerational transfers of estate assets occur. An irrevocable trust is created for a certain term or period of time. The individual establishing the trust pays a tax when the trust is established. Assets are placed under the trust and then an annuity is paid out every year. When the trust expires, the beneficiary receives the assets estate and gift tax free.*

High Yield Debt *is rated below investment grade and is considered to be riskier.*

Managed Futures *strategies use futures contracts as part of their overall investment strategy. They provide portfolio diversification among various types of investment styles and asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments.*

Market Capitalization *is calculated as the number of company shares outstanding multiplied by the share price, and is used to determine the total market value of a company.*

Momentum *is the rate of acceleration for an economic, price or volume movement; it is used to locate trends within the market.*

Mortgage-Backed Securities (MBS) *are pools of mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on.*

Option-adjusted spreads *estimate the difference in yield between a security or collection of securities and comparable Treasuries after removing the effects of any special features, such as provisions that allow an issuer to call a security before maturity.*

Peripheral Eurozone Countries *are those countries in the Eurozone with the smallest economies.*

Price-to-Book Ratio *is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued.*

Private Foundations *are charitable organizations that do not qualify as public charities by government standards. A private foundation is a nonprofit organization which is usually created via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees or directors.*

Quantitative Easing *refers to expansionary efforts by central banks to help increase the supply of money in the economy.*

Recapitalized/recapitalization *refers to injecting fresh equity into a company or a bank, which can be used to absorb future losses. This generally takes place through the company issuing new shares. In the case of a government or organization recapitalizing a bank, it usually results in the government or organization owning a stake in the bank.*

Spreads*: Yield spreads represents the difference in yields offered between corporate and government bonds. If they tighten, this means that the difference has decreased. If they widen, this means the difference has increased.*

Standard Deviation*: Statistical measure of historical volatility. A statistical measure of the distance a quantity is likely to lie from its average value. It is applied to the annual rate of return of an investment, to measure the investment's volatility (risk). Standard deviation is synonymous with volatility, in that the greater the standard deviation the more volatile an investment's return will be. A standard deviation of zero would mean an investment has a return rate that never varies.*

Treasuries *are U.S. government debt obligations that are backed by the full faith and credit of the government. Often, they are used as a proxy for a risk-free asset when comparing other risky assets.*

Yield Curves *illustrate the relationship between the interest rate, or cost of borrowing, and the time to maturity. Yields move inversely to prices. The Barclays Capital 1-10 Year US TIPS Index: Barclays Capital 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

(Other Sources: All index- and returns-data from Yahoo Finance; news from Reuters, Barron's, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zerohedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)