MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of December 20, 2021

Merry Christmas!

We've said for some time that we think we'll get a Santa Claus rally into January, but as we look further into 2022 we become less optimistic.

Why?

Growth and inflation look like they'll be declining in rate of change through most of 2022. This is the least favorable economic construct for stocks. It doesn't mean stocks will crash, but it means the probabilities are less in our favor, and the best process investors can follow is to have probabilities on their side.

But more importantly, we've said consistently, we'll ***follow the data***.

What does that mean?

If the data indicates the highest probability of the economic construct is to remain more favorable longer than we think, we'll act accordingly. Likewise if the data indicates the highest probability of the economic construct is to become less favorable earlier, we'll act accordingly.

As of this writing, there are growing concerns based on the data.

Possibly near the top of our concerns is market breadth. What does that mean? Essentially it's an examination of whether or not the majority of stocks are acting in accordance with the index. Logically one would assume that if the index goes up it means most stocks are appreciating.

Unfortunately, that logic would be wrong.

Why?

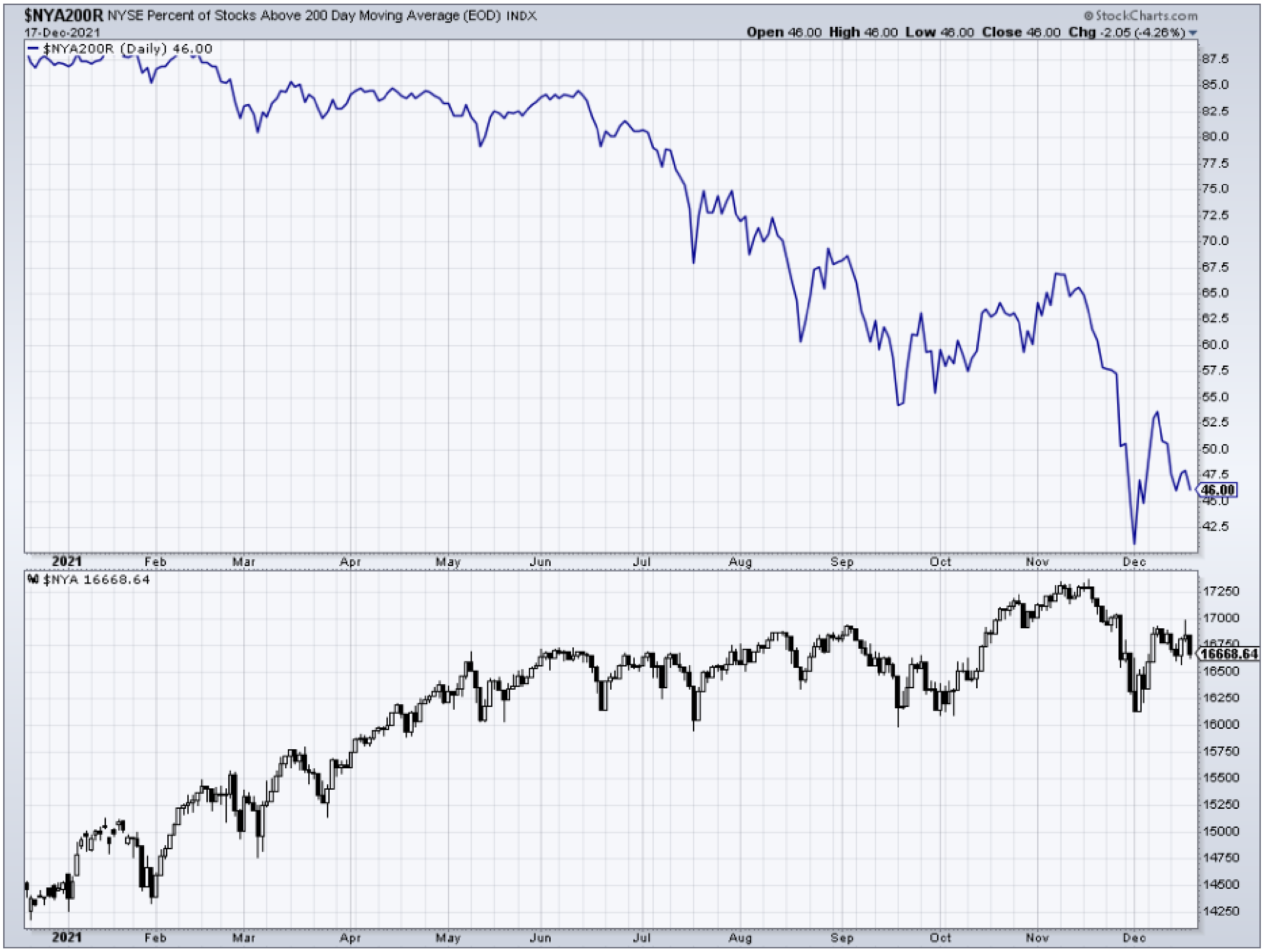
Because indices are cap weighted. Larger companies, based on market capitalization, count more than smaller companies.

How much of a difference does that make?

Lance Roberts of Realinvestmentadvice.com calculates that a 1% gain in just the top 10 stocks in the S&P-500 in terms of market cap would offset a decline of 1% in the bottom 430 stocks.

What's happening now?

Let's review the NY Stock Exchange, another cap weighted index, to see how 2021 has played out. The 200 day moving average is simply a barometer of stock prices vs the average of the last 200 days. If a stock price is increasing it would logically be higher than that average, and if it's decreasing it would be lower. The following charts show the percentage of stocks in the NY Stock Exchange that are above the 200 day moving average during 2021 (top chart) and the actual index itself (bottom chart).



What does it tell us?

Even as the index has performed admirably, it's done so with fewer and fewer stocks doing well (i.e. more and more falling under their 200 day moving average). In fact only 46% are above their 200 day moving average while 54% are below.

This is not a sign of a healthy market.

What happens when those few, big stocks holding up the indices falter?

Also, something we've been warning for some time…

Dare we say this time is different?

For the first time arguably since the early 1980's, the Fed is having to respond to rising inflation. Starting with Black Monday in 1987, the Fed has reacted to market declines in an effort to prop them up. They were able to do so in large part because there was little concern about inflation. That has now changed.

Larry Summers wrote this as part of an editorial in the Washington Post (emphasis ours):

*"**There have been few, if any, instances in which inflation has been successfully stabilized without recession.** Every U.S. economic expansion between the Korean War and Paul A. Volcker's slaying of inflation after 1979 ended as the Federal Reserve tried to put the brakes on inflation and the economy skidded into recession. Since Volcker's victory, there have been no major outbreaks of inflation until this year, and so no need for monetary policy to engineer a soft landing of the kind that the Fed hopes for over the next several years."*

Keep in mind, bear markets almost always accompany recessions.

We fear investors have grown accustomed to the Federal Reserve actively stemming every market decline with printed money. It's why index investing has become so popular. In a world where theoretically there's limited downside, why not just buy and hold the index? Who needs to pay an active manager when the Federal Reserve is going to play the role for free; and do so with the money printing press?

For the first time in arguably 40 years, the Federal Reserve may, by accident or not, actually fuel the decline rather than stop it.

Be careful.

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: U.S. stocks ended the week to the downside as global inflationary pressures forced central banks to either reduce their stimulus or begin tightening. Furthermore, fears over the impact of the latest 'Omicron' variant of the coronavirus weighed on sentiment. Volatility to end the week was partly due to "quadruple witching," or the expiration of four types of options and futures contracts on Friday. The technology-heavy NASDAQ Composite led the way to the downside, declining -2.9% on the week to 15,170. The Dow Jones Industrial Average shed 606 points finishing at 35,365 - a -1.7% decline. By market cap, the large cap S&P 500 and mid cap S&P 400 each gave up -1.9%, while the small cap Russell 2000 ended the week down -1.7%.

International Markets: International markets ended the week mostly down as well. Canada's TSX ended down -0.7%, while the United Kingdom's FTSE 100 retreated -0.3%. On Europe's mainland, France's CAC 40 and Germany's DAX gave up -0.9% and -0.6%, respectively. In Asia, China's Shanghai Composite finished down -0.9%. Japan's Nikkei was the sole major international market to finish in the green, adding 0.4% for the week. As grouped by Morgan Stanley Capital International, developed markets finished the week down -1.4%, while emerging markets fell a steeper -2.5%.

Commodities: Precious metals made gains in opposition to the weakness in the equities markets. Gold rose 1.1% to $1804.90 per ounce, while Silver added 1.5% and finished at $22.53. The rebound in crude oil faltered as it ended the week in the red. West Texas Intermediate crude oil declined -1.3% to $70.72 per barrel. The industrial metal copper, viewed by some analysts as barometer of world economic health due to its wide variety of uses, finished up 0.2% last week.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits rose modestly last week, but remained near their lowest levels since the 1960's. The Labor Department reported initial claims climbed by 18,000 to 206,000, but analysts believe the increase is likely tied to "statistical quirks" of hiring temporary workers during the holiday shopping season. Still, even with the increase, claims remain near their lowest level since 1969. Economists had expected new claims to total 195,000. New jobless claims rose the most in California, New York, and Michigan. New filings declined the most in Virginia and North Carolina. Meanwhile, the number of people already collecting benefits, known as 'continuing claims', declined by 154,000 to 1.85 million. That number has now returned to pre-pandemic levels.

The nation's homebuilders grew more confident for a fourth consecutive month, reflecting their positive outlook amid a continued shortage of existing homes for sale. The National Association of Home Builders (NAHB) reported its monthly confidence index rose 1 point to a reading of 84 this month. The reading is at its highest level since February. Two of the three gauges that make up the index also experience one point increases—current sales conditions and buyer traffic. The gauge that assesses sales expectations over the next six months remained unchanged. Regionally, it was quite mixed. The confidence index for the Northeast rose 10 points, while the South increased 2 points. However, the index ticked down 1 point in both the Midwest and the West. Analysts note that home builders are surely enjoying the current sales environment, but with the Federal Reserve increasing its tapering of stimulus measures, which have included mortgage-backed securities, mortgage rates are expected to increase.

The greatest number of small businesses in over 40 years raised their prices last month, fueling the continued rise in inflation. The National Federation of Independent Business (NFIB) reported their small business optimism index ticked up 0.2% to 98.4 in November, slightly exceeding the consensus forecast of 98.0. In the report, the NFIB noted 59% of small-business owners increased their prices for goods and/or services last month. That was the highest figure since 1978. Small and large businesses continue to cope with both shortages of materials and qualified workers. NFIB chief economist Bill Dunkelberg stated, "Owners are also pessimistic as many continue managing challenges like rampant inflation and supply chain disruptions that are impacting their businesses right now." Furthermore, small business owners don't expect their situation to improve anytime soon. The percentage of owners expecting improvement in the next six months continued its sharp decline.

The Federal Reserve voted to speed up the reduction of its bond purchases to $30 billion per month so that its buying program would end in March instead of the original plan of June. The Fed also added three increases in short-term interest rates for 2022—up from the one projected in September. In its latest forecast, the central bank raised its inflation forecast for next year to 2.6% from 2.2% using its preferred inflation gauge, the Personal Consumption Expenditures index. U.S. economic growth is expected to slow to 4% in 2022 from its original estimate of 5.5% this year. In its policy statement, the Fed finally dropped the word ‘transitory’ to describe inflation.

Prices at the wholesale level rose again in November, signaling there is no relief in sight for inflation at the consumer level. The Labor Department reported the Produce Price Index climbed 0.8% in November, easily surpassing Wall Street expectations of just 0.5%. The latest increase lifted the increase in wholesale prices over the past 12 months 0.8% to 9.6%. In addition, it marked the biggest advance since the index underwent a major adjustment in 2009. The separate measure of wholesale inflation that strips out food, energy, and trade margins rose 0.7% in November. That measure is up 6.9% over the past year. Stephen Stanley, chief economist at Amherst Pierpont Securities wrote in a note to clients, “This is a testament to the fact that inflation continues to broaden out. The Fed should be very concerned.”

Major retailers like Amazon and Home Depot posted small increases in sales last month, but higher inflation numbers suggest consumers spent less than expected at the start of the holiday shopping season. The Census Bureau reported retail sales rose 0.3% last month, far short of the 0.8% economists were expecting. The rise in sales was far outstripped by the higher cost of living. After adjusting for inflation, retail sales were actually down -0.5%. Retail sales are a significant part of overall consumer spending and offer a good view of the strength of the U.S. economy. Sales were held down in large part by a small decline in vehicle purchases, which account for 20% of all retail sales. Yet sales also fell sharply at department stores and were flat at internet retailers. Senior economist Sal Guatieri of BMO Capital Markets wrote in a note, “The strong early start to the holiday shopping season fizzled out pretty fast in November, casting a sour mood heading into year-end.”

A pair of surveys from data analytics firm IHS Markit showed the U.S. economy tapped on the brakes in December, but remained robust. Markit’s so-called “flash” reading of U.S. manufacturers pulled back half a point to 57.8 in November. Likewise, its flash reading of services-oriented companied also ticked down, to 57.5 from 58 in the prior month. IHS chief business economist Chris Williamson stated in the release, “The survey data paint a picture of an economy showing encouraging resilience to rising virus infection rates and worries over the Omicron variant.” There was some evidence that price pressures are starting to ease, the survey showed. Yet the spread of the new omicron variant of the coronavirus is raising worries about another setback.

Manufacturing activity in the New York-region remained strong this month, a positive sign for the overall U.S. economy. The New York Federal Reserve reported its Empire State business conditions index rose 1 point to 31.9, far surpassing economists’ expectations for a reading of 25. The Empire State index has been volatile recently and economists had expected it would retreat after surging 11 points in November. Economists use the New York factory data as an early proxy for the closely-watched national factory index released by the Institute for Supply Management.

International Economic News: With inflation surging, analysts believe the Bank of Canada is likely to change its interest rate guidance in the new year to support raising borrowing costs sooner rather than later. Last week, the bank had reiterated its guidance saying it would not raise rates until economic slack has been absorbed "in the middle quarters of 2022." But it has turned hawkish since then, warning that inflation will run hot for longer than expected. Andrew Kelvin, chief Canada strategist at TD Securities noted as of now, inflation pressures outweigh the threat of the new 'Omicron'-variant of the coronavirus. "Even if the Bank of Canada wants to be a little bit cautious in front of a potential winter set of shutdowns…, if they think inflation expectations are starting to become unanchored, that will be their primary concern," he wrote.

Across the Atlantic, the Bank of England (BoE) raised its key interest rate to 0.25% from its historic low of 0.1% in the face of global inflation pressures and a tightening labor market. Inflation hit 5.1% in the 12 months to November, the sharpest annual increase in 10 years and well above the Bank's 2% target. The BoE now expects consumer price increases to peak at an annual 6% in April 2022. The bank's Chief Economist Huw Pill said the BoE now needs to proceed cautiously and assess whether omicron is going to lead to some reversal of the dynamics in the British economy over the past six months and beyond, particularly the tightening of the labor market.

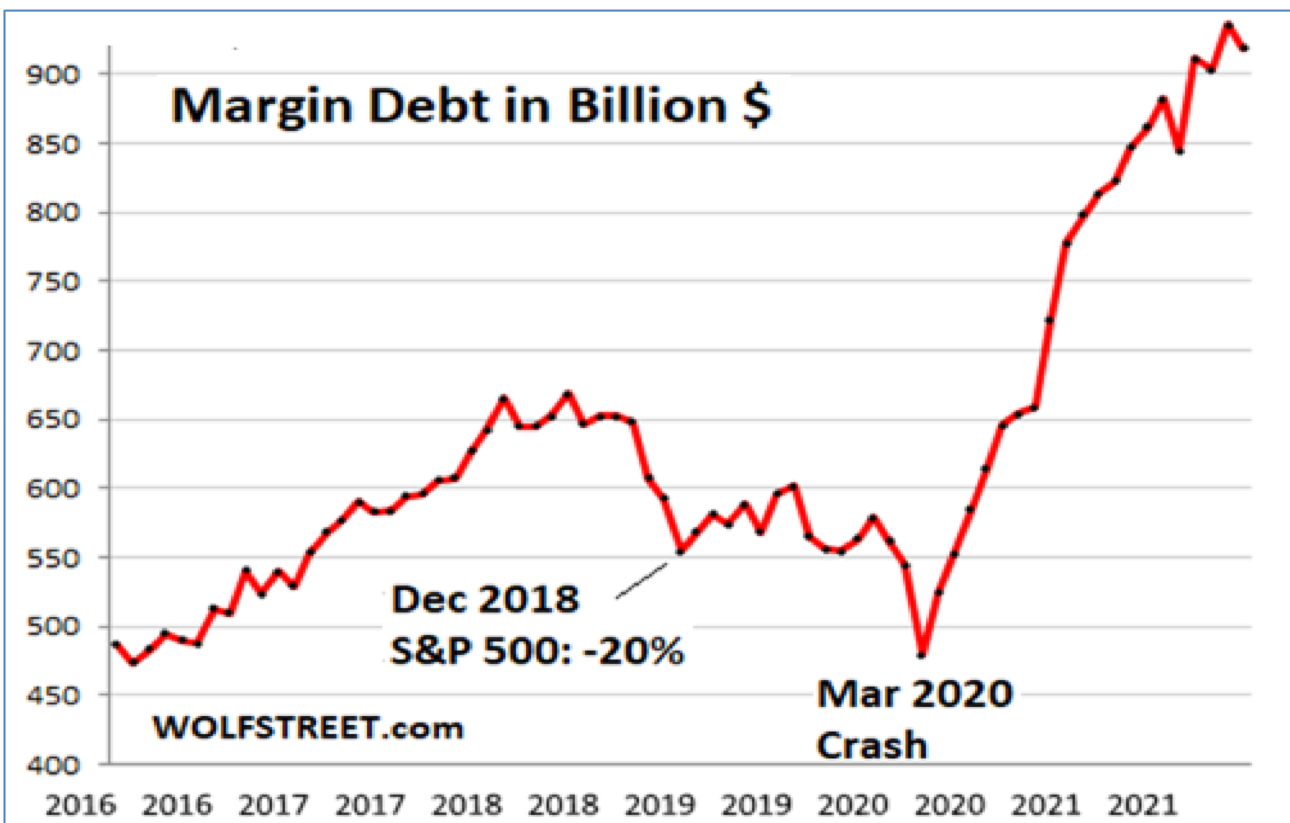
On Europe's mainland, French President Emmanuel Macron said he made France's economy stronger and sought to show he is not out-of-touch with ordinary people in an interview this week on national television, which appears as a bid to boost his popularity ahead of April's presidential election. Macron, who is expected to seek a second term, has yet to formally declare his candidacy. "When I was elected, I loved France, and now I can tell you I love it even more madly. I love the French," Macron said. "These five years have been five years of joy, of hard work, but also of crisis, of periods of doubt." Macron listed changes his government made to boost job creations and cut taxes on businesses.

Germany's central bank, the Bundesbank, lowered its growth forecast for 2022 but remained positive on its outlook for 2023. The bank revised its growth forecasts for 2022 on Friday amid constricted supply chains and the spread of the omicron variant. The Bundesbank lowered its expected growth rate to 4.2%, down from the 5.2% it had forecast in June. "The recovery has been somewhat pushed back," Bundesbank President Jens Weidmann said. This is not the first time that the bank has had to bring down its estimates. Its economists are now expecting GDP growth in 2021 to reach 2.5%, although their earlier prognosis had been 3.7%.

With the U.S.-China phase-one trade deal set to expire, Chinese sources blame supply-side issues as the impediment to China's meeting its purchasing targets. Multiple sources in China said that the two countries have engaged in phase-one discussions at various levels and with more frequency than has been publicly disclosed. And before the Xi-Biden summit in November, they say, the China side vowed to "buy whatever the US can ship over". But for now, China continues to lag behind in its commitment to buy at least US$200 billion worth of additional American goods and services from its 2017 level. China's total purchases of US goods from January 2020 to October 2021 reached only 60 per cent of the pledged total, according to a report by the Peterson Institute for International Economics (PIIE).

In a shocking report, the Japanese government admitted it overstated its economic data for nearly a decade. Prime Minister Fumio Kishida said the government overstated construction orders data received from builders for years, an admission that's sure to weaken the credibility of official statistics widely used by investors and economists. At this point, it's not clear why the government started the practice and what the effect has been on official gross domestic product reports. "It is regrettable that such a thing has happened," Kishida said. He made the admission in a parliamentary session after the Asahi Shimbun newspaper reported the Ministry of Land, Infrastructure, Transport and Tourism had been "rewriting" data received from about 12,000 select companies since 2013 at a pace of about 10,000 entries per year.

Finally: Borrowing money to buy stocks adds buying pressure during a move up, but can be catastrophic on the way down. One of the worst phrases a trader will ever hear is 'margin call'—when a broker demands more cash to cover a losing position or else have it forcibly liquidated. In down markets, these forced liquidations contribute to the crashes that often occur near bottoms. Adding to the alarm bells already ringing, margin debt for the overall market - the amount of money investors have borrowed to buy stocks - has ballooned over the past 20 months. Despite the slight downtick of $17 billion in November, margin debt remains at a gargantuan $918.6 billion. (Chart from wolfstreet.com)



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

"In life, as in chess, forethought wins."

Charles Buxton – English Public Servant

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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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.)