MOULTON WEALTH MANAGEMENT INC.

# "MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING



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## Week of December 27, 2021

# *Happy New Year!*

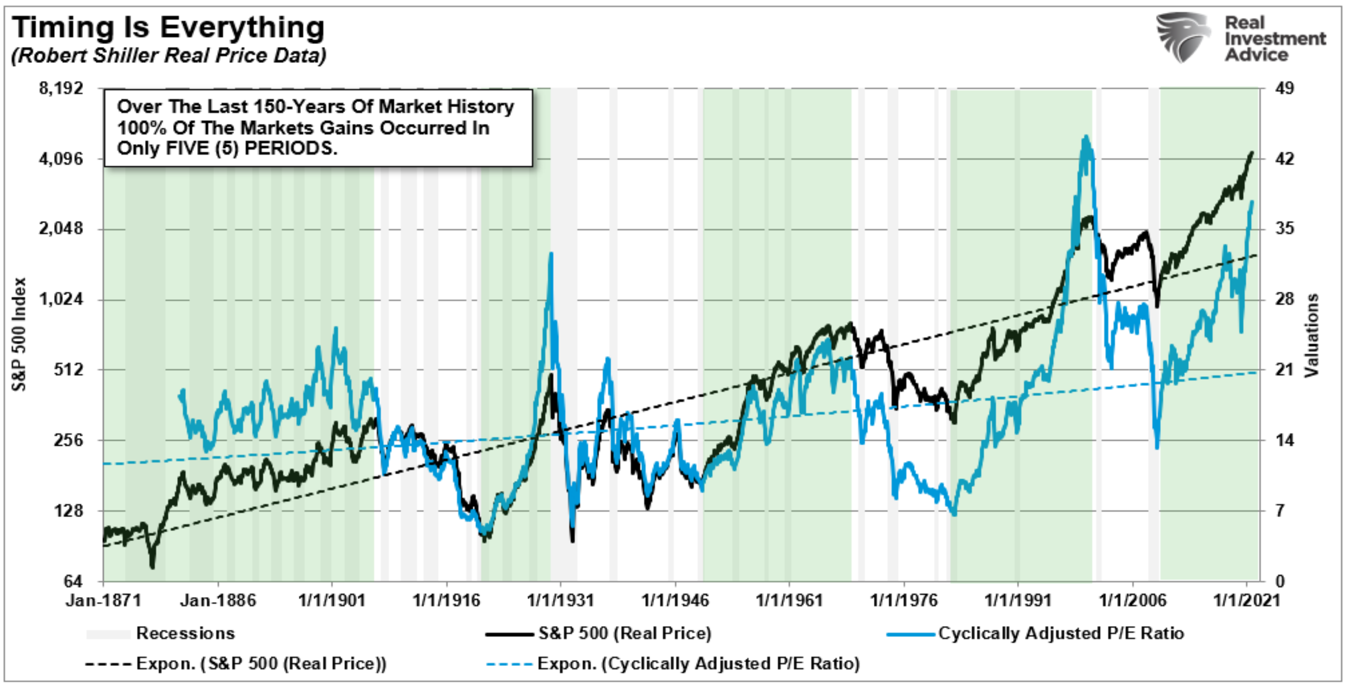
As we enter 2022, let's review where we stand.



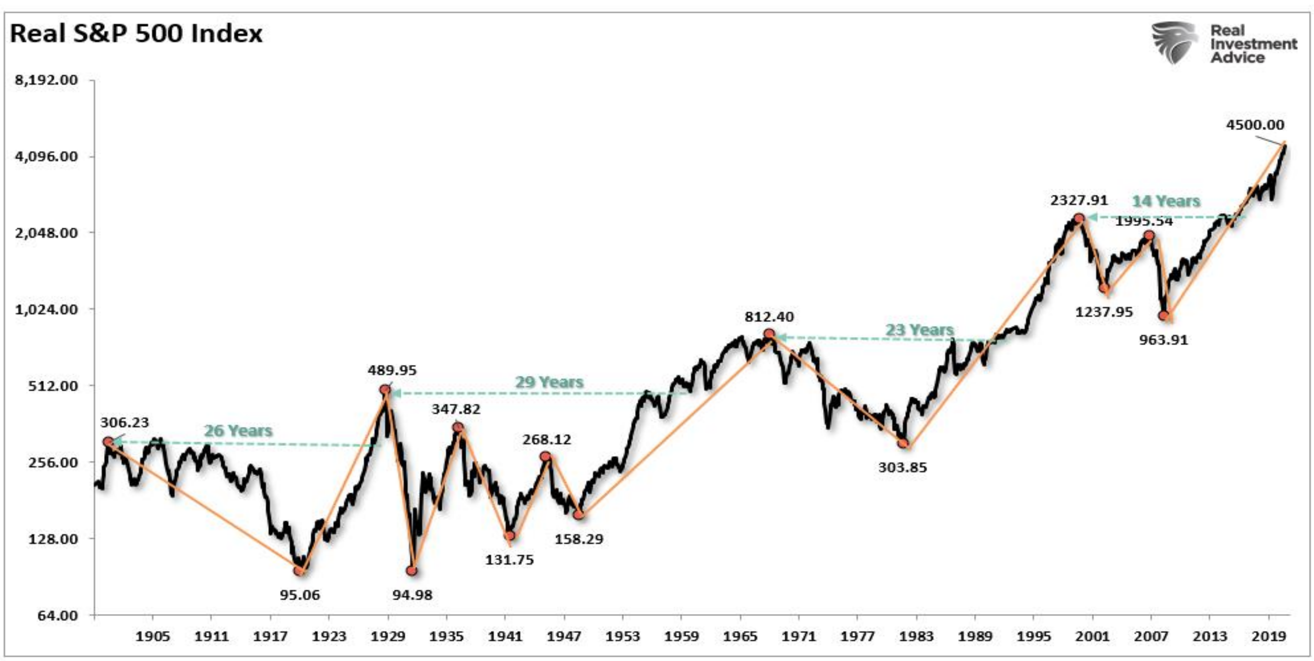
As we stated in last week's letter, we're likely entering an economic construct of growth and inflation falling in rate of change for much of the coming year. That construct, referred to as "deflation" or "quad 4" is the least favorable for stocks. Throw in a Federal Reserve who is promising to tighten economic conditions to cool inflation, and it should raise your risk antenna.

Throughout the history of the market, there is one "given"; bear markets follow bull markets. In other words, the stock market cycles during which good periods are followed by bad periods.

The following chart shows that over the last 150 years, all of the gains were made during only five periods, shown in green.




Notice that after each "up" cycle there was a "down" cycle. And these are not necessarily short cycles.



## *What would happen to your retirement if we entered a period during which the stock market declines significantly and doesn't recover for 14 years like the period between 2000 and 2014?*

Why do we ask? Because investor psychology never changes; and right now it likely has investors taking more risk than they'll eventually be comfortable with. During the bull phase, investors point to the lack of a significant decline as "proof" that buying every dip and holding was the "right" move. The unspoken belief is that the bull market will never end and ignoring risk will continue to work. Investors are caught up in FOMO (Fear of Missing Out).

Meanwhile the pain of the last "real" bear market is long forgotten. Baby Boomers remember the housing bubble crash and the dot.com bubble crash, but those younger likely didn't participate meaningfully in either.

***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)***

One of the buy and hold arguments we now hear is "I understand the market can drop but I'm holding 'good' companies and as such I'll be ok".

Interestingly Richard Bernstein Advisors has heard the same arguments growing in volume. They pointed out the similarity to the late stages of the dot.com bubble. At the time many who didn't believe the bubble would ever burst and as such didn't believe a defensive strategy was necessary, instead proclaimed holding "good companies" made defense unnecessary. Here's what actually happened.

***"During the Tech Bubble, the largest stocks in the Tech sector were widely considered established winners with solid fundamentals, such as Microsoft, Cisco and Intel. Not only did the stocks of the ten largest "proven leaders" crash by an average of 84% during the bear market, half of them never recovered their peak, while those that did took an average of 15 years to do so."***

When a bubble crashes, everything goes down.

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](http://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.*

What's Your Risk Number?

In the markets:

U.S. Markets: U.S. stocks rebounded from the losses of the previous on signs that the Omicron variant of the coronavirus may not be as disruptive as feared. Trading volumes were low ahead of the Christmas holiday. The Dow Jones Industrial Average surged 585 points finishing the week at 35,950—a gain of 1.7%. The technology-heavy NASDAQ Composite retraced all of last week’s decline and then some by rising 3.2% to 15,653. By market cap, the large cap S&P 500 rose 2.3%, while the mid-cap S&P 400 added 2.5%. The small cap Russell 2000 finished the week up 3.1%.

International Markets: Major international markets also finished predominantly in the green. Canada’s TSX rose 2.3% and the United Kingdom’s FTSE 100 gained 1.4%. On Europe’s mainland, France’s CAC 40 and Germany’s DAX added 2.3% and 1.4%, respectively. In Asia, China’s Shanghai Composite ticked down -0.4%. Japan’s Nikkei notched a third week of gains, finishing the week up 0.8%. As grouped by Morgan Stanley Capital International, developed markets rallied 2.4%, while emerging markets gained 1.2%.

Commodities: Precious metals rose alongside the equities markets. Gold rose 0.4% to $1811.70 per ounce, while silver gained 1.8% to $22.94. Energy rebounded after last week's decline. West Texas Intermediate crude oil finished the week up 4.3% to $73.79 per barrel. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, added 2.3% last week.

U.S. Economic News: The number of Americans filing first-time unemployment claims remained unchanged last week at 205,000. Before the pandemic, initial claims had averaged about 220,000 a week. The number of people already collecting benefits, known as continuing claims, declined slightly to 1.86 million. The low number of claims reflects the tight labor market and robust demand for workers. Economists expect claims to gradually rise toward their pre-pandemic level of around 1.7 million as more individuals return to the labor market as their benefits expire.

Sales of existing homes rose to their highest levels in almost a year in November according to the latest data from the National Association of Realtors (NAR). The NAR reported existing home sales rose 1.9% to a seasonally-adjusted annual rate of 6.46 million last month—its third consecutive monthly gain and the highest level since January. Compared to the same time in 2020, home sales were down 2%. The reading was a slight miss from the 6.5 million annual rate economists had expected. On a regional basis, the southern states are seeing the most gains. Sales rose 2.9% in the South, and 2.3% in the West. Sales were up a slight 0.7% in the Midwest and were unchanged in the East. The median price for an existing home sold in November was $353,900, an increase of 13.9% over the past year. Unsold inventory was at a 2.1 month supply--the lowest since January. A six-month supply is generally considered a "balanced" housing market.

New home sales jumped 12.4% to a seasonally-adjusted annual rate (SAAR) of 744,000 last month the government reported. Despite the increase, sales were below expectations. Analysts had expected a SAAR of 766,000. Of note, the *median* sales price of a new home sold was $416,900—a new record high. The supply of new homes fell slightly to a 6 ½ month supply. Regionally, sales rose in all regions in November except the Midwest. Sales were strongest in the West. The housing sector remains robust but remains off the highs seen last year. Sales are currently 14% below last year's level. Although the sector is expected to continue to be strong, the prospect of higher mortgage rates should keep activity from getting red-hot again, economists said.

The confidence of the nation's consumers showed resilience this month in the face of rising prices for just about everything. The Conference Board reported its index of consumer confidence rose to 115.8 in December from a revised 111.9 in the prior month. Economists were expecting a reading of just 111. Confidence in November was revised to a modest gain after initial estimates of a sharp decline. The part of the survey that tracks how consumers feel about current economic conditions fell 0.3 point to 144.1 this month, while the gauge that assesses what Americans expect over the coming six months rose to 96.9 from 90.2. Lynn Franco, senior director of economic indicators at the Conference Board stated, "Expectations about short-term growth prospects improved, setting the stage for continued growth in early 2022. The proportion of consumers planning to purchase homes, automobiles, major appliances, and vacations over the next six months all increased."

The Conference Board reported its index of leading economic indicators (LEI) rose a sharp 1.1% last month, exceeding forecasts of a 0.9% gain. Over the last six months, the index is up 4.6%. The increase signals the economy should continue to expand in the first half of 2022—although the emergence of a new COVID-19 variant along with persistent inflation and risks to the supply chain remain. Eight out of 10 LEI subcomponents increased in November, led by jobless claims, equity prices and the Treasury yield curve. The coincident index, which measures current conditions, rose 0.3% in November after a 0.5% gain in the prior month, while the lagging index fell 0.1%. The LEI is a weighted gauge of 10 indicators designed to signal business-cycle peaks and valleys.

The mood of America's consumers continued to show gradual improvement according to the University of Michigan. The gauge of consumer sentiment rose 3.2 points to 70.6 in December. The reading was slightly above the consensus forecast of an unchanged reading of 70.4. Sentiment has remained relatively stable since it dipped sharply in August. Sentiment was as high as 88.3 in April. Richard Curtin, the UMich survey's chief economist stated, "The uptick was primarily due to significant gains among households with incomes in the bottom third of the distribution. Indeed, the bottom third expected their incomes to rise during the year ahead by 2.8%, up from 1.8% last December."

The 12-month increase in the Personal Consumption Expenditures (PCE) index, rumored to be the Federal Reserve's preferred measure of inflation, jumped to 5.7% in November from 5% the prior month. That reading is the highest since 1982. The spike in inflation explains the Fed's pivot earlier this month away from its dovish policy stance, analysts said. Economists don't think inflation will peak for several more months. The core PCE rate that strips out food and energy surged to 4.7% from 4.1% on an annual basis. Meanwhile, consumer spending rose 0.6% in November following a 1.4% gain in the prior month. After adjusting for inflation, consumer spending was actually flat in November.

The Chicago Fed's nationwide measure of the economy continued to grow in November, but at a slower pace. The Chicago Fed reported its National Activity Index (CFNAI) fell to 0.37 last month, from 0.75 the month before. The reading was close to economists' expectations of a reading of 0.40. Three of the four broad categories of indicators used to construct the index made positive contributions to it in November, but all four categories worsened compared with October, the Chicago Fed said. The CFNAI index is composed of 85 economic indicators drawn from four broad categories of data. Both the index and its three-month average suggest that the U.S. economy continues to expand at a moderate pace.

International Economic News: The Canadian economy maintained its streak of monthly gains in October by adding 0.8% to GDP growth for the month. The reading brought it within a statistical inch of where it was before the coronavirus pandemic began. Statistics Canada reported total economic activity in October was just 0.4% below the pre-pandemic level recorded in February 2020. Furthermore, the gains are expected to continue. Preliminary data pointed to another gain in November that Statistics Canada said would leave the gap at just 0.1%. Gains for the month were seen across most sectors, including manufacturing, whose rebound of 1.8% was driven primarily by auto manufacturing.

Across the Atlantic, the United Kingdom's economy grew more slowly in the third quarter than previously thought, and that was before the 'Omicron'-variant of the coronavirus posed a further threat to the global recovery. The UK's Office for National Statistics reported gross domestic product in the world's fifth-biggest economy increased by 1.1% in the third quarter—weaker than the 1.3% preliminary estimate. Analysts also expect the data to show a further slowdown in the fourth quarter and a weak start to 2022 due to a rise in Omicron cases which weighed on Britain's hospitality and leisure sector and retailers. Prime Minister Boris Johnson has ruled out new COVID restrictions in England before Christmas but said he might have to act afterwards.

On Europe's mainland, in their first phone conversation new chancellor of Germany Olaf Scholz and Chinese President Xi Jinping pledged to strengthen economic ties. According to China's state-run news agency Xinhua, the new German leader urged Xi that German-Chinese relations should be fostered "in the spirit of mutual respect and mutual trust." Xi Jinping reiterated that China-Germany cooperation is the forerunner of China-EU cooperation, and that as the two countries look ahead to the next 50 years, they must have a global and long-term perspective, move forward, and strive for new developments in bilateral relations.

In Asia, China's Ministry of Commerce has expressed "strong dissatisfaction and firm opposition" to a United States ban on imports from its Xinjiang region. The ministry described the US action as "economic bullying", according to state news agency Xinhua. This week US President Joe Biden signed into law legislation that bans imports from China's Xinjiang region over concerns about forced labor. China has categorically dismissed accusations of abuses against the mostly Muslim Uyghur minorities in that region. The law prohibits US businesses from importing goods from Xinjiang unless they can be proven not to have been made by forced labor.

The Japanese government lifted its growth forecast for 2022 a full percentage point as it expects the rate of recovery from the pandemic-related slump to pick up earlier than expected. The government now expects the economy to grow 3.2% next year. The GDP growth forecast for the next fiscal year is slightly higher than the average 3.0% increase estimated by private-sector economists in a survey earlier this month by the Japan Center for Economic Research. In nominal terms, unadjusted for inflation, the world's third-largest economy will likely expand 3.6% to a record 564.6 trillion yen in fiscal 2022, upgraded from an earlier projection of 2.5%, the government said.

Finally: While most adult readers of an economic situation report such as this one would be forgiven for never having heard of a company named "Shein", there's a good chance the young women in their families have. The Chinese clothing retailer and manufacturer Shein has exploded in growth over the past year and half. Google data shows it surpassed other major online brands like H&M, Zara, and Asos. Shein specializes in what analysts call "fast fashion"—a term meaning designs from fashion shows and runways that it then makes available to the public almost instantly. Shein's tight control of production and relatively small batch manufacturing of selected items tied with its super-low prices results in a powerful feedback loop with social media influencers. On a recent day, an astonishing 8,895 new products were added—and 9,634 were added the day before! (Chart from 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

*"What we do know is that speculative episodes never come gently to an end. The wise, though for most the improbable, course is to assume the worst."*

John Kenneth Galbraith – Economist

Yours truly,

Rial R. Moulton Donald J. Moulton

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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.

*Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Investments in securities do not offer a fixed rate of return. Principal, yield and / or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.*

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*https://novelinvestor.com/quote-category/market-bubbles/*

***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.)*