Moulton Wealth Management Inc.

"MOLTEN HOT" MINUTES

Specializing in Retirement and Tax Planning

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Week of January 17, 2022

The market has struggled so far in 2022 with the S&P-500 down -3% and the Nasdaq down -4.8% as of Friday's close. Of course such a decline is "normal" in a bull market. But what might be "less normal" is how the individual stocks in the indices have performed, not only so far this year, but since their peaks.

It can be difficult sometimes to remember what a real bear market looks like, or more importantly *feels like*. Certainly, most readers have been doing this long enough to remember the Great Financial Crisis and before that the Dot.com Bubble bust. However, remembering it historically is different than going through it, when fears of losing your status as "retired" or "soon to retire" creep in each day.

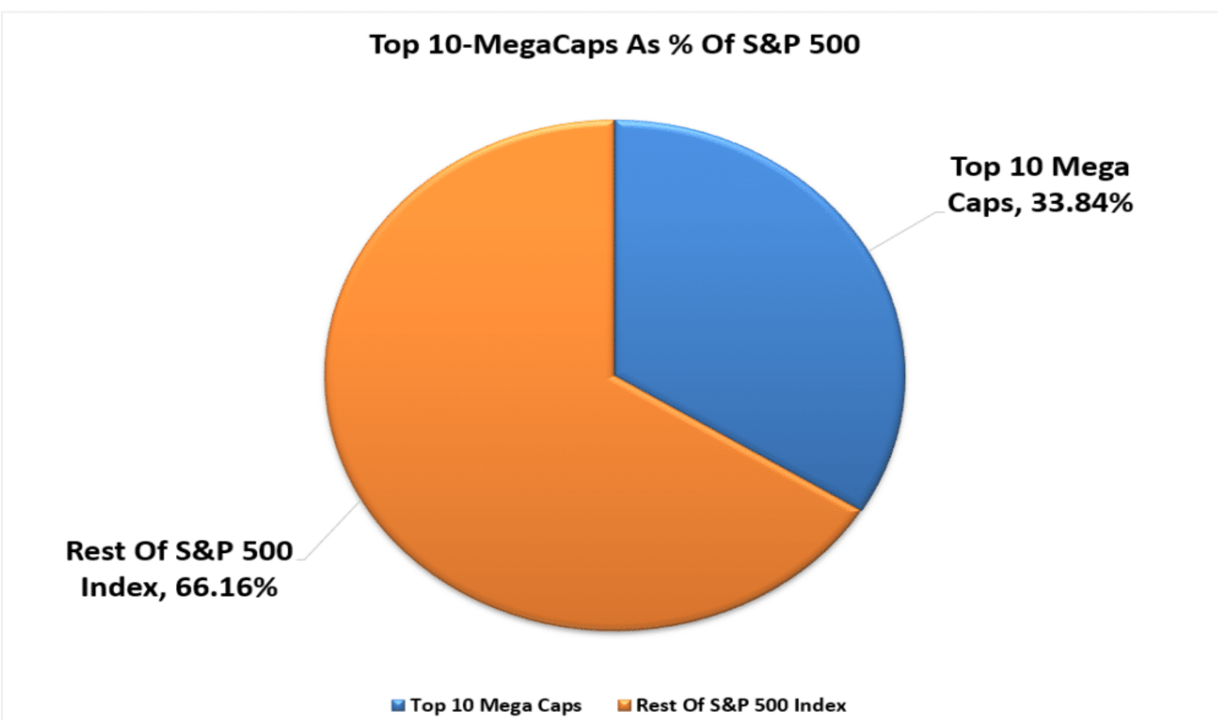
But we don't have to worry about that today, right? After all the markets are almost at all-time highs.

Maybe.

Passive ETFs are hiding a bear market in stocks, not sometime in the future, but today. Much like an iceberg, what we see on the surface hides the danger that lies beneath.

As pointed out by Lance Roberts of RealInvestmentAdvice.com, indices' performance can be illusionary. That illusion is created by the largest market capitalization stocks' performance being counted more than all the other stocks' performance. *(Market capitalization = the price of a company's stock times the number of shares outstanding.)*

Aside from the Dow Jones Industrial Average, all the major indices use this "cap weighted" method of calculating performance. As such price changes in the big stocks have an outsized impact on index returns.



How much of an outsized impact? *The top 10 stocks in the S&P-500 count as much as the bottom 450.*

But the real eye opener is in the NASDAQ, which holds many of the same mega-cap stocks as the S&P-500...

As of last week, more than 38% of NASDAQ stocks are down at least 50% from their 52 week highs. Only 13% of all days since the peak of the Dot.com bubble in 1999 have seen more stocks cut in half.

Historically speaking, reaching this "milestone" has not been good for investors with the last three times being the March 2020 Covid sell off (NASDAQ lost about -32%), the Great Financial Crisis (NASDAQ lost about -56%) and the Dot.com Bubble (NASDAQ lost about -80%).

Sentiment Trader puts this in perspective:

At no other point since at least 1999 have so many stocks been cut in half while the Nasdaq Composite index was still so close to its peak. When 35% of stocks are down by half, the NASDAQ has historically been down by an average of -47%.

Why has it held up so well on the surface? Two reasons:

1. The huge amount of cash that has flowed into the stock market due to both fiscal stimulus (checks to everyone) and Federal Reserve money printing.
2. That due to indexing rules, most of that money automatically, and blindly, bought the mega-cap stocks comprising the majority of the index.

But beneath the surface, in all the "other stocks", it was a different story.

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)

Why should you care? After all gains are gains?

Because there will come a day when passive buyers become active sellers. If those mega-cap stocks begin to decline along with the others in the index, and investors attempt to sell, it could escalate losses quickly. And if you're an investor who thinks you're buy and hold, but ultimately need to get out, it may be too late to find a buyer on the other side. This is what happened *(caused?)* during the fastest -30% decline in history (the March 2020 Covid decline) and is but a glimpse of what to expect in the future.

To be clear, the data currently does NOT point to a crash in the next 1-3 months (but it could). However, the same data points to a much higher risk starting in quarter 2, 2022. Your plan to protect yourself and your family better be more robust than either "I'm buy and hold" or "I'll know when to get out", because neither of those will likely act the way they have in the past.

"The Titanic hit the iceberg not because they could not see it coming but because they could not (would not?) change direction."

Dean Devlin - Director

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.

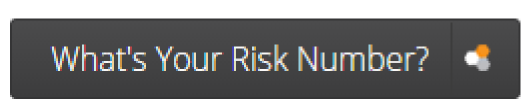
If you didn't like what happened to your portfolio in the dot.com bubble or the financial crisis bubble, but you've made no moves to change the way you invest, now may be the time to seriously consider your process – NOT after the market, and your portfolio, have crashed.

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 recorded their second consecutive week of losses to start the year and the technology-heavy NASDAQ Composite its third. The Dow Jones Industrial Average fell -320 points to close at 35,912—a decline of -0.9%. The NASDAQ Composite ended the week down -0.3% to 14,894. By market cap, the large cap S&P 500 gave up -0.3%, the mid cap S&P 400 shed -0.4% and the small cap Russell 2000 finished down -0.8%.

International Markets: International equity markets finished the week mixed. On the positive side: Canada's TSX added 1.3% along with the United Kingdom's FTSE 100 which gained 0.8%. However, on Europe's mainland France's CAC 40 retreated -1.1% and Germany's DAX declined -0.4%. In Asia, China's Shanghai Composite declined -1.6% and Japan's Nikkei ended down -1.2%. As grouped by Morgan Stanley Capital International, developed markets rose 0.3% and emerging markets gained 2.5%.

Commodities: The majority of commodities continued to rise. Oil jumped 6.2% to $83.82 per barrel of West Texas Intermediate crude oil. Precious metals also finished the week up. Gold rose 1.1% to $1816.50 per ounce, while Silver gained 2.3% to $22.92 an ounce. The industrial metal copper, viewed by analysts as a barometer of world economic health due to its wide variety of uses, finished the week up 0.2%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits jumped to their highest level since mid-November last week. The Labor Department reported initial jobless claims rose by 23,000 to 230,000 in the week ended January 8th. Economists had expected new claims to fall to 200,000. Despite the unexpected increase, economists still report the downward trend in initial claims remains intact. Meanwhile, "continuing claims", which counts the number of Americans already receiving unemployment benefits, plunged by nearly 200,000 to 1.56 million people. That reading is its lowest level since June of 1973.

High inflation is the number one concern among small-business owners, according to a recent survey. The National Federation of Independent Business (NFIB) reported nearly 22% of survey respondents said inflation was their top problem. That was its highest reading in 41 years. NFIB Chief Economist Bill Dunkelberg addressed the gravity of the situation writing in the release: "Inflation is at the highest level since the 1980s and is having an overwhelming impact on owners' ability to manage their businesses." Still, despite struggling with higher prices, small businesses also reported being more optimistic about the future. The NFIB's small-business optimism index rose 0.5% to a three-month high of 98.9. High inflation overtook skilled labor shortages, which had been the biggest concern among owners for most of the past year. Nearly half of all owners said they could not fill open jobs despite a record number reported increasing pay.

Sales at the nation's retailers pulled back in December as higher prices, shortages, and the Omicron-variant weighed on shoppers. The Census Bureau reported retail sales sank 1.9% in December—its biggest drop in 10 months. Economists had expected just a 0.1% decline. If one takes the higher inflation into account, retail sales were even more depressed. The biggest decline, -8.7%, took place among internet retailers such as Amazon. It was that segment's largest drop in a year. Sales also fell 7% at department stores, and 5.5% at furniture store. Ian Shepherdson, chief economist at Pantheon Macroeconomics, doesn't expect the weakness to persist. In a research note, Shepherdson wrote, "Lack of cash is not the issue, so we expect a strong rebound in sales once the Omicron wave subsides. January is a probably a write-off but February and March will be much better."

Consumer prices rose half a percent in December and pushed the annual inflation rate to a nearly 40-year high of 7%. The gain in the CPI exceeded the consensus forecast of a 0.4% rise. A separate measure of inflation that strips out the often-volatile food and energy categories, so-called "core CPI", rose 0.6% last month. That pushed the increase over the past 12 months to 5.5% from 4.9% - a 31-year high. Inflation has soared due to strong consumer demand and ongoing labor and supply shortages. The Federal Reserve has moved forward its plans to remove stimulus from the economy and is widely expected to begin raising short-term interest rates soon to combat the nation's high inflation. Fed Chairman Jerome Powell said this week, "The economy no longer needs or wants the very highly accommodative policies we've had in place to deal with the pandemic and the aftermath."

Wholesale prices rose just 0.2% in December, marking their smallest increase in a little over a year. The increase in producer prices was well below the 0.4% forecast by economists. On an annualized basis, the yearly increase in prices at the wholesale level ticked down to 9.7% from 9.8%. It was the first decline in the annual rate since early in the pandemic. Still, the annualized increase remains among its highest readings in almost 40 years. Meanwhile, core PPI, which strips out the most volatile goods and services, rose a faster 0.5% last month. That reading has climbed 6.9% over the past year—unchanged from the prior month. In a research note, senior economist Bill Adams of PNC Financial Services doesn't expect inflation to cool anytime soon writing, "Inflation will slow in 2022 but continue to overshoot the Fed's [2%] target."

After years of having little-or-no pricing power, businesses were able to pass along price gains to customers in December, according to the latest "Beige Book" report from the Federal Reserve. The "Beige Book" reported 'solid growth' in the prices businesses charged to customers. For years, Fed officials have said that a company's pricing power was limited due to globalization and technology, i.e. the fact that consumers could shop online for the best prices. Now, however, the rise in prices for virtually everything has contributed to pricing pressures across a wide range of industries, including the service sector. Economists say service-sector inflation is a particular red flag for central bankers because the U.S. economy is dominated by services and also because price gains in that sector seem to be more intractable and less reversible. Several Fed districts reported that expectations for growth over the next several months “cooled somewhat” during the last few weeks.

International Economic News: The head of Canada’s largest bank said the uncertainty wrought by the Omicron variant is making it difficult to generate economic forecasts, as the country struggles with rising hospitalizations, employee absences, and new lockdowns. RBC Chief Executive Officer Dave McKay made the comments at RBC’s CEO Conference which brought together the CEO’s of Canada’s top banks as well as their federal regulator, the Office of the Superintendent of Financial Institutions (OSFI). “Not getting a forecast is no signal that we’re concerned at all, we’re just having trouble forecasting,” he said. “I think it’s going to reduce growth, probably from 4.5 to 1.5% in Q1 in Canada, but then growth should start to return in Q2. Therefore, we still see a four-plus GDP growth year in Canada.”

Across the Atlantic, the United Kingdom said it will cut the minimum self-isolation period for those with COVID-19 in England from seven days to five to help boost economic activity. In a statement to members of parliament, Health Secretary Sajid Javid said the government had reviewed the policy to make sure it maximized “activity in the economy”, while minimizing “the risk of infectious people leaving isolation.” “Any curbs on our freedoms must be an absolute last resort and that we shouldn't keep them in place for a day longer than absolutely necessary," Javid added. The new rules, to take effect next week, will instead require those with coronavirus to test negative on a lateral flow device on days five and six in order to end their isolation.

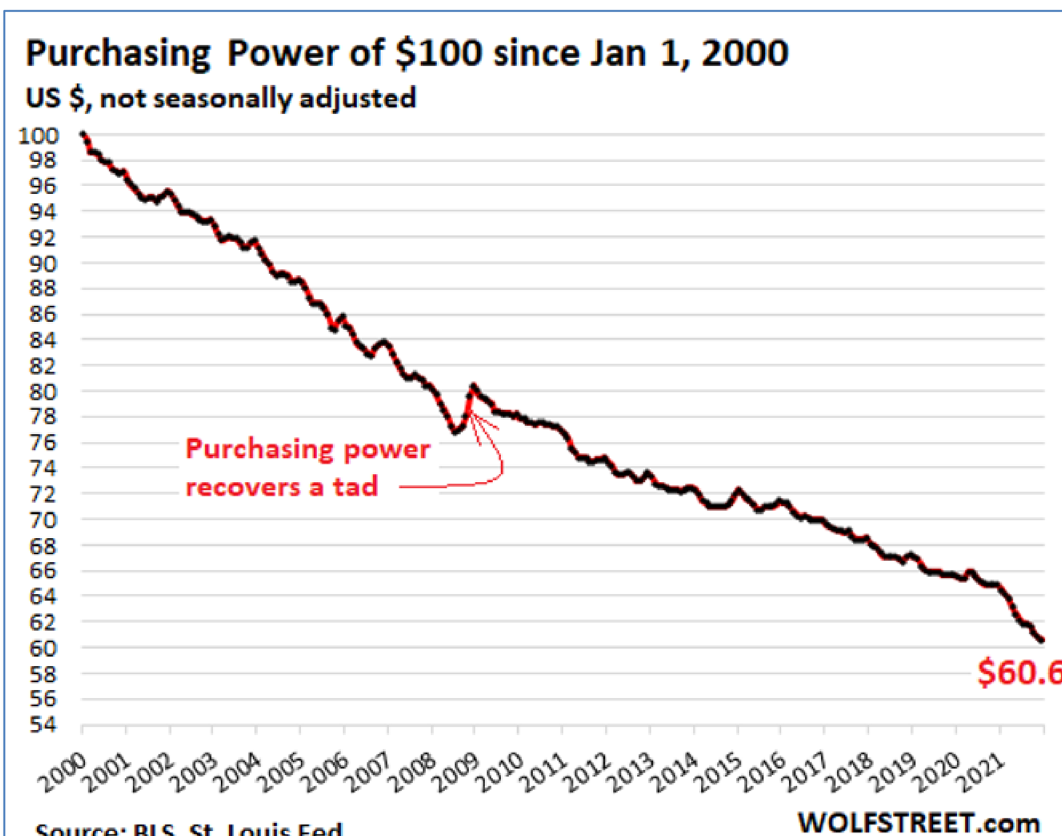
On Europe’s mainland, France announced it will ease its coronavirus travel restrictions for travelers from Britain, enabling vaccinated tourists to visit if they have a negative test. A blanket ban on non-essential travel announced last month caused major disruptions over the Christmas and New Year holidays, but was justified by the French government as needed to keep the spread of the Omicron variant to a minimum. The opening of the border will allow thousands of winter-sports enthusiasts to head to the French Alps, which are popular with British skiers who had to cancel holidays booked over the Christmas and New Year period. Britons account for roughly 15% of all visitors to French ski resorts, and even more in some of the biggest high-altitude resorts.

Germany’s BDI industry association said it expected Europe’s largest economy to grow 3.5% this year—a more cautious forecast than the government as it warned companies could face another “stop-and-go” year due to the pandemic. "The order books are full, but production is not keeping pace with demand. Pandemic restrictions and supply bottlenecks affect large parts of the economy," BDI President Siegfried Russwurm said. Berlin predicted gross domestic product growth to accelerate to 4.1% this year from an estimated 2.6% in 2021. The industry lobby group pointed to supply problems with microchips and other important components which have hit production in Germany's large automobile sector particularly hard.

In Asia, investment bank Goldman Sachs cut its 2022 forecast for China economic growth in expectation of increased restrictions on business activity to contain the latest Omicron variant. Over the past week, China has reported pockets of omicron cases in Tianjin city and Anyang, which have prompted at least partial lockdowns. Xi'an, a major city in central China, has been locked down since late December to control a Covid outbreak that authorities say is not linked to omicron. Goldman Sachs analysts Hui Shan wrote, "In light of the latest Covid developments — in particular, the likely higher average level of restriction (and thus economic cost) to contain the more infectious Omicron variant — we are revising down our 2022 growth forecast to 4.3%, from 4.8% previously." Goldman expects government policy easing to offset half of the drag from Covid restrictions and assume the negative impact will be concentrated in the first quarter.

The Bank of Japan expressed its most optimistic view of the country's regional economy in more than eight years - a sign of its confidence that a recent resurgence in coronavirus infections would not derail the country's tepid recovery. BOJ Governor Haruhiko Kuroda said in a speech to the bank's regional branch managers this week, "Japan's economy is picking up as a trend, although it remains in a severe state due to the impact of the coronavirus pandemic." The upbeat assessment heightens the chance the BOJ will revise up its growth and price forecasts for the year beginning in April in fresh projections due next week. Kuroda also said consumer inflation was likely to gradually accelerate on an expected increase in demand.

Finally: The value of a dollar has plummeted lately with the recent ravages of inflation, but the loss of value is just a more severe and considerably steeper continuation of the long-term decline in the value of a dollar. As measured by the Consumer Price Index (CPI), the dollar has lost about 40% of its purchasing power just since January 1, 2000. Once called



the “almighty” dollar, it seems that adjective is hardly warranted now. (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

“The Titanic hit the iceberg not because they could not see it coming but because they could not change direction.”

Dean Devlin – Director

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.

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

https://realinvestmentadvice.com/passive-etfs-are-hiding-the-bear-market/
https://www.brainyquote.com/quotes/dean_devlin_861344?src=t_iceberg

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.)