MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of January 31, 2022

Friday represented what is sometimes called a "stick save". That's when the market move looks like a hockey stick as the big boys bid it up to make their clients less anxious.

But are we out of the woods?

The short answer is "no".

Last weekend our second "major" defensive signal triggered. We use a series of mathematically based models to tell us when to ramp up and ramp down risk. The most sensitive simply raises our radar. The first major signal actually triggered in late December. Interestingly, the market rose after that signal. How could that be? The signals are not based simply on the price of the market, but instead are based on various underlying measures of strength and/or weakness. That first signal told us that small caps were becoming less attractive than cash. And small caps, on margin, represent the highest risk portion of the market. Upon that signal we reduced risk somewhat, but not dramatically.

Now the second "major" signal triggered and we've reduced risk more substantially, incrementally selling into the rallies.

Does this mean a bear market is imminent? Not necessarily. But it does mean the probability of a bear market has risen dramatically. And the best risk managers stay on the right side of probability.

One of our research partners contextualized where we stand today relative to "recent" past economic constructs and market moves. The comparisons were made to similar times in terms of:

- Transitioning to an economic construct of growth and inflation slowing in rate of change, as we are today.
- The degree growth and inflation are expected to slow.
- How certain the model is as to this economic construct.
- And to a risk measurement signal across different asset classes.

Base case 1(a) is the summer/fall of 2011; April 29th – Oct 3rd. The S&P-500 fell -19%.

Base case 1(b) is the fourth quarter of 2018; Sept. 20th – Dec. 24th. The S&P-500 fell -20%.

Bear case: Dot-Com Bust from Sept 1st of 2000 to Oct. 9 of 2002. The S&P-500 fell -49%.

We are currently down only -7% year to date, as of Friday's close.

Keep in mind, during the previous three comparable periods, the Fed was able (willing?) to step in and help prop up the market. This time, considering inflation, they may not be as able or willing to do so.

Is it possible that this was a correction, now ended, and we'll continue to new highs?

Sure, anything's possible.

But is that the most probable outcome?

Not at this point.

David Rosenberg of Rosenberg Research warns how volatile – both up and down - bear markets can be. As we've stated repeatedly, we don't know if this is the beginning of a bear market, but it could be. The fact that the markets rally strongly is sometimes confusing to participants who want to believe that the rally itself proves we've bottomed. And in fact the Nasdaq 100 QQQ posted a remarkable recovery rally last Monday, turning a ~5% intra-day loss into a gain by day's end. The last time it pulled off such a feat was January 8, 2001. In January of 2001 it followed that reversal by gaining +18.4% over the next 10 trading days. If ever there was a confirmed bottom that should have been it!

Alas, holders of QQQ weren't so lucky. Over the next ~22 months it fell -70.4%!

Along the way it had several other bear market rallies including one of +50%, one of +52% and a "small" one of +22%. But each was followed by lower lows until the ultimate bottom in October of 2002.

What's this tell us? That one of the hallmarks of bear markets are extreme price movements, up and down, but over time, just down. Again, it doesn't mean we're in a bear market but it does mean looking solely at price movement can be a destructive endeavor.

Instead we'll continue to follow all the data.

"What is most important isn't knowing the future – it is knowing how to react appropriately to the information available at each point in time."

Ray Dalio – Billionaire Hedge Fund Manager

And as always, the data can change – for better or worse. It's why we, along with our research partners, measure and map hundreds of data points daily.

If the data improves, we'll incrementally add risk. If it deteriorates further, we'll reduce risk.

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.

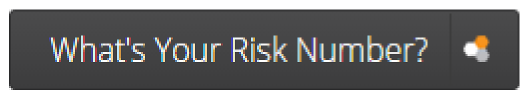
If you didn't like what happened to your portfolio in the dot.com bubble or the financial crisis bubble, but you've made no moves to change the way you invest, now may be the time to seriously consider your process – NOT after the market, and your portfolio, have crashed.

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: Strong gains going into Friday's market close lifted the large-cap benchmarks higher for the week, but not before most of the major indexes had moved temporarily into "correction" territory (down more than 10% from recent highs). The Dow Jones Industrial Average rallied 460 points finishing the week at 34,725, a gain of 1.3%. The technology-heavy NASDAQ Composite ticked up 2 points to 13,771, essentially unchanged for the week. By market cap, the large cap S&P 500 rose 0.8%, but the mid cap S&P 400 index fell -0.6% and the small cap Russell 2000 index brought up the rear at -1.0%. The Russell 2000 is nearly -20% from its November peak—just shy of an official bear market.

International Markets: The majority of major international markets were awash in a sea of red. Canada's TSX was the lone market to finish up last week rising 0.6%. The United Kingdom's FTSE 100 shed -0.4%, while France's CAC 40 declined -1.5% and Germany's DAX retreated -1.8%. China's Shanghai Composite plunged -4.6%, while Japan's Nikkei dropped -2.9%--the fourth consecutive week of declines for that market. As grouped by

Morgan Stanley Capital International, developed markets declined -2.1% while emerging markets ended down -3.5%.

Commodities: Precious metals pulled back last week as Gold declined -2.5% to $1786.60 an ounce. Silver plunged -8.3% to $22.30 per ounce. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, ended the week down -4.7%. Energy rose for a sixth consecutive week. West Texas Intermediate crude oil added 2% closing at $86.82 per barrel.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits fell last week, signaling that disruptions in the labor market tied to the omicron-variant may be starting to fade. The Labor Department reported initial jobless claims fell by 30,000 to 260,000. Economists had expected new claims to total 265,000. The monthly average of new claims, which smooths out the volatile weekly readings, totaled 247,000. Claims fell the most in Pennsylvania, New York, New Jersey and Illinois— all are states that experienced big coronavirus surges in December and early January. Meanwhile, continuing claims, which counts the number of people already receiving unemployment, rose by 51,000 to 1.68 million.

The exponential pace of home-price growth may finally be beginning to ease, according to the latest data from S&P CoreLogic. Their Case-Shiller 20-city home price index posted an 18.3% annual gain in November, down slightly from the previous month. On a monthly basis, the index increased 0.9% between October and November. Once again, Phoenix recorded the highest rate of home-price growth in the country in November with a 32.2% year-over-year increase. Two Florida cities, Tampa and Miami, rounded out the top 3 with a 29% uptick and 26.6% annual gain. Overall, the Case-Shiller index noted that price increases were larger in November for 11 of the 20 major cities surveyed each month. Similarly, the separate Case-Shiller national home price index demonstrated 18.8% annual growth in November—also down from the previous month.

The number of home sales in which a contract has been signed, but not yet closed dropped in December, according to the latest report from the National Association of Realtors (NAR). Analysts frequently look to these "pending" home sales data as an early indicator for the direction of the housing market. Compared to the same time last year, pending home sales were down 6.9%. On a regional basis, pending sales dropped by 10% or more in both the Northeast and the West. All areas of the country experienced slowdowns. Lawrence Yun, chief economist for the NAR wrote in the release, "Pending home sales faded toward the end of 2021, as a diminished housing supply offered consumers very few options. Mortgage rates have climbed steadily the last several weeks, which unfortunately will ultimately push aside marginal buyers."

Sales of new homes increased almost 12% to an annual rate of 811,000 last month, the government reported. However, compared to the same time a year earlier, sales were actually down 14%. For all of 2021, new home sales totaled 762,000, according to preliminary figures in the Census Bureau's latest report. That's down from 822,000 in 2020. Economists had expected new home sales to rise to an annual rate of 757,000. The median sales price of new houses sold last month was $377,700—down significantly from November, but higher than the median price of homes a year earlier. The supply of new homes for sale fell more than 9% between November and December, translating to a 6-month supply of new homes in the market. Six months of supply is generally considered a 'balanced' housing market.

The U.S. economy grew 6.9% in the fourth quarter as consumers spent more and businesses restocked inventories. Economists had expected gross domestic product to rise by 5.5%. GDP got a big lift at the end of last year from frantic efforts by businesses to restock barren shelves and warehouses in time for the holiday season. Setting aside the inventory buildup the economy grew much more slowly. Aided by the massive government stimulus spending, GDP increased by 5.7% for the full year. That's the biggest gain since 1984. Before the pandemic, the economy was growing around 2.3% per year. For the most part economists expect the economy to continue to grow this year. Sal Guatieri at BMO Capital Markets wrote in a note, "While omicron will lead to weaker growth in the first quarter, activity is expected to rebound nicely once the latest pandemic wave abates and supply-chain glitches ease." And Robert Frick, corporate economist at Navy Federal Credit Union stated, "With the omicron wave falling quickly, shelves restocked and consumer demand generally strong, we should see the economy continue its healthy recovery this quarter."

Federal Reserve Chairman Jerome Powell said the central bank "is of a mind" to raise interest rates in March as part of an effort to combat the highest inflation in decades. In the press conference after the Fed's two-day strategy meeting Powell stated, "I would say the committee is of a mind to raise the federal funds rate at the March meeting assuming that conditions are appropriate for doing so." With inflation now running at a 7% annual rate (per the government), the Fed wants to scale back its "easy money" stance. However, Powell was less clear when the Fed will begin reducing its balance sheet. He added the reduction could start "later this year" and that it would take place "sooner and faster" than it has in the past. In response to the pandemic, the Fed has held its benchmark short-term interest rate at zero and bought trillions of dollars of securities to support the economy and financial markets.

Orders for goods expected to last at least three years, so-called "durable goods", fell sharply in December—its biggest decline since the pandemic began. Orders for capital goods pulled back -0.9% in December. Economists had expected a smaller -0.6% decline. However, "core" capital goods orders, which exclude the often-volatile sectors like transportation and defense, remained unchanged. Orders for transportation equipment drove the decline. Orders for cars and planes fell 3.9% and have fallen in three of the last four months. Excluding transportation, orders for durable goods actually rose 0.4% in December.

The confidence of the nation's consumers slipped this month as the spread of Omicron and higher prices for just about everything weighed on consumer sentiment. The Conference Board reported its Consumer Confidence Survey fell 1.4 points to 113.8 this month. Economists had forecast the index to pullback to 111.7. During the pandemic, the index reached a high of 128.9 last summer during a lull in the pandemic to a low of 85.7 at the onset. Lately the index has drifted lower due to the back-to-back outbreaks of the delta and omicron coronavirus variants and a surge in inflation. Business leaders say there's plenty of demand for their goods and services and they expect the economy to speed up again. The confidence survey found the percentage of people saying they plan to buy a home, new car or major appliance in the next six months all increased.

The latest consumer confidence report was confirmed by consumer spending data. Consumer spending pulled back -0.6% in December reflecting a weakening of the economy at the end of last year. It was the first decline in 10 months. Economists had expected a -0.7% decline. When adjusted for inflation, consumer spending shrank an even sharper -1.0%. Furthermore, prices rose 5.8% last year based on the Federal Reserve's "preferred" inflation gauge, the Personal Consumption Expenditures Index (PCE). Sal Guatieri, chief economist at BMO Capital Markets expects consumer spending to remain robust throughout the rest of the year writing, "Consumer spending growth will remain solid throughout 2022. An improving labor market and strong wage gains will support income growth."

International Economic News: The Bank of Canada Governor Tiff Macklem announced the BoC would soon start hiking interest rates from its record lows to combat rising inflation. The comments were made after the central bank surprised some analysts by leaving rates unchanged at 0.25%. Rates have been at a record low since March 2020, when the bank slashed the cost of borrowing three times. "The message is pretty clear. We're on a rising path," Macklem said. He later said several increases would be needed, but the bank could take a few steps and then pause to assess progress. The next scheduled rate announcement is March 2.

Across the Atlantic, the International Monetary Fund forecast the United Kingdom's economy would grow more slowly than expected this year as it recovers from the Covid pandemic. The forecast for U.K. growth in 2022 was cut to 4.7% from 5.0% in the IMF's latest world economic outlook. Nonetheless, that remains the fastest rate of growth in the G7 industrialized nations. It partly reflects the rebound from sharp falls the UK suffered during initial pandemic lockdowns two years ago, the IMF said. Still, rising energy costs may force a sharp increase in the cost of living. Surging food and energy prices drove inflation to an annual rate of 5.4% in December, up from 5.1% the month before.

On Europe's mainland, France recorded its strongest economic growth figures in over five decades last year, hitting 7%. The Eurozone's second-biggest economy bounced back from the COVID-19 crisis faster than expected, data showed. Consumers helped the recovery, with household spending rising by 0.4% in the quarter following the relaxation of restrictions earlier in 2021. French statistics agency INSEE says France's economy has now expanded 'significantly' past its pre-crisis levels, having returned to its pre-pandemic level of gross domestic product in the third quarter. The strongest boom in a generation is a boost to

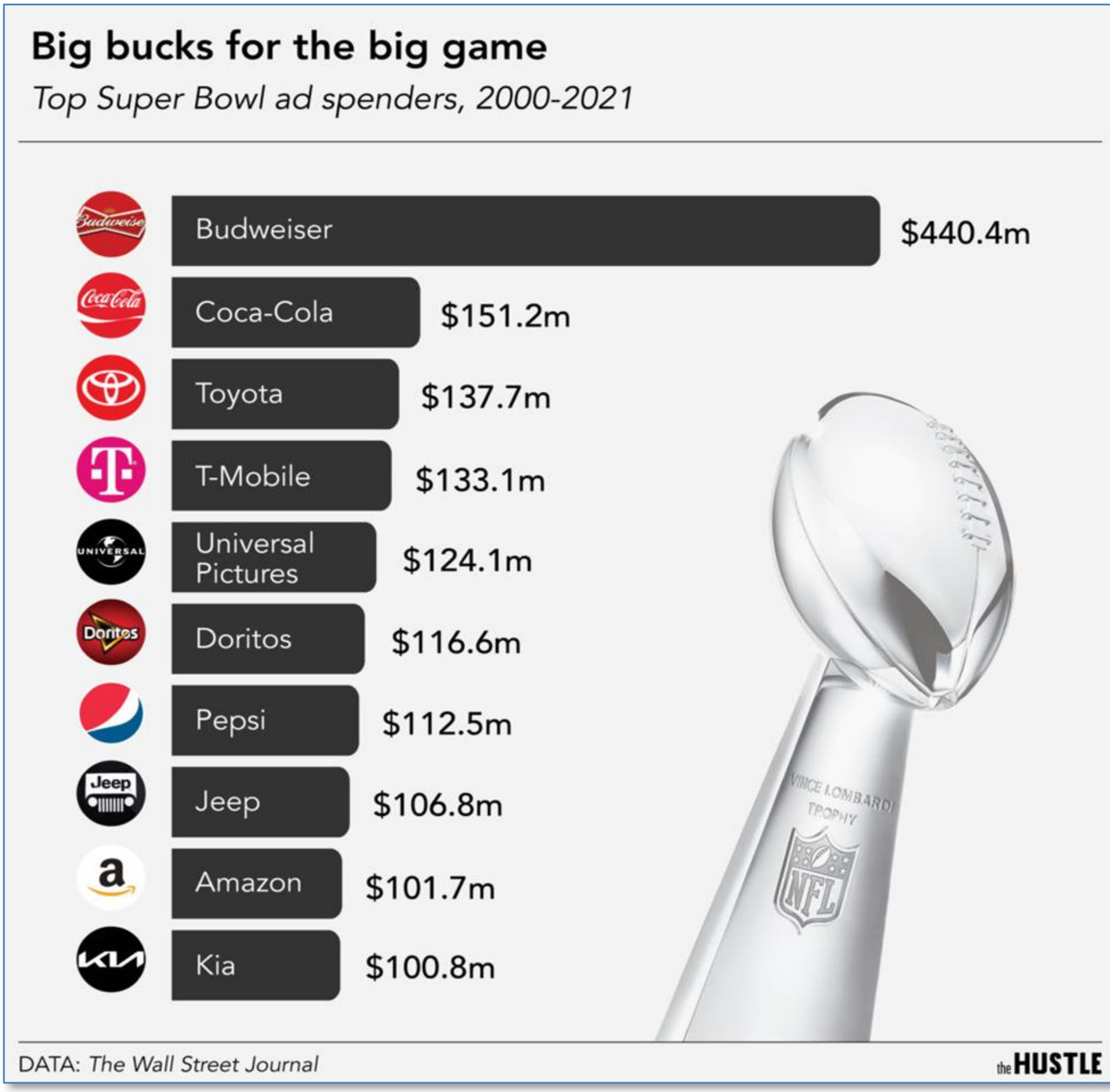
Emmanuel Macron's economic credentials, ahead of April's presidential election in which he is widely expected to run for a second term.

The German government cut its growth forecast for this year but stated Europe's biggest economy remains "robust" and will return to its pre-pandemic size this year. Germany's Economy Ministry predicted that gross domestic product will grow by 3.6%, down from the 4.1% the German government forecast in late October. Since that time the spread of the 'omicron'-variant of the coronavirus weighed on forecasts. Overall, GDP grew 2.7% last year, according to preliminary official figures, rebounding from a plunge of -4.6% in 2020 when pandemic lockdowns were at their most severe. Economy Minister Robert Habeck said in a statement, "The consequences of the corona pandemic are still noticeable, and many companies still have to struggle with them. Nevertheless, our economy is still robust."

In Asia, the International Monetary Fund recommended China increase its government spending to support its economy, weighed down by Covid lockdowns and a downturn in its property sector. The policy suggestions came after the fund cut this year's growth forecast for China to 4.8%, with the report saying that risks to that forecast were "predominately on the downside." The economic recovery "lacks balance and momentum has slowed, reflecting the rapid withdrawal of fiscal support, lagging consumption amid recurrent COVID-19 outbreaks despite a successful vaccination campaign, and slowing real estate investment," the fund said in its annual report on the country's economy. Although more than 80% of China's population is vaccinated, "it remains unclear whether it will allow for lockdowns to be phased out," the report said.

The IMF sent Japan a contrary message than the one sent to China. The IMF urged Japan to scale back its emergency pandemic support and consider raising taxes on property and capital income once the country's economy is on firm footing. In its statement the IMF wrote, "Given the large uncertainty surrounding the pandemic, fiscal policy should be nimble and flexible, adjusting the scale and the composition of support in response to epidemiological and economic developments." Raising the consumption tax rate from the current 10%, as well as hiking property and capital income taxes, could also be among options, the IMF said.

Finally: Super Bowl 56 will kick off on February 13th at SoFi Stadium in Los Angeles, California. And while it's safe to say the majority of viewers will be football fans, there are also a significant number that tune in just for the commercials. This year, the average price for a 30-second Super Bowl ad slot is up over 18% to $6.5 million! Most veteran viewers would guess that Budweiser is a top advertiser, and perhaps that Coca-Cola was up there, too. But many of the other top-10 advertisers over the last 20 years would be a surprise. Doritos, anyone? (Data from Wall St Journal, chart from TheHustle.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 is most important isn't knowing the future – it is knowing how to react appropriately to the information available at each point in time."

Ray Dalio – Billionaire Hedge Fund Manager

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.*

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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.)