# MOULTON WEALTH MANAGEMENT INC.

# MOULTON HOT MINUTES

*SPECIALIZING IN RETIREMENT AND TAX PLANNING*

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## Week of February 28, 2022

What a week. The big news was Russia invading Ukraine, and of course the human toll is more important than other considerations. But our job is to ascertain what it means for the economy and stock market.

Thursday morning opened with markets down -2% to -3%. It ended the day with markets up +2% to +3%. We heard many "experts" opine that this was a classic "bottom" signal and that as such, you should buy (or hold) stocks and forgo being defensive.

Possibly the most extreme example of this cellar to ceiling rocket was in the ETF "QQQ". QQQ represents the Nasdaq 100 and as such holds many of the big tech names that have done so well. QQQ opened Thursday down -3.2% but ended up +3.4%. That's a 6.6% bottom to top, one day move.

Pretty impressive.

Again, many talking heads on Friday and over the weekend pointed to this move as a "classic reversal" signaling a "market bottom".



But is it?

Of course no one knows for certain but we can look to the past to see if it's ever been done before.

As it turns out, on April 17, 2000 the market had been falling for a few weeks. That day QQQ's opened -2.9% and closed up +11.6% for a jaw dropping +14.5% bottom to top, one day move. Many at the time similarly cited this turnaround as a classic reversal signaling a market bottom.

The good news is QQQs did move higher. After the huge reversal it rose an additional +6.7% over the next 9 trading days, although not in a straight line.

***The bad news is after that 9 day move higher, it proceeded to fall -79% over the following three years.***



Despite what is peddled by the talking heads, large moves both higher and lower such as the one on Thursday happen predominantly in bear markets, not in bull markets.

Are we in a bear market?

We don’t know and frankly it doesn’t matter.

What matters is that we are in an economic construct that is not favorable for stocks. As such risk management calls for a more defensive stance.

On top of the economic construct, our mechanical defensive signals have begun triggering. We’ve received three so far, starting in late 2021. These are not based on “levels” or “charts” but instead on the internals of the market.

Making matters worse, the Fed, historically quick to bail out the stock market, has their hands tied with inflation. The measures they will take to fight inflation are essentially the opposite of what they would do to prop up the stock market.

Oh and by the way, if you look at how expensive the market is – not based on forward, guesstimated earnings but instead on actual reported earnings, or better sales – we are in the top 1 or 2 most expensive markets *ever*.

The markets have been declining all year. Russia invaded Ukraine last week. This decline may be made worse by Russia, but Russia wasn’t the cause. Therefore Russia can’t be the cure.

In the coming months, analysts will be forced to face the reality of much lower earnings and economic growth than is currently forecast. And the Fed will be forced to face inflation that although we think will decline in rate of change, will remain sticky as whole numbers.

This is not a recipe for offense. It’s a recipe for defense.

*“Failure is not fatal, but failure to change might be.”*

*John Wooden – Basketball Coach*

# ***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.*


In the markets:

U.S. Markets: The major U.S. indexes finished the week mostly higher after a holiday-shortened week of historic volatility. On Thursday, the Nasdaq Composite Index had an intraday swing of 6.8%, the largest intraday range since the World Health Organization declared the start of the coronavirus in March 2020. The Dow Jones Industrial Average ended the week down just 20 points to 34,059, a decline of -0.1%. The NASDAQ rebounded after two weeks of declines closing up 1.1% to 13,695. By market cap, the large cap S&P 500 finished up 0.8%, the mid cap S&P 400 gained 1.1%, and the small cap Russell 2000 rallied the most, finishing up 1.6%.

International Markets: Major international markets finished the week predominantly to the downside. Canada's TSX managed a 0.5% gain, but the United Kingdom's FTSE 100 shed -0.3%. France's CAC 40 and Germany's DAX declined -2.6% and -3.2%, respectively, while in Asia China's Shanghai Composite finished down -1.1%. Japan's Nikkei finished down -2.4%. As grouped by Morgan Stanley Capital International, developed markets finished the week down -0.9%, while emerging markets retreated -2.8%.

Commodities: Precious metals ended the week mixed with Gold retreating -0.6% to $1887.60 per ounce and Silver gaining 0.1% to $24.02. Crude oil finished the week up following last week's decline. West Texas Intermediate crude oil rose 1.5% to $91.59 per barrel. 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 -0.8%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits continued to decline last week, as the labor market remains remarkably robust. The Labor Department reported initial jobless claims fell by 17,000 to 232,000 in the week ended February 19th. Economists had estimated new claims would slip to 235,000. Continuing claims, which counts the number of Americans already receiving benefits, fell by 112,000 to 1.48 million. Continuing claims are at their lowest level since March of 1970. Overall, the labor market remains tight, and most economists believe claims will continue to move lower.

Home prices rose at their fastest rate in 34 years in December, but economists don't expect the pace to continue as interest rates begin to rise. The S&P CoreLogic/Case-Shiller 20-city home price index posted an 18.6% year-over-year gain in December, up 0.3% from the previous month. On a monthly basis, the index increased 1.5% between November and December. On a national level, the Case-Shiller home price index rose 18.8% on an annual basis—in line with November. Craig J. Lazzara, managing director at S&P DJI, said in the report, "This is the highest calendar year increase in 34 years of data, and substantially ahead of 2020's 10.4% gain." Phoenix recorded the highest rate of home-price growth in the country in December with a 32.5% year-over-year increase. As with the month prior, two Florida cities closely followed: Tampa with a 29.4% gain and Miami with a 27.3% rise.

The torrid increase in home prices may finally be taking a toll, according to a preliminary indicator of the housing market. The National Association of Realtors (NAR) reported pending home sales fell a sharp 5.7% last month. Pending home sales data shows transactions in which a contract has been signed but not yet closed. Economists had expected pending home sales to rise 1%. This is the third straight monthly decline in the index for pending home sales. Year over year, pending home sales were down 9.5%. The West was the only region to see an increase in activity in January. All of the regions posted declines in activity compared with year-ago levels. The Federal Reserve's sharp pivot towards a steady pace of interest rate hikes, higher inflation, and continuing lack of supply seem to be finally weighing on the nation's home buyers.

The Federal Reserve's "preferred" inflation gauge jumped again, as inflation rose at its fastest pace since 1982. The Personal Consumption Expenditures Index (PCEI) rose 0.6% in January and 6.1% over the past year. The more widely followed Consumer Price Index rose by an even higher 7.5% in the 12 months ended in January - also the largest move since 1982. A narrower measure of inflation that omits volatile food and energy costs, known as the core PCE, rose by 0.5% in January. The Fed views the PCE index — the core rate in particular — as the most accurate measure of U.S. inflation. It's more comprehensive and takes into account when consumers substitute cheaper goods for more expensive ones, among other things. Chief economist Scott Brown of Raymond James wrote in a note, "Inflation has been largely concentrated in durables, but inflation in services has been picking up, which is worrisome for the Fed."

Confidence among the nation's consumers dipped this month as higher inflation weighed on sentiment. The Conference Board reported its Consumer Confidence index dropped 0.6 point to 110.5. Economists had expected the forecast to dip to 109.5. Lynne Franco, senior director of economic indicators at the board stated, "Consumers remain relatively confident about short-term growth prospects. While they do not expect the economy to pick up steam in the near future, they also do not foresee conditions worsening." While the smaller-than-expected decline in consumer confidence was a good sign in the report, respondents stated they were worried about high inflation. Fewer people plan to buy homes, cars, autos and appliances in the next six months, the survey found.

Data analytics firm IHS Markit reported the U.S. economy accelerated in February, according to both its services and manufacturing surveys. Markit stated its preliminary, or "flash", index of service-oriented companies jumped 5.6 points to 56.7 this month, from an 18-month low in January. Similarly, its gauge of manufacturing companies rose 2 points to 57.5. Service-oriented companies and manufacturers alike boosted production in February to keep up with strong sales. The flash IHS surveys offer the first broad look at the performance of the U.S. economy each month. Readings above 50 means businesses are growing and numbers above 55 are especially robust.

International Economic News: Canada's Prime Minister Justin Trudeau announced a new suite of "severe" sanctions against Russian entities after the invasion of neighboring Ukraine. The economic measures, which the government says were carefully coordinated with other G7 countries, are meant to hobble Russia's economy as its forces push further into Ukraine. Trudeau called Russia's act of war "a massive threat to security and peace around the world." Trudeau said Canada will target 62 individuals and entities, including members of the Russian elite and their family members, the Russian paramilitary organization Wagner Group and major Russian banks. However, Mark Manger, an associate professor at the University of Toronto's Munk School of Global Affairs & Public Policy pointed out there simply isn't enough trade between the two countries for even broad sanctions to hurt Russia's economy. "Our trade relationship with Russia is negligible. It's about half a per cent," Manger wrote.

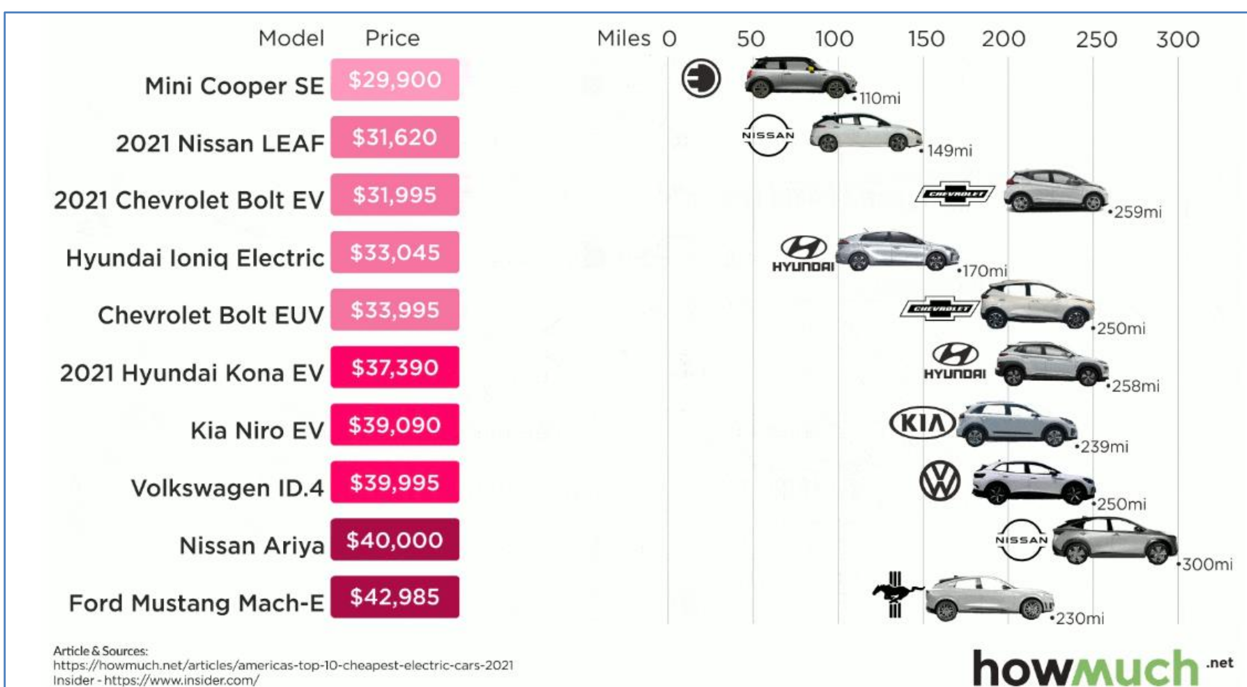
Across the Atlantic, consumer confidence in the United Kingdom plunged in February as the cost of living surged. According to research company GfK, the consumer confidence index, a closely watched indicator of how people view the state of their personal finances and wider economic prospects fell seven points to -26 in February. It was the lowest score since January 2021 and one of the worst since the start of the pandemic. Joe Staton, client strategy director at GfK stated, "Fear about the impact of price rises from food to fuel and utilities, increased taxation and interest rate hikes has created a perfect storm of worries that has shaken consumer confidence." And the outlook looks even more dismal. Respondents' views on their personal financial situation for the year ahead fell 12 points to -14—the worst reading since April 2020 at the height of the first lockdown.

On Europe's mainland, French Economy and Finance Minister Bruno Le Maire and his German counterpart Christian Linder stated the European Union wants to isolate Russia financially and cut all links between Russia and the global financial system. The comments were made at a European Union finance ministers meeting this week. The bloc agreed on new sanctions against Moscow over its attack on Ukraine. Le Maire said Moscow was "an economic partner of secondary importance" for France. However, his German counterpart Christian Lindner spelled out that "in one-off cases, payments (to Russia) remain possible, for example to pay for gas deliveries". Germany is highly dependent upon Russian natural gas, especially since the recent mothballing of several nuclear power plants in a "green" push.

In Asia, China may be the economic lifeline for Russia as it faces growing isolation over its invasion of Ukraine. As much of the international community rolls out sanctions against Moscow, Beijing has emerged as a key player with the potential to mitigate the economic damage and undermine the pressure campaign. This week, Chinese customs authorities announced the lifting of import restrictions on Russian wheat, which makes up more than one-quarter of the global supply. Alicia García Herrero, chief economist for Asia Pacific at Natixis stated, “That’s a signal of support. The other thing that China has done is to really make very clear that sanctions are ineffective and are not warranted.”

Japan’s Prime Minister Fumio Kishida unveiled a set of tighter Japanese sanctions against Russia featuring a freeze on assets held by Russian banks and curbs on exports to military-linked groups in response to Moscow's invasion of Ukraine. The new sanctions package also includes export controls on semiconductors and other high-tech products, as well as a suspension of visa issuance for certain Russian individuals and entities, Kishida said. The asset freeze will target three financial entities--Promsvyazbank, Bank Rossiya and Russia's economic development bank VEB. Condemning the Russian military attack as being in violation of international law, the prime minister said, "Japan needs to show its resolve not to allow any change to the status quo by force."

Finally: So just how far can America’s top 10 cheapest electric cars go on a single charge? Financial website HowMuch.net found the average distance most electric cars can travel per charge is around 220 miles, but with a wide variation. For purposes of their comparison, “cheapest” means an average cost between roughly $30,000 and $40,000. The Ford Mustang Mach-E tops the list as the most expensive electric car at $42,985 but travels only about 230 miles. The Nissan Ariya traveled the farthest--300 miles--and came in at $40,000. At the other end, the Mini Cooper SE was both the cheapest and the one with the smallest range of 110 miles. (Chart from howmuch.net)



**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

*"Failure is not fatal, but failure to change might be."*

*John Wooden – Basketball Coach*

Yours truly,

Rial R. Moulton

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*Certified Financial Planner™*

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

*Investment services offered through Moulton Wealth Management, Inc., an independent Registered Investment Advisor. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National*

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

***To unsubscribe from the "Molten Hot" Minutes please reply to this e-mail with "Unsubscribe" in the subject line, or write us at 1220 N. Mullan Road, Spokane, WA 99206.***

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

*https://www.brainyquote.com/quotes/john_wooden_378437*

***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.)*