MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of April 25, 2022

This week we'll get more earnings reports, many from the big tech companies. Unless they're horrible we could certainly see a bounce in the markets. Having said that, last week ended very poorly and it leaves us wondering *"who knows what" about those up-coming earning announcements?*

Mike Shedlock writes an economic blog called Mish Talk (mishtalk.com). Recently he published a monthly chart of the S&P-500 showing how little it has dropped relative to how high it ran, largely due to money printing both by the Fed and Congress. The title of that blog post is…

Expect More Stock Market Pain Because It's Coming.

How far does he think the S&P-500 could fall?

He thinks it very possible for this to ultimately be a “50%-60%” type of bear market vs a “20%-30%” type bear market.

Before you scoff, he called the extent of the 2008 sell off very accurately.

The reason many don’t think this kind of decline possible is because over the last 13 years they’ve been conditioned to think the Fed will step in with the money printers roaring before the market’s allowed to fall anywhere near that far.

But that was without inflation. We now have inflation.

In fact, recent comments make this type of carnage more probable. Several Federal Reserve members, including the Chair, have said they want to “front load” their actions to have a bigger impact on inflation. The problem is that rate hikes take 9 months to actually filter into the system. If they front load tightening, they’re shooting in the dark and guessing how much is required.

With inflation at 50 year highs, they’ll likely err on the side of “more tightening” which equates to a higher chance of a worse recession.

Of course the Fed assures us they will magically slow the economy just enough to conquer inflation, but not enough for a recession. However the Wall Street Journal points out a few problems.

- Over the last 80 years, the Fed has NEVER lowered inflation as much as it has to today (at least 4%) without causing a recession.
- Fed Chair Powell himself is setting the stage for a recession. He said *“no one expects that bringing about a soft landing will be straightforward in the current context – very little is straightforward in the current context.”* He added that the Fed faces a *“challenging task”.*
- Danielle DiMartino Booth, founder of Quill Intelligence and former advisor to Dallas Fed President Richard Fisher is blunt in saying *“The idea that any central bank can orchestrate a soft landing is disingenuous… "*

As investors, if we can’t expect a soft landing, what will a hard landing look like? Rudy Havenstein proposes three possibilities…

- Domino Theory: Proponents of this theory believe it will take a while to play out. Things fall one by one, but the big decline comes after a long wait. This scenario is very orderly until the final chaos.
- Spiral Theory: In contrast to the Domino Theory, Spiral Theory proponents expect things to be very disorderly right from the start. And once a decline does start, no one will believe the Fed has anything under control.

- Tipping Point Theory: This scenario will happen fast. The Fed will appear to be in control until one rate hike too many and then the whole thing suddenly tips over. This will happen much faster than a Domino Theory collapse.

In an unofficial Twitter poll by Mish, the Tipping Point Theory won.

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)

Jeremy Grantham founded GMO Investments. He's accurately called every bubble including Japan's massive stock market and real-estate combination bubble of the late 1980's. When he's made these calls he's almost universally been dismissed as pessimistic / perma-bear / out of touch, etc. In fact he almost went out of business so many clients left his firm leading up to the Dot.com bubble burst because, *"the stock market would never fall that much"*. He warns that we are currently closer to Japan's type bubble burst which they've still not recovered. He believes a 50% decline is likely (although Japan's was much more).

Japanese Nikkei

MishTalk

John Hussman PhD, runs Hussman Funds. He produced the following chart that shows current valuations adjusted for margins. You don't have to understand the math to quickly see that we are in uncharted territory (and keep in mind the NASDAQ fell over 80% during the Dot.com bubble).

Hussman's MAPE

Mr. Hussman went on to say…

"As much as 72% of market capitalization may be air."

Mish concludes by warning that…

"If you just retired and think you have a big nest egg and can ride it out in equities, expect your portfolio to fall by 50%, minimum."

The current risk is very real, and the choices you make – or don't make – today could shape your financial future.

The longer you wait, the less may be left to save.

“If your timeline is long, you should root for a crash! It’s the boomers and recently retired who will get the pain.”

Mike “Mish” Shedlock – April 22, 2022

What is your defensive plan?

Call or attend a seminar 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”?

The government is again offering free at-home Covid-19 tests. We encourage everyone to get them just to be prepared. Go to...

www.covidtests.gov

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. equity indexes ended the week lower with particularly steep losses on Friday. The Russell 1000 Growth Index stocks gave up more ground than their Value counterparts, while the large cap S&P 500 Index posted steeper losses than its smallercap brethren. The Dow Jones Industrial Average shed 640 points this week, closing at 33,811—a decline of -1.9%. The technology-heavy NASDAQ Composite declined for a third consecutive week falling -3.8%. By market cap, the S&P 500 ended down -2.8%, while the midcap S&P 400 gave up -1.7% and the small cap Russell 2000 ended the week down -3.2%.

International Markets: Major international markets finished the week to the downside as well. Canada's TSX retreated -3.1%, while the United Kingdom's FTSE 100 gave up -1.2%. On Europe's mainland, France's CAC 40 ticked down just -0.1%, while Germany slipped -0.2%. In Asia, China's Shanghai Composite fell a third week, ending down -4.3% and Japan's Nikkei fell -0.2%. As grouped by Morgan Stanley Capital International, developed markets ended down -2.2% and emerging markets dropped -4.2%.

Commodities: Major commodities also ended the week down. Energy was hit particularly hard following weeks of gains. West Texas Intermediate crude oil declined -4.6% to $102.07 per barrel. Brent crude shed -4.8% to $105.72. Precious metals were also under pressure. Gold gave up -2.1% to $1934.40 per ounce, while Silver retreated -5.6% to $24.26. 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 -3%.

U.S. Economic News: The number of Americans filing first-time unemployment claims dipped last week, remaining near a 54-year low. The Labor Department reported that initial jobless claims fell by 2,000 to 184,000 reflecting the tight labor market in which work is easy to find and layoffs are at record lows. Economists had expected claims to total 182,000. New jobless claims have totaled fewer than 200,000 in 10 of the past 11 weeks and recently touched the lowest level since 1968. Meanwhile, continuing claims, which count the number of people already receiving unemployment benefits, declined by 58,000 to 1.42 million. That reading is the lowest since 1970. Thomas Simons, money market economist at Jefferies LLC stated, "Demand for labor is strong and there are no reasons to believe that this will change any time soon."

Sales of existing homes fell for a second consecutive month as mortgage rates continue to rise. The National Association of Realtors (NAR) reported existing home sales decreased 2.7% in March, dropping to a seasonally-adjusted annual rate of 5.77 million. With rates rising, and prices significantly higher, the average borrower is paying about 38% more on the monthly payment now than they would have for the same home one year ago, according to Realtor.com. Compared to the same time last year, sales were down 4.5%. The median price of an existing home sold in March was $375,300—an increase of 15% from March 2021. That was the highest median existing home price ever recorded by the NAR. At the end of March there were 950,000 homes for sale—a decrease of 9.5% year over year. At the current sales rate that represents just a two-month supply of homes for sale. Analysts generally consider a six-month supply of homes a 'balanced' housing market.

The confidence of the nation's home builders fell again, primarily due to a drop in the underlying index that measures prospective buyer traffic. The National Association of Home

Builders (NAHB) reported its monthly confidence index fell two points from the previous month to 77 in April. The index remains at its lowest level since September. Still, readings above 50 indicate that more home builders believe that conditions are good rather than poor. The last time the index dropped below 50 was back in April of 2020—at the start of the COVID-19 pandemic. A separate survey from BTIG and HomeSphere found that 42% of home builders believe that interest rates are negatively affecting their business, up from less than 22% in January. Nevertheless, the survey still found that sales were up in March for small- and mid-sized home builders, and most had raised prices. Robert Dietz, chief economist for the NAHB, said in the report, “The housing market faces an inflection point as an unexpectedly quick rise in interest rates, rising home prices and escalating material costs have significantly decreased housing affordability conditions, particularly in the crucial entry-level market.”

A pair of “flash” or preliminary surveys by S&P showed high inflation is sapping the U.S. economy as consumers are balking at higher prices. S&P’s flash U.S. services index fell this month to a three-month low of 54.7, erasing a sizeable gain from the prior month. Meanwhile, its flash index for the manufacturing sector edged up to a seven-month high of 59.7. Prices rose at the fastest pace on record. As a result, S&P found, it “dampened customer demand.” With numbers over 50 signaling growth, the headline numbers appear positive. However, the details of the survey showed widespread worries over inflation and ongoing shortages of supplies and labor. Executives are worried about the future, especially with the Federal Reserve now hiking interest rates.

Business activity in the Philadelphia region softened this month, falling from its highest level since November 2021. The Philadelphia Fed reported its gauge of regional business activity fell to 17.6 this month, down 9.8 points from March. The report missed economists’ expectations for a reading of 21.9. The headline index is simply a single stand-alone question about business conditions. The underlying data of the index was also softer. The barometer on new orders fell to 17.8 in April from 25.8 in the prior month. The shipments index dropped to 19.1 from 30.2. The measure on six-month business outlook dropped sharply to 8.2 in April from 22.7 in the prior month. Price increases were also widespread. The prices-paid index rose to its highest reading since June 1979.

The U.S. economy continued to expand at a “moderate” pace through the beginning of April, but high inflation showed little sign of letting up in “the coming months”, according to a Federal Reserve survey. The survey, known as the ‘Beige Book’, is a collection of anecdotal reports from each of Federal Reserve’s regional banks, found little evidence inflation is set to turn sharply lower. Businesses reported being forced to pay higher wages due to a tight labor market, continued supply-chain bottlenecks, and rising prices for just about everything. “Firms in most Districts expected inflationary pressures to continue over the coming months,” the Beige Book said. Notably, there was hardly any talk of the threat of a recession. Only one business person surveyed mentioned the possibility.

International Economic News: The Bank of Canada (BoC) is embarking on its first interest rate hiking cycle above "neutral" in 14 years. In an attempt to slow a three-decade high in inflation, the central bank said it will hike its benchmark interest rate toward the neutral rate—estimated to be between 2-3%. Furthermore, the bank added it may need to lift rates above that range. At neutral, interest rates are said to be neither stimulating nor restraining economic activity, so a move above neutral could increase the risk of a hard landing, or sharp downturn for the economy. The BoC has not hiked above neutral since 2008. Greg Anderson, global head of foreign exchange strategy at BMO Capital Markets stated, "There are a lot of forces out there that are contributing to inflation and some of them may not be that temporary." An aging workforce, the transition to a greener economy and moves to reduce economic interdependence between countries are among the long-term drivers of inflation. Temporary pressures include supply shocks in global trade and the war in Ukraine. Canada's inflation rate was 5.7% in February.

Gross Domestic Product growth in the United Kingdom is expected to slow to the worst level in the G7 next year, according to the International Monetary Fund. The IMF downgraded its growth forecasts around the world, with 2022 GDP growth now expected at 3.6%, down from January's prediction of 4.4%. The United Kingdom is expected to slump to the bottom of the table of comparable economies in the G7, the IMF said. It will also face the highest inflation. UK energy companies are already calling for the government to step in with a major intervention to help consumers pay for higher prices, amid concerns that "fuel poverty" could increase rapidly.

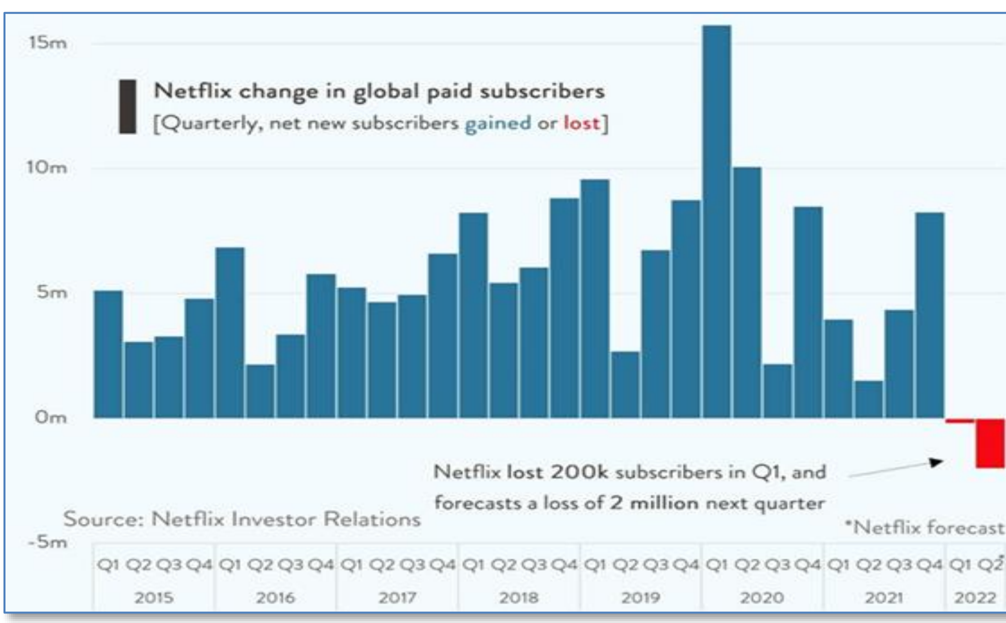
On Europe's mainland, French President Emmanuel Macron and his right-wing challenger Marine Le Pen went head-to-head in a televised debate seeking to sway undecided voters, just days before the presidential election on Sunday. Macron holds a solid lead in the polls, but his political advisors warned against complacency ahead of the debate. Macron focused on a 9 million euro loan Le Pen's party took from a Czech-Russian bank in 2014, arguing that "You are dependent on the Russian government, and you are dependent on Mr. Putin. When you speak to Russia you are speaking to your banker." Le Pen stated her party had only taken the loan because French banks refused to lend to her. "I'm an absolutely and totally free woman," she said. Le Pen vowed to put an end to "anarchic and massive" immigration into France, claiming it was worsening crime.

German Finance Minister Christian Linder is asking for "patience" as the country is moving "as fast as possible" to steer itself away from Russian energy. "We are willing to stop all energy imports from Russia, it's just a matter of time," Lindner stated. Germany is facing mounting pressure to cut Russian energy from its economy amid criticism that the proceeds are funding the war in Ukraine. But Europe's largest economy is heavily reliant on the imported commodities: Germany buys about 25% of its oil and 40% of its natural gas from Russia. Lindner added that "it's preferable to have sanctions, which we can stand for months, for years." Lindner's comments came as German Foreign Minister Annalena Baerbock stated the country will stop importing Russian oil by the end of the year. "We will halve oil by the summer and will be at zero by the end of the year, and then gas will follow," she added.

In Asia, economists at Bank of America have slashed their forecast for China's 2022 GDP growth from 4.8% to 4.2%. Officially, Beijing has set a GDP growth target of around 5.5% for 2022. Winnie Wu, China equity strategist at Bank of America Securities stated, "We're concerned that 2022 could be even more challenging than 2020." Wu noted that China's current lockdowns are spread widely across the mainland, unlike in 2020 when restrictions were concentrated in one province. Furthermore, online spending by China's consumers has slowed and the new round of lockdowns has undermined business confidence. Finally, China's exports could take a hit as countries like India and Vietnam have benefited from U.S.-China trade tensions.

Japan's government upgraded its key economic assessment for the first time in four months. In its monthly report Japan's Cabinet Office wrote, "The Japanese economy shows movements of picking up" in place of the previously used phrase "some weaknesses are seen". The recovery has been driven by more spending for traveling and dining out, a government official said. But the Cabinet Office cautioned that short-term downside risks stemming from rising raw material prices, fluctuations in financial markets and supply-side constraints amid the war in Ukraine remain. The assessment on public investment was upgraded as well as "solid"—that was its first upward revision since July of 2020. All other evaluations were kept unchanged.

Finally: For the second time this year Netflix shares went into absolute freefall. NFLX is the worst performing stock in the S&P 500 this year, and is down about 65% from its all-time high. Netflix shares lost more than a third of their value just this week after reporting not just a slowdown in growth, but an actual drop in subscriber numbers for the first time ever. The streaming giant lost over 200,000 subscribers in its latest quarter—and it's expecting even more in coming quarters. In its shareholder letter Netflix expects to lose another 2 million as competition intensifies in streaming and the biggest markets reach full saturation. The company added that it was losing revenue due to its service being shared in around 100 million households. To raise revenue, analysts expect a crackdown on account sharing is coming, as well as offering an ad-supported option. (Chart by chartr.co)



GET A PHYSICAL! We invite you to attend a seminar and come in for a "financial physical", even if you think your current approach is fine. Much like going to the doctor for a physical despite feeling great, you want to make sure any negative issues you may not be aware of are caught early and addressed. For example…

- Do you need a process to help manage losses during the next bear market?
- Have you addressed your investment process and adjusted it for what is going on in the world?
- If not, what are you waiting for?

At the bottom of the 2007 - 2009 bear market the S&P-500 index returned to levels last seen in 1996.

The drop didn't retrace only a few months or even a couple years.

We discuss many of these issues on the weekly radio show and invite you to listen.

WEEKLY FOCUS – THINK ABOUT IT

"If your timeline is long, you should root for a crash! It's the boomers and recently retired who will get the pain."

Mike "Mish" Shedlock – April 22, 2022

Yours truly,

Rial R. Moulton

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

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

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

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The Barclays 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,0020Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)