MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

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Week of May 9, 2022

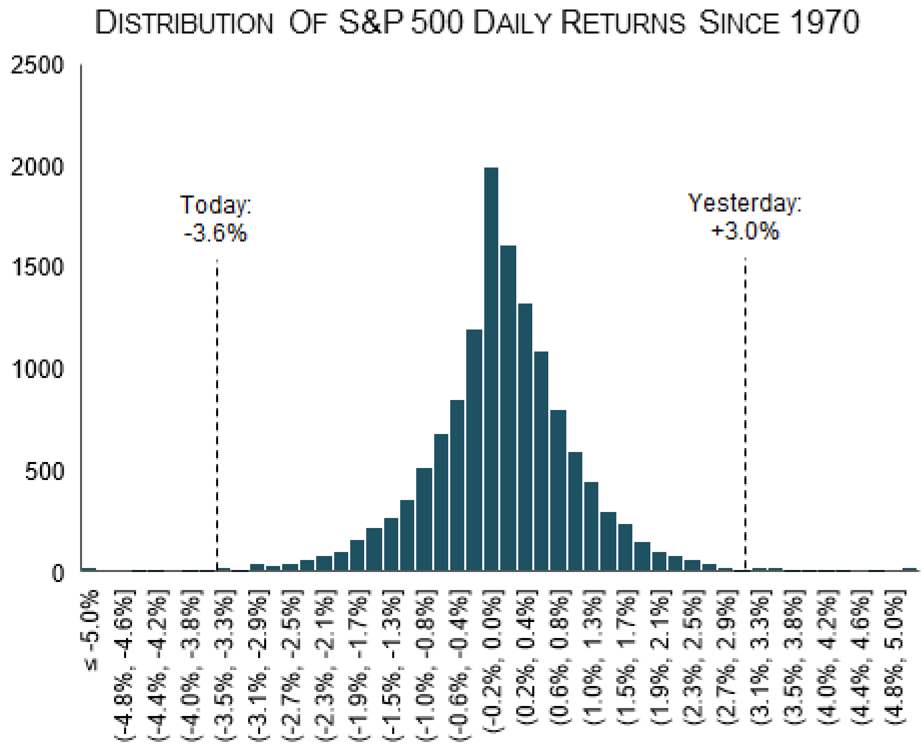
We warned you in our last newsletter that you could experience large daily moves, up and down, in the coming weeks as that is the hallmark of bear markets. Specifically we said…

There will certainly be strong rallies which convince everyone the market drawdown is done – just like every bear market – but the most likely direction is down.

Last week didn't disappoint and may have required some "investor Dramamine". Wednesday's gain of almost 3% in the S&P-500 was followed by Thursday's decline of almost 3.6%.

How "normal" is that?

According to Robert Perli, Head of Global Policy Research at Piper Sandler, it's not very normal. The chart to the right shows the distribution of returns on a daily basis for the S&P-500 going back to 1970. As you can see, most days are slightly up or down. Of the 13,622 trading days since 1970 there have been only 8 other market swings as large as what we experienced last week.



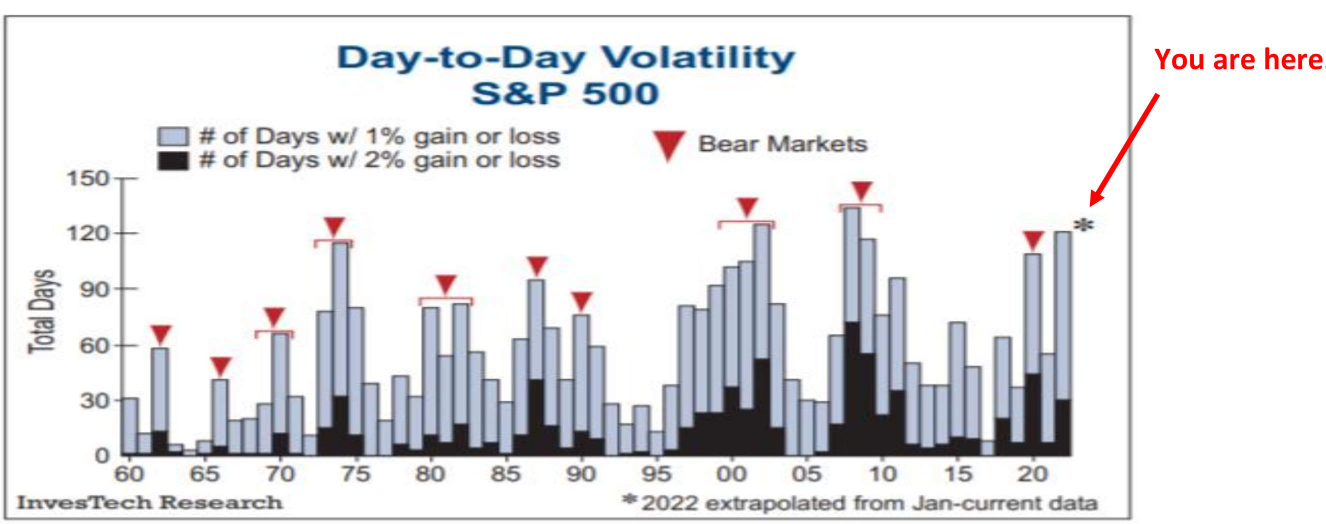
When were the other 8?

One was right after the 1987 bear crash. Three were during the Great Financial Crisis bear market. One was during the Euro crisis and three others were during the Covid bear market.

Do you see a trend?

High volatility – in either direction – is the earmark of a bear market, not a bull market.

In our March 21st newsletter, we included a chart from InvestTech Research that demonstrates as much. Here it is again with our addition showing where we are today. Historically, more days with big moves happen during bear markets. Sound familiar?



And Friday, though not a particularly big down day, did technical damage that shouldn't be ignored. Both the S&P-500 and the tech heavy NASDAQ closed at the lowest level of this year's decline. From a technical perspective, this signals a higher probability of continued selling ahead.

The buy and hold crowd is already circling the wagons. I've heard more and more tales of investors being told a variation of the following.

Either:

This is a normal correction in an ongoing bull market so any portfolio changes will be detrimental.

Or:

No one could have seen this coming, but it's unlikely to continue and you've already taken the hit so don't be the dummy who sells at the bottom.

Sometimes they use both.

Despite the irony embedded in an admission that they didn't see what was ahead, followed by advice to follow what they see ahead, the statements are dangerous. Of course no one knows with absolute certainty what's ahead. But that doesn't mean your only option is to remain paralyzed instead of weighing the unfolding probabilities and reacting accordingly.

Understand, bear markets aren't linear. They don't decline along some straight line that can be shown with a ruler, allowing us to judge the path with certainty.

Risk happens slowly and then all at once.

During the Dot.com bear market, the S&P-500 peaked in March 2000 and was down by less than -1% almost six months later in September 2000. Over the next six months into April of 2001 it fell almost -19%.

Was it too late to get out after being down -19%?

It declined another -39% from there into the ultimate bottom.

The S&P-500 peak during the Great Financial Crisis was in early October of 2007. By March of 2008 it had fallen -18%.

Was it too late to get out after being down -18%?

It declined another -47% from there into the ultimate bottom.

Let's consider the math.

If you have $1,000,000 portfolio and it declines -15% you still have $850,000. Assuming a peak to trough decline of -40% *(as is "normal" in a bear market coupled with a recession)*, the remaining decline from $850,000 to $600,000 is another -29.4% (($850,000 - $600,000) / $850,000).

You can't go back in time and fix the initial -15% drop but you can assess what decline may be ***left*** and how much ***more*** you're willing to risk.

Don't worry about where your portfolio was at the beginning of the year and start proactively working to preserve what you still have.

Recovering from a 10% or 15% loss can be done in a good year. A 10% loss takes an 11% gain to get back to break even. For a 15% loss it takes 17.6% to get back to break even.

Recovering from a 30% or 50% loss will likely take many good years. A 30% loss takes a 43% gain to get to break even. For a 50% loss it takes a 100% gain.

"I strongly believe that consequence of the recent speculative bubble will be a decade even two in which the S&P 500 takes a long, interesting trip to nowhere, measured from its recent peak. It's also likely, though not certain, that the losses will be front-loaded in the form of a 50-70% collapse in the index, though such a loss would most likely be punctuated by several extended recoveries."

John Hussman PhD and founder of Hussman Funds
April 2022

Certainly we can all hope Mr. Hussman is wrong. But hope is not a risk management tool.

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: Most of the major U.S. benchmark equity indexes suffered a fifth consecutive week of losses as interest rates and inflation worries continued to weigh on sentiment. The selling briefly pushed the Dow Jones Industrial Average into "correction" territory, down 10% from its recent highs. After a volatile week, with back-to-back swings of more than 900 points, the Dow finished down just -0.2% to 32,899. The technology-heavy NASDAQ Composite fared the worst of the bunch giving up -1.5% to 12,145. By market cap, the large cap S&P 500 ticked down -0.2%, while the mid cap S&P 400 declined -0.8% and the small-cap Russell 2000 finished down -1.3%.

International Markets: Almost all of the major international indexes finished the week to the downside as well. Canada's TSX declined -0.6%, while the United Kingdom's FTSE 100 fell -2.1%. France's CAC 40 and Germany's DAX ended down -4.2% and -3.0%, respectively, while in Asia, China's Shanghai Composite gave up -1.5%. Japan's Nikkei bucked the trend and managed to finish up 0.6%. As grouped by Morgan Stanley Capital International, emerging markets ended the week down -3.4% and developed markets fell -2.0%.

Commodities: Major commodities finished the week mixed. Precious metals ended the week down with Gold losing -1.5% to $1882.80 an ounce, while Silver retreated -3.1% to $22.37. Energy managed a second week of gains. Brent crude oil rose 5.4% to $112.39 per barrel, and West Texas Intermediate crude gained 4.9% to $109.77. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week down -3.2%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits rose by 19,000 to 200,000 last week, the Labor Department reported. It was the biggest weekly rise in claims since last July and its highest level since February. Economists had expected just 182,000 new claims. However, analysts said most of the increase was likely due to seasonal adjustment factors rather than any widespread pickup in layoffs. Meanwhile, 'continuing claims', which counts the number of people already receiving benefits, fell by 19,000 to 1.38 million. That number remains near its lowest level since the early 1970's.

The Labor Department reported the country gained 428,000 jobs in April and wages rose, however a shortage of skilled labor weighed on sentiment. Employment has risen by over 400,000 for 12 consecutive months and the number of people working is expected to return to pre-COVID levels by July. The unemployment rate remained unchanged at 3.6%. However, the size of the available labor force shrank in April for the first time in seven months—a further indication of how difficult it is to for companies to find workers. As a result, the so-called rate of participation in the labor market dropped to 62.2% from 62.4%. The increase in hiring in April surpassed Wall Street's estimate. Economists polled by the Wall Street Journal had forecast 400,000 new jobs.

The vast 'services' side of the U.S. economy, which makes up roughly two-thirds of GDP, pulled back this month according to the latest data from the Institute for Supply Management (ISM). ISM reported its index of business conditions at service-oriented companies fell 1.2 points to 57.1. Economists had expected a reading of 58.3. ISM signaled that labor and supply shortages as well as high inflation are all weighing on the economy. In the report, the 'prices-paid' index, a measure of inflation, rose to a record high. "Inflation, supply chain issues and access to qualified workers continue to be issues," an executive in public administration told ISM. "Cost pressures are beginning to slow demand," said a wholesale executive.

In a similar report, ISM's manufacturing index fell 1.7 points to 55.4 in April as the industrial side of the economy grew at its slowest pace in a year-and-a-half. Economists had expected the index to rise to 57.8. Inflation and shortages in supplies and labor were seen as the reason for this miss. "Inflation is out of control," one chemical-industry executive told ISM. "At some point, the economy must give way. It will be tough to have real growth with such pressure on costs." Furthermore, the situation isn't expected to improve anytime soon. Timothy Fiore, chairman of the survey, stated the lockdowns in China are expected to cause "some pretty significant problems" in the near future. In the details, the index of new orders slipped 0.3 points to 53.5—that was the lowest reading since the economy was shut down in May 2020. Meanwhile, the employment gauge sank 5.4 points to 50.9—an eight-month low.

The Federal Reserve raised its key interest rate a half percentage point this week and reaffirmed its more aggressive strategy to try and subdue the worst rise in inflation in 40 years. As part of its two-pronged strategy, the central bank also said it would reduce its $9 trillion stockpile of treasury bonds and mortgage-backed securities starting on June 1. As its clear inflation is no longer 'transitory', Fed Chairman Jerome Powell admitted, "Inflation is much too high and we understand the hardship it is causing." The central bank as expected lifts its benchmark fed funds rate to a range of 0.75% to 1% in what's expected to be a series of increases. It was the second rate hike this year and the biggest since 2000. Powell also said further 1/2-point rate increases are on the table for upcoming meetings, but that larger 3/4-point rate increases are not presently being considered. The Dow Jones Industrial Average rallied more than 900 points on that news, but gave it all back the following day.

International Economic News: Saskatchewan was the only Canadian province to see a drop in its gross domestic product last year—largely due to a severe drought that slashed farmers' yields and devastated crop quality, analysts say. Statistics Canada's latest GDP numbers, released this week, generally showed a strong economic recovery last year, with every Canadian province and territory posting positive GDP growth--except Saskatchewan, where GDP was down 0.3%. To the West, Alberta saw 5.1% growth, while just to the east Manitoba's was up 1.2%. Premier Scott Moe said that had the province not experienced the drought, it would have been on track to record a 3.5% increase in GDP last year.

Across the Atlantic, the Bank of England warned the United Kingdom faces a "sharp economic slowdown" this year as it raised interest rates in an attempt to slow the pace of rising prices. The central bank raised rates 0.25% to 1%--their highest level since 2009 and their fourth consecutive increase since December. Inflation in the UK is at a 30-year high and set to hit 10% by the fall. As a result, households have been reining in their spending which is weighing on growth. Bank of England governor Andrew Bailey defended raising rates at a time when the cost of living is increasing, saying that the risk of letting inflation get out of control was higher. "We are in a very difficult position at the moment," Mr. Bailey said. The bank's policymakers now expect the UK economy to shrink rather than expand in the final three months of this year. It is also expected to contract by 0.25% in 2023, down from its previous forecast of 1.25% growth.

On Europe's mainland, new figures from France's National Institute of Statistics and Economic Studies (INSEE) indicate France could be entering a period of 'stagflation'—a term used to describe a stagnant economy with rising inflation. Inflation rose once again in April to reach 4.8%, according to initial estimates. Thierry Breton, the European commissioner for the internal market stated, "The inflation is essentially due to increases in energy prices." "In France and all European countries, spending on transport and energy has become an enormous burden on household budgets," economist Stephanie Villers said. Data from INSEE shows household spending in France fell by 1.3% in March, correlating with a first trimester that saw gross domestic product came to a standstill.

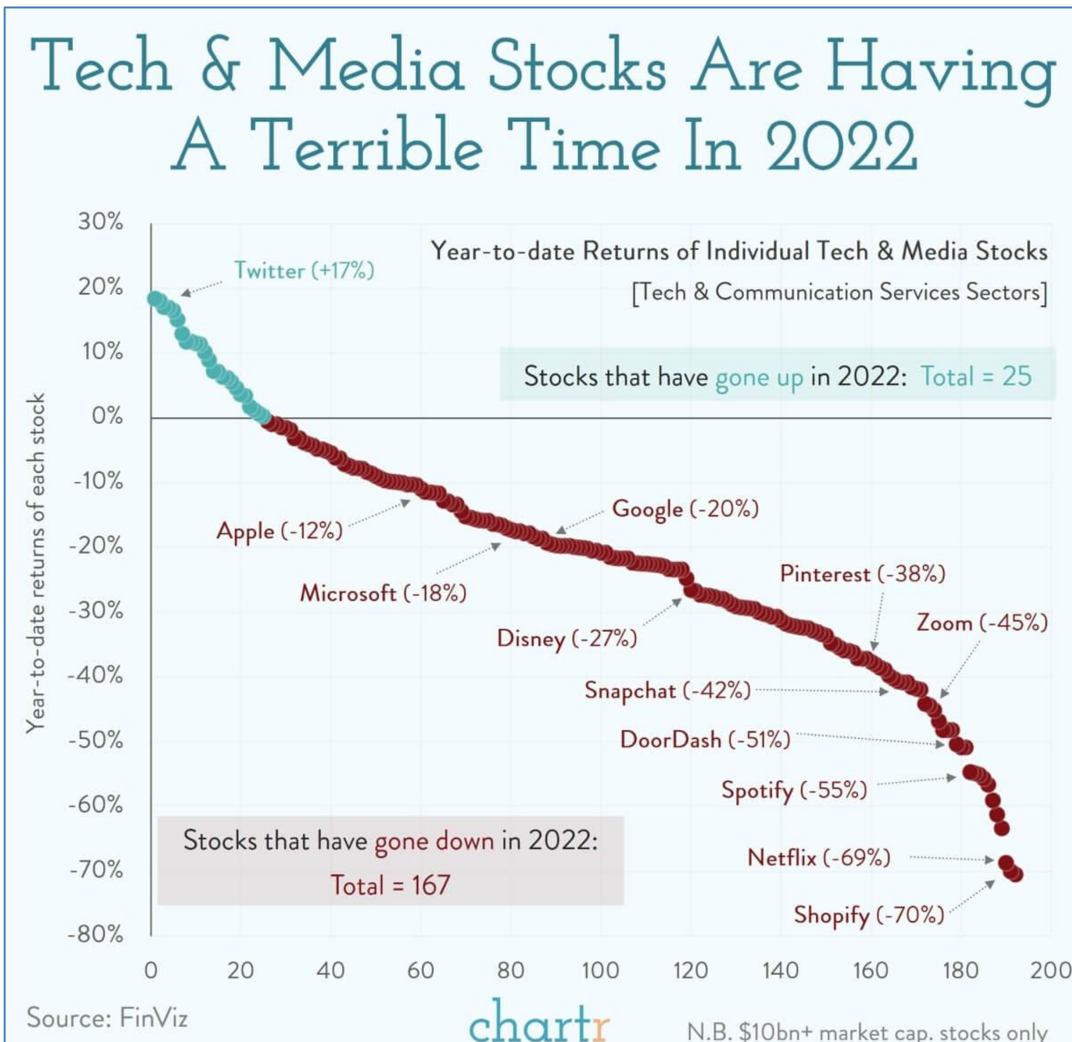
Germany is ready to support a European ban on imports of Russian oil, according to its Finance Minister Christian Lindner. "Germany stands ready for new sanctions, including an oil embargo," he said. In an interview Lindner stated Germany won't be "blackmailed" by Moscow into paying for natural gas in rubles. Last year, Russia accounted for about 27% of EU oil imports. It also supplied about 40% of Europe's natural gas. EU leaders have already promised to slash Russian gas imports by 66% this year, and to break the bloc's dependency completely by 2027. Lindner admitted it "will take more time to be independent from Russian natural gas imports."

In Asia, China's massive services side of its economy has gone into contraction at its second sharpest pace on record. The slowdown comes as zero-tolerance COVID lockdowns continue to essentially close some of its largest cities. The Caixin purchasing managers' index, a closely-watched indicator for assessing the state of the economy, plummeted to 36.2 in April from 42 in March. The services sector accounts for more than half of China's GDP and over 40% of its employment. And with survey data showing China's manufacturing sector also shrinking last month, the world's second biggest economy went backwards in April. The nearly 6-point decline in services activity in April was second only to the collapse in February 2020, when China's economy came to a near standstill as it battled to contain the initial coronavirus outbreak.

None of Japan's major corporations see the rapid fall in the nation's currency as positive for the domestic economy, even as a currency's weakening typically benefits a nation's exports, a

Kyodo News survey showed. The Japanese currency has lost around 15 yen or 12% since early March to 20-year lows against the U.S. dollar. A weaker yen boosts profits earned overseas when translated back into yen and makes Japan-made products more price competitive abroad. Bank of Japan Governor Haruhiko Kuroda maintains his view that the positive effect of a weak yen outweighs the negative for the world's third-largest economy. However, analysts noted the yen's drop only adds to worries that it could weigh on businesses and households through higher import costs of energy and other commodities.

Finally: On Thursday the NASDAQ Composite Index fell 5%, its biggest one-day decline since 2020. However, looking beneath the surface reveals problems in the tech-heavy index that have existed for quite some time. E-commerce behemoth Shopify fell 15% after posting its slowest revenue growth in 7 years, with its shares down 70% year-to-date, while Netflix's high-profile meltdown has seen its shares fall 69%. Indeed, out of the 192 large stocks in Technology and Communication Services, over 160 are down this year. With the benchmark S&P 500 index down about 14% this year, every sector has lost ground except two—energy and utilities. (Chart by chart.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

"I strongly believe that consequence of the recent speculative bubble will be a decade even two in which the S&P 500 takes a long, interesting trip to nowhere, measured from its recent peak. It's also likely, though not certain, that the losses will be front-loaded in the form of a 50-70% collapse in the index, though such a loss would most likely be punctuated by several extended recoveries."

John Hussman PhD and founder of Hussman Funds
April 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.

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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.)