Moulton Wealth Management Inc.

MOULTON HOT MINUTES

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Week of May 23, 2022

Another week, more losses for the averages. The S&P-500 lost another -3.05% last week for a year to date loss of -18.14%. The Dow lost -2.9% and the NASDAQ lost -3.82% for year to date losses of -13.97% and -27.42% respectively. And this despite a last two hour rally on Friday that brought the S&P-500 back from being down an additional -2.27% and the NASDAQ back from being down an additional -3.04%.

This was the seventh weekly loss for the S&P-500. Seven consecutive weeks of losses have only happened 3 previous times since 1928 – all during bear markets.

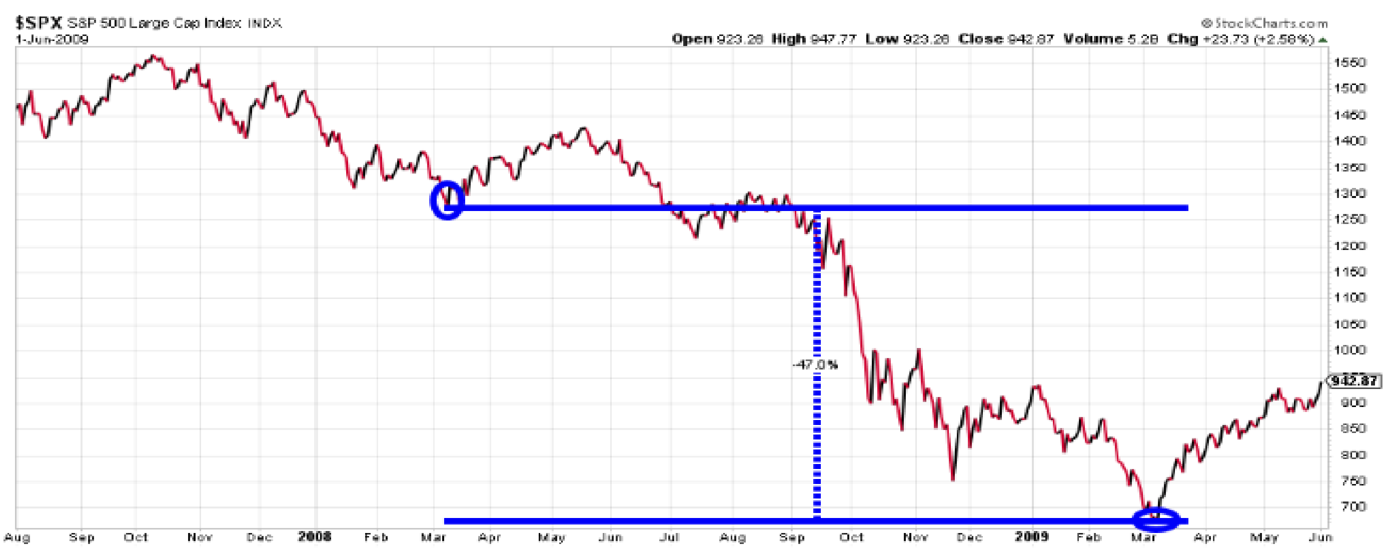
Remember, bear markets always include counter trend rallies (not so charitably referred to as "sucker's rallies") *and we suspect we'll have another soon*. If you're nimble enough to profit from a bounce and then get out before the downtrend resumes, good for you. But most investors should instead use the rally to reduce risk (i.e. sell stocks) – assuming they don't want their portfolio losses to steepen.

Isn't it too late to sell?

In a word "no".

This is the S&P-500 during the Dot.Com bubble bear market. The top line is when the S&P-500 was down about -18% from the peak (essentially where we stand today). Had you sold at that point, although possibly doubting the prudence of doing so after a sucker's rally drove the S&P-500 back above your selling point, you would have ultimately missed an ***ADDITIONAL -38.2% DECLINE.***

This is the S&P-500 during the Housing bubble bear market. The top line is when the S&P-500 was down about -18% from the peak (essentially where we stand today). Had you sold at that point, although possibly doubting the prudence of doing so after a sucker's rally drove the S&P-500 back above your selling point, you would have ultimately missed an ***ADDITIONAL -47% DECLINE.***



We've said before we think a recession is a given at this point. The only unknown is how bad it will be. Walmart, Target and Ross all announced earnings this week and all sang a similar tune.

- Profit margins are compressed due to higher input.
- Inventories are bloated.
- Consumers are not spending, aside from the essentials.

Walmart shares fell -19.6% *last week alone*. Target shares fell -28.8% *last week alone*. And Ross shares fell -21.7% *last week alone*.

The buy and hold crowd is scrambling to provide an avalanche of confusing reasons to stay invested despite the obvious – *you're risking your retirement by betting the decline won't be too bad.*

Be skeptical.

They like to say "on average" xyz happened after -18% declines. Not surprisingly, what they say happened is always good for stocks. They also like to tell us "on average" consumers are flush with cash so the economy should chug along unabated.

Guess what, on average you, me and Warren Buffett are all billionaires. Does that illuminate anything about our finances or how flush with cash we are?

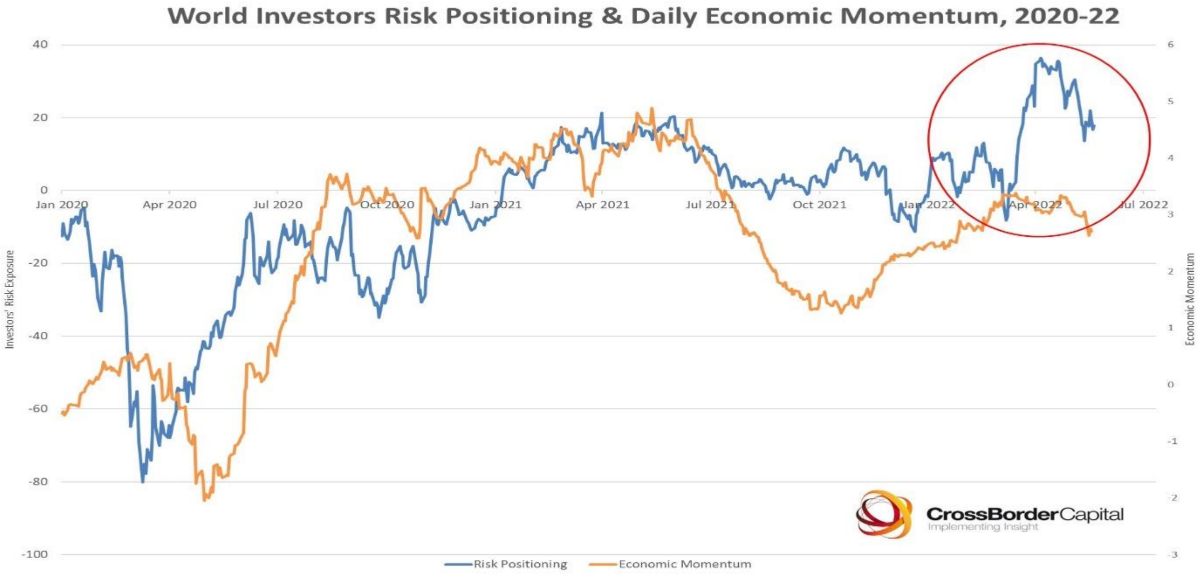
What has happened "on average" means nothing about what might happen next.

- On average, was inflation this high?
- On average, were stocks this expensive?
- On average, was housing this expensive?
- On average, was the Fed promising to slow the economy?
- On average, was the rest of the world slowing along with the U.S.?
- On average, was the world in the latter (hopefully) stages of a pandemic?

The other one I see a lot of this weekend is "investors are all scared per xyz survey" and as such it's a contrarian indicator that shows it's a good time to buy.

Pay attention to what people are doing, not what they're saying.

CrossBorder Capital is a research firm who specializes in liquidity flows. They contend that tracking liquidity in the markets can shed light on how stocks are likely to behave. Of course this makes sense in that the price of a stock (or anything) is governed by supply and demand. More liquidity usually means more demand. Worldwide investors, according to their measurements, have not de-risked despite deteriorating economic momentum. The following chart shows where we stand with the blue line being risk and the orange line being economic momentum.



We can also see how investors are hedging (i.e. paying for protection). The VIX is a measure of volatility in the options market. Without getting into the calculation, the higher the VIX the more option traders, including the big boys, are voting with their wallets by buying protection (i.e. actually scared vs surveys). There's never been a bear market bottom since 1929 without the VIX spiking at least 200%.

1. 2020: 670%
2. 2018: 450%
3. 2015: 380%
4. 2010: 240%
5. 2008: 860%
6. 2001: 220%
7. ***Currently: 130%***

"There's not nearly enough fear for a (market) bottom yet."

Alfonso Peccatiello – Former Head of a
$20 billion Investment Portfolio
May 2022

What is your defensive plan?

Call or attend a seminar to hear about ours.

Participate but protect.

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)

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: Wall Street continued its losing streak as fears grew that inflation was causing consumers to pull back on spending, setting the stage for an imminent recession. At its lows on Friday, the S&P 500 was down roughly 20.9% from its January intraday high, exceeding the 20% threshold signifying a "bear market". The index's biggest declines came on Wednesday, when it suffered its biggest daily loss since June 2020. The Dow Jones Industrial Average shed almost 1000 points last week, declining -2.9% to 31,262. The technology-heavy Nasdaq Composite declined for a seventh consecutive week giving up -3.8% finishing at 11,355. By market cap, the large cap S&P 500 ended down -3.0%, while the mid cap S&P 400 index fell -1.9% and the small cap Russell 2000 finished the week down -1.1%.

International Markets: Major international markets finished the week mixed, with Europe lower and Asia higher. Canada's TSX rebounded 0.5%, while the United Kingdom's FTSE 100 reversed last week's gain and fell -0.4%. On Europe's mainland, France's CAC 40 and Germany's DAX fell -1.2% and -0.3%, respectively. Major markets in Asia finished the week in the green. China's Shanghai Composite finished up 2%, while Japan's Nikkei added 1.2%. As grouped by Morgan Stanley Capital International, developed markets rose 1.2%. Emerging markets gained 1.6%.

Commodities: Precious metals finished the week in the green given the continued weakness in the equity markets and rising inflation. Gold rose 1.9% to $1842.10 per ounce, while Silver gained 3.2% to $21.67. Oil finished the week mixed with Brent crude oil rising 1.3% to $112.90 per barrel, while West Texas Intermediate ticked down -0.2% to $110.28. 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 up 2.4%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits climbed to a four-month high last week, the Labor Department reported. Applications for unemployment benefits climbed to 218,000, exceeding the consensus forecast of a reading of 200,000. Still, readings in the low 200's indicate a strong labor market. Job openings remain near record highs, and businesses continue to complain that they can't find enough qualified workers. Meanwhile, the number of people already collecting benefits fell by 25,000 to 1.32 million. That reading is at its lowest level since 1969.

Sales of existing homes fell for a third consecutive month in April, according to the National Association of Realtors (NAR). The NAR reported existing-home sales fell -2.4% to a seasonally adjusted annual rate of 5.61 million. Compared with the same time last year, sales were down -5.9%. A shortage of affordable homes for sale continued to be a major factor. The total inventory of homes for sale was 1.03 million units, down 10.4% from one year ago. In terms of the months-supply metric, there was a 2.2-month supply of homes for sale in April—six months is generally considered a 'balanced' housing market. Also of note, the median price for an existing home is at an all-time high of $391,200—up 14.8% from April 2021. Lawrence Yun, the National Association of Realtors' chief economist didn't pull any punches in an interview with reporters stating bluntly, "I expect further declines in home sales."

Construction of new houses fell slightly last month, the second consecutive decline. The data suggests that rising mortgage rates, record home prices, the high cost (and now scarcity) of building materials and qualified workers are all now starting to have an impact. The Census Bureau reported housing starts dipped 0.2% to an annual pace of 1.72 million. Economists had expected starts to register a 1.75 million annual rate. Single family houses accounted for about 64% of new construction in April, well below its historical average. Work on multi-family projects such as apartments and condominiums, jumped almost 17% to a 612,000 annual rate—the highest since 1986. Builders are putting more focus on larger projects with multiple units to rent to satisfy demand. Builders are anticipating most people will be unable to afford a new home and will be forced to rent instead. Also in the report, the number of permits slipped 3.2% to a 1.82 million annual rate. Analysts look at permits data for an "early read" on future housing reports. Chief economist Stephen Stanley of Amherst Pierpont Securities stated, "It will be important to watch housing data, as this sector could be the canary in the coalmine that offers an early read on how sensitive the economy will be to higher interest rates."

Manufacturing activity in New York plunged this month, missing expectations by a wide margin. The New York Federal Reserve reported its Empire State Business Conditions Index plummeted 36.2 points to -11.6 in May—economists had expected a slight pullback to 16.5. The details of the report were as bad as the headline reading as both new orders and shipments declined sharply. The new orders index plunged 33.9 points to -8.8, while shipments collapsed -49.9 to -15.4. Of little solace, there were declines in both input and selling prices but not enough to signal a cooling in inflationary pressures. Economists use the data as an early read on the health of the manufacturing sector. On its release, Ian Shepherdson chief economist at Pantheon Macroeconomics stated "Soft, but not a definitive guide to national manufacturing."

It was a similar story in the city of Brotherly Love. The Philadelphia Federal Reserve reported its gauge of regional manufacturing activity also fell sharply in May—from 17.6 to just 2.6. That was the lowest reading since the recession in early 2020. Economists had expected a reading of 15. The headline index is based on a single stand-alone question about business conditions unlike the national ISM manufacturing index which is a composite based on components. Firms continued to report increases in prices for inputs and their own products. Firms expect rising prices over the next year, with the median forecast for the rate of consumer inflation at 6.5%, up from 5% when the question was last asked in February. The measure on six-month business outlook slumped 5.7 points to 2.5 in May.

Sales among the nation's retailers rebounded last month—a lonely sign of strength in an otherwise troubled economy. The Census Bureau reported retail sales rose a solid 0.9% in April, with auto dealers leading the way. Economists had expected a 1% advance. After adjusting for a 0.3% increase in inflation in April, retail sales rose roughly 0.6%. Auto sales jumped 2.2% last month, reversing a sharp drop in March. On the opposite end of the spectrum, sales at gas stations slid 2.7% in April after a brief respite in gas prices. Consumer spending is a huge part of the U.S. economy, accounting for about 70% of overall economic activity. Paul Ashworth, chief economist at Capital Economics stated, "Given this show of strength from consumers, speculation that the U.S. economy is in danger of an imminent plunge into recession looks misplaced."

International Economic News: Home sales in Canada fell 12.6% in April from March, with even steeper pullbacks seen in the formerly red-hot markets of Toronto and Vancouver. Economists noted the housing downturn taking hold in Canada will act as a headwind to economic growth for the remainder of the year. Furthermore, given that more rate hikes are on the way, many economists say Canada could be in the early stages of a protracted housing slump. David Doyle, head of economics at Macquarie Group, noted the drop in home sales and rise in interest rates creates “significant downside risks for Canada’s economy.” Already the largest industry in Canada, real estate became an even bigger chunk of the economy during the pandemic, largely due to record-low mortgage rates that encouraged frenzied buying.

Across the Atlantic, the confidence of consumers in the United Kingdom fell to its lowest level since records began in 1974 amid growing concerns over the cost of living. The headline UK consumer confidence index, a measure of how people view their personal finances and the wider economic outlook, dropped by two percentage points to -40 in May. The reading surpassed the previous record low of -39 set in July 2008 when the global banking system was imploding. Almost all confidence measures tracked by the polling firm GfK fell in May. Joe Staton, client strategy director at GfK, said: “This means consumer confidence is now weaker than in the darkest days of the global banking crisis, the impact of Brexit on the economy, and the Covid shutdown.”

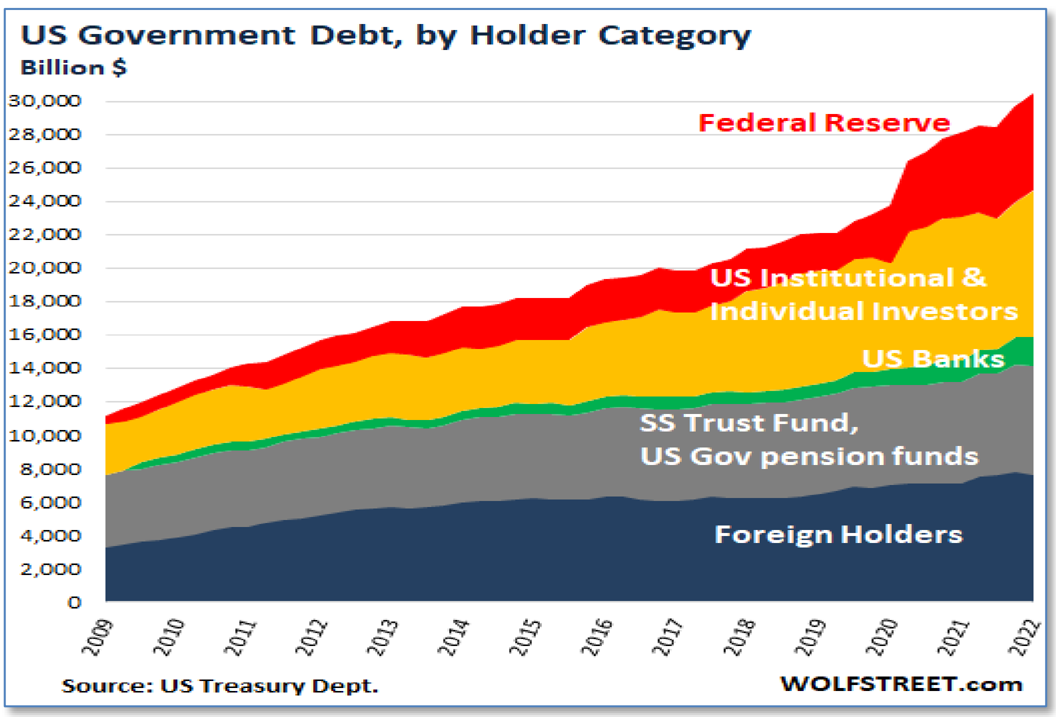
On Europe’s mainland, French President Emmanuel Macron re-appointed Bruno Le Maire as his finance minister. Le Maire thanked Macron stating his priorities, “employment, industrial sovereignty, and fighting inflation.” Le Maire hailed from the center right opposition when he joined Macron’s government in 2017 and proved to be one of Macron’s closest allies. Le Maire has served for five years without interruption—a post-World War 2 record for French finance ministers. Le Maire’s first challenge will be to convince French people heading to the polls in June’s legislative elections that Macron’s new government can address a cost-of-living crisis as inflation continues to surge.

The German government told German companies they could open ruble accounts to continue buying Russian gas following approval from Brussels. The debate over Russia's demand that foreign buyers pay for gas in rubles has tested the resolve of European governments to take a hard line against Moscow over the war in Ukraine. Poland, Bulgaria, and Finland have refused to comply with Moscow’s demand that importers pay for gas via ruble accounts with Gazprombank and have seen their supplies cut.

In Asia, for the first time since 1976 the U.S. economy is expected to outpace China’s as its economy struggles with draconian coronavirus lockdowns. China’s Gross Domestic Product will grow by just 2% this year, according to a Bloomberg Economics estimate, trailing the predicted 2.8% growth in the U.S. If the prediction is correct, it would mark the first time in 46 years that China, the world’s second-largest economy, has lagged the U.S.’s full-year growth pace, according to World Bank Data. Chinese President Xi Jinping has set an official growth target of 5.5% this year and officials are said to have been warned that they must ensure China's growth outpaces the U.S., according to the Wall Street Journal.

The International Monetary Fund projects the Japanese economy will continue to recover this year but warns of downside risks including price hikes. IMF economist Ranil Salgado stated consumption would rebound as coronavirus restrictions are lifted, helping the economy to recover, but downside risks such as supply-chain disruptions and geopolitical tensions remain. Salgado forecasts economic growth for Japan of 2.4% this year. Salgado said the Japanese government is taking appropriate measures to bolster the economy, but it will be important to continue efforts for "fiscal reconstruction" after the economy recovers.

Finally: The U.S. gross national debt has now reached $30.4 trillion, following a massive $7.0 trillion spike since the coronavirus pandemic took hold in March 2020. Every one of these debt securities had to be purchased and held by an entity such as a bank, a pension fund, a foreign government, or even an individual investor. So, who exactly is holding $30.4 trillion of Treasury securities? Wolf Richter at Wolfstreet.com parsed the data and created a beautiful graph to explain. In short, while foreign holdings of U.S. Treasuries have declined from 34% in 2016 to just 25% now, both the Federal Reserve and U.S. institutional and individual investors have picked up the slack and expanded their buying. The Federal Reserve now holds 19% of all government debt. (Chart from wolfstreet.com)



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

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

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

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

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

WEEKLY FOCUS – THINK ABOUT IT

"There's not nearly enough fear for a (market) bottom yet."

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Yours truly,

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

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.)