MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

1220 N. MULLAN ROAD
SPOKANE, WA 99206
509-922-3110

DONALD J. MOULTON
CFP®, RFC

www.moultonwealth.com

RIAL R. MOULTON
CFP®, CPA/PFS, RFC

Week of June 13, 2022

Last week we warned that a lack of follow through from the positive market week of May 23 – May 27, was a warning sign. Specifically we said…

"The fact that this week provided no follow up is not a good sign for those still fully invested."

Sure enough, last week turned out to be bad for equity holders. The S&P-500 fell over -5% last week alone. The technology heavy NASDAQ fell -5.6% and even the Dow Jones fell -4.6%. This was the worst week for equity losses since January.

I was joking with a client last week about how depressing politics are. I told him that if I watch television, I watch Gunsmoke. The nice thing about these old shows is the good guys and the bad guys are all obvious and, of course, the good guys end up winning. In one of the episodes Deputy Chester asked, "*Mister Dillon, are you ever afraid?*" Sheriff Dillon responded…

"A man who's not afraid, he's a fool."

Matt Dillon – Sheriff in Gunsmoke

Please visit our new website www.MoultonWealth.com. Of the many improvements, the most important may be podcasts of past radio shows, allowing you to listen at your convenience. If you've not heard any yet, we'd suggest starting with 05-28-22 (Connecting the Economic Dots) as well as 05-21-22 (Housing Bubble) and of course the most recent show.

Since January we've warned investors to get defensive. Hopefully everyone listened. If not, be clear of what we're seeing…

The stock market is going lower. Unless you're financially able, and mentally willing, to take much bigger losses, protect yourself. If you don't know how to protect yourself, call our office.

Could we be wrong?

Of course, no one has a crystal ball. But let's consider some data.

Corporate profits fell dramatically in the first quarter of 2022 as measured in rate of change, and they almost certainly will fall further in the second quarter. ***Falling profits are not bullish for stocks.***

Inflation is at a 41 year high. Inflation causes demand destruction as consumers can no longer afford purchases aside from the basics. Consumers are 70% of GDP and if they aren't buying, GDP will almost certainly drop. ***Falling GDP is not bullish for stocks.***

The Federal Reserve has told us over and over that they are trying to slow the economy by raising rates and engaging in Quantitative Tightening (i.e. removing dollars from the system). Their tools only work if they're able to stop us from buying as much stuff, by making us feel poorer. How do they make us feel poorer? By making us lose money on our portfolios and real-estate. ***A hawkish Fed, trying to make us feel poorer, is not bullish for stocks.***

As part of inflation, gas prices just exceeded $5 / gallon on average across the country. The last time gas spiked like this was in the 2008 recession, and subsequently in 2008 retail food and services sales cratered. ***Higher gas prices are not bullish for stocks.***

Real hourly earnings (earnings minus inflation) have fallen for 9 months in a row. ***Consumers with declining buying power are not bullish for stocks.***

U.S. jobless claims this past week rose above the pre-pandemic average and the highest in five months. ***Rising jobless claims are not bullish for stocks.***

Consumer sentiment hit a record low. The last time it was close to this low was during the 1980's recession and bear market according to the University of Michigan survey. ***Pessimistic consumers are not bullish for stocks.***

The Shiller P/E is a measure of stock valuations; the higher the ratio, the more expensive are stocks. This measure averages the last 10 years of earnings and compares it to current stock prices. In doing so it smooths out temporary changes in corporate earnings to get a better view of the trend. Currently the Shiller P/E is 30.5, even after the decline in stock prices. The average back to 1873 is 17.2. The average since 2000 has been 27.7. During the last bear market it fell to 13.32. The math says it would take a -56% decline in prices from Friday's close for the Shiller P/E to drop to 13.32, and that assumes profits don't decline at the same time. Otherwise the required decline would be greater. ***Overvaluation, especially in a slowing economy, is not bullish for stocks.***

Interest rates are rising, making bonds yields more attractive as an alternative to stocks. ***Rising interest rates are not bullish for stocks.***

As an investor, you can follow the data or you can follow Wall Street talking points like "you haven't lost unless you sell" (yes you have) or "the market always comes back" (the 2008 bear market took five years) or "don't be the dummy who sells at the bottom" (which is likely much lower than today). They like to throw in that they "think" we've seen a bottom or it "feels like" stocks are fairly valued here.

"A man who's not afraid, he's a fool."

Matt Dillon – Sheriff in Gunsmoke

Of course, anyone who took the time to read this is obviously not a fool. ;-)

But are you sufficiently "afraid"?

What is your defensive plan?

Call or attend a seminar to hear about ours.

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.

What's Your Risk Number?

In the markets:

U.S. Markets: Major U.S. equity markets finished the week with steep losses despite strength early in the week. The Dow Jones Industrial Average shed over 1500 points finishing the week at 31,393—a decline of -4.6%. The technology-heavy NASDAQ plunged a deeper -5.6%. By market cap, the large cap S&P 500 fared the worst declining -5.1%, while the mid cap S&P 400 fell -4.7% and the small cap Russell 2000 ended the week down -4.4%.

International Markets: International markets finished the week mixed with most Western markets finishing in the red but with markets in Asia finishing in the green. Canada's TSX declined -2.5%, while the United Kingdom's FTSE 100 retreated -2.9%. On Europe's mainland, France's CAC 40 and Germany's DAX pulled back -4.6% and -4.8%, respectively. But in Asia, China's Shanghai Composite finished the week up 2.8%, while Japan's Nikkei rose 0.2%--its fourth consecutive weekly gain. As grouped by Morgan Stanley Capital International, developed markets plunged -5.1%, emerging markets ended down -2.1%.

Commodities: Most major commodities finished the week to the upside. Gold rose 1.4% to $1875.50 per ounce, while Silver ticked up 0.1% to $21.93. Energy continued its run with West Texas Intermediate crude rising 1.5% to $120.67 per barrel. Likewise, Brent crude added 0.7% to $121.93. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, plunged -4%.

U.S. Economic News: The number of Americans filing first time claims for unemployment benefits jumped 27,000 to a nearly six-month high of 229,000. However, economists stated the entire increase appeared to stem from seasonal adjustments tied to the Memorial Day holiday, instead of actual job losses. Raw, or actual jobless claims, remained relatively unchanged at 184,604, up less than a thousand from the previous week. The monthly average of new claims, used by analysts to smooth the weekly volatility, rose by 8,000 to 215,000. Ian Shepherdson, chief economist of Pantheon Macroeconomics doesn't expect the strong labor market to falter anytime soon. Shepherdson wrote, "Widespread anecdotal reports of increased layoffs point to a rising trend in claims over the summer, but we expect the numbers to remain low by historical standards." Meanwhile, the number of people already collecting benefits remained unchanged at 1.31 million people. That reading remains at its lowest level since 1969.

Americans have been pulling out their credit cards to maintain their lifestyles even as inflation continues to rise. The Federal Reserve reported 'total consumer credit' rose by $38.1 billion to a record $4.57 trillion in April. Economists had been expecting just a $35 billion gain. The reading represents a 10.1% annual increase, down from a revised 12.7% gain the prior month. Revolving credit, like credit cards, rose at a 19.6% rate in April to a record $1.1 trillion. Nonrevolving credit, predominantly made up of auto and student loans, rose at a 7.1% rate to a record $3.5 trillion. Consumer borrowing has increased at a rapid rate this year, clearly due to rising inflation.

Rising prices for gas, food, and rent, pushed the Consumer Price Index to a 40-year high of 8.6% last month. The 1% increase in May was more than triple the gain in the prior month. Economists had expected a 0.7% advance. The last time inflation rose this rapidly was 1981. The core rate, which strips out food and energy, increased by 0.6% - a tick higher than expected. The Federal Reserve views the core rate as a more accurate measure of inflation, but the higher cost of gas and food have generated much of the public and political outcry about inflation. Furthermore, rising prices show little sign of slowing down. The sharp increase in May is sure to keep pressure on the Fed to continue raising rates and to be more aggressive. Sal Guatieri, senior economist at BMO Capital Markets stated, "U.S. inflation sped up in May, with nearly every item zooming higher, and another big core jump suggests the peak might be some ways off. Fifty basis points is now the minimum the Fed will hike in coming meetings as it races to catch up."

Sentiment among the nation's consumers plunged to a record low, according to a preliminary reading from the University of Michigan. UofM's gauge of consumer sentiment plunged 8.2 points to 50.2—the closest comparison came in middle of the 1980 recession. The reading was a huge miss from economists' expectations of a reading of 59. In the details of the report, a gauge of consumers' views on current conditions tumbled to 55.4 in June from 63.3 in the prior month, while a barometer of expectations over the next 6 months plunged to 46.8 from 55.2. Higher gas prices and overall inflation are weighing heavily on sentiment. The share of consumers citing inflation as the biggest reason for their negative outlooks was the highest since 1981, said economists at Contingent Macro.

International Economic News: Canada's yield curve has flattened indicating that investors are anticipating an economic slowdown. This week, it had the narrowest spread among G7 countries with its gap between 2- and 10- year bond yields at just 14 basis points. With inflation at a 31-year high, the Bank of Canada raised its policy interest rate from 1.0% to 1.5%, its second consecutive 50-basis-point hike. The BOC also announced more forceful actions would be taken if necessary. According to Deputy Governor Paul Beaudry, these more forceful actions could include more moves before pausing, larger than 50-bp increases, or an end rate above the “neutral” 2-3% range.

The Organization for Economic Cooperation and Development (OECD) is forecasting the United Kingdom would experience economic growth holding to 3.6% for 2022 but will fall to zero by 2023 due to depressed demand from high inflation, rising interest rates, and increasing taxes. The forecast underscores the difficulties a weakened Prime Minister Boris Johnson is likely to face in the months ahead as he tries to shore up support within his Conservative party after surviving a no-confidence vote this week and demonstrate his government can manage the economy effectively. In response to the OECD report, the UK’s Treasury said: “We recognize many people will be concerned by these forecasts,” adding that “we can’t insulate the UK from global pressures entirely . . . [but] we are supporting people with the cost of living.”

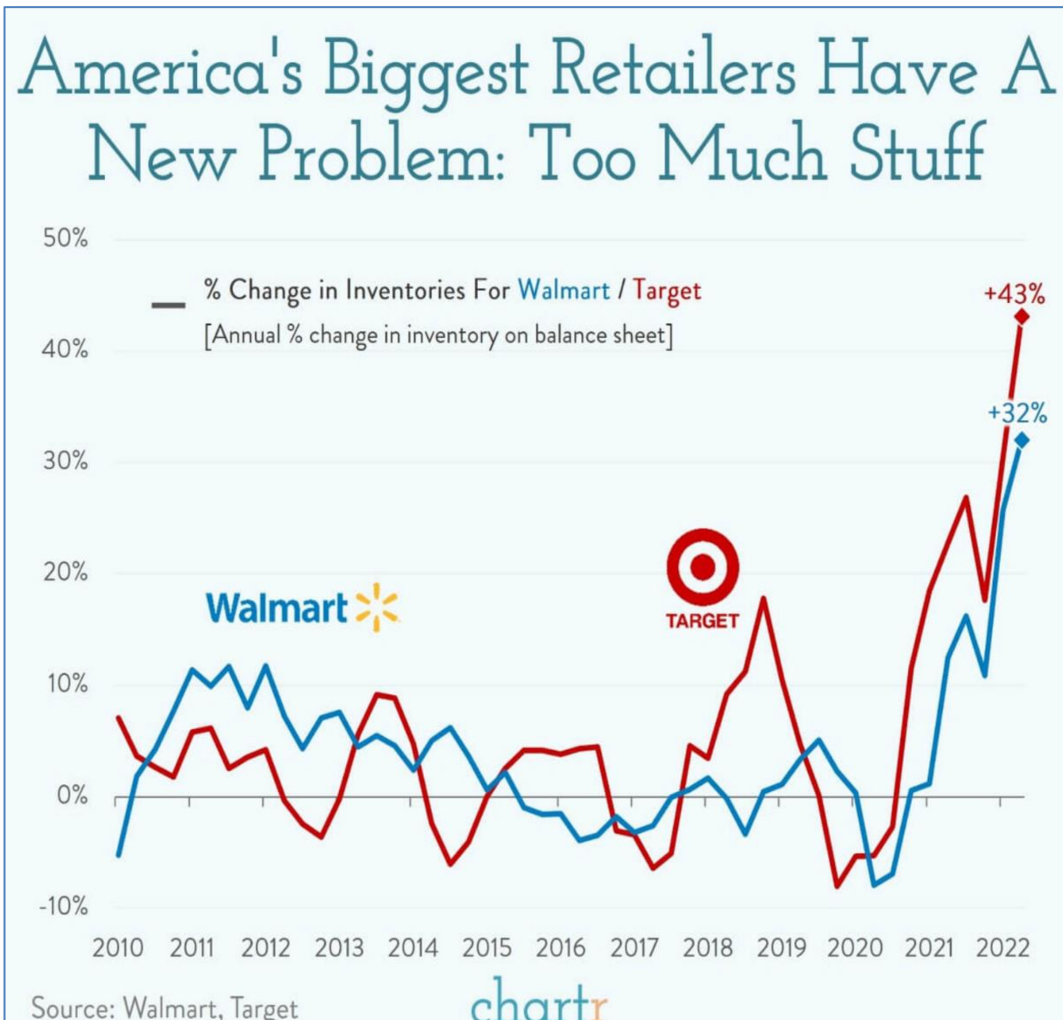
On Europe’s mainland, elections are being held nationwide across France to select the 577 members of the most powerful branch of its Parliament, the National Assembly. The far-left's Jean-Luc Melenchon, the head of a coalition made up of leftists, greens and communists under the name ‘Nupes’, is seeking to win the election and prevent Macron's party from retaining its current parliamentary majority. Melenchon wants to significantly increase the minimum wage and lower the retirement age to 60. He also wants to be prime minister if his coalition gains control. Macron and his allies are expected to win between 260 and 320 seats, according to latest polls, with the magic number being 289 for Macron’s coalition, ‘Ensemble’, to maintain control.

Germany’s central bank, the Bundesbank, dramatically altered their prior GDP projection of 4.2%, from the end of last year, to just 1.9% for 2022. The bank claimed economic recovery would most likely continue, but at a “considerably more subdued pace.” Germany’s Federal Statistical Office reported that in the first quarter of 2022 its economy barely grew by 0.2%. Inflation in Germany hit 7.9% in May, the highest level since the first oil crisis in the winter of 1973-1974. The "exceptionally high inflation is expected to stoke uncertainty among consumers and will erode their purchasing power", the Bundesbank said in its outlook.

In Asia, China’s President Xi Jinping ordered all local government and central government departments to strive for “economic, political, and social stability” ahead of the Chinese Communist Party’s twice-a-decade congress later this year. Xi is widely expected to secure a third term as the party’s general secretary and a new leadership line-up will be unveiled. “[Government officials] should be diligent in carrying out all the tasks to ensure social stability in order to keep public sentiment stable, and a stable social environment overall,” he was quoted as saying.

Japan’s currency, the yen, fell close to its lowest value in 24 years compared to the dollar, which could trigger new economic challenges globally. The yen has dropped 14% since January. Japan's Ministry of Finance, the Bank of Japan and the Financial Services Agency said in a joint statement, “We are concerned about rapid falls in the yen seen in the foreign exchange market recently.” The drop is a result of a widening gap between bond yields in Japan and the US. The yen's plunge is escalating Japan's costs for importing fuel, on which Japan is heavily dependent. Japan’s government is desperate to avoid a cost-of-living crisis ahead of a national election in the coming months, but is at odds with the Bank of Japan which sees a weaker currency as a way to boost overseas profits of Japan’s biggest companies. The Bank of Japan is now the only central bank among developed nations which hasn’t tightened its monetary policy.

Finally: If you’re in the market for patio furniture, appliances, large electronics, or other expensive household items you might be in luck. Big retail’s loss might become your gain. America’s biggest retailers, Walmart and Target, have a new problem to go along with supply chain issues and a tight labor market—too much inventory. Target announced this week that it was holding a lot of inventory that has gone out of favor as consumers have switched their spending to travel, entertainment, and less expensive consumer items. And as taught in Econ 101, the only real way to move huge volumes of merchandise that is no longer in demand is to discount the heck out of it. So if you’re in the market for any of these items, it’s likely your local Target or Walmart will have it on sale in the near future. Unfortunately for shareholders, there’s been a big sale on Target and Walmart stock as well. Target is down 33% year-to-date, and Walmart has shed 15%. (Chart by chartr.co)



LISTEN TO RIAL'S 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

LISTEN LIVE AT WWW.NEWSTALK870.AM AGAIN AT 9:30 EACH SATURDAY MORNING

OR VISIT OUR WEBSITE MOULTONWEALTH.COM FOR PODCASTS

Yours truly,

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™

Donald J. Moulton, CFP®, RFC
Certified Financial Planner™

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

Investment services offered through Moulton Wealth Management, Inc., an independent Registered Investment Advisor. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Investments in securities do not offer a fixed rate of return. Principal, yield and / or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.

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

https://www.google.com/search?q=when+did+matt+dillon+say+a+man+whos+not+afraid,+hes+a+fool&sa=X&ved=2ahUKEwjU8dTzgab4AhXlFjQIHevVAbIQgwN6BAgBEAE&biw=1280&bih=581&dpr=1.5
https://www.edgeandodds.com/
https://ycharts.com/indicators/us_real_average_hourly_earnings
https://www.wsj.com/articles/u-s-jobless-claims-rose-above-prepandemic-average-last-week-11654779781
https://www.marketwatch.com/story/consumer-sentiment-plunges-to-record-low-in-june-umich-survey-11654870023

***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.)