MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

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Week of June 20, 2022

Is the bottom in (i.e. has the bear market ended)?

Depends on your timeframe.

Bear markets are really tough. One of the reasons is that in bear markets volatility spikes, as do investor emotions. If you don't have an objective process to follow, one based on math, emotional decisions can do a lot of damage to your portfolio.

Volatility in bear markets can go both directions. In other words, we normally think of bear markets as a decline in stock prices. And overall this is accurate. However, within that longer decline can be very sharp increases. Just in the current bear market we've had two decent sized counter rallies. In the week of May 23rd alone the S&P-500 gained +6.6%. In the weeks between

Please see our new website www.MoultonWealth.com. Of the many improvements, the most important is we now host 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.

March 14th and April 4th the S&P-500 gained +8.1%. Those could be considered reasonable annual gains, and yet they were simply "normal" bear market rallies. Despite those weeks, the S&P-500 is still down -22.9% year to date, (-23.4% from the December 2021 peak) and is very near the lowest close of 2022. The tech heavy NASDAQ is down -31% year to date (-32.8% from its November 2021 peak).

In the Great Financial Crisis bear market there were several bear market rallies. One of them lasted from Nov 20, 2008 through Jan 6, 2009 and rose +24%! Yet the following decline erased all of those gains and an additional -9.2%.

The talking heads often use these strong rallies to convince investors that the worst is over and that the best path forward is to do nothing, or worse, to get more aggressive.

Just this week, Josh Emanuel, CIO of Wilshire Funds Management said in the Wall Street Journal that *"we are closer to a bottom than a top."* That's useful. It means that the S&P-500 might only fall a total of -46.79% peak to trough and only have -23.39% left, or about as far as we've fallen so far. Of course, if this is a recessionary bear market, encompassing a fall of -48%+ peak to trough, he'll be proven wrong.

Speaking of recession, David Rosenberg of Rosenberg Research reminds us that the decline in the S&P-500 has economic implications.

"Over a five-month span, the duration and magnitude of the (current) decline has presaged recession 100% of the time since 1970."

Another talking head recently *advised* investors that the worst mistake they could make would be to sell stocks at this juncture. After all, he reasoned, you've already fallen too much. (Of course it's the same expert who said the stock market would have a strong 2022 so his track record as a soothsayer leaves a bit to be desired.)

Don't fall for it.

If this were the Dot.com bear market and someone told you that once the S&P-500 was down -22.9% (where we are year to date) it was too late to sell, you would unfortunately find that there was still an *additional* -32.1% decline to the bottom.

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

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

OR VISIT OUR WEBSITE MOULTONWEALTH.COM FOR PODCASTS

If this were the Great Financial Crisis bear market and someone told you that once the S&P-500 was down -22.9% it was too late to sell, you would unfortunately find that there was still an *additional* -42.2% decline to the bottom.

But, you reason, this isn't the Dot.com or Great Financial Crisis bear market.

And you're right. This is arguably worse.

Unlike those two bear markets we have a Federal Reserve who is trying to make the stock market decline further, as opposed to trying to prop it up.

And that is "hugely" negative.

Last week Fed Chair Powell announced the biggest rate hike in 28 years; 0.75%. In the press conference he told us his plans.

"The worst mistake we can make is not to bring down inflation. It's not an option."

Remember, the only tool the Fed has to bring down inflation is to reduce demand. How? By making us all feel poorer so we stop buying as much stuff. After all, Econ 101 tells us that prices are set where demand and supply cross. Since he can't impact supply, he has to bring down demand so that prices will fall (or at least stop going up).

Guess what their *(only)* tool is to make us feel poorer. Falling asset values; specifically lower prices of stocks and real-estate.

We're told that the best thing you can do as an investor is to do nothing. Just ignore reality. After all, what happens this year isn't what matters. What matters is that the stock market has gained roughly 10% per year for the last 100 years.

We would argue the opposite. What happened over the last 100 years means nothing to me or my family's financial health. None of us had portfolios that benefited from those 100 years of gains. What matters is what happens this year and next and the one after that.

When volatility rises (and it has) and you enter a bear market (and we have) does it make sense to pretend otherwise? If you were piloting a small airplane and turbulence began to rise as you headed into a thunder storm, would the best course of action be to do nothing and just keep flying as if the sky were blue? After all, over the last 100 years there've been many more good weather days than bad weather days.

John Hussman is a money manager who not only correctly called the Dot.com and Great Financial Crisis bear markets, he accurately predicted the extent of the declines, based on math.

Since then, he's struggled, like many who actually think stock prices should be set by corporate profits, the economy and interest rates. Be clear, the market we've experienced over the last 13 years has been a dream, and not reality. Since the Great Financial Crisis three different Federal Reserve regimes took it upon themselves to punish any investor who didn't just assume the market can only climb. They stepped in with the printing presses to reward the most aggressive, leveraged and reckless investors and to punish those who tried to manage risk.

We've now awaken as the Fed doesn't have carte blanche to print Wall Street to riches, since that same printing stokes inflation.

Mr. Hussman calculates that this market could fall -60% to -70%.

Do we agree? We don't spend time trying to predict how far the market might fall. We just worry about being on the right side of where the market is headed so that we're less at risk. If we're on the right side, it doesn't matter how far the market falls.

But we wouldn't argue with Mr. Hussman's track record.

One wonders, are these talking heads who tell you everything is fine and that you should just hold tight or even buy, repeatedly wrong, or are they looking for someone to sell to?

Back to our initial question, *"is the bottom in?"* It's very probable that we could experience a multi-week rally at any time. After all, the S&P-500 has fallen 10 of the last 11 weeks. Just as bull markets don't climb in a straight line, bear markets don't decline in one.

But probabilities warn the "real" bottom for this bear market will be much lower than it ended last week.

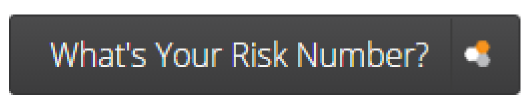
Is it too late to protect yourself?

How would you feel about losing -30% or -40% or even -50% of what you still have left?

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.



In the markets:

U.S. Markets: The Federal Reserve's most aggressive rate hike since 1994 raised fears of a recession and sent stocks sharply lower for a second consecutive week. The benchmark S&P 500 index recorded its worst weekly decline since March 2020 and officially entered a bear market—defined as down more than 20% from a recent high. All of the major benchmarks finished the week deep in the red. The Dow Jones Industrial Average shed over 1500 points and gave up the 30,000-level closing at 29,889—a decline of -4.8%. The technology-heavy NASDAQ Composite, likewise, ended the week down -4.8%. By market cap, the large cap S&P 500 retreated -5.8%, while the mid-cap S&P 400 plunged -7.6% and the small cap Russell 2000 finished the week down -7.5%.

International Markets: Major international markets were also a sea of red this week…save one. Canada's TSX plunged -6.6%, following last week's decline, while the United Kingdom's FTSE 100 shed -4.1%. On Europe's mainland, France's CAC 40 and Germany's DAX finished the week down -4.9% and -4.6%, respectively. China's Shanghai Composite was the sole island of green, finishing the week up for a third consecutive week, rising 1%. In fact, China has only had one down week out of the last six. Japan had its first down week in five with the Nikkei falling -6.7%.

Commodities: Energy had a very difficult week after four weeks of big gains. West Texas Intermediate crude oil plunged -10.5% to $107.99 per barrel, while Brent crude gave up -6.8% to $113.61. Precious metals also sold off. Gold declined -1.9% to $1840.60 per ounce and Silver shed -1.6% to $21.59. The industrial metal copper, viewed by some analysts as a barometer of global economic health due to its wide variety of uses, tumbled -6.5%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits remained near a 5-month high, pulling back just slightly from last week. The Labor Department reported new filings for unemployment benefits fell by 3,000 to 229,000. Economists had expected new claims to total 220,000. Chief economist Joshua Shapiro of MFR Inc. stated, "The recent move up bears watching to see if it develops into an early signal of developing cracks in the demand for labor." The four-week average of new jobless claims, smoothed to iron-out the weekly volatility, rose to 218,500—also the highest level since January. Mahir Rasheed, economist at Oxford Economics noted, "While the level of claims remains low, and the overall labor market remains extremely tight by historic standards, the latest data suggest that some sectors may be experiencing a modest uptick in layoffs amid rising concerns over inflation."

The National Association of Homebuilders (NAHB) reported confidence among the nation's home builders fell for a sixth consecutive month as rising interest rates pushed mortgage rates higher. The NAHB's Housing Market Index slipped by two points to 67. The decline matched economists' estimates. One year ago, the index stood at 81. The June reading of 67 was the lowest since June 2020. The three gauges that underpin overall builder confidence index also experienced drops. The gauge that measures current sales conditions fell by one point, while the component that tracks traffic of prospective buyers fell by five points. The gauge that assesses sales expectations for the next six months fell by two points. The average rate for a 30-year fixed-rate mortgage rose 25 basis points, from 5.4% to 5.65% for the week ending June 10, according to the Mortgage Bankers Association.

The Federal Reserve demonstrated it wanted to be aggressive in its fight against inflation, enacting the largest interest-rate hike in almost three decades and signaling its benchmark interest rate will rise to nearly 4% by the end of next year. At the central bank's meeting, officials said they would hike the federal funds target rate by three-quarters of a percentage point to between 1.5% and 1.75%. Fed Chairman Jerome Powell said the Fed might raise interest rates at its next meeting by another 75 basis points, but, he cautioned, "I do not expect rate increases of this size to be common." In its policy statement, the Fed said it is strongly committed to getting inflation down to 2%. In its economic forecasts, the Fed expects the economy to slow to a 1.7% growth rate this year and in 2023. The Fed said it would adjust its interest-rate policy if risks emerge that would "impede" the Fed from its goals.

Confidence among the nation's small business owners slumped last month, and expectations of future business conditions continued to deteriorate amid persistent inflation, supply shortages, and lack of qualified labor. The National Federation of Independent Businesses (NFIB) reported its 'Small Business Optimism Index' ticked down to 93.1 in May—the second consecutive decline. However, most concerning is the number of small business owners who expect better business conditions in the next six months declined to an all-time low in the almost 50-year history of the survey. Inflation pressures broadened. The percentage of owners raising average selling prices increased two points to 72%, back to the highest reading in 48 years. NFIB Chief Economist Bill Dunkelberg noted, "Inflation continues to outpace compensation which has reduced real incomes across the nation."

Prices at the wholesale level jumped again, implying inflation will continue for the foreseeable future. The government reported its Producer Price Index climbed 0.8% in May, to an annualized 10.8% in May. Just a year and a half ago, prices were rising at a less than 2% pace. So-called core wholesale prices, which omit food and energy, rose 0.5% in May. Higher gasoline prices accounted for the majority of the increase in wholesale inflation, but prices were up across the board. High inflation at the wholesale level suggests there will be little relief soon at the consumer level. When companies have to pay more to operate their businesses, they usually pass the price increases onto customers.

Sales at U.S. retailers pulled back in May, the first decline since the end of last year. Sales were down -0.3% as rising inflation weighed on consumers. The reading was worse than economists' forecasts of a 0.1% increase. After adjusting for inflation, real retail sales were actually down -1.0% last month. Economist Katherine Judge of CIBC Economics wrote in a note, "While it's only one month, this is a sign that higher prices are starting to thwart consumer demand." Retail sales figures are closely watched by analysts as consumer spending accounts for roughly 70% of GDP.

<u>International Economic News</u>: Canada's Deputy Prime Minister and Finance Minister Chrystia Freeland announced $8.9 billion in financial support her government has introduced to help Canadians deal with rising inflation. "We know that Canadians are worried about inflation and that they're asking what their government is going to do about it," Freeland said in a media statement. Freeland said her plan to address inflation and the affordability crisis has five parts: respecting the role of the Bank of Canada, investing in workers, managing the debt, creating good jobs and funding the suite of programs that make up the Affordability Plan. Conservative leadership candidate Pierre Poilievre has accused the Bank of Canada and its current governor, Tiff Macklem, of worsening inflation through its pandemic-era policy of quantitative easing. Freeland responded that criticism of Canada's central bank is "economically illiterate".

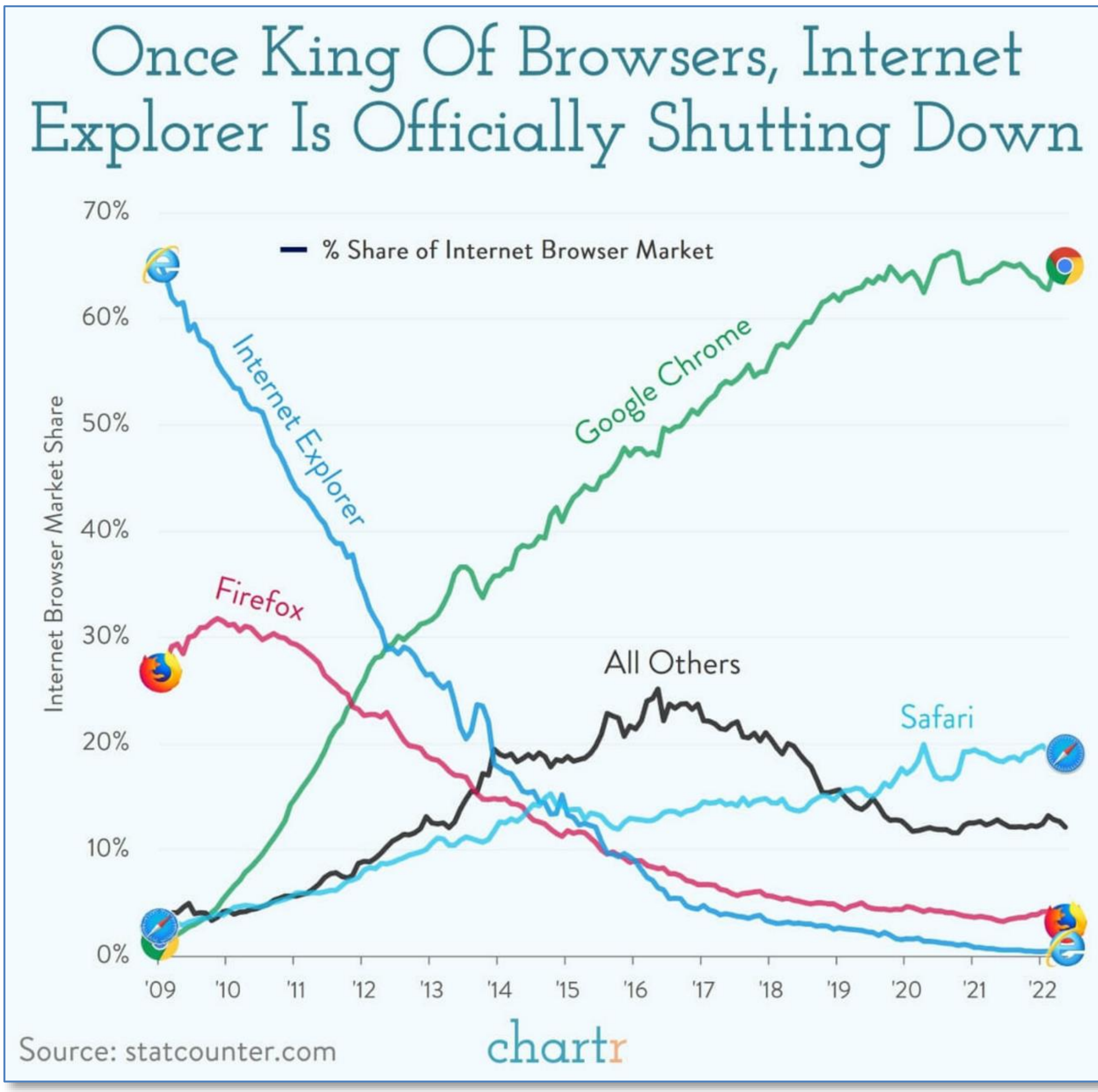
Across the Atlantic, the United Kingdom's central bank hiked interest rates for a fifth time since December as it attempts to tame spiraling inflation. The Bank of England announced it would raise the cost of borrowing by an additional 25 basis points to 1.25%. "Bank staff now expect GDP to fall by 0.3% in the second quarter as a whole, weaker than anticipated at the time of the May Report," the Bank of England said in a statement. Soaring food and fuel prices have plunged millions of Britons into the worst cost-of-living crisis in decades. Annual consumer price inflation rose to 9% in April--the highest since 1992. The Bank of England now expects inflation to rise slightly above 11% in October.

On Europe's mainland, following a recent surge in borrowing costs for many governments of the European Union, Germany's finance minister stated that there is no need for markets to be worried about the stability of the Eurozone. Yields for several peripheral euro nations rose last week after the European Central Bank suggested it would tighten monetary policy aggressively but failed to announce any measures to backstop and support the more highly indebted nations. This created unease among investors, which pushed the yield on the Italian 10-year bond above the 4% threshold for the first time since 2014. Christian Lindner, Germany's Finance Minister stated, "The Eurozone is stable, the monetary union has [a] robust character, we have institutions, and we are considering measures to fight inflation, fostering growth and to safeguard the macroeconomic stability. Yes of course, we are witnessing some rising spreads amongst the member states, but there is no need for any concern."

China defended its strict "zero-COVID" policy after the U.S. ambassador said it was causing serious damage to the global economy and foreign business sentiment. Foreign Ministry spokesperson Wang Wenbin said the Chinese economy is recovering from the effects of the pandemic and "facts prove" the policy mandating lockdowns, quarantines and mass testing is "suitable for China's national conditions and has stood the test of history." "We have full confidence that (we can) contain the epidemic, steady the economy and achieve the goal of safe economic development," Wang said. China has sought to completely eliminate outbreaks of COVID-19 with tough restrictions, while most other countries are relaxing their anti-coronavirus measures. U.S. Ambassador Nicholas Burns said China's "zero-COVID" policy has "had a major impact" on business sentiment, singling out as especially damaging a two-month lockdown in Shanghai, China's largest city and key financial hub.

The Bank of Japan maintained its ultra-low interest rates and vowed to defend its cap on bond yields with unlimited buying, bucking the global trend of monetary tightening in a world of rising inflation. The Japanese currency, the yen, fell as much 1.9% and bond yields fell after the decision, which was widely expected. At the two-day policy meeting this week, the BOJ maintained its -0.1% target for short-term rates and its pledge to guide the 10-year yield around 0% by an 8-1 vote. The central bank also stuck to its guidance to keep rates at "present or low" levels, and ramped up a program to buy an unlimited sum of 10-year government bonds at 0.25%. "Raising interest rates or tightening monetary policy now would add further downward pressure on an economy that is in the midst of recovering from the COVID-19 pandemic's pain," Kuroda said.

Finally: After 27 years, Microsoft's support for its once dominant internet browser 'Internet Explorer' (IE) has come to an end. At one point, IE's market share was estimated to be as high as 90%, primarily due to its bundling with the Windows operating system that essentially forced its use over other 3rd party options, like Netscape Navigator. And while Microsoft has tried to push its current browser "Edge", it's had little success there as well—currently holding only about 4% of market share. The clear current winner is Google's Chrome browser, whose users report much faster loading speeds and tabs that crash less frequently (and don't affect your other open tabs when they do). (Chart by chartr.co)



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

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

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

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

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

WEEKLY FOCUS – THINK ABOUT IT

"The worst mistake we can make is not to bring down inflation. It's not an option."

Fed Chair Jerome Powell

June, 2022

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.

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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.)