MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of July 25, 2022

From June 16th through Friday's close the S&P-500 has rallied 8.04%. Does this mean the bear market is over and we should be piling into stocks? Or is this what's called a bear market rally and as such will likely see its gains erased and new lows in its future?

First let's review past bear market rallies as defined by at least a 5% rally from a 1 month low within a bear market. The table on the following page is from @mrblonde_macro and analysis from The Macro Compass.

What does it tell us?

Over the last 50 years there have been 5 major bear markets which contained 40 bear market rallies of 5% or more from 1 month lows. Those rallies lasted an average of 3 weeks and rose 7.4-8.4%. As such the current rally is in line with historical average returns of a bear market rally but a bit longer than the average length.

What would we have to see to make it more likely that this – or any in the future – rally is not just a bear market rally but the beginning of a new, sustainable bull market?

The first step would be for the Federal Reserve reversing from being hawkish (i.e. raising rates and reducing liquidity) to dovish (i.e. lowering rates and increasing liquidity).

What would make that possible?

A significant decline in inflation. Until inflation is reduced substantially, the Fed will not likely risk reigniting it by prematurely flipping from a hawkish to dovish activity set.

What could bring inflation down significantly?

A recession.

Over the last 100 years every time the U.S. went into a recession with inflation over 3% it came out with it much lower. In fact peak to trough inflation has fallen an average of -6.8%. However it also took an average of 16.2 months for that inflation to decline.

Maybe more importantly, we've never seen core CPE inflation (the Fed's preferred measure) fall to the extent needed outside a recession.

Do you think the Fed is also aware of this? If you were Fed Chairman Powell and had repeatedly assured the public that fighting inflation was the most important job you had, would you more likely strive to avoid a recession so that stocks don't fall further, or to go into a recession so inflation is tamed?

Historical S&P 500 Bear Market Rallies

	Avg	15	8.4%	-1.2%	-12.5%
	Med	13	7.4%	-0.8%	-10.5%
	25th %tile	9	6.1%	-1.2%	
	75th %tile	19	9.9%	-0.3%	

Trough	Peak	# of trading days	Bear Rally	First Down Day	Subsequent Fall
1969-1970					
3/14/69	5/14/69	42	8.3%	-0.3%	-15.7%
7/29/69	8/22/69	19	7.2%	-1.0%	-3.5%
10/1/69	11/10/69	29	6.3%	-0.3%	-9.3%
12/17/69	1/5/70	12	4.8%	-0.7%	-9.0%
1/30/70	3/3/70	22	6.1%	-0.2%	-23.2%
5/26/70	6/3/70	7	13.3%		
1973-1974					
5/21/73	5/25/73	5	5.1%	0.0%	-6.2%
7/6/73	7/26/73	15	8.5%	-0.2%	-8.5%
8/22/73	10/12/73	37	10.9%	-1.2%	-17.3%
12/5/73	12/10/73	4	6.3%	-1.9%	-5.7%
12/13/73	1/3/74	14	8.0%	-0.9%	-9.2%
1/10/74	1/23/74	10	5.1%	-0.3%	-10.5%
2/11/74	3/14/74	23	9.9%	-0.4%	-12.8%
5/29/74	6/10/74	9	7.1%	-0.9%	-14.2%
7/11/74	7/24/74	10	6.4%	-1.2%	-23.3%
9/13/74	9/20/74	6	7.6%		
2000-2002					
10/12/00	11/6/00	18	7.7%	0.0%	-8.2%
11/30/00	12/11/00	8	5.0%	-0.7%	-8.4%
12/20/00	1/3/01	9	6.5%	-1.1%	-3.8%
1/8/01	1/24/01	12	5.3%	-0.5%	-18.1%
3/22/01	3/27/01	4	5.8%	-2.4%	-6.7%
4/4/01	5/21/01	33	19.0%	-0.3%	-26.4%
9/21/01	10/16/01	18	13.6%	-1.9%	2.0%
12/13/01	1/4/02	15	4.7%	-0.6%	-7.8%
2/21/02	3/11/02	13	8.1%	-0.2%	-10.2%
5/7/02	5/17/02	9	5.4%	-1.3%	-27.9%
7/23/02	7/31/02	7	14.3%	-3.0%	-14.8%
10/9/02	10/25/02	13	15.6%	-0.8%	-10.8%
3/11/03	3/21/03	9	11.9%		
2007-2009					
11/27/07	12/10/07	10	6.1%	-2.5%	-13.6%
1/22/08	2/1/08	9	6.5%	-1.0%	-8.5%
3/17/08	4/7/08	15	7.5%	-0.5%	-11.5%
7/15/08	8/11/08	20	7.4%	-1.2%	-31.1%
10/10/08	10/13/08	2	11.6%	-0.5%	-15.4%
10/27/08	11/28/08	24	5.6%	-8.9%	-16.0%
11/20/08	1/28/09	46	16.2%	-3.3%	-7.9%
1/20/09	2/9/09	15	8.0%		
2022 (to date)					
3/14/22	3/29/22	12	11.0%	-0.6%	-15.8%
5/20/22	6/2/22	9	7.1%	-1.6%	-12.2%
6/16/22	7/20/22	23	8.0%		

twitter: @mrblonde_macro
bear rally: >=5% rally from 1mo low

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

And of course, bear markets in recessions are much deeper and longer than bear markets outside of recessions. We discussed this on last Saturday's radio show, Your Money Matters (you can listen by clicking here).

"The longer the bull market lasts the more severely investors will be affected with amnesia; after five years or so, many people no longer believe that bear markets are possible."

Benjamin Graham – Author of "The Intelligent Investor"

For the current bear market to meet the average decline of the last three recessionary bear markets, we'd have to fall another 35% from Friday's close.

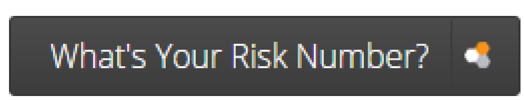
As such the current stock market decline could be less than half way over. Are you comfortable either financially or psychologically watching your portfolio losses double from here? It's certainly possible.

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.

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: Equity markets carried over their momentum from the end of last week as investors welcomed signs of fading inflationary pressures and decent corporate earnings. Small-cap stocks and the technology-heavy NASDAQ Composite outperformed the other indices. The Dow Jones Industrial Average added 611 points finishing the week at 31,899—a gain of 2%. The NASDAQ retraced all of last week's decline and then some closing up 3.3% to 11,834. By market cap, the large cap S&P 500 gained 2.5%, while the mid cap S&P 400 rallied 4% and the small cap Russell 2000 ended the week up 3.6%.

International Markets: International markets were all green as well. Canada's TSX rose 3.2%, while the United Kingdom's FTSE 100 added 1.6%. On Europe's mainland, France's CAC 40 and Germany's DAX each gained 3%, while in Asia, China's Shanghai Composite added 1.3%. Japan's Nikkei rallied 4.2%--its third consecutive week of gains. As grouped by Morgan Stanley Capital International, emerging markets finished the week up 2% and developed markets closed up 3.3%.

Commodities: Commodities were predominantly to the upside, too - with a slight twist. Precious metals rose with Gold adding 1.4% to $1727.40 per ounce, while Silver added 0.1% to $18.62. The industrial metal Copper, which has plunged over the last six weeks, managed to rebound 3.6%. Copper is often seen as a good indicator of future economic growth due to its wide variety of industrial and residential uses. The oil market had a rare divergence between the two major oil benchmarks: West Texas Intermediate crude oil closed down -3% to $94.70 per barrel, while Brent crude gained 2.4% to $103.60.

U.S. Economic News: The U.S. labor market remains resilient despite some deteriorating economic reports, but is losing some of its luster. The number of Americans filing for first time unemployment benefits jumped by 7,000 to 251,000 last week, the Labor Department reported. Economists had expected new claims would tick down by 4,000 to 244,000. Claims have steadily risen since hitting a low of 166,000 in March—the lowest level of claims since 1968. Meanwhile, the number of people already collecting jobless benefits rose by 51,000 to 1.38 million. That number remains near historic lows.

Sales of existing homes fell by 5.4% to a seasonally-adjusted annual rate of 5.12 million in June, the National Association of Realtors (NAR) reported. The reading missed economists' expectations for a reading of 5.36 million. This is the weakest level of sales since June 2020, shortly after the beginning of COVID lockdowns. Compared with the same time last year, home sales were down 14.2%. The median price for an existing home rose to a record $416,000 up 13.4% from June 2021. Expressed in terms of the months-supply metric, there was a 3-month supply of homes for sale in June, up from 2.6 months in May. Before the pandemic, a four-month supply was more the norm. Lawrence Yun, chief economist at the NAR, stated the drop in existing home sales was "clearly due to the plunging affordability" primarily driven by higher home prices and mortgage rates.

The news from homebuilders mirrored the report from realtors. Confidence among the nation's home builders plunged in July, its second-largest drop in the history of the National Association of Home Builders (NAHB) survey. The NAHB reported its homebuilder confidence index fell 12 points to 55, its seventh consecutive monthly decline. The decline was much larger than expected. Economists had expected a reading of 66. One year ago, the index stood at 80—the latest reading is its lowest since May of 2020. All three gauges that make up the index declined. The measure that tracks current sales conditions fell by 12 points, while the component that measures prospective buyer traffic fell by 11. The gauge that assesses sales expectations for the next six months also fell 11 points. Builder confidence was weak across the entire country. In the Northeast confidence fell by 6 points; in the Midwest by 4; in the South by 8; and the West by 12. NAHB Chairman Jerry Konter, a builder in Savannah, Georgia stated, "Production bottlenecks, rising home building costs and high inflation are causing many builders to halt construction because the cost of land, construction and financing exceeds the market value of the home."

Construction of new homes fell a seasonally-adjusted 2% in June to an annual rate of 1.56 million, the Commerce Department reported. On annual basis, total housing starts fell 6.3% from the previous year. Economists had expected housing starts to rise to a 1.59 million rate from June's initial estimate of 1.55 million. Richard Moody, chief economist at Regions Financial noted even though demand for homes in the U.S. is cooling, "builders will remain busy for some time working down backlogs of unfilled orders, even allowing for rising cancellations." But the drop in housing starts, which follows weak sentiment expressed by homebuilders in July, hints at further gloominess in the housing sector.

A preliminary 'flash' reading of the vast services side of the U.S. economy showed a "worrying deterioration". S&P Global Market Intelligence reported its U.S. services Purchasing Managers' Index (PMI) fell to a 26-month low of 47 in July, from 51.6 in the prior month. Readings below 50 signify contraction. Also in the report, the manufacturing flash PMI slid to 52.3 from 52.7. That was the weakest level in two years as well. Chris Williamson, chief business economist at S&P Global Market Intelligence stated, "The preliminary PMI data for July point to a worrying deterioration in the economy. Manufacturing has stalled and the service sector's rebound from the pandemic has gone into reverse, as the tailwind of pent-up demand has been overcome by the rising cost of living, higher interest rates and growing gloom about the economic outlook."

International Economic News: There's been a lot of talk about the dreaded "R-word" globally, but according to two Scotiabank economists those worries are overblown, for Canada at least. Jean-Francois Perrault and Rene Lalonde wrote "record levels of pent-up demand are expected to keep household consumption spending elevated despite rising interest rates, low consumer confidence, decades-high inflation, and weaker financial markets." "This pent-up demand is expected to keep the Canadian economy from going into recession." In the report, they've been closely monitoring discretionary spending data such as dining out. "This type of spending is usually the first to be foregone when households watch their expenses," the economists wrote, pointing to food and travel. In fact, diner numbers were 20% above 2019 levels as of July 16 this year.

Across the Atlantic, the United Kingdom's economy is forecast to grow 3.7% this year and 1.0% in 2023, according to the latest EY Item Club data. The new forecast is a downgrade from May's 4.1% and 1.9% expectations. The downward revisions come thanks to the continued squeeze on households' real incomes from higher inflation, supply chain disruptions, and interest rate hikes. According to the report, Britain is expected to narrowly avoid a recession provided there are no further energy price shocks and the Bank of England does not tighten monetary policy too quickly. "The outlook for the UK economy has become substantially gloomier than it was in the spring, but – while there are significant risks – the forecast suggests there should still be enough support to help the economy eke out growth over the rest of the year and avoid a recession," Hywel Ball, EY UK chair, said.

On Europe's mainland, Russia's Gazprom resumed gas flows to Germany after maintenance on the Nord Stream pipeline. Natural gas began flowing again through the key pipeline equivalent to levels before the gas was turned off to accommodate 10 days of work on the pipeline under the Baltic Sea. Despite a rush to wean itself off Russian gas, Germany still depends on Russia for about a third of its gas supply. Economy and Climate Minister Robert Habeck said Germany needs to be prepared for gas flows to be reduced in the future. "Putin aims to rattle us, drive up prices, divide society and weaken the support for Ukraine," he said.

In Asia, ADB, the Asian Development Bank, cut its growth forecast for China due to concerns over the country's zero-Covid approach and strict lockdowns. Gross Domestic Product is expected to be at 4% in 2022, down from an earlier estimate of 5%, ADB said in a report. China's continued "adherence to a zero-Covid strategy in response to renewed outbreaks early in 2022 has triggered the reimposition of strict lockdowns," the bank said in its report. "With many economies in the region increasingly choosing to live with the virus and reopening, economic activity continued to expand in the first half of 2022--with the notable exception" of China, the bank added. President Xi Jinping pledged last month to use "more forceful" measures to achieve the country's economic targets for the year.

The Bank of Japan raised its inflation forecast this week, but retained its aggressive monetary easing policy, ensuring it will remain a global outlier as other top economies raise interest rates in the face of soaring global inflation. In its quarterly outlook, the BOJ bumped up its inflation forecast for fiscal 2022 from 1.9% to 2.3%, while revising down Japan's real gross domestic product growth forecast from 2.9% to 2.4%. The decision by the central bank to keep its policy unchanged was widely expected among economists. Kuroda reiterated that Japan needs aggressive monetary easing to support economic recovery while aiming to realize 2% inflation in a stable and sustainable manner.

Finally: If there's one thing that's able to doom the future of an incumbent President - even more than scandal - it is Inflation. President Joe Biden's overall and economic approval numbers have reached the lowest levels of his presidency and fallen further than that of either of his two predecessors. The CNBC All-America Economic Survey reported Biden's economic approval dropped to just 30%. Even more, CNBC said the economic outlook of survey respondents was the worst in the 15-year history of the survey. Of the respondents, 52% believe the economy will get worse over the next year, while just 22% believe it will improve. The current readings exceed those at the height of the Great Financial Crisis of 2008 and the depths of the COVID pandemic. (Chart from CNBC.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

"The longer the bull market lasts the more severely investors will be affected with amnesia; after five years or so, many people no longer believe that bear markets are possible."

Benjamin Graham – Author of "The Intelligent Investor"

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.)