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The Fed again raised short term rates 0.75% this past week. However in the press conference, Fed Chair Powell said from here they would be "data dependent". He also said slowing down from the pace of 0.75% hikes would likely be appropriate "at some point". The market – based on performance and talking heads – took this as a clear signal the Fed will stop hiking rates and that this bear market may be over.

Does that make sense?

First let's review some of the other things Fed Chair Powell said during the press conference. You can read the entire transcript [on the Fed's website by clicking here].

"Let me put it this way, we do see that there are two-sided risks. There would be the risk of doing too much and, you know, imposing more of a downturn on the economy than was necessary. But the risk of doing too little and leaving the economy with this entrenched inflation, it only raises the cost. If you fail to deal with it in the near term, it only raises the cost of dealing with it later."

"You know, as I mentioned, we need to see inflation coming down. We need to be confident that inflation is going to get back down to mandated consistent levels."

"So, you know, we—it is our job, it is our institutional role: We are assigned uniquely and unconditionally the obligation of providing price stability to the American people, and we're going to use our tools to do that."

"That's (bringing down inflation) *not something we can avoid doing. That really needs to happen."*

Does this sound like a Fed that's on the brink of switching their emphasis from *'slowing the economy to get inflation down'* to *'ignoring inflation to boost the stock market'*?

We would suggest it does not.

And after this press conference the Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) came in at +6.8% over the past year. That's the highest annual increase since January 1982. It will be difficult for the Fed to say inflation is not the economy's biggest risk with these type numbers.

Remember, the Fed is in the "risk management business". For years the only risk they had to be concerned with was the economy slowing and the stock market dropping. After all, inflation was actually lower than what they wanted. Therefore their risk management decisions led to money printing and stock market propping. Now the risk is for inflation to get out of control. Do you think they're likely to revert soon to money printing and stock market propping with inflation still at 40+ year highs?

So why has the market rallied? Simple bear market rally just like those during the Dot.com bubble and the Great Financial Crisis bear markets. It could go even higher, but the greater

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probability outcome is for it to get reversed entirely and for new lows in the markets before this is over.

But probabilities aside, what if the Fed does stop raising rates right now? That certainly would be a boost to the stock market wouldn't it?

Yes, temporarily. Again let's review history courtesy of David Rosenberg Research.

In February 1989 the Fed stopped raising rates and the market eventually bottomed in October 1990 – 20 months later.

In May 2000 the Fed stopped raising rates and the market eventually bottomed in October 2002 – over 2 years later

In June 2006 the Fed stopped raising rates and the market eventually bottomed in March 2009 – almost 3 years later.

Just because someone said it on television doesn't mean it's true. Speaking of which, we heard an analyst say that "inflation has peaked" and "historically markets bottom when inflation peaks". He urged investors to buy stocks now because the bear market is over.

We don't know if inflation has peaked, although bond rates are encouraging, but do bear markets historically end when inflation peaks? Luckily we can go to the data and find the answer for ourselves. The U.S. Bureau of Labor Statistics (BLS) is available for any of us to use. And in fact they track CPI going back more than a century. You can see it by clicking here and searching under Data Tools. We downloaded it for the last two major recessions, the Dot.com and the Great Financial Crisis (we skipped the Covid recession as it was unique in so many ways and likely would only muddy the water).

During the Dot.com bear market, inflation peaked on an annual basis in June 2000 at 3.74%. The S&P-500 ended that month at 1442.39. The bottom in that bear market was October 9, 2002, over 2 years later, at 776.76 or down 46.15% from the inflation peak.

During the Great Financial Crisis bear market, inflation peaked on an annual basis in July 2008 at 5.6%. The S&P-500 ended that month at 1267.38. The bottom in that bear market was March 9, 2009 about 7 months later at 676.53 or down 46.62% from the inflation peak.

Whether on purpose or simply a lack of effort and/or expertise to find the real answer, these kinds of assertions based on nothing but wishful thinking leaves one wondering “who has whose” best interest at heart.

Finally, this week saw GDP announced for the second quarter at -0.9%. That means we’ve seen two consecutive quarters of negative GDP. Although it can be argued that this is only a “technical recession” in that it has not officially been declared by the National Bureau of Economic Research, we know we’ve never had two consecutive quarters of negative GDP outside of an official recession in modern times, or two out of three negative quarters of GDP outside of an official recession *ever*.

Why should investors care?

Bear markets accompanying recessions are much deeper and last much longer than bear markets outside of recessions.

The last three recessionary bear markets averaged a 46.7% decline in the S&P-500. That would suggest the S&P-500 eventually bottoming in this bear market at 2556.57 or 38.1% lower than it ended Friday. Of course no one knows, but don’t blithely discount the possibility of much lower levels in equity markets.

Wait, Wall Street assures us this isn’t a real possibility because they aren’t even convinced we’re in or even near a recession. Of course, that means you should remain invested so they can continue collecting their fees.

But what’s their track record?

When the 5 year U.S. Treasury bond began yielding more than the 10 year U.S. Treasury bond in March 2022 (an anomaly referred to as a yield curve inversion and one most economists point to as at least an economic danger signal), we were told it didn’t matter because only an inversion of the 2 year and the 10 year Treasury yields held significance.

When the 2 year and 10 year U.S. Treasury bond yields inverted in early April 2022 we were told it didn’t matter because it didn’t stay inverted long enough.

When the 2 year U.S. Treasury and 10 year yields inverted again in early July 2022 (and has continued to invert even more deeply, now at -0.308% the deepest since the year 2000), we were told it didn’t matter because only GDP can tell us if we’re in or headed into a recession.

Now when we get two consecutive negative quarters of GDP we're told it doesn't matter because it's only a "technical recession".

Anyone else see a pattern here?

To be clear, ultimately there will be a good time to buy stocks. A new bull market will begin but most probably from far lower levels and with stocks much more cheaply valued.

The trick for investors is to remain patient and both emotionally and financially fit to take advantage of it. We would suggest if you ride your portfolio down 30% or more from here, you won't be either.

Remember, if you don't sell high, you can't buy low.

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: U.S. stock benchmarks posted solid gains, despite another hike in interest rates and data showing the economy contracted for a second quarter. A "bad news is good news" dynamic seems to be in play, with investors betting that poor economic news may allow the Federal Reserve to return to a relatively easy monetary policy. The Dow Jones Industrial Average rose 946 points finishing the week at 32,845 - a gain of 3.0%. Similarly, the technology-heavy Nasdaq Composite rallied 4.7% closing at 12,391. By market cap, the large cap S&P 500 and small cap Russell 2000 each rose 4.3% while the mid cap S&P 400 gained 4.8%.

International Markets: International markets finished the week mostly to the upside as well. Canada's TSX rose 3.7% and the United Kingdom's FTSE 100 added 2%. On Europe's mainland, France's CAC 40 and Germany's DAX rose 3.7% and 1.7%, respectively. In Asia, China's Shanghai Composite pulled back -0.5% and Japan retreated -0.4%. As grouped by

Morgan Stanley Capital International, developed markets rose 3.7% while emerging markets added 1.4%.

Commodities: Equities weren't alone in rallying this week as commodities joined the parade. Precious metals rose with Gold gaining 3.2% to $1781.80 per ounce, while Silver surged 8.5% to $20.20. Energy also rallied. West Texas Intermediate crude oil climbed 4.1% to $98.62. Brent crude gained 6.2% to $110.01. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week up a sizable 6.7%.

July Summary: For the month of July, the Dow gained 6.7%, the NASDAQ surged 12.3%, and the S&P 500 added 9.1%. The mid cap S&P 400 and small cap Russell 2000 added 10.7% and 10.4%, respectively, adding up to the best month of the year for the U.S. market. Canada and the UK finished up 4.4% and 3.5%, respectively, while France rose 8.9% and Germany added 5.5%. China was the lone major market to finish the month down, giving up -4.3%. As grouped by Morgan Stanley Capital International, developed markets surged 5.2% but emerging markets ended the month down -0.3%. Gold and Silver gave up -1.4% and -0.8% in July, respectively. West Texas Intermediate declined -6.8%, while Brent crude finished up 0.7%. Copper finished the month down -3.7%.

U.S. Economic News: The number of Americans filing for initial unemployment benefits slowed last week after hitting an eight-month high, according to the Labor Department. Initial claims fell by 5,000 to 256,000, missing expectations of a fall to 249,000. The four-week average of claims, smoothed to iron out the weekly volatility, rose by 6,250 to 249,250. Jobless claims have been ticking higher since hitting a low of 166,000 in March. Although readings under 300,000 are considered a robust labor market the trend is troubling. Meanwhile, the number of people already collecting benefits fell by 25,000 to 1.36 million.

Home prices pulled back in May from their record high set in April, according to the latest report from S&P Case-Shiller. The Case-Shiller 20-city home price index retreated to a 20.5% annual gain in May, down from 21.2% the previous month. S&P said that the year-over-year growth in May was the second highest for the 20-city index. April's gain was the peak. Tampa, Miami, and Dallas led the cities with the highest annual gains. Minneapolis, Chicago, and Washington D.C. were the lowest. Regionally, the South and Southeast experienced the strongest price growth at 30.7%. Lou Crandall, chief economist at Wrightson ICAP, claimed that the decline in housing affordability to its lowest level in 15 years, would start to "restrain house price acceleration". The cost of borrowing has increased dramatically since last year, with the average on the 30-year fixed-rate at 5.54%, according to Freddie Mac. Last year around the same time, that rate was at 2.78%.

Pending home sales, transactions in which a deal has been signed but not yet closed, fell by -8.6% in June, according to the National Association of Realtors (NAR). The result was a significant miss. Analysts had forecast pending home sales to drop by just 1%. The drop in pending home sales is the biggest since the depths of the pandemic in April and March 2020.

Compared with a year earlier, transactions were down 20%. Furthermore, new home sales, builder confidence, and declining mortgage application volume, are waning simultaneously. Lawrence Yun, NAR Chief Economist, stated "Home sales will be down by 13% in 2022, according to our latest projection." He added that buying a home in June of 2022 was 80% more expensive than in 2019.

The Federal Reserve hiked interest rates again this week as it strives to reign in rampant inflation. The Fed lifted its key rate by 0.75 percentage point to 2.5%, a move that was widely expected. The increase was its fourth this year in its aggressive bid to cool the hottest inflation in four decades. Furthermore, the Fed signaled more rate hikes are coming even as the economy shows clear signs of slowing. "Ongoing increases" in interest rates "will be appropriate," the Fed said. Chief economist Avery Shenfeld of CIBC World Markets stated, "While there are looming concerns over growth, the Fed has decided that in the battle against inflation, it will shoot first and ask questions later." The level of rates right now matches what the Fed considers neutral--neither boosting nor slowing the economy. Powell was noncommittal about future rate increases. Rates would go higher, he said, but the Fed would make that decision based on the incoming economic data.

The U.S. economy shrank at an annual 0.9% pace in the second quarter, marking its second quarterly decline in a row. The reading was a wide miss from consensus forecasts. Economists had expected a 0.3% increase. The back-to-back declines in GDP were the first since the 2007-2009 Great Recession. A drop in business investment and smaller increase in inventories largely accounted for the negative GDP print in the second quarter. However, consumer spending - the main engine of the U.S. economy - rose at a 1% annual rate. While two consecutive quarters of declining GDP has been commonly viewed as the official definition of a recession, a group of prominent economists responsible for declaring official recessions announced that the old rule of thumb does not always apply. Regardless, as chief economist Richard Moody at Regions Financial states, "The economy has clearly slowed."

Inflation surged again last month, remaining at a 40-year high, a key price gauge showed. The Personal Consumption Expenditures (PCE) Index, rumored to be the Fed's preferred measure of inflation, rose a sharp 1% in June, led by higher fuel prices. The increase exceeded forecasts of a 0.9% advance. A narrower measure of inflation that omits food and energy costs, "core PCE", rose by 0.6%. That was also above estimates. The rate of inflation of the PCE over the past year climbed to 6.8% from 6.3% in the prior month--the highest rate since January 1982. Unlike the more publicized Consumer Price Index, the PCE gauge takes into account how consumers change their behavior in response to higher prices. They might substitute cheaper goods such as ground beef for more expensive ones like ribeye to keep their costs down, for example.

Consumer spending, which makes up around 70% of the U.S. economy, jumped 1% in June, but the big increase was largely due to higher prices rather than true growth. After adjusting for inflation, spending rose by just 0.1%. In essence, consumers paid higher prices instead of buying more goods and services. Incomes also rose 0.6% in the month however, not enough to keep up with inflation. Households are continuing to fall behind financially. The savings rate fell to a 13-year low of 5.1% in June from 5.5%.

Confidence among the nation's consumers declined for a third consecutive month in July, the Conference Board reported. The board's Consumer Confidence Index fell 2.7 points to 95.7 in July—worse than expected. Economists had expected a declined to just 97. The sub-index that tracks how consumers feel about current economic conditions fell to 141.3 this month, down from 147.2 in June. And the gauge that assesses what Americans expect over the next six months ticked down to 65.3 from 65.8. Rising inflation and forecasts of an imminent recession have weighed on consumers. Lynn Franco, the senior director of economic indicators at the Conference Board, stated "Looking ahead, inflation and additional rate hikes are likely to continue posing strong headwinds for consumer spending and economic growth over the next six months."

Orders for goods expected to last at least three years, so-called 'durable goods', increased 1.9% last month, but beneath the headline number the report wasn't as optimistic. Orders for new cars and trucks rose 1.5% in June, while orders for fighter jets and military planes jumped 81%, lifting the overall number. New orders outside the transportation segment rose a smaller 0.3%. The increase in so-called core orders, a measure of business investment, was 0.5% for the second month in a row. Business investment has climbed 8.4% over the past year; however the rate of growth has slowed steadily since hitting a pandemic high of 22% in April 2021. Senior U.S. economist Andrew Hunter wrote in a note to clients that the details of the report are "consistent with a sharp slowdown in private equipment investment growth in the second quarter."

International Economic News: Preliminary estimates from Statistics Canada showed Canada's economy was flat in May - a sign a slowdown in already underway. The data agency said that a slight uptick in the service sector wasn't enough to offset a decline in goods-producing industries, so the total value of all economic output during the month was essentially unchanged from what it was a month earlier. Despite the flat showing, it exceeded the slight decrease of -0.2% that economists had been expecting. The GDP numbers come against the backdrop of stubbornly high inflation, which has risen to its highest level in decades. Given the data, economists see little reason for Canada's central bank to deviate from its campaign of interest rate hikes. Economist Royce Mendes with Desjardins stated, "We continue to see the central bank raising rates by 50 basis points in September."

Across the Atlantic, British consumer spending on "unnecessary" items, such as clothing, furniture, and vehicles, fell to its lowest since February last week. According to the Office for National Statistics, spending on goods categorized as "delayable" fell to 80% of its pre-pandemic February 2020 average level. Due to inflation and the immense cost of fueling cars for commuting, consumer spending has skewed towards work-related spending. Chancellor Nadhim Zahawi stated, "I know people are concerned, so we are continuing to support families and economic growth. We're working alongside the Bank of England to bear down on inflation, and I am confident we can create a stronger economy for everyone across the UK." With inflation already at 9.1%, economists are concerned consumer spending will plummet, prompting a recession.

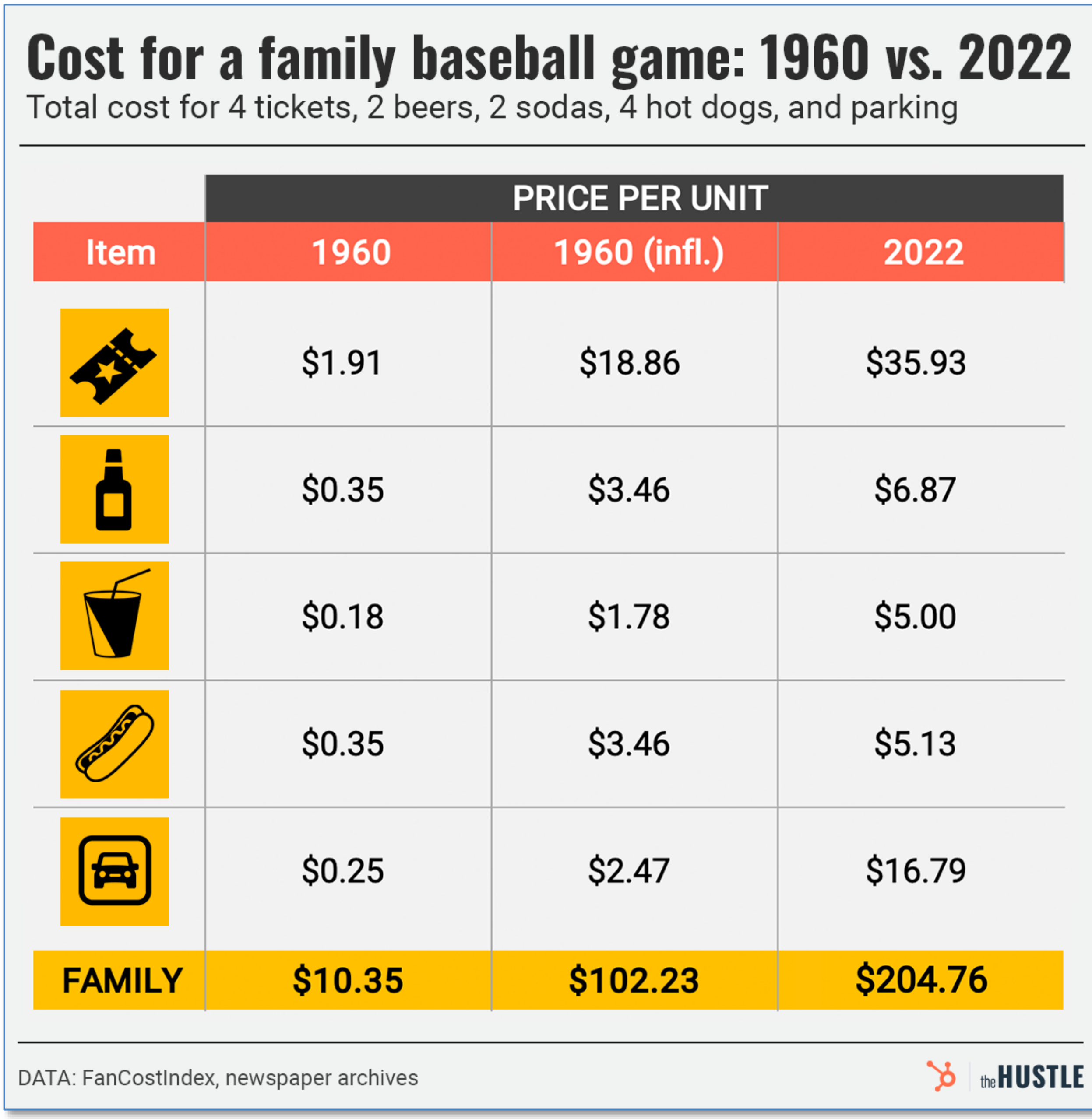
INSEE, France's statistics agency, reported its economy showed 0.5% second-quarter growth, following a -0.2% pullback recorded in the first quarter. French Finance Minister Bruno Le Maire hailed the country's second quarter economic growth as a "victory", even as analysts said fears about a recession in Europe were growing due to rising inflation. The French economy got a boost from exports, added INSEE, although analysts said near-term pressures remained in terms of inflation.

Germany's economy stagnated in the second quarter remaining unchanged from the previous quarter in adjusted terms, according to its Federal Statistics Office (FSO). Germany's economy surpassed the FSO's expectations in the first quarter, revising the quarter's growth to 0.8% from 0.2%. In the second quarter, household and government consumption helped support the economy, but the pandemic, war in Ukraine, and interruptions in supply chains weighed. With uncertainty about energy supply and grim economic sentiment, analysts state Germany appears on the brink of an economic decline. Alexander Krueger of Hauck Aufhaeuser Lampe private bank stated, "As of today, it would already be a success if economic output in the second half of the year continued to stagnate."

In Asia, state media said China will "try hard to achieve the best possible result" for the economy this year, a deviation from previous calls for a specific growth target. In the second half, China should "stabilize employment and prices, maintain economic operations within a reasonable range, and strive to achieve the best possible results," Xinhua news agency reported. The world's second-largest economy narrowly avoided contracting in the second quarter due to widespread COVID-19 lockdowns. Analysts said Beijing's full-year growth target of around 5.5% had been looking increasingly unattainable. First-half gross domestic product grew only 2.5% from a year earlier. China last missed its growth target in 2015.

Japan's government slashed its economic growth forecast for this fiscal year largely due to slowing overseas demand. The world's third-biggest economy is now expected to expand about 2.0% in price-adjusted real terms in the fiscal year ending in March 2023, according to Japan's Cabinet Office. That marked a sharp downgrade from the government's previous forecast of 3.2% growth released in January. The cut largely stemmed from weaker exports, which the government expects to expand 2.5% compared to 5.5% in the previous assessment.

Finally: In the dog days of summer a common American pastime has traditionally been attending a Major League Baseball game. However, many middle-class families are finding that spending a few hours cheering on the home team is increasingly out-of-reach of their finances. For example, a typical family outing to the most expensive venue – the Boston Red Sox' Fenway Park – might buy 4 tickets ($61.71 each), 4 hot dogs ($6 each), 2 beers ($9.50 each), and 2 sodas ($5.50 each), plus parking ($23.53), which comes in at a whopping $324.37. The average cost across all major league stadiums is $204.76. In the days of Willie Mays, Hank Aaron, and Sandy Koufax, the cost of the average family baseball game was half of what it is today—even *after* taking into account inflation – and just $10.35 in 1960 dollars. As Major League Baseball struggles with their sport losing popularity, I might suggest that more families and children able to attend games would help. (Chart from thehustle.co)



Cost for a family baseball game: 1960 vs. 2022

Total cost for 4 tickets, 2 beers, 2 sodas, 4 hot dogs, and parking

	PRICE PER UNIT		
Item	1960	1960 (infl.)	2022
	$1.91	$18.86	$35.93
	$0.35	$3.46	$6.87
	$0.18	$1.78	$5.00
	$0.35	$3.46	$5.13
	$0.25	$2.47	$16.79
FAMILY	$10.35	$102.23	$204.76

DATA: FanCostIndex, newspaper archives

the HUSTLE

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.

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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.)