MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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

DONALD J. MOULTON
CFP®, RFC

www.moultonwealth.com

RIAL R. MOULTON
CFP®, CPA/PFS, RFC

Week of September 12, 2022

We write about the stock market and economy a lot in these newsletters for obvious reasons, but what about the housing market? In last Saturday's radio show (go to https://moultonwealth.com/radio-show/ to listen to the podcast) we discussed what is happening in the housing market and how it impacts the economy.

But before reviewing Eric Basmajian's research on housing, let's look forward to CPI inflation announced tomorrow, September 13th. The stock market is trading as if CPI inflation will take another big step down. The sooner inflation falls towards +2% year over year, the reasoning goes, the sooner the Fed can stop raising rates and instead pivot to printing and propping the stock market.

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.

A few thoughts, reviewing the actual data.

- Last month CPI inflation surprised in that it was flat in July 2022 vs June 2022. That allowed inflation to fall from +9.1% in June 2022 vs June 2021 to +8.5% in July 2022 vs July 2021. Even though it declined, it is obviously far above the Fed's target of +2% and begs the question of how much further it must fall before the Fed actually would consider a pivot.
- If inflation is again flat in August 2022 vs. July 2022 - that would be the third month in a row - August 2022 inflation vs August 2021 will be +8.3%, not a large decrease from last month's year over year +8.5%.
- Cleveland Fed publishes a "Nowcast" inflation estimate. They see August 2022 increasing 0.36% over July 2022. If that happens, the year over year August inflation will actually increase to +8.7% August 2022 vs August 2021 from +8.5% July 2022 vs July 2021.

What can we garner from all these numbers?

Although inflation will eventually trend lower if the Fed has their way, it likely won't get towards their target for some time.

As such, it's up to investors to proactively manage risk because the Fed won't likely bail out complacency.

Back to the housing market.

Eric Basmajian is the head of EBP research and recently wrote an update on the housing market and what that might mean for the overall economy and in turn the stock market.

First, starting with new home sales, they are down 51% from two years ago. New home sales are more important economically than existing home sales because a new home creates much more economic activity than the change of ownership of an existing home. There are the builders, the roofers, the insulation, the pipes, the flooring, the windows, the paint, the landscape, the appliances, etc. An existing home sales at most include furniture and appliances.

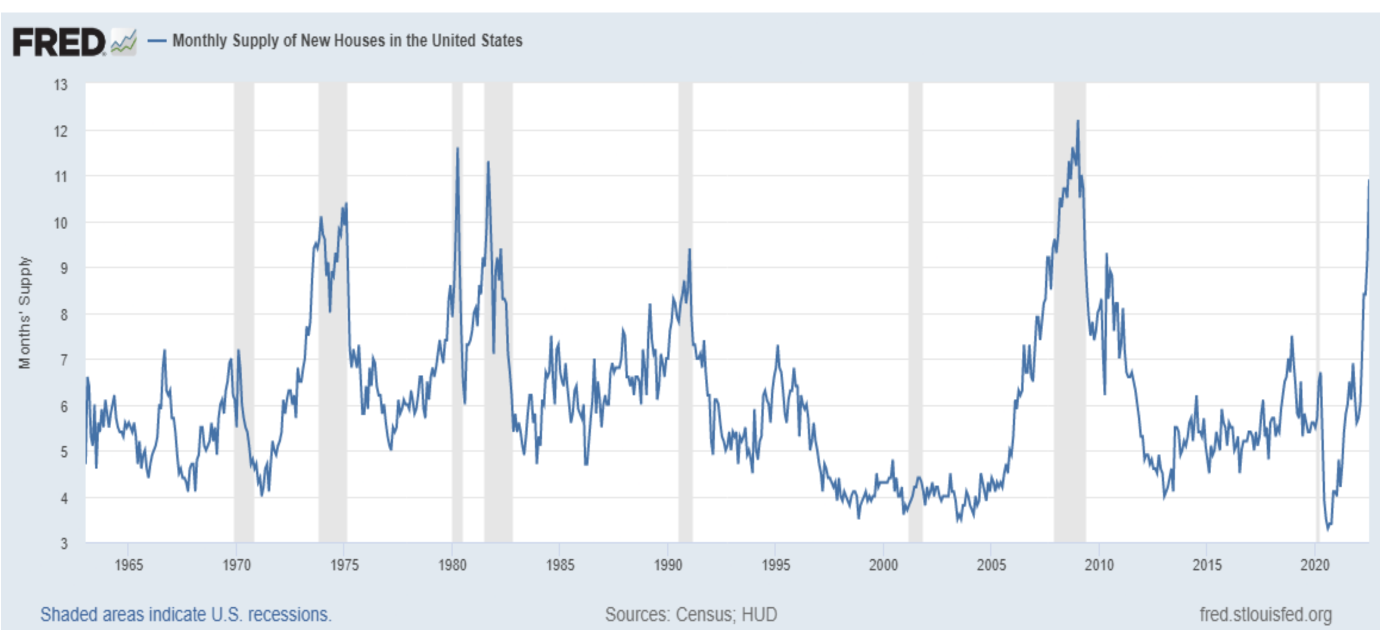
Is housing in a bubble? In a word, "yes". Let's compare it to the accepted real-estate bubble from 2005-2008. In that bubble, home price growth was concentrated primarily in only four states – Arizona, Nevada, California and Florida – with lesser but still outsized gains in Washington, Oregon, NY and Pennsylvania. This bubble is much more pervasive with 38 states showing home price growth of over 10% while in 2005 it was only 26 states.

Across the country, home prices in 2021 was 14% compared to the peak of the last bubble when home price growth across the country peaked at 12% in 2005.

So overall, home price increases today are more extreme than the last bubble, even as the last bubble did say higher pockets of growth.

How about the Monthly Supply of New Homes? As the following chart shows, the monthly supply of new homes currently stands at 10.9 months. That means that it would take almost 11 months to sell the number of new homes available right now. As the housing bubble burst in 2008 during the Great Financial Crisis, the monthly supply peaked at 12.2 months. So it's not quite as bad today but keep in mind a few things.

1. We've not peaked yet today so we don't yet know how far this number might climb.
2. As mentioned earlier, new sales are still falling. In fact, in 2008 sales declined 70% AFTER the recession had already started and we'd endured multiple credit events. We're already down 51% today
3. The rate of change of today's increase is faster than the housing bubble. This shows a real strain on the housing market
4. Every time the monthly supply exceeded nine months going all the way back to 1964 we were going into or already in a recession (gray vertical stripes), except for 2010 when the Fed was cutting rates and printing money.



LISTEN TO RIAL'S AND DON'S RADIO SHOW,

"YOUR MONEY MATTERS"

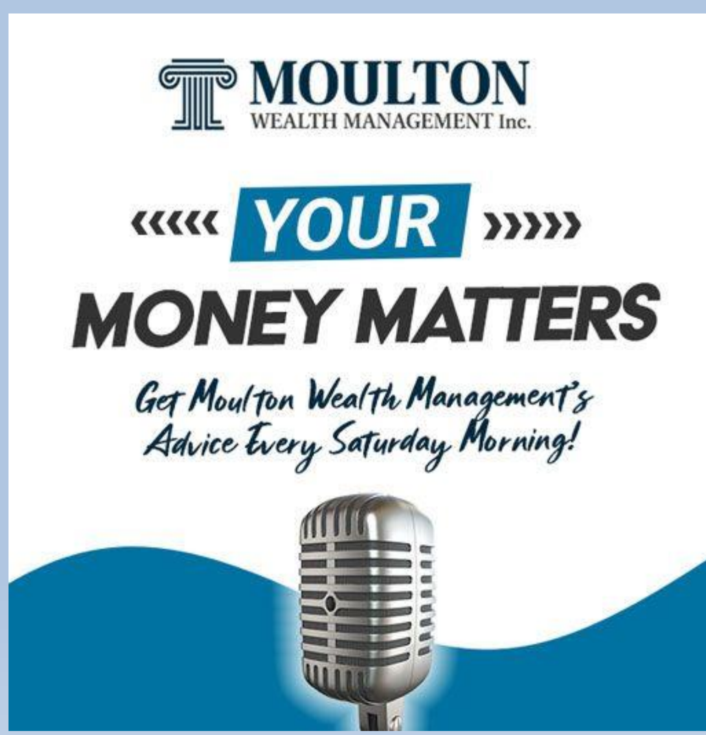
EVERY SATURDAY MORNING AT

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



It makes sense that the supply is increasing so rapidly now as the 30 year mortgage rate has skyrocketed, reducing demand. The following chart shows the change in the 30 year mortgage rate back to 1998. Notice the extreme in the speed of increase (rate of change) today vs any previous time in the series.

30YR. Mortgage Rate, Year over Year Change

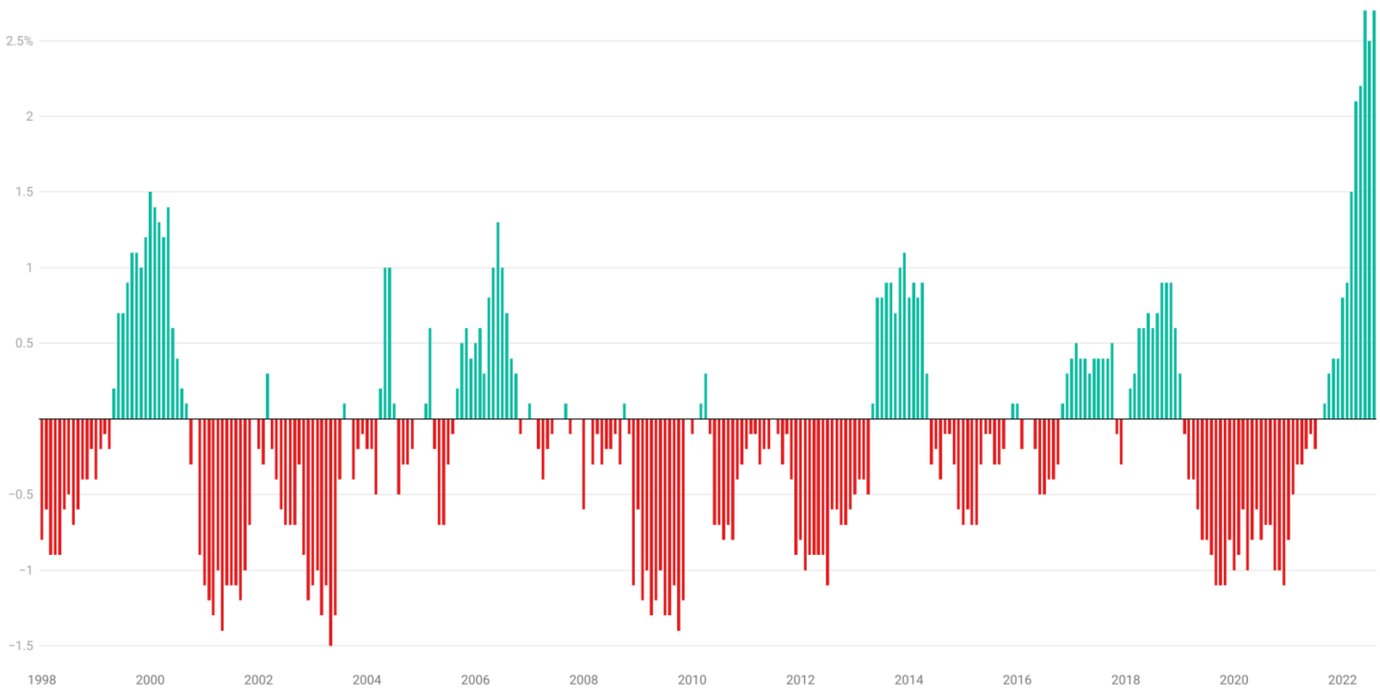


Chart: EPB Research • Source: Freddie Mac

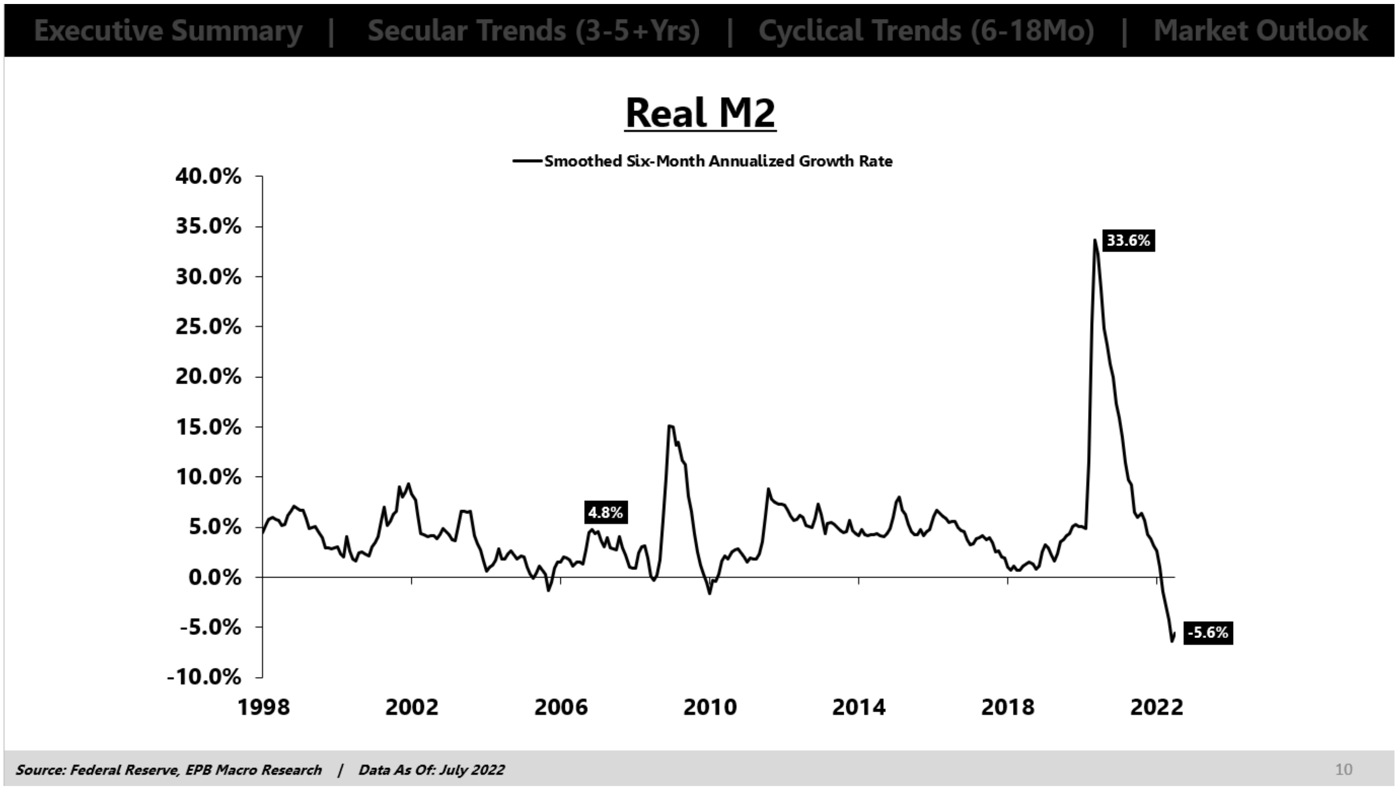
What has driven each of these housing bubbles?

The 2005-2008 housing bubble was driven in large part by loose lending standards and "liar loans". Liar loans were called such because banks were allowing people to lie on loan applications without checking because they intended to bundle them and sell them on Wall Street to investors. They didn't intend to collect the payments over the next 30 years so they were less concerned about defaults. This is why the banks were at such risk when it blew up as they still had a number of these loans on the books, not yet shelled out.

Today's bubble is due to printed money from both the government and from the Fed, especially during Covid. The chart on the following page shows the percentage change in real money growth on a six month annualized rate. Notice two things:

1. Look at the spike in 2020 both in terms of the size and rate of change.
2. Notice the contraction currently compared to the last 25 years. We're not only contracting, we're contracting at a pace that is unprecedented.

If all the money printing drove up stock and real-estate prices, what will the opposite do?



Last week we told you the Fed is just beginning to ramp up Quantitative Tightening, what impact will that have on the money supply and on the market?

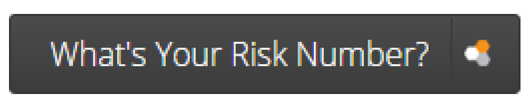
There's a lesser chance that this housing bust will cause a financial crisis simply by the nature of its cause, but its magnitude and speed certainly increases the risk of a larger vs. smaller recession.

And within recessions, bear markets - especially across multiple asset classes such as stocks AND real-estate - are deeper and last longer.

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. Stocks broke their string of three consecutive weekly losses as investors appeared to grow more confident that the market had reached at least a temporary bottom. Some indications that inflation may be moderating likely also played a part. The Dow Jones Industrial Average rose 833 points finishing the week at 32,152—a gain of 2.7%. The technology-heavy NASDAQ Composite retraced almost all of last week's decline rising 4.1%. By market cap, the large cap S&P 500 added 3.6%, while the mid cap S&P 400 and small cap Russell 2000 finished the week up 4.4% and 4.0% respectively.

International Markets: Like the U.S., major international markets were a sea of green across the board. Canada's TSX added 2.6% while the United Kingdom's FTSE 100 rose 1%. On Europe's mainland, France's CAC 40 and Germany's DAX added 0.7% and 0.3% respectively. In Asia, China's Shanghai Composite rose 2.4% and Japan's Nikkei gained 2.0%. As grouped by Morgan Stanley Capital International, developed markets rallied 3.3% and emerging markets were up 0.6%.

Commodities: Precious metals finished the week in the green. Gold rose 0.4% to $1728.60, while Silver surged 5% to $18.77. Oil closed down for a second consecutive week. Brent crude oil retreated -0.2% to $92.84 per barrel, while West Texas Intermediate ended down -0.1% to $86.79. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of industrial uses, finished the week up 4.5%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits fell to a 3 ½ month low last week, a sign the labor market remains resilient even as the overall economy softens. The Labor Department reported new jobless claims declined by 6,000 to 222,000—its fourth consecutive decline. Economists had expected an uptick to 235,000. New claims had fallen as low as 166,000 in late March before turning higher over the summer. They recently topped out at 261,000 before rolling over again. Meanwhile, the number of people already collecting unemployment benefits rose by 36,000 to 1.47 million. That number remains near a 50-year low. Thomas Simons, economist at Jefferies LLC noted, "There is a little bit more turnover in the labor market than what we experienced last year and early in 2022, but it remains the case that workers who are let go are still having a relatively easy time finding a new job."

Investors looking for some clarity on the condition of the vast 'services' (roughly 70% of GDP) side of the U.S. economy were left wanting following the release of a pair of reports from ISM and S&P. The Institute for Supply Management (ISM) reported their barometer of business conditions at companies such as restaurants and hotels rose to 56.9 In August, up from 56.7 in the prior month. It exceeded the consensus forecast for a drop to 55.5 and was the highest reading since April. *However,* a separate report from S&P Global Market Intelligence showed their measure—the U.S. Services PMI Business Activity index fell to 43.7—down 3.6 points from July. It was that index's weakest reading since May 2020. Chris Williamson, chief business economist at S&P Global stated the slide underscores the risk of a "deepening recession" as households and businesses grapple with the rising cost of living. With more insight into this stark contrast, Josh Shapiro, chief U.S. economist at MFR Inc. said that divergences in the past have tended to be resolved with ISM weakening to a level more consistent with the PMI.

The Federal Reserve's 'Beige Book', a collection of anecdotal reports from each of the Federal Reserve's member banks, stated the U.S. economy is likely to get weaker as the Fed battles rising inflation. The economy grew slightly through the end of August, the Beige Book survey found, but the outlook for the economy over the next year "remained generally weak". Of relief to consumers, the survey said the sharp increase in prices earlier in the year has begun to fade, but that inflation "remained elevated". Inflation reached a nearly 41-year high of 9.1% in June. In addition, shortages of labor and supplies, while less acute, still "continued to hamper production." Of note, "increased talk of recession" has become more common. Fed officials say they are not trying to trigger a recession, but they acknowledge there's a growing risk of one as they try to tame high inflation.

Federal Reserve Chair Jerome Powell said this week the central bank won't be distracted by political interference as it lifts interest rates higher to try to bring inflation down. Powell said, "I can also assure you that we never take into consideration external political considerations," at a Cato Institute monetary conference. So far, Powell has had the support of President Joe Biden but progressive Democrats, including Sen. Elizabeth Warren, have argued that rate hikes will lead to too much unemployment. In other remarks at Cato, Powell said the Fed accepts its responsibility for price stability, which is 2% inflation over time. "I can assure you that my colleagues and I are strongly committed to this project and we will keep at it until the job is done," Powell said. Powell made clear that investors should be prepared for rates that will stay higher for longer. "History cautions against prematurely loosening policy," he said.

International Economic News: Canada shed jobs for a third straight month in August, a sign higher interest rates may be starting to cool the overheated economy. Statistics Canada reported the country lost a net 39,700 jobs in August. Economists had expected a decline of just 15,000. The decline lifted the jobless rate to 5.4%--up from a low of 4.9% in July. Following the data release, traders pulled back from bets of a 50-basis point increase at the bank's next decision in October, now strongly leaning toward 25 bps. Last month's job losses were concentrated in construction, with educational services, and wholesale and retail trade falling sharply over the last three months. Royce Mendes, head of Macro Strategy at Desjardins Group, said, "The deterioration in the job market appears to be occurring faster than anticipated."

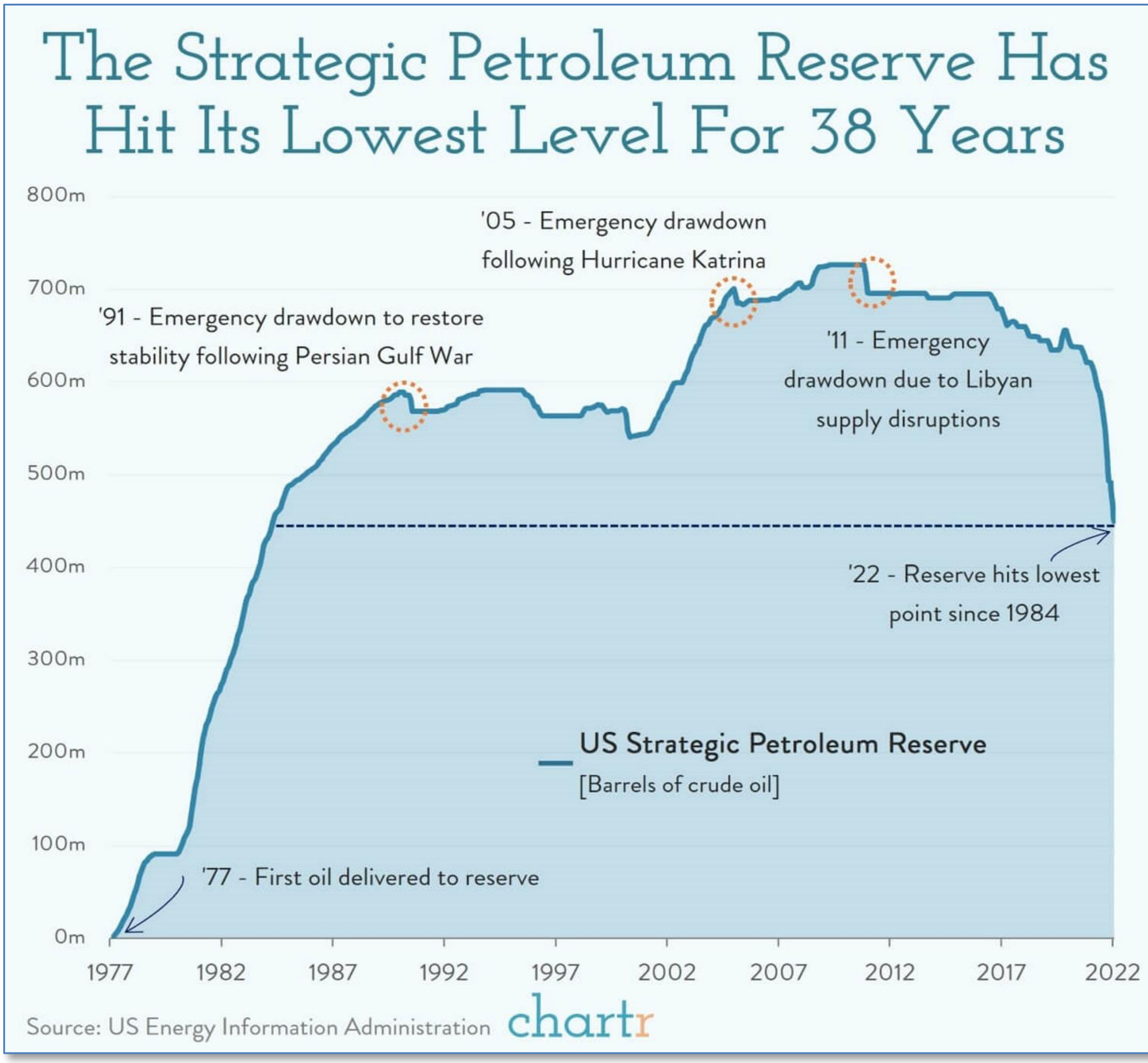
Across the Atlantic, businesses and households in the United Kingdom are warning they won't make it through the winter without help from the government. Incoming Prime Minister Liz Truss will have her hands full almost as soon as she comes into office. For months, the United Kingdom has endured a leadership vacuum while the country has skidded toward a recession and a humanitarian crisis triggered by soaring energy bills. Since Boris Johnson announced he would leave office in July, the outlook for growth has weakened. Annual inflation is running above 10% as food and fuel prices surge. Furthermore, the British pound just logged its worst month since the aftermath of the 2016 Brexit referendum. The pound sits at its lowest level against the U.S. dollar in more than two years. "It's just one blow after the other," said Martin McTague, who heads up the UK's Federation of Small Businesses. "I'm afraid I can't find any good news."

On Europe's mainland, France's national statistics agency, Insee, expects an expansion this quarter, but its latest forecasts suggest stagnation in the following three months. In August, the central bank's monthly poll of 8,500 firms showed supply difficulties had eased, reaching their lowest level in a year. In addition, the number of businesses raising prices has declined. Based on its analysis of business leaders' responses, the Bank of France cited overall concerns to be the availability and price of energy, and how households will react to inflation. The Bank of France stated, "In a very difficult and uncertain economic environment, overall activity continues to resist."

In Asia, the world's second-biggest economy is grappling with the impact of a severe drought, a real estate sector suffering from the hangover of running up too much debt, and Beijing's strict adherence to a rigid zero-Covid policy. Within the past two weeks, eight megacities have gone into full or partial lockdowns. Together these vital centers of manufacturing and transport are home to 127 million people. Nationwide, at least 74 cities had been closed off since late August, affecting more than 313 million residents. Craig Singleton, senior China fellow at the Foundation for Defense of Democracies, a DC-based think tank stated, "Beijing appears willing to absorb the economic and social costs that stem from its zero-Covid policy because the alternative — widespread infections along with corresponding hospitalizations and deaths — represents an even greater threat to the government's legitimacy."

Japanese Prime Minister Fumio Kishida ordered that a fresh stimulus package be put together in October to help the economy weather the impact of inflation. The government will consider an extra budget to fund the extra stimulus Kishida said, without offering further details. A previous package announced in April had 6.2 trillion yen ($43.2 billion) in measures to help households and businesses deal with inflation. Japan's government unveiled an updated round of price-relief steps that largely extends previous aid while adding cash handouts and grants. Kishida said low-income households will receive 50,000-yen ($347) handouts to help them cope with higher energy bills and food prices. Regional governments will get a 600-billion-yen boost in grants to pursue their own inflation measures, the premier added.

Finally: In October of 1973 the members of the Organization of Arab Petroleum Exporting Countries, led by Saudi Arabia, proclaimed an oil embargo targeted at nations that had supported Israel during the Yom Kippur War. The embargo led to the price of oil rising nearly 300% in the United States, and the formation of the Strategic Petroleum Reserve (SPR) an emergency stockpile of petroleum maintained by the Department of Energy. President Biden has authorized the release of much of that capacity to reduce the price of gas at the pump, causing the level to drop (precipitously) to less than 450 million barrels today—its lowest level since 1984. Critics have questioned whether it's wise to reduce the stockpile in the midst of rising geopolitical tensions, while others point to recently falling gas prices as proof that the drawdown was necessary – and worked. (Chart from 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

If all the money printing drove up stock and real-estate prices, what will the opposite do?

Yours truly,

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

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

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

https://www.clevelandfed.org/our-research/indicators-and-data/inflation-nowcasting.aspx
https://data.bls.gov/cgi-bin/surveymost?bls
https://www.epbmacroresearch.com/

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.)