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Week of October 10, 2022

Last week's newsletter discussed "epic finales of super bubbles" as explained by Jeremy Grantham of GMO. You can read it here *Newsletter - Moulton Wealth*. But this week a UBS investments article imploring their clients to follow the example of another famous investor – Warren Buffett – caught our eye.

I'm sure most reading this know who Warren Buffett is. If not number one, he would arguably land in the top two or three best investors of our lifetimes. He has many memorable sayings, one of which is often used by investment firms to convince their clients to never sell.

ATTEND OUR…

RISK MANAGEMENT

SEMINAR

BRING A GUEST

- **OCTOBER 19TH @ 9:30 AM – SPOKANE**

(BREAKFAST)

- **OCTOBER 26TH @ 11:00 AM – RICHLAND**

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“Our favorite holding period is forever.”

Back to the UBS piece titled “W.W.W.B.D? (What would Warren Buffet do?) In it they implore everyone to be aware of our emotions, to take a long term view, to take a step back and to weigh tradeoffs. Not bad advice, but presented in a way, not surprisingly, to convince investors it all adds up to not selling positions that are, coincidentally, *paying UBS*.

Warren Buffett is the CEO of Berkshire Hathaway, a holding company. As a holding company it invests its capital to get the maximum return for shareholders. Sometimes that means buying entire companies but more often it means buying stocks of companies, just like you and me.

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. You can also read all the past newsletters and take the test to find your Risk Number.

If you were to follow UBS’ advice and invest like Warren Buffett, what would that look like? As a supposed buy and hold investor you’d expect an allocation of equities and fixed income and little cash, as you’d be told you needed to get your money working for you and cash doesn’t do that, especially in a rising stock market. In fact if you were holding cash while waiting for an opportunity or lower prices, you’d be told you were “timing the market”, a cardinal sin according to the buy and hold crowd.

Although we don’t get to look at Mr. Buffett’s personal brokerage accounts, we can look at Berkshire Hathaway’s financial statements as they are a publicly traded company.

Over the last five years, headed into 2022, the aggregate balance of “Cash and cash equivalents” plus “Short-term investments in U.S. Treasury Bills” were as follows.

Year End 2021	$143,854,000,000
Year End 2020	$135,014,000,000
Year End 2019	$124,973,000,000
Year End 2018	$109,255,000,000
Year End 2017	$103,975,000,000

In fact at the end of 2016 it was “only” $70,919,000,000.

Was he just neglectful of almost $144 billion by the end of 2021 that he could have “put to work” or is he not the same type of buy and hold investor that Wall Street tries to make us?

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

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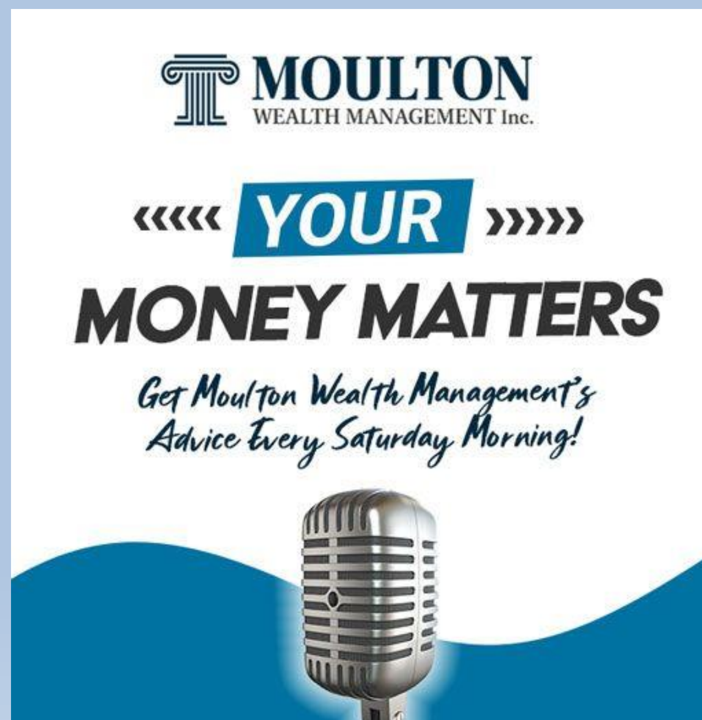


Maybe Mr. Buffett thinks it prudent to be more defensive when it's warranted by the particulars of the time. The last five years have shown stocks to be ever increasingly overpriced. Maybe he wanted a good value or he was worried about the inevitable downturn.

So where does that leave us today? Business Insider's Linette Lopez recently wrote an article titled *"Wall Street is completely delusional about the pain that's about to hit the stock market."* In it she notes that in the face of a slowing economy (two consecutive quarters of negative GDP), Fed tightening to slow the economy further (up from 0% - .25% a scant six months ago to 3% - 3.25% today and more to come), a housing market that is crumbling, inflation that is eroding our purchasing power, and warnings from the likes of Fed Ex that the slowdown is already here, Wall Street is expecting strong corporate earnings in 2023, higher than 2022 and even higher than they initially estimated for 2023.

What??

Since 1960, earnings during recessions have dropped by 31%, according to the article. And if that's the average of all recessions, take the over and bet they'll fall further in a recession that is being stoked by Central Banks around the world. But even if they only fall back to pre-Covid levels, roughly down 24% from where they ended last year, Justin Simon of Jasper Capital tells us it would imply a *further* S&P-500 decline of 30% to 40% from here.

You read that right – *further*.

If you think that's impossible, the math says it would equate to a total top to bottom decline of about 51% for the S&P-500. The Dot.com bear market saw a 50% decline and the Housing Bubble saw a decline of 57%. So it has happened.

As you look at your most recent brokerage statement, imagine seeing it 30% to 40% smaller even than it is right now.

I guess Wall Street missed another of Warren Buffett's famous quotes.

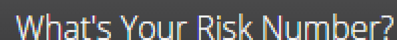
"Rule No 1: Never lose money. Rule No. 2: Never forget rule No. 1."

What is your defensive plan?
There's still time.

Call or attend a seminar to hear about ours.

Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC

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: Stocks ended higher for the first time in four weeks but surrendered most of their gains at the end of the week, when employment data suggested that the economy was not slowing enough to satisfy Federal Reserve policymakers. Energy was the standout performer in the S&P 500 Index as oil prices surged following a decision by major exporters to cut global production. The Dow Jones Industrial Average retraced most of last week's decline rising 2.0% to 29,297, but the technology-heavy NASDAQ Composite only managed a 0.7% gain to 10,652. By market cap, the large cap S&P 500 added 1.5%, while the mid cap S&P 400 and small cap Russell 2000 rose 2.9% and 2.2%, respectively.

International Markets: Major international markets finished the week in the green as well. Canada's TSX added 0.8%, while the United Kingdom's FTSE 100 gained 1.4%. France's CAC 40 and Germany's DAX rose 1.8% and 1.3%, respectively, while in Asia, China's Shanghai Composite finished flat. Japan's Nikkei retraced all of last week's decline by rising 4.5%. As grouped by Morgan Stanley Capital International, developed markets gained 1.5% and emerging markets finished the week up 2.2%.

Commodities: Commodities were mostly higher for the week. Precious metals rose: gold rose 2.2% to $1709.30 per ounce, while silver rallied 6.4% to $20.25. Oil surged on rumors of a Fed pivot and OPEC production cut. West Texas Intermediate crude jumped 16.5%, while Brent crude gained 15.4%. 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 down -0.8%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits jumped by almost 30,000 last week, a sign of rising layoffs as the economy slows and businesses scale back employment. The Labor Department reported initial jobless claims hit a five-week high of 219,000 last week. Economists had forecast new claims would total just 203,000. Of the 53 states and U.S. territories that report jobless claims, 30 showed an increase and 23 recorded a decline. Meanwhile, the number of people already collecting unemployment, known as 'continuing claims', rose by 15,000 to 1.36 million. That number remains near a 50-year low.

The U.S. added just 263,000 new jobs last month, the smallest gain in over a year and a half, the government reported. The weaker reading was attributed to shortages of qualified

labor and waning demand for workers as the economy slows. While the reading was strong historically, it was the weakest since April of 2021. It also fell short of Wall Street forecasts. Economists had forecast 275,000 new jobs to be created. In the details, hotels, restaurants and other companies in the hospitality business created 83,000 new jobs, reflecting strong demand for services such as travel and recreation. Hiring also rose sharply in health care and professional businesses. Manufacturers also added 22,000 jobs and construction firms hired 19,000 people. Employment fell slightly in finance, transportation and government. The unemployment rate dropped from 3.7% to 3.5%--that puts it back at a pre-pandemic low and marks one of the lowest rates since the late 1960's. Analysts viewed the unemployment rate report as a big negative for the stock market as they said the report was not weak enough to deter the Fed from continuing to hike interest rates. Senior economist Sam Bullard of Wells Fargo stated, "There's no evidence to suggest the Fed should reduce the pace of rate hikes."

The labor market may finally be cooling as the number of job openings in the U.S. sank to a 13-month low. The Labor Department reported job openings in the U.S. fell to 10.1 million in August, down 1.1 million from July marking the second-largest monthly drop since records began. The decline in job openings was the fourth in the last five months, and openings fell below 11 million for the first time since November 2021. Also in the report, the number of people quitting their jobs rose by 100,000 to 4.16 million—not far from an all-time high. The 'quits rate' is often used by analysts as another barometer of the labor market as its assumed that one would only leave a job in favor of a more lucrative one. Chief economist Stephen Stanley of Amherst Pierpont Securities wrote in a note that the job-openings report shows signs of a cooling labor market but, "I will want to see another significant monthly decline in job openings before jumping fully on board with the notion of a loosening labor market," he added.

A key barometer of American factory activity fell to a more than two-year low last month, as high inflation and rapidly rising interest rates weighed on demand. The Institute for Supply Management (ISM) reported its manufacturing index declined 1.9 points to 50.9 in September. Economists were expecting a reading of 52.0. While numbers above 50 signify growth, the index has fallen sharply since earlier in the year. Rising interest rates and higher prices are an increasing headwind for the economy. While manufacturers report they are still growing for now, many report that they are adopting hiring freezes in anticipation of demand weakening further. Timothy Fiore, chairman of the survey stated, "Companies are saying we don't need as many employees. That is a clear change compared to where we have been a year or a year and a half ago." Economists Oren Klachkin and Kathy Bostjancic at Oxford Economics wrote in a note to clients, "Manufacturing will lose more steam in the months ahead as slackening goods demand and weak business investment depress activity."

In the vast 'services' side of the U.S. economy, ISM stated business conditions dipped in September, but employment remained strong. ISM's services index dipped to 56.7 in September but exceeded economists' forecasts for a reading of 56. In the details, the new orders index fell 1.2 points to 60.6, while production slipped 1.8 points to 59.1. However, the employment barometer rose 2.8 points to 53. Yet some companies reported they would be

more cautious about hiring and rely more on temporary labor in case a recession ensues. Of note, the prices-paid index, a measure of inflation, fell 2.8 points to 68.7. That marks the fifth straight decline and the lowest level since the start of 2021. Prices are still high and rising, executives said, but they are not rising as rapidly as they were earlier in the year. Thomas Simons, economist at Jefferies, wrote in a note to clients, "All the details in this month's report are encouraging, and they are consistent with our view that the economy was not in a recession in the first half of 2022, nor is it heading into one in the second half."

International Economic News: Despite some early signs of a slowing, economy Bank of Canada Governor Tiff Macklem said more interest rate hikes were necessary to bring inflation down. Speaking to the Halifax Chamber of Commerce, Macklem said high inflation increasingly reflects domestic pressures on prices. The governor said while global events such as the pandemic and the Russian invasion of Ukraine have fed into higher prices, demand is outpacing supply more broadly in the Canadian economy. As the economy fully reopened in the spring, pent-up demand for services in sectors like travel and recreation began driving inflation even higher, he said. When asked whether the bank's path to a "soft landing" has narrowed, Macklem said the bank's primary focus is restoring low and stable inflation. "Our mandate is clear. Our primary responsibility is price stability," he said.

Across the Atlantic, Deutsche Bank senior economist Sanjay Raja stated that since the bank's last growth update "the UK economic outlook has weakened further." In a downbeat assessment, analysts at Deutsche Bank said UK GDP was due to take until 2024 to return to the level of December 2019 (before the pandemic struck). Deutsche Bank said the government's tax cuts and energy support scheme would help to add about 0.5% to UK GDP over the next year relative to its previous forecasts. However, higher interest rates from the Bank of England would shave off close to 0.8% from GDP relative to its previous estimates. "Tighter financial conditions … will offset much of [the] gains from fiscal policy," Raja added.

On Europe's mainland, the French government announced a package of measures this week aimed at cutting the country's energy consumption by 10% in the hope of getting through the winter without power cuts. Energy Transition Minister Agnes Pannier-Runacher stated the target was "only the first step" towards an objective of cutting energy use by 40% by 2050. "Urgent action is needed," she said, calling for "a general mobilization" in favor of restraint in energy use which should lead to a 10% reduction in energy use within two years compared to its 2019 level. The energy plan comes a day after the announcement that French gas reserves are at 100% but experts warn this may not be enough, depending on the severity of the coming winter.

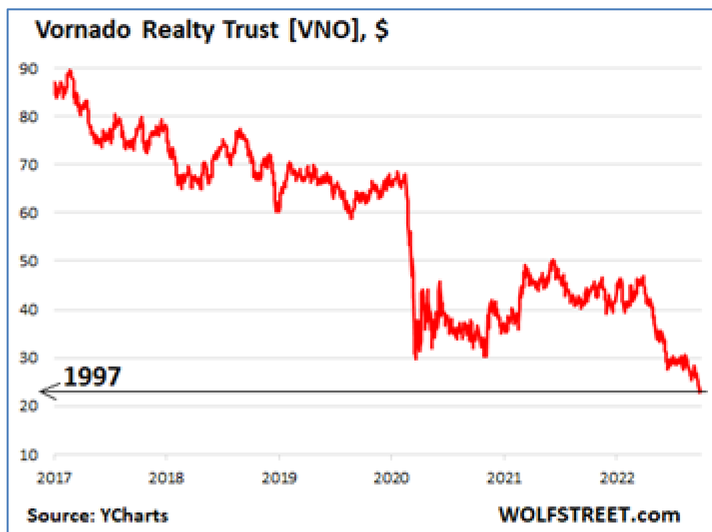
German Chancellor Olaf Scholz announced a package worth 200 billion euros ($198 billion) designed to help with soaring energy prices. The "defensive shield" includes a gas price brake and a cut in sales tax for fuel. The proposals could cut 2 percentage points off inflation in the next year, but they are unlikely to prevent an economic contraction. However, not all analysts view this as the best solution. Christian Schulz, deputy chief European economist at Citi stated

the package “may soften the coming recession but also poses risks.” "The risk is that others may follow that example," Schulz said. Schulz said Germany could "afford" any debt financing thanks to its low debt-to-GDP ratio and lower external funding needs, but the package could open the door for less fiscally prudent countries to want to borrow large amounts and issue new debt.

In Asia, Chinese President Xi Jinping is expected to appoint one of his closest allies as economic czar as he prepares to kick off a third term at the helm of the Communist Party. According to a source familiar with Chinese politics, He Lifeng is like a “brother” to Xi. He Lifeng, chair of the powerful National Reform and Development Commission (NDRC), is seen as a likely successor to Vice Premier Liu He, Xi's current economic policy chief. Liu He is expected to retire after a party congress in mid-October. Lifeng, 67, has worked with Xi for decades. His star rose when Xi was governor of Fujian in the early 2000s. He took over as NDRC chief in 2014, just two years after Xi came into power and in 2018 was promoted to deputy chair of the Chinese People’s Political Consultative Conference (CPPCC), the top state advisory body. The move is seen as a further expansion of Xi’s involvement in China’s macroeconomic policies.

Japan will take "unprecedented" measures to curb rising electricity bills for households and businesses as a weak yen fans inflation and global recession fears pose big risks to the economy, Prime Minister Fumio Kishida said. The government will compile another economic stimulus plan by the end of October, including a rare measure to directly ease the rise of electricity prices that are subject to abrupt price flare-ups, Kishida told parliament. In the past, the government has paid subsidies to fuel wholesalers to keep gasoline and kerosene prices low, but now policymakers are floating new ideas such as providing cash payouts and giving subsidies to utility firms to curb power price hikes. The government is also considering a subsidy scheme for consumer and industrial gas in the upcoming package, which would further increase the size of the fiscal payout involved, Japanese news agency Kyodo reported.

Finally: REITs, or Real Estate Investment Trusts, are considered by many to be an essential holding in a well-diversified portfolio. However, many REITs, especially those specializing in commercial real estate such as office buildings, have been horrifically damaged by the dramatic drop in demand for office space throughout the US. One of the most widely-held REITs operating in this space is the Vornado Realty Trust (VNO), which has a very heavy presence in the office space markets of New York City, Chicago and San Francisco. Despite paying a hefty dividend, the stock has fallen dramatically, down about 75% from its all-time high and now trading where it first traded in 1997, 25 years ago. (Chart from wolfstreet.com) At



first glance, a story like this might prompt an investor to go buy shares. But before you run out and do so because of the *"great discount"*, be aware that their December 1997 financials showed basic earnings per share of $0.83 while their December 2021 financials show basic earnings per share of $0.53. This is why the particulars and data matter. It's easy to get caught up in the theory that prices used to be higher than they are today, so shares are now on sale. But what if the previous price was simply grossly overvalued?

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.

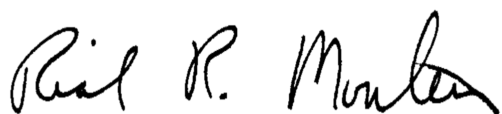
We discuss many of these issues on the weekly radio show and invite you to listen.

WEEKLY FOCUS – THINK ABOUT IT

"Rule No 1: Never lose money. Rule No. 2: Never forget rule No. 1."

Warren Buffett, Berkshire Hathaway CEO

Yours truly,



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

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***The Barclays Global Aggregate Bond Index** (formerly Lehman Brothers Global Aggregate Index), an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed income securities denominated in 13 currencies. The index reflects reinvestment of all distributions and changes in market prices.*

***The Barclays U.S. 1-10 Year TIPS Index** is an unmanaged index composed of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

***The Barclays U.S. Aggregate Bond Index** is an unmanaged benchmark index composed of U.S. securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million.*

***The Barclays U.S. TIPS Index** is an unmanaged index composed of all U.S. Treasury Inflation- Protected Securities rated investment grade, have at least one year to final maturity, and at least $250 million par amount outstanding.*

***The Barclays U.S. Treasury Index** is an unmanaged index composed of U.S. Treasuries.*

***The CDX IG 12** is a benchmark high-grade derivatives index, which measures the cost of insuring a basket of U.S. investment-grade corporate debt against defaults.*

***The Chicago Board Options Exchange Volatility Index (VIX)** tracks the expected volatility in the S&P 500 over the next 30 days. A higher number indicates greater expected volatility. Common usage: The Chicago Board Options Exchange Volatility Index (VIX), a barometer of market volatility.*

***The Dow Jones Industrial Average** is a widely followed market indicator based on a price-weighted average of 30 blue-chip stocks that trade on the New York Stock Exchange which are selected by editors of The Wall Street Journal.*

***The Dow Jones Wilshire Real Estate Securities Index (RESI)** is used to measure the U.S. real estate market and includes both real estate investment trusts (REITs) and real estate operating companies (REOCs). It is weighted by float-adjusted market capitalization.*

***The JP Morgan Emerging Market Bond Index** is a total-return, unmanaged trade-weighted index for U.S. dollar-denominated emerging-market bonds, including sovereign debt, quasi-sovereign debt, Brady bonds, loans, and Eurobonds.*

***The JP Morgan EMBI Global Diversified Index** tracks the performance of external debt instruments (including U.S.-dollar-denominated and other external-currency-denominated Brady bonds, loans, Eurobonds and local market instruments) in the emerging markets.*

***The JP Morgan GBI-EM Global Diversified Index** tracks the performance of local-currency bonds issued by emerging market governments.*

***The MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index represents 23 developed market countries.*

***The MSCI All Country World Index** is a market-capitalization-weighted index composed of over 2,400 companies, and is representative of the market structure of 46 developed and emerging market countries. The index is calculated with net dividends reinvested in U.S. dollars.*

***The MSCI EAFE Index** is an unmanaged, market-capitalization-weighted equity index that represents the developed world outside North America.*

***The MSCI Emerging Markets Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging market equities.*

***The NASDAQ Composite Index** is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.*

***The Russell 1000 Index** includes 1000 of the largest U.S. equity securities based on market cap and current index membership; it is used to measure the activity of the U.S. large-cap equity market.*

***The Russell 2000 Index** includes 2000 small-cap U.S. equity names and is used to measure the activity of the U.S. small-cap equity market.*

***The S&P 500 Index** is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks in the Industrials, Transportation, Utilities and Financials sectors.*

Investing Terminology

Alpha *is a measure of a portfolio's return above a certain benchmarked return.*

Alternative Investments *are investments that are not one of the three traditional asset types (stocks, bonds and cash). Alternative investments include hedge funds, managed futures, real estate, commodities, and derivatives contracts.*

Asset-Backed Securities (ABS) *are bonds backed by a pool of loans or accounts receivable and commonly include payments from credit cards, auto loans and mortgage loans.*

Austerity *refers to measures taken by a country's government in an effort to reduce expenditures and a budget deficit.*

Beta *is a measure of the volatility or systematic risk of a security or a portfolio in comparison to the market as a whole.*

Book-to-Price Ratio *is the inverse of the price-to-book ratio, which is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued, and vice versa (the higher the book-to-price ratio, the better the value).*

Commercial Mortgage-Backed Securities (CMBS) *are pools of commercial mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on. In general, CMBS carry less prepayment risk than loans backed by residential mortgages.*

Corporate Bonds *are debt securities issued by corporations to raise money; these bonds usually pay higher coupon rates than government or municipal bonds.*

Correlation Risk *refers to the change in the marked to market value of an asset when the correlation between the underlying assets changes over time.*

Credit Ratings *are an assessment of the risk of default of a company or country. The higher the credit quality (or rating), the lower the perceived risk of default.*

Cyclical Sectors or Stocks *are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.*

Debt-to-Equity Ratio *is calculated as long-term debt divided by common shareholders' equity, and measures the amount of a firm's leverage, or debt.*

Donor Advised Funds *are private funds administered by a third party and created for the purpose of managing charitable donations on behalf of an organization, family, or individual.*

Duration *is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.*

Excess Returns *are investment returns from a security or portfolio that exceed a benchmark or index with a similar level of risk.*

Grantor Retained Annuity Trust *is an estate planning technique that minimizes the tax liability existing when intergenerational transfers of estate assets occur. An irrevocable trust is created for a certain term or period of time. The individual establishing the trust pays a tax when the trust is established. Assets are placed under the trust and then an annuity is paid out every year. When the trust expires, the beneficiary receives the assets estate and gift tax free.*

High Yield Debt *is rated below investment grade and is considered to be riskier.*

Managed Futures *strategies use futures contracts as part of their overall investment strategy. They provide portfolio diversification among various types of investment styles and asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments.*

Market Capitalization *is calculated as the number of company shares outstanding multiplied by the share price, and is used to determine the total market value of a company.*

Momentum *is the rate of acceleration for an economic, price or volume movement; it is used to locate trends within the market.*

Mortgage-Backed Securities (MBS) *are pools of mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on.*

Option-adjusted spreads *estimate the difference in yield between a security or collection of securities and comparable Treasuries after removing the effects of any special features, such as provisions that allow an issuer to call a security before maturity.*

Peripheral Eurozone Countries *are those countries in the Eurozone with the smallest economies.*

Price-to-Book Ratio *is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued.*

Private Foundations *are charitable organizations that do not qualify as public charities by government standards. A private foundation is a nonprofit organization which is usually created via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees or directors.*

Quantitative Easing *refers to expansionary efforts by central banks to help increase the supply of money in the economy.*

Recapitalized/recapitalization *refers to injecting fresh equity into a company or a bank, which can be used to absorb future losses. This generally takes place through the company issuing new shares. In the case of a government or organization recapitalizing a bank, it usually results in the government or organization owning a stake in the bank.*

Spreads*: Yield spreads represents the difference in yields offered between corporate and government bonds. If they tighten, this means that the difference has decreased. If they widen, this means the difference has increased.*

Standard Deviation*: Statistical measure of historical volatility. A statistical measure of the distance a quantity is likely to lie from its average value. It is applied to the annual rate of return of an investment, to measure the investment's volatility (risk). Standard deviation is synonymous with volatility, in that the greater the standard deviation the more volatile an investment's return will be. A standard deviation of zero would mean an investment has a return rate that never varies.*

Treasuries *are U.S. government debt obligations that are backed by the full faith and credit of the government. Often, they are used as a proxy for a risk-free asset when comparing other risky assets.*

Yield Curves *illustrate the relationship between the interest rate, or cost of borrowing, and the time to maturity. Yields move inversely to prices. The Barclays Capital 1-10 Year US TIPS Index: Barclays Capital 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

(Other Sources: All index- and returns-data from Yahoo Finance; news from Reuters, Barron's, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zerohedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat,0020Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)