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 November 7, 2022

Last week's newsletter noted that famed hedge fund manager Stan Drunkenmiller is concerned the market "*at best*" could be flat for the next 10 years. How is that possible? This bear market getting bad enough that it takes many years to recover. You can read it here *Newsletter - Moulton Wealth*.

The "Fed Pivot" is the idea that at some point the Fed will ride to stock investors' rescue by stopping their rate hikes and even lowering rates and printing money. It's understandable that many are craving Fed intervention (i.e. saving their portfolios) as most don't have a defensive strategy as part of their investment process. But beyond that, the Fed has actively lowered rates and printed money precisely to bail out lazy investment processes for the better part of the last 20 years. As such, why work hard to integrate a defensive process when the Fed wouldn't let the market drop?

This week the Fed again raised interest rates 0.75% and in the press conference following the announcement the Fed did pivot – from hawkish to even more hawkish.

In investment parlance, hawkish means the Fed will act to slow the economy (usually in an attempt to quell inflation) while dovish means the Fed will act to accelerate the economy (and push up the price of stocks). Printing money (i.e. Quantitative Easing) and reducing rates, which has increasingly been the Fed game plan since Greenspan in the late 1980's, is uber dovish.

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.

This week the Fed made it very clear that they remain hawkish and will continue to be so until inflation reaches their 2% target.

What does this mean for investors?

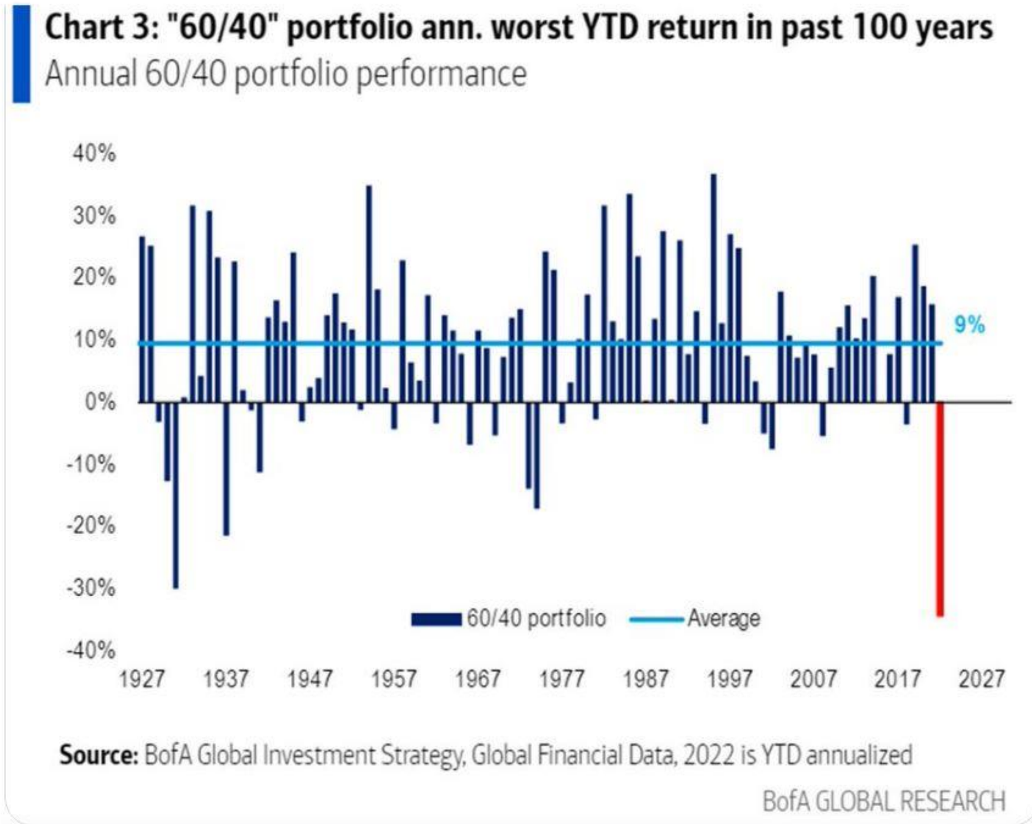
The strategies that you've used – successfully – for the last 20 years will likely no longer work, at least for the next several years.

Buy and hold strategies, low-cost indexing, piling into tech stocks, and pie chart allocated portfolios will continue to struggle without the Fed constantly pushing them higher.

Bank of America tells us that a moderate 60% stock / 40% bond portfolio is on track to fall more this year than any year in the last 100 (see the chart on the following page). This despite the S&P-500 itself only being down less than half the drop of either the Dot.com bubble or Great Financial Crisis bear markets. What does this mean for us today?

There is a lot more room to fall.

Why do we bring this up?

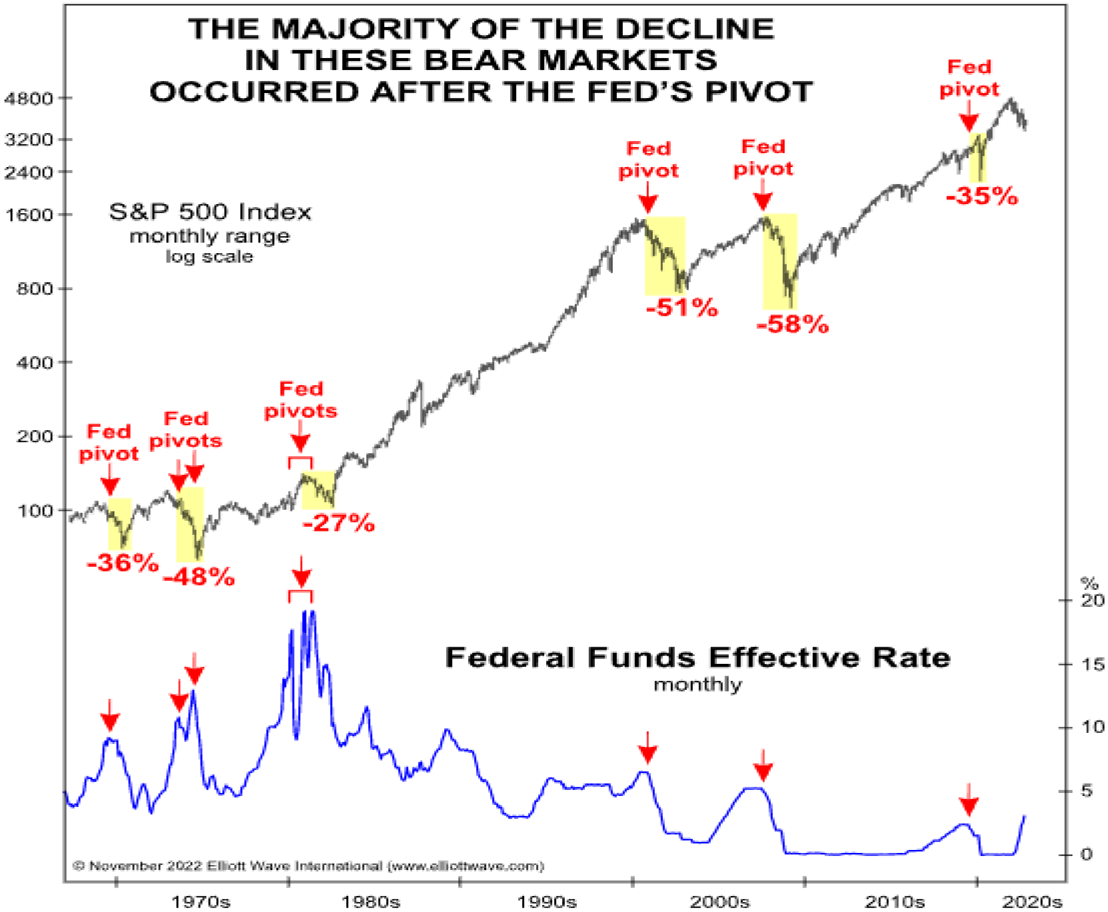


Because investors – and many advisors – still don't believe they have to do the hard work of adjusting their investment approach. They still believe (or at least they still hope) that like past market declines, the Fed will quickly work to make them whole again, just as they've done over and over in the past.

When the Fed saved you in the past, there was not an inflation problem.

But let's say we're wrong and the Fed in fact does pivot. They stop raising rates and they start cutting rates just as they've done so many times before. Does this mean the market recovers?

The chart on the following page from Tom Thornton shows that even when the Fed begins cutting rates, the market usually continues to fall. This is something Rial has discussed often on the radio show. The Fed was actively cutting rates and trying to accelerate the economy and push up stock prices in each of the past several bear markets. But the markets continued to decline. Only the Covid bear market was quickly reversed because of some $8 trillion printed and handed out between the Fed and Congress. That won't happen again.



We're told by Wall Street that changing anything is a mistake, especially as we're about to enter the seasonally strong year end. Over and over talking heads have been assuring investors that "*on average*" November and December are very strong months for stocks as we enjoy the Santa Claus rally.

There is a well-known macro analyst who likes to say…

If you use averages in your analysis, your analysis will be below average.

Dale Darius of 42Macro analyzed returns for the last 94 years and in fact confirmed that the S&P-500 median return for November and December was +1.5% per month. If October was a positive month (and it was) it's a little less positive at +0.8% for November and +1.2% for December.

Pretty encouraging.

But what if we consider the years that the S&P-500 was in a bear market?

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

"YOUR MONEY MATTERS"

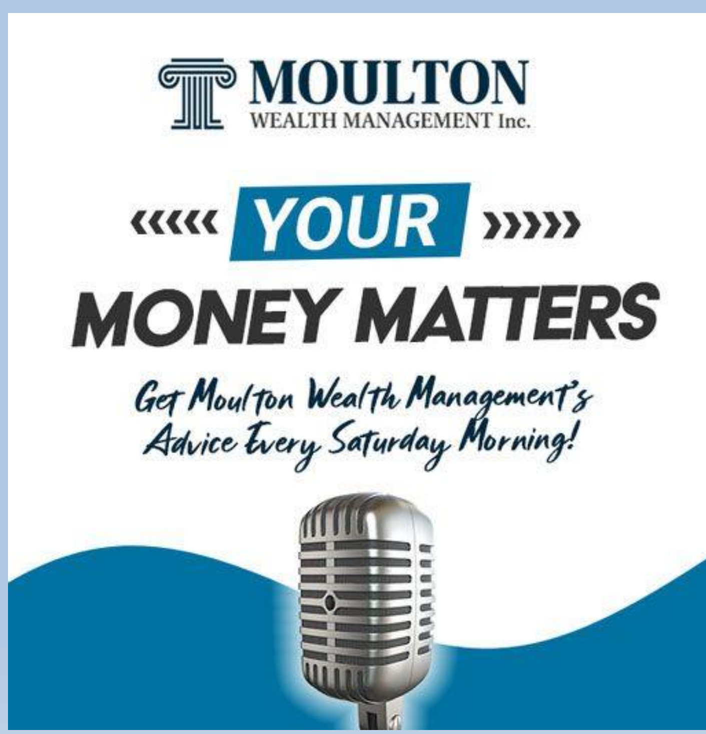
EVERY SATURDAY MORNING AT

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

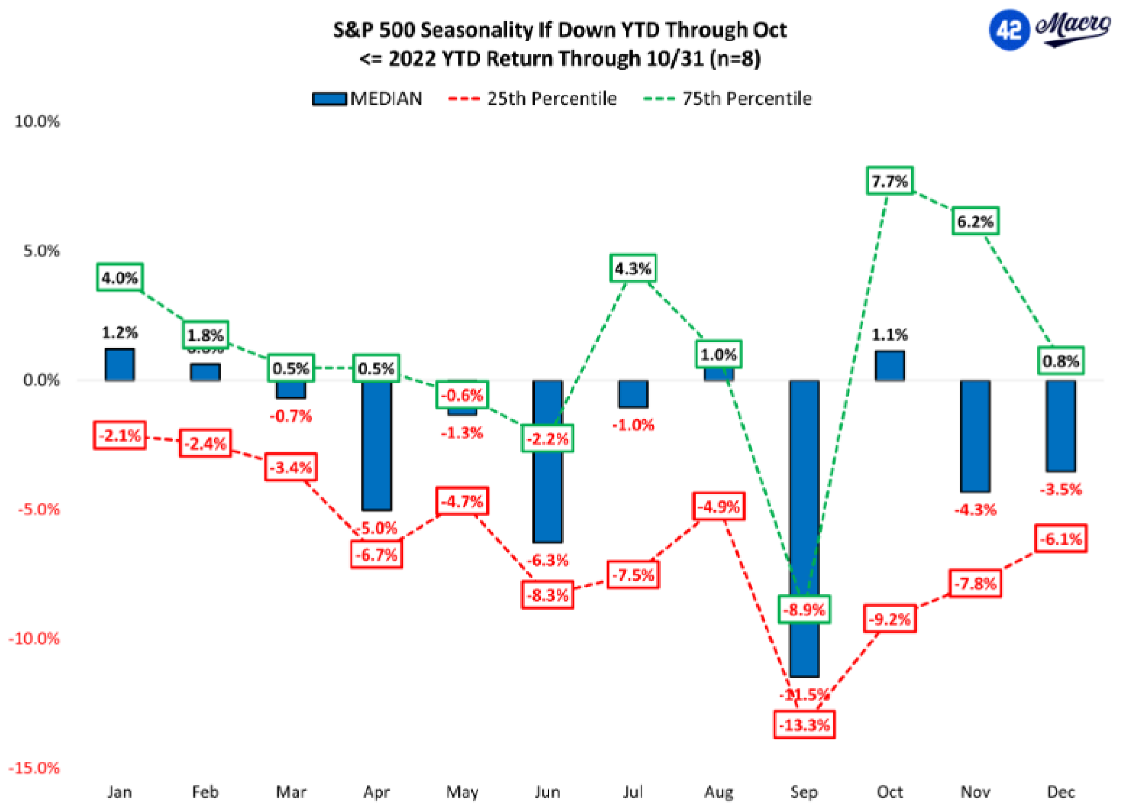


As the following chart shows, there were eight years that the S&P-500 was down year to date through October by as much or *less* than this year. In other words, this analysis doesn't include the worst bear markets.

When the S&P-500 was down year to date, but by an amount equal to or less than it is this year, the median return for October was positive +1.1% (we were just positive in October), but down -4.3% in November and down -3.5% in December.

Don't wait or you could be down much more.

S&P 500 Seasonality If Down YTD Through Oct <= 2022 YTD Return Through 10/31



If you or your advisor have not substantially altered your portfolio this year to reflect the particulars of today's economics and stock market, get ready for much larger losses.

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

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: Stocks fell after the Federal Reserve dashed market hopes for an impending "pivot" in monetary policy—a slowing or pause in rate hikes. The technology-heavy NASDAQ Composite was hit particularly hard as growth stocks declined more than value stocks, and many tech bellwethers had disappointing earnings reports. The Dow Jones Industrial Average ended the week at 32,403, a decline of -1.4%. The NASDAQ shed over 627 points falling to 10,475—a decline of -5.6%. By market cap, the large cap S&P 500 retreated -3.3%, while the mid cap S&P 400 fell -1.2% and the small cap Russell 2000 ended the week down -2.5%.

International Markets: Almost all major international markets finished the week in the green. Canada's TSX ticked down -0.1%, but the United Kingdom's FTSE 100 finished up 4.1%. France's CAC 40 and Germany's DAX added 2.3% and 1.6%, respectively, while China's Shanghai Composite surged 5.3%. Japan's Nikkei finished the week up 0.3%. As grouped by Morgan Stanley Capital International, developed markets added 1.5%, emerging markets rallied 5.6%.

Commodities: Major commodities finished the week to the upside as well. Silver led the way with an 8.6% surge to $20.78 per ounce, while Gold added 1.9% to $1676.60. West Texas Intermediate crude oil gained 5.4% closing at $92.61 per barrel. 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 7.5%.

October Summary: The old-line companies comprising the Dow 30 shoved aside the hot youngsters of the NASDAQ in October. The Dow rallied 14%, the S&P 500 a respectable 8% and the NASDAQ added "just" 3.9%. Mid caps and small caps finished the month up 10.4% and 10.9%, respectively. Internationally, Canada added 5.3% in October and the UK rose 2.9%. France and Germany gained 8.8% and 9.4%, respectively, while China ended the month down

-4.3%. Japan finished October up 6.4%. Developed markets rallied 5.9%. Emerging markets fell -2%. Major commodities were mixed in October with West Texas Intermediate crude rallying 8.8%, Gold retreating -1.9%, and Silver ticked up 0.4%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits dipped last week, remaining near pandemic-era lows. The Labor Department reported that initial jobless claims fell slightly to 217,000. The reading exceeded economists' forecast of 220,000 new claims. The biggest increase in new claims occurred in California and Oregon. The only states to report a sizable decline in unemployment filings were Florida and Kentucky. Meanwhile, the number of people already collecting unemployment benefits rose by 47,000 to 1.49 million. That number remains near a 50-year low. Analysts note that the low number of claims continues to give the Federal Reserve the green light to continue on its path of raising interest rates. Nancy Vanden Houten of Oxford Economics wrote, "The job market remains tight, a key reason that the Fed plans to continue to raise interest rates. We don't expect a significant rise in claims or unemployment until we enter a recession in 2023."

The U.S. economy gained a surprisingly strong number of new jobs last month, a sign the nation's labor market remains strong. The Bureau of Labor Statistics reported 261,000 new jobs were created, exceeding the consensus of 205,000. Although the increase was the smallest since April of 2021, it was still strong by historical standards. Employment rose last month in every major part of the economy. The health-care industry added 53,000 new jobs to lead the way, followed by professional businesses (43,000), leisure and hospitality (35,000) and manufacturing (32,000). However, not everyone was pleased by the good news—especially the Federal Reserve. As Gus Faucher at PNC Financial Services writes, "This actually makes a recession more likely because it means the Fed is going to keep raising interest rates." Fed officials worry the tight labor market is driving up wages and making it harder for them to reduce wages to pre-pandemic levels of 2% or so.

The number of job openings in the U.S. rose again in September, a sign that the scorching hot labor market has yet to cool off. The Labor Department reported job openings rose to 10.7 million, an increase of 400,000 from August. Analysts look at the number of job openings to assess the strength of the labor market and the broader economy. Although companies still list a high number of open jobs, the total has fallen off from a record 11.9 million in March. The high number of available openings is leading to higher wages and contributing to already high inflation, analysts say. Katherine Judge, economist at CIBC Economics wrote in a note," The Fed is looking for a more persistent cooling in order to add some slack to the labor market, and this is a step in the wrong direction." Meanwhile, the number of people who quit their job dipped slightly to 4.1 million—which is still unusually high. Quits have topped 4 million for 15 months in a row. Analysts look at the "quits rate" for the underlying strength in the labor market. It's presumed that one would only quit a job in favor of a more lucrative one.

The Federal Reserve hiked interest rates for a fourth consecutive time and signaled rates were likely to go higher than previously forecast. In a widely expected move, the Federal

Reserve hiked its key interest rate by 0.75% to a range of 3.75-4%--its highest level in 15 years. Furthermore, in its statement the Fed said it expects to continue with further rate hikes "until they are sufficiently restrictive". The Fed also said it will "take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments." While the market initially rallied on the announcement, it sold off when Powell said the central bank's benchmark rate was likely to end up "higher than previously expected." The Fed's last forecast estimated its benchmark rate would top out in a range of 4.5%-4.75%. Powell said the window to achieve a "soft landing" is narrowing. A sizable number of economists are calling for a recession next year.

Manufacturing activity across the nation held steady in October, according to a pair of reports released this week. The Institute for Supply Management (ISM) reported its measure of U.S. manufacturing activity fell 0.7 points to 50.2, slightly exceeding the consensus of a drop to 50.0. It was the lowest reading since May 2020, shortly after the pandemic took hold. In the report, the index for new orders remained in contraction at 47.1, while the production index rose 1.7 points to 52.3. Of note, the price index dropped 5.1 points to 46.6—also the lowest reading since the pandemic. ISM noted "pricing power is shifting back to the buyer" in its summary.

In a separate report, S&P Global reported its index of U.S. manufacturing ticked up to 50.4 in October, but this is down from 52 in September. Timothy Fiore, chair of the ISM factory business survey stated manufacturing is slowing down and could soon enter contraction territory, but that doesn't mean there will be a recession in the U.S. "I don't see a collapse of new orders. I don't see a collapse of the PMI," Fiore said. However, some economists aren't as optimistic. Oren Klachkin, economist at Oxford Economics wrote in a note, "Recession jitters among manufacturers won't disappear any time soon…manufacturing will endure more pain as demand weakens at home and abroad while prices stay high and interest rates remain fairly elevated."

International Economic News: Canada's government set out billions in new spending to support low-income workers and clean energy technologies among other measures, dipping into a tax windfall to provide relief to those hit hardest by fast-rising prices. Analysts said the new spending was modest enough to avoid dramatically altering the inflationary outlook, though it fell short of the fiscal restraint needed at time when prices are rising faster than they have in decades. Finance Minister Chrystia Freeland outlined C$11.3 billion ($8.2 billion) in new spending this year and next, adding to C$11.6 billion of measures laid out since the April 2022 budget. But Freeland sought to reassure an inflation-weary nation that "We know how important it is right now ... not to pour fuel on the flames of inflation."

Across the Atlantic, the Bank of England announced its biggest rate hike in 30 years, lifting its key interest rate to 3%. The central bank raised its key rate by 75 basis points after consumer price inflation came in at a 40-year high in September. The move came even after the bank predicted a two-year economic contraction through June of 2024, which would be the longest recession since at least 1995. Andrew Bailey, governor of the Bank of England stated, "If we don't take action to bring inflation down, it gets worse." The rate increase is the Bank of England's eighth in a row and the biggest since 1992.

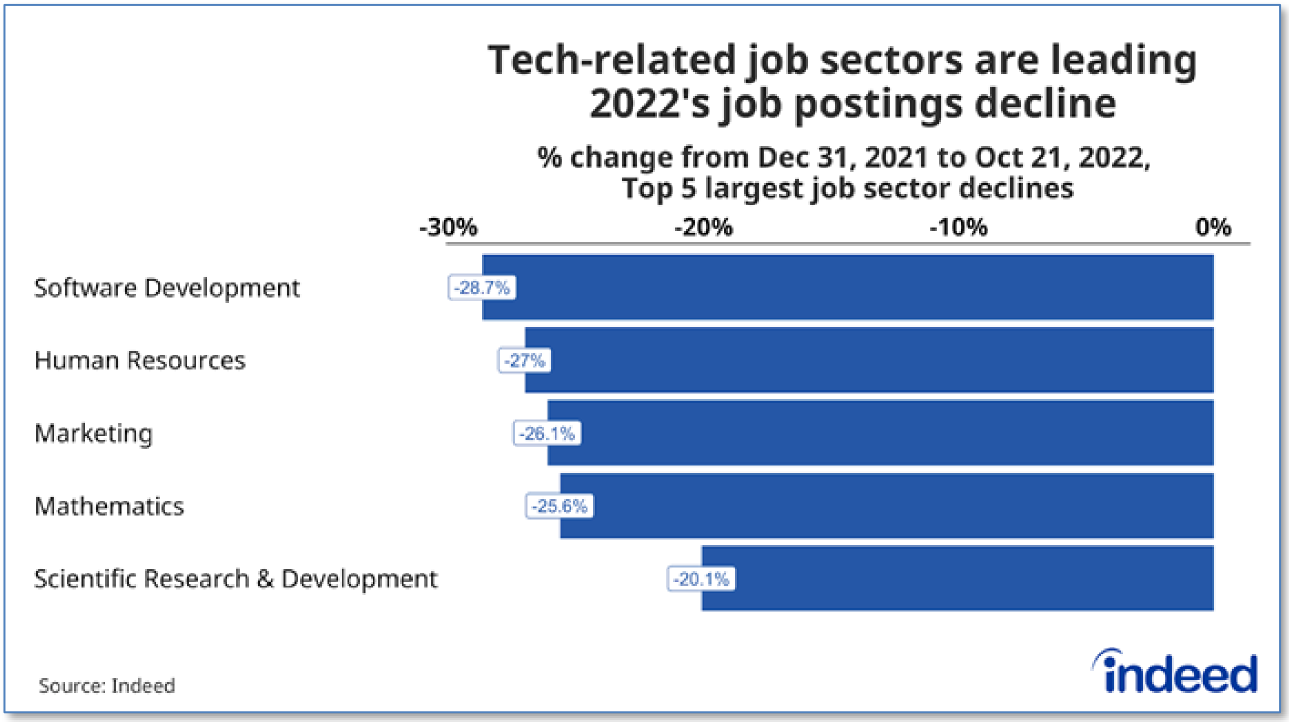
On Europe's mainland, more than nine out of ten people in France are concerned about the level of inflation, a survey by French analytics company Odoxa showed. In addition, economic morale is at its lowest with 78% of respondents saying they are "less confident" in their nation's economy. President of Odoxa, Gael Sliman, told BFM Business that the French believe that inflation is twice as high as the level reported by INSEE, the official French statistics agency. More than a third of respondents believed inflation was above 15%--almost three times what official government data showed. In addition, 46% of respondents said they have already used up all their savings or taken out one or more loans to meet daily expenses.

German Chancellor Olaf Scholz is making an in-person visit to China this week, a move that drew criticism that Germany's economy is too reliant on China. Frederick Kliem, E.U. and international relations expert from the S. Rajaratnam School of International Studies stated, "Undoubtedly, Germany's dependence on China is too great on at least three levels: dependency on the consumer market, on China as a production base, and on import of some critical products, such as rare earth elements." Furthermore, he added, Germany must reduce its dependency so that it is neither susceptible to blackmail by Beijing, nor unable to implement sanctions.

In Asia, Barclays cut its economic growth forecast for China next year to 3.8%, a move based partly on a drop in global demand for Chinese-manufactured goods. As their economics teams in the U.S. and Europe are now forecasting recessions next year, they now expect China's exports to drop by 2-5% in 2023, versus previous expectations for 1% growth. "China's share of global exports has been shrinking this year," the analysts said. "Foreign companies are seen to have shifted their orders away from China to its Asian neighbors, including Vietnam, Malaysia, Bangladesh and India, for the production of some key labor-intensive goods."

Japan's economy is expected to have slowed markedly in the third quarter as global recession risks hurt external demand while rising inflation and a weak yen's impact on imported prices weighed on consumers' spending power. A Reuters poll of 18 economists forecast the world's number 3 economy grew at an annualized rate of 1.1% in the third quarter—down sharply from the 3.5% expansion in the second. The significant slowdown in part highlights the harsh impact on Japan from the yen's slide to 32-year lows against the dollar, which has exacerbated the cost-of-living strains by further lifting the price of everything from fuel to food items. Prime Minister Fumio Kishida's government is stepping up support for households to try to ease the effects of cost-push inflation, with a 29 trillion-yen ($196.09 billion) spending packaged added to the budget.

Finally: A series of TV ads from the Indeed job-posting site feature the memorable tag line "Indeed you do!" When applied to jobs in the Tech sector, that line might be "Indeed, you don't!" Published data by Indeed's "Hiring Lab" shows just how much job openings in the tech sector have shrunk this year. (Chart from Indeed's "Hiring Lab")



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

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

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

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

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

WEEKLY FOCUS – THINK ABOUT IT

"The strategies that you've used – successfully – for the last 20 years will likely no longer work, at least for the next several years."

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.

Investment services offered through Moulton Wealth Management, Inc., an independent Registered Investment Advisor. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Investments in securities do not offer a fixed rate of return. Principal, yield and / or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.

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, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)