MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of November 21, 2022

Last week's newsletter noted that big market moves – even to the upside – are historically a sign of bear markets. As such you should use them to reduce equity exposure in this environment. You can read it here *Newsletter - Moulton Wealth*.

HAPPY THANKSGIVING!

ATTEND OUR…

RISK MANAGEMENT

SEMINAR

BRING A GUEST

- **NOVEMBER 30TH @ 9:30 AM – SPOKANE**
- **DECEMBER 7 @ 11: AM - RICHLAND**

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LAST SEMINARS OF 2022

You may know that Rial and I have backgrounds in accounting. Both of us worked at "Big Eight Public Accounting Firms" far in the past. The great thing about working at these firms is they were essentially a masterclass in how businesses operate.

On the radio show last Saturday (you can listen to the podcast here Your Money Matters) we discussed inventories and how corporations expense them.

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.

For accounting and tax purposes, companies in the U.S. have the option of expensing inventories using either FIFO (first in, first out) or LIFO (last in, first out) or other less common calculations.

The easiest way to explain it is by example.

Let's say a store sells 74 inch, high definition televisions. Further let's assume they hold 30 of these televisions in their inventory. Of those, 10 were purchased in early 2021 before inflation at $400 per television, 10 were purchased in the last 6 months at $500 per television, and the others were purchased in between.

When inflation began to rise this year, the store was able to increase their sales prices from $700 to $850.

For accounting purposes, when they sell their next $850 television how much do they deduct as cost of goods sold?

If they elected to use LIFO, they would expense $500 (the last television purchased) and their profit would be $350 ($850-$500). If they elected to use FIFO (the first television they purchased), they would expense $400 and their profit would be $450 ($850-$400). From a percentage perspective, $450 is a 29% bigger profit than $350 – and that's a lot!

Back to corporate America. Although the U.S. allows corporations to choose either inventory expense method, most foreign countries allow only FIFO. As such about 50% of all S&P-500 companies use that convention.

Corporate profits so far in 2022 have held up surprisingly well, possibly due to the use of FIFO in their accounting. Let's consider the impact of it in an inflationary environment going forward.

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 inflation accelerated in late 2021 and throughout 2022, corporations raised prices. In fact price increases are the definition of inflation. With higher prices, each unit of sales generated higher revenues. Meanwhile the cost of goods sold on a FIFO basis are valued at pre-inflationary prices. As such their profit margins expanded. Even if they sold marginally fewer units, their profits may still rise because the profit per unit is so much higher.

So far so good.

But what happens as they use up their “old” inventory and begin expensing their “new” inventory? Now it works in reverse as their cost of goods sold rises and their margins drop. In our example above, they move from a profit of $450 ($850-$400) per unit sold to a profit of $350 ($850-$500). That’s a decline of -22% without any change in units sold.

What happens when both the profit per unit AND the units sold declines?

Isn’t accounting fun?

On the show we discussed how bear markets generally unfold in two stages.

Stage one is when investors, for whatever reason, decide that the price they are paying per $1 of earnings is too high. This is called multiple compression. It happens when a stock selling at a P/E multiple (price to earnings multiple) of 30 falls to a P/E of 25, for example. That means the price of the stock falls 17% ((30-25)/30). The earnings part of the equation is assumed untouched, but the price multiple is reduced.

Stage two is when investors realize that the earnings are no longer safe. This is normally the bigger and swifter decline, as both the price multiple and earnings are reduced. Let’s do the math. If we assume a company earns $5 per share and the P/E now fell from 30 to 25, the stock price would have fallen from $150 (30x$5) per share to $125 (25X$5). Now as profits decline (in the example above they fell -22%) it means the earnings go from $5 to $3.90 per share. At the same time investors are likely to decide a P/E of 25 is too high for a company whose profits are falling and cut the P/E to a more reasonable 15.

Now the stock price falls from $125 per share to $58.50 per share (15x$3.90) or 53%.

Although this is a theoretical exercise and not meant as a prediction, and granted the numbers may all be different, it demonstrates how the process works. (And by the way, this didn’t even factor in a reduction in units sold as a recession sets in.)

In the real world Great Financial Crisis, the S&P-500 fell -24% from the start on October 9, 2007 until the Lehman bankruptcy on September 15, 2008. That was close to a year, and not that far off from what we've lived through this year.

Then in just over a month from September 15, 2008 to October 27, 2008, the S&P-500 fell ***ANOTHER*** -28.8%. And from September 15, 2008 to the ultimate bottom, about 5 months later, it fell ***ANOTHER*** -43%.

Not only do bear markets normally unfold in two stages with the latter stage being the most dangerous, it also demonstrates that risk happens slowly and then all at once.

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.

What's Your Risk Number?

In the markets:

U.S. Markets: Most of the major U.S. indexes gave back a portion of last week's strong gains and closed modestly lower. Growth stocks lagged value-oriented shares and the energy sector underperformed as European oil and natural gas inventories reached near-peak levels. The Dow Jones Industrial Average closed the week flat at 33,746. The technology-heavy NASDAQ Composite retraced -1.6% finishing the week at 11,146. By market cap, the large cap S&P 500 retreated -0.7%, while the mid cap S&P 400 declined -0.8% and the small cap Russell 2000 fared the worst, ending the week down -1.8%.

International Markets: International markets finished the week mixed. Canada's TSX ended the week down -0.6%, while the United Kingdom's FTSE 100 rose 0.9%. France's CAC 40 and Germany's DAX rose 0.8% and 1.5%, respectively. In Asia, China's Shanghai Composite ticked up 0.3%, while Japan's Nikkei shed -1.3%. As grouped by Morgan Stanley Capital International, developed markets ended the week down -0.5% and emerging markets pulled back -0.3%.

Commodities: Major commodities finished the week predominantly in the red. Gold pulled back -0.9% to $1754.40 per ounce, while Silver retreated -3.1% to $21.00. West Texas Intermediate crude plunged -10% to $80.11 per barrel. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, ended the week down -7.2%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits pulled back last week, but media reports of layoffs are starting to rise. The Labor Department reported 222,000 people applied for unemployment benefits last week, slightly below the consensus forecast of 225,000. However, recent headlines, especially from large technology companies, show layoffs appear to be on the rise. The only state to report a big increase in jobless claims was Minnesota. Kentucky showed the biggest decline. Most other states were little changed. Meanwhile, the number of people already collecting benefits rose by 13,000 to 1.5 million. That number is reported with a one-week delay.

Sentiment among the nation's homebuilders continued to sour this month as their confidence index fell to its lowest level since the pandemic. The National Association of Homebuilders reported its monthly confidence index fell 5 points to 33 this month. It was its eleventh consecutive month of declines. Outside of the pandemic, the November reading is at its lowest level since June 2012. All three gauges that make up the headline index fell. Current sales conditions fell 6 points to 39, while sales expectations dropped 4 points to 31. The gauge that measures prospective buyer traffic declined 5 points to just 20. The Federal Reserve's aggressive interest rate hikes have made home ownership much less affordable with rates on 30-year mortgages now hovering near 7%.

As expected, actual construction of new houses pulled back last month as high mortgage rates put off buyers and forced builders to scale back. The Census Bureau reported housing starts fell by 4.2% to an annual pace of 1.43 million last month, down from 1.49 million in September. Economists had expected housing starts to come in at 1.41 million. Meanwhile, building permits - a sign of future building activity - slipped 2.4% to a rate of 1.53 million, down from a record 1.9 million last December. Single-family home construction fell 6.1% to an annual rate of 855,000 in October. Projects with five units or more registered a 556,000 rate, little changed from the prior month. Housing starts are down 9% from a year ago, when mortgage rates briefly dipped below 3%. Permits have fallen 10% from a year earlier.

Prices at the wholesale-level ticked up last month but not nearly as much as expected, the Labor Department reported. The Producer Price index ticked up 0.2% in October, a fourth consecutive soft reading, suggesting inflation may be slowing after hitting a 40-year high earlier this year. Economists had forecast a 0.4% gain. On an annual basis, wholesale prices slowed to 8% from 8.4% after peaking at 11.7% in March. Meanwhile, a separate measure of wholesale prices that strips out the often-volatile food and energy categories, so-called "core" prices, also rose 0.2% last month. On an annual basis, that number also pulled back 0.2% to 5.4%. The cooler inflation data was welcome news to analysts as well. Rubeela Farooqi, chief economist at High Frequency Economics remarked, “The improvement in the October inflation data, if it persists, supports the Fed’s expectation of a step down in the pace of [interest-rate] increases going forward.”

Factory activity in the New York-area edged higher this month, its first positive reading since July. The New York Federal Reserve reported its Empire State business conditions index, a gauge of manufacturing activity, rose 13.6 points to 4.5 in November. The reading exceeded economists’ forecasts of just a slight improvement to -6. In the details, the index for new orders dropped 7 points to -3.3, while the shipments index jumped 8.3 points to 8. However, firms were more pessimistic about the future. The index for future business conditions fell 4 points to -6.1.

Sales at the nation’s retailers jumped last month, a sign that despite a difficult year in the equities markets consumers remain resilient. The government reported sales jumped 1.3% in October, slightly exceeding the consensus forecast of 1.2%. It was the biggest increase in eight months. Excluding auto dealers and gas stations, receipts were still up 0.9%. Retail sales are a big part of consumer spending and offer clues on the strength of the economy. Sales rose in almost every major retail segment in October. Paul Ashworth, chief North American economist at Capital Economics stated that if the U.S. consumer keeps spending, an economic downturn should remain mild. Ashworth wrote in a note, “We still think the economy will slide into a mild recession in the first half of next year, but much more of this from the U.S. consumer, and we might be in for a soft landing after all.” Unfortunately, this is likely just more Wall Street “hopium”. Retail sales are reported gross of inflation, with a big October adjustment higher. First the seasonal adjustment alone added 0.87% so without it retail sales grew 0.43%. Second unadjusted CPI rose 0.41% month over month. If we subtract that we’re now at a month over month increase in real retail sales of 0.02%. In fact, real retail sales declined roughly -1.8% year over year and are down for all of 2022.

The Conference Board stated a recession in the U.S. is imminent as its Leading Economic Index (LEI) for the U.S. fell 0.8% last month to 114.9. That reading follows a 0.5% decline in September. The LEI is now down 3.2% over the six-month period between April and October, reversing the previous six months’ 0.5% growth. Ataman Ozyildirim, Senior Director of economics at the Conference Board stated, “The US LEI fell for an eighth consecutive month, suggesting the economy is possibly in a recession. The downturn in the LEI reflects consumers’ worsening outlook amid high inflation and rising interest rates, as well as declining prospects for housing construction and manufacturing. The Conference Board forecasts real GDP growth will be 1.8 percent year-over-year in 2022, and a recession is likely to start around year-end and last through mid-2023.”

International Economic News: Bank of Canada Governor Tiff Macklem said lower-income Canadians will be disproportionately affected by the slowdown in economic activity that is needed to ease inflationary pressures. "Slowing economic growth will disproportionately affect our most vulnerable households," he said. "High inflation and high interest rates to combat inflation put an additional burden on our lowest-income households." Macklem made the comments in his opening remarks at the fourth annual Conference on Diversity, Equity and Inclusion in Economics, Finance and Central Banking. Macklem also reiterated that inflation is too high and challenges remain as the central bank works to lower it. The Bank of Canada has hiked its policy rate by 350 basis points since March to 3.75%, in one of its sharpest tightening campaigns ever. Last month it forecast the Canadian economy would stall through the first half of 2023.

Across the Atlantic, the United Kingdom's Finance Minister Jeremy Hunt stated the U.K. has already slipped into recession. The last time the U.K. was in recession was during the 2008 financial crisis. Hunt, the Chancellor of the Exchequer and the second-highest ranking member of Britain's government behind Prime Minister Rishi Sunak, made the declaration to lawmakers gathered in the House of Commons. Hunt blamed the country's economic woes primarily on the war in Ukraine and supply chain disruptions. "There is a global energy crisis, a global inflation crisis and a global economic crisis. But today with this plan for stability, growth and public services, we will face into the storm," said Hunt.

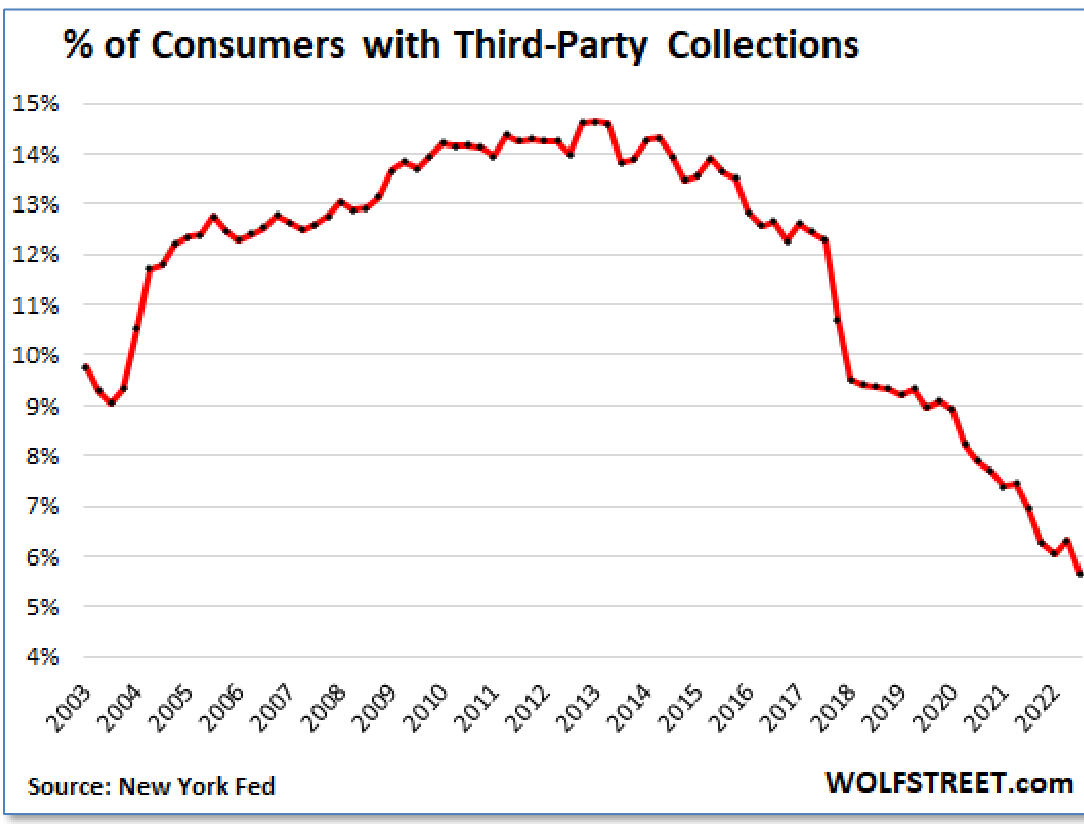
On Europe's mainland, according to French firm Ecole de Guerre Economique research, French people view the U.S. as their biggest enemy and also the biggest hindrance to their economic prosperity—not Russia. EGE noted western media outlets have done their best to paint Russia as the "barbaric villain' in front of people across the globe, but "the truth can't be hidden for long". It's not Russia, but the USA that is being seen as the biggest enemy of the world, the report stated. Many of the sanctions against Russia that were pushed by the United States have had particularly disastrous effects on European nations, especially with regards to energy. But those sanctions have not had the intended impact on Russia--and the U.S. hasn't been harmed either.

The ZEW economic research institute reported German investor sentiment improved more than expected in November on hopes that the rate of inflation will slow soon. ZEW stated its economic sentiment index rose for the second month in a row to -36.7 from -59.2 the month before. Economists had expected a reading of -50. ZEW President Achim Wambach remarked, "This is likely to be related above all to the hope that inflation rates will fall soon. However, the economic outlook for the German economy is still clearly negative," he added. The European Central Bank has increased rates at its fastest pace ever, hiking them by a combined 200 basis points to 1.5% in just three months in an effort to tame record high Eurozone inflation.

In Asia, market sentiment on Chinese stocks hit rock bottom just a few weeks ago after Chinese President Xi Jinping secured a third term in power and stacked his ruling party with loyalists. However, this past week, a series of unexpected steps by Beijing including the easing of draconian zero-COVID restrictions, moves to support its property sector and Xi's return to the world stage have triggered a huge rally. Hong Kong's Hang Seng has surged almost 20%, while China's Shanghai Composite has added 7%. Stephen Innes, managing partner for SPI Asset Management stated, "China continued to see a barrage of upside activity…as reopening measures are a clear buy signal. We are in a sea change after China's more progressive policy evolution arrived unexpectedly."

Japan's economy unexpectedly shrank for the first time in a year in the third quarter, stoking further fears of a global recession. The world's third biggest economy has struggled as global inflation, a weak yen, and sweeping interest rate increases worldwide have weighed on Japan's consumers and businesses. Gross domestic product fell an annualized 1.2% in July-September, official data showed. Economists had expected a 1.1% expansion. On top of being squeezed by a global slowdown and soaring inflation, Japan's currency--the yen--slid to 32-year lows against the dollar. Despite the poor reading, Atsushi Takeda, chief economist at Itochu Economic Research Institute, remained optimistic writing, "The three key pillars of demand - consumption, capital expenditure and exports - remained in positive territory."

Finally: One of the hallmarks of a recession is a rise in consumer credit defaults, inevitably resulting in a rise in 3rd-party collection activity. That has not happened yet – in fact, quite the opposite. 3rd-party collection activity is at a record low of 5.7% of consumers – well less than half the 14.6% level seen in 2008's recession. Despite record high credit card balances being carried by consumers, the rate of default is surprisingly low, at least so far. (Chart from Wolfstreet.com)



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

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

At the bottom of the 2007 - 2009 bear market the S&P-500 index returned to levels last seen in 1996.
The drop didn't retrace only a few months or even a couple years.

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

WEEKLY FOCUS – THINK ABOUT IT

8. Bear markets have three stages – sharp down, reflexive bounce and a drawn-out fundamental downtrend.

Bob Farrell's 10 rules of investing

Yours truly,

Rial R. Moulton

Donald J. Moulton

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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), is an unmanaged market-capitalization-weighted benchmark, and 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.)