Moulton Wealth Management Inc.

MOULTON HOT MINUTES

Specializing in Retirement and Tax Planning

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Week of November 28, 2022

Last week's newsletter discussed accounting conventions and how they will almost certainly lead to profit margin compression as new, higher priced inventory gets sold. You can read it here [Newsletter - Moulton Wealth](#).

It can be tempting to throw out risk management and chase market rallies, assuming the bear market is over and hoping to catch the bottom.

Do not do it!

This is a time to reduce risk, not chase it.

If you don't know how to adjust your portfolio for what's coming, call the office for a second opinion.

Largest 1-day Gains in NASDAQ Index (Feb 1971 – Nov 2022)

Date	Gains	Bear Market
01/03/2001	14.2%	YES
10/13/2008	11.8	YES
12/05/2000	10.5	YES
10/28/2008	9.5	YES
03/13/2020	9.4	YES
04/05/2001	8.9	YES
03/24/2020	8.1	NO
04/18/2001	8.1	YES
05/30/2000	7.9	YES
10/13/2000	7.9	YES
10/19/2000	7.8	YES
05/08/2002	7.8	YES
12/22/2000	7.6	YES
11/10/2022	7.4	?
10/21/1987	7.3	YES
04/06/2020	7.3	NO
04/18/2000	7.2	YES
03/10/2009	7.1	NO
03/23/2009	6.8	NO
04/25/2000	6.6	YES
04/17/2000	6.6	YES

Charles Schwab, Bloomberg

On November 11th the Nasdaq rallied +7.4% in a single day. Wall Street was quick to proclaim it a new bull market and to advise investors to pile in.

But what does history tell us?

First, keep in mind that even after that rally the Nasdaq was still down -29% year to date. If you were told to stay invested while the Nasdaq declines -36.4% so you don't miss the +7.4% bounce, leaving you *"only"* down -29% post bounce for the year, would you sign up?

InvesTech Research looked at the largest one-day rallies in the Nasdaq from February 1971 through November 2022. Of the 13 one day bounces that were larger than the November 11th bounce, 12 of them occurred in bear markets and one in a bull market. And the one exception was during Covid with the Fed and Congress printing $trillions to make it happen.

Big moves, even big up moves, are much more prevalent in bear markets than bull markets.

This should be especially worrisome in the context of a recession. The Economic Cycle Research Institute (ECRI) has long been the gold standard of business cycle analysis. One of

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"Your Money Matters"

every Saturday Morning at

8:00 am on KXLY radio channel 920 am in Spokane

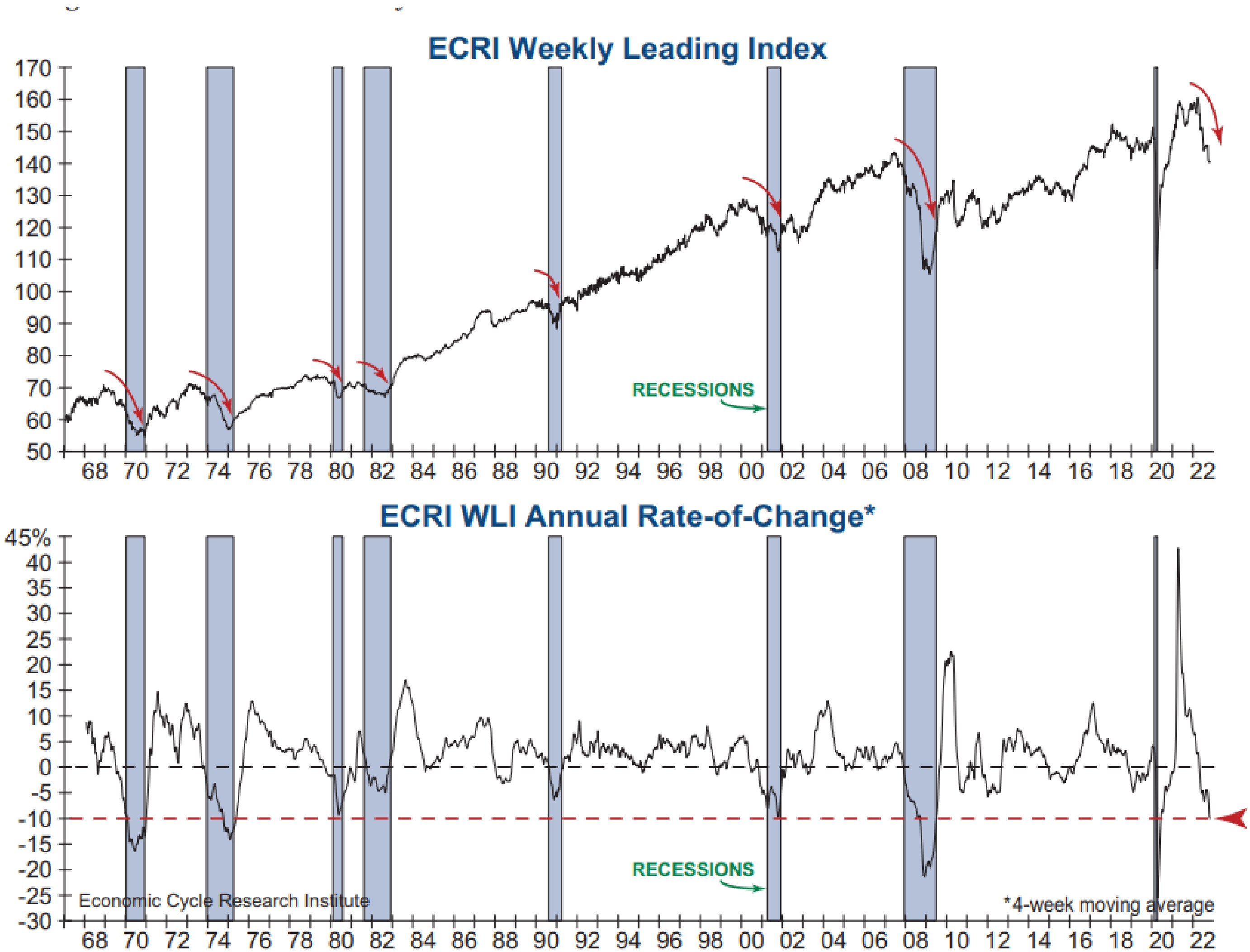
and at 9:30 am on NewsTalk Radio Channel 870 am in the Tri-Cities Area

listen live at www.newstalk870.am again at 9:30 each Saturday morning

Or visit our website moultonwealth.com for podcasts

their tools is called the ECRI Weekly Leading Index (WLI). It is a leading indicator for the economy and it has fallen significantly from its April peak. As the following chart indicates, when it declines below 0, the economy is headed for a recession. However, when it declines as swiftly as it has, and especially when it hits a level of -10, the economy has always already been in a recession or just entering one.

The following graph tells the tale.



Then why has the market rallied over the last several weeks?

Shorter-term bear market rallies are quite common within longer term bear market declines.

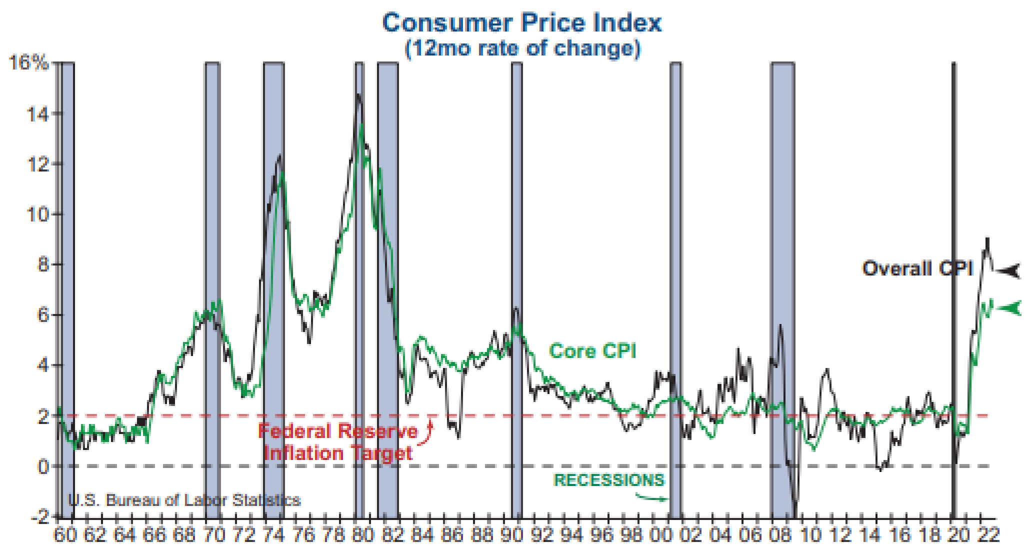
One of the “hopes” among those who shun risk management for the easier buy and hope approach is that the Fed is poised to “pivot” and start cutting rates and printing money to save their portfolios. It’s understandable to hope. After all, the Fed has a long track record of doing so…

when there was no inflation!

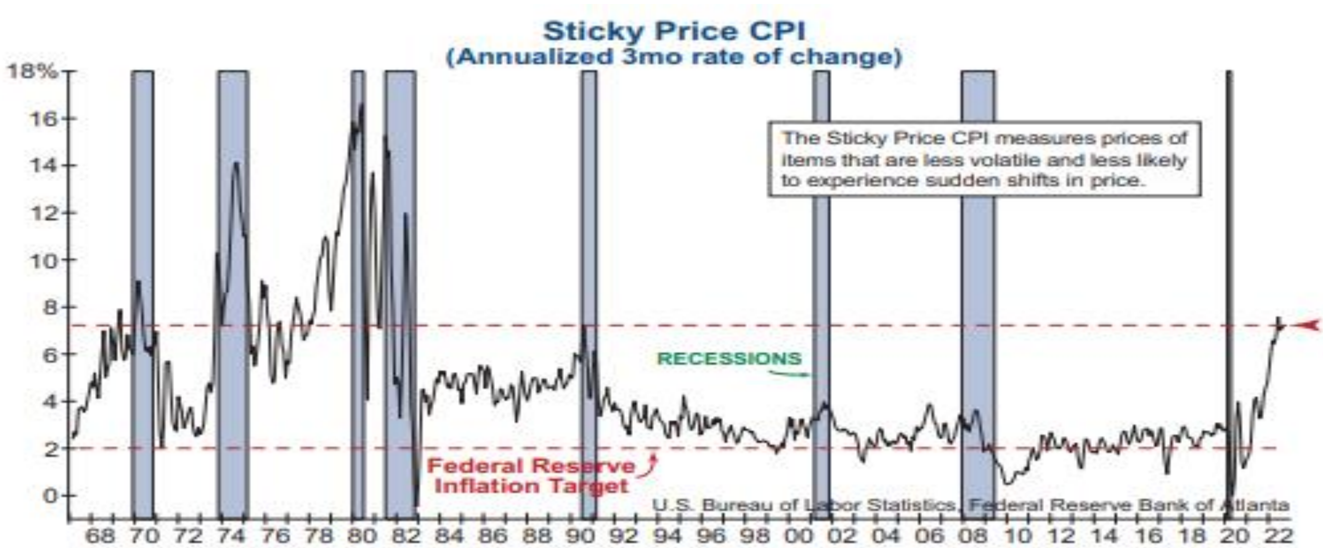
But the inflation today is far above the Fed's target rate meaning they are very unlikely to pivot and bail out lackadaisical portfolio risk management.

While we do believe inflation has likely peaked, we don't believe it will quickly fall to the Fed level, allowing them to change their focus from fighting inflation to supporting the stock market.

First, again from InvesTech, both inflation and core inflation remain exceedingly high.



Next, "sticky inflation" which measures items whose prices change slowly, may not have even peaked yet. Sticky inflation is important to follow as it represents 70% of overall CPI and 80% of Core CPI.



Note that in both charts, the vertical grey bars represent recessions. Notice also that inflation tends to fall significantly only during or leaving a recession. The Fed is aware of this and although they can't come out and say they want a recession, they likely want a recession.

The last two "real" recessions we've endured in the last 22 years – ignoring the Covid insanity since it is unlikely the Fed and Congress will print some $8 trillion to bail out investors during this inflationary environment - was during the Dot.com bubble and the Great Financial Crisis. During both of those recessionary bear markets the Fed and Congress were working to prop up the stock market. Yet the S&P-500 fell -50% in the first and -57% in the second.

How far might the market fall with the Fed actively trying to make it decline rather than trying to prop it up?

Don't confuse a bear market that has temporarily stopped declining to a bull market.

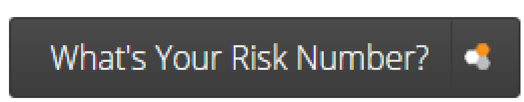
In the Great Financial Crisis, the S&P-500 fell 24% from the start on October 9, 2007 until the Lehman bankruptcy on September 15, 2008. That was close to a year, and not that far off from what we've lived through this year.

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 more dangerous one, it also demonstrates that risk happens slowly and then all at once.

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

Call for a second opinion 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: The major U.S. stock indexes managed gains during the holiday-shortened week, with the benchmark S&P 500 index finishing above the 4000 level for the first time in two months. The Dow Jones Industrial Average added over 600 points last week closing at 34,347, a gain of 1.8%. The technology-heavy NASDAQ Composite tacked on 0.7% closing at 11,226. By market cap, the large cap S&P 500 rose 1.5%, while the mid cap S&P 400 and Russell 2000 each gained 1.9% and 1.1% respectively.

International Markets: International markets were mixed, but the major developed-market indexes were all green. Canada's TSX jumped 2.0%, while the United Kingdom's FTSE 100 finished up 1.4%. France's CAC 40 and Germany's DAX added 1.0% and 0.8% respectively. In Asia, China's Shanghai Composite ticked up 0.1%. Japan's Nikkei closed up 1.4%. As grouped by Morgan Stanley Capital International, developed markets jumped 2.3%, but emerging markets finished the week down -0.7%.

Commodities: Energy finished the week down for a third consecutive week as West Texas Intermediate crude oil retreated -4.8% to $76.28 per barrel. Precious metals were mixed with silver rallying 2.1% to $21.43 per ounce, while Gold finished the week essentially flat at $1754. The industrial metal copper, viewed by some analysts as barometer of world economic health due to its wide variety of uses, ticked down -0.1%.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits jumped last week to their highest level since last August as recent media reports of layoffs at tech giants may be beginning to take their toll. The Labor Department reported initial jobless claims rose by 17,000 to 240,000 people in the week ended November 19. Economists had estimated new claims would rise by just 3,000. Ian Shepherdson, chief economist at Pantheon Economics noted, "We are increasingly inclined to think that the trend in claims is now rising gently, as firms come under increasing pressure from the Fed's aggressive tightening." Meanwhile, continuing claims, which count the number of people already collecting benefits, rose by 48,000 to 225,000.

Sales of new homes jumped in October despite rising mortgage rates. The Commerce Department reported new home sales rose 7.5% to a seasonally adjusted annual rate of 632,000 last month. Economists had forecast new home sales to fall to 570,000. By region, sales surged 45.7% in the Northeast and jumped 16% in the South. But they plunged -34.2% in the Midwest and ticked down -0.8% in the West. Meanwhile, the median sales price of a new home jumped to a record $493,000—a 15.4% increase from the same time last year. The supply of new homes for sale jumped to 8.9 months. Six months is generally considered a 'balanced' housing market.

The U.S. economy is losing speed according to a pair of surveys from Standard & Poor's. S&P reported its preliminary, or "flash", U.S. services sector index dropped to a three-month low of 46.1 this month, while its U.S. manufacturing index slid to a 2 1/2-year low of 47.6. Readings below 50 reflect a contracting economy. New orders, a sign of future business activity, fell at their fastest pace since early in the pandemic. Exports also declined. One positive note in an otherwise ominous report, the cost of supplies—a measure of inflation, eased again in a sign that intense inflationary pressures are abating. Companies also raised prices at their slowest pace in more than two years. Given the reports, more analysts are sounding the alarm that the U.S. economy may be slipping into something more than a mild recession. Chris Williamson, chief business economist at S&P Global Market Intelligence wrote, "Inflationary pressures should continue to cool in the months ahead, potentially markedly, but the economy meanwhile continues to head deeper into a likely recession."

Orders for goods expected to last at least three years, so-called 'durable goods', jumped last month, but economists don't expect the momentum to last as the U.S. economy continues to slow. The Census Bureau reported durable goods orders jumped 1% in October—economists had forecast just a 0.5% increase. Furthermore, a key measure of business spending also rose a solid 0.7% last month. Notably, orders for new cars climbed 0.6% in October, while orders for aircraft jumped 7.4%. However, the transportation category is notoriously volatile and wide swings can skew the headline number. Outside of transportation, new orders still rose 0.5%. Senior U.S. economist Andrew Hunter of Capital Economics stated, "Business equipment investment continues to hold up reasonably well in the face of higher borrowing costs—however we doubt that resilience will continue indefinitely."

Economic growth across the country slowed last month, according to the Federal Reserve Bank of Chicago. The Chicago Fed's National Activity Index (CFNAI) decreased to -0.5 in October from 0.17 in September. The reading suggests economic activity grew slightly below its average historical trend over the month. The CFNAI, designed to gauge overall economic activity and inflationary pressures, is composed of 85 economic indicators from four broad categories of data: production and income, employment, personal consumption and housing, and sales, orders and inventories. Three of the four categories made negative contributions in October. The personal consumption and housing group was the only category that improved last month.

Sentiment among the nation's consumers fell this month reflecting continued worries about high inflation and the rising odds of a recession. The University of Michigan reported that its final reading of consumer sentiment retreated 3.1 points to 56.8 in November. The sub-index that measures how consumers feel about their own financial situation and the current health of the economy came in at 58.8—down 14.8 points from the same time last year. The measure that asks about expectations for the next six months registered 55.6—also below year-ago levels. Americans' view of inflation didn't change much. Americans expect the inflation rate in the next year to average about 4.9% before falling to a long-term average of 3%. Federal

Reserve officials pay close attention to inflation expectations because it can be a harbinger of future price trends.

International Economic News: A new report from the Royal Bank of Canada states that finding a family doctor in Canada is about to get much harder. According to RBC, the country will be short approximately 44,000 physicians before the end of the decade. Currently, the number of Canadians who do not have access to a family doctor has already risen to roughly 6 million from 4.6 million in 2019. The situation is even more dire in rural communities where only 8% of all physicians are serving nearly one-fifth of the country's population, the report said. Canada's supply of doctors has fallen behind its peers in the Organization of Economic Co-operation and Development (OECD), with the number of doctors per capita well behind major economies such as France and Germany. Canada would need to train or hire 30,000 more physicians by 2028 to match the average number of doctors among its OECD peers, according to the RBC report.

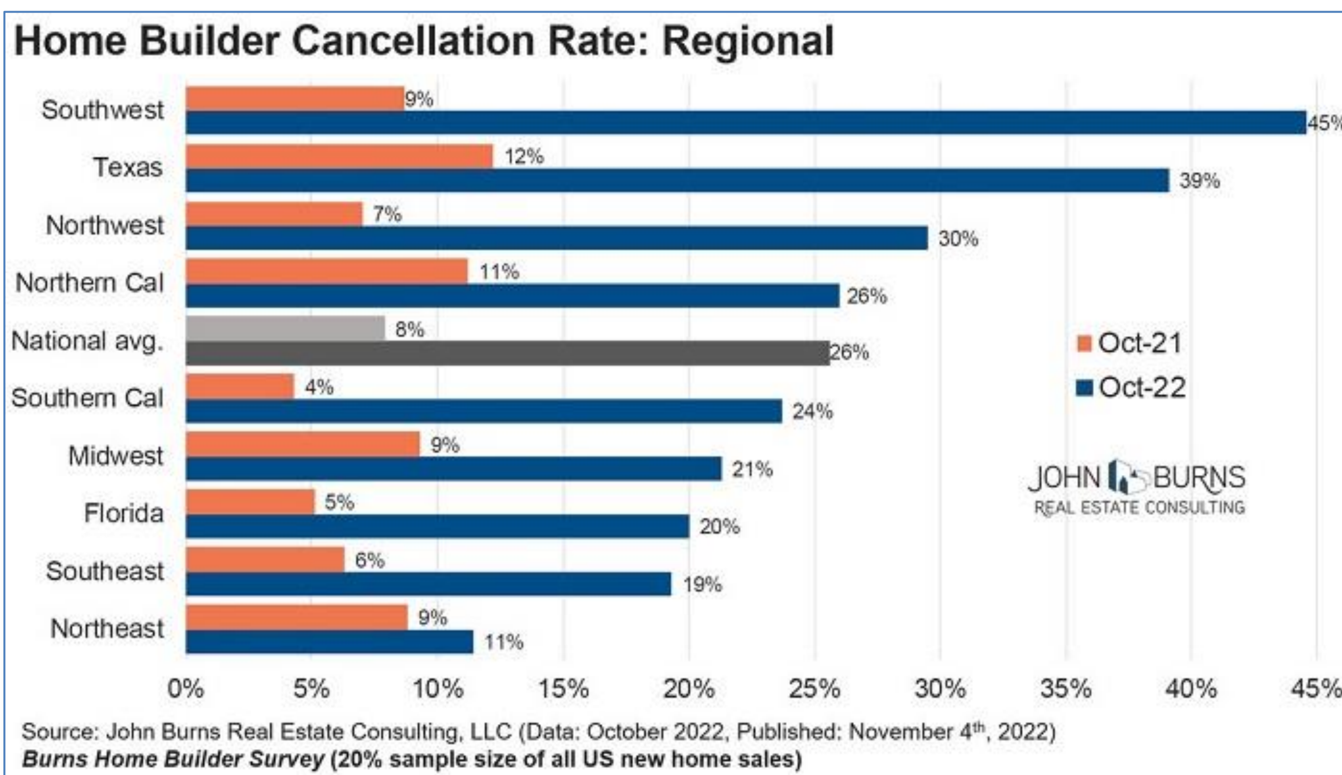
Across the Atlantic, the Organization for Economic Cooperation and Development (OECD) issued a sharp downgrade for the United Kingdom's economy—which is expected to shrink by 0.4% next year and grow by only 0.2% in 2024. The OECD wrote inflation exacerbated by worker shortages and "misdirected energy support" will cause the UK economy to contract more than any of the other seven most advanced nations next year. Germany is the only other G7 country set for a contraction in gross domestic product next year, with a 0.3% drop, the report says. The OECD also took aim at the UK government's support efforts to cap energy bills at about £2,500 ($2,955) until April. "The untargeted energy price guarantee announced in September 2022 by the government will increase pressure on already high inflation in the short term, requiring monetary policy to tighten more and raising debt service costs," it said.

On Europe's mainland, France and Germany sought to pave over differences in economic policies with their ministers saying they agreed Europe needs a strong response to the U.S. administration's plans for government support of some domestic industries. European governments are alarmed that Washington's Inflation Reduction Act (IRA), signed into law by President Joe Biden in August, could put European firms at a disadvantage due to tax breaks it creates for U.S-manufactured goods. "When we look at the IRA, the status quo is unthinkable, a trade war would be irresponsible," French Economy Minister Bruno Le Maire said following talks with his German counterpart Robert Habeck. "Europe has to defend its interests as a priority," Le Maire said, adding that the European Union could create a "buy European act" in response. Habeck said that measures to strengthen European industry should be explored if negotiations with the Biden administration proved fruitless.

In Asia, China reported record-high COVID-19 infections with cities nationwide imposing lockdowns, mass testing, and other curbs that are darkening the outlook for the world's second-largest economy. The resurgence of infections, nearly three years after the pandemic emerged in the central city of Wuhan, casts doubt on investor hopes that China could ease its rigid zero-COVID policy soon, despite recent targeted measures. The curbs are taking a toll on lockeddown residents as well as output at factories, including the world's biggest iPhone plant, which has been rocked by clashes between workers and security personnel in a rare show of dissent. Brokerage Nomura cut its China GDP forecast for the fourth quarter to 2.4% year-over-year from 2.8%, and cut its forecast for full-year growth to 2.8% from 2.9%, which is far short of China's official target of about 5.5% this year.

Japan’s finance chief vowed an all-out effort to fight rising prices as inflation in Tokyo outpaced forecasts and hit its fastest clip since 1982 this week. Finance Minister Shunichi Suzuki said the government will do all it can to cope with the cost-of-living crisis to put the economy on a higher growth path, as he sought parliamentary approval for an extra budget to fund an economic package. After the government submitted the 28.9 trillion yen ($206 billion) budget plan, Suzuki told parliament the economy is facing headwinds from accelerating inflation, driven by surging commodity prices and the yen's sharp decline that has inflated import prices. But BOJ Governor Haruhiko Kuroda has repeatedly said the central bank's ultralow rate policy should be retained, opposite to the actions of virtually all other developed nations’ central banks, thus ruling out a near-term interest rate hike.

Finally: As mortgage rates continue to rise and home sales continue to slow, the next leg down of a slowing real estate market has begun—contract cancellations. The National Association of Home Builders (NAHB) has reported large drops in the traffic of prospective buyers in each of the last eight months. Of the dwindling number of people that have actually signed a sales contract, many are having second thoughts, followed by buyer’s remorse, followed by canceling the contract. As the chart below shows, the rate of home purchase cancelations in all major markets save for the Northeast is now a multiple of the cancelation rate of a year ago. (Chart from John Burns Real Estate Consulting, LLC)



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

How far might the market fall with the Fed actively trying to make it decline rather than trying to prop it up?

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.

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.*

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https://www.investech.com/current-issue/?V2022I11

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.)