MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

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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

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It's important when risk managing a portfolio to pay attention to the economy. Whether we like it or not, recessions lead to a decline in corporate earnings which in turn lead to a decline in the stock market.

We've alerted readers to the fact that both the 2 year / 10 year and 3 month / 10 year U.S. Treasury yield curves have inverted. What does this mean? That both 2 year and 3 month U.S. Treasury Bonds are yielding more than the 10 year U.S. Treasury Bond. Remember, the Fed controls short term rates but the market, economy and inflation control long term rates. When they invert they are sending a message that we are likely either in, or headed into a recession.

Lance Roberts of RealInvestmentAdvice wrote an article recently about the two mentioned inversions along with others. He researched a basket of yield curves and what happened when the majority of them inverted. From the chart to the right you can see that when a cluster of them invert, we are either in or headed into a recession (recessions are vertical bars).

Where are we today?

Of the 10 yield curves he tracks, 80% have inverted as of this writing.

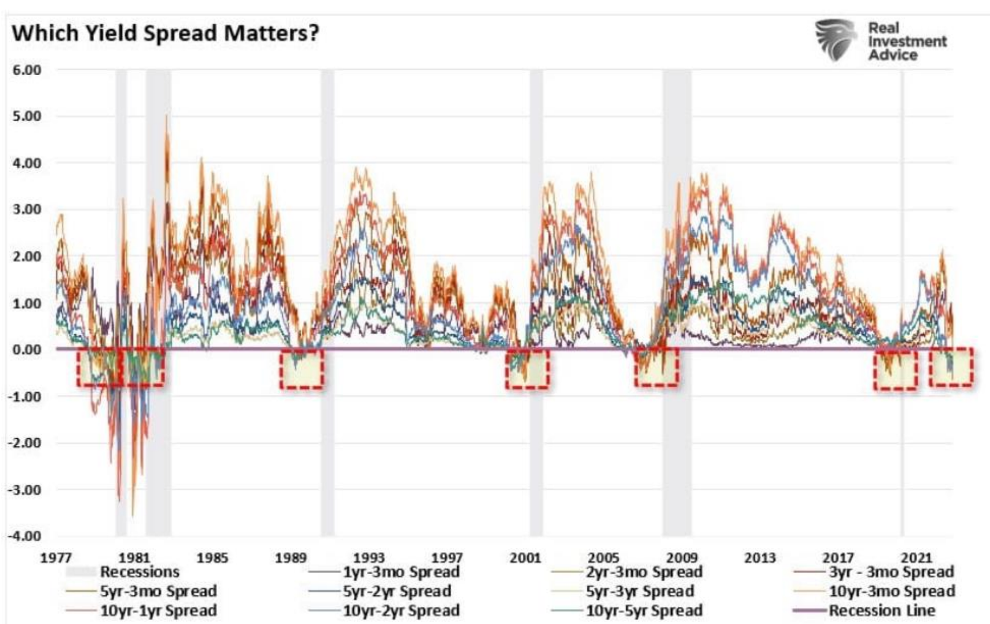
Is that significant?

He tells us that when only 50% of them invert, a recession is imminent.

This should surprise no one. The Fed's goal is to cause a recession (although they'd never tell you as much).

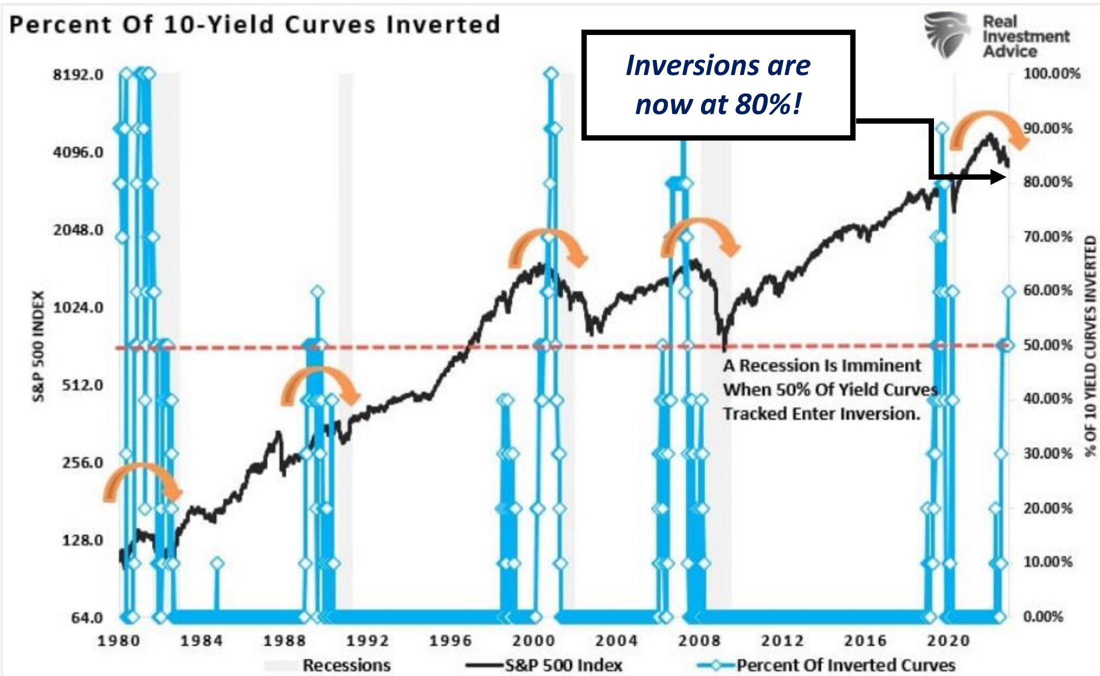
Why do they want a recession? It's better said that they "need" a recession. Only with a recession to they stand a chance of bringing down inflation. And they've told us over and over that bringing down inflation is their primary goal.

The chart on the next page visually demonstrates the history of this basket and the inversions. The vertical blue lines demonstrate the number of yield curves that have historically



inverted. The vertical bars are recessions. The black line is the S&P-500 stock market. Two things:

1. When the number of inversions cross the horizontal dashed 50% threshold, we've either been in, or were entering a recession.
2. With recessions come stock market declines.



In fact, yield curve inversions have been a much better warning for recessions than much of the economic data Wall Street likes to use when trying to convince us to buy and hold. The last two major recessions (the Dot.com bubble and the Great Financial Crisis) had positive economic news into the recession. If you had reduced equity exposure as soon as 50% of these yield curves inverted (rather than listening to Wall Street data telling you the economy was strong), you would have not only bypassed much of the market volatility, you would have also saved years of trying to recoup market losses. You certainly would have been better off than trying to ride it out with a buy and hold philosophy.

The deepest and longest bear markets happen during recessions, and we are likely entering the worst part of this one.

<u>It's not too late to protect yourself.</u>

What is your defensive plan? Attend a free seminar or call for a portfolio second opinion.

Waiting could be costly.

Yours truly,

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

Donald J. Moulton, CFP®, RFC
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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 ask them to send an email with their information and permission to be added.

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. 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. Consult your financial professional before making any investment decision. You cannot invest directly in an index. www.investech.com

You don't have multiple yield curve inversions and still enjoy a soft landing.

Weekly Radio Show Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

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- **How employing and consistently following a defensive system could help you to a better retirement.**
- The Secure Act tax law change could alter how you leave your retirement accounts!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

And so much more!

SPOKANE

Hampton Inn—Valley
BREAKFAST!
16418 E. Indiana —Spokane
Jan. 18th @ 9:30 AM

TRI-CITIES

Hampton Inn
486 Bradley Blvd; Richland
Jan. 25th @ 11:00 AM

COMPLIMENTARY SEMINAR

For those 50 years old and older

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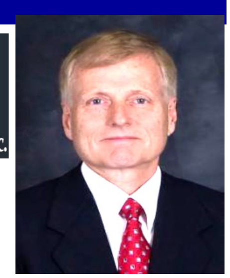

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Inverted Yield Curves!

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Multiple Yield Curve Inversions Aways End in Recessions and Bear Markets.

Spokane	No Cost Seminars for Retirees and those close to Retirement	Richland
Jan. 18th @ 9:30 AM *Details Inside*		Jan. 25th @ 11:00 AM *Details Inside*