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 December 19, 2022

Last week's newsletter discussed that Fed Pivots (i.e. when they finish raising rates and start cutting them) usually happen at the beginning of bigger market declines. They don't "save" the market. You can read it here: Newsletter - Moulton Wealth.

Bear markets are hard. They're hard for those who work to limit drawdowns and they're especially hard for those who don't.

ATTEND OUR...

RISK MANAGEMENT

SEMINAR

BRING A GUEST

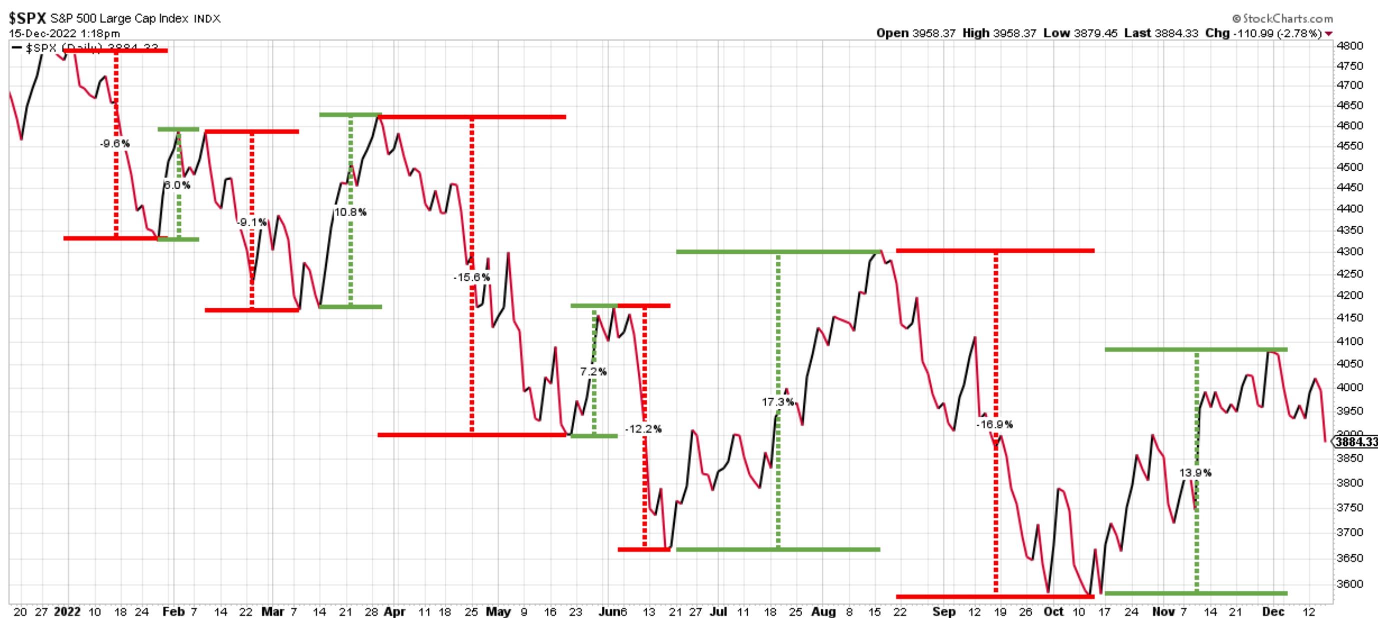
- **JANUARY 18TH @ 9:30 AM – SPOKANE**
- **JANUARY 25TH @ 11:00 AM - RICHLAND**

CALL **509-922-3110** TO RESERVE A SEAT *OR IF YOU WANT A SECOND OPINION ON YOUR PORTFOLIO!*

One of the problems with bear markets is the big swings from down to up and back to down. This type of see-saw walk downward makes it difficult to stay true to your convictions. It's especially difficult when Wall Street proclaims every temporary rally a new bull market.

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.

The following chart of the S&P-500 this year demonstrates the dilemma. (Later we'll show how similar this looks to the first stage of the Great Financial Crisis.)



Notice how big declines (in red) are followed by big rallies (in green). But each new cycle results in lower prices.

From an investor's point of view, this creates an emotional roller coaster.

- First a decline creates concern.
- Next a rally relieves a lot of the concern, especially as their advisors and the media tell them how smart they were to have held tight.
- This is followed by a deeper decline creating even more concern.
- Again a rally relieves some of the concern, and again they are told this is why they should never protect themselves. After all, they don't want to miss out on such big rallies.
- Rinse and repeat.

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

"YOUR MONEY MATTERS"

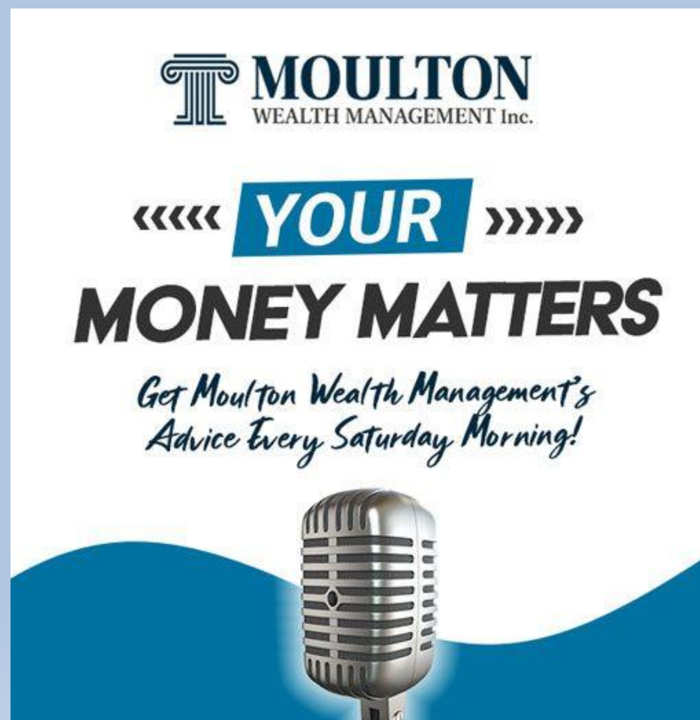
EVERY SATURDAY MORNING AT

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

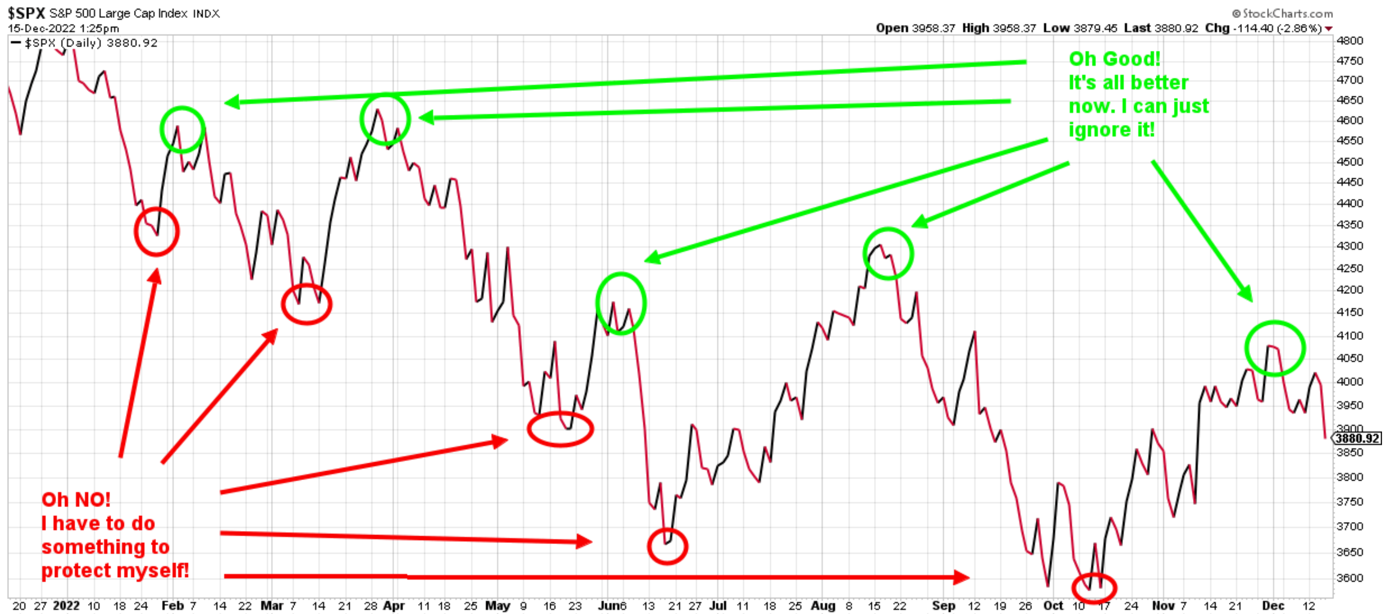
LISTEN LIVE AT WWW.NEWSTALK870.AM AGAIN AT 9:30 EACH SATURDAY MORNING

OR VISIT OUR WEBSITE MOULTONWEALTH.COM FOR PODCASTS

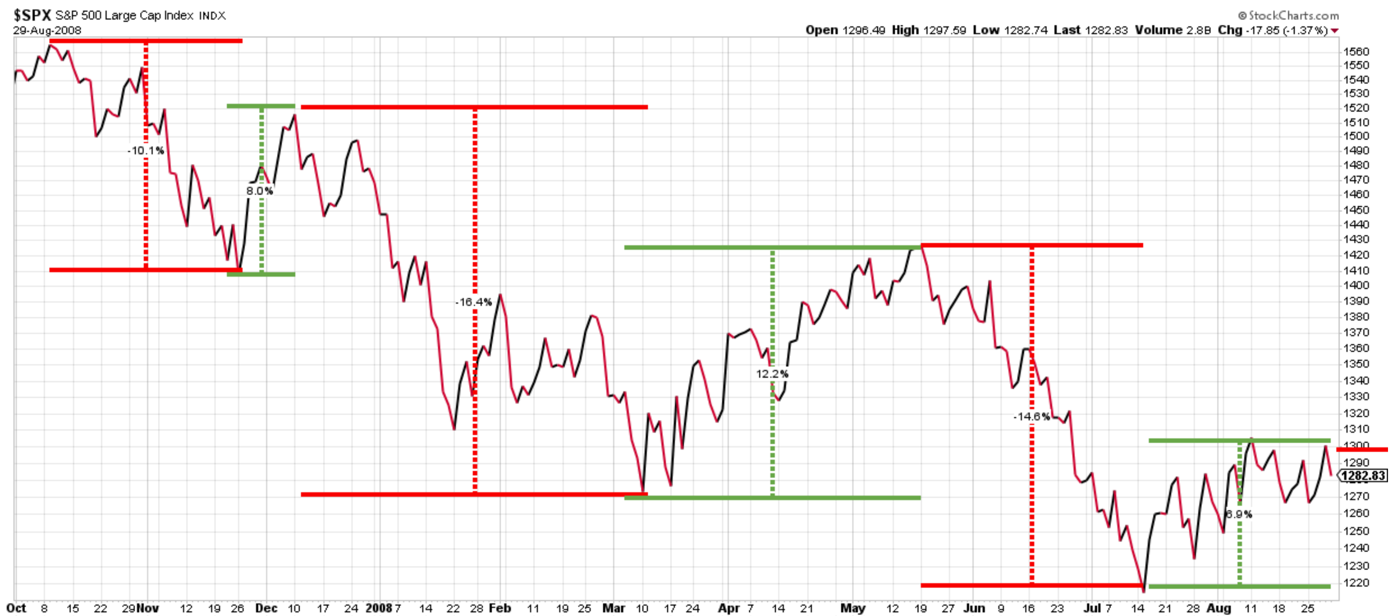


Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC

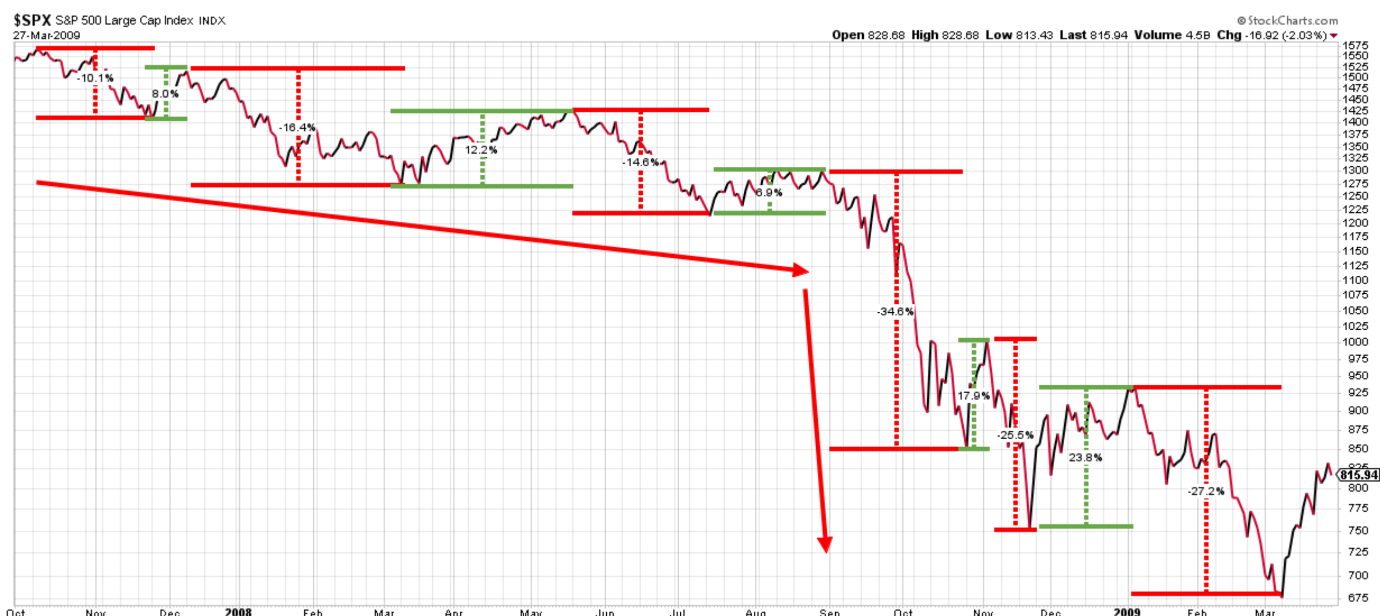
Of course worrying about missing rallies that ultimately result in lower and lower portfolio values makes no sense.



Also notice how similar this year looks to the first stage of the Great Financial Crisis. The following chart shows October 1, 2007, through August 30, 2008.



The problem with buying and hoping is that eventually the bear market proceeds from stage one (valuation compression), through stage two (relief rally) and into stage three (earnings destruction) when the more significant selling begins. On the following page we've expanded this chart to show the entirety of the Great Financial Crisis bear market.



Don't wait until you have suffered unrecoverable losses before taking action.

This is especially important as we enter the third, and most vicious stage of this bear market. Earnings estimates are beginning to decline. In our upcoming January 2023 snail mail newsletter we review the math and demonstrate why it results in the deepest stage of bear markets.

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.

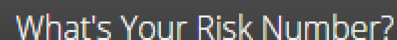
Then in just over a month from September 15, 2008 to October 27, 2008 the S&P-500 fell ***ANOTHER*** 28.8%. And from September 15, 2008 to the ultimate bottom, about 5 months later, it fell ***ANOTHER*** 43%.

Not only do bear markets normally unfold in three stages with the last being the most virulent, 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.



In the markets:

U.S. Markets: U.S. stocks pulled back for a second week as fears intensified over rising interest rates. Nearly every sector within the index reported sharp losses with the exception of energy shares. The Dow Jones Industrial Average retreated -556 points finishing the week at 32,920, a decline of -1.7%. The technology-heavy NASDAQ Composite fell a further -2.7% after last week's -4% drop. By market cap, the large cap S&P 500 and S&P 400 mid cap index each pulled back -2.1% and the small cap Russell 2000 finished the week down -1.9%.

International Markets: International markets were also a sea of red. Canada's TSX pulled back -2.5%, while the United Kingdom's FTSE ended down -1.9%. On Europe's mainland, France's CAC 40 and Germany's DAX retreated -3.4% and -3.3% respectively. In Asia, China's Shanghai Composite ended the week down -1.2% after six weeks of gains. Japan's Nikkei ended the week down -1.3%. As grouped by Morgan Stanley Capital International, developed markets finished down -1.8% and emerging markets retreated -1.6%.

Commodities: Commodities finished the week mixed. Gold pulled back -0.6% to $1800.20 per ounce, while Silver retreated -1.6% to $23.33. Oil rebounded 4.8% to $74.46 per barrel of West Texas Intermediate crude. 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 -3.0%.

U.S. Economic News: The number of Americans filing first-time unemployment claims in early December fell to a nearly three-month low, indicating layoffs around the holiday season remain low even as the economy softens. The Labor Department reported initial jobless claims fell by 20,000 to 211,000 last week. Economists had forecast an increase of 1,000. The number of people applying for jobless benefits is one of the best barometers of whether the economy is getting better or worse. New unemployment filings have gradually risen from a 54-year low of 166,000 last spring, but they are still extremely low. Forty-one of the 53 states and U.S. territories that report jobless claims showed a decline last week. New York, Georgia, Texas, and California posted the biggest drops. No states reported a large increase.

Consumers are expecting smaller increases in inflation in both the short term and over the longer run, the New York Federal Reserve said. The regional Fed bank said in its November Survey of Consumer Expectations that one year from now, respondents see inflation running at a 5.2% rate, down from 5.9% in the last survey. That's the largest month-to-month decline on

record, the bank said. Three years from now, consumers see inflation running at a 3% rate, down slightly from 3.1% in October. The Fed watches the public's views on the inflation outlook carefully. Economists at the Brookings Institution wrote in a recent report, "They matter because actual inflation depends, in part, on what we expect it to be."

Confidence among U.S. small-business owners rose modestly in November, led by easing inflation and improving short-term expectations. The National Federation of Independent Business (NFIB) reported its small-business optimism index rose to 91.9 in November from 91.3 the previous month, beating the 90.8 consensus forecast. Despite the increase, sentiment among small-business owners remained subdued in November as the index posted its 11th consecutive month below the historical average of 98. "Going into the holiday season, small-business owners are seeing a slight ease in inflation pressures, but prices remain high," NFIB Chief Economist Bill Dunkelberg said. "The small business economy is recovering as owners manage an ongoing labor shortage, supply-chain disruptions, and historic inflation," he said. Inflation remains the top business problem for small-business owners, with 32% of owners reporting it as their single most important problem in operating their business.

Inflation at the consumer level rose a slight 0.1% in November, suggesting the worst U.S. inflation in 40 years is receding. The reading was lower than economists' expectations of a 0.3% increase. The annual rate of inflation, meanwhile, fell to 7.1 % from 7.7% in the prior month, marking the lowest level since the end of 2021. Inflation peaked at 9.1% in June. The so-called core rate of inflation, which omits food and energy, rose 0.2%. That's the smallest gain since August 2021 and down -0.1% from forecasts. The advance in the core rate over the past year dropped to 6.0% from 6.3%. The Fed views the core rate as a more accurate predictor of future inflation trends.

Sales at U.S. retailers fell -0.6% in November, marking their biggest decline in almost a year. The decline was largely because of weak car sales where higher interest rates likely played a role. Economists had only expected a -0.3% decline. Excluding vehicle sales, receipts dropped a lesser -0.2%. Yet most of the increase in spending--perhaps even all of it--simply reflects higher prices. Retail sales have risen 6.5% in the last 12 months, while the cost of living has increased 7.1% (retail sales figures do not factor in inflation). Sal Guatieri, senior economist at BMO Capital Markets noted that while the holiday shopping season got off to an earlier start this year, "the lack of follow-through into November suggests consumers are being much more cautious with their money amid recession fears," he wrote.

In a move that was widely expected, the Federal Reserve hiked interest rates by half a percentage point and signaled more tightening into next year as it continues to battle historically high inflation. The half-point increase brings the federal-funds rate up to 4.25%-4.5%--its highest level since 2007. In new projections, Fed officials projected rates to top out at 5.25%, higher than their September forecast of 4.75%. "We're going into next year with higher inflation than we thought," said Fed Chair Jerome Powell, who repeated that the Fed will do what it takes to extinguish price pressures. Seven Fed officials expect rates to go even higher, with two

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

seeing rates topping out at 5.75%. One hawkish official expects rates to remain at that level through 2025. “They are signaling their determination to get inflation under control even at the cost of imposing a mild recession on the economy,” said Bill Adams, chief economist at Comerica Bank. For the first time, several senior Fed officials predicted a recession in 2023.

Business conditions deteriorated in December, according to a pair of surveys from S&P Global. S&P Global’s preliminary, or “flash”, reading of its U.S. Services sector index slipped to a four-month low of 44.4 from 46.2 in November. The index now sits near its lowest level of the pandemic era. Meanwhile, its preliminary Manufacturing sector index fell to a nearly three-year low of 46.2 from 47.7. New orders, a sign of future sales, fell sharply last month, S&P Global found. Manufacturing orders were the weakest since the 2007-2009 Great Recession. Employment levels remained basically unchanged, indicating that most companies are avoiding layoffs for now. Business leaders are reluctant to fire workers given how hard it’s been to hire qualified people in the first place. One bright note in the report, the cost of supplies, a measure of inflation, rose at a slower rate in another sign that price pressures are easing. Chris Williamson, chief business economist at S&P Global stated, “Fed rate hikes are having the desired effect on inflation, but the economic cost is building, and recession risks are consequently mounting.”

International Economic News: Young Canadians are increasingly pessimistic about Canada's economic situation compared to a year ago and are more willing to stay in their current jobs than leave, a recent survey from Leger shows. The results are part of Leger's latest Youth Study Report, released this week, which asked 3,007 Canadians between the ages of 15 and 39 questions about finances, the future and employment. "Whether realistic or cynical, they are nervous about the future and prefer to live in the moment," the report says. "They do not trust traditional institutions to make things better; rather, they prefer to embody change locally." The survey found 74% of Generation Z and millennial Canadians do not believe the country's economic situation will improve in the following year, compared to 66% of those polled in 2021.

Across the Atlantic, the Bank of England has warned the United Kingdom is facing its longest recession since records began, as it raised interest rates by the most in 33 years. Furthermore, it warned the UK would face a "very challenging" two-year slump with unemployment nearly doubling by 2025. Bank of England Governor Andrew Bailey warned of a "tough road ahead" for UK households, but said it had to act forcefully now or things "will be worse later on". The BoE hiked interest rates 75 basis points, to 3%, its biggest jump since 1989. By raising rates, the Bank is trying to bring down soaring prices as the cost of living rises at its fastest rate in 40 years.

On Europe’s mainland, French business activity contracted at a faster rate in December than the previous month adding to signs of a recession ahead for the Eurozone's second-biggest economy as inflation hits businesses. S&P Global's flash December purchasing managers index (PMI) for France's services sector came in at 48.1 points, down 1.2 from November and below the consensus estimate of 49.1. The country's manufacturing sector fared

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

slightly better, according to the flash forecasts, but remained in contraction. The flash December composite PMI, which comprises both the services and manufacturing sectors, fell 0.7 point to a 22-month low of 48.0. S&P Global market Intelligence senior economist Joe Hayes noted, "Another month of falling business activity across the euro area's second-largest economy heightens the risk that the region is headed for a recession."

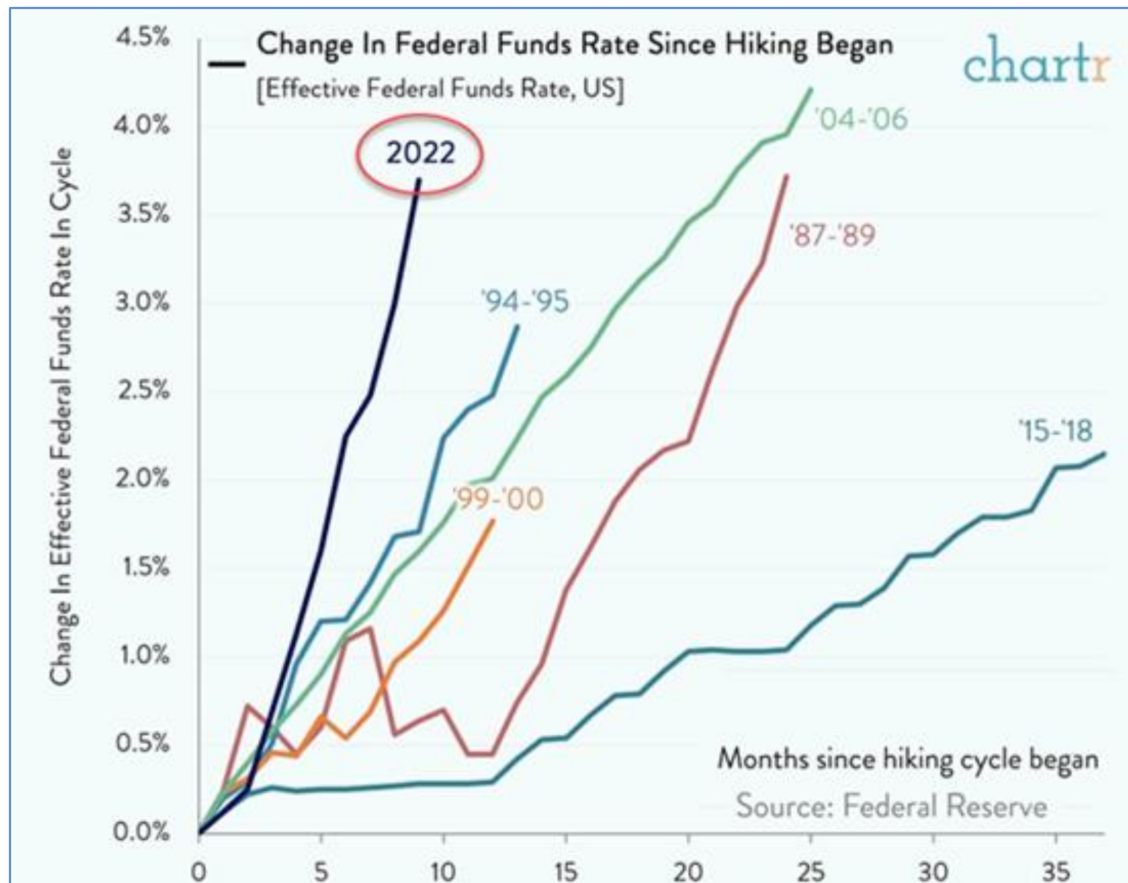
Inflation in Germany, the euro zone's biggest economy, is likely to be higher than earlier thought while economic growth will be weaker with a recession next year now certain, the Bundesbank said this week in its biannual update of its economic forecasts. The new forecasts mirror similar revisions by the European Central Bank, which now sees inflation in the 19-country euro zone above its 2% target through 2025 and a shallow recession over the winter months. For Germany, inflation is now seen at 7.2% in 2023, well above June projection for 4.5%, while the 2024 figure was raised to 4.1% from 2.6%. "The risks to economic growth are tilted predominantly to the downside, mainly due to potential shortages in the supply of energy," the Bundesbank said. "With regard to inflation, upside risks predominate." The growth forecasts also confirm that Germany is likely to be one of the weakest performers in the Euro currency bloc next year.

In Asia, China relaxed its "zero-COVID" restrictions because it had to strike an economic and social balance, a former top epidemiologist stated. Last week, China announced a 10-point plan that included dropping mass testing, health codes and centralized quarantine requirements for most cases. The dramatic shift away from zero Covid followed public protests in multiple cities in November, a rare show of widespread grievance against the restrictions. At the country's most important annual meeting, the Central Economic Work Conference, the conclusion noted the government struck a balance between pandemic control and economic development.

Japan's manufacturing activity shrank at the fastest pace in more than two years in December on soft demand and persistent cost pressures, a corporate survey showed. The au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index (PMI) was down to a seasonally adjusted 48.8 in December from a final reading of 49.0 in the previous month. The index was below the 50-mark that separates contraction from expansion for a second month and marked the sharpest decline since October 2020's 48.7. "Manufacturing firms continued to struggle in the face of subdued demand conditions and severe inflationary pressures," said economist Laura Denman at S&P Global. However, Japan's service sector grew on a tourism reopening rising to its highest level since September of 2019. With subdued manufacturers and robust services, the au Jibun Bank Flash Japan composite PMI stood on the break-even line of 50.0, up from a final 48.9 last month.

Finally: It is clear that the Federal Reserve is intent on bringing inflation under control with its series of rate hikes. However, what most people probably don't realize is the rapidity with which the Federal Reserve has acted already. The Federal Reserve has hiked interest rates higher and faster than at any in the modern era. In the current cycle, the Fed has hiked over

3.5% in under ten months. By contrast, in the hiking cycle from 2004 to 2006, the same move took almost two years. (Chart from chartr.co)



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.

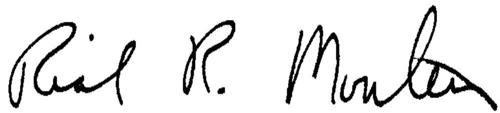
We discuss many of these issues on the weekly radio show and invite you to listen.

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

WEEKLY FOCUS – THINK ABOUT IT

Don't wait until you have suffered unrecoverable losses before taking action.

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.

To unsubscribe from the "Molten Hot" Minutes please reply to this e-mail with "Unsubscribe" in the subject line, or write us at 1220 N. Mullan Road, Spokane, WA 99206.

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.)