MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

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Week of January 16, 2023

Last week's newsletter suggested investors should actually believe what the Fed is telling them. They don't plan to cut rates, as the market assumes, any time soon. You can read it here: *Newsletter - Moulton Wealth*.

The most recent consumer price inflation (CPI) was announced last Thursday, and the market was (at least initially) very encouraged. Some of the numbers…

- December's month over month or m/m (December vs November) overall CPI fell -0.1% and year over year or y/y (December 2022 vs December 2021) rose +6.5%. Both of those numbers were below last month's CPI and in line with estimates.

- So called core CPI (removing the volatile food and energy from the calculation) rose +0.3% m/m and +5.7% y/y.

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.

These are still far above the Fed's 2% inflation target but the market appears to be hopeful they'll call it close enough.

We think that unlikely for a few reasons. First, let's dig into the report and see what the components tell us.

- Food, which obviously impacts everyone, but especially those with fewer financial resources, rose +0.3% m/m and is still up +10.4% y/y. Outside of 2022, that's the highest y/y number since 1981.
- Shelter, also a necessity, rose +0.8% m/m and +7.5% y/y. Those are both the highest numbers since the 1980's. Shelter costs have not peaked yet. However, also remember that shelter lags.
- Remember we are predominantly a services led society. Service inflation (as opposed to goods inflation) was up +0.6% m/m and +7.5% y/y. These are also the highest numbers since the 1980's. Services inflation has also not yet peaked.
- A few of life's other necessities…
  - Electricity was up +14.3% y/y.
  - Utility gas service was up +19.3% y/y.
  - Fuel oil was up +41.5% y/y.
- A basket comprised of what our research partner, Hedgeye, considers key consumer costs – shelter, food at home, utilities and wireless – was up +7.9% y/y which is a new high. This basket also has not yet peaked.

Why wasn't CPI higher then? Two of the bigger detractors were gasoline, which was down -9.4% m/m and -1.5% y/y, and used car prices which were down -2.5% m/m and -8.8% y/y. Of course gasoline is important to all of us but used car price declines don't offset food for most families.

And therein lies the problem(s) with Fed pivot hopes.

- First, +6.5% y/y is still over 3 times higher than their target of +2% y/y.

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"YOUR MONEY MATTERS"

EVERY SATURDAY MORNING AT

8:00 AM ON KXLY RADIO CHANNEL 920 AM IN SPOKANE

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

OR VISIT OUR WEBSITE MOULTONWEALTH.COM FOR PODCASTS

- But maybe more important, families are much more impacted by high food and shelter than falling used car prices. It's another reason to pay attention to the particulars and not the averages.

You can hear more about this on our radio show from last Saturday. The podcast is on our website here: Moulton Wealth Radio.

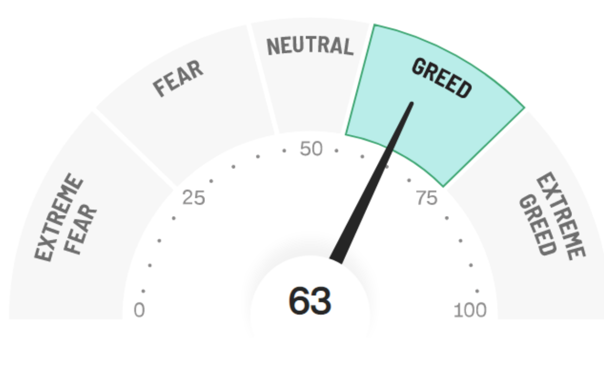
Then why has the market risen so far in 2023? Contrary to the narrative of "everyone is bearish" we would suggest it's the opposite. Bear markets normally end with investors refusing to open their statements and deciding which mattress to put their money under. They don't end with speculation still very high.

What signs do we have that speculation is still very high?

- On January 5, 2023, Bed Bath and Beyond announced they were running out of cash and were considering bankruptcy. From its January 4, 2023 closing price, the stock fell about 46% over the next two trading days. This makes sense since in bankruptcy the value left over for stockholders is usually $0.00. But from there it rallied 24% on January 9th, 28% on January 10th, 69% on January 11th, and 50% on January 12th after having been up as much as 68% earlier in the day. It then fell 30% on January 13th.
- The stock of AMC theatres fell 75% from August of 2022 to earlier this year. The reason was continuing worries about their ability to remain a going concern (i.e. avoid bankruptcy). From January 9th the stock is up 29% in four trading days.
- Bloomberg publishes a list of most shorted stocks. These are stocks that the market is most worried about (actually betting they will decline). That basket is up about 5 times more than the market this year.

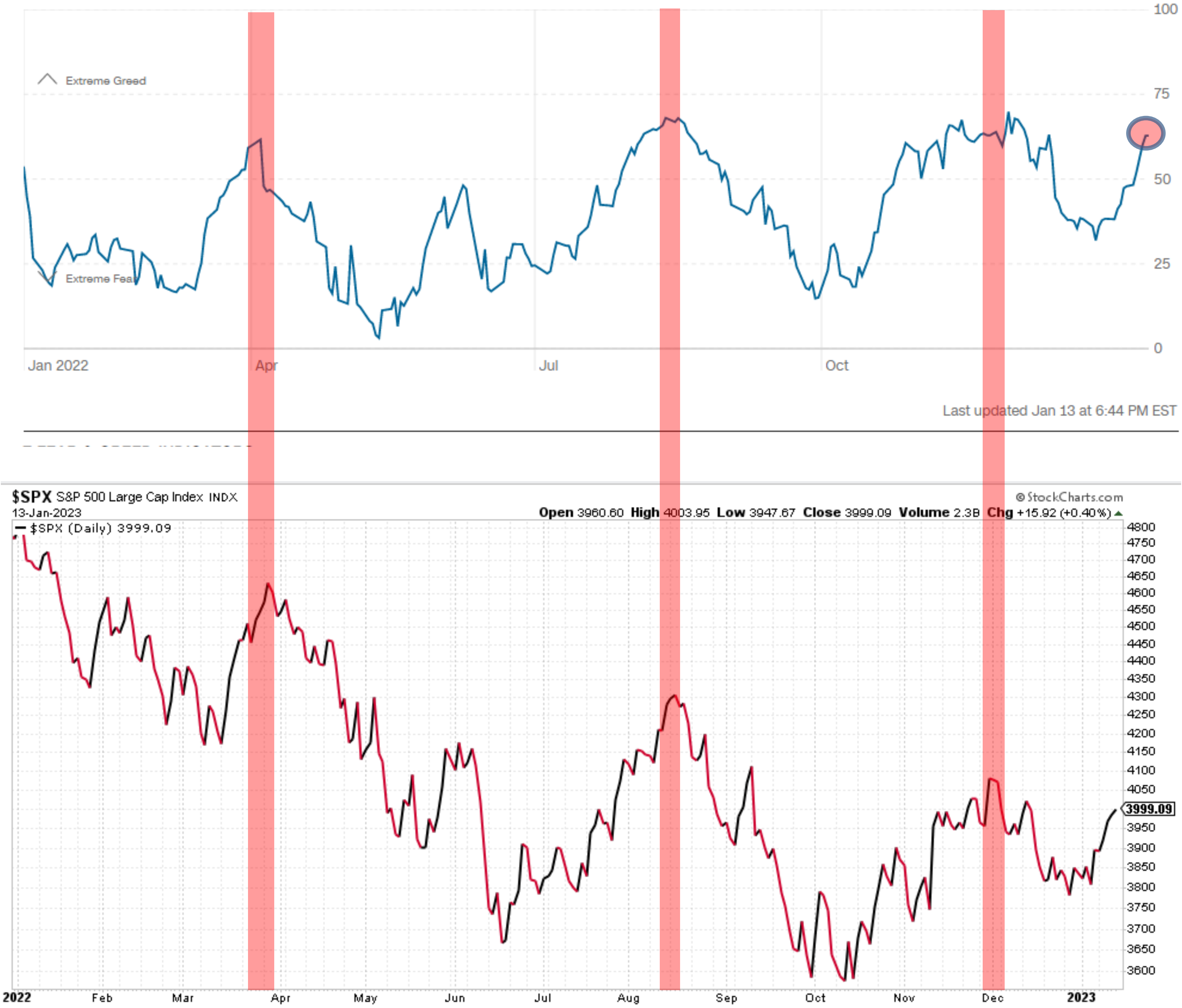
What news caused these outsized moves? None we could find. It appears to be nothing short of unadulterated speculation.

But beyond those treating the stock market as a casino, what about "regular" investors? Investors Intelligence surveys its members about their view of the market. Some look at this as a contrarian indicator. If investors are very optimistic or bullish, it's time to reduce equities. If investors are very pessimistic or bearish, it's time to invest more. In their most recent report, the percent of bulls rose from 36.6% to 41.4% while bears fell to 32.9% from 33.8%.



CNN's Fear/Greed Index has recently moved to Greed. This is also a contra indicator in that the more greedy investors are, the more it would be smart to position oppositely. In fact on the next page we display this as a chart (on top) with the S&P-500 directly under it. Notice that since the beginning of

2022, each time this index moved up to greed territory, it's been followed by a decline in the S&P-500.



Overall, we are still entering what will likely be a weak earnings season. We still have a Fed that is tightening financial conditions. And we still have a lot of speculation.

Be patient and protect yourself. The Fed is not going to bail out poor investor risk management.

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

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.

What's Your Risk Number?

In the markets:

U.S. Markets: U.S. stocks recorded a second consecutive week of gains as investors weighed key inflation data and the start of the quarterly earnings reporting season. The NASDAQ Composite and growth-oriented sectors outperformed, helped by rebounds in some mega-cap technology names including Amazon, Tesla, and Microsoft. The Dow Jones Industrial Average rose 2.0% last week, finishing the week at 34,303. The technology-heavy NASDAQ Composite made up some lost ground by rallying 4.8%. By market cap, the large cap S&P 500 added 2.7%, the mid cap S&P 400 gained 3.7% and the small cap Russell 2000 fared the best rallying 5.3%.

International Markets: International markets were a sea of green as well. Canada's TSX gained 2.8% along with the United Kingdom's FTSE 100, which added 1.9%. France's CAC 40 and Germany's DAX rose 2.4% and 3.3%, respectively. In Asia, China's Shanghai Composite finished up 1.2%. Japan's Nikkei managed a 0.6% rise. As grouped by Morgan Stanley Capital International, developed markets finished the week up 3.5%. Emerging markets gained 3.1%.

Commodities: Major commodities also finished the week to the upside. Gold rose 2.8% to $1921.70 per ounce, while Silver gained 1.6% to $24.37. Oil retraced almost the entirety of last week's plunge. West Texas Intermediate crude oil surged 8.3% to $79.86 per barrel. The industrial metal copper rallied 7.8%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits ticked down slightly as the U.S. labor market remains relatively tight. The Labor Department reported initial jobless claims fell by a seasonally-adjusted 1,000 to 205,000 in the week ended January 7th. Economists had expected claims to rise by 6,000 to 210,000. Initial claims remain near historic lows not seen since the late 1960's. Meanwhile, the number of people already collecting benefits, known as "continuing claims", fell by 63,000 to 1.63 million.

The cost of living ticked down last month, posting its first decline since the onset of the coronavirus pandemic in 2020. The Labor Department reported the Consumer Price Index for December fell 0.1% in December, matching economists' expectations. Furthermore, the annual rate of inflation fell for the sixth month in a row to 6.5% from 7.1%. That's the lowest level in more than a year and down from its 40-year peak of 9.1% last summer. The core rate of inflation, which omits food and energy prices, rose 0.3% to an annualized 5.7% increase, also matching forecasts. The Federal Reserve views the core rate as a more accurate measure of future inflation trends. Charlie Ripley, senior investment strategist at Allianz Investment Management noted the latest report supports the Federal Reserve's goal of a 'soft-landing' may be attainable after all. "Today's inflation print is another sign that the Fed's prescription for bringing down high inflation is working," he wrote. Sam Bullard, senior economist at Wells Fargo was a bit more cautious writing, "Inflation is moving in the right direction, but I am not sure it offers crystal clear evidence on what the Fed will do in February."

Confidence among the nation's small business owners fell to a six-month low in December as sales and business conditions worsened at year-end. The National Federation of Independent Business reported its small-business optimism index fell 2.1 points to 89.8 in December. Economists had expected a slight increase to 92.0. NFIB Chief Economist Bill Dunkelberg said, "Small business owners are not optimistic about 2023 as sales and business conditions are expected to deteriorate." The survey showed the deterioration in confidence was driven by declining earnings trends due to rising costs of materials and weaker sales. Furthermore, small-business owners still report difficulty finding skilled workers—41% of owners reported job openings that remained unfilled.

Sentiment among the nation's consumers jumped to a 9-month high given the slowing of inflation and the rebound in equity markets. The University of Michigan reported its preliminary reading of consumer sentiment rose 5 points to 64.7 in January reflecting easing worries about inflation and Americans' greater confidence in their personal finances. Overall, however, sentiment remains well off its pre-pandemic high of 101. In the details, the gauge that measures what consumers think about their personal financial situation and the current health of the economy climbed to 68.6 last month. Another measure that asks about expectations for the next six months moved up to 62 from 59.9 in the prior month. Overall, Americans viewed inflation as a lessening threat. They expect the inflation rate in the next year to average about 4%, down from 4.4% in the prior month.

Consumers' expectations of inflation in the short-term continued to decline according to the latest report from the New York Federal Reserve. The regional bank said its December Survey of Consumer Expectations showed inflation running at a 5% rate a year from now. That's down from 5.2% in November, and its lowest level since July of 2021. Over a longer timeframe of three years, consumers see inflation running at a 3% rate—unchanged from November. Of note, consumer expectations about income growth rose by 0.1% to 4.6%, a new high for the series. The Federal Reserve monitors public perceptions of inflation as future inflation trends tend to mirror expectations.

The Federal Reserve reported total consumer credit rose by $28 billion in November, up 7.1% from the same time last year, as consumers used credit cards amid the worst inflation in forty years. The reading was down slightly from October's $29.1 billion gain and annual rate of 7.4%, but higher than the consensus forecast of a $26 billion gains. In the report, revolving credit, such as credit cards, rose 16.9% in November up 6.6% from October, while nonrevolving credit, typically auto and student loans, rose 3.9%--down from 6.5% in the prior month. Consumer credit has been growing consistently between $24 billion and $30 billion per month for the past seven months. Nancy Van Houten, economist at Oxford Economics wrote in a note, "The data suggest that consumers are relying more on borrowing to finance consumption in the face of high inflation and dwindling savings."

In a pair of speeches, Philadelphia Fed President Patrick Harker and St. Louis Fed President gave similar messages regarding the path the Federal Reserve should take to tame inflation. In a speech to the Main Line Chamber of Commerce in Philadelphia, Harker stated the Federal Reserve should raise its benchmark interest rate slightly above 5% and then pause. "I expect that we will raise rates a few more times this year, though, to my mind, the days of us raising them 75 basis points at a time have surely passed. In my view, hikes of 25 basis points will be appropriate going forward," Harker said. In St. Louis, Fed President James Bullard stated the Federal Reserve's policy of "front-loading" interest-rate hikes last year was a success and should be continued. Getting interest rates above 5% is needed to put downward pressure on inflation, Bullard said, in a streamed discussion with bankers from several Midwestern states. The Fed raised its benchmark rate by 50 basis points in December to a range of 4.25%-4.5%. The Fed has penciled in 75 basis points of additional rate hikes in 2023.

International Economic News: Canada, Mexico, and the U.S. agreed to strengthen economic ties to reinforce domestic production in North America. In Mexico City, Mexican President Andres Manuel Lopez Obrador, Canadian Prime Minister Justin Trudeau, and U.S. President Joe Biden met to revitalize supply chains after disruptions from the COVID-19 pandemic. President Obrador said that a committee for import substitution would be created to promote economic development, while the White House stated the region would organize a semiconductor forum to increase investment in that industry. "We're working to a future to strengthen our cooperation on supply chains and critical minerals so we can continue to accelerate in our efforts to build the technologies of tomorrow--right here in North America," Biden said in a joint news conference with his fellow leaders.

Across the Atlantic, the United Kingdom's economy grew unexpectedly in November as the tight job market increased demand for employment services and the World Cup boosted hospitality. Gross domestic product, the broadest measure of economic activity, increased 0.1% from the previous month, the Office for National Statistics said. That beat the expectations of economists, who had forecast a 0.2% contraction. Growth in the service sector offset a decline in manufacturing, the ONS said. Manufacturing declined 0.5% in November and construction activity stagnated in the month.

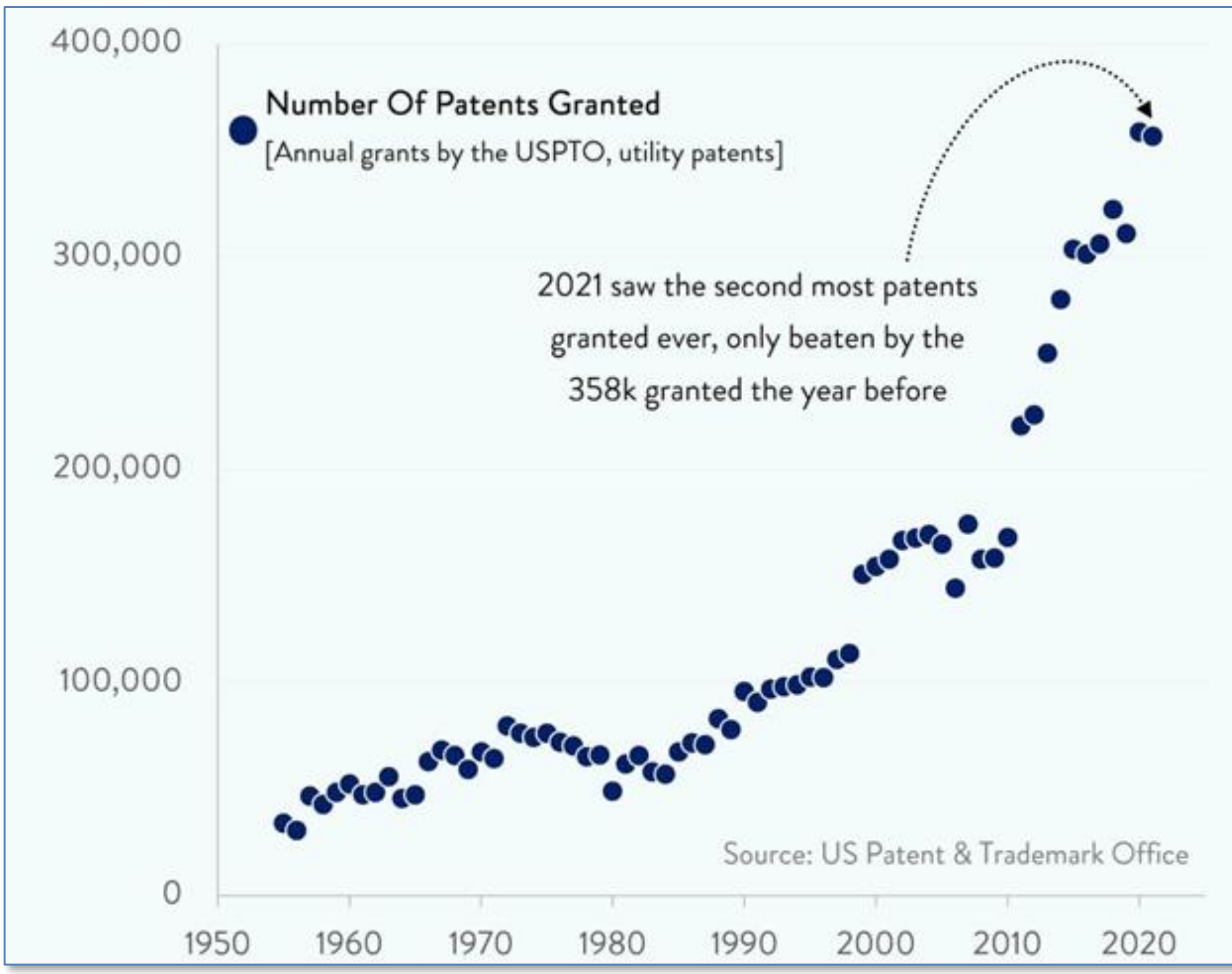
On Europe's mainland, power prices in France have surged after the launch of two nuclear reactors was delayed due to repairs. The country's state-run electrical utility said last month the closures have condemned France to two years of low energy output at the height of Europe's energy crisis. Dozens of the country's reactors are offline due to maintenance or corrosion. French power prices for next month gained the most in two weeks, rising as much as 3.9%.

Europe's economic powerhouse, Germany, managed to stave off a recession last year with its economy performing better than expected. According to Germany's federal statistics agency, Destatis, the German economy grew 1.9% last year, down from 2.6% in 2021. Data suggests that a boost delivered to private consumption by government fiscal support measures, combined with the lifting of coronavirus lockdowns outweighed the economic fallout from the war in Ukraine. "According to the current data, the economic slowdown over the [winter months] will be milder and shorter than expected," the Economy Ministry said. The reading exceeded the mid-range forecast of growth of 1.8%.

In Asia, China's exports tumbled sharply in December. Customs data showed exports contracted an annualized -9.9% in December, a deeper decline from their -8.7% drop in November. The decline was the worst since February of 2020. Notably, outbound shipments to the United States shrank -19.5% in December, while those to the EU fell -17.5%. Zhiwei Zhang, chief economist at Pinpoint Asset Management stated, "The weak export growth highlights the importance of boosting domestic demand as the key driver for the economy in 2023." China's policymakers have pledged to increase support for the economy as they are eager to stimulate growth and ease disruptions caused by the sudden end to COVID-19 curbs.

The Bank of Japan offered a more optimistic view of that country's economic health, pointing to a growing number of firms planning on wage increases in the new year. In addition, a rebound in overseas tourism driven by Japan's re-opening of its borders and weaker yen also boosted consumption. In its quarterly report, the BOJ raised its economic assessment of four of the country's nine regions and maintained its assessment for the remaining five. Also in Japan, the United States and Japan vowed a stronger security cooperation to counter China's rapid economic and military growth. Senior US and Japanese diplomats and defense officials pledged to strengthen security ties and better integrate weapons systems and military personnel as tensions mount in East Asia.

Finally: The Consumer Electronics Show (CES), the world's largest technology trade show, offers a glimpse into products coming down the pipeline. This year, the ever-expanding field of products showcased everything from color-changing cars to an oven that prevents food from burning. As one would expect, most of the innovative technologies on display at CES are covered by patents, and digging through patent filings is a popular way of picking up on future tech trends. Filings mentioning "metaverse", for example, have risen significantly, as have those mentioning "foldable technology", "electric vehicles" and "sustainable technology". In the latest data from the U.S. Patent and Trademark Office, 2020 and 2021 saw the most patents granted ever—with over 350,000 new patents being granted each of those 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.

WEEKLY FOCUS – THINK ABOUT IT

"The Fed is not going to bail out poor risk management by investors."

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.

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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.)