MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Week of January 30, 2023

Last week's newsletter discussed how the Fed had taken on a third mandate under Bernanke: 1 – fighting inflation; 2 – supporting employment; 3 – boosting the stock market. This third mandate of boosting the stock market has likely been dropped. You can read about it here: *Newsletter - Moulton Wealth*.

We hear a lot about averages from Wall Street and the "always stay invested" crowd.

- Over the last 100 years, "on average the market is up 10% per year".
- Over the last 50 years, "on average as goes January, so goes the year".

ATTEND OUR…

RISK MANAGEMENT

SEMINAR

BRING A GUEST

- **FEBRUARY 15TH @ 11:00 AM – RICHLAND**
- **FEBRUARY 22ND @ 9:30 AM - SPOKANE**

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

- Over the last 50 years, "on average the third year of a Presidency is positive".
- On average over the last 100 years, "after a down year you get a strong up year".

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 implication, of course, is if that's been the outcome, on average, that should be the outcome today.

Let's assume you have someone dear to you who, unfortunately, doesn't take care of himself. He's in his 60's, has high blood pressure and cholesterol, is 50 lbs. overweight, smokes 4 packs of cigarettes a day, drinks a fifth of scotch a day, never exercises and eats pretty much whatever he can get at fast food restaurants. He's lived this way for the last 30 years that you've known him.

One day he begins telling you about being very short of breath, even if he climbs only a few stairs, and about having a feeling of pressure in his chest.

You, or course, tell him to get to his doctor right away. After the appointment, he says "Good news, the doctor said nothing to worry about."

Surprised, you push for more details.

"Well, the doctor correctly pointed out," Your friend tells you, "That he's been my doctor for over 30 years. And he meticulously reviewed all 30 years of my medical records. What he found was that '*on average, I've been very healthy*'. Further he found that '*on average, my weight has been reasonable'*. He also pointed out that '*on average, my blood pressure and cholesterol have both been good*'. On top of all that, '*on average my heart has been strong*'."

"After weighing all the evidence," he continues, "the doctor concluded that '*since we can't time health issues, he saw no reason for me to change anything I'm currently doing*'."

Tell me, what do you think of this doctor? After all, everything he said is true. Are you relieved that your friend is out of the woods?

In real life, of course, we see how ridiculous this "analysis" is.

- How many of those 30 years was your friend in his 60's?
- How many years did he have high blood pressure and cholesterol?
- How many times was he short of breath and had pressure on his chest?

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

"YOUR MONEY MATTERS"

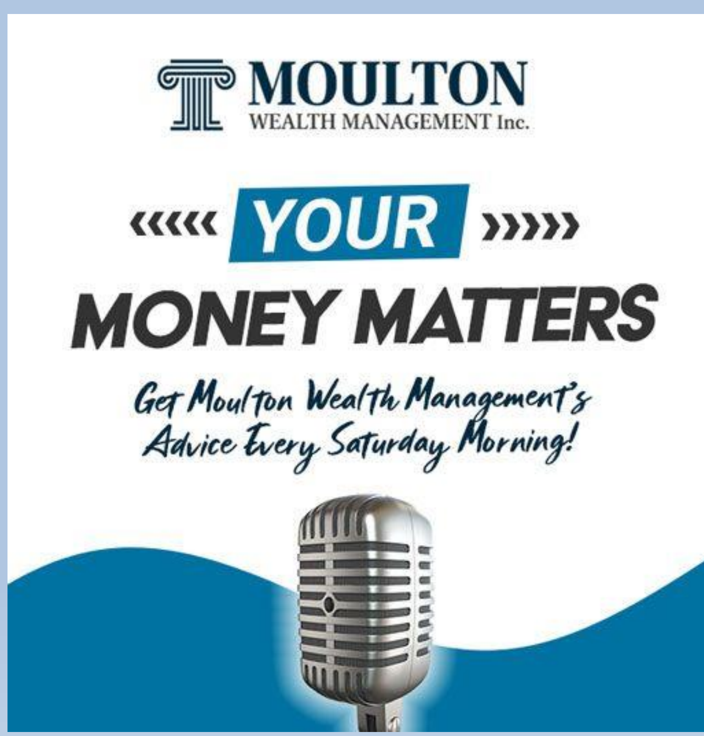
EVERY SATURDAY MORNING AT

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



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- How many years was he 50 lbs. over weight?
- How many years had he been drinking and smoking so much, and eating so poorly?

It's the particulars of things that matter, not the average of things.

Back to the stock market. When Wall Street starts regurgitating "averages" that attempt to encourage you to refrain from protecting your portfolio, ask them…

- How many years in their average was the Fed hiking rates?
- How many years in their average was inflation 3 times higher than the Fed target?
- How many years in their average saw year over year corporate profits (based on the S&P-500) declining from +90% to -3% (so far) over the previous 7 quarters?
- How many years in their average began with valuations near all-time highs?
- How many years in their average saw year over year GDP declining from +12.46% to +0.96% over the previous 7 quarters?
- How many years in their average saw the Fed hike rates at the fastest pace in history heading into the year?
- How many years in their average had arguably 4.25% of rate hikes, which have already been instituted by the Fed, still ready to slow the economy heading into the year?
- How many years in their average was the Conference Board Leading Economic Indicator, with a perfect track record, signaling an imminent recession heading into the year?
- How many years in their average was housing crashing heading into the year?

If someone starts telling you about the averages over 50 or 100 years, ask them these questions. I suspect the answers will be sparse.

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

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.

In the markets:

U.S. Markets: U.S. stocks resumed their winning streak, as investors appeared to welcome economic data that supported hopes of a "soft landing". The Dow Jones Industrial Average rose over 600 points finishing the week at 33,978, a gain of 1.8%. The technology-heavy NASDAQ composite notched its fourth consecutive week of gains, rising 4.3% to 11,622. By market cap, the large cap S&P 500 rose 2.5%, while the mid cap S&P 400 and small cap Russell 2000 each added 2.4%.

International Markets: International markets finished the week predominantly to the upside as well. Canada's TSX added 1%, while the United Kingdom's FTSE 100 ticked down a modest -0.1%. On Europe's mainland, France's CAC 40 and Germany's DAX added 0.4% and 0.8%, respectively. In Asia, China's Shanghai Composite rose 2.2%. Japan's Nikkei gained 3.1%. As grouped by Morgan Stanley Capital International, developed markets finished the week up 0.8% and emerging markets rose 1.4%.

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Commodities: Precious metals finished the week mixed. Gold finished up $1.20 to $1929.40 per ounce, while Silver pulled back -1.3% to $23.62. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week down -0.7%. West Texas intermediate crude oil retraced last week's move pulling back -2.4% to $79.68 per barrel.

U.S. Economic News: The number of Americans filing for first-time unemployment benefits fell to their lowest level since last April, as the number of claims came in well below expectations. The Labor Department reported initial jobless claims rose by 6,000 to 186,000 last week. Economists had expected claims to rise by 15,000 to 205,000. Meanwhile, the number of people already receiving benefits, known as 'continuing-claims' rose by 20,000 to 1.68 million. Sal Guatieri, senior economist at BMO Capital Markets, says companies are holding onto workers because they believe any recession is going to be shallow.

Following a six-month losing streak, the housing market may be approaching a bottom. The National Association of Realtors (NAR) reported its Pending Home Sales index, transactions in which a contract has been signed but not yet closed, rose 2.5% in December, reversing a string of declines. Analysts had expected pending home sales to drop by 1%. Coincident with the improvement in pending home sales, mortgage application activity also rose in the latest week. Compared with the same time last year, transactions were still down 33.8%. By region, pending sales rose in the South and the West, but dropped in the Northeast and Midwest. "This recent low point in home sales activity is likely over," NAR Chief Economist Lawrence Yun said. "Mortgage rates are the dominant factor driving home sales, and recent declines in rates are clearly helping to stabilize the market." Yun expects mortgage rates to hover between the 5.5% and 6.5% range.

The U.S. economy got off to a weak start in the new year according to a pair of surveys from Standard & Poor's. Business conditions contracted again in January as demand for goods and services fell for the fourth month in a row, however there are signs of improvement. S&P reported its preliminary, or "flash", index of the services sector rose 2.1 points to a three-month high of 46.6 in January. While an improvement, readings below 50 still indicate contraction. With regards to manufacturing, S&P reported its manufacturing sector index edged up to 46.7 from a year-and-a-half low of 46.2 last month. The S&P surveys are among the first indicators in each month to assess the health of the economy. "The U.S. economy has started 2023 on a disappointingly soft note," said Chris Williamson, chief business economist at S&P Global. "Companies cite concerns over the ongoing impact of high prices and rising interest rates, as well as lingering worries over supply and labor shortages."

Orders for goods expected to last at least three years, so-called 'durable goods', jumped 5.6% in December, but the report wasn't as impressive as the headline number suggests. The vast majority of the improvement was due to a large number of new contracts for Boeing passenger planes. If transportation is set aside, new orders actually fell 0.1% last month. Furthermore, a key measure of business investment also declined for the second time in four months. Demand for new cars and trucks rose less than 1%. Bookings fell in most other major categories as well. Economists had forecast a 2.4% increase in orders for durable goods.

The rate of inflation slowed again to just a 0.1% month-over-month rise in December, another sign inflation is cooling off, according to the Federal Reserve's "preferred" measure of inflation. The Personal Consumption Expenditures index, or PCE, has tapered off rapidly since last summer. Falling oil prices have played a large role, but inflation more broadly is easing as well. The annual increase in prices slowed to 5% in December from 5.5% in the prior month. The reading is the smallest increase in 15 months, though well above the pre-pandemic levels of less than 2% inflation. The more closely followed core index, which strips out volatile food and energy costs, rose a modest 0.3%, matching forecasts. The increase in the core rate of inflation in the past 12 months decelerated to 4.4% from 4.7%. That's also the lowest level in 14 months. Chief North American economist Paul Ashworth of Capital Economics expects the cooling inflation will give the Federal Reserve room to begin cutting interest rates. Ashworth wrote in a note to clients, "With higher interest rates evidently weighing heavily on demand now, we expect core inflation to continue moderating. That will eventually persuade the Fed to begin cutting interest rates late this year."

The U.S. economy grew at a robust 2.9% annual pace in the final quarter of last year, according to the first report of fourth quarter GDP. However, economists aren't expecting the strength to continue as rising interest rates weigh on growth and threaten to incite a recession. Consumer spending, the main engine of the economy, increased at a solid 2.1% annual clip in the four quarter, the government said. That's down a bit from a 2.3% pace in the prior quarter. The resilience of consumer spending was one of the big bright spots in the GDP report. Household outlays account for 70% of all U.S. economic activity. Inflation rose at an annual 3.2% pace in the fourth quarter, compared to a 4.3% advance in the prior three-month period. Following the release, senior economist Sal Guatieri of BMO Capital Markets stated, "The U.S. economy isn't falling off a cliff, but it is losing stamina and risks contracting early this year."

Sentiment among the nation's consumers improved this month, according to the University of Michigan's survey of consumer attitudes. U of M's reported its gauge of consumer attitudes rose 5.2 points to 64.9 this month. Economists had expected a reading of 64.6. The measure of how consumers feel about current conditions rose to 9 points to 68.4, while the index that measures expectations for the next six months rose 2.8 points to 62.7. Americans viewed that inflation was moderating in January. They expected the inflation rate in the next year to average about 3.9%, down from 4.4% in December. This is the lowest level since April 2021. Despite the improvement, sentiment remains well below its pre-pandemic level of 101 hit in February of 2020.

International Economic News: The Bank of Canada raised interest rates this week by a quarter point and said it would now pause and assess the economic impacts of raising interest rates to bring down inflation. The BoC increased its target for the overnight rate to 4.5% from 4.25%--the highest level in 15 years. The Bank of Canada is one of the first central banks among major economies to declare that it is done for now raising interest rates. In the latest quarterly survey released by the central bank, Canada's consumer-price index declined from June's 8.1% peak to December's 6.3% and mortgage interest payments have climbed to 4.5% in 2023, from 3.2% last year. The central bank justified the latest rate increase by pointing to recent growth data showing more strength than anticipated. Businesses still report having difficulty finding qualified workers and the unemployment rate remains near historic lows. At a press conference in the Canadian capital, the Bank of Canada Governor Tiff Macklem stated, "We have raised rates rapidly, and now it's time to pause and assess whether monetary policy is sufficiently restrictive to bring inflation back to the 2% [inflation] target."

Across the Atlantic, British Finance Minister Jeremy Hunt signaled he is pushing ahead with tax hikes and post-Brexit reforms. This week, Hunt addressed tech giants, including Google, Meta, and Amazon, in a speech asking for their assistance in making the U.K. into "the world's next Silicon Valley." Hunt told the companies that they were important for the U.K.'s economic outlook, but that Britain is important for their future as well. Susannah Streeter, Senior Investment and Markets analyst at Hargreaves Lansdown wrote in a note to clients, "Hunt's latest comments were more about improving the image of Britain's economic circumstances than about supplying new policies."

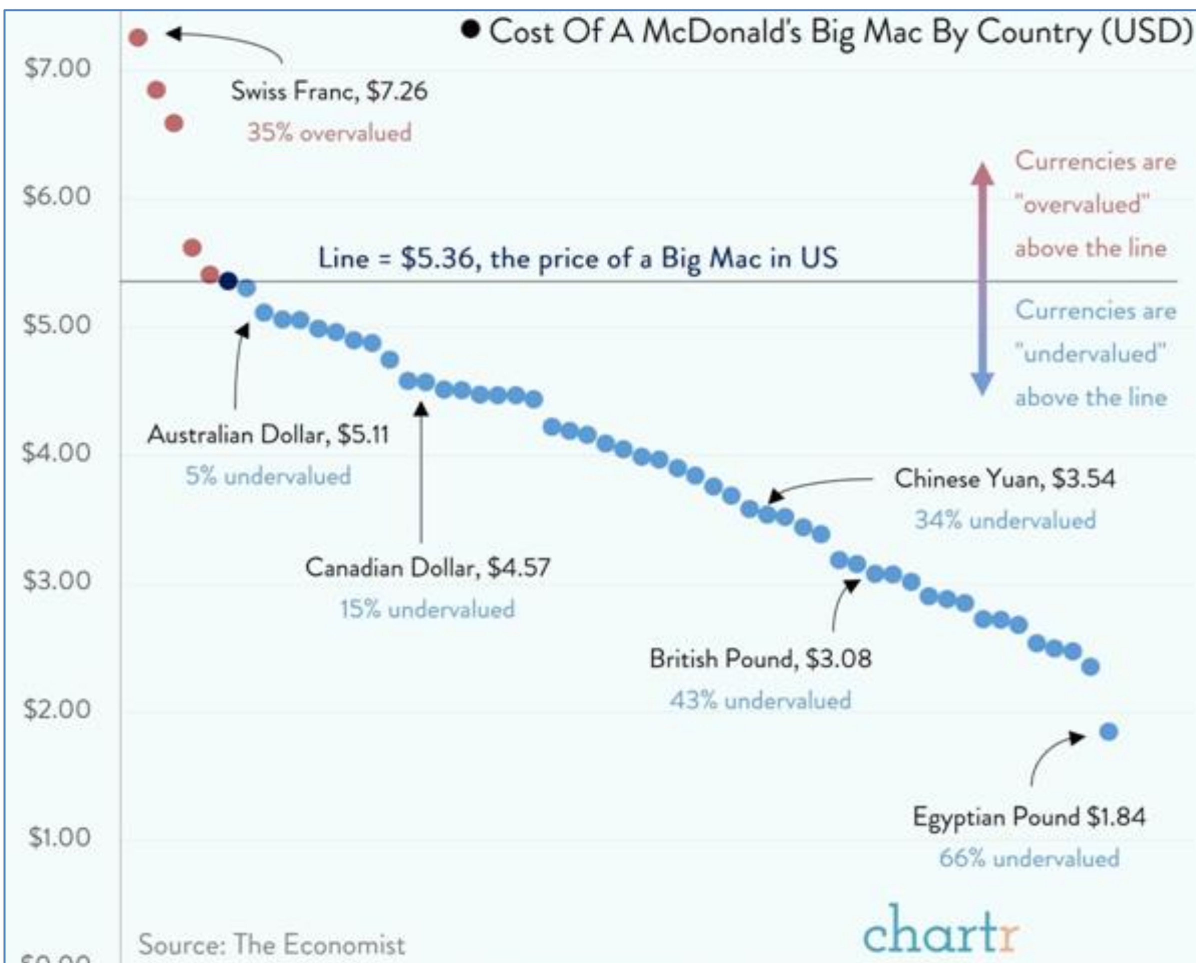
On Europe's mainland, the number of people unemployed in France reached its lowest level since 2011. Furthermore, France's Labor Ministry reported the number of job seekers decreased by 9.3% over the past year. However, the French Central Bank warned that the unemployment rate may increase through 2023. In its projections for this year, the French Central Bank forecasts lagging economic growth could raise the unemployment rate to 7.5% this year and 8.2% in 2024. The overall Eurozone unemployment rate stood at 6.5% in the fourth quarter of 2022. French President Emmanuel Macron has set a target of 5% unemployment by the end of his term in 2027.

The German government said it expects to maintain economic growth this year instead of a decline as it works to break its energy dependence on Russia. Germany's outlook for 2023 improved to a 0.2% expansion from a 0.4% contraction that was expected in October, when Germany feared it would run out of natural gas used to power factories, generate electricity, and heat homes this winter. Warmer-than-usual weather and a scramble to line up additional supplies of liquefied natural gas, or LNG, that comes by ship instead of pipeline from Russia was responsible for the improvement. Germany went from having zero floating LNG terminals to now having three on its northern coast, at a cost of billions of euros. "We have made the crisis manageable," Vice Chancellor and Economy Minister Robert Habeck said.

In Asia, after nearly three years of strict coronavirus control, China's swift reopening could stoke global inflation just as it has shown signs of abating analysts say. Since the beginning of January, prices for copper, aluminum and zinc have all had their best start to a year in 11 years, rallying by an average of 13%, according to analysts at Deutsche Bank. Tin, which is largely used to make electronics, has soared 30%, its biggest rise in 32 years. Nicky Shiels, head of metals strategy at precious metals trader MKS Pamp stated, “There’s a tremendous amount of pent-up demand that we do expect to come back to markets, specifically after Chinese New Year.” It’s not just commodities that are rising on hopes for China’s recovery. Stocks in MSCI’s China index have risen 14% since the start of trading this year.

Core consumer prices in Japan's capital Tokyo, a leading indicator of nationwide trends, rose 4.3% in January from a year earlier marking its fastest annual gain in nearly 42 years. The data heightens the chance that inflation will stay well above the Bank of Japan's 2% target in coming months as companies continue to steadily pass on higher costs to households. The reading exceeded the median market forecast of a 4.2% gain. The yen and the yield on the 10-year Japanese government bond (JGB) rose after the data release, reflecting market expectations that rising inflation could prod the BOJ to soon dial back stimulus.

Finally: As an illustration of “purchasing power parity”, the ‘Economist’ once again released the latest reading for their “Big Mac Index”—which shows the cost of a McDonald’s Big Mac by Country all over the world. While professional economists may balk at the overly simplistic model as it doesn’t take into account all of the input costs of making a Big Mac--property and labor for example--the index serves as a quick “off the cuff” means to measure relative exchange rates across a variety of world currencies. According to its latest reading, arbitrageurs could make a respectable profit by loading up on Big Macs in Egypt—and then selling them in Switzerland. (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

"It's the particulars of things that matter, not the average of things."

Yours truly,

Rial R. Moulton

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Certified Financial Planner™

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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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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.)