MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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July 2022

In our January 2022 monthly snail mail newsletter we reviewed some troubling technical signs in the market and concluded by saying…

None of this means the market will crash tomorrow, but when coupled with our view of heading into growth and inflation decelerating – the worst economic construct historically for stock prices – it raises the probability of a significant decline.

In our January 31, 2022 weekly email newsletter we shared our recent mathematical risk signal. Specifically we said…

Last weekend our second "major" defensive signal triggered. We use a series of mathematically based models to tell us when to ramp up and ramp down risk. The most sensitive simply raises our radar. The first major signal actually triggered in late December.

And…

Now the second "major" signal triggered and we've reduced risk more substantially, incrementally selling into the rallies.

In our February 14, 2022 weekly email newsletter we pointed to higher than expected inflation and said…

What does this mean for us investors? Market risk has just risen.

Then in our March 2022 monthly snail mail newsletter we echoed a headline from Jim Stack of InvesTech Research and in bold lettering said…

On Collision Course with a Bear Market

In our March 14, 2022 weekly email newsletter we warned of our longest term risk signal triggering when we said in bright red lettering…

Our long term risk signal just triggered!

We went on to say…

All of our intermediate to longer term signals have now turned red, sending a very clear message that now is a time to protect principal.

We could go on but I think you get the drift. The stock market is lower as of this writing than at any of the times those warnings were issued. And we suspect the ultimate bottom will be far lower than it is today.

Stocks are not the only asset currently at risk and that sets up for a much worse downturn. Real-estate is more expensive today than at the peak of the housing bubble in 2005.

Again per InvesTech Research, from 1980 to the late 1990's, the cost of a median family home roughly tracked inflation as measured by CPI. But then home price increases began to exceed inflation until they finally peaked in 2005 – the height of the housing bubble – at +35% over the long term inflation trend. When the bubble burst they fell all the way back to, and slightly below, the inflation trend, bottoming in roughly 2011.

Where do we stand today?

The median price of a home now exceeds the long term trend in inflation by +44%!

Across the entire country, the affordability of housing continues to deteriorate.

What do home prices have to do with the stock market?

A lot actually.

Housing is about 18% of GDP. As the housing market begins to slow and reverse, the economy will slow even faster. This "one – two punch" of real-estate and stocks both falling together will likely cause a much bigger decline in both than would happen if either declined on their own.

Is it too late to protect your portfolio?

Not if history is a guide. The top chart to the left shows that during the Dot.com bear market the S&P-500 fell ***an additional -34.7%*** after the initial -23.4% decline *(where it is as of this writing)*, and the bottom chart shows that during the Great Financial Crisis the S&P-500 fell ***an additional -43.9%***. In each case there was still ***6-12 months until the bottom***. In other words, based on distance and time, ***we're likely not yet half way finished with this bear market.*** Certainly past performance is not necessarily predictive of future results. And we will have significant bounces along the way. But bear markets can fall much further than investors realize – especially if they don't have the Fed's printing presses propping them up.

It's not too late to protect yourself.

What is your defensive plan? Attend a free seminar to hear about ours.

Yours truly,

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

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Certified Financial Planner™ professional

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

We've warned since January

Further Market Declines are Probable

Weekly Radio Show:

8:00 AM KXLY 920 AM Spokane and Area

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

MoultonWealth.com for Podcasts

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

And so much more!

LIMITED SEATING SEMINARS ARE BACK!

For those 50 years old and older

SPOKANE

Quality Inn—North
BREAKFAST!
7919 N. Division —Spokane
July 20th @ 9:30 AM

TRI-CITIES

Hampton Inn
486 Bradley Blvd; Richland
July 27th @ 11:00 AM

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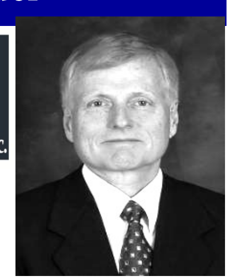

SPEAKERS

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Register here: 509-922-3110

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

Further Market Declines are Probable

OUR FIRST WARNING WAS IN JANUARY!

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Call for assistance:
509-922-3110

Spokane	*No Cost Seminars for Retirees and those close to Retirement*	**Richland**
July 20th @ 9:30 AM		**July 27th @ 11:00 AM**
Details Inside		***Details Inside***