

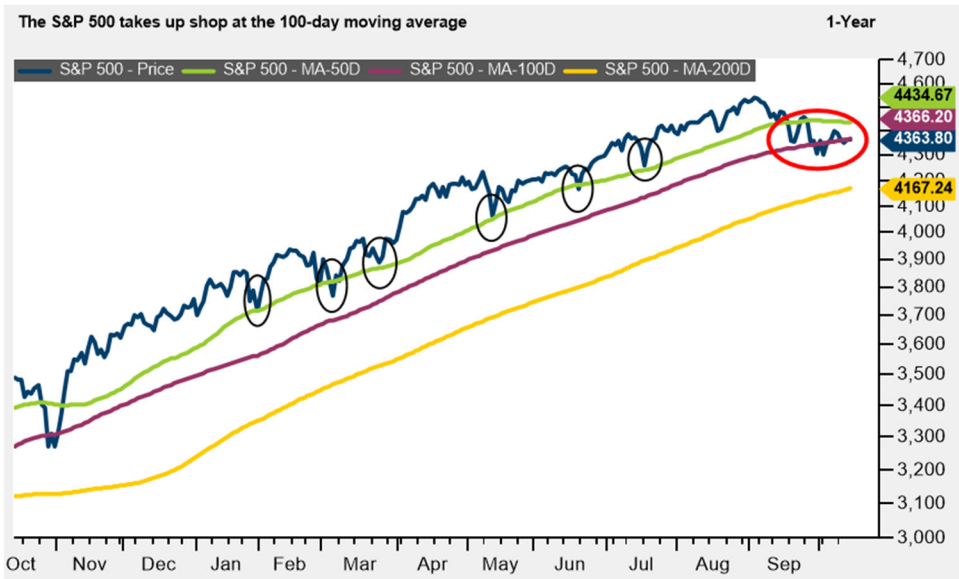
Before the Bell

Morning Market Brief

October 14, 2021

MORNING MARKET COMMENTARY: Anthony M. Saglimbene, Global Market Strategist

- **Quick Take:** U.S. futures are pointing to a higher open; European markets are trading higher; Asia ended higher overnight; West Texas Intermediate (WTI) oil trading at \$81.37; 10-year U.S. Treasury yield at 1.53%.
- **Markets Yawn On Inflation & Bank Earnings Updates:** Yesterday, stocks were able to shake off their recent tendency to trend lower amid solid bank earnings out of JPMorgan and BlackRock to kickoff the Q3 earnings season. Both bellwether financial firms beat analyst earnings per share (EPS) estimates for the third quarter, as well as revenue estimates. As FactSet noted, the release of credit reserve losses could be viewed as a positive signal on the outlook, though lending trends appear mixed. Bank of America, Citigroup, Morgan Stanley, and Wells Fargo are all on tap to report today. While it's not perfectly correlated, strong early Q3 results this week from some of the largest financial firms on the planet could be viewed as a positive signal for the start of earnings season. By Friday, we should have a better idea of how the third quarter shaped up for Financials.
- **The S&P 500 Index avoided posting a fourth consecutive loss on Wednesday but gained just +0.3% on the day. While the modest gain was a change of pace over recent days, stocks have had a more challenging time finding a catalyst to drive more sustained buying momentum.**
- As the FactSet chart below shows, the S&P 500 appears to be consolidating around its 100-day moving average and likely as investors wait for more information from the earnings season. The Index is roughly 4.0% off its all-time intraday high. Considering all the noise and uncertainty thrown at the market over recent weeks (e.g., growth/inflation concerns and Washington dynamics), we would view recent weakness as generally mild.
- **If anything, stocks have looked incredibly resilient at current levels, in our view. A still strong growth environment and massive liquidity pulsing through the financial system are likely keeping tailwinds in place for the moment. Notably, the S&P 500's trailing and forward price-to-earnings (P/E) ratios have fallen meaningfully over recent weeks, which in our view, is adding another layer of**

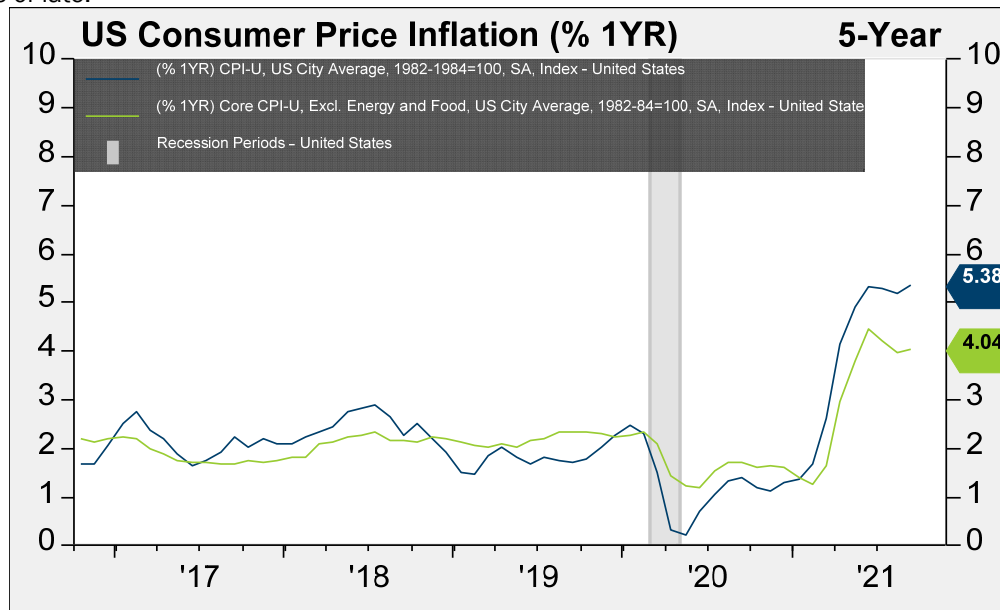


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support for current prices. With stock prices recently moderating and S&P 500 profits accelerating this year, at the same time, forward earnings estimates appear solid, valuations have come down. While the broader stock market is far from cheap, it looks less expensive than it did over the summer. In our view, this has likely helped build a little more support from fundamental investors, which in turn has helped keep selling pressure more modest as of late.



- **The FactSet chart above shows the rapid acceleration in y/y inflation growth this year. Yet, most investors don't need a chart to tell them that almost everything they buy is more expensive than last year.**
- And while we have well documented our views on inflation within these pages, the September CPI data yesterday was another chance for investors to assess the pace of growth across consumer prices. In a nutshell, the September headline CPI, both on a m/m and y/y basis came in slightly ahead of consensus forecast as well as August levels. Higher energy prices were a leading factor behind the hotter-than-expected headline number and shouldn't be too much of a surprise given the backdrop for energy.
- But as we noted yesterday, September CPI (ex-food and energy) came in lighter-than-expected and remained down from the June high. We believe this contributed to investors' largely sanguine reaction to yesterday's inflation data. While higher prices are generally unwelcomed by consumers, the pace of inflation growth appears to be moderating. This should be viewed as a continued sign that the Federal Reserve's transitory view of rising price pressures is largely pandemic related and should ease over time.
- Investors now turn their attention to this morning's September producer price inflation data. **Most notably, the focus over the coming weeks will fall on how companies managed higher input costs/wages in the third quarter. Investors will look to see how much cost pressures on businesses increased over the quarter, how companies responded, and if higher costs negatively affected demand and/or profit margins.** We believe investors could quickly turn to a more micro read on cost pressures with the macro inflation data now out of the way for a little while.

- **Asia-Pacific:** Asian equities finished higher on Thursday. According to *Kyodo*, Japan Prime Minister Kishida dissolved the House of Representatives overnight. The step clears the way for a general election at the end of the month. Kishida's Liberal Democratic Party is hoping to gain seats in the House and capitalize on a lull in COVID-19, and while opposition leaders still haven't put up a unified front. Japan's new prime minister has campaigned on rolling out a new economic package worth "tens of trillions of yen." However, *Kyodo* pointed out that radical change in fiscal policy is unlikely, given several key posts in Kishida's Cabinet have close ties to former Prime Minister Abe.
- **In China:** Producer price inflation rose to a record +10.7% y/y in September, above consensus and higher than August levels. Consumer price inflation dipped m/m in September, with pork prices weighing on the index. A recent *Reuters* poll shows most economists believe the People's Bank of China (PBOC) will keep their RRR unchanged in Q4. In July, most economists believed the PBoC would cut rates in the fourth quarter. And finally, *Reuters* noted the real estate fallout driving debt market risk premiums higher hit record highs on Wednesday. *S&P Global* downgraded

two of the sectors larger firms. Beyond Evergrande, Chinese property developers have nearly \$556 million worth of high-yield dollar bond coupons due this month and almost \$1.6 billion due before year-end.

- **Europe:** Markets across the region are trading in the green at mid-day. European Central Bank (ECB) President Christine Lagarde said she still believes the current inflation increase in Europe is temporary but warned price pressures could become more persistent if supply bottlenecks last for longer. She also said, faster than projected wage growth could also keep inflation pressures stickier.
- **U.S.:** Equity futures are pointing to a positive open. Here's a quick news rundown to start your morning:
 - **September FOMC meeting minutes confirm taper soon.** There weren't a lot of investor surprises in the release of the September FOMC meeting minutes yesterday. As was known at last month's meeting and reiterated in Fed Chair Powell's press conference after the meeting, the minutes showed officials are comfortable with starting the process of reducing asset purchases in mid-November to mid-December. Many FOMC members believe "significant further progress" in the labor market is being made but may not be quite there yet. The minutes also showed \$10 billion in Treasuries and \$5 billion in MBS purchases could be cut monthly, with purchases ending in mid-2022. Both proposals are within market expectations. Notably, most FOMC participants believed economic conditions warranted keeping the Fed Funds rate at or near its lower bound over the next couple of years.
 - **Washington Update:** There has been little movement in Washington on a host of issues that are plaguing Democrats at the moment. Since Congress pushed out the debt ceiling debate and its requirement to construct a budget for the new fiscal year, movement on both fronts appears stalled. Several Democrats continue to push back on using reconciliation to raise the debt ceiling. The U.S. Treasury is expected to exhaust its extraordinary measures to pay U.S. obligations on December 3rd. According to *Politico*, Senate Minority Leader Mitch McConnell said he would not offer an olive branch in December to help Democrats raise the debt ceiling, particularly after he received significant blowback from his caucus for helping Democrats in the first place. With the path ahead for two significant pieces of legislation still uncertain and finding a budget/debt ceiling resolution, the currently quiet headlines out of Washington are unlikely to last very long, in our view.

WORLD CAPITAL MARKETS

10/14/2021

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	%YTD	Value	Asia/Pacific (Last Night)	% chg.	%YTD	Value
S&P 500	0.30%	17.49%	4,363.8	DJSTOXX 50 (Europe)	1.17%	18.99%	4,131.1	Nikkei 225 (Japan)	1.46%	5.49%	28,550.9
Dow Jones	0.00%	13.95%	34,377.8	FTSE 100 (U.K.)	0.73%	14.79%	7,194.0	Hang Seng (Hong Kong)	-1.43%	-6.03%	24,962.6
NASDAQ Composite	0.73%	13.65%	14,571.6	DAX Index (Germany)	0.88%	12.14%	15,383.8	Korea Kospi 100	1.50%	4.36%	2,988.6
Russell 2000	0.34%	14.35%	2,242.0	CAC 40 (France)	0.93%	22.60%	6,658.7	Singapore STI	0.27%	14.45%	3,164.9
Brazil Bovespa	1.14%	-4.67%	113,456	FTSE MIB (Italy)	1.01%	17.93%	26,220.4	Shanghai Comp. (China)	-0.10%	2.45%	3,558.3
S&P/TSX Comp. (Canada)	0.89%	20.83%	20,618.5	IBEX 35 (Spain)	0.98%	13.17%	8,968.1	Bombay Sensex (India)	0.94%	29.49%	61,306.0
Mexico IPC	-0.04%	19.52%	51,812.9	MOEX Index (Russia)	1.03%	36.51%	4,287.8	S&P/ASX 200 (Australia)	0.54%	15.72%	7,311.7
Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	0.48%	12.67%	716.7	MSCI EAFE	0.54%	8.72%	2,277.5	MSCI Emerging Mkts	0.53%	-0.55%	1,260.2

Note: International market returns shown on a local currency basis. The equity index data shown above is on a total return basis, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value	Equity Income Indices	% chg.	% YTD	Value	Commodities	% chg.	% YTD	Value
Communication Services	0.49%	21.33%	267.0	JPM Alerian MLP Index	0.69%	40.39%	194.7	CRB Raw Industrials	0.49%	25.21%	639.45
Consumer Discretionary	0.57%	12.81%	1,462.5	FTSE NAREIT Comp. TR	0.65%	25.62%	25,448.6	NYMEX WTI Crude (p/bbl.)	1.16%	67.70%	81.37
Consumer Staples	0.20%	6.67%	727.9	DJ US Select Dividend	0.18%	25.16%	2,735.8	ICE Brent Crude (p/bbl.)	1.13%	62.39%	84.12
Energy	-0.10%	54.42%	427.2	DJ Global Select Dividend	0.52%	21.08%	250.4	NYMEX Nat Gas (mmBtu)	2.95%	126.66%	5.76
Financials	-0.64%	31.56%	636.3	S&P Div. Aristocrats	0.27%	14.72%	3,824.6	Spot Gold (troy oz.)	0.24%	-5.33%	1,797.20
Health Care	0.09%	11.87%	1,463.3	Bond Indices	% chg.	% YTD	Value	Spot Silver (troy oz.)	0.91%	-11.74%	23.30
Industrials	0.18%	14.03%	845.6	Barclays US Agg. Bond	0.19%	-1.65%	2,352.6	LME Copper (per ton)	2.52%	25.95%	9,759.50
Materials	0.75%	14.42%	514.3	Barclays HY Bond	0.00%	4.01%	2,431.8	LME Aluminum (per ton)	0.03%	54.58%	3,050.71
Real Estate	0.55%	27.33%	284.6					CBOT Corn (cents p/bushel)	0.59%	18.52%	515.25
Technology	0.57%	16.73%	2,655.8					CBOT Wheat (cents p/bushel)	0.70%	13.66%	723.75
Utilities	1.14%	6.13%	330.6								
Foreign Exchange (Intra-day)	% chg.	% YTD	Value								
Euro (€/\$)	0.10%	-4.99%	1.16	Japanese Yen (\$/¥)	-0.14%	-8.96%	113.41	Canadian Dollar (\$/C\$)	0.48%	2.76%	1.24
British Pound (£/\$)	0.40%	0.32%	1.37	Australian Dollar (A\$/S)	0.47%	-3.64%	0.74	Swiss Franc (\$/CHF)	0.40%	-3.83%	0.92

Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.

Global Equity Regions - Tactical Views

	MSCI All-Country					MSCI All-Country			
	World Index	GAAC	GAAC	GAAC		World Index	GAAC	GAAC	GAAC
	Weight	Tactical View	Tactical Overlay	Recommended Weight		Weight	Tactical View	Tactical Overlay	Recommended Weight
United States	58.4%	Overweight	3.0%	61.4%	Latin America	0.9%	Equalweight	-	0.9%
Europe ex U.K.	13.2%	Overweight	3.0%	16.2%	Asia-Pacific ex Japan	14.2%	Underweight	-2.0%	12.2%
United Kingdom	3.5%	Equalweight	-	3.5%	Japan	6.0%	Underweight	-3.0%	3.0%
Canada	2.8%	Equalweight	-	2.8%	Middle East / Africa	1.0%	Underweight	-1.0%	0.0%

as of: September 30, 2021

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 09/24/2021. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

Ameriprise Global Asset Allocation Committee (GAAC)

U.S. Equity Sector - Tactical Views

	S&P 500					S&P 500			
	Index	GAAC	GAAC	GAAC		Index	GAAC	GAAC	GAAC
	Weight	Tactical View	Tactical Overlay	Recommended Weight		Weight	Tactical View	Tactical Overlay	Recommended Weight
Information Technology	28.1%	Overweight	2.0%	30.1%	Communication Services	11.2%	Equalweight	-	11.2%
Financials	11.2%	Overweight	2.0%	13.2%	Energy	2.6%	Equalweight	-	2.6%
Industrials	8.0%	Overweight	2.0%	10.0%	Real Estate	2.6%	Equalweight	-	2.6%
Health Care	13.4%	Equalweight	-	13.4%	Materials	2.6%	Equalweight	-	2.6%
Consumer Discretionary	12.3%	Equalweight	-	12.3%	Consumer Staples	5.7%	Underweight	-4.0%	1.7%
					Utilities	2.5%	Underweight	-2.0%	0.4%

As of: September 30, 2021

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 09/24/2021. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

BY THE NUMBERS: ECONOMIC ACTUALS AND FORECAST:

	Full-year				Quarterly						
	Actual 2019	Actual 2020	Est. 2021	Est. 2022	Actual Q3-2020	Actual Q4-2020	Actual Q1-2021	Actual Q2-2021	Est. Q3-2021	Est. Q4-2021	Est. Q1-2022
Real GDP (YOY)	2.3%	-3.4%	5.5%	4.2%	33.8%	4.5%	6.3%	6.7%	3.0%	5.0%	4.2%
Unemployment Rate	3.5%	6.7%	4.8%	3.6%	7.9%	6.7%	6.0%	5.9%	5.0%	4.8%	4.5%
CPI (YoY)	1.8%	1.3%	6.0%	2.5%	1.4%	1.3%	2.6%	5.4%	5.4%	6.2%	5.1%
Core PCE (YoY)	1.7%	1.4%	4.0%	2.5%	1.6%	1.5%	2.0%	3.6%	3.8%	4.2%	4.0%

Sources: Historical data via FactSet. Estimates (Est.) via American Enterprise Investment Services Inc.

YoY = Year-over-year, Unemployment numbers are period ending. GDP: Gross Domestic Product; CPI: Consumer Price Index

PCE: Personal Consumption Expenditures Price Index. Core excludes food and energy.

All Quarterly estimates other than GDP are period ending.

Last Updated: October 7, 2021

Comments: Russell T. Price, CFA - Chief Economist

- **GDP: (10/07/2021):** We lowered our Q3 real GDP estimate to 3.0% from 4.0%. This was the fourth time we've lowered our Q3 estimate over the last few months. A lack of products to purchase and a modest pull-back on consumer demand for social activities as the Delta-variant surged have been the primary factors.
- The change in business inventories could once again play a pivotal role in the GDP figure for Q3. Right now, we have business inventories declining by another \$50 billion in the period versus the \$168.5 billion draw down in Q2 which shaved 1.7 percentage points from GDP for the period.
- **Inflation: (10/7/2021):** We hiked our inflation forecast modestly. Our headline CPI gets a boost due to rising energy prices while our Core PCE estimate gets a boost from hotter than forecast gain in core prices during August. More goods and services are experiencing shortages but the recent moderation in the pace of growth should help ease such upward price pressures over the intermediate-term.

ECONOMIC NEWS OUT TODAY:

Economic Releases for Thursday, October 14. All times Eastern. Consensus estimates via Bloomberg.

<u>Time</u>	<u>Period</u>	<u>Release</u>	<u>Consensus Est.</u>	<u>Actual</u>	<u>Prior</u>	<u>Revised to</u>
8:30 AM	Oct. 9	Initial Jobless Claims	320k	293k	326k	329k
8:30 AM	Oct. 2	Continuing Claims	2670k	2593k	2714k	2727k
8:30 AM	SEP	Producer Price Index (CPI)(MoM)	+0.6%	+0.5%	+0.7%	
8:30 AM	SEP	PPI Ex. Food & Energy (MoM)	+0.5%	+0.2%	+0.6%	
8:30 AM	SEP	Producer Price Index (CPI)(YoY)	+8.7%	+8.6%	+8.3%	
8:30 AM	SEP	PPI Ex. Food & Energy (YoY)	+7.1%	+6.8%	+6.7%	

Economic Perspective: *Russell T. Price, CFA - Chief Economist*

- New unemployment claims finally broke through the 300k barrier. Prior to the pandemic's arrival, weekly new claims had trended in the very low 200k range – typically below the 220k level.
- Today's report is a positive indicator for the October Employment Report as today's measure is for the “week that contains the 12th” which is the measurement week for the Jobs Report.
- **The Producer Price Index also offered some positive news this morning.** Most notably, the Core measure with Trade also excluded was up just 0.1%, which reflects a continuation of the easing pace of prices at the producer level and could raise some questions, in our view as to if forecasters have become too pessimistic in their forecasts.
- **Notably**, the price of Services was up just 0.2% in the month of September while Goods prices, which can be heavily influenced by import prices and ongoing availability problems, were up 1.3%. Also, transportation and warehousing costs dropped a very sharp 4.0% m/m according to the report. Though this follows three months of solid gains (averaging about +2.4% /m and prices were still 10.7% higher y/y) the sharp decline in this category does not seem consistent with conditions.
- Although it would seem logical, the producer price Index does not frequently signal eventual changes in consumer prices. Producer input costs can be greatly diluted by other production costs along the supply chain, and end-product are still greatly influenced by competition and customer demand. However, at the present, producer prices take on much more significance in this respect give the sharp price increases seen in many core input costs and the distribution of the same.

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refunding risk, default risk, inflations risk, liquidity risk and event risk. Please review these risks with your financial advisor to better understand how these risks may affect your investment choices. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. This means you may lose money if you sell a bond prior to maturity as a result of interest rate or other market movement.

Any information relating to the income or capital gains tax treatment of financial instruments or strategies discussed herein is not intended to provide specific tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

A real estate investment trust or **REIT** is a company that owns and operates income-producing real estate. In addition, some **REITs** participate in the financing of real estate. To qualify as a **REIT**, a company must: I) invest at least 75% of its total assets in real estate assets, II) generate at least 75% of its gross income from real property or interest, and III) pay at least 90% of its taxable income to shareholders in the form of distributions. A company that qualifies as a **REIT** is permitted to deduct the distributions paid to shareholders from its corporate taxes. Consequently, many **REITs** target to payout at least 100% of taxable income, resulting in virtually no corporate taxes.

An investment in a REIT is subject to many of the same risks as a direct investment in real estate including, but not limited to: Illiquidity and valuation complexities, redemption restrictions, distribution and diversification limits, tax consequences, fees, defaults by borrowers or tenants, market saturation, balloon payments, refinancing, bankruptcy, decreases in market rates for rents and other economic, political, or regulatory occurrences affecting the real estate industry.

Ratings are provided by Moody's Investors Services and Standard & Poor's.

Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Securities offered through AFSI may not be suitable for all investors. Consult with your financial advisor for more information regarding the suitability of a particular investment.

For further information on fixed income securities please refer to FINRA's Smart Bond Investing at FINRA.org, MSRB's Electronic Municipal Market Access at emma.msrb.org, or Investing in Bonds at investinginbonds.com.

Alternative investments cover a broad range of strategies and structures designed to be low or non-correlated to traditional equity and fixed-income markets with a long-term expectation of illiquidity. Alternative investments involve substantial risks and are more volatile than traditional investments, making

them more suitable for investors with an above-average tolerance for risk.

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors.

Value securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

DEFINITIONS OF TERMS

Agency – Agency bonds are issued by Government Sponsored Enterprises (GSE), but are NOT direct obligations of the U.S. government. Common GSE's are the Federal Home Loan Mortgage Corp. (Freddie Mac) Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank (FHLB).

Beta: A measure of the risk arising from exposure to general market movements as opposed to company-specific factors. Betas in this report, unless otherwise noted, use the S&P 500 as the market benchmark and result from calculations over historic periods. A beta below 1.0, for example, can suggest the equity has tended to move with lower volatility than the broader market or, due to company-specific factors, has had higher volatility but generally low correlations with the overall market.

Corporate Bonds – Are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Mortgage Backed Securities – Bonds are subject to prepayment risk. Yield and average lives shown consider prepayment assumptions that may not be met. Changes in payments may significantly affect yield and average life. Please contact your financial advisor for information on CMOs and how they react to different market conditions.

Municipal Bonds – Interest income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal securities subject to AMT assume a "nontaxable" status for yield calculations. Certain municipal bond income may be subject to federal income tax and are identified as "taxable". Gains on sales/redemptions of municipal bonds may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the claims-paying ability of the listed insurance company.

Treasury Securities – There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.

Price/Book: A financial ratio used to compare a company's market share price, as of a certain date, to its book value per share. Book value relates to the accounting value of assets

and liabilities in a company's balance sheet. It is generally not a direct reflection of future earnings prospects or hard to value intangibles, such as brand, that could help generate those earnings.

Price/Earnings: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by earnings per share. Trailing P/E uses the share price divided by the past four-quarters' earnings per share. Forward P/E uses the share price as of a certain date divided by the consensus estimate of the future four-quarters' EPS.

Price/Sales: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by the company's sales per share over the most recent year.

INDEX DEFINITIONS

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

DISCLAIMER SECTION

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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