

# Before the Bell

*An Ameriprise Investment Research Group Publication*

May 22, 2024

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## Starting the Day

- U.S. futures are pointing to a flat open
- European markets are trading lower at mid-day
- Asian markets were mixed
- 10-year Treasury yield at 4.46%
- West Texas Intermediate (WTI) oil is trading at \$78.00
- Gold is trading at \$2,413.70

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## Market Perspectives

**Mark Phelps, CFA Sr. Director Multi-Asset Solutions**

*In addition to comments related to overnight activity and pre-market conditions, each Wednesday, we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide additional insight into Committee allocation recommendations.*

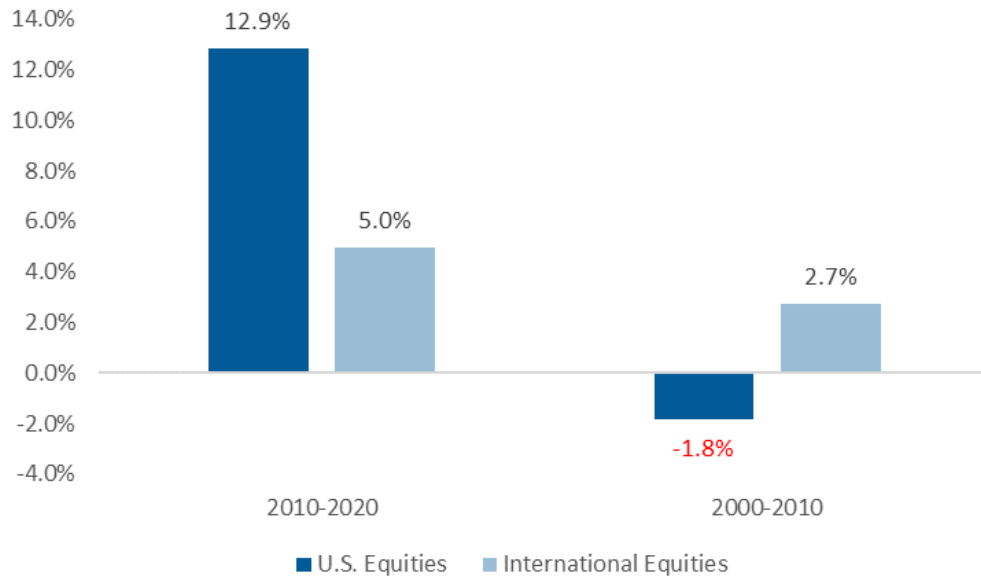
**International Equities: Why Bother?** In the ten years through April 2024, U.S. equities, represented by the MSCI USA Index, had an average annual gain of 11.7%. This compares to just 3.9% for international equities, as represented by the MSCI ACWI ex USA Index. Domestic equities outperformed international in nine of the past ten calendar years. Given the recent dominance of U.S. equities and large U.S. companies' operations are often global, why bother with allocating to international equities?

If we knew with certainty that U.S. equities would outperform international equities in the future, perhaps we would recommend eschewing foreign stocks, but we do not have a crystal ball. There have been past periods when international equities outperformed U.S. equities. And during recent periods of U.S. outperformance, international equities provided diversification benefits.

The chart below shows U.S. and non-U.S. equity performance in this century's first and second decades. As you can see, international equities outperformed their U.S. counterparts from 2000 – 2010.

NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.

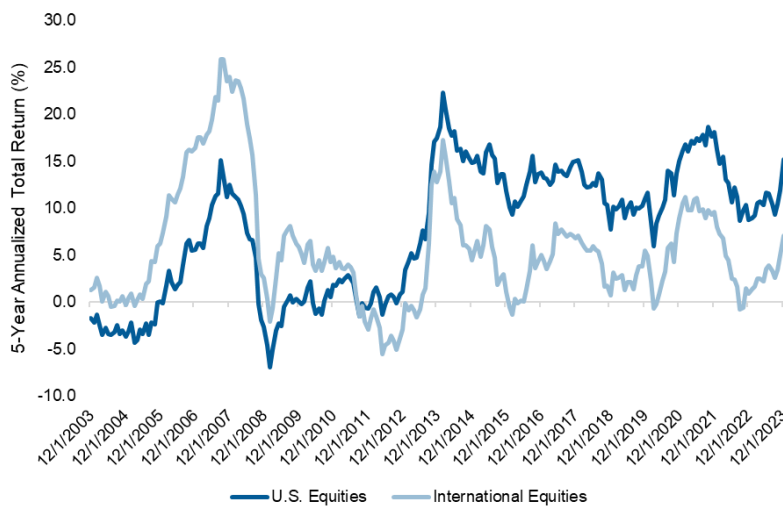
### Annualized Total Returns of U.S. vs International Stocks by Decade



Source: Morningstar. U.S. Equities represented by the MSCI USA Index. International Equities represented by the MSCI ACWI ex USA Index.

The chart below shows three-year rolling total returns for U.S. and international equities. Outperformance of U.S. stocks began late in 2011, preceded by years of international outperformance.

### Rolling 3-Year Total Returns, Annualized, for U.S. and International Equities



Source: Morningstar. U.S. Equities represented by the MSCI USA Index. International Equities represented by the MSCI ACWI ex USA Index.

As mentioned, despite their recent underperformance, international equities provided diversification benefits relative to an all-U.S. equity portfolio over the past decade. Diversification is the hallmark of sound asset allocation. The idea centers on the fact that we do not know what the future holds, so we allocate assets across various investments to have some assets “zigging” when others are “zagging.” The table below shows the correlation of monthly returns of various MSCI country indexes to the MSCI USA Index over the ten years ending April 2024. A correlation of 1.00 would indicate that an allocation to that country provided no diversification benefit, as that country’s index was perfectly correlated to the U.S. Index; lower correlations indicate more diversification benefits.

**Correlation of Select MSCI Country Indexes to U.S. Equities**

Australia	Canada	Germany	Japan	France	U.K.	China	India	Korea	Brazil
0.80	0.82	0.85	0.72	0.84	0.82	0.51	0.61	0.71	0.56

Source: Morningstar. U.S. Equities represented by the MSCI USA Index.

Many things can contribute to performance differences between countries. The prominence of various economic sectors is one of them. The table below shows the weight of each sector in the U.S. versus developed and emerging markets. As you can see, the U.S. market is heavily weighted in Technology stocks, while non-U.S. countries have more exposure to Financials. Looking deeper, countries like Australia and Brazil are heavily weighted toward Materials (17% and 23%, respectively), while Canada has a 20% weight to Energy.

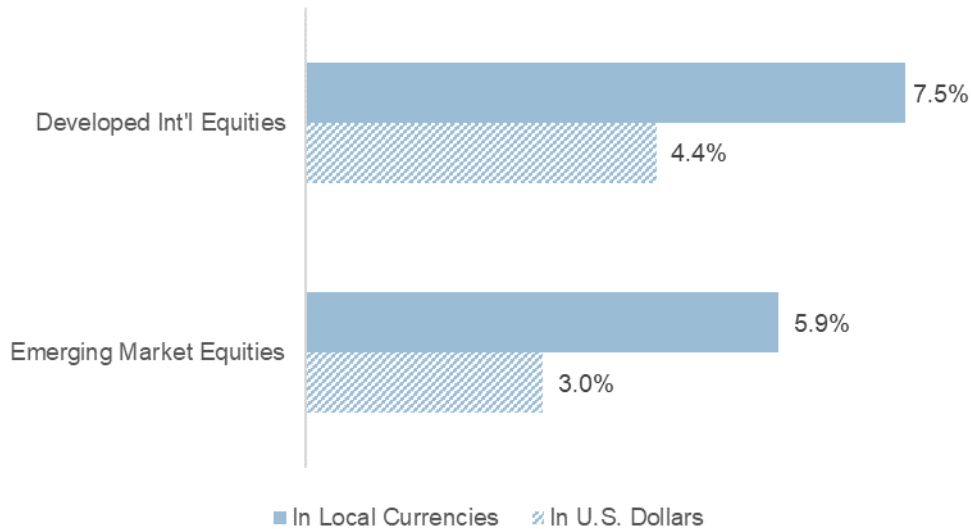
**Sector Weights of U.S., International Developed, and International Emerging Markets by Percent**

Market	Representative Index	Basic Materials	Communication Services	Consumer Cyclical	Consumer Defensive	Healthcare	Industrials	Real Estate	Technology	Energy	Financial Services	Utilities
USA	MSCI ACWI ex USA	2	9	10	6	12	9	2	30	4	12	2
Int'l Developed	MSCI EAFE	7	4	11	9	13	17	2	10	4	19	3
Int'l Emerging	MSCI Emerging Markets	8	9	12	5	4	7	2	23	6	22	3

Source: Morningstar.

Currency fluctuations can also be a key contributor to relative performance between countries. International equity performance, including the performance shown above, is usually quoted in U.S. dollars. However, below, we show foreign equity market performance in both U.S. dollars and local currency terms. As you can see, U.S. dollar strength has been a major headwind to foreign equity returns (to U.S.-based investors). The performance of foreign stocks to local investors has been better than it’s looked to U.S.-based investors.

**Total Returns (Annualized) of International Equities  
10 Years ending 4/30/24**



As proponents of sound asset allocation, the Global Asset Allocation Committee recommends diversified portfolios that include allocations to non-U.S. equities. We don't know what the future holds, and many things could contribute to international equities outperforming U.S. equities in future periods. Perhaps positive equity performance broadens beyond Technology stocks or U.S. dollar strength abates – or other factors contribute. Regardless, there are growth opportunities around the globe and risk-reduction opportunities by diversifying across other regional economic cycles and investing in areas with different sector weightings than we find in the U.S. – that much we do know.

### U.S. Pre-Market Indicators / Overnight International Market Activity

#### United States:

Here is a quick news rundown to start your morning:

- **Missed the Target.** The large retailer Target reported lower earnings than Wall Street expected and a decline in year-over-year sales amid softer demand for discretionary items and groceries.
- **FOMC Minutes.** Meeting minutes from the last Federal Open Market Committee will be published this afternoon. Investors will scrutinize the minutes for indications of potential future monetary policy changes.
- **Existing Home Sales.** April's existing home sales figures will be released today at 10 a.m. EDT. Analysts expect sales to remain in line with March's numbers.

#### Europe:

Equities opened lower Wednesday, as U.K. inflation came in at 2.3% on an annual basis, higher than forecasts of 2.1%.

#### Asia-Pacific:

Markets were mixed across the region with Japanese and Korean shares trading lower, while Mainland Chinese shares higher. Hong Kong-listed Xpeng, a maker of electric vehicles, was up 13% on reported margin improvements and its outlook for deliveries in the second quarter.

**WORLD CAPITAL MARKETS**

5/22/2024

As of: 8:30 AM ET

Americas				Europe (Intra-day)				Asia/Pacific (Last Night)			
	% chg.	% YTD	Value		% chg.	%YTD	Value		% chg.	%YTD	Value
<b>S&amp;P 500</b>	0.3%	12.2%	5,321.4	<b>DJSTOX 50 (Europe)</b>	-0.3%	14.0%	5,030.5	<b>Nikkei 225 (Japan)</b>	-0.8%	16.3%	38,617.1
<b>Dow Jones</b>	0.2%	6.6%	39,873.0	<b>FTSE 100 (U.K.)</b>	-0.5%	10.3%	8,377.9	<b>Hang Seng (Hong Kong)</b>	-0.1%	13.7%	19,195.6
<b>NASDAQ Composite</b>	0.2%	12.5%	16,832.6	<b>DAX Index (Germany)</b>	-0.3%	11.5%	18,671.4	<b>Korea Kospi 100</b>	0.0%	3.4%	2,723.5
<b>Russell 2000</b>	-0.2%	4.0%	2,098.4	<b>CAC 40 (France)</b>	-0.6%	9.6%	8,092.0	<b>Singapore STI</b>	-0.2%	4.8%	3,307.9
<b>Brazil Bovespa</b>	-0.3%	-5.0%	127,412	<b>FTSE MIB (Italy)</b>	-0.2%	13.8%	34,534.7	<b>Shanghai Comp. (China)</b>	0.0%	6.2%	3,158.5
<b>S&amp;P/TSX Comp. (Canada)</b>	0.0%	8.5%	22,468.2	<b>IBEX 35 (Spain)</b>	-0.2%	14.4%	11,313.8	<b>Bombay Sensex (India)</b>	0.4%	3.2%	74,221.1
<b>Russell 3000</b>	0.2%	11.3%	3,041.0	<b>MOEX Index (Russia)</b>	0.4%	13.0%	3,441.8	<b>S&amp;P/ASX 200 (Australia)</b>	0.0%	5.7%	7,848.1

Global				Developed International				Emerging International			
	% chg.	% YTD	Value		% chg.	%YTD	Value		% chg.	%YTD	Value
<b>MSCI All-Country World Idx</b>	-0.2%	10.3%	794.6	<b>MSCI EAFE</b>	-0.8%	7.6%	2,360.4	<b>MSCI Emerging Mkts</b>	0.2%	8.0%	1,095.8

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				Equity Income Indices				Commodities			
	% chg.	% YTD	Value		% chg.	% YTD	Value	Futures & Spot (Intra-day)			
								% chg.	% YTD	Value	
<b>Communication Services</b>	0.0%	21.8%	298.4	<b>JPM Alerian MLP Index</b>	-0.7%	10.6%	281.2	<b>CRB Raw Industrials</b>	0.2%	3.9%	564.5
<b>Consumer Discretionary</b>	0.5%	2.6%	1,451.5	<b>FTSE NAREIT Comp. TR</b>	0.0%	-3.4%	23,117.6	<b>NYMEX WTI Crude (p/bbl.)</b>	-0.9%	8.8%	77.9
<b>Consumer Staples</b>	0.6%	10.4%	833.7	<b>DJ US Select Dividend</b>	0.1%	8.1%	3,244.3	<b>ICE Brent Crude (p/bbl.)</b>	-0.9%	6.6%	82.1
<b>Energy</b>	-0.5%	13.2%	713.4	<b>DJ Global Select Dividend</b>	-0.8%	7.3%	232.5	<b>NYMEX Nat Gas (mmBtu)</b>	-0.9%	5.3%	2.6
<b>Financials</b>	0.6%	12.5%	700.2	<b>S&amp;P Div. Aristocrats</b>	-0.3%	5.1%	4,489.8	<b>Spot Gold (troy oz.)</b>	-0.6%	16.7%	2,407.7
<b>Health Care</b>	0.2%	7.7%	1,701.0					<b>Spot Silver (troy oz.)</b>	-1.5%	32.3%	31.5
<b>Industrials</b>	-0.3%	10.2%	1,057.3					<b>LME Copper (per ton)</b>	-0.5%	26.9%	10,742.0
<b>Materials</b>	0.0%	8.2%	580.6					<b>LME Aluminum (per ton)</b>	3.8%	14.0%	2,673.1
<b>Real Estate</b>	-0.1%	-3.2%	241.0	<b>Bond Indices</b>	% chg.	% YTD	Value	<b>CBOT Corn (cents p/bushel)</b>	0.6%	-6.7%	460.8
<b>Technology</b>	0.3%	17.0%	3,961.0	<b>Barclays US Agg. Bond</b>	0.2%	-1.3%	2,133.8	<b>CBOT Wheat (cents p/bushel)</b>	1.4%	9.5%	707.0
<b>Utilities</b>	1.0%	16.1%	368.6	<b>Barclays HY Bond</b>	0.1%	2.0%	2,528.5				

Foreign Exchange (Intra-day)				Japanese Yen (\$/¥)				Canadian Dollar (\$/C\$)			
	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
<b>Euro (€/€)</b>	-0.2%	-1.9%	1.08	<b>Australian Dollar (A\$/S)</b>	-0.3%	-2.4%	0.66	<b>Swiss Franc (S/CHF)</b>	-0.4%	-8.0%	0.92
<b>British Pound (£/£)</b>	0.0%	-0.2%	1.27								

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

**Ameriprise Global Asset Allocation Committee (GAAC)**

**U.S. Equity Sector - Tactical Views**

	S&P 500 Index	GAAC Tactical	GAAC Recommended		S&P 500 Index	GAAC Tactical	GAAC Recommended
	Weight	Tactical View	Weight		Weight	Tactical View	Weight
<b>Consumer Staples</b>	5.9%	Overweight	7.9%	<b>Communication Services</b>	8.9%	Equalweight	8.9%
<b>Information Technology</b>	30.0%	Equalweight	30.0%	<b>Energy</b>	3.9%	Equalweight	3.9%
<b>Health Care</b>	12.3%	Equalweight	12.3%	<b>Utilities</b>	2.1%	Equalweight	2.1%
<b>Financials</b>	13.1%	Equalweight	13.1%	<b>Materials</b>	2.3%	Equalweight	2.3%
<b>Industrials</b>	8.8%	Equalweight	8.8%	<b>Real Estate</b>	2.3%	Equalweight	2.3%
				<b>Consumer Discretionary</b>	10.4%	Underweight	8.4%

As of: March 29, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/21/2024. 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.

**Global Equity Regions - Tactical Views**

	MSCI All-Country World Index	GAAC Tactical	GAAC Recommended		MSCI All-Country World Index	GAAC Tactical	GAAC Recommended
	Weight	Tactical View	Weight		Weight	Tactical View	Weight
<b>United States</b>	62.4%	Overweight	64.5%	<b>Latin America</b>	1.0%	Equalweight	1.0%
<b>Europe ex U.K.</b>	13.5%	Overweight	15.5%	<b>Asia-Pacific ex Japan</b>	10.3%	Underweight	7.3%
<b>Japan</b>	5.6%	Overweight	6.6%	<b>Canada</b>	2.9%	Underweight	1.9%
<b>United Kingdom</b>	3.2%	Equalweight	3.2%	<b>Middle East / Africa</b>	1.1%	Underweight	0.0%

as of: March 29, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 03/21/2024. 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.

## Economic News and Views:

Russell T. Price, CFA – Chief Economist

### Releases for Wednesday May 22, 2024

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
10:00 AM	APR	Existing Home Sales (Annualized)	4.22M		4.19M	
10:00 AM	APR	Existing Home Sales (MoM)	+0.6%		-4.3%	
2:00 PM	NA	FOMC Meeting Minutes (May 1 <sup>st</sup> )	na		na	

### Ameriprise Economic Projections

Forecast:	Full-year				Quarterly							
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q2-2023	Actual Q3-2023	Actual Q4-2023	Actual Q1-2024	Est. Q2-2024	Est. Q3-2024	Est. Q4-2024	
Real GDP (annualized)	1.9%	2.5%	2.2%	1.8%	2.1%	4.9%	3.4%	1.6%	2.6%	1.9%	1.6%	
Unemployment Rate	3.6%	3.7%	4.2%	4.2%	3.6%	3.8%	3.7%	3.8%	4.0%	4.1%	4.2%	
CPI (YoY)	8.0%	3.4%	2.3%	2.0%	3.0%	3.7%	3.4%	3.5%	3.3%	2.6%	2.3%	
Core PCE (YoY)	5.2%	2.9%	2.1%	1.9%	4.3%	3.6%	2.9%	2.8%	2.5%	2.2%	2.1%	

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 estimates other than GDP are period ending.

Last Updated: May 1, 2024

## Ameriprise Global Asset Allocation Committee Targets and Views

### Targets

2024 Year-end Targets:	Favorable Scenario	Base-Case Scenario	Adverse Scenario
S&P 500 Index:	5,400	5,200	4,500
10-Year U.S. Treasury Yield:	4.00%	3.50%	3.00%
Fed Funds Target Range:	4.25% to 4.50%	4.75% to 5.00%	3.75% to 4.00%

Estimates (Est.) via American Enterprise Investment Services Inc.

Please see latest *Quarterly Capital Market Digest* for more information.

Last Updated: April 24, 2024

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## Global Asset Allocation Committee Views

### AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2024 Year-end S&P 500 Target: 5,200  
2024 Year-End 10-year Treasury Target: 3.50%

as of 03/27/2024

	Overweight	Equalweight	Underweight
<b>Equity</b>	<ul style="list-style-type: none"> <li>U.S. Large Cap Value</li> <li>Developed Foreign Equity</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Large Cap Growth</li> <li>U.S. Mid Cap Value</li> <li>U.S. Mid Cap Growth</li> <li>U.S. Small Cap Value</li> <li>U.S. Small Cap Growth</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Foreign Equity</li> </ul>
<b>S&amp;P 500 Sectors</b>	<ul style="list-style-type: none"> <li>Consumer Staples</li> </ul>	<ul style="list-style-type: none"> <li>Communication Services</li> <li>Energy</li> <li>Financials</li> <li>Health Care</li> <li>Industrials</li> <li>Information Technology</li> <li>Materials</li> <li>Real Estate</li> <li>Utilities</li> </ul>	<ul style="list-style-type: none"> <li>Consumer Discretionary</li> </ul>
<b>Global Equity Regions</b>	<ul style="list-style-type: none"> <li>United States</li> <li>Europe ex U.K.</li> <li>Japan</li> </ul>	<ul style="list-style-type: none"> <li>Latin America</li> <li>United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>Asia Pacific ex Japan</li> <li>Middle East/Africa</li> <li>Canada</li> </ul>
<b>Fixed Income</b>	<ul style="list-style-type: none"> <li>U.S. Government</li> <li>U.S. Investment Grade Corp.</li> </ul>	<ul style="list-style-type: none"> <li>Developed Foreign Bonds</li> <li>U.S. High Yield Bonds</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Foreign Bonds</li> <li>Municipal Bonds</li> </ul>
<b>Alternatives</b>		<ul style="list-style-type: none"> <li>Real Assets</li> </ul>	<ul style="list-style-type: none"> <li>Alternative Strategies</li> </ul>
<b>Cash</b>		<ul style="list-style-type: none"> <li>Cash</li> <li>Cash Investments</li> </ul>	

Note: Our Tactical Allocations are designed to augment a Strategic portfolio over a 6-12-month time horizon. **Asset Allocation and diversification do not ensure or guarantee better performance and do not eliminate the risk of investment losses. Investors should note that rising interest rates could have a detrimental effect on bond prices. Please consult with your financial advisor.** Cash generally refers to assets, securities and/or products low in risk and highly liquid. For asset allocation purposes, instruments can include Treasury bills, certificates of deposit, money market funds and high quality bonds whose maturities are less than 3 months. Outside of asset allocation purposes, cash investments can also include illiquid cash held in a mutual fund or pledged as collateral for derivatives. You can only access this cash by redeeming the fund using it, subject to fees or time constraints associated with redemptions.

Major Market Indices	Rolling Returns			
	Q1'24	1-year	3-years	5-years
Russell 3000 <sup>®</sup> Index (U.S. Equity)	10.02%	29.29%	9.78%	14.34%
MSCI ACWI Ex USA Index – net (Foreign Equity)	4.69%	13.26%	1.94%	5.97%
Bloomberg U.S. Universal Bond Index (Fixed Income)	-0.47%	2.67%	-2.11%	0.69%
Wilshire Liquid Alternative Index (Alternatives)	3.16%	8.25%	1.95%	2.92%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.52%	2.70%	2.07%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of March 29, 2024



# The Ameriprise Investment Research Group

With Ameriprise Financial, you can benefit from our dedicated team of experienced investment research and due diligence professionals. Our objective market insight, strategies and guidance are designed to provide you with insight into investment strategies and solutions to help you feel more confident about your financial future. It's the higher level of sophistication and service you've come to expect from Ameriprise.

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## Risk Factors

Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur. Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

**Income Risk:** We note that dividends are declared solely at the discretion of the companies’ boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some

instances, ADR holders are eligible to reclaim a portion of the withholding tax.

**International investing** involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in **emerging markets**.

**Market Risk:** Model portfolios and markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

**Sector Risk:** The Ameriprise Global Asset Allocation Committee and managers of this model portfolio can elect to overweight or underweight (or completely avoid) certain economic sectors. This could lead to substantial underperformance versus a more diversified or balanced weighting.

**Security Recommendation Risk:** The research team may not be successful in selecting securities that collectively perform better than the benchmark. When viewing return comparisons investors should keep in mind the following information. Our model portfolio generally maintains less than 50 securities, whereas benchmark indices contain several times that amount. The benchmark index is market capitalization weighted, providing greater weight to the larger company movements, whereas our model portfolio is designed to be equally dollar weighted. Furthermore, the model portfolio may deviate significantly, at times, from the sector allocation of the benchmark due to our interpretation of economic conditions and market factors as well as our security selection process.

The benchmark index returns are taken from Bloomberg Financial Markets and reflect dividends reinvested. Additionally, there is no fee or cost assumption in the index comparison return.

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**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.

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There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

**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.

**International investing** involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are enhanced for **emerging market** issuers.

Interest payments on **inflation-protected securities** may be more volatile than interest payments on ordinary bonds. In periods of deflation, these securities may provide no income.

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