Market Analysis / Third Quarter 2021

INDEPENDENT WEALTH MANAGEMENT

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Crosscurrents and Market Gains amid a Fitful Reopening

Prices for riskier assets extended their rally amid the U.S. reopening, global economic progress, and supportive monetary and fiscal policies. Bond yields moderated, however, and market leadership rotated as the near-term outlook grew murkier due to rising coronavirus cases globally, supply shortages and disruptions, and the uncertain path toward monetary normalization. Elevated valuations present a challenge to asset markets.

	MACRO	ASSET MARKETS
Q2 2021	• Global economic expansion broadened, with variance across regions due in part to different vaccine and virus trends.	• Riskier asset prices continued to rally while bond yields moderated.
OUTLOOK	• Most major countries' recoveries continued, but virus variants made progress uneven. • The U.S. moved into the mid-cycle phase as the reopening became reality, with activity and inflation rates likely reaching a peak. • Amid China's restrained policies and softening momentum, the U.S. may be the primary driver of the global cycle. • Supply-side disruptions and shortages will likely ebb with time but may prove more lasting than expected. • Monetary and fiscal policy still highly accommodative, but we may have reached peak stimulus and liquidity growth.	• Policy decisions are likely to have an increasingly large influence on asset returns. • Buoyant asset valuations reflect positive expectations built into asset prices. • Slower liquidity growth and the potential for a more inflationary backdrop may raise the odds of higher market volatility. • Cyclical outlook remains constructive, but portfolio diversification is as important as ever.

Diversification does not ensure a profit or guarantee against a loss.

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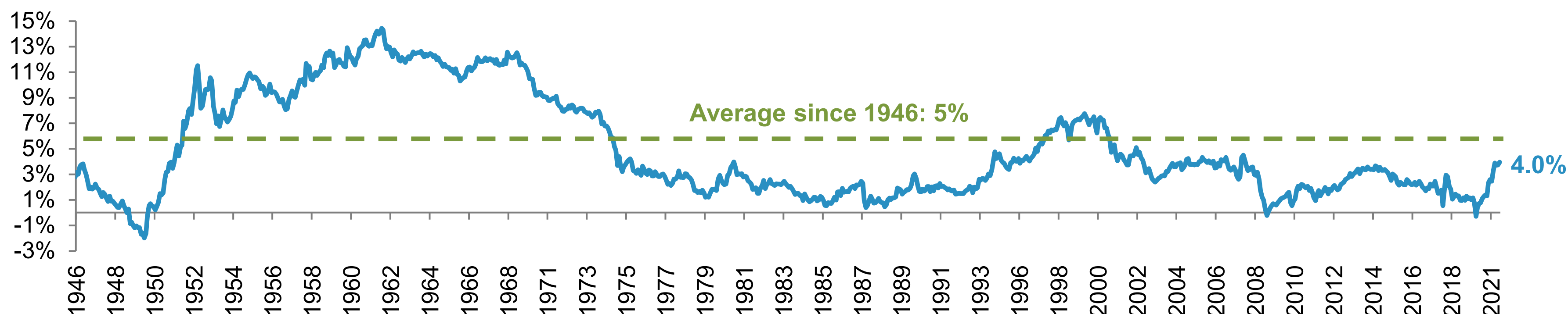
U.S. Assets Led Broad-Based Global Rally

Economic reopening underpinned widespread Q2 gains for U.S. assets, marking the first half of 2021 as another period of exceptional U.S. equity performance. Commodity prices also rallied sharply during Q2 amid constrained supply and surging global industrial activity. Most bond categories posted positive returns this period as longer-term interest rates dropped following their steep run-up in Q1.

	Q2 2021 (%)	YTD (%)		Q2 2021 (%)	YTD (%)
Commodities	13.3	21.1	Non-U.S. Small Cap Stocks	4.3	9.0
Real Estate Stocks	12.0	22.0	U.S. Small Cap Stocks	4.3	17.5
U.S. Large Cap Stocks	8.5	15.3	Emerging-Market Bonds	3.9	-1.0
U.S. Mid Cap Stocks	7.5	16.2	Gold	3.7	-6.8
Long Government & Credit Bonds	6.4	-4.6	U.S. Corporate Bonds	3.3	-1.3
Non-U.S. Developed-Country Stocks	5.2	8.8	High-Yield Bonds	2.8	3.7
Emerging-Market Stocks	5.0	7.4	Investment-Grade Bonds	1.8	-1.6



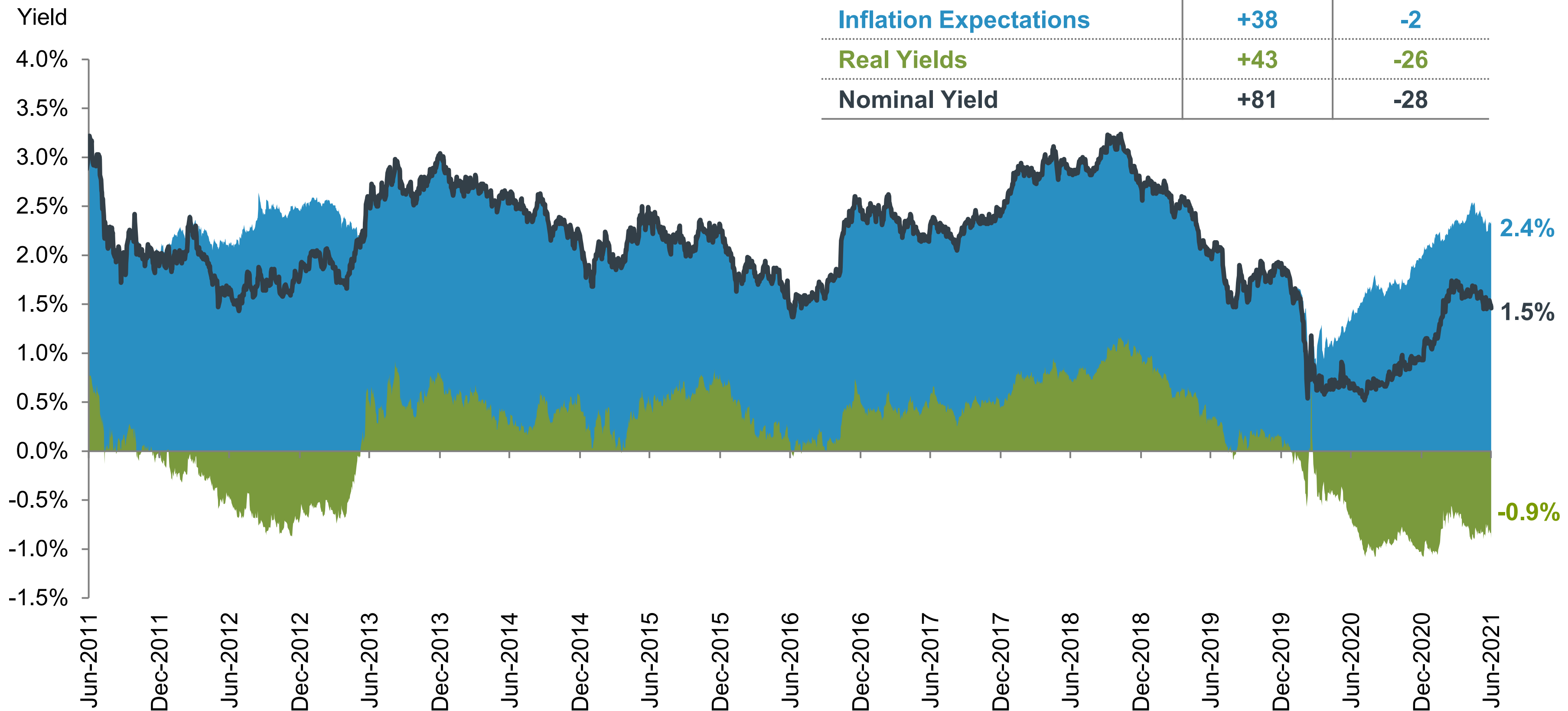
Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. IG: Investment grade. Assets represented by: Commodities—Bloomberg Commodity Index; Emerging-Market Bonds—JP Morgan EMBI Global Index; Emerging-Market Stocks—MSCI EM Index; Gold—Gold Bullion, LBMA PM Fix; High-Yield Bonds—ICE BofA High Yield Bond Index; Investment-Grade Bonds—Bloomberg Barclays U.S. Aggregate Bond Index; Non-U.S. Developed-Country Stocks—MSCI EAFE Index; Non-U.S. Small Cap Stocks—MSCI EAFE Small Cap Index; Real Estate Stocks—FTSE NAREIT Equity Index; U.S. Corporate Bonds—Bloomberg Barclays U.S. Credit Index; U.S. Large Cap Stocks—S&P 500®; U.S. Mid Cap Stocks—Russell Midcap® Index; U.S. Small Cap Stocks—Russell 2000® Index; Long Government & Credit Bonds—Bloomberg Barclays Long Government & Credit Index.
Source: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments Asset Allocation Research Team (AART), as of 6/30/21.

Bond Yields Took a Breather Despite Higher Inflation

Due in part to robust financial and monetary liquidity conditions, longer-term bond yields ticked down during Q2. Inflation expectations remained near multiyear highs, but real yields dropped and erased much of their Q1 rise. Nominal yields were still roughly 100 basis points higher than the all-time lows reached in mid-2020, but extraordinary global monetary policies are likely contributing to the persistence of negative real yields.

10-Year U.S. Government Bond Yields

Change in Yields (Basis Points)		
	Q1 2021	Q2 2021
Inflation Expectations	+38	-2
Real Yields	+43	-26
Nominal Yield	+81	-28



Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/21.

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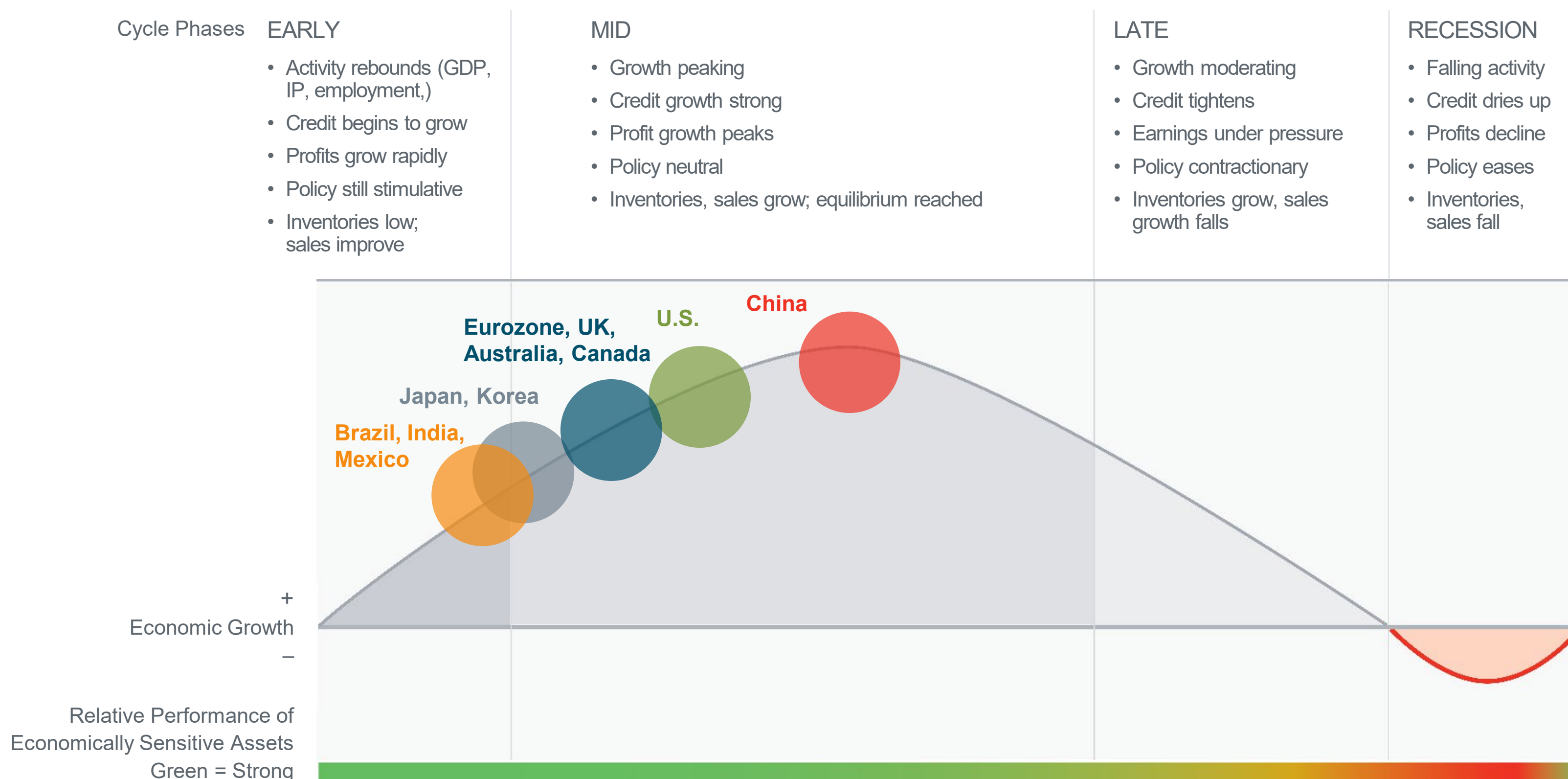
Global Expansion Progressing in an Uneven Manner

The U.S. shifted fully into the mid-cycle phase, as a broadening expansion accompanied the economy's reopening. Major economies are on differing trajectories, with a number of developing countries inhibited in particular by their more-limited vaccination and reopening progress. The global cycle's momentum is widening, with staggered re-openings likely leading to ongoing improvement, even if in fits and starts.

Business Cycle Framework



Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term horizon. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. Source: Fidelity Investments (AART), as of 6/30/21.

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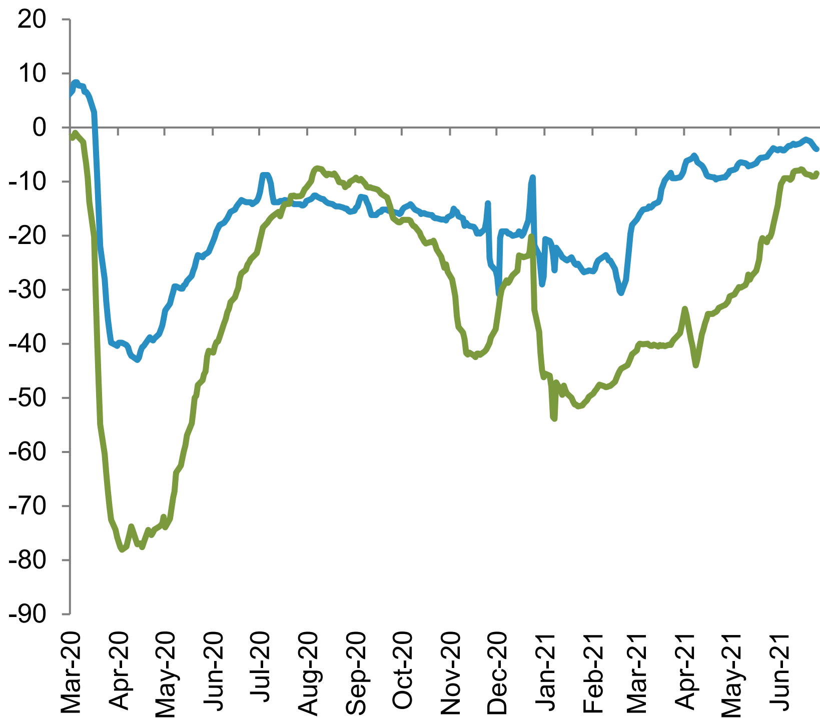
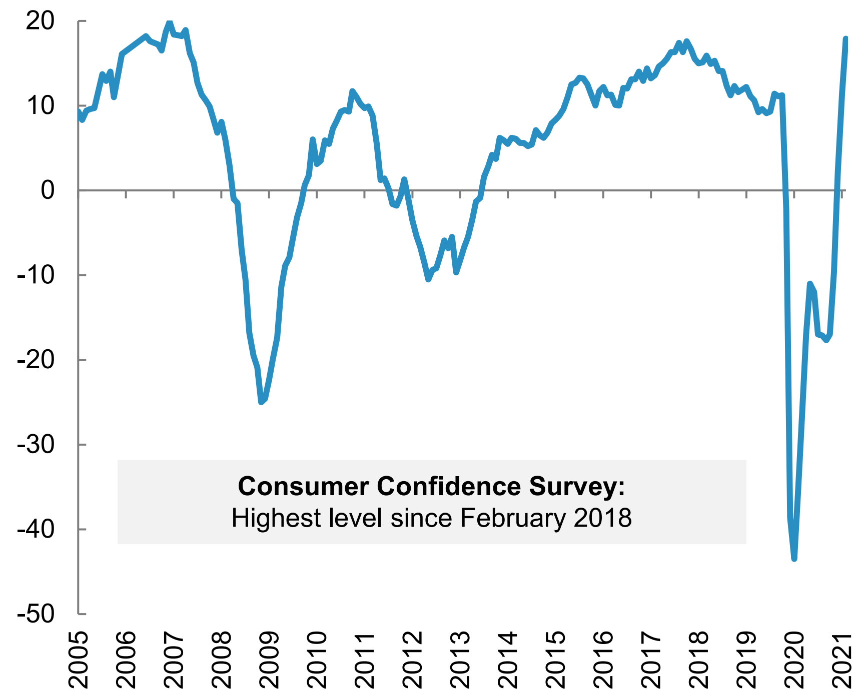
Signs of a European Uptick with Reopening on the Horizon

Following progress on vaccinations and relaxation of social-distancing measures, human-mobility measures in Europe approached U.S. levels. Euro-area sentiment surveys of service-industry and consumer confidence—oftentimes leading indicators of real activity—rose toward multiyear highs. Similar to many other developed economies, a continued recovery in services is likely to lead the cyclical upswing.

Retail and Recreation Mobility



Euro-Area Sentiment Surveys



LEFT: Mobility: A measure of the frequency and length of visits across various categories. Five-day moving average of mobility at retail and recreation locations (e.g., restaurants, shopping centers, museums, movie theaters, theme parks) relative to the median value for the corresponding day of the week during the five-week period from 1/3/20 to 2/6/20. Major European countries include Ireland, France, Germany, Italy, Spain, and the UK. Source: Google, Haver Analytics, Fidelity Investments (AART), as of 6/24/21. **RIGHT**: Index represents the percent of respondents reporting an increase less the percent of respondents reporting a decrease. Source: European Commission, Haver Analytics, Fidelity Investments (AART), as of 6/30/21.

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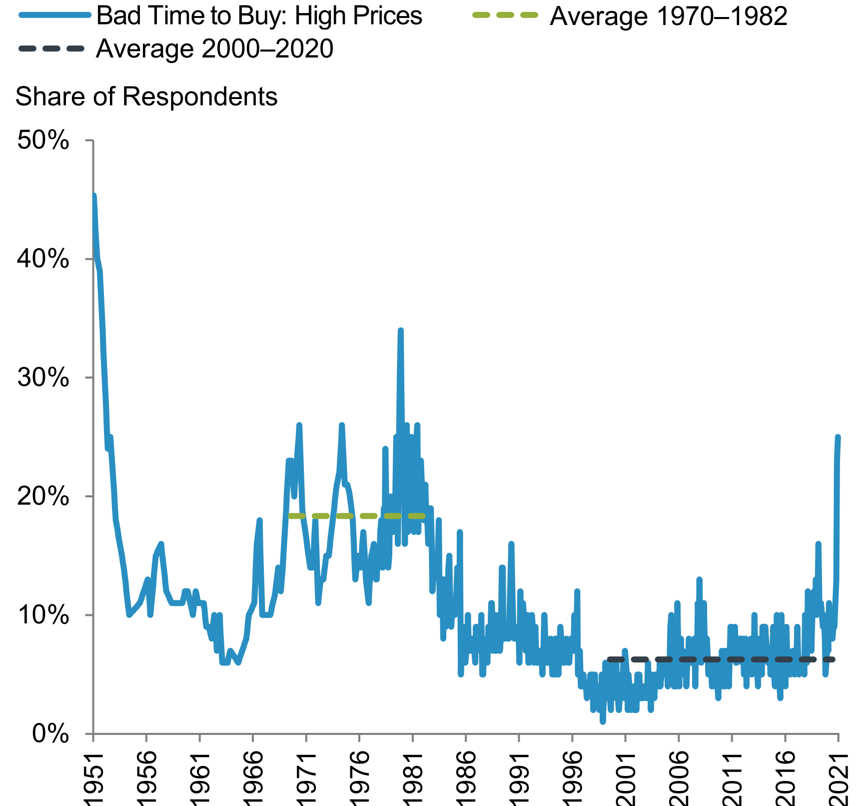
U.S. High Nominal Growth Resembles Post-WWII Era

The post–World War II shift to a peacetime economy, which catalyzed a cyclical rebound of growth and inflation, may be the closest historical analog to the post-Covid era. Strong postwar demand from healthy consumer balance sheets combined with a lagged supply response created upward pressure on prices. Today, a shifting mix of growth and inflation may arise amid global supply disruptions and domestic labor shortages.

Post–WW II Analog to COVID-19

	End of WWII	COVID-19
Short Sharp Recession	Sharp manufacturing decline and recovery	
Fiscal Support	Public Debt/GDP surged over 100%	
	GI Bill, Employment Act of 1946	Build Back Better plans
Monetary Support	2.5% cap on 10-year Treasuries	ZIRP, QE, Extraordinary facilities
Repaired Fin'l System	Banks better capitalized after Great Depression and GFC	
Pent-Up Demand/ Savings Surge	Household savings rates peaked at >20%	
	Shift to domestic spending	Shift to services spending

Consumers' Views of Household-Goods Prices



LEFT: ZIRP: Zero interest-rate policy. QE: Quantitative easing. GFC: Global financial crisis. Source: Fidelity Investments (AART), as of 6/30/21.
RIGHT: Source: University of Michigan, Haver Analytics, Fidelity Investments (AART), as of 6/30/21.

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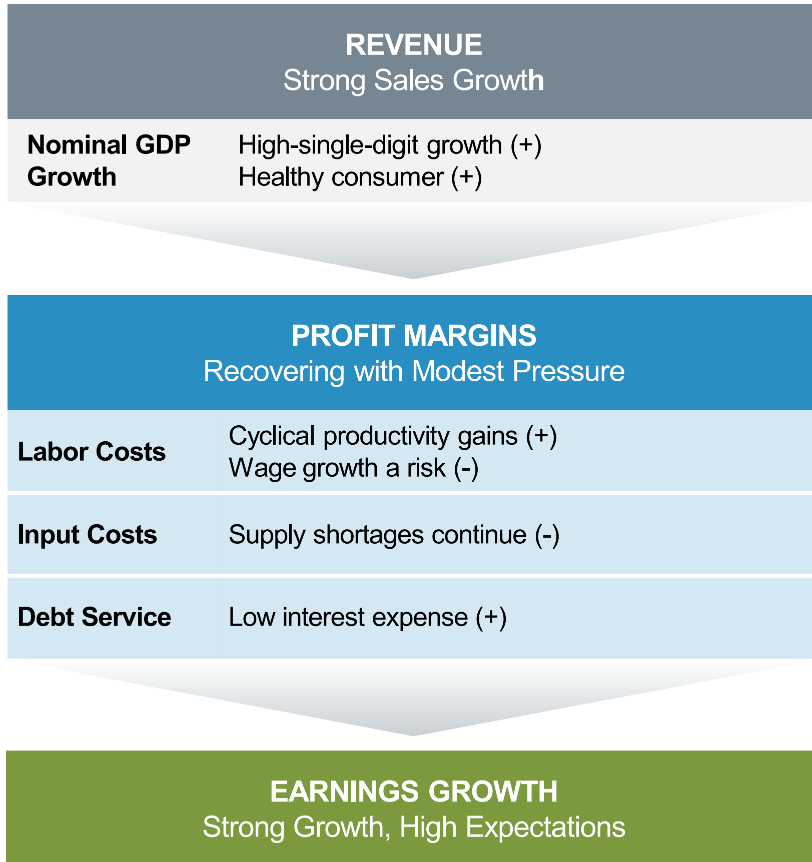
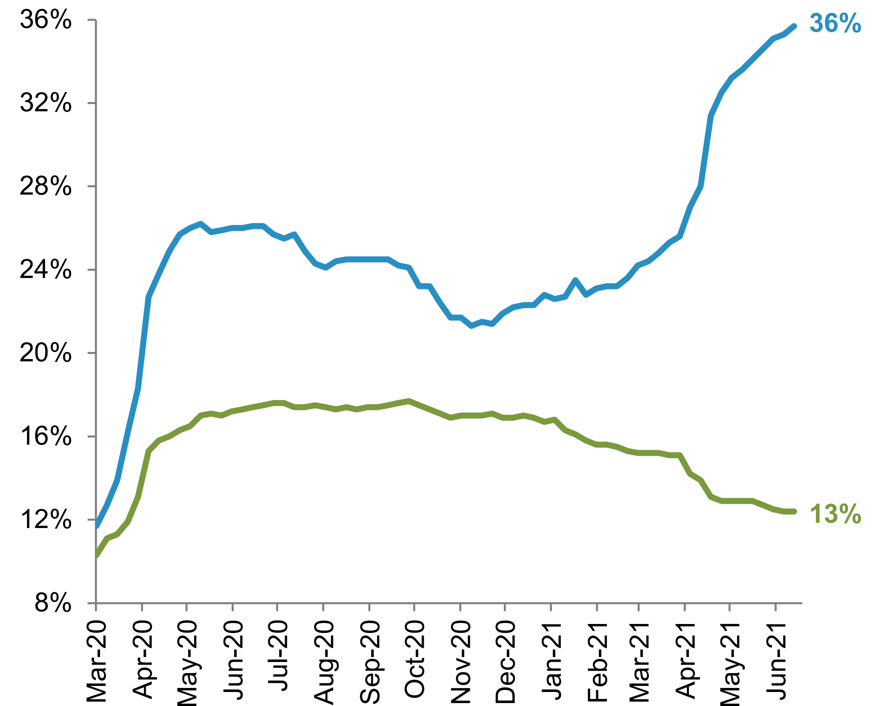
Corporate Profits Remain Strong but Cost Pressures Brew

Corporate earnings surprised to the upside during the past few quarters as sales accelerated, and many companies were able to pass through higher input costs to consumers. Market expectations for 2021 earnings have been revised higher to a robust 36% year-over-year growth rate, with double-digit growth expected to continue into 2022. Companies' ability to maintain high profit margins remains key to the earnings outlook.



S&P 500 Earnings Expectations



LEFT: Source: Fidelity Investments (AART), as of 6/30/21.
RIGHT: Street estimates. Source: Blomberg Financial LP, Fidelity Investments (AART), as of 6/25/21.

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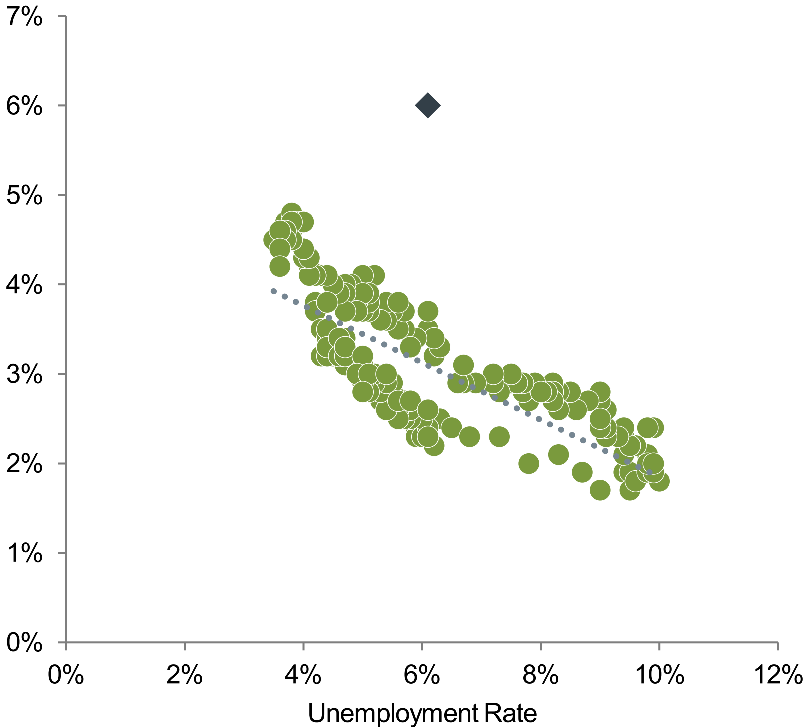
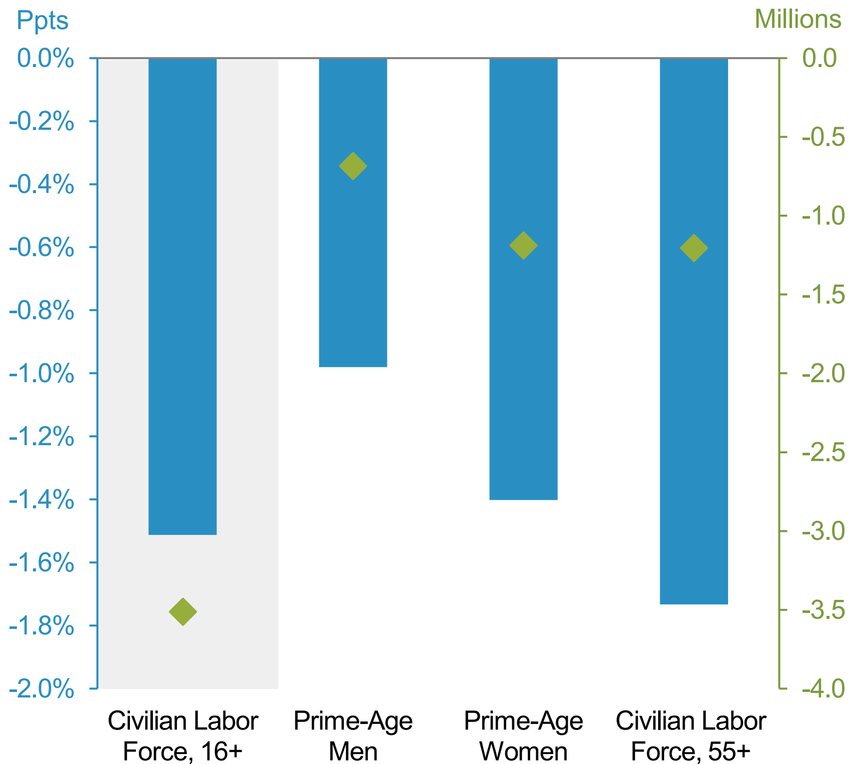
Labor Market Improves but Mismatch May Not Fade Quickly

Firms posted the highest rate of job openings in two decades, but unemployment rates remained elevated. Job gains continue, but shortages should ease over the next three months as extra jobless benefits expire and childcare and schools fully reopen. However, some of the 3.5 million people who left the labor force during the pandemic, especially older workers, might not return, implying some of the supply-demand gap may persist.

U.S. Unemployment and Job-Openings Rates



Change in Labor Force Relative to Feb 2020



LEFT: Seasonally adjusted data. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 4/30/21.
RIGHT: Ppts: Percentage points. Seasonally adjusted data. Prime age comprises individuals 25 to 54 years old. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 5/31/21.

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Wages Recovered Quickly, Especially for Lower Earners

After dropping during the pandemic, wages regained their pre-pandemic peak in just eight months, led by gains for lower-paid workers, who bore the brunt of the layoffs. Recent wage resilience contrasts with the prolonged employment weakness experienced after the 2008 recession, and surveys suggest both workers and businesses expect wages to continue rising in the months ahead.

U.S. Wages and Salaries

2020–2021 2008–2009

Wage Peak = 1

Wage Data and Survey Expectations
Fidelity Analyst Survey: 72% Expect Companies to Raise Wages
Wage Growth Recovered to Pre-Pandemic Rate for High School Education or Less
“Reservation Wage” Expectation Rose 20% for Workers Earning Less than $60k/year

1.10 1.08 1.06 1.04 1.02 1.00 0.98 0.96 0.94 0.92 0.90 0.88

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Months

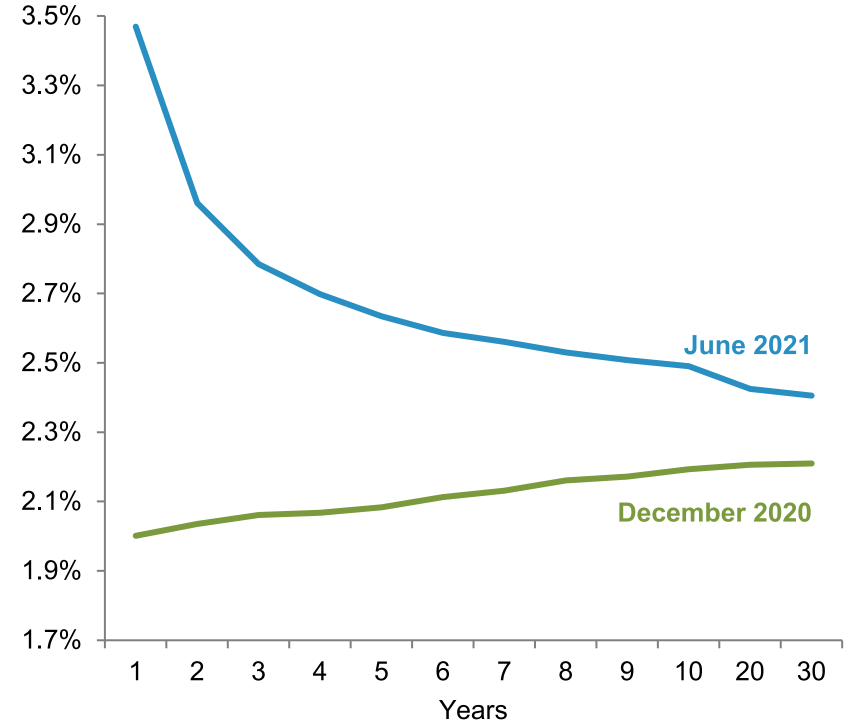
GRAPH: Wage peak calculated as peak wage prior to drawdown in wages during the recession. Bureau of Economic Analysis, Haver Analytics, Fidelity Investments (AART), as of 4/30/21. **TABLE**: Fidelity Analyst Survey: Quarterly survey of fixed income and equity analysts who cover different sectors and regions. Wage expectations are over the next three months. Atlanta Fed: Wage Growth Tracker, New York Fed Survey: SCE Survey. Sources: Federal Reserve Bank of New York, Federal Reserve Bank of Atlanta, Haver Analytics, Fidelity Investments (AART), as of 6/30/21.

Market Expects Rising Inflation Pressure to Be Short-Lived

Our poll of Fidelity equity and fixed income research analysts shows an overwhelming majority expect the companies they follow both to experience rising input prices and to raise their selling prices in the months ahead. Near-term market inflation expectations rose dramatically from pre-pandemic levels, but they also indicate a belief that inflation pressures will be transitory and diminish in the years to come.

Fidelity Analyst Survey: Price Expectations

Inflation Expectations: CPI Swaps



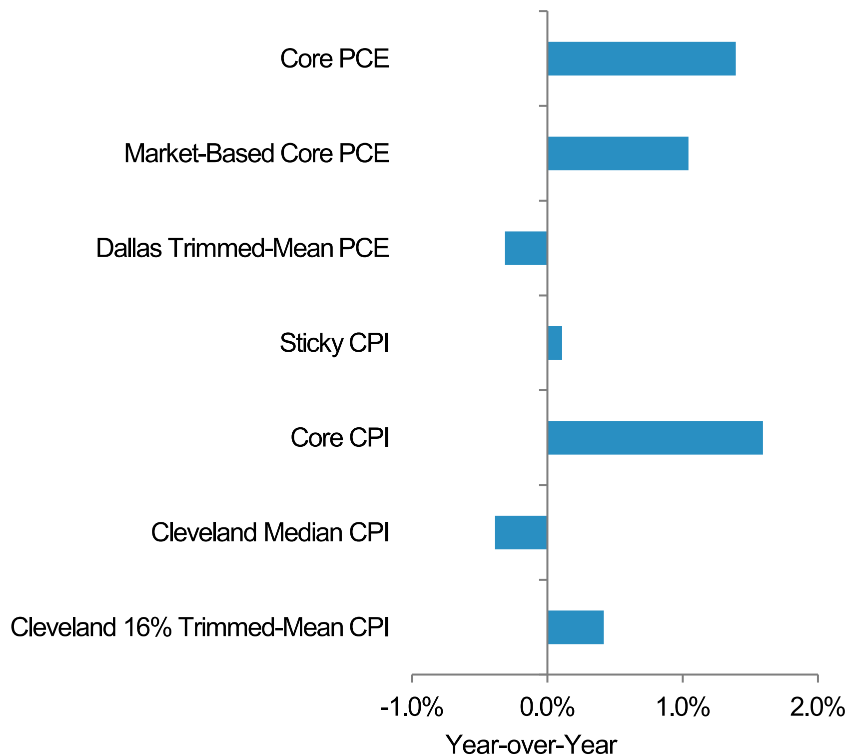
LEFT: Fidelity Analyst Survey: Quarterly survey of fixed income and equity analysts who cover companies within different sectors and regions. Expectations are for the next three months Source: Fidelity Investments (AART) as of 6/30/21. **RIGHT**: Inflation expectations derived from USD Inflation Zero-Coupon Swaps. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/21.

Federal Reserve: Inflation Hot, Employment Gap Remains

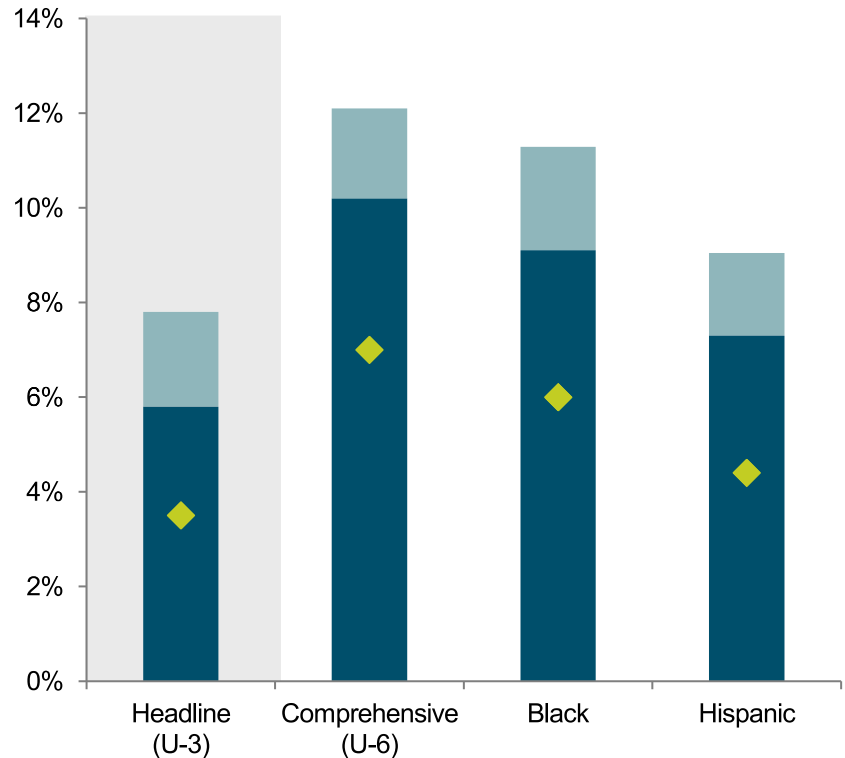
Inflation during Q2 rose well above the Federal Reserve's target—2% Core PCE—with many of the bank's other preferred measures also running hot. The Fed has indicated patience with an inflation overshoot as it watches for progress towards its inclusive employment goals. The unemployment rate has improved but remains elevated, especially when the many workers who dropped out of the labor force are taken into account.

Inflation Measures

Distance from Implied Fed Target



Unemployment Rates



LEFT: Consumer price index(CPI) represents changes in prices of a basket of goods and services purchased by urban households. Personal consumption expenditures (PCE) are based on surveys of what businesses are selling; core PCE excludes volatile food and energy prices. See appendix for more information. Source: Federal Reserve, Bureau of Labor Statistics, Bloomberg Finance L.P., Fidelity Investments (AART), as of 5/31/21.
RIGHT: Adjustment for Participation Loss adds in the decrease in labor force recorded for February 2020. Pre-Pandemic is the unemployment rate as of February 2020. Seasonally Adjusted. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 5/31/21.

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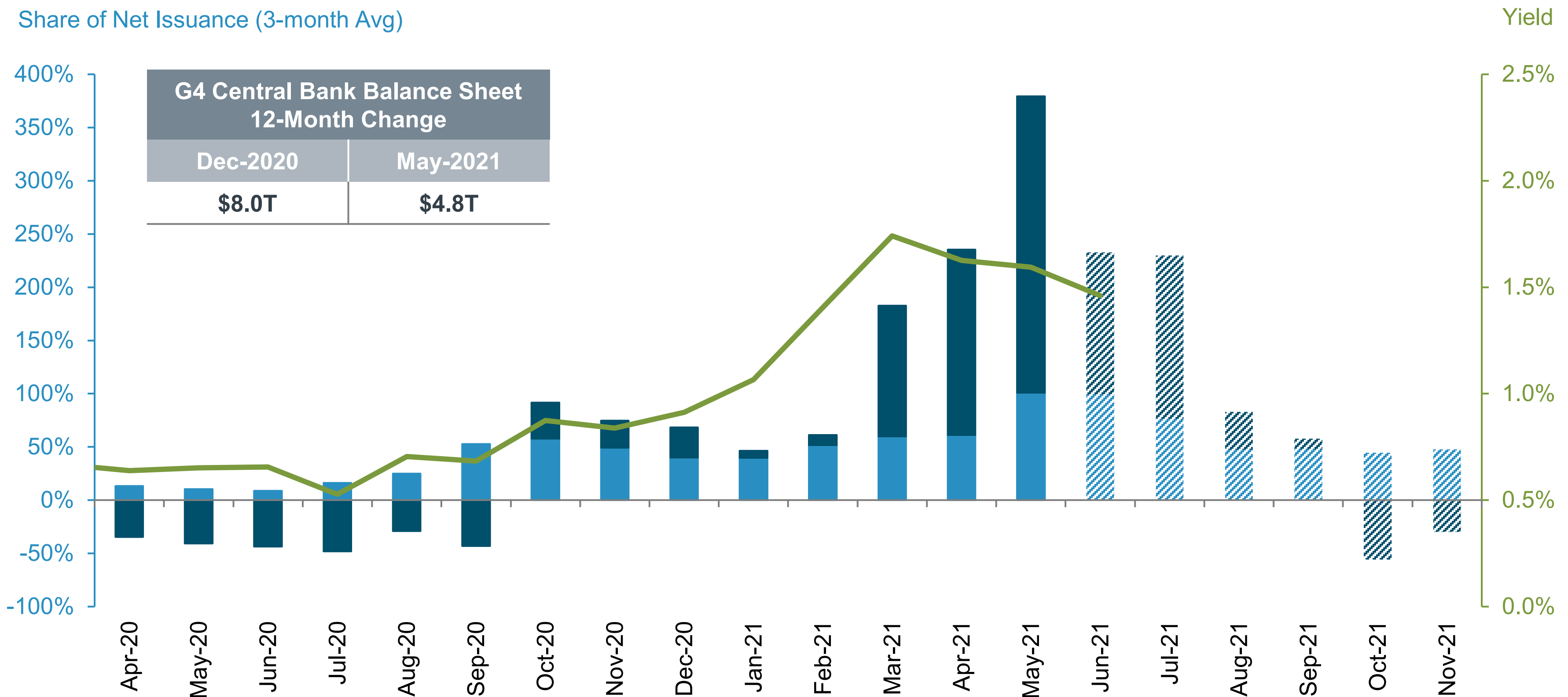
Buoyant Liquidity Likely to Fade, Raising Odds of Volatility

Global liquidity surged during Q2, as major central banks' QE and a drawdown of the Treasury's general account at the Fed injected more than $1.5 trillion of incremental liquidity into the financial system. This backdrop supported asset prices and bond market supply/demand dynamics, helping push down bond yields. We expect liquidity growth to slow in the coming months, raising the prospect of higher market volatility.

U.S. Treasury Bond Market Technicals

Fed Purchases | Treasury General Account Change | 10-Year Yield



Shaded bars represent estimates based on Treasury refunding announcement and Federal Reserve QE expectations. G4 Central Banks: Federal Reserve, Bank of Japan, European Central Bank, Bank of England. Source: SIFMA, Citigroup, JP Morgan, Bloomberg Finance L.P., Fidelity Investments (AART); 10-year yields as of 6/30/21; Fed purchases and Treasury general account changes and projections as of 5/31/21.

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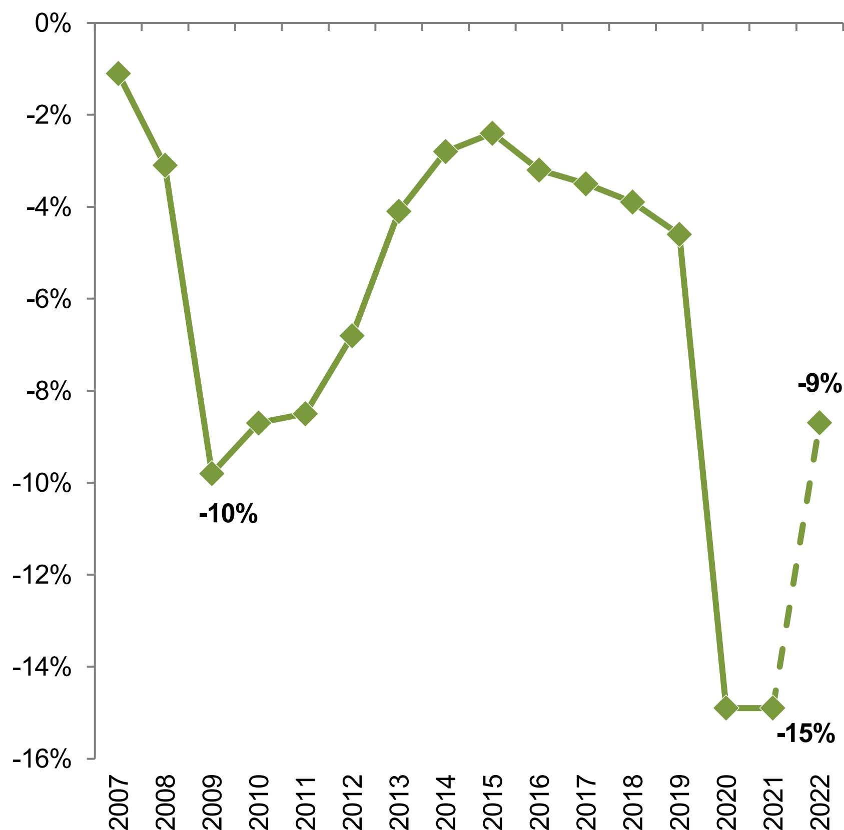
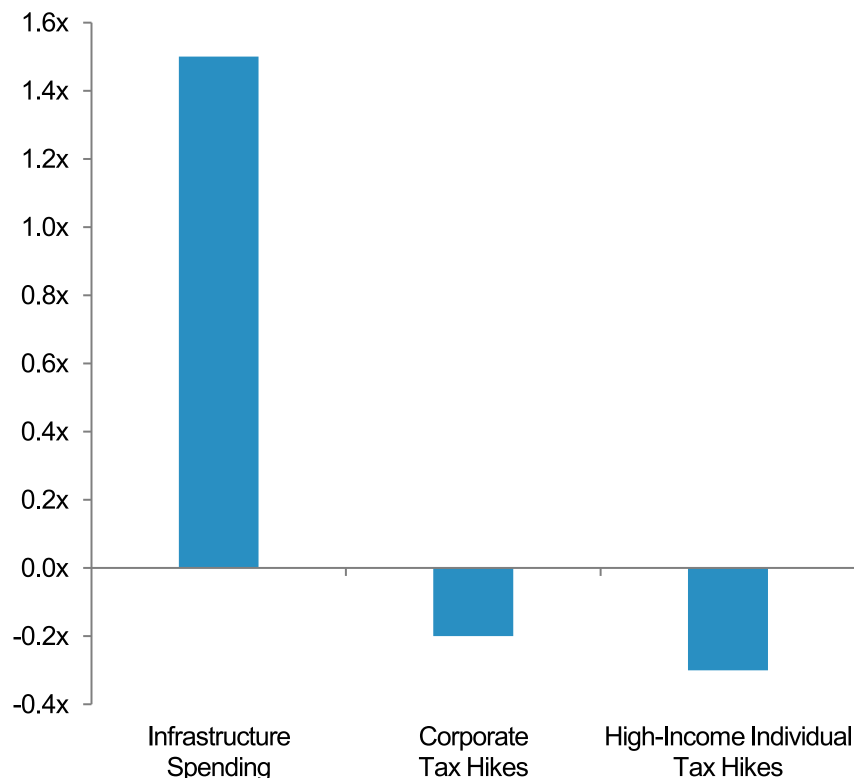
Fiscal Support Peaking, Proposals Would Raise Multiplier

After nearly $3 trillion of emergency stimulus this past fiscal year, the 2021 fiscal deficit may once again reach the 2020 peacetime record, but less fiscal support is likely next year. If enacted, Biden administration proposals for heavy investment in infrastructure projects, funded partially via higher taxes on corporations and high-income individuals, likely would add a pro-growth flavor to the near-term policy mix.

Fiscal Deficit as a Percentage of GDP



Fiscal Multipliers



LEFT: Dashed line projection represents CBO February 2021 baseline plus CBO May 2021 scenario that includes effects of increased spending levels and a potential $2.7 trillion 10-year increase in spending. Source: Congressional Budget Office, Haver Analytics, Fidelity Investments (AART), as of 6/30/21. **RIGHT**: Multipliers are rough estimates of how much a dollar of spending or tax changes would impact GDP, based on historical averages. Sources: Congressional Budget Office, Richmond Federal Reserve, Fidelity Investments (AART), as of 6/30/21.

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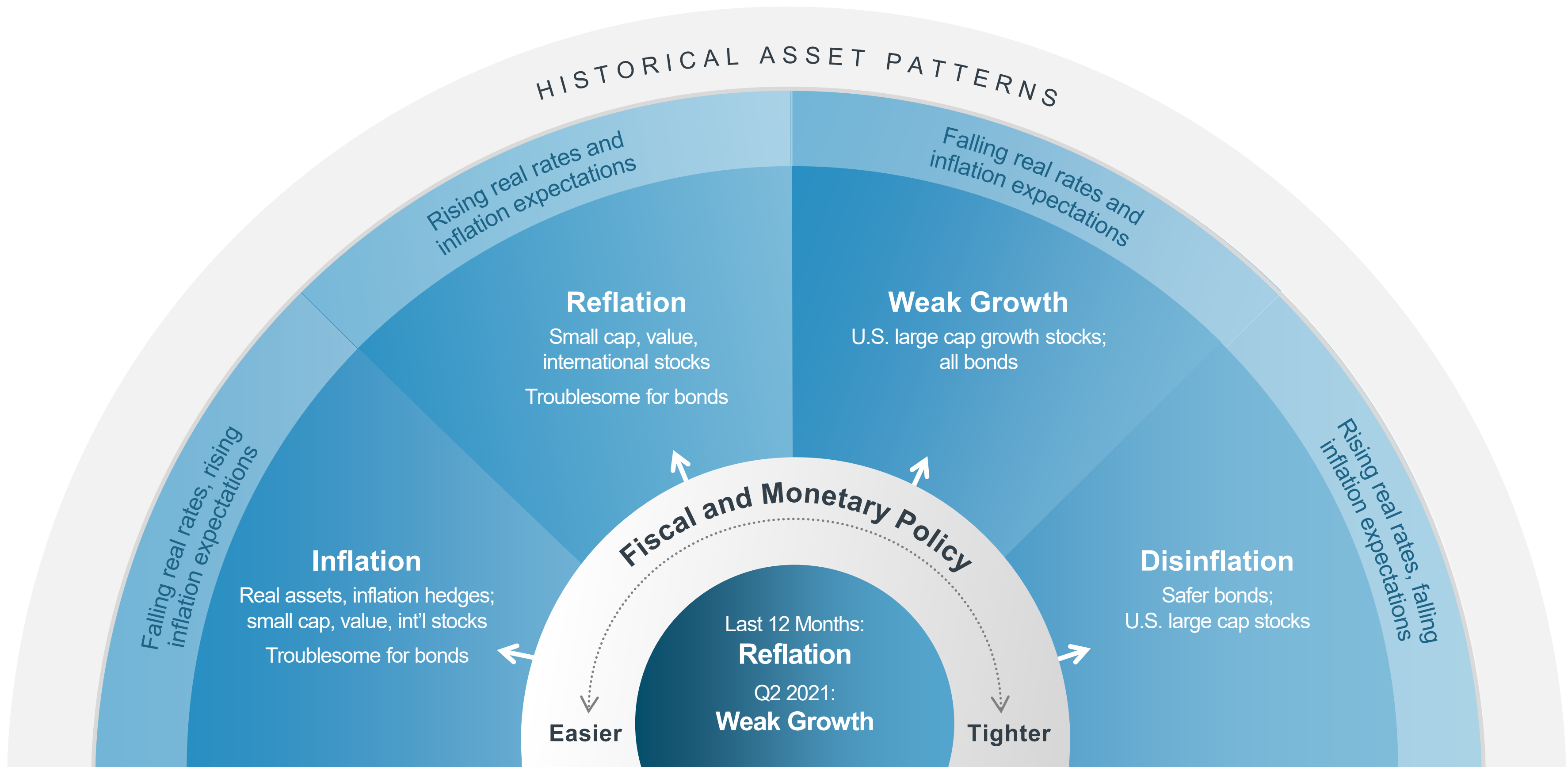
Policy, Inflation, and Rates Critical to Market Leadership

Relative asset performance patterns can be influenced by the direction of key variables. Markets experienced a reflationary dynamic of rising inflation expectations and real interest rates over the past year. Q2, however, added a hint of weak-growth flavor. We see potential for elevated volatility in the coming year, as shifting expectations for monetary policy could push markets toward more inflationary or disinflationary outcomes.



 Source: Fidelity Investments (AART), as of 6/30/21.

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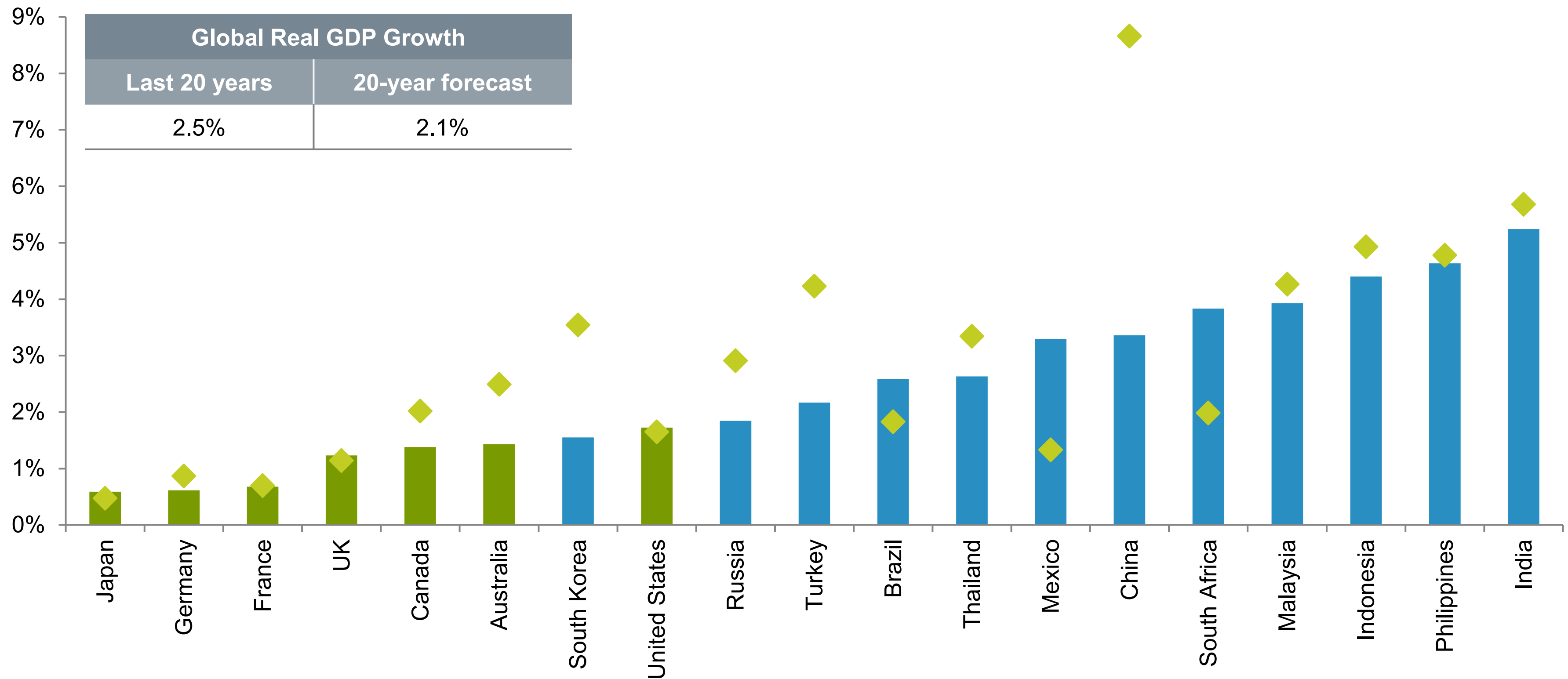
Secular Forecast: Slower Global Growth, EM to Lead

Slowing labor force growth and aging demographics are expected to tamp down global growth over the next two decades. We expect GDP growth in emerging markets to outpace that of developed markets over the long term, providing a relatively favorable secular backdrop for emerging-market equity returns.

Real GDP 20-Year Growth Forecasts vs. History

■ Developed Markets ■ Emerging Markets ◆ Last 20 Years

Annualized Rate



Global Real GDP Growth	
Last 20 years	20-year forecast
2.5%	2.1%

Past performance is no guarantee of future results. EM: Emerging markets. GDP: Gross domestic product.

Source: OECD, Fidelity Investments (AART), as of 5/31/21.

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LONG-TERM

Performance Rotations Underscore Need for Diversification

The performance of different assets has fluctuated widely from year to year, and the magnitude of returns can vary significantly among asset classes in any given year—even among asset classes that are moving in the same direction. A portfolio allocation with a variety of global assets illustrates the potential benefits of diversification.

Periodic Table of Returns

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD
26%	56%	32%	35%	35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	22%
10%	47%	26%	21%	33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	21%
4%	39%	21%	14%	27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	18%
-2%	37%	18%	12%	22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	18%
-6%	31%	17%	7%	18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	15%
-9%	31%	11%	5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	13%
-15%	29%	11%	5%	12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	9%
-16%	28%	9%	5%	11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	9%
-20%	24%	8%	4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	7%
-22%	19%	7%	3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	4%
-28%	4%	4%	2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-2%

Legend
- REITs
- Commodities
- Value Stocks
- Small Cap Stocks
- Large Cap Stocks
- Growth Stocks
- Foreign Developed-Country Stocks
- 60% Large Cap 40% IG Bonds
- Emerging-Market Stocks
- High-Yield Bonds
- Investment-Grade Bonds

Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Asset classes represented by: Commodities—Bloomberg Commodity Index; Emerging-Market Stocks—MSCI Emerging Markets Index; Non-U.S. Developed-Country Stocks—MSCI EAFE Index; Growth Stocks—Russell 3000 Growth Index; High-Yield Bonds—ICE BofA U.S. High Yield Index; Investment-Grade Bonds—Bloomberg Barclays U.S. Aggregate Bond Index; Large Cap Stocks—S&P 500 index; Real Estate/REITs—FTSE NAREIT All Equity Total Return Index; Small Cap Stocks—Russell 2000 Index; Value Stocks—Russell 3000 Value Index. Source: Morningstar, Standard & Poor's, Haver Analytics, Fidelity Investments (AART), as of 6/30/21.

Secular: Rising Policy and Political Risk

We believe the long-standing global regime of relatively stable and investment-friendly policies, politics, and regulation is nearing an end. Rising populism, geopolitical destabilization, and de-globalization pressures are key drivers of this change. We expect greater government intervention may inhibit corporate profitability, distort market signals, and lead to higher political risk in investment decisions throughout the world.

LONG-TERM

Regime Shift Driven by Powerful Underlying Dynamics

Rising Populist Demands

Geopolitical Instability

Anti-Globalization Pressure

Widespread Aging Demographics

Unprecedented Accumulation of Debt

Policy Dynamic	Expected Shift
Monetary	• Increased political influence on decisions • Sustained financial repression • More active role in financial markets • More permissive of inflation
Global	• Less rules-based and less market-oriented global system • Trade, capital, and labor flows more restricted • Weaponized economic measures for geopolitical ends
Fiscal	• More permissive of large deficits and rising debt levels
Regulatory	• Trend toward greater interventionism
Political risk	• More common in economic and commercial affairs

 Source: Fidelity Investments (AART), as of 6/30/21.

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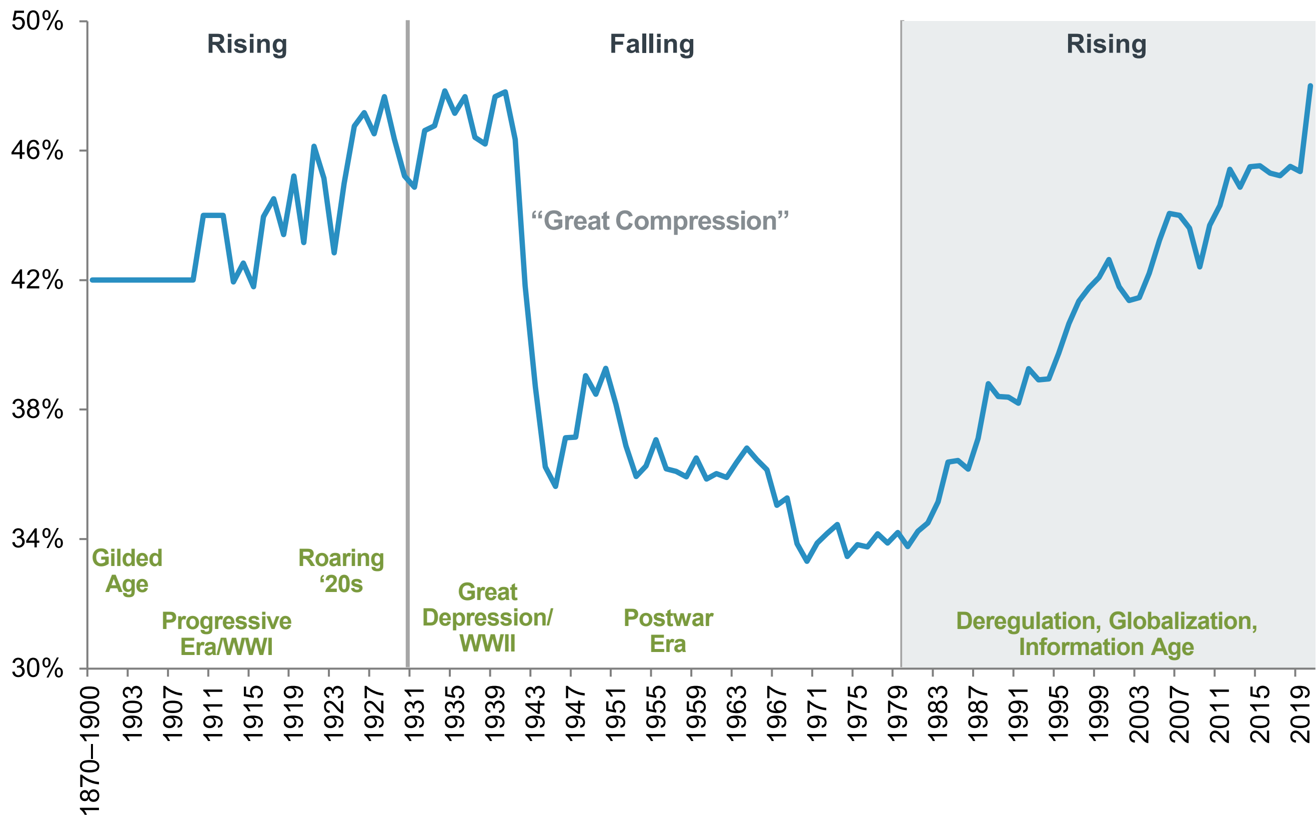
Policy Shift Toward Addressing Record-High Inequality

After decades of rapid technological change and policies that concentrated economic gains in the upper tiers, income inequality has reached 100-year highs. Political trends are shifting toward policy changes aimed at reducing inequality, directionally similar to the postwar "Great Compression" era. This may include broad public investments, a more progressive tax regime, and greater support for low- and middle-income workers.

U.S. Income Inequality

Top 10% Earners' Share of Total Income



Modern Era Policies (1980–present)

- Rapid globalization, immigration
- Corporate power, de-unionization
- Less progressive tax rates
- Declining public investment
- Easy monetary policy
- High costs for education, health care
- Oligopolistic markets

 Source: World Inequality Database, T. Piketty Capital and Ideology HUP 2020, Fidelity Investments (AART), as of 12/31/20.

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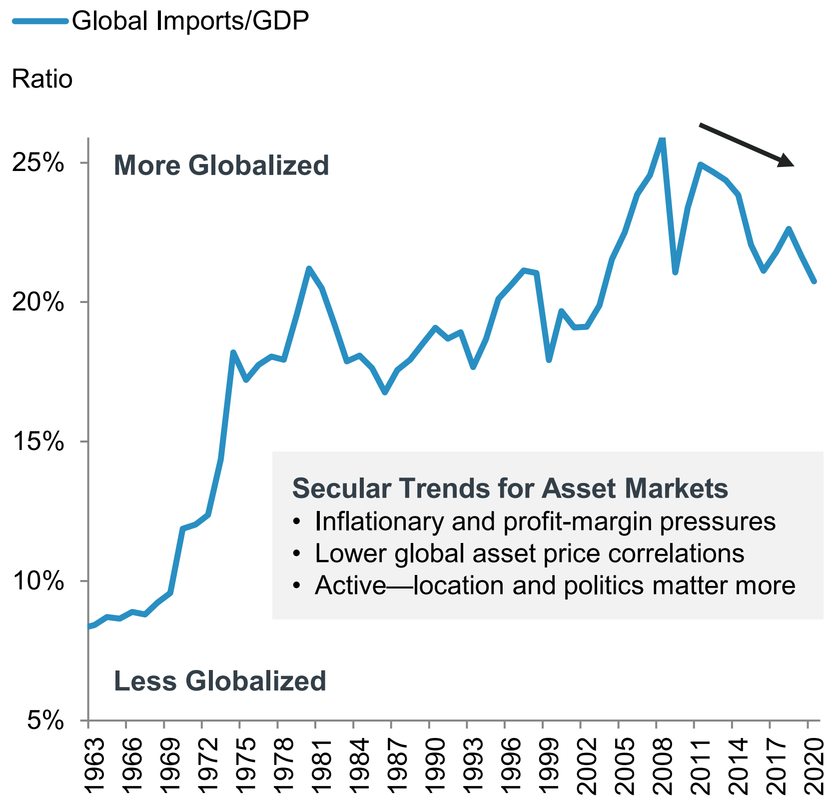
Secular Trends: De-Globalization, Higher Geopolitical Risk

After decades of rapid global integration, economic openness has stalled in recent years in many advanced economies. The deepening U.S.-China rivalry is a durable long-term theme and implies continued political risk for commercial activities, including the bipolarization of the tech industry. The more that domestic politics and location matter, the greater may be the benefits and active opportunities from global asset diversification.

Trade Globalization



U.S.-China Relationship

Diversification does not ensure a profit or guarantee against loss. Source: International Monetary Fund (IMF), World Bank, Haver Analytics, Fidelity Investments (AART), as of 6/30/21.

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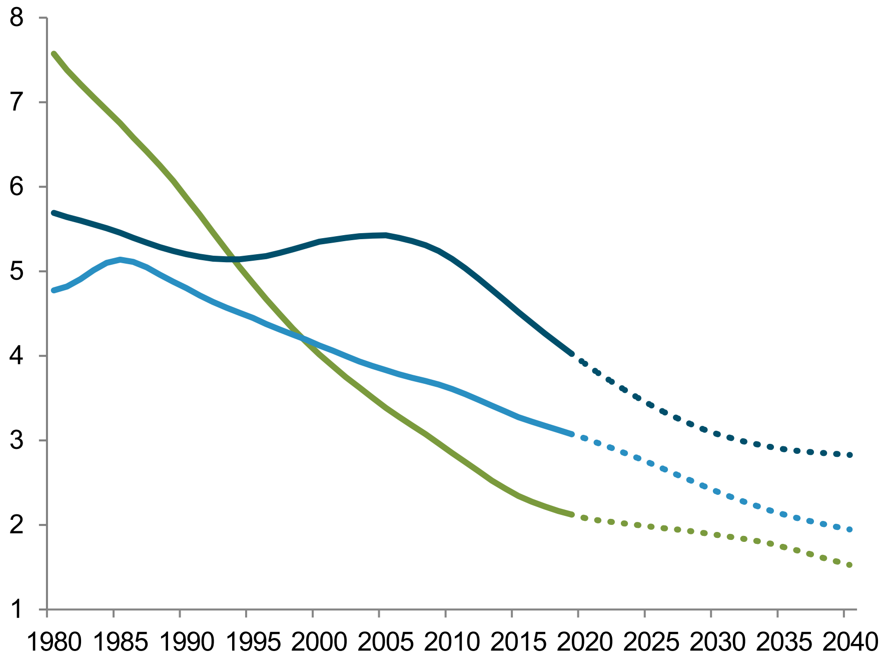
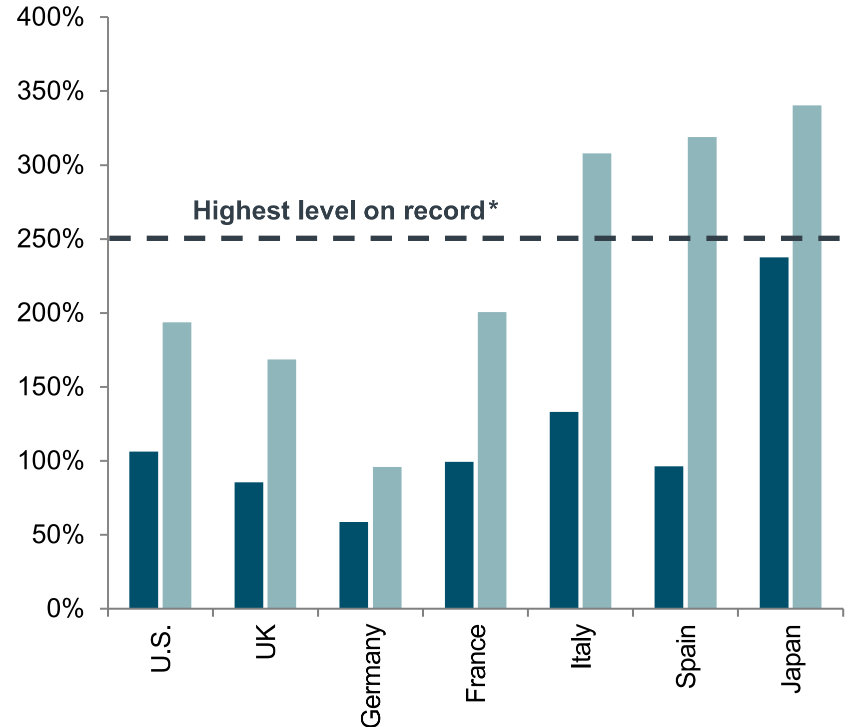
Demographic Deterioration Exacerbates Fiscal Pressures

For most advanced economies, deteriorating demographic trends are expected to worsen in coming decades, with fewer new workers to support a growing number of retirees. This creates even greater fiscal pressure due to rising spending on pensions and health care. Already elevated levels of government debt/GDP are likely to rise much further, with some major economies on pace to surpass the highest debt levels ever recorded.

Demographic Support Ratio



Gross Government Debt



LEFT: The demographic support ratio is calculated as the number of workers (15–64 years old)/number of retirees (65 and older). Source: United Nations, Haver Analytics, Fidelity Investments (AART), as of 10/31/19. **RIGHT**: * This level attained by the UK (1821), Netherlands (1834), France (1944), and Japan (1945). Forecasts by Fidelity Investments (AART). Source: International Monetary Fund, United Nations, Fidelity Investments (AART), as of 5/31/20.

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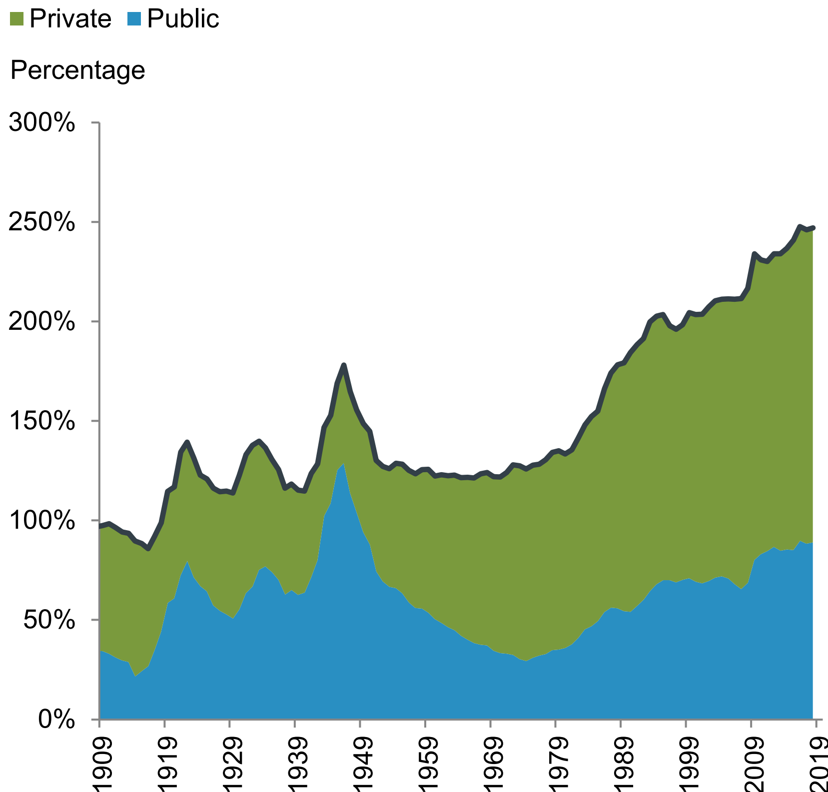
Rising Debt: Will Policy Response Be Inflationary?

Recent decades' dramatic worldwide rise in public and private debt reflects monetary and fiscal policymakers' proclivity for using low interest rates and government support in an attempt to boost growth rates. While technology and other factors have kept inflation in check, we believe greater policy experimentation and "peak globalization" trends will eventually cause long-term inflation to rise faster than expected.

Global Debt as a Share of GDP



Possible Secular Impact on Inflation

Secular Factors	Possible Developments	Risks to Inflation
Policy	Fed targets higher inflation	↑
	More stimulative fiscal policy	↑
Aging Demographics	Elderly people:	
	• Spend less (reducing demand)	↓
	• Work less (reducing supply)	↑
Peak Globalization	More expensive goods/labor	↑
Technological Progress	More robots, Amazon effect	↓

LEFT: Source: Bank of International Settlements, International Monetary Fund, Maddison Project, Fidelity Investments (AART), and the Jordà-Schularick-Taylor Macrohistory Database, compiled by Oscar Jordà, Moritz Schularick, and Alan M. Taylor, as of 5/31/21. **RIGHT**: Source: Fidelity Investments (AART), as of 3/31/21.

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Appendix: Important Information

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. Views expressed are as 6/30/21, based on the information available at that time, and may change based on market and other conditions. Unless otherwise noted, the opinions provided are those of the authors and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

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Past performance and dividend rates are historical and do not guarantee future results.

Investing involves risk, including risk of loss.

Diversification does not ensure a profit or guarantee against loss.

Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance.

Indexes are unmanaged. It is not possible to invest directly in an index.

Although bonds generally present less short-term risk and volatility than stocks, bonds do contain interest rate risk (as interest rates rise, bond prices usually fall, and vice versa) and the risk of default, or the risk that an issuer will be unable to make income or principal payments.

Additionally, bonds and short-term investments entail greater inflation risk—or the risk that the return of an investment will not keep up with increases in the prices of goods and services—than stocks. Increases in real interest rates can cause the price of inflation-protected debt securities to decrease.

Stock markets, especially non-U.S. markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Growth stocks can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks. Value stocks can perform differently from other types of stocks and can continue to be undervalued by the market for long periods of time.

Lower-quality debt securities generally offer higher yields but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

Floating rate loans generally are subject to restrictions on resale, and sometimes trade infrequently in the secondary market; as a result, they may be more difficult to value, buy, or sell. A floating rate loan may not be fully collateralized and therefore may decline significantly in value.

The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. Interest income generated by municipal bonds is generally expected to be exempt from federal income taxes and, if the bonds are held by an investor resident in the state of issuance, from state and local income taxes. Such interest income may be subject to federal and/or state alternative minimum taxes. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all tax brackets. Generally, tax-exempt municipal securities are not appropriate holdings for tax-advantaged accounts such as IRAs and 401(k)s.

The commodities industry can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

The gold industry can be significantly affected by international monetary and political developments, such as currency devaluations or revaluations, central bank movements, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries.

Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry.

Leverage can magnify the impact that adverse issuer, political, regulatory, market, or economic developments have on a company. In the event of bankruptcy, a company's creditors take precedence over the company's stockholders.

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