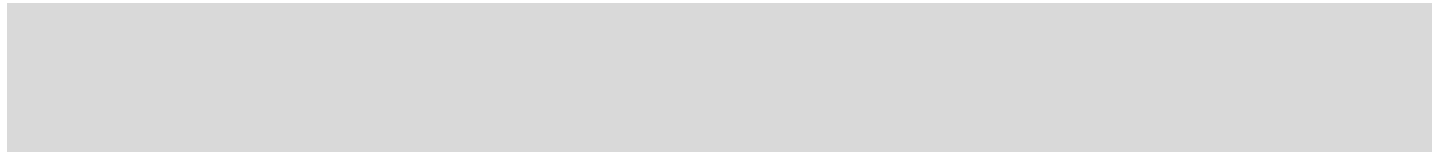


MISSION WEALTH

Market Perspectives

Q2 | 2023



Presented By



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Kieran Osborne is responsible for all portfolio management, trading, analysis, investment, and economic research functions and leads the firm's Investment Committee.

Mr. Osborne oversees portfolio construction and implementation, conducts in-depth manager research and due diligence, and monitors fund performance on an ongoing basis.



Key Themes

KEY THEMES	COMMENTARY
Market Update	<p>Despite some weakness associated with regional banking concerns, stocks have moved higher this year. Fed policy approaching terminal rate, moderating inflation and less severe regional banking impact have helped sentiment. While volatility spiked at the height of regional banking concerns, it didn't reach historic levels, indicating the market doesn't believe it will cause wide-ranging systemic issues. We have witnessed divergence in stock performance, with Growth stocks outperforming YTD, following underperformance in 2022. After a historically weak year, bond yields have largely been range bound, as the market gains increasing clarity on Fed policy.</p>
The Economy	<p>There is diverging data on the economy. On the one hand, the labor market is resilient, supporting consumer spending. On the other hand, reduced lending activity and tighter credit conditions may weigh on economic activity. The economic impact of the regional banking issues appears milder than many had originally feared. While the risks of a recession are elevated, should one occur, we believe it would be relatively mild in comparison to 2008 and 2020. We believe the Fed would need to see a significant deterioration in economic fundamentals such that inflation rapidly moves towards its 2% target for the Fed to consider cutting rates earlier than their current timeline suggests.</p>
Asset Class Outlook	<p>Over the next decade, we expect a moderation in stock returns relative to the strength experienced in the post-GFC era, given the structural shift towards tighter policies. We are not bearish, however we believe expectations should be reset for stock returns aligned with historic averages of mid- to high-single digits. Bond yields are a lot more attractive today than 18 months ago and we are more constructive on the outlook for bond returns, with many of our preferred bond funds yielding mid-single digits. We believe select income strategies are well positioned to generate enhanced risk-adjusted returns and yields, with limited correlation to the broad stock market.</p>



Mission Wealth Actions

- Recent volatility and divergence in performance across asset classes continues to provide us with **enhanced rebalancing opportunities**.
- We are constructive on the outlook for **global equities** from current levels and hold a **positive long-term view**. Any near-term volatility may offer us the opportunity to add on weakness.
- We are also more **constructive on the outlook for bonds**, given **yields are much more attractive today**. Many of our preferred bond funds are **yielding mid-single digits**.
- We have increased our exposure to less liquid strategies, which we believe offer **attractive risk-adjusted returns, compelling yields and limited correlation to the broad stock market**.
- Ultimately, we continue to focus on long-term fundamentals and believe our portfolios are **well positioned to continue to meet the financial goals of our clients**.



Market ▲ 0.5 ▼ 0.12

ex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

PART 1: MARKET UPDATE

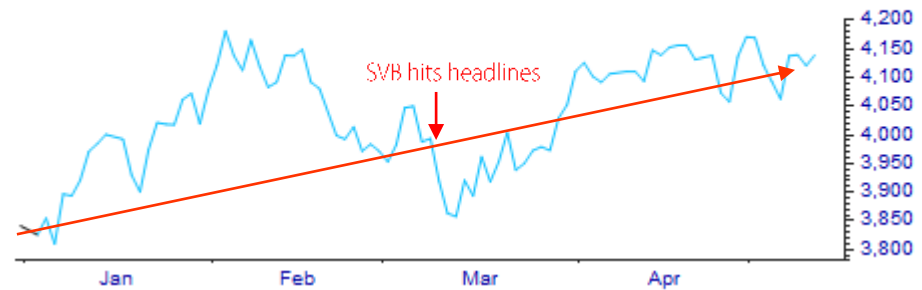


Market Update

Stocks Start Year Strong

- Despite some weakness associated with banking concerns, **stocks have largely moved higher** so far this year.
- Less aggressive Fed policy, **moderating inflation** and **limited economic impact** from the regional banking issues has helped sentiment.

S&P 500 (SP50-USA)

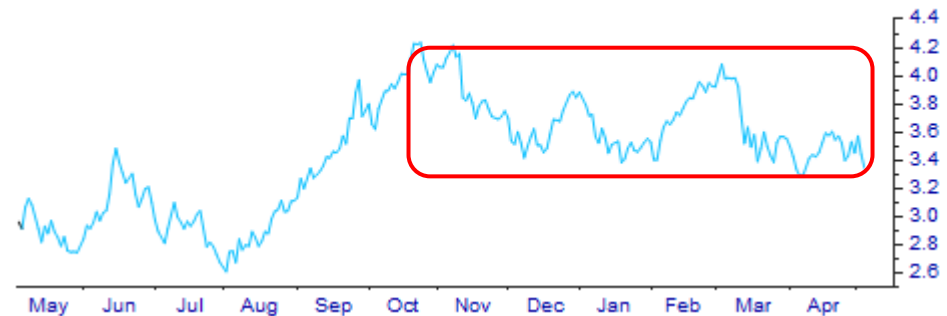


Source: FactSet

Bond Yields Range Bound

- After a historically weak year, bond yields have largely traded in a range, as the market gains **increasing clarity on Fed policy**.

US 10Y T-Note Yield (TPI) (US10YY-TU1)



Source: FactSet



Market Update

Market Moves on from Regional Banking Issues

- Stocks have moved higher post-regional banking woes.
- The ultimate economic impact is likely much less severe than many had originally feared. Stock weakness largely confined to the financial industry.
- Volatility spiked in the aftermath of SVB's failure, but not near historic levels; there were multiple instances in the last 24 months where the VIX spiked higher.
 - The market didn't believe regional banking issues would cause systemic issues or wide-ranging contagion effects.



Source: FactSet



Market Update

Weakness Largely Isolated

- Outside of the financial sector and energy, other sectors have moved higher post-Silicon Valley Bank Collapse.
- Stark contrast to 2008, which saw broad-based weakness.

Sector Performance (as of 5/10/23)			
	Q1	YTD	Post-SVB
Comm. Services	17.9%	18.7%	11.1%
Cons. Discretionary	15.6%	15.0%	7.1%
Cons. Staples	1.5%	4.1%	8.4%
Energy	-4.9%	-8.9%	-3.6%
Financials	-5.3%	-7.3%	-3.7%
Health Care	-3.6%	-0.8%	7.9%
Indistrials	4.7%	3.3%	0.9%
Information Tech.	20.9%	21.7%	11.7%
Materials	4.9%	2.0%	0.5%
Utilities	-3.0%	-1.0%	7.9%
Real Estate	1.7%	4.1%	3.7%

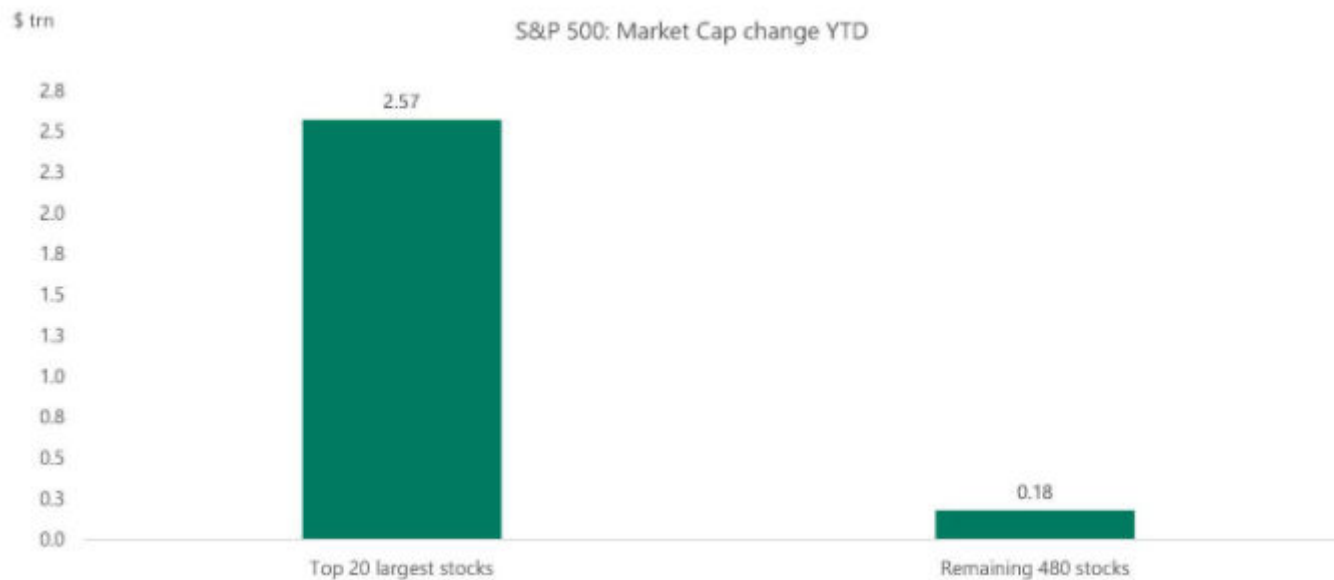
Source: FactSet



Market Update

Largest Companies Getting Bigger

- YTD, expansion in market cap values has been driven by the largest companies.



Source: Bloomberg



Market Update

Divergence in Performance

- Value stocks significantly outperformed in Growth stocks in 2022, but that trend has reversed to start 2023.
- Value stocks have been particularly affected by the Energy and Financial sectors.
- Looking abroad, International stocks have continued to outperform U.S. stocks following an extended period of underperformance.
- International stocks may have benefited from relatively cheaper valuations and higher dividend yields, while US Dollar weakness also helped support international stock returns.

Performance (as of 5/10/23)			
	2022	Q1 '23	YTD
Value	-2.1%	-1.0%	-1.4%
Growth	-33.2%	17.3%	19.5%
<i>Difference</i>	31.1%	-18.3%	-21.0%
S&P 500	-18.1%	7.5%	8.4%
International Stocks	-15.2%	8.5%	11.4%
<i>Difference</i>	-2.9%	-1.0%	-3.1%

Source: FactSet



Market Update

An End of an Era

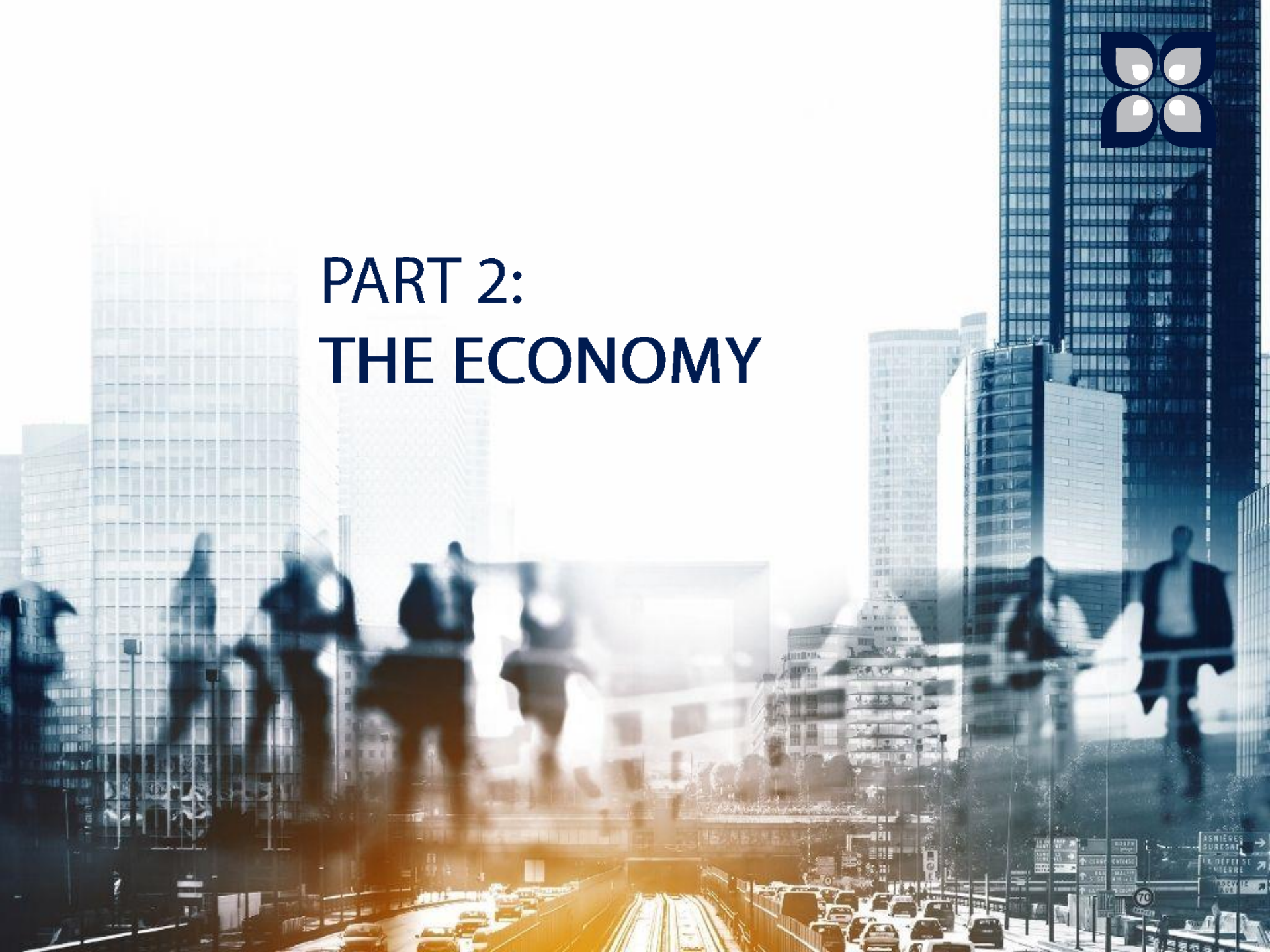
- For the first time since 2014, there is now **no negative yielding debt globally**. Just two years ago \$18.4 trillion in global bonds had a negative yield!
- A welcome development with **value returning to global fixed income**.

Bloomberg Global Aggregate Negative Yielding Debt (USD trillions)





PART 2: THE ECONOMY





The Economy

Economic Growth Outlook

- There is diverging data on the economy. On the one hand, the labor market is resilient, supporting consumer spending. On the other hand, reduced lending activity and tighter credit conditions may weigh on economic activity.
- Q1 GDP growth came in at 1.1% annualized growth and consensus estimates the U.S. economy will expand +1.0% in 2023 after expanding +2.1% in 2022.
- The market also anticipates inflation will remain above the Fed's long-term target of 2% through at least 2024.

United States Economy	2021	2022	2023 Est.	2024 Est.	2025 Est.
Real GDP (%y/y)	5.9	2.1	1.0	1.0	2.0
Household Consumption (Real, %y/y)	8.3	2.7	1.4	0.9	1.9
Government Consumption (Real, %y/y)	0.6	-0.6	2.2	1.1	1.3
Gross Private Domestic Investment, Residential (Real, %y/y)	10.7	-10.6	-13.5	2.7	7.4
Gross Private Domestic Investment, Non-Residential (Real, %y/y)	6.4	3.9	1.4	1.2	3.7
Inflation					
CPI (%q/q, SAAR)	4.7	8.0	4.1	2.5	2.1
Core CPI (%q/q, SAAR)	3.6	6.1	4.5	2.6	2.1
PPI (%y/y)	7.0	9.5	3.6	1.5	0.8

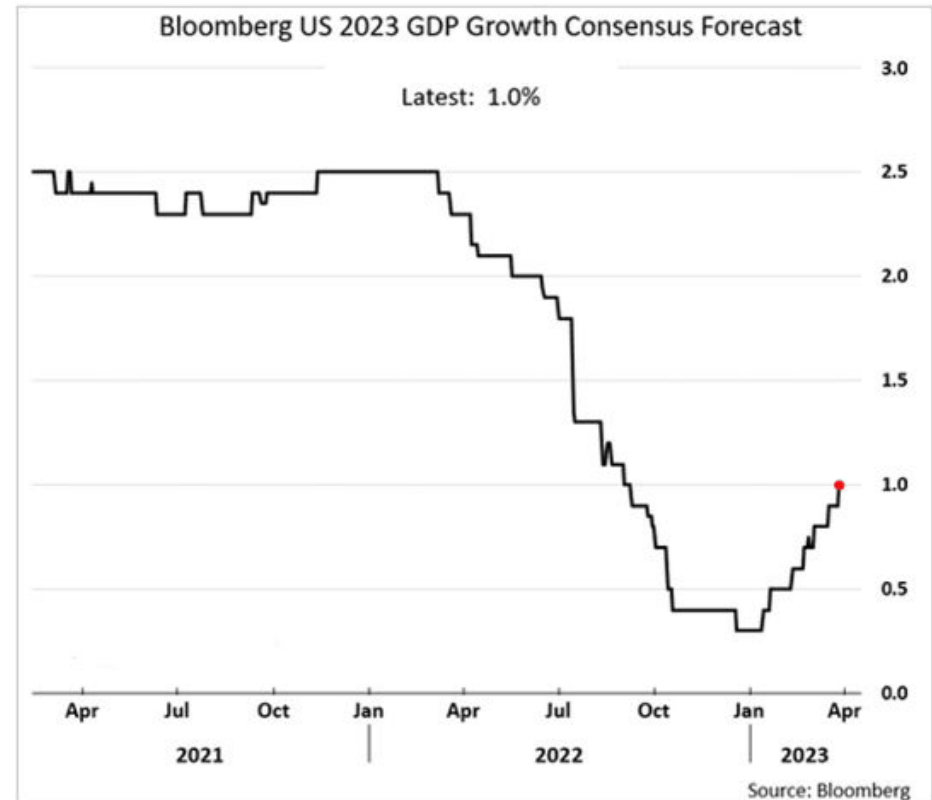
Source: FactSet



The Economy

Economic Growth Outlook

- Consensus economic growth estimates have increased post-Silicon Valley Bank collapse and the regional banking issues coming to the fore.
- Less severe economic impact of the regional banking issues vs. prior estimates, and a likely Fed pause at a lower level than previously anticipated.
- Implies nominal GDP growth of approx. 5%, above post-GFC averages.





The Economy – Regional Bank Issues

What Happened to Silicon Valley Bank?

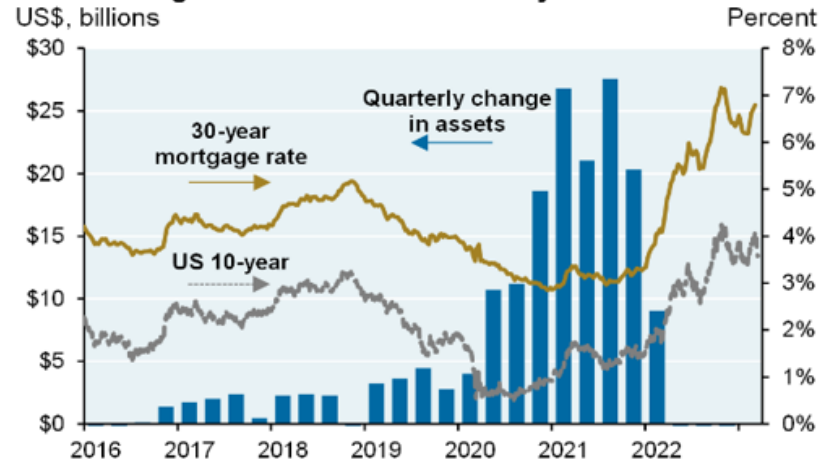
- Unique situation
- Treasury mismanagement
- Not a systemically important bank...
- ...But caused confidence issues

- Massive growth in SVB's deposits coincided with historically low yields.

- Deposits were then reinvested into very long-duration securities.

- The Fed subsequently raised rates and those securities experienced significant losses.

SIVB asset growth coincided with low yields



Source: Bloomberg, JPMAM.

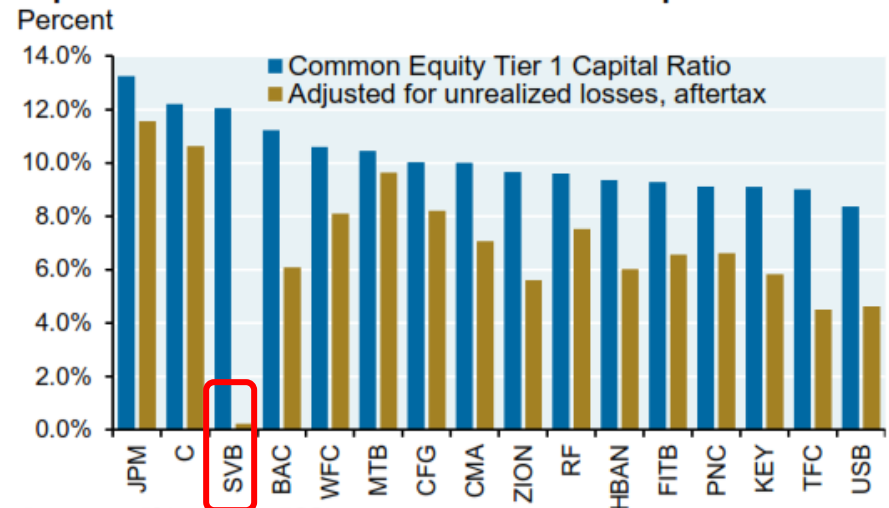


The Economy – Regional Bank Issues

What Happened to Silicon Valley Bank?

- SVB was unique on two fronts:
 1. It invested deposits into much longer duration securities than its peers.
 2. Its deposit base was not “sticky” – it had much larger deposits in excess of the \$250k FDIC guarantee limit.
- But it caused a confidence issue for the financial sector and particularly for regional banks.
- Enter the Fed, Treasury, & FDIC.

Impact of unrealized securities losses on capital ratios



Source: JPMAM.



The Economy – Regional Bank Issues

Fed, FDIC, and Treasury Joint Statement

- In their joint statement, the Fed, FDIC and Treasury announced two important steps. Their goal? Shore up confidence in the banking system:
 1. All deposits held at SVB and Signature are guaranteed.
 - Provides **implicit protection for all deposits held at banks** throughout the country.
 2. Fed announced it would provide near unlimited liquidity through the new Bank Term Funding Program.
 - Allows banks to access all the liquidity they need, **allowing free flow of money.**
- These steps signaled that **all deposits are safe, and all necessary liquidity will be provided as needed.**
- Goal: prevent additional bank runs and shore up confidence in deposit holders.

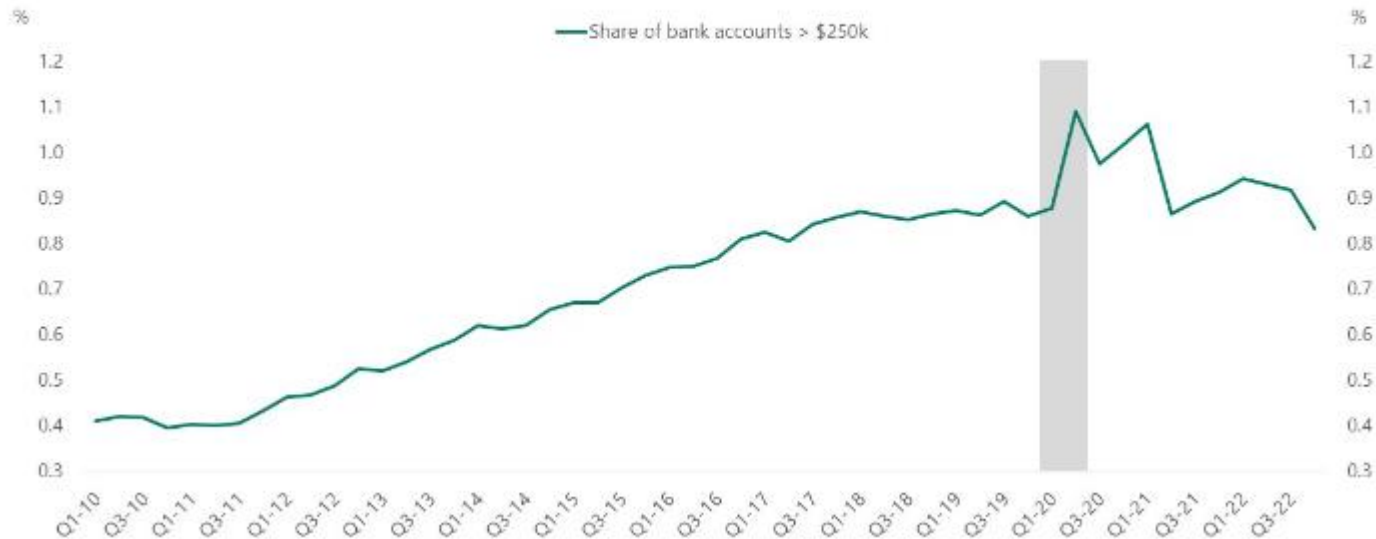


The Economy – Regional Bank Issues

Deposits

- Given the FDIC's already-established backstop, any account with a balance under \$250k shouldn't be worried, which represents vast majority of accounts throughout the country.

Less than 1% of bank accounts have a balance higher than \$250k



Source: FDIC, Haver Analytics



The Economy – Regional Bank Issues

Implications

- Outside of select names (e.g. First Republic, PacWest), regional bank deposits have broadly stabilized since initially declining.
- Economic impact appears milder than many had originally feared.
 - *Winners:* Large banks (deposit flow), Private Sector (increased loan opportunities)
 - *Losers:* Regional Banks (scale back lending, likely increased regulation)

Liabilities of Small Domestically Chartered Commercial Banks in the United States

Not seasonally adjusted, billions of dollars.

Account	2022 Apr	2022 Oct	2022 Nov	2022 Dec	2023 Jan	2023 Feb	2023 Mar	2023 Apr	Week ending			
									Apr 12	Apr 19	Apr 26	May 03
34 Deposits	5,467.6	5,459.7	5,467.6	5,526.8	5,480.1	5,462.4	5,326.3	5,256.3	5,285.5	5,246.2	5,216.7	5,235.0
35 Large time deposits	338.5	370.3	391.3	424.1	450.6	482.5	507.5	536.9	530.7	537.5	543.4	548.8
36 Other deposits	5,129.1	5,089.4	5,076.3	5,102.7	5,029.5	4,979.9	4,818.8	4,719.4	4,754.8	4,708.6	4,673.4	4,686.2
37 Borrowings	218.0	325.0	343.3	381.0	401.5	404.0	575.7	552.6	543.7	551.9	566.5	569.1
38 Net due to related foreign offices	43.2	30.5	33.2	34.4	37.4	37.6	32.3	32.5	30.7	32.2	34.1	33.0
39 Other liabilities including trading liabilities ²⁵	92.5	115.7	117.2	114.3	112.4	116.4	117.3	112.4	114.1	108.9	111.4	118.8
40 Total liabilities	5,821.3	5,930.9	5,961.2	6,056.5	6,031.5	6,020.4	6,051.6	5,953.8	5,974.0	5,939.2	5,928.7	5,955.9
41 Residual (Assets LESS Liabilities) ²⁶	705.0	656.0	657.0	676.5	686.8	696.6	668.8	659.0	637.3	652.0	688.5	685.3

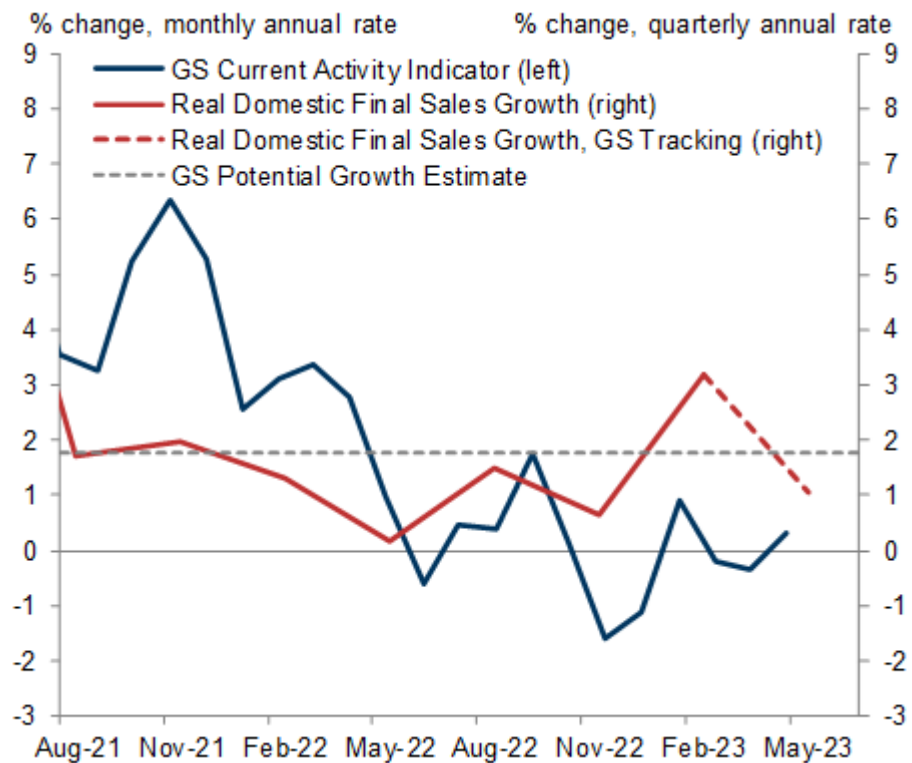
Source: Federal Reserve



The Economy

Current Economic Activity Below Potential

- Measures of current activity remain positive, but below potential.
- Indicative of the desired outcome for the Fed: “soft landing” or “no landing” scenario and subdued economic growth.



Source: Department of Commerce, Goldman Sachs Global Investment Research

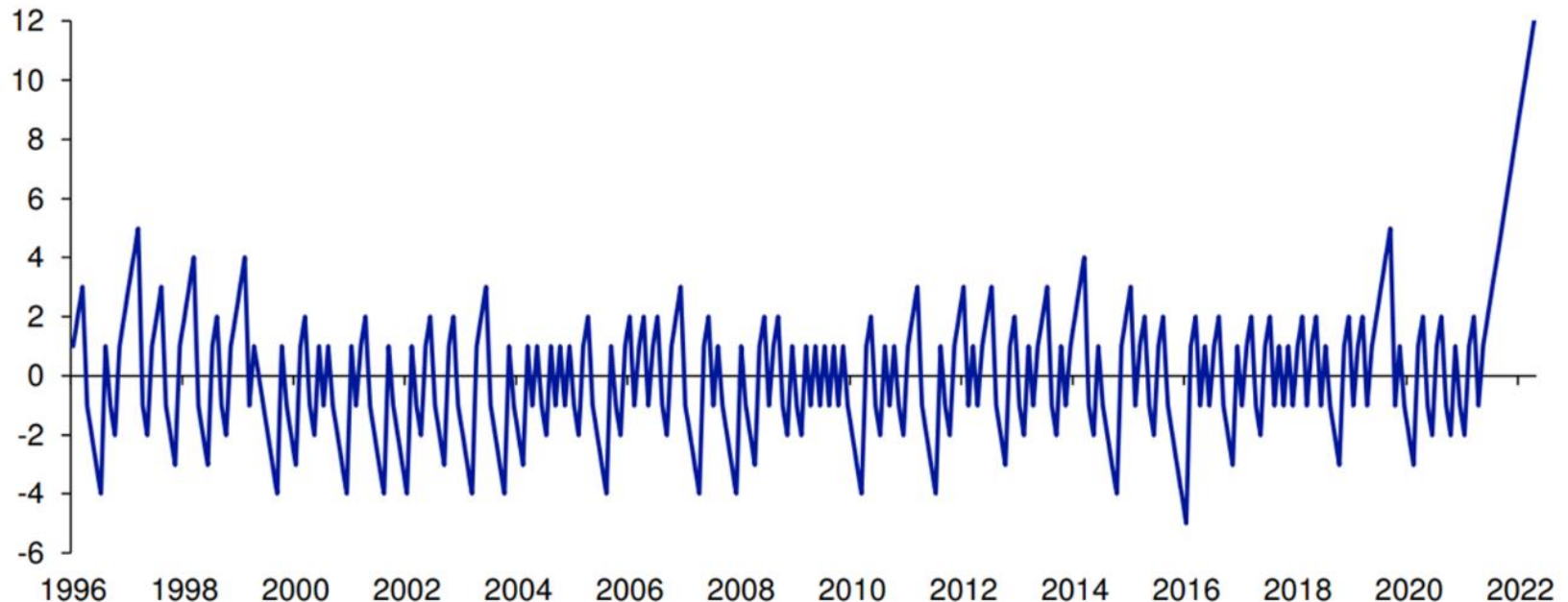


The Economy

Resilient Labor Market

- Despite some headlines focused on high-profile companies reducing headcount, the labor market has shown unprecedented resilience. Every non-farm payrolls release in the last 12 month has beaten consensus forecast, culminating in the unemployment rate hitting a 53-year low.

Consecutive upside/downside surprises in nonfarm payrolls

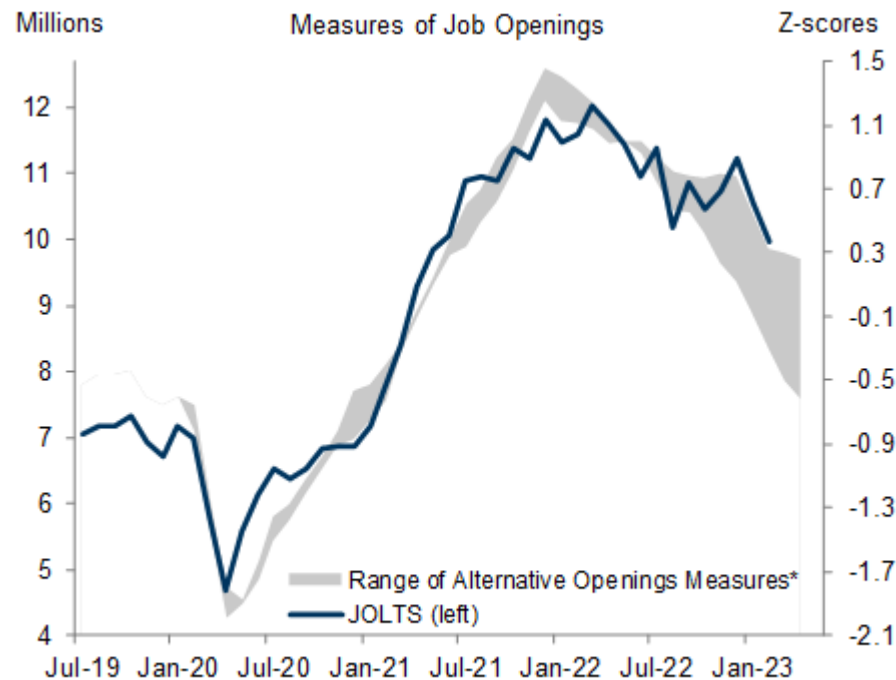




The Economy

Labor Market Turning?

- Despite the unemployment rate hitting historic lows, labor market rebalancing appears to be underway, driven by a decline in job openings.



* Based on Indeed and LinkUp job openings.

Source: Department of Labor, Indeed, LinkUp, Goldman Sachs Global Investment Research



The Economy

Labor Market Turning?

- The labor market continues to soften, but the speed of the cooling is slower than expected, driven by increased labor force participation and higher immigration.

The gradual cooling of the labor market continues



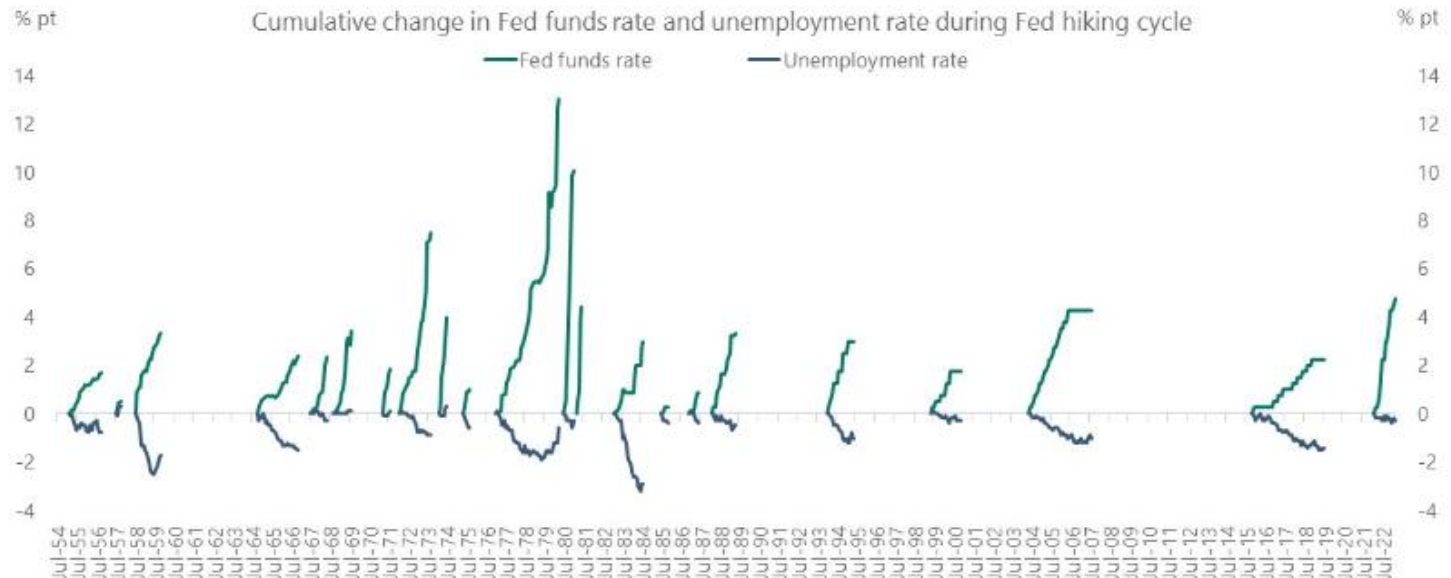
Source: BLS, Haver Analytics.



The Economy

Labor Market Turning?

- The **unemployment rate** historically has moved *lower* as the Fed *raises* interest rates.
- Historically, it takes 12-18 months from when the Fed begins hiking rates until the unemployment rate bottoms out (median is 14 months).
- Following this timeline, and given the Fed began hiking rates in March 2022, we should expect the **unemployment rate to bottom out before moving higher** in the coming months.





The Economy

Housing Market Recovery Underway

- Despite increases in mortgage rates, the housing market appears to be starting to recover, with an increase in demand for housing.

Average number of offers received per sold property is starting to recover



Source: NAR, Apollo



The Economy

Housing Market Affordability Driving Demand for Rentals

- Given heightened borrowing costs and still-elevated home values, **renting a home is relatively more affordable** than owning a home, driving an increase in demand for the rental market.



Source: GS Global Investment Research and GS Asset Management.



The Economy

Tightening Credit

- Ongoing tightening in credit conditions set to weigh on business investment and economic growth.

Demand for corporate loans is at 2008 levels



Source: FRB, Bloomberg

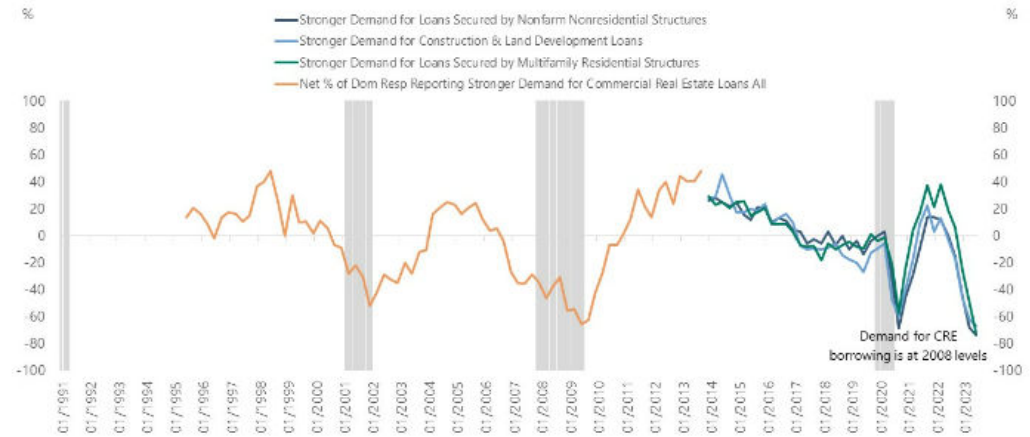


The Economy

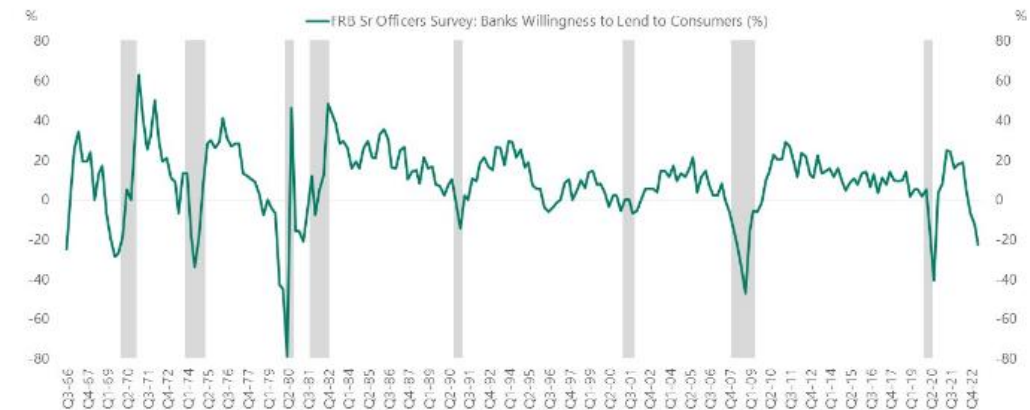
Tightening Credit

- Across all indicators, banks are now nearing 2008 levels for demand for loans and supply of loans.
- Given the ongoing issues affecting regional banks, **credit conditions are unlikely to ease** over the near term.
- This may weigh on business investment.

Demand for commercial real estate loans is at 2008 levels



Banks' willingness to lend to customers approaching 2008 levels



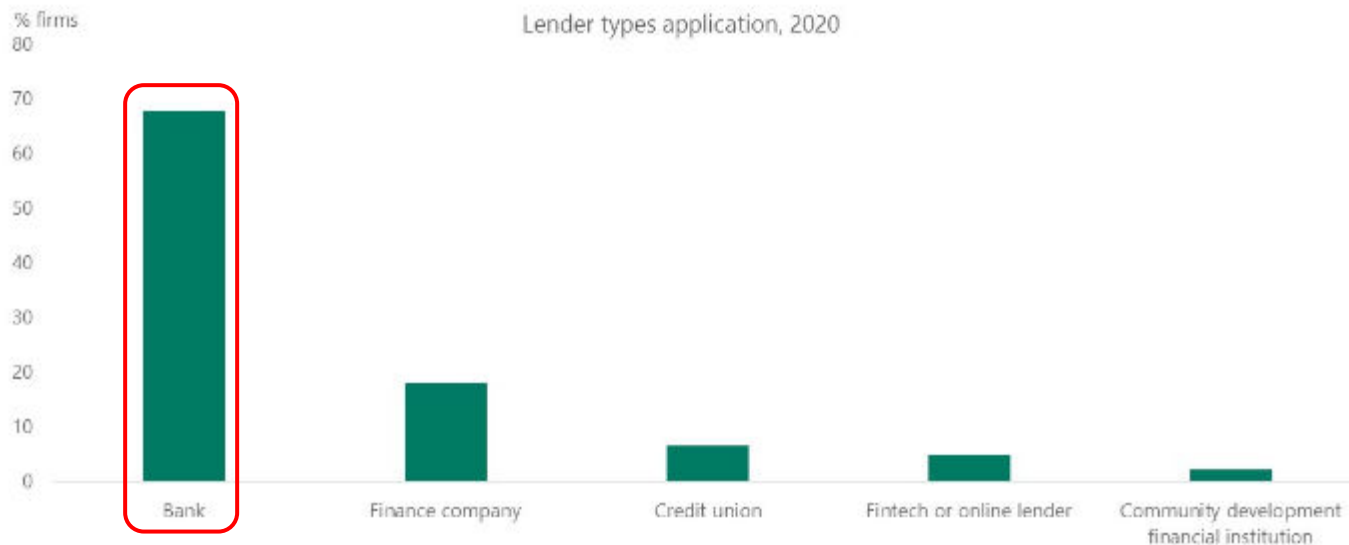
Source: FRB, Bloomberg



The Economy

Tightening Credit

- Why is tightening credit important? **Banks** are the most important source of financing for small businesses, which help drive economic growth across the country.



Source: 2021 Annual Business Survey, U.S. Census Bureau.

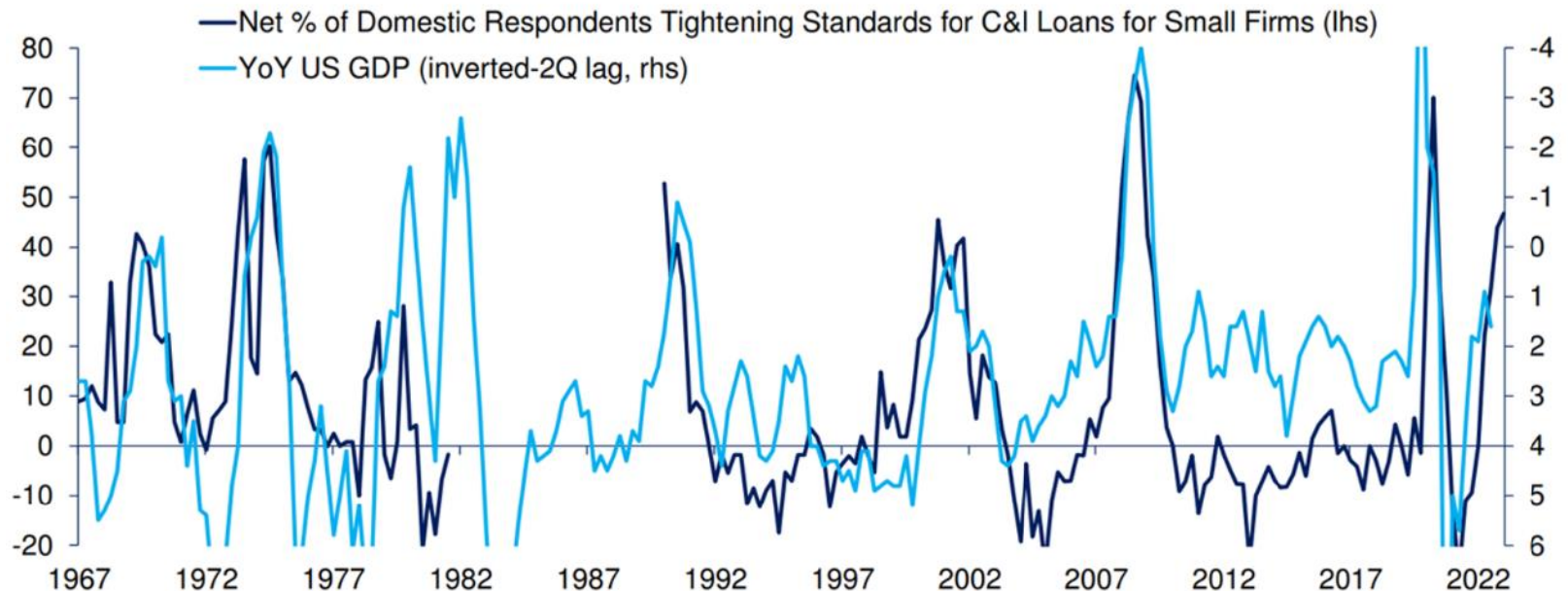


The Economy

Tighter Credit Standards Point to Slowing Growth

- Historically, lending standards lead real GDP growth by approximately 2 quarters.
- As long as lending remains restrictive, the higher the chance it weighs on economic growth.

US Senior Loan Officers Survey (SLOOS) leads GDP by around a couple of quarters.



Source:FRB, BEA, Bloomberg Finance LP, Deutsche Bank



The Economy

Next Recession Likely to be Mild

- To be sure, recession risks are elevated.
- But if a recession were to occur, we believe it would be relatively mild, particularly compared to the two most recent recessions (the GFC of 2008 and COVID in 2020).
- The economy does not have anywhere near the level of excesses built up as it did ahead of 2008
 - These excesses tend to cause more drawn-out economic contractions
- In contrast to 2008, consumers and corporations are in a much healthier situation today.

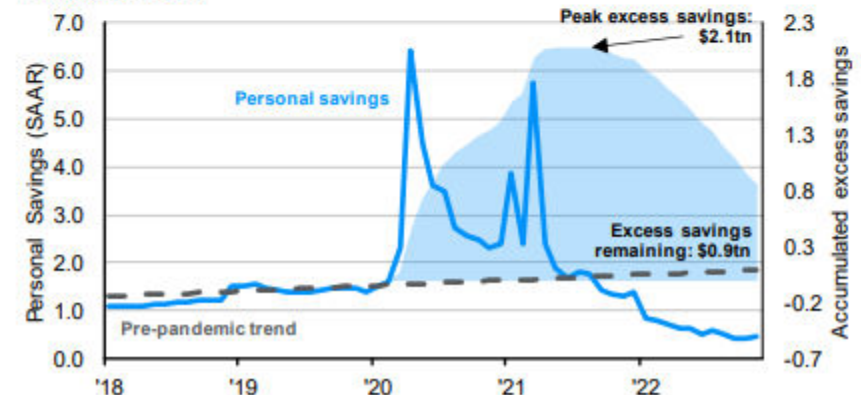
Household debt service ratio

Debt payments as % of disposable personal income, SA



Household excess savings

Trillions of USD



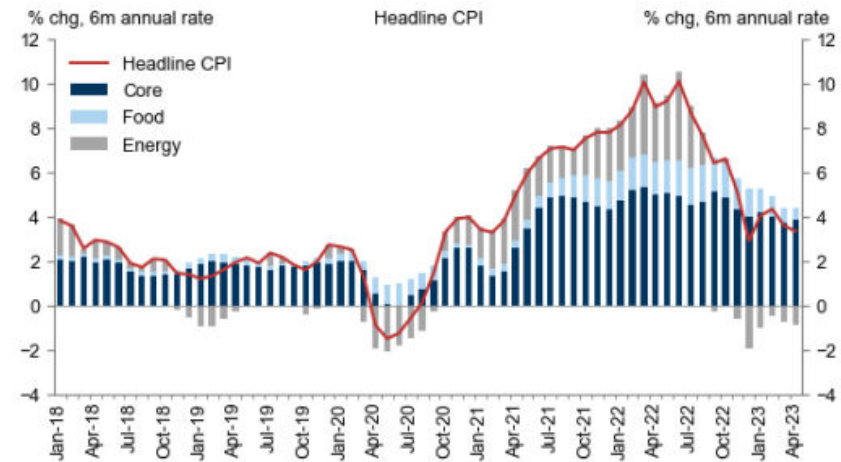
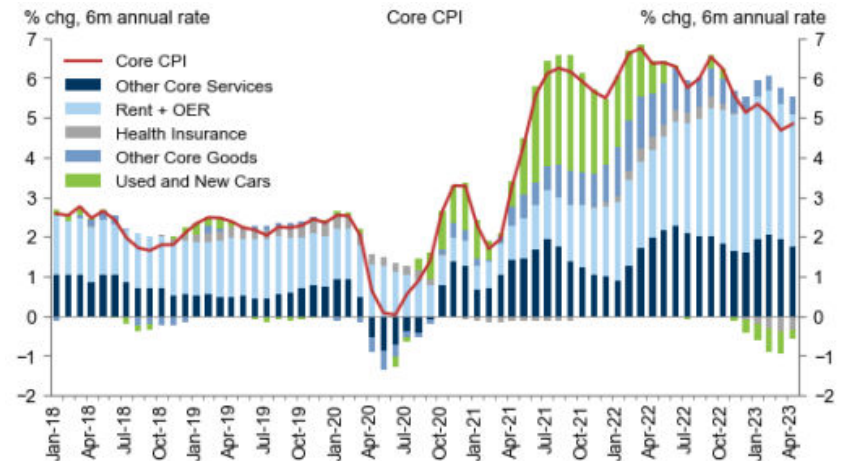
Source: FactSet, FRB, J.P. Morgan Asset Management



The Economy – Inflation

Inflation Trending Lower, But Sticky

- April core CPI rose 0.4% month-over-month and the year-over-year rate declined marginally to 5.5%.
- Importantly, a slowdown in shelter inflation was sustained in April, indicative of slower rent renewals.
- With that said, **inflation remains elevated and above the Fed's long-term target of 2%**; we don't anticipate inflation returning to that level over the near term.

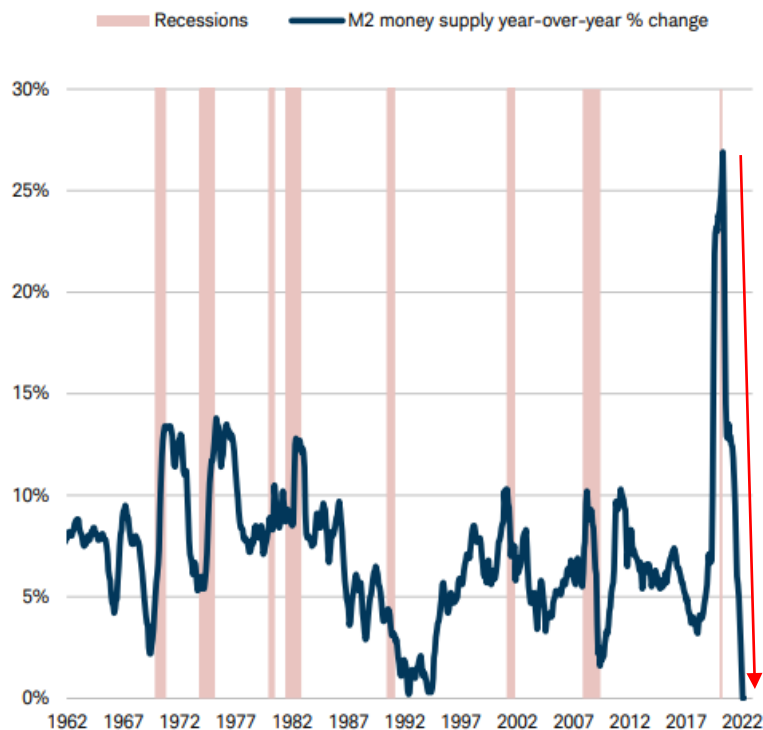




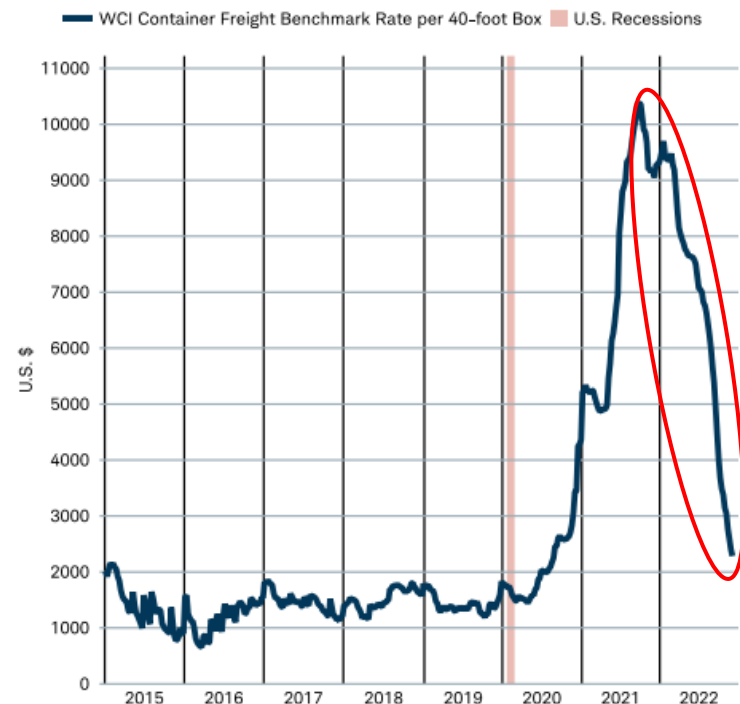
The Economy – Inflation

Inflation Trending Lower, But Sticky

- Money Supply growth is supportive of a continued decline in inflation.
- While supply chain issues have largely abated, as evidenced by reduced shipping costs.



Source: Charles Schwab, Bloomberg, Federal Reserve Bank of St. Louis, as of 12/31/2022.



Source: Charles Schwab, Bloomberg, Macrobond as of 12/31/2022.



The Economy – Fed Policy

Fed Not Cutting...Yet

- The Fed's most recent economic projections ("dot plot" forecasts) indicate **May's rate hike may be the last** before pausing through the end of the year.
- The Fed anticipates **cutting rates in 2024 and 2025**, before eventually achieving its long-run equilibrium rate of 2.5%.
- We believe the Fed would need to see a **significant deterioration in economic fundamentals** such that inflation rapidly moves towards its 2% target for the Fed to **consider cutting rates earlier** than their current timeline suggests.

Economic Projections of Fed Board members and presidents, March 2023

Percent

Variable	Median ¹			
	2023	2024	2025	Longer run
Change in real GDP	0.4	1.2	1.9	1.8
December projection	0.5	1.6	1.8	1.8
Unemployment rate	4.5	4.6	4.6	4.0
December projection	4.6	4.6	4.5	4.0
PCE inflation	3.3	2.5	2.1	2.0
December projection	3.1	2.5	2.1	2.0
Core PCE inflation ⁴	3.6	2.6	2.1	
December projection	3.5	2.5	2.1	
Memo: Projected appropriate policy path		-0.75%	-1.25%	
Federal funds rate	5.1	4.3	3.1	2.5
December projection	5.1	4.1	3.1	2.5

Source: Federal Reserve

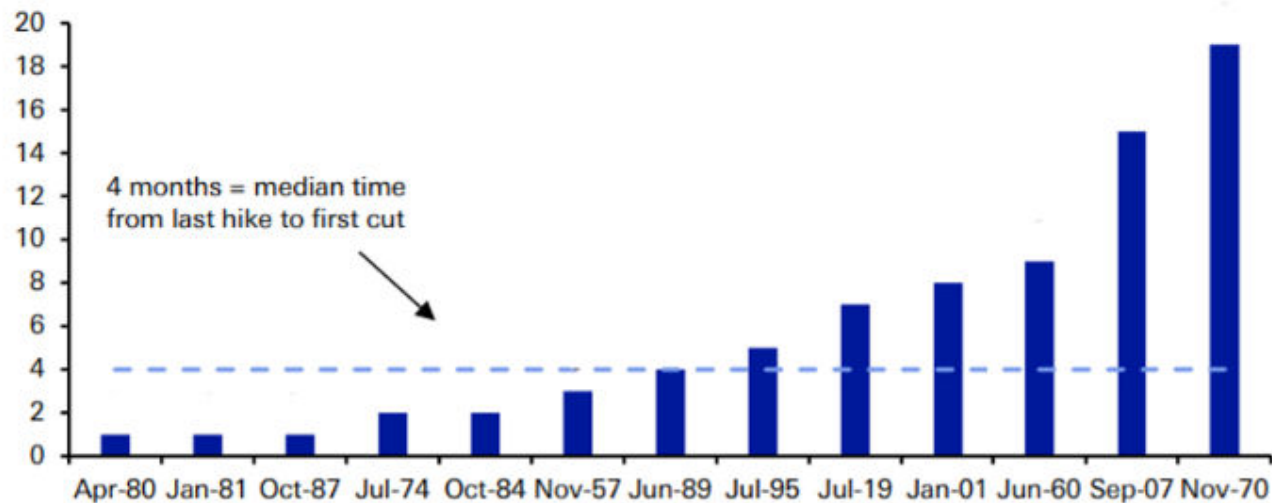


The Economy – Fed Policy

Fed Not Cutting...Yet

- The average gap between the last rate hike and the first cut is 6 months and the median is 4 months. Assuming May's rate hike was the last, that would suggest ~November for a rate cut based on the average.
- It's hard to see the Fed cutting rates sooner without a recession being imminent and obvious.

Months from last hike to first cut

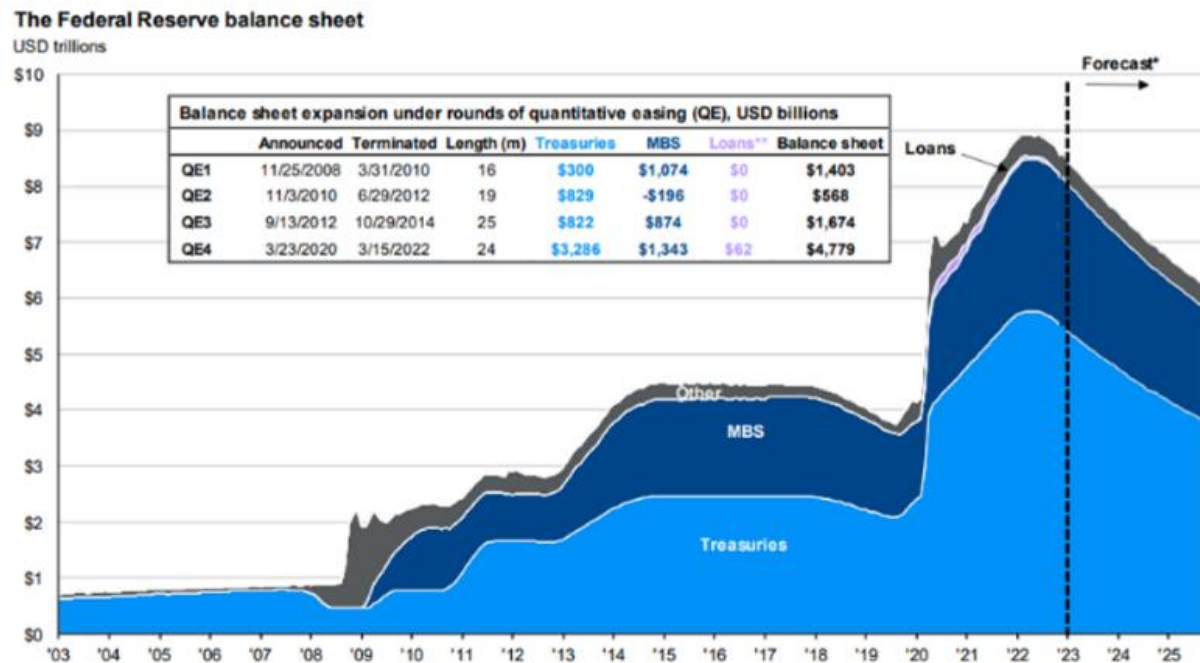




The Economy – Fed Policy

New Phase for Monetary Policy

- While interest rate policy may tilt towards the downside, we anticipate **tighter monetary policies in the years ahead** relative to those experienced in the years post-2008 through the end of 2021. Expect the forthcoming period to be marked by **higher interest rates & ongoing Quantitative Tightening (QT)**.





PART 3: OUTLOOK



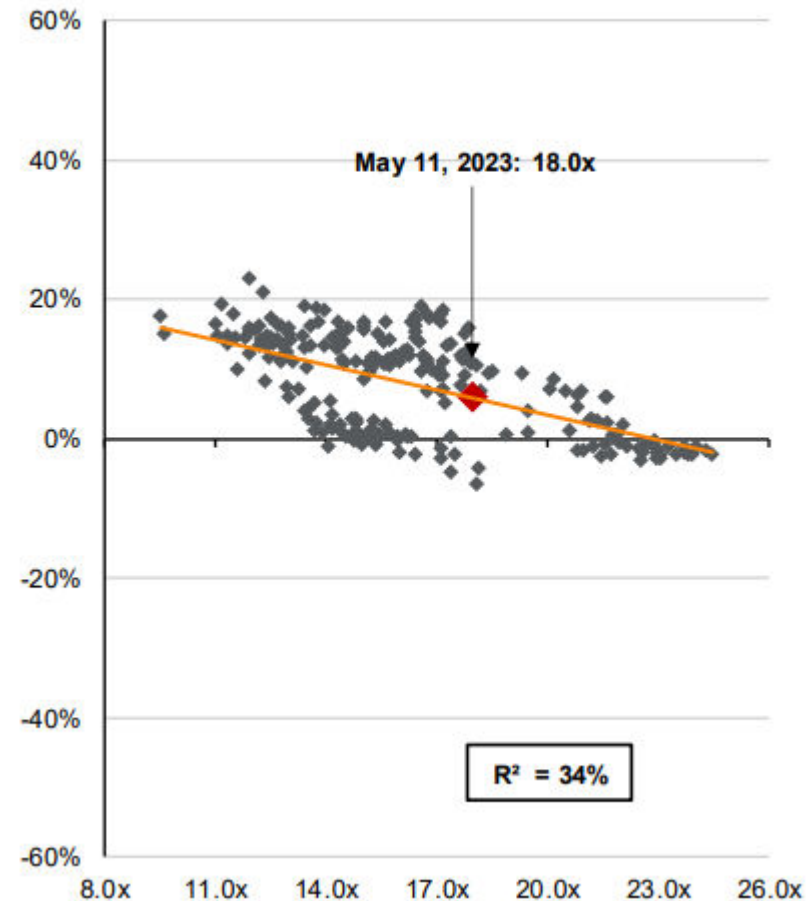


Outlook – Stocks

Constructive on Outlook

- Given the macro backdrop, we are constructive on the outlook for stocks from current levels.
- Current stock market valuation implies forward-looking returns in the mid-to-high single digit range.
- Over the next decade, we expect a moderation in stock returns relative to the strength experienced in the post-GFC era, given a structural shift towards tighter policies.
- For context, the 10-year annualized return ending 2021 for the S&P 500 was +16.5%. That is simply unsustainable.

Forward P/E and subsequent 5-yr. annualized returns
S&P 500 Total Return Index





Outlook – Stocks

Constructive on Outlook

- Stocks have, on average, historically experienced **strong performance** in the 12 months following a Fed tightening cycle.
- Historically, and even in the case of a severe recession in the 12 months following a Fed hiking cycle (not our base case), the **subsequent 12-month stock market returns were positive**.

US equity returns following the end of Fed tightening cycles



Source: Oxford Economics/Refinitiv Datastream/Bloomberg



Outlook – Stocks

Constructive on Outlook

- Prior periods of similar consumer sentiment proved beneficial for investors. Stock market returns have historically been very strong following consumer sentiment troughs.

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



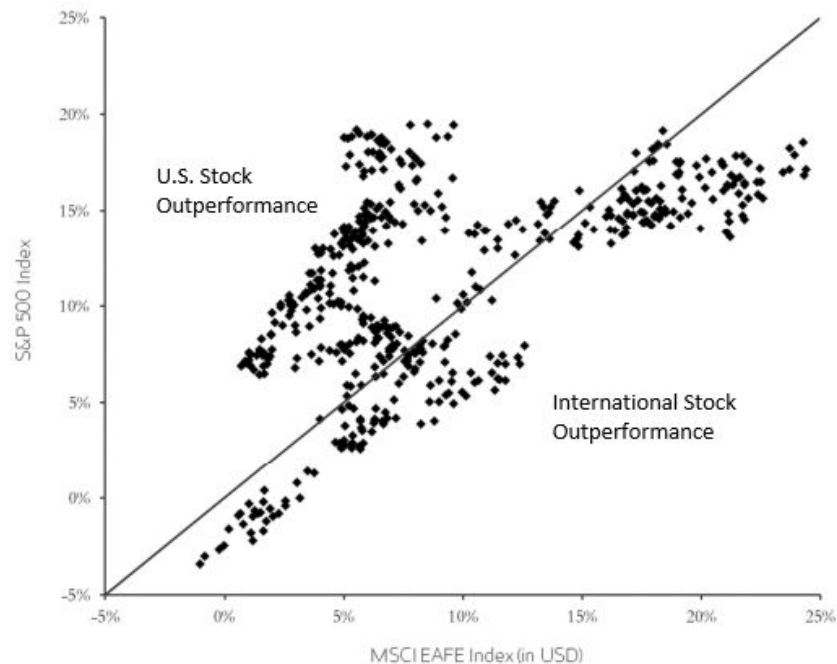


Outlook – Stocks

Upside Potential for International Stocks

- Historically, there has been a balance between U.S. and International stock outperformance, with U.S. stocks outperforming ~55% of the time.

S&P 500 Index & MSCI EAFE Index (in USD) | 10-Year Rolling Returns (calculated monthly)
December 31, 1969 through September 30, 2022





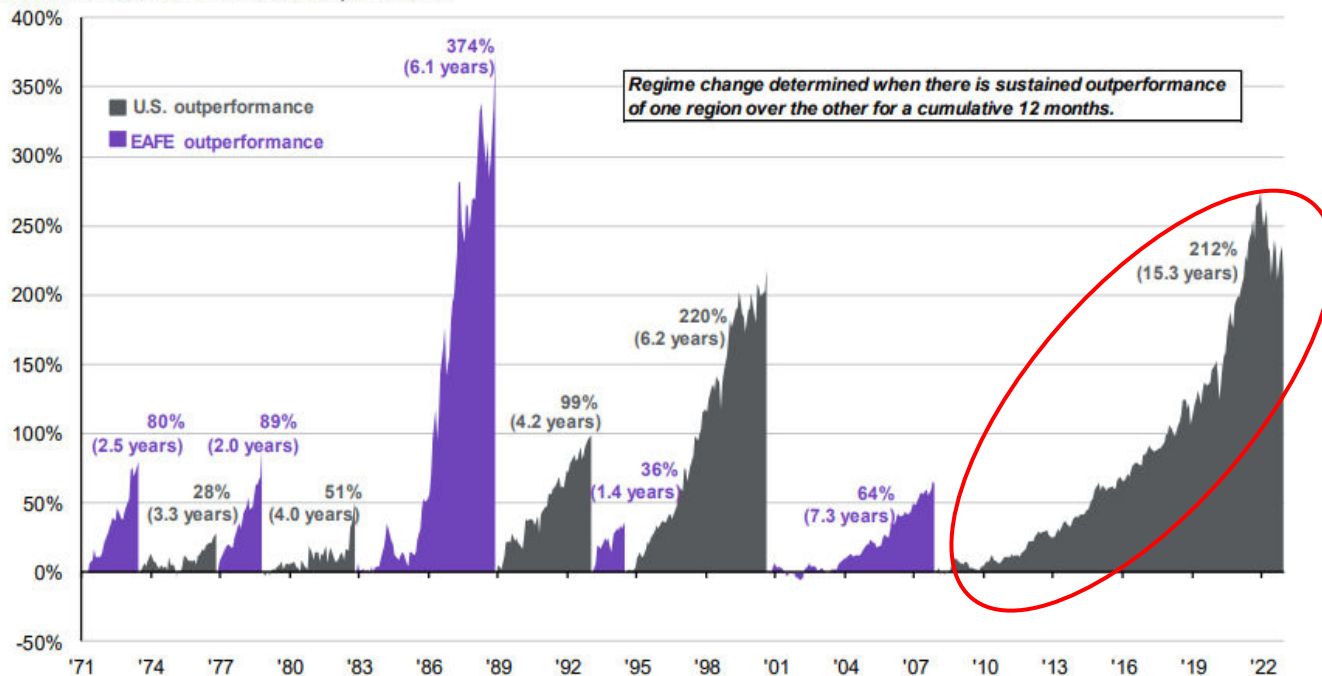
Outlook – Stocks

Upside Potential for International Stocks

- We have just experienced a historic period of significant U.S. stock outperformance.
 - Statistically speaking, International stocks may be due to outperform

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance*



Source: FactSet, MSCI, J.P. Morgan Asset Management.



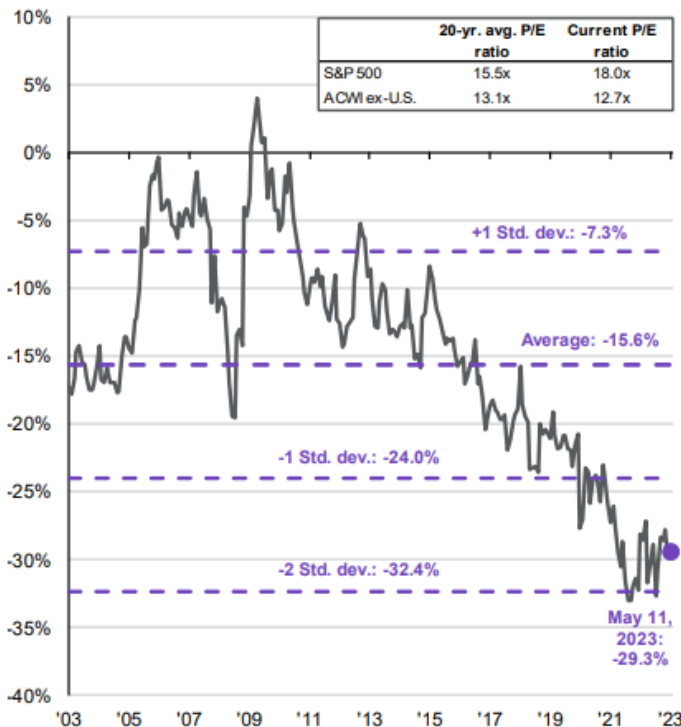
Outlook – Stocks

Upside Potential for International Stocks

- Despite some recent outperformance, international stocks are still **historically cheap** relative to U.S. stocks and offer much **higher dividend yields**.

International: Price-to-earnings discount vs. U.S.

MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



International: Difference in dividend yields vs. U.S.

MSCI All Country World ex-U.S. minus S&P 500, next 12 months

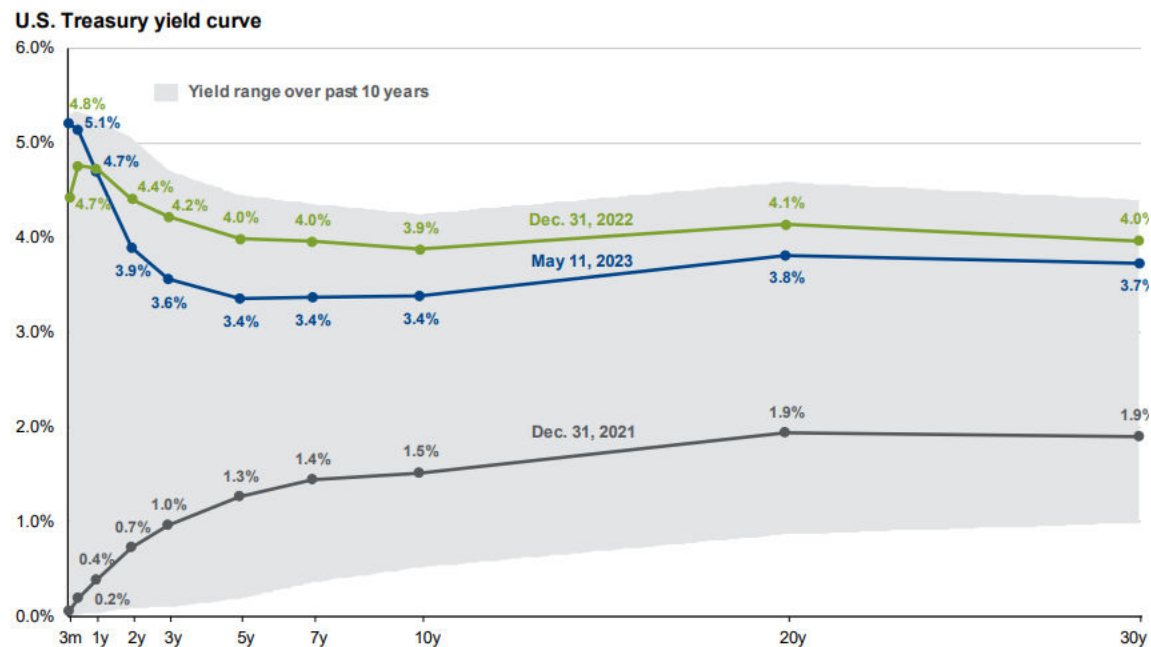




Outlook – Bonds

Bonds: Looking More Attractive

- Bond yields are a lot more attractive today than 18 months ago and we are more constructive on the outlook for bond returns.
- Bond valuations may be supported if we have reached an inflection point with respect to monetary policy.



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.



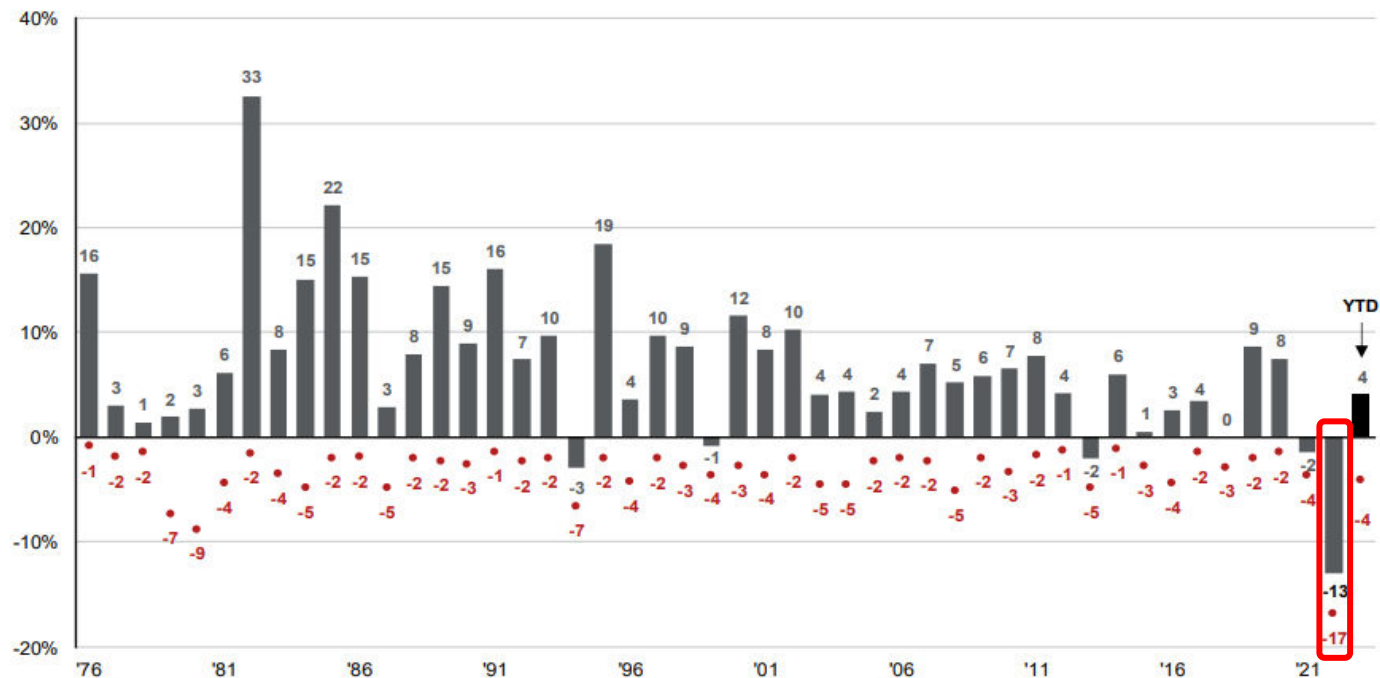
Outlook – Bonds

Bonds: Looking More Attractive

- 2022 was an anomaly by historic standards, with the largest increase in the 10-year Treasury yield since 1788 driven by the most aggressive rate hiking cycle in decades. We believe interest rate policy has reached an inflection point.

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.3%, annual returns positive in 42 of 47 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.

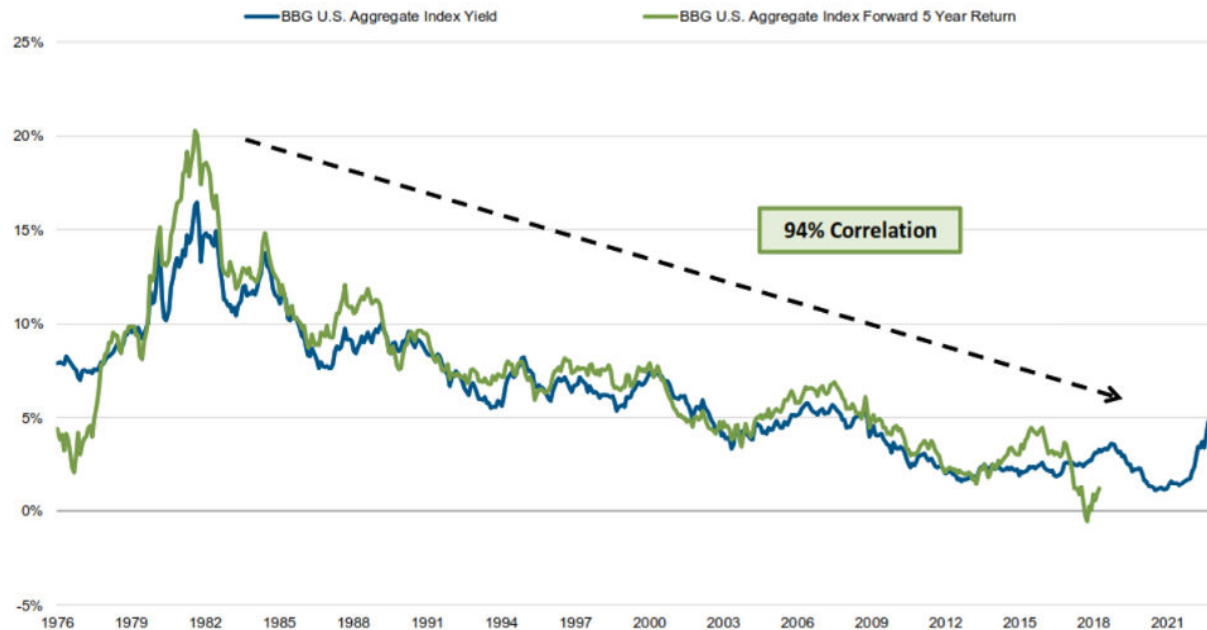


Outlook – Bonds

Bonds: Looking More Attractive

- At current yields, we're more constructive on the outlook for bond market returns, with many of our preferred bond funds yielding mid-single digits.
- For bonds, current yield is the strongest determining factor for forward-looking bond returns.

Yield vs. 5 year forward return





Outlook

- We are **constructive on the outlook for stocks and bonds** from current levels, though anticipate ongoing volatility.
- Looking further out, and with a **structural shift underway with respect to monetary policy**, we expect a **moderation in returns for the stock market over the next decade**, relative to the strength experienced in the post-2008 years ending 2021. We are not bearish on the outlook for stocks; we simply think **expectations need to be reset** for returns more commensurate with historic averages, in the **mid- to high-single digit range**.
- **Bond yields are more attractive today** and are likely to be the primary determinant of future bond returns. Many of our preferred holdings are offering mid-single digit yields.
- Ongoing volatility may offer us continued opportunities to **rebalance across our client accounts**.
- We believe select income strategies are well positioned to continue to generate **attractive risk-adjusted returns with compelling yields and limited correlation to the stock and bond markets**.

Disclosures



The information in this presentation is subject to change without notification. Certain statements contained within are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans, or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties. Although the opinions expressed are based upon assumptions believed to be reliable, there is no guarantee they will come to pass. This information may change at any time due to market or other conditions.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Diversification cannot ensure a profit or protect against a loss.

Investments in commodities may be affected by the overall market movements, changes in interest rates and other factors such as weather, disease, embargoes and international economic and political developments. Commodities are volatile investments and should form only a small part of a diversified portfolio. The use of derivative instruments may add additional risk. An investment in commodities may not be suitable for all investors.

Diversification helps you spread risk throughout your portfolio, so investments that do poorly may be balanced by others that do relatively better. Neither diversification nor rebalancing can ensure a profit or protect against a loss.

Real estate may not be appropriate for all investors. Its value may fluctuate based on economic, regulatory, and environmental factors. Redemption may be at a price, which is more or less than the original price paid.

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Fixed income yields are provided by Barclay's Capital based on the following sources: US Treasury, Barclay's Capital, FactSet, and JP Morgan Asset Management, and are represented by Brad Market, US Barclay's Capital Index, MBS, Fixed Rate MBS Index, Corporate, US Corporates, Municipals, Muni Bond Index, Emerging Debt, Emerging Markets Index, High Yield, Corporate High Yield Index. Treasury securities date for # of issues and market value based on US Treasury benchmarks from Barclay's Capital. Yield and return information based on Bellwethers for Treasury securities.

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