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S&P: Bearish
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US Federal Reserve Board Nearly Impotent!

Desperate to get the economy going, the board members are now groping for unorthodox, radical and DANGEROUS new tricks. Here are the consequences ...

The United States Federal Reserve Board, once the most powerful central bank in the world, now risks being reduced to a nearly powerless bystander.

For more than five decades, interest rate cuts have been the Fed's weapon of choice to cushion the economy from the fallout of stock market crashes ... waves of corporate bankruptcies ... a rash of bank failures ... the Y2K crisis ... terrorist threats ... even war. Now, that weapon is virtually out of ammo.

In theory, the Fed could lower rates even further — to three-quarters of a percent, half a percent, even zero. But in practice, *any further cut would risk a collapse in the dollar ... threaten the $2 trillion money fund industry ... and push millions of elderly retirees nearer the poverty line.*

Bond investors have concluded that this is the end of the trolley line, and it's time to *jump off*

Market observers are now waking up to the futility — and *danger* — of further rate cuts. That's why, on June 16, even before the latest Fed rate cut, bond investors began to see the writing on the wall.

They realized that any further interest rate cut would be the last, or very close. So, they began to dump their bond holdings. Thirty-year Treasury bond prices fell, driving the yield from 4.17% to 4.58%, prompting an uptick in fixed mortgage rates as well. This raises urgent questions for all Americans:

- If a Fed rate *cut* has set off a *rise* in long-term rates, what will happen when the Fed officially *ends* its rate cutting? *Answer:* Long-term rates could jump even further.

■ If mortgage rates rise, what will happen to the mortgage market? *Answer:* The refinancing boom will turn into a refinancing bust ... mortgage-backed securities will fall in value ... and companies like Fannie Mae and Freddie Mac will take it on the chin.

■ What will that do to real estate investors? *Answer:* They could suffer a fate similar to that of stock investors since 2000.

The main reason the Fed has been lowering interest rates for the past two and half years was to make it easier for everyone — companies and consumers — to borrow more, spend more, and invest more.

Now, how are they going to do all that if rates are *already* at rock bottom? Worse, what are they going to do if bond investors continue to unload their holdings, driving bond prices down and interest rates *up*?

The Fed searches in vain for alternatives

Up until recently, the Fed governors and board members thought they could simply lower their Fed Funds target rate down to zero. Now, however, they're beginning to better understand the real repercussions of zero interest rates ...

■ ***Zero interest rates would prompt a mass exodus of foreign investors from the US.*** This is not just a theory. It's happening already in practice. And it's not just the dollar exchange rate that's affected. When foreign investors pull out of the US, it means they are *selling* US investments — stocks, bonds, real estate.

■ ***Zero interest rates would threaten the nation's money fund industry.*** It's unlikely that investors in money market funds would lose money. But the profits — and ultimately the capital — of many fund management companies would be affected. Many years ago, when this industry was in its infancy, no one would have shed any tears — let alone the banks. But today, money funds have grown into a $2 trillion powerhouse that plays a vital role in the nation's financial markets, buying large amounts of bank CDs and corporate IOUs (commercial paper). The Fed will do everything possible to avoid destabilizing them. Worst of all …

■ ***Zero interest rates would drive millions of America's elderly retirees closer to the poverty line.*** It's no secret that Social Security income alone is rarely enough to cover basic life necessities such as food and shelter — let alone the skyrocketing cost of prescription drugs. So, for millions, the interest they earn from their savings — or the money they draw down from their remaining principal — is the last defense against poverty.

Slowly but surely, the Fed is reaching the realization that *in order to avoid a destabilization of our economy, they must maintain interest rates above a certain bare bones minimum.* I cannot guarantee that the Fed will not make mistakes, toying with even lower rates. But whether they do or not, I am certain they will soon discover that zero interest rates are simply not a viable option in the United States.*

I am also certain that *every other alternative strategy the Fed might consider would be both fatal and futile:*

1. Buying Treasury bonds. Talk of this tactic first surfaced in a recent speech by a Fed governor, and was widely discussed in the financial press as the Fed's second weapon of choice for combating deflation. Now, however, it has suddenly lost its luster. Buying the bonds would pump excess funds into the banking system, driving short-term interest rates toward zero, and prompting the very dangers I just told you about.

2. Buying other assets. The Fed can't buy government agency bonds, agency mortgage-backed securities, state, local or municipal bonds, or any other asset for exactly the same reason.

3. Cutting bank reserve requirements. This would also free

* This is quite different from Japan, where foreigners own a much smaller share of the country's financial assets ... the money market industry is far smaller ... and households have had a much larger nest egg of savings to draw from.

up extra funds and drive short-term interest rates down to zero.

Other harebrained ideas I'm hearing about are even less likely ...

4. Buying stocks and domestic goods and services, thus increasing aggregate demand. Problem: It's against the law.

5. The "nuclear weapon" of monetary policy: Taxing money! The Fed would impose a yearly "stamp tax" of, say, 1%, on currency in circulation. In other words, $100 and $20 bills would only retain their status of legal tender with an up-to-date stamp or electronic marker certifying that the 1% tax had been paid. The theory is that this would discourage under-the-mattress cash hoarding, and encourage savers to keep their money in a bank or a Treasury bill even if it earns zero interest.

Problem: The tax would immediately cause a drastic slowdown in the pace of transactions in the country, throwing the economy into a tailspin.

It's highly unlikely these radical alternatives will be pursued. But the very fact that they are being talked about shows you just how close to impotence the Fed really is. This also brings home the main point I made right here in *Safe Money* just last month ...

The Fed will lose its war against deflation

While the stock market has rallied in recent months, the threat of deflation — falling prices, incomes, and wealth — has actually become more intense with every passing day.

For a sneak preview of the destruction deflation can cause, let me take you back to the past for a brief tour of three real examples:

- *The time is early 1999. The place — major cities all across Japan.* Real estate experts believe the bust is over and land prices have hit rock bottom. Unexpectedly, consumer price deflation begins in earnest, and in response, land prices fall into still *another* tailspin. By 2003, *average* properties *are down a whopping 80% from their all-time highs*.

- *Time — 2002. Place — headquarters of leading US wireless and telecom companies.* It's the mother of all stock market disasters. Just in this sector alone, investors lose an estimated $2 trillion as stock prices plummet by 95% or more. The largest bankruptcy in the history of mankind takes place — **WorldCom**. Another 88 telecoms bite the dust. Over 500,000 lose their jobs.

The cause? Just as in Japan, it's *deflation*. Prices for all types of telephone services plunge virtually nonstop, driving sales and profits into the gutter.

- *Time – same. Place — the US semiconductor industry.* A Federal Reserve study calculates that the price of DRAM memory chips fell an average of 47% in 1996 ... 59% in 1997 ... *another* 62% in 1998 ... plus 16.5% in 1999. But as long as overall sales are skyrocketing, no one seems to pay much attention.

Then, starting in the early 2000s, *prices and sales plunge at the same time.* At **3Com**, sales fall 47.6% in 2002 and *another* 37% in 2003. The stock crashes from $20 in 2000 to just $4.67 today. At **Sun Microsystems**, 2002 sales plunge 31% and the stocks falls from $64 a share to just $4.65. Nearly everywhere else in the industry, the pattern is the same.

MY TURN

J. Irving Weiss
(1908 - 1997)

A couple of years before he passed away, I asked Dad to compare the deflation he experienced in the 1930s to any future occurence. Here's what he said …

When worldwide deflation first struck in the 1920s, I was a stock broker on Wall Street. I knew deflation wasn't just a flash in the pan, and I figured it could last for years. So, I told my clients to get the heck out of the market, and stay out. The same will apply the next time you see deflation rear its ugly ahead. When it does, consider these questions:

Is the deflation hitting after a major stock market bubble? If the answer is no, the deflation could be short and shallow. But if the answer is yes, the chances of avoiding deep, long-lasting deflation are virtually nil.

Has the stock market bubble already burst? If not, you probably have some time to prepare — to sell off your stocks, art, collectibles, and other assets you don't absolutely need. If it has, you'd better get off you rear end and move. There's no time to waste.

Have you witnessed a parallel boom in real estate? If not, real estate investments may not get hurt as severely as most financial assets. But if real estate has gone up immensely in value, watch out! There is nothing that makes high-flying real estate any less vulnerable than high-flying stocks.

(continued on page 8)

Mr. CONSERVATIVE

A Portfolio For The More Conservative Investor

Brokers attack cash. Don't fall into their trap!

With the latest interest rate cut by the Fed, many brokers are mounting an attack on cash assets. They compile lists of customers with the biggest cash balances. They call to push clients into "high-yield" funds (loaded with junk bonds). They hawk stocks, tax-free bonds, and any investment that earns them a fat fee or commission.

Your choices: You can either hold onto your liquid, safe, cash-equivalent investments, and reap the rewards deflation will bring you. Or, you can get stuck with so-called "higher-yielding" investments that place your principal at high risk …

"High-yield" mutual funds. These are loaded with junk bonds — issued by companies that even the established Wall Street rating agencies recognize as risky. Add in questionable accounting, big debts, and deflation ... and you have a recipe for disaster.

Tax-free bonds: Watch out! Many city and state budgets are way out of whack. If you absolutely must have tax-free yield, go for short-term maturities of the highest quality.

Portfolio Update

1. Hold 55% of your Conservative portfolio in 3-month Treasury bills or money funds invested exclusively in short-term Treasuries and equivalent. The low yield is a small price to pay for maximum safety. Stick with it.

2. Hold 20% in 3-5 year Treasury notes. The ones we originally recommended have produced a total return of 10% in the past year, including the capital gains.

3. Your 10% allocation to dollar hedge funds suffered a minor pullback in June as the dollar decline took a breather. But the **American Century International Bond Fund (BEGBX)** and the **Prudent Global Income Fund (PSAFX)** (formerly Prudent Safe Harbor) are up 12% and 3% since my first recommendation. Hold. New subscribers: Focus on the American Century fund.

4. Enerplus Resources Fund (ERF) — 2.5%. Last month, I told you to take profits — by selling half your holdings at $24 or better and half at $25.50 or better. You should have gotten out of the first half, but should still be holding the second. My advice is unchanged: Sell the balance at $25.50. But be patient. Do not sell for less. (If you did not sell the first half at $24, do so now.)

5. Provident Energy Trust (AMEX-PVX) — 5%. Another profit to grab: Sell half your position at $8.90 and the other half at $9.40. But don't chase the market! Be sure NOT to accept lower prices than these.

6. FTI Consulting (NYSE-FCN) — 2.5%. The company announced a 3-for-2 share split at the time we went to press last month, which reduced their share price to around $24 by the time you received the issue. Now, we're about even. Hold.

7. Larry's recommended gold shares — 5-10%. See page 6.

8. Correctional Properties Trust (NYSE-CPV). Our recommendation coincided with some positive news on the stock, and fresh buying pushed the price above our buy target before subscribers could buy. Do not buy now. Wait for further instructions.

What This Means For The Future

These examples from Japan and the US are not anomalies. They are replicated all over the globe — in Europe, in Asia, and in Latin America. And they illustrate, plain as day, how deflation can wreak havoc in entire industries, even entire economies. Now, the deflation monster is threatening profits in other US industries …

1. US airlines actually began to suffer from creeping deflation long before the terrorist attacks of September 11, 2001: According to the Air Transport Association, average revenue for international air travel fell from 11.6 cents per person per mile in 1992 to just 9.6 cents in 2001.

Larry Edelson's

mr. speculator

Sucker's Rally!

Here's how to play the next move ...

The recent upswing in the market— though powerful on the surface — had "sucker's rally" written all over it: While average investors were being lured in at overvalued prices, corporate insiders were selling in droves — dumping $47 in stock for every dollar they purchased.

This alone is not a guarantee that the rally is 100% over. But it's a clear indication of the big risks of investing today.

If you followed my advice, you exited your crash protection positions — the Rydex Ursa and Arktos, plus LEAPS put options when the S&P 500 closed above 961 on May 30. Good. Now you can start, step by step, to reestablish those positions at a lower cost.

Here's what to do:

First, if you do not already own a position in Rydex Ursa (RYURX), we recommend you get back in and purchase a position equal to one-third of your total allocation to this fund. If you intend on investing $15,000, for example, purchase $5,000 now. This fund appreciates as the market declines. We'll recommend adding to this position when we get additional confirmation of the decline, whether at lower or higher prices.

Second, buy one Dow and one S&P 500 LEAPS contract as per the instructions below. These long-term put options rise in value as the market declines. They offer you strictly limited risk and potentially higher profit potential than the Rydex fund. For now, stake out a one-third position of your available funds for these. As with Ursa, invest only *one-third* of the money you've allocated for these LEAPS, saving the rest for later.

The instructions to give your broker: Buy one December 2004 Dow Jones Reduced Value LEAPS put option with a strike of 88, symbol YDJ XJ, at a price of $8, or lower, plus one December 2004 S&P 500 Reduced Value LEAPS put option with a strike price of 95, symbol LSZ XV, at a price of $8, or lower.

Portfolio Review

1. January 2004 GM LEAPS put option with a strike price of 30 (LGM MF). The auto sector is in deep trouble, and GM's recent sale of $18 billion of bonds to help fund its huge pension shortfall is no panacea for this company. The only change: Instead of owing that money to its employees, now it owes the money to bond investors. Meanwhile, business stinks and is unlikely to get better anytime soon. Hold the LEAPS. And if you're not on board, buy now in modest amounts.

2. Rydex Juno (RYJUX). This fund is designed to help you profit from falling T-bond prices (rising T-bond yields). The day after the Fed cut short-term interest rates for a 13th time, Treasury bond prices were clobbered — falling nearly $17.50 per $1,000 face value.

Although the Fed does control short-term rates (at least for now), it cannot control the powerful forces that can drive long-term rates higher: The federal deficit out of control, a dollar with little support, and now, the well-founded fear that even the Fed's powers to manipulate short-term rates are mostly gone. Hold.

For the Crash Protection Strategy, see the *Safe Money* website.

Then, in the wake of September 11, Iraq, and SARS, it got much worse.

Meanwhile, revenue for domestic flights remained stagnant — around 13.4 cents per person per mile. But costs have skyrocketed, and the profit squeeze is dramatic:

* **Delta Airlines** suffered a 17.1% sales plunge in 2001 and a 4.1% decline in 2002. It lost $9.99 per share in 2001 and $10.44 per share in 2002. In 2003, Delta's losses are continuing — $466 million in the first quarter compared to $363 million in the fourth quarter of 2002.

* Ditto for **American Airlines**. It saw a 3.7% decline in sales in 2001 and an 8.8% decline in 2002. Its bottom line losses have been even greater — $11.43 per share in 2001 and $22.57 per share in 2002.

Gold bullion jumping around, preparing for next move higher. But gold shares keep rising!

Larry Edelson

Gold bullion is behaving as expected: A rally ... then a pull back ... then another rally ...

The whipsaw is scaring both bulls and bears alike. But not me. June's action is bullish. In fact, it reminds me of the swings in the late 1970s, just before gold took off like a rocket.

And despite the up-and-down bullion action, gold shares continue to rise: Royal Gold surged as much as 22% ... Durban Deep, 17% ... Anglogold, 15% ... Newmont Mining, 14% ... Agnico Eagle, 13% ... and Glamis Gold, 12%. The shares have since settled back down, but expect another round of gains very soon!

Portfolio Update

* **Anglogold (AU).** The company announced that it's in proposed merger discussions with Ghanaian miner Ashanti. The talks are still preliminary, but I view any deal as a positive for Anglogold. The proposed deal could make Anglogold the largest gold producer in the world.

* **Durban Roodepoort Deep (DROOY).** Hold. But maintain a protective sell stop at $2.27. I don't like the chart on this one. Reduce your exposure to a possible down draft with this stop-loss order.

* **Royal Gold (RGLD).** The best performer of the month! The company announced its second semi-annual dividend of 5 cents payable July 18 to shareholders on record as of July 3. I am very bullish on this company. As gold prices rise to where I think they are headed, its royalties are likely to surge. Stick with it!

* **Agnico Eagle (AEM).** The company completed the acquisition of a Quebec-based resource, which it hopes will add as much as 816,000 ounces of gold. Hold.

* **Newmont Mining (NEM).** Also a hold. The company has sold off all of its hedge positions on its Australian mining operations — a big plus for future revenues.

* **Glamis Gold (GLG).** Hold. The company announced good progress with the El Sauzal project in Mexico and is on target to commence commercial gold production by the first quarter of 2005.

New subscribers: If you are not on board my favorite gold shares above, buy at the market!

All subscribers: Continue to steer clear of silver. I know a lot of people in the industry don't like me for this view, but just take a look at what Kodak said this month in its recent earnings report — digital photography is killing earnings from its film division.

Meanwhile, you are witnessing the slow but certain death of silver as a staple of the photography industry — and as a precious metal as well. Stay away until I tell you otherwise.

Not surprisingly, the price deflation and declining profits have ripped the stuffing out of the airlines' stock values: Delta was selling for $50 a share in 2001; today it's selling for $14.68 — a 71% loss. American Airlines' stock was selling for $43.25 in 2001; today it's down to a pitiful $11. That's a 75% wipe-out.

2. Automobiles are suffering from what I call "disguised deflation." You don't see it so much in the sticker prices. But when you factor in zero-percent financing and record-high rebates of $3,500, adjusted for inflation, it actually costs 29% *less* to buy a car today than it did back in 1994. And *despite* all these price discounts, sales for the major automobile manufacturers have remained flat.

Bottom line: In every industry it touches ....

Deflation can turn profits into losses and drive share prices into the gutter!

If deflation were striking at a time when stocks were undervalued ... or just fairly valued, the impact would not be so dramatic. But right now, valuations are still in the stratosphere:

■ The average S&P 500 stock is still selling for *thirty-three* times earnings. That's even *higher* than at the market's peak in March 2000. The average Dow stock is selling for 28 times earnings. And the average Nasdaq company doesn't even *have* earnings.

Make no mistake: When deflation strikes companies in this crazy state of overvaluation, it's like lighting a match in a gas chamber. Consider the squeeze these companies are — or soon will be — facing, due to deflation:

Deflation Squeeze #1: High fixed costs. Likely sectors hit: Health care, aerospace manufacturing, gas and oil, home builders, big-ticket consumer items.

Hundreds of US corporations have fixed costs that stubbornly defy cutbacks — the cost of raw materials, transportation, equipment, and employee pensions.

But they're too slow to reduce operating costs. So, any decline in prices hits their bottom line almost instantly.

Deflation Squeeze #2: Large inventories of unsold goods. Likely sectors hit: Retail, pharmaceuticals, automobile manufacturers and parts.

The **May Department Stores Co.** has 132 days of inventory ... **Tiffany & Company** is stuck with 410 days of unsold goods ... **Advance Auto Parts** — 145 days of inventory ... **Nordstrom's** — 103 days ... **Bristol Myers Squibb** — 104 days ... **Eli Lilly** — 301 days!

In most cases, the profit margins of companies with large inventories are razor thin, particularly as prices plummet:

Example: **Advance Auto Parts'** net profit margin is 0.48% — and that was with a 30% increase in its sales in the past 12 months. What will happen if sales revenues begin to fall along with the auto parts prices? Answer: Mounting losses!

Deflation Squeeze #3: Massive debts coming due.

With inflation, incomes naturally go up. So debts, as a percentage of income, become less burdensome over time. But with deflation, the exact opposite takes place: Large debts loom even larger ...

■ **Hotels** are very expensive to build and maintain. So, many chains are in hock up to their eyeballs. **Starwood Hotels & Resorts** owes $57 in debt for every $1 of capital. That's like having a mortgage of $570,000 on your home, with a net worth of only $10,000.

■ **Cruise ships** also cost a fortune to build. At **P&O Cruises**, the price tag on its new 76,000-ton *Aurora* was $350 million three years ago. No wonder P&O's parent, **Carnival PLC**, owes $47 for every $1 in capital and has a net profit margin of 2.7%. To lure customers back on board, the luxury cruise lines have only one choice: They have to slash their prices by up to 50% — and yet sales still remain flat.

What will happen to these debt-heavy industries when they're forced to cut their prices an additional 25%, 35%, even 45% just to maintain operations? Red ink will flow.

Conclusion: Worldwide deflation is unstoppable

Deflation has already hit Japan, and key sectors in Europe and the United States. The Fed's puny, one-quarter percent rate cut is a spit in the ocean by comparison.

Now, the Fed is running out of options, and the radical measures we're hearing about — zero interest rates or taxing money — are both very dangerous and highly unlikely. Here's what to do …

Step 1: Use the latest rally — whether it continues or not — to clear out of all stocks except those recommended on pages 4 and 6.

Step 2. Still wanting to hold on to some stocks despite my advice? I think it's a mistake. But if you insist, then *at the very least*, get rid of stocks in the sectors most vulnerable to deflation that I've told you about in this article.

Plus, be sure to get rid of all stocks with a Weiss Risk Rating of D+ or lower. To check the Weiss Risk Ratings on your stocks, visit www.safemoneyreport.com. After logging in, click on "Weiss Risk Ratings." Then, in the "General Search" box, enter the ticker symbol and click, "submit."

Step 3. Sell your corporate bonds — especially those with a rating of triple-B or lower. Wall Street says a triple B is "investment grade." In theory, maybe. In practice, I don't accept that definition. In my book, by the time a company is downgraded to triple-B, you should be out.

Step 4. Stay away from long-term bonds of any kind. Yes, ultimately, deflation will drive their prices higher. But right now, I anticipate a setback, as investors finally realize that it's going to be awfully tough for the Fed to lower rates any further.

Step 5. Follow our recommendations to take profits on select shares (page 4).

Cover Story *(cont. from p.7)*

Step 6. Get back into Rydex Ursa with one-third of the money you've allocated to this investment (page 5.)

Step 7. Above all, keep most of your money *safe* and *liquid*.

My Turn

(continued from p. 3)

Is the Fed slashing interest rates? Are stock promoters telling you that's what will stop the deflation? If not, they probably will soon. If so, welcome to dreamland! The Fed cut short-term rates from 6% in October 1929 to just 1% by 1932, but it didn't make one bit of difference. Reason: Inflation fell even faster and quickly turned into deflation. So, the real interest rate — the sum of what you could earn in interest plus the appreciation in the buying power of your money because of deflation — actually skyrocketed, from 3.5% in the spring of 1929 to 15% in late 1931.

Is the market enjoying bear market rallies? If not, I'd be very surprised, but it probably implies the bear market could end very quickly in one big wash-out. On the other hand, if there are periodic rallies, including some big ones, it's perfectly normal — we had six major rallies between 1929 and 1932. Just remember: The bigger the rallies, the larger the subsequent plunge.

Is the average stock undervalued? If so, the bear market is nearing an end. If not hold your fire and wait till you can see the whites of their eyes. Then, when most stocks are deeply undervalued, buy the cream of the crop with both hands.

PROFESSOR INVESTOR

Special Questions From Our Readers

Q: It seems all the printing of dollars and the devaluation of the dollar will cause inflation. How could we have deflation at the same time?

A: Deflation will come in powerful waves. But that doesn't preclude the possibility of smaller, weaker waves of inflation in between, often caused by government actions such as those you cite.

Q: I saw you on TV this week talking about the best and worst brokerage firms. Where can I get that information?

A. Go to www.weissratings.com. Then, in the upper right hand corner, pull down the "News Releases" menu, and select "brokerage firms." A June 26, 2003 press release contains the info on the 18 largest retail firms. Based on the frequency of closed arbitrations and regulatory actions initiated against them in 2001 and 2002 (relative to the size of their customer base), the firms with the worst track record are **U.S. Bancorp Piper Jaffray**, **Prudential Securities,** and **Morgan Stanley Dean Witter**. The firms with the best track record — plus a favorable Weiss Safety Rating — are **Fidelity Brokerage Services** and **Edward D. Jones**.

Q: The Rydex investments you recommend deal in derivatives, futures, and options. Won't those derivatives fail with the economy?

A: All of the derivatives used by Rydex are traded on well-regulated exchanges, where the capital and risk of the major players are closely monitored. In contrast, over 90% of the derivatives traded by banks are over the counter, outside the regulated exchanges. *These* are the derivatives that I am concerned about.

Q: In view of the Freddie Mac and Fannie Mae problems, is it safe to be in "government-only" money funds at the present time?

A: The difference right now is hair-splitting, but I still prefer *Treasury-only* money market funds. They exclude Freddie Macs and Fannie Maes.

Q. I'm shopping for long-term care insurance. But I don't trust the agents for advice. Help, please!

A. Sure. For our free worksheet on long-term care, go to www.weissratings.com/LTC_plan_intro.asp. Or if you would like us to do all the work for you — giving you a custom guidebook with ratings and actual quotes based on your personal circumstances, you can order one for $45 at www.weissratings.com under "Shopper's Guide to Long-Term Care Insurance."

Q. I'm worried about money funds breaking the buck. What's your take on this?

A. Very unlikely, especially for the funds that avoid investing in lower quality instruments.