CHIEF INVESTMENT OFFICE

Capital Market Outlook

June 12, 2023

All data, projections and opinions are as of the date of this report and subject to change.

IN THIS ISSUE

Macro Strategy—*Is It Time To Be More Constructive On Emerging Market Equities?:* Not yet, in our view, because a sustainable global cyclical upswing that benefits Emerging Markets (EM) still looks elusive. Additionally, the significant nominal growth advantage that EM companies benefited from for years appears to be diminished, and EM companies need to offer investors operating leverage benefits during cyclical upswings and/or more attractive valuations. The good news for EMs is that the U.S. dollar is overvalued by medium-term valuation metrics, and a weaker dollar could be a potential tailwind over the next few years.

For long-term investors, the next global cyclical upswing could present an opportunity to reinforce strategic exposure, but a tactical overweight at the passive index level still looks like a risky endeavor given the outsized weight of China in EM indexes and the significant geopolitical risk overhang. Country and stock selection will be important to help mitigate these risks.

Market View—*Coming to America: What the Foreign Investment Surge Means for the U.S.:* Thanks to massive government spending, America's manufacturing base is on the cusp of a transformational do-over, and foreign firms want to be part of the action. In the mad global scramble to redraw supply chains, America is emerging as a big leader.

No country in the world—including China—attracts as much foreign investment as the U.S. The upshot: A more dynamic and competitive U.S. economy and a plethora of potential investment opportunities for investors.

Thought of the Week—*What is the Problem with Bad Breadth?:* There is considerable discussion about narrow equity market breadth, especially after only a handful of the largest-weighted stocks in the S&P 500 Index are responsible for most of the year-to-date (YTD) gains.

That brings up the question, what exactly is narrow or bad market breadth? Market breadth is an indicator of how many stocks in an index are participating and moving in the same direction as the overall index.

MACRO STRATEGY ▶

Jonathan W. Kozy
Managing Director and Senior Marco Strategy Analyst

MARKET VIEW ▶

Joseph P. Quinlan
Managing Director and Head of CIO Market Strategy

Lauren J. Sanfilippo
Director and Senior Investment Strategist

THOUGHT OF THE WEEK ▶

CIO Equity Strategy Team

MARKETS IN REVIEW ▶

Data as of 6/12/2023, and subject to change

Portfolio Considerations

We are in the realistic camp that emphasis on diversification, balance, an understanding that a mixed environment can be confusing at times, and a focus on higher-quality investments makes the most sense. We remain neutral Equities and Fixed Income relative to our strategic benchmarks. Opportunities to add to Equities for long-term exposure should present themselves given the prospects for a liquidity drain in the coming few months. At this point, we would emphasize a solid mix of both Growth and Value investments, Small- and Large-capitalization stocks, and in Fixed Income, a mix of higher-grade bonds across multiple sectors.

MACRO STRATEGY

Is It Time To Be More Constructive On Emerging Markets Equities?

Jonathan W. Kozy, Managing Director and Senior Macro Strategy Analyst

Over the last decade, the MSCI EM Index was a one-stop shop for elevated geopolitical risk (most recently China/Taiwan tensions), near-zero-dollar earnings growth and paltry returns. Are there any reasons to be more constructive looking ahead? Not yet, but if global cyclical momentum finds a bottom, investors might consider shoring up strategic exposure while paying special attention to country-level geopolitical risk. The macro playbook that worked for EM Equity performance in the 2000s included a weakening U.S. dollar and nominal gross domestic product (GDP) growth that far exceeded the developed world, driving relative earnings outperformance. While the U.S. dollar does appear to be overvalued by medium-term metrics, the secular advantage in nominal growth in EM, led by China, appears to be long gone. That said, even a cyclical pickup in global growth would likely benefit relative EM Equity performance, especially if U.S. Equities are relatively expensive. Below we provide some commentary on past performance of EM as well as macro factors that could influence future performance.

Investment Implications

We remain neutral EM Equities. A sustainable global cyclical upswing that benefits EM still looks elusive. The good news for EMs is a weaker U.S. dollar could be a potential tailwind over the next few years. For long-term investors, the next global cyclical upswing could present an opportunity to reinforce strategic exposure, but a tactical overweight at the passive index level still looks like a risky endeavor given the outsized weight of China in EM Indexes and the significant geopolitical risk overhang.

EM Equities have a rich history of underperformance, led by China: Over the last 30 years, the MSCI EM index has returned 6% per year versus nearly 10% for the S&P 500.[1] China is close to a third of the index (at one point, it was over 40% of the index) and has delivered just a 1% annualized return over the last 30 years, including 21 intrayear corrections of 20% (versus six for the S&P 500) and six intrayear corrections of 40% (versus just one for the S&P 500).[2] In other words, risk-return was relatively unattractive over the last 30 years.

EM outperformed other developed market indexes in the post-tech bubble business cycle expansion that preceded the 2008/2009 Global Financial Crisis (GFC) as nominal GDP growth was drastically outperforming U.S. growth, and the U.S. dollar was in a weakening trend (Exhibit 1). During that time, EMs posted multiple years where nominal growth exceeded 15% and from 2003-2013 EM dollar GDP growth exceeded the U.S. every year except 2009. But China's nominal growth and EM has now settled into a much lower potential growth trend, and nominal growth outperformance seems to be well past the secular peak.

EM nominal growth has slowed in absolute terms and relative to the U.S since the GFC. As evidence, nominal GDP growth in the U.S. has averaged 4.7% from 2012 to 2023 versus 4.5% for EM. The boost to nominal growth in EM from pandemic-related stimulus was also undersized or nonexistent relative to the U.S. and other developed markets. Above-trend inflation in the U.S., for example, is supporting profits even as real growth slows. But China reopened without an inflation problem, with high unemployment and with a broken real estate market. Not surprisingly, China's nominal GDP remains below the pre-pandemic trend. Within EM, Brazil and India are also showing disinflationary trends that put downward pressure on nominal growth and earnings.

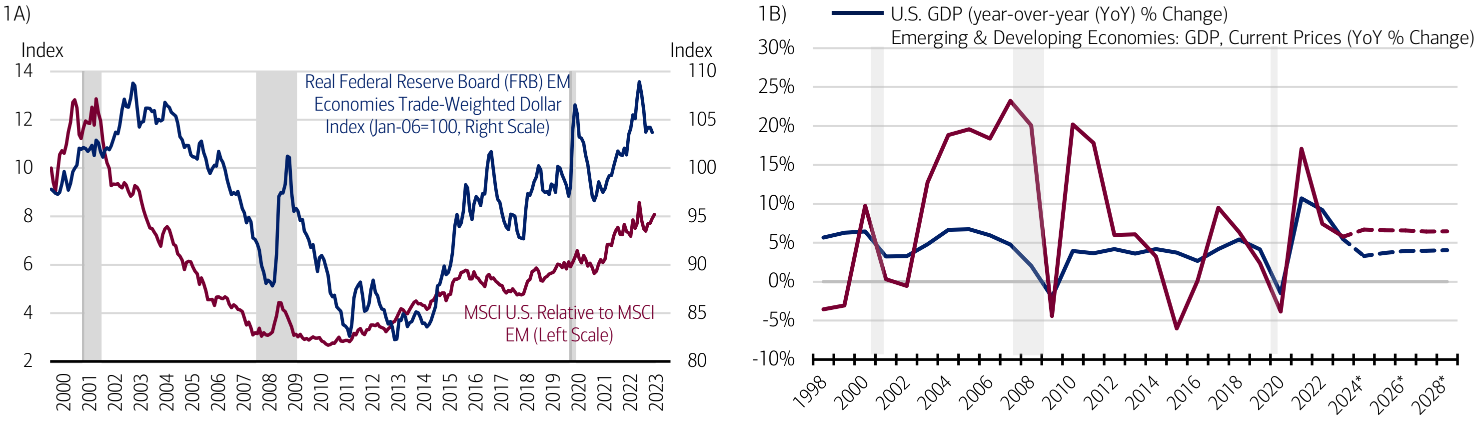
Estimates by the International Monetary Fund out to 2028, seen in Exhibit 1, suggest trend nominal growth for EM in aggregate will settle only slightly above U.S. nominal growth. In the absence of a nominal growth advantage, EM companies would need to offer significant operating leverage benefits during cyclical upswings and more attractive valuations.

Translating this into earnings, MSCI EM U.S. Dollar earnings have underperformed MSCI U.S. earnings 11 out of the last 13 years. Since 2012, EM earnings per share are lower while earnings in the U.S. have averaged 8.5% growth per year. Earnings drive performance, and this has translated into the MSCI EM Index returning just over 3% per year versus the MSCI U.S. Index returning around 13% per year, according to Bloomberg.

[1] Source: Bloomberg. Data as of June 5, 2023.

[2] Source: Strategas Research Partners as of June 5, 2023.

Exhibit 1: A Weaker Dollar Trend and High Relative Nominal Growth Supported EMs in the 2000s.



Gray shaded areas represent recessionary periods. Sources: Bloomberg; Bureau of Economic Analysis (BEA) and for 1A includes International Monetary Fund (IMF) and * their forecasts. Data as of May 2023. **Past performance is no guarantee of future results.**

In the absence of a more significant secular nominal GDP growth advantage, a shorter-term global cyclical upswing could drive performance for EM, as it has been an important macro factor in the past, but a sustainable global upswing that benefits EM looks unlikely in the near term. The JP Morgan Global Manufacturing Purchasing Managers' Index peaked in May of 2021 at 56 and over the last two years, has declined to contraction territory at 49.6. Global growth remains weak with Europe in a recession, China sputtering, and the U.S. likely heading into a recession.

Commodity prices also suggest a weaker global demand backdrop, while many EMs are commodity exporters. The Bloomberg Commodity Index is down over 28% from the middle of 2022. Copper prices, an economic bellwether, are down more than 20% over that time period, and Brent crude oil prices have fallen from over $100 per barrel to around $70 per barrel.

As an example of the importance of cyclical momentum to relative EM returns, the S&P 500 index is nearly unchanged since global cyclical momentum peaked in the middle of 2021, but the MSCI EM Index is down by more than 30% over that same time period. In an upswing, we could expect some EM Equity catch-up.

The good news is that valuation metrics like purchasing power parity (PPP) suggest that U.S. dollar weakness could be a tailwind. Exhibit 1 suggests that the U.S. dollar might play an important role in relative EM equity performance over longer periods of time. The FRB's Real Trade-weighted Dollar Index versus EM economies appreciated over the last decade and reached its highest level in over 30 years late last year. A weakening dollar would ease financial conditions for EM.

All this macro analysis runs parallel to a geopolitical backdrop that is hurting EM more than developed market countries and driving a debate about whether or not China is even investable. On the former, the national security-linked supply chain reshoring push and the war in Ukraine appear to be hurting the poorest countries the most. On the latter, the significant China/Taiwan and corporate governance risk overhangs associated investing in EM Indexes with large China weightings cannot be ignored. YTD, at least four EM exchange-traded funds that exclude China have been launched, and China's sustained equity underperformance has reinforced the idea that investors might not be missing anything at all. Of course, excluding China means investors would just have to be comfortable missing a rally in the event of a U.S./China/Taiwan diplomatic thaw. But in that scenario, the entire world should benefit, including U.S. multinationals and other EM that trade with China.

Putting it all together, much of the unattractiveness of EM Indexes can be attributed to the combination of rapidly decelerating nominal GDP growth and associated dollar earnings stagnation, a stronger U.S. dollar, and geopolitical and governance risk concerns that are pushing the narrative that China is "uninvestable." The good news is that there are plenty of ways to gain EM exposure without taking the risk of direct investment in China. We would consider shoring up strategic exposure to EM when we see confirmation that we are closer to a bottom in global cyclical momentum, but we are not there yet.

MARKET VIEW

Coming to America: What the Foreign Investment Surge Means for the U.S.

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Lauren J. Sanfilippo, Director and Senior Investment Strategist

Investors are about to be schooled on of one of the most enduring but unappreciated facts of economic life: that no country in the world—including China—attracts as much foreign direct investment (FDI) as the U.S. We highlight this unknown known because yet again, the world's top corporations are beating a path to the U.S. Nary a week goes by without another announcement of plans by a foreign firm to build a major new plant in Arizona, Georgia and a host of other states. To wit, the June 1 announcement that European energy firms TotalEnergies and Tree Energy Solutions plan to build a $2 billion plant in Texas to manufacture natural gas.[3]

The world is trekking to America for myriad reasons. One motive: U.S.' vast and wealthy consumer market, with U.S. personal consumption expenditures running at an annualized rate of $18.2 trillion in Q1 2023. That figure is equivalent to the total output of China and greater than the combined GDPs of Japan, Germany, India, the United Kingdom and France ($13.6 trillion). With just 4.5% of the population, America accounts for a staggering 30% of global personal consumption, based on figures from the United Nations (UN). Throughout history, there has never been a single consumer market as large and wealthy as America's.

Besides copious consumer wealth, other attractions run the gamut from the ease of doing business, to a large, flexible and skilled labor pool, to a transparent rule of law, and to cheap energy costs and low corporate taxes. Robust spending on Research & Development (R&D), top-notch universities, and a deep and sophisticated capital markets are yet more allures to foreign firms.

And so are, of course, the Biden administration's mega-legislation packages that include the Infrastructure and Investment Jobs Act, the Chips and Science Act, and the Inflation Reduction Act (IRA). The first entails some roughly $1 trillion in spending on infrastructure over the next decade, according to government estimates, the second includes $39 billion in funds to underwrite more semiconductor manufacturing and another $24 billion in manufacturing tax credits, and the third comes with some $369 billion in tax credits and other incentives for clean technologies.

Investing in America: A Veritable "No-brainer"

This legislative trifecta, not surprisingly, has not gone unnoticed by the rest of the world. America's manufacturing base is on the cusp of a transformational do-over, and foreign firms want to be part of the action. This requires that firms be "inside" or "in-country" to qualify for massive government incentives from both the federal and state levels. Speaking to the opportunity in the U.S. and where the firm would invest in the future, Ahmed El-Hoshy, chief executive for a Dutch-based chemical firm, OCI, put it succinctly to the *Wall Street Journal*, "it's a no-brainer to go and do that in the United States."[4]

Think of it this way: In the mad scramble to rethink and redraw global supply chains, America is not only punching above its weight, but it's also pulling ahead of the rest of the pack. In 2021, the latest available figures from the UN, the U.S. alone accounted for nearly one-quarter (23.2%) of total global FDI inflows, up from 15.7% the year before. There's no better number that illustrates the preference of foreign firms to invest in the U.S. versus the rest of the globe. China's share, by the way, was a distant second, at 11.4%.

And speaking of China, when it comes to sinking capital in either the U.S. or Asia's largest economy, it's no contest. It never has been—as depicted in Exhibit 2A, global FDI inflows to the U.S. have handily outpaced China's for decades, due in large part to America's large, transparent, market-friendly market environment versus China's more top-down, command-and-control government-led economy.

Investment Implications

Despite near-term weakness in Industrials and related economically sensitive stocks, we believe the U.S. is on the cusp of a manufacturing renaissance that will likely extend well into this decade. Think exposure to infrastructure-related stocks, materials, metals, energy and all things clean energy.

[3] See "Total and Belgian start-up eye $2 billion US gas site," *Financial Times*, June 1, 2023.

[4] See "European Manufacturers Shift to U.S.," *The Wall Street Journal*, September 22, 2022.

The Foundational Benefits of FDI Inflows

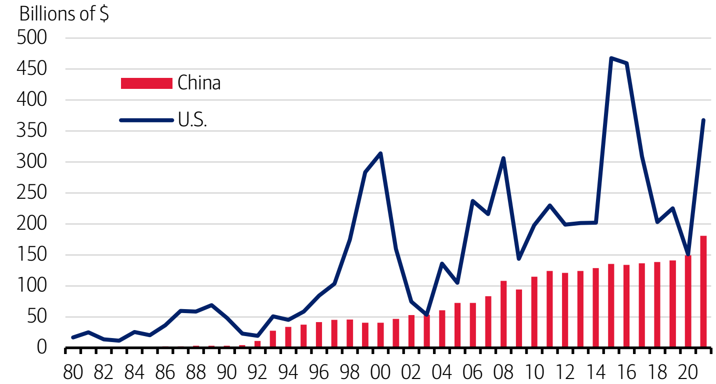
Being an "insider" bestows a host of competitive advantages on foreign firms operating in the U.S. The benefits include greater access/proximity to U.S. consumers, capital, resources, labor and other inputs that drive future earnings growth. So large is the size and scale of the U.S. economy that many foreign firms earn more revenue in the U.S. than in their home market. That's why they have come in the past—and why they continue to come today.

But the benefits cut both ways. More FDI inflows means more jobs, income, investment, trade and tax revenues for the U.S. Inflows are a catalyst for growth, in other words—near term and long term. One example: Given the surge in foreign investment in the U.S. (inflows averaged $345 billion in 2021 and 2022 according to the BEA), manufacturing construction spending soared to an annualized record of $189 billion in April of this year versus less than $80 billion during the depths of the recessionary period of the pandemic (Exhibit 2B). Domestic and foreign demand for U.S. factory space/capacity have fueled this boom, which, on a structural basis, is expected to run well into the second half of this decade.

Meanwhile, the latest surge in FDI inflows have only deepened and expanded the extensive footprint of foreign firms operation in the U.S. Unbeknownst to many investors, America's economic dynamism rests partially on the shoulders of U.S. affiliates of foreign multinationals, which, according to the latest data from the Commerce Department, employ nearly 8 million U.S. workers, or 6.4% of private-sector employment; contribute $1.1 trillion to U.S. GDP; chip in $346 billion to U.S. exports and $646 billion in imports; and account for almost 18% of U.S. private business capital expenditures and 14% of total U.S. R&D spending.[5] Given all of the above, the current wave of foreign direct investment should help promote near-term economic growth while boosting America's long-term global competitiveness.

Exhibit 2: The U.S. As The World's Top Choice for Investment and Attendant Benefits.

2A) Foreign Multinationals Prefer the U.S. to China.



2B) Record Spending on Manufacturing Construction Heralds a U.S. Production Rebound.

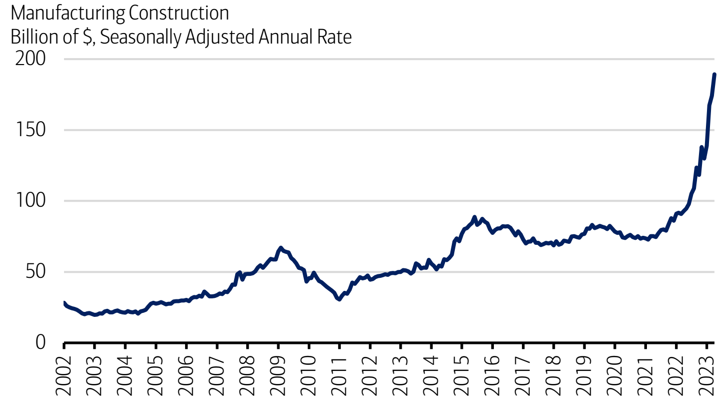


Exhibit 2A: Source: United Nations Conference on Trade and Development. Data as of June 7, 2023. Exhibit 2B: Source: Census Bureau. Data through April 2023.

Investment Summary

With some help from abroad, factories are back in vogue in America. We believe the U.S. is in the early stages of a manufacturing supercycle pivoting around renewable energy, electrical vehicles and batteries/charging stations, and semiconductors, in addition to rising spending in more traditional areas like ports, highways, grids, airports and the like.

This runs counter to the prevailing narrative about a "manufacturing recession" in the U.S. and the fact that Industrials and other economically sensitive stocks in the U.S. have underperformed the broader S&P 500 Index this year. This reflects the impending cyclical slowdown in the U.S. and globally. Taking the long view, however, this is the time to gain more exposure to infrastructure-related industrial companies and leaders in renewables (solar, wind, electrical vehicles, biomass) and the required infrastructure behind each renewable energy source. Leaders in electricity distribution, charging stations and batteries, as well as low-carbon hydrogen, biomethane and advanced biofuels should be included in portfolios. Ditto for leaders in low-carbon technologies (light-emitting diode lightning, smart energy meters and storage), and leaders in transmission technologies.

[5] See "Activities of U.S. Affiliates of Foreign Multinational, 2020," BEA, August 19, 2022.

THOUGHT OF THE WEEK

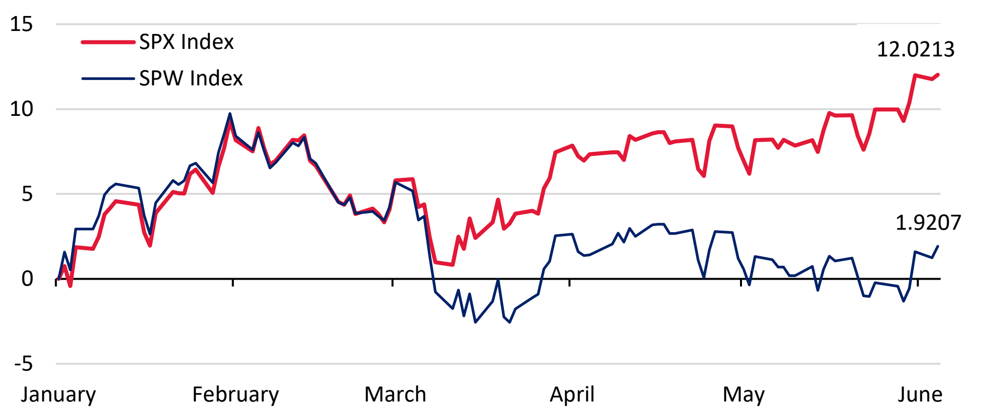
What is the Problem with Bad Breadth?

CIO Equity Strategy Team

There is considerable discussion about narrow equity market breadth, especially after only a handful of the largest-weighted stocks in the S&P 500 Index are responsible for most of the YTD gains. That brings up the question, what exactly is narrow or bad market breadth? Market breadth is an indicator of how many stocks in an index are participating and moving in the same direction as the overall index. Said another way, if the S&P 500 Index is rallying and moving higher, how many of the approximate 500 stocks in the index are also moving higher? Good market breadth is when a large number of the stocks are moving in the same direction as the index. If only a small number of stocks are moving in the same direction as the index, that is considered weak or narrow breadth. Directional trends in equity markets are historically stronger when there is good market breadth and many stocks participating in the market move.

The recent equity market rally was led by a handful of the large-cap Technology and Communication Services stocks on the back of an artificial intelligence boom that is driving future earnings estimates, company guidance and stock prices higher. Meanwhile, in aggregate, the rest of the stocks in the S&P 500 are close to flat YTD. Specifically, there are eight companies in the S&P 500 Index that are responsible for most of the YTD gains. These companies also happen to be some of the largest weights in the S&P 500 Market Cap Weighted Index and as of today are around 30% of the S&P 500 Index market cap compared to around 22% at the beginning of the year. This is the definition of narrow or weak market breadth and can be illustrated by looking at the performance of the S&P 500 Equal Weighted Index (SPX) compared to the S&P 500 Market Cap Weighted Index (SPW) (Exhibit 3). The chart shows a significant performance gap between the two Equity indexes that is driven largely by the outperformance of the mega cap Technology and Communication Services stocks with larger weights in the Market Cap Weighted (red line).

Exhibit 3: S&P 500 Market Cap Weighted Index vs. S&P 500 Equal Weighted Index.



Source: Bloomberg. Data as of June 6, 2023. **Past performance is no guarantee of future results.**

Looking forward, strong or weak market breadth is not a consistent indicator of future equity market returns with examples of both rallies and declines in equity markets after periods of narrow breadth. In addition, bad market breadth is not automatically a reason to sell Equities simply because the market is moving higher due to a couple of stocks. This is especially true when the stocks leading the market higher have strong fundamentals, including solid balance sheets, earnings visibility, dividend growth and free cash flows. Nevertheless, most investors would prefer to see market breadth widen to support rallies in the equity market. There is opportunity for the rest of the stocks in the indexes to close the gap and see better performance going forward—this would improve market internals and be a positive signal for Equities, if it were to occur.

Investment Implications

There is a watch list of areas we would like to see improving—easing financial conditions, lower cost of capital, earnings revisions, earnings bottoming and start to grow again, and more attractive valuation levels—for opportunities to add to Equities.

RETURN TO FIRST PAGE

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,876.78	0.4	3.0	3.3
NASDAQ	13,259.14	0.2	2.5	27.2
S&P 500	4,298.86	0.4	2.9	12.8
S&P 400 Mid Cap	2,542.37	1.5	5.7	5.4
Russell 2000	1,865.71	1.9	6.7	6.6
MSCI World	2,885.63	0.4	3.1	11.9
MSCI EAFE	2,110.46	0.6	3.4	10.5
MSCI Emerging Markets	1,002.33	1.9	4.7	5.8

Fixed Income†

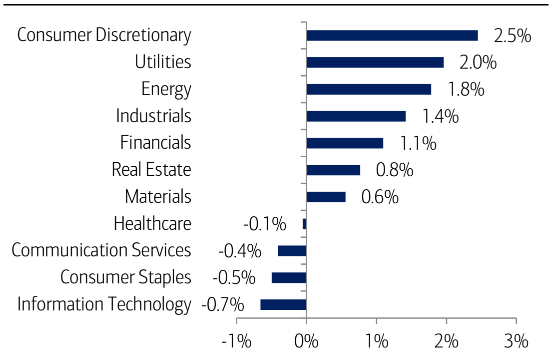
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.69	-0.23	-0.48	2.04
Agencies	4.74	-0.11	-0.33	1.80
Municipals	3.57	0.10	0.47	2.13
U.S. Investment Grade Credit	4.71	-0.15	-0.44	2.01
International	5.49	-0.31	-0.40	2.38
High Yield	8.57	0.31	1.16	4.85
90 Day Yield	5.24	5.35	5.39	4.34
2 Year Yield	4.60	4.50	4.40	4.43
10 Year Yield	3.74	3.69	3.64	3.87
30 Year Yield	3.88	3.89	3.86	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	224.90	1.2	3.2	-8.5
WTI Crude $/Barrel††	70.17	-2.2	3.1	-12.6
Gold Spot $/Ounce††	1961.19	0.7	-0.1	7.5

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.07	1.07	1.07	1.07
USD/JPY	139.40	139.92	139.34	131.12
USD/CNH	7.14	7.11	7.12	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 6/5/2023 to 6/9/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 6/9/2023 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 6/9/2023)

	2022A	Q1 2023A	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	3.6*	-	-	-	-	3.0
Real U.S. GDP (% q/q annualized)	2.1	1.3	1.0	-1.0	-2.0	1.1
CPI inflation (% y/y)	8.0	5.8	4.1	3.3	2.9	4.0
Core CPI inflation (% y/y)	6.1	5.6	5.2	4.5	3.9	4.8
Unemployment rate (%)	3.6	3.5	3.6	4.1	4.6	4.0
Fed funds rate, end period (%)	4.33	4.83	5.13	5.13	5.13	5.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of June 9, 2023.

Asset Class Weightings (as of 6/1/2023)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities			●		
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
US. Small Cap Growth			●		
U.S. Small Cap Value			●		
International Developed		●			
Emerging Markets			●		
Global Fixed Income			●		
U.S. Governments				●	
U.S. Mortgages			●		
U.S. Corporates			●		
High Yield		●			
U.S. Investment Grade Tax Exempt		●			
U.S. High Yield Tax Exempt		●			
International Fixed Income			●		
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Healthcare					●
Energy				●	
Utilities				●	
Consumer Staples			●		
Information Technology			●		
Communication Services			●		
Industrials			●		
Financials			●		
Materials		●			
Real Estate		●			
Consumer Discretionary	●				

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Officse as of June 1, 2023. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Market Cap Weighted Index/S&P 500 Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

Emerging Markets/MSCI Emerging Markets (EM) Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

MSCI U.S. Index is designed to measure the performance of the large and mid cap segments of the US market.

Real Federal Reserve Board (FRB) EM Economies Trade-Weighted Dollar Index is used to measure the value of the U.S. dollar against currencies widely used in international trade, rather than against all currencies.

JP Morgan Global Manufacturing Purchasing Managers' Index is a key metric in assessing a country's economic health.

Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

S&P 500 Equal Weighted Index is a capitalization-weighted benchmark of the large cap U.S. equity market.

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®) Index including Information Technology; Consumer Discretionary; Industrials; Real Estate; Communication Services; Materials; Financials; Consumer Staples; Utilities; Energy; Healthcare; Pharmaceuticals; Banks; Telecommunications; REITS.

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer, or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill financial advisor.

Bank of America, Merrill, their affiliates and advisors do not provide legal, tax or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC and wholly owned subsidiary of Bank of America Corporation.

All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Exchange Traded Funds are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Stocks of small-cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Alternative Investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.