

Capital Market Outlook

February 26, 2024

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

IN THIS ISSUE

Macro Strategy—Consensus Sees Stronger Growth: The growing probability that the economy has begun to reaccelerate is making the outlook for monetary easing less certain. Sticky service-price inflation and rising asset values add to the case for Federal Reserve (Fed) caution.

Markets have responded to recent disappointing inflation news to reflect the growing risk of “higher for longer” interest rates.

Market View—That Y2K Feeling is Back, But It’s Political This Time?: Ahead of the U.S. presidential vote, investors are already attuned to the Y2K feel cast on 2024. Remember the year-long fear of Armageddon at the turn of the century—a fear stoked by worriers that computer code designed for two digits (the year 99) would misread the year 00 as 1900, triggering cascading dominoes of failing computers around the world? Today, we see parallels with 1999. In anticipation of the November vote, we see a world rethinking security arrangements with the U.S. and boosting defense spending as a result. We hear of businesses recasting and reexamining their global supply chains given uncertain trade dynamics. And closer to home, investors are reevaluating their risk tolerance in their portfolios.

That said, and as the campaign slugfest kicks into high gear in the months ahead, we suggest that investors keep in mind that, since 1945, and in lieu of many market-moving epic events over the past several decades, total annualized returns for the S&P 500 are in excess of 11%. That’s a phenomenal performance that speaks to the resiliency of the U.S. economy and markets. Another Y2K moment is upon us, and we’ll get through it.

Thought of the Week—The Liquidity Pivot: Arguing about the timing of a Fed rate cut misses a key point: The Fed’s dovish pivot is last year’s story. The San Francisco Fed’s Proxy Funds Rate was designed to consider financial conditions, balance sheet operations and forward guidance, in addition to the headline target rate. By this metric, the Fed pivoted in July of last year while the Fed’s aggressive liquidity pivot happened in March.

Understanding why the path of the headline federal funds rate alone is insufficient to gauge the Fed’s stance is important for investors and strategists trying to understand the status of the risk-rally and what an eventual cut in the target federal funds rate might mean. Investors need to watch both rates and liquidity and their interplay as lower rates will also change bank liquidity decisions. For now, our best guess is the liquidity tailwind that is supporting risk-assets could slow to a gentle breeze over the next few months, but it could get stormy later in the year.

MACRO STRATEGY ►

Chief Investment Office
Macro Strategy Team

MARKET VIEW ►

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

Lauren J. Sanfilippo
Director and Senior Investment Strategy Analyst

THOUGHT OF THE WEEK ►

Jonathan Kozy
Managing Director and Senior Macro Strategy Analyst

MARKETS IN REVIEW ►

**Data as of 2/26/2024,
and subject to change**

Portfolio Considerations

The U.S. economy shows early signs of reaccelerating, consumers remain healthy, corporate profits turning higher and monetary policy is pivoting from tightening to easing. We continue to favor both stocks and bonds overall. This month we made tactical adjustments designed to increase our exposure to areas that are more correlated with easier financial conditions in the coming year by raising Equities to slight overweight from neutral—funded the increase in Equities from exposure to areas of richness in Fixed Income; increasing small capitalization shares to slight overweight from neutral with a tilt toward value in this asset class; and, increasing our exposure to cyclical Equity sectors.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as “MLPF&S” or “Merrill”) makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation (“BofA Corp.”). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp. Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
----------------------	-------------------------	----------------

Please see last page for important disclosure information.

6421764 2/2024

Consensus Sees Stronger Growth

Chief Investment Office, Macro Strategy Team

Once again, the U.S. economy has started the year defying the consensus outlook for an economic slowdown with rising unemployment. The February issue of the Blue Chip Economic Indicators Survey of Top Analysts' Forecasts of the U.S. Economic Outlook for the year ahead shows the consensus forecast for 2024 real gross domestic product (GDP) growth has jumped from 1.3% in December to 2.1% in February. The outlook for the unemployment rate has dropped from 4.2% to 4.0%, raising doubts about the need for aggressive Fed easing this year and helping to explain the backup in long-term Treasury yields so far in 2024.

For more than a year, U.S. economic growth has defied expectations for a slowdown that was largely predicated on almost two years of declining leading indicators led by rising interest rates and Fed quantitative tightening (QT). Asked to explain this apparent contradiction, 95% of respondents to the latest Blue Chip survey answered yes to "Did accommodative U.S. fiscal policy play a key role in the resilience of the economy in 2023?" Indeed, the Brookings' Hutchins Center calculates that the rise in fiscal stimulus boosted real GDP by three percentage points (pp) between Q4 2022 and Q4 2023 (Exhibit 1), with the big 2023 swing in fiscal stimulus accounting for most of the growth last year. The anticipated reduction in stimulus for 2024 is the main reason 88% of the Blue Chip respondents expect less accommodation this year, although there is high uncertainty surrounding pending legislation such as the Wyden-Smith tax cuts, the Ukraine/Israel/Taiwan aid packages, and other measures that could end up stimulating the economy in an election year.

Exhibit 1: Swing In Fiscal Stimulus Massively Boosted U.S. Economic Growth In 2023.

	Four-quarter Fiscal Impulse (percentage points)	GDP boost (change in fiscal impulse percentage points)
Q4 2020	3.5	-
Q4 2021	0.2	-3.3
Q4 2022	-2.8	-3.0
Q4 2023	0.2	3.0
Q4 2024 estimated	-0.5	-0.7

Source: Hutchins Center on Fiscal and Monetary Policy. Data as of February 20, 2024.

Fiscal dominance over monetary policy has also been evident in the offsets to QT, such as the Fed's Bank Term Funding Program, Treasury account swings with the Fed, and government bond issuance scheduling to take advantage of the reverse repo facility at the Fed as a source for more bank reserves. Adding it all up, after a big reserve drain in 2022, these special factors more than offset the Fed's QT in 2023, leaving banks with more reserves and the financial markets with more liquidity than the year before. Since last fall, financial conditions have further eased with the Fed pivot toward an outlook for potentially lower interest rates.

Given the more supportive thrust of policy over the past year, it's not surprising that economists keep boosting their outlook for growth and employment. The higher growth outlook is also evident in a raised outlook for earnings and interest rates. In January 2022, when the consensus was calling for just 1.2% GDP growth in 2024, it expected three-month Treasury bill rates to average 3.5% this year. By February of this year, analysts were forecasting that Treasury bill rates would average 4.9% in 2024.

The outlook for corporate profits growth, which bottomed near zero last summer, has also been steadily improving as the economy surprised to the upside, reaching a new survey

Investment Implications

While a reaccelerating economy is good for earnings and equity values, it would pull the rug out from under consensus hopes for falling yields, causing us to increasingly favor Equity over Fixed Income returns.

high of 3.3% in February. Profits are the key to whether the economy reaccelerates from here. A review of Q4 earnings results by Absolute Strategy Research finds the small pickup in earnings last year was unevenly distributed, with gains concentrated in a handful of big Technology companies and declines in the other 493 stocks that make up the S&P 500 Index.

Relative Equity performance has mirrored this earnings trajectory. The big Technology companies have cut costs aggressively since 2022, when their stock prices bottomed. They had massive scope to cut costs, which has been helped by the boom in artificial intelligence (AI) investment. Overall, CEOs are more confident about the outlook given the economy's resilience in 2023. A better profits outlook reignites cyclical economic forces. Despite better earnings beats in Q4, S&P 500 quarterly earnings were down from Q3 and remain below the peak level reached in the first half of 2022. Sales growth has bottomed and started to pick up, although downward revisions to first half 2024 earnings still exceed upward revisions. Putting it together, profits expectations remain hopeful for double-digit gains this year, with the rest of the market other than the "magnificent seven"¹ showing early signs of an earnings recovery. If it pans out, a more widespread earnings acceleration makes the consensus view for slowing growth unlikely.

Since January 2023, the consensus forecast for the unemployment rate in 2024 has come down from 4.8% to recent lows around 4%. In addition, the outlook for both auto sales and housing starts reached new highs in the February survey. These upside surprises to economic performance since the economy flirted with recession in 2022 raise the question of whether the economy is reaccelerating or coming in for the soft landing that has become conventional wisdom.

Asked "Is the economy headed for a 'soft landing,' that is, a return of inflation to around the Fed's 2% target without the economy experiencing a recession?" Eighty seven percent of respondents said yes. So far, the declining inflation rate from its pandemic policy-induced peak has bolstered confidence that despite solid growth, rising wages, and low unemployment, inflation will continue toward target without a meaningful growth slowdown. However, growing signs that the economy may be picking up, not least because of ongoing strength in both equity values and home prices, which are creating record household net worth, suggest that declining inflation may be short-lived before prices start to pick up again, leaving the Fed with a stickier inflation problem after the election. Recent stalls in the inflation downtrend have heightened these doubts.

The rise in longer-term real interest rates over the past year suggests that the days of perpetual fiscal stimulus are numbered unless the Fed starts buying more of the Treasuries debt again. That's unlikely as long as the economy is chugging along, making the need for cyclical rate cuts unnecessary.

¹ Apple, Amazon, Alphabet, NVIDIA, Meta, Microsoft and Tesla.

That Y2K Feeling Is Back, But It's Political This Time

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

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

November 5, 2024—election day in America—feels like a date with destiny. It's a date on everyone's calendar—here and abroad. And it's circled in fear, foreboding and anticipation because of the unsettled and polarizing mood of the U.S. electorate and the fact that the vote in the largest economy in the world and the standard bearer of the post-war liberal economic order matters not only to the U.S. but also to the world.

While nine months out from the election, we already detect a sense of fatigue and dread among voters and investors. Indeed, according to a recent Pew Research poll, some 85% of Americans believe the tone and nature of the political debate in the country has become negative and less respectful, leaving voters "concerned," "confused," "embarrassed," "exhausted," and "frightened," among other things.

Compounding matters: The near-daily barrage of darkness doled out by the media, including the following sample: "Armageddon Election" (The Economist), "The Danger Ahead" (The Atlantic) or "The Real Threat to American Democracy," (The New York Times). Add in anxiety over misinformation on social media, the ubiquity of AI, and the coming bitter and polarizing presidential campaigns, and today's apocalyptic mood feels a lot like 1999.

Y2K 2.0

Remember the year-long fear of Armageddon at the turn of the century—a fear stoked by worriers that computer code designed for two digits would misread the year 2000 as 1900, triggering cascading dominoes of failing computers around the world?

The angst of Y2K might seem silly now, but back then many folks stockpiled food, water, cash and guns in anticipation of a global meltdown. There were fears that ATMs would not be able to dispense cash, the internet would crash, planes wouldn't be able to fly, and hospitals would shut down—all resulting in general chaos and confusion. The world spent most of the year hoping for the best but preparing for the worst. By one estimate (International Data Corporation), spending in preparation of Y2K cost the global economy over \$300 billion; that's not very much in terms of global GDP but a significant sum, nonetheless.

Today, we see parallels with 1999. In anticipation of the November vote, we see a world rethinking security arrangements with the U.S. and boosting defense spending as a result, we hear of businesses recasting and reexamining their global supply chains given uncertain trade dynamics, and, closer to home, we speak almost daily to investors reevaluating their risk tolerance in their portfolios.

In examining each one of these factors, take security first. The world's biggest fear is that the world's long-time policeman—the U.S.—is set to disengage and decamp, creating even more disorder in an already disorderly world. Any policies that undermine U.S. aid to Ukraine, threaten the dismemberment of North Atlantic Treaty Organization (NATO), and question America's commitment to Taiwan augur for more global defense spending. Indeed, given the geopolitical hotspots of today, global defense outlays are already in a secular uptrend and could receive an added boost to the upside. According to the latest figures from the International Institute for Strategic Studies, global defense spending rose 9% last year, to a record \$2.2 trillion, led by the U.S. and other NATO members (Exhibit 2). Ten European nations reached the stated goal of spending 2% of their GDP on defense, up from eight the prior year. A key outlier remains Germany, whose defense outlays remain below the 2% of GDP target. The bottom line: In the run up to the U.S. election, the world is preparing for a more disengaged America, hoping for the best but preparing for the worst by boosting their own defense spending while pursuing alternative non-U.S. security arrangements.

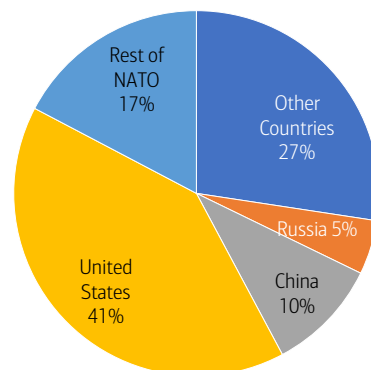
In terms of trade, the world continues to fret about America's commitment to free and open trade and the consequences of a U.S. market more insular and restricted to foreign competition. These concerns will remain whether the Republicans or Democrats control the White House given the growing bipartisan support for inflationary "America first"

Portfolio Considerations

Notwithstanding the U.S. presidential election in front of us, we've recently upgraded our U.S. Equity allocation to slight overweight and adjusted our sector exposure to increase cyclicals and reduce defensive tilts. Our investment bias remains toward U.S. assets and is predicated on early green shoots seen in both improving earnings trends and a possible U.S. economic reacceleration.

Exhibit 2: NATO Accounts for Over Half Of Record \$2.2 Trillion Military Spending.

Countries' share of global military spending



Sources: International Institute of Security Studies "Military Balance" 2024, The Washington Post, data as of February 2024.

protectionist policies. A Trump or Biden administration would likely remain tough on China, constrain outflows and inflows of U.S. foreign direct investment, and encourage U.S. firms to “reshore” production back to the U.S. All of the above may make for good domestic politics, but the same policies make for lousy corporate earnings owing to higher costs, reduced margins, and inefficient redundancies. The upshot: U.S. firms and their global counterparts are bracing for more U.S. protectionism and a more fragmented/deglobalized world.

And finally, here at home, politics and the market-moving consequences of the November elections have quickly become top of mind for investors. “How will the outcome of the U.S. elections effect the economy and markets?,” is the most frequently asked question among investors, and for good reasons. There is a lot riding on who wins the White House and the composition of Congress.

Portfolio Positioning Considerations for Y2K 2.0

Well before the November vote, investors are already attuned to the Y2K feel of 2024. That said, and as the campaign slugfest kicks into high gear in the months ahead, we suggest that investors keep the following in mind:

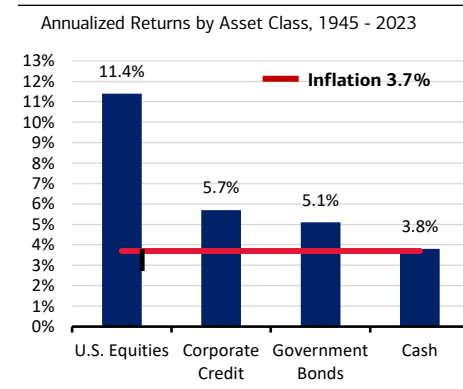
- Don’t bite on the false narrative from either the media or major political parties that the country is going to hell in a handbasket. Nothing could be further from the truth. The U.S. economy remains one of the most dynamic, resilient in the world.
- Profits have trumped politics. Politics matter to the markets, but the long-term driver of returns lies with company profits. The latter are in a cyclical upswing.
- Remember that while election years are frequently associated with more market volatility, U.S. Equities returns in election years (7.5% on average back to 1928) are not all that different from non-election year returns (8%), according to data from Bloomberg.
- Amid the swirl of uncertainty, stay in the market—don’t try to time the market or make major moves today in anticipation of changing course tomorrow.
- Fifth, diversify across all asset classes, and prioritize and emphasize quality in portfolios.
- Leverage market pullbacks or near-term weakness owing to either political or economic headwinds as opportunities to increase exposure in Equities given the favorable backdrop of positive earnings momentum, the peak in yields, and the Fed pivot towards lower interest rates beginning at mid-year.
- Lock in stable income streams via bonds and dividend payers.
- Be mindful and stay invested in the key macro structural themes of today—they are bigger and more consequential to portfolio returns than the election cycle.
- Stay close to home—we maintain a bias toward U.S. Equities.
- Take the long view—see the forest before the trees. We’ve been here before—bouts of instability and market selloffs are not uncommon and have been followed by decades of rising market returns. To wit, between 1945 and 2023, U.S. Equities have returned an annualized 11.4% (Exhibit 3).

Then And Now: When The Clock Strikes Midnight

Flash back to New Year’s Eve 1999. As the world held its collective breath and entered the 21st century, nothing happened. The lights stayed on. Planes flew safely. ATMs did not go bonkers. Computers churned. Life went on.

Ditto for today: Life will go on after the November vote. Whatever the outcome, asset prices will reset, corporations will adapt, the world will adjust and carry on. Seeing the forest before the trees, since 1945, and in lieu of many market-moving epic events over the past several decades, annualized returns of the S&P are in excess of 11%. That’s a phenomenal performance that speaks to the resiliency of the U.S. economy and markets. Another Y2K moment is upon us, and we’ll get through it.

Exhibit 3: Asset Prices: The Long View.



Sources: Bloomberg, Morningstar, Ibbotson and Barclays Live. Data as of January 2024. U.S. Equities are S&P 500 Total Return, Government Bonds are Intermediate U.S. Treasury, Corporate Credit is U.S. long corporate, Cash is 30-day Treasury Bill, Inflation is U.S. consumer price index. **Past performance is no guarantee of future results. It is not possible to invest directly in an index.**

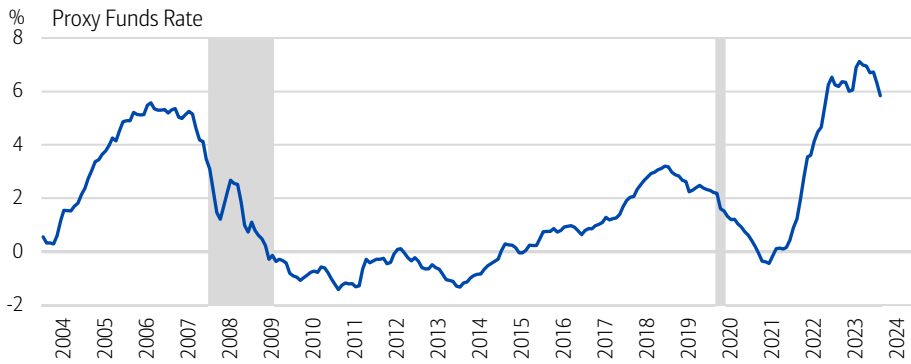
The Liquidity Pivot

Jonathan Kozy, Managing Director and Senior Macro Strategy Analyst

The Fed’s dovish pivot is last year’s story. Understanding why the path of the headline fed funds rate alone is insufficient to gauge the Fed’s stance is important for investors and strategists trying to gauge liquidity support for the risk-rally and what an eventual cut in the target fed funds rate might mean. In short, both rates and liquidity matter for this risk-rally and 2024 will be dynamic as the Fed could be cutting rates but the liquidity picture will be more complex. For now, liquidity remains abundant.

Through forward guidance and liquidity tools the Fed has eased financial conditions over the last year. The San Francisco Federal Reserve’s Proxy Funds rate was designed to incorporate financial conditions (for example, mortgage rates), balance sheet operations and forward guidance.² By this metric the Fed pivoted in July of last year (Exhibit 4).

Exhibit 4: The Liquidity Pivot Happened Last March. The Overall Fed Pivot Happened Last Summer.



Gray bars represent recessionary periods. Source: Federal Reserve Bank of San Francisco. Data as of February 2, 2024.

The liquidity pivot happened even earlier, in March 2023. Bank failures were transmitting financial stress and arguably the economy was heading for a recession if the Fed didn’t address systemic financial risk through a massive injection of liquidity, including the BTFP. At the time, risk-assets were flailing with the S&P 500 trading around 3900. While the transmission of Fed liquidity to risk-assets is an enigma, a key point is that investors interpret balance sheet effects as a shift in the stance of monetary policy. And quantitative models may decipher a relationship between weekly measures of Fed liquidity and Equities. Since the March 2023 liquidity shift, the S&P 500 is up close to 30%. Notably, the Fed continued to raise rates in 2023, but the liquidity party swamped incremental rate hikes. With the BTFP still in high demand, liquidity remains abundant.

So, what is next? Fed rate cuts sound bullish for risk-assets, but the liquidity channel cannot be ignored, and we will be monitoring liquidity proxies. The BTFP has been a cheap source of liquidity for banks with very favorable terms. It is set to roll off March 31, but it could be extended. The level of reverse repurchase agreements help gauge excess liquidity and that level continues to normalize. Investors need to watch both rates and liquidity and their interplay as lower rates will also change bank liquidity decisions. For now, our best guess is the liquidity tailwind slows to a gentle breeze, but it could get stormy later in the year.

Investment Implications

For now, liquidity remains abundant and is supporting risk-assets. The Fed could eventually be cutting rates this year, but investors need to consider the potential for a change in the liquidity backdrop, which will be dynamic. The Bank Term Funding Program (BTFP), Treasury operations and the path of QT are among the factors to consider.

² Haver Analytics/San Francisco Federal Reserve.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	39,131.53	1.3	2.7	4.1
NASDAQ	15,996.82	1.4	5.6	6.7
S&P 500	5,088.80	1.7	5.1	6.9
S&P 400 Mid Cap	2,858.02	1.1	4.7	2.9
Russell 2000	2,016.69	-0.8	3.7	-0.4
MSCI World	3,334.04	1.5	4.1	5.4
MSCI EAFE	2,288.42	1.4	1.9	2.5
MSCI Emerging Markets	1,028.31	1.2	5.5	0.6

Fixed Income[†]

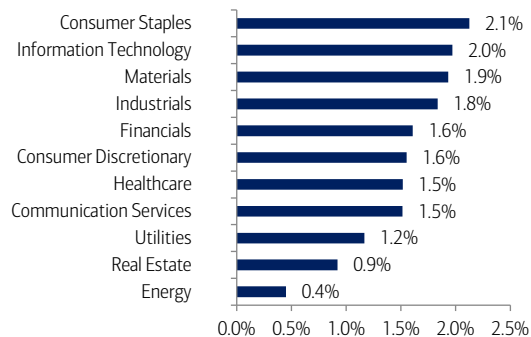
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.82	0.32	-1.41	-1.64
Agencies	4.82	0.12	-0.84	-0.56
Municipals	3.42	0.15	-0.05	-0.56
U.S. Investment Grade Credit	4.92	0.25	-1.50	-1.77
International	5.37	0.41	-1.33	-1.50
High Yield	7.80	0.42	0.27	0.26
90 Day Yield	5.40	5.37	5.36	5.33
2 Year Yield	4.69	4.64	4.21	4.25
10 Year Yield	4.25	4.28	3.91	3.88
30 Year Yield	4.37	4.44	4.17	4.03

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	220.80	-0.8	-2.9	-2.5
WTI Crude \$/Barrel ^{††}	76.49	-3.4	0.8	6.8
Gold Spot \$/Ounce ^{††}	2035.4	1.1	-0.2	-1.3

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.08	1.08	1.08	1.10
USD/JPY	150.51	150.21	146.92	141.04
USD/CNH	7.21	7.21	7.19	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 2/19/2024 to 2/23/2024. [†]Bloomberg Barclays Indices. ^{††}Spot price returns. All data as of the 2/23/2024 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 2/23/2024)

	Q4 2023A	2023A	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	-	3.0*	-	-	-	-	2.8
Real U.S. GDP (% q/q annualized)	3.3	2.5	1.0	1.0	1.5	1.5	2.1
CPI inflation (% y/y)	3.2	4.1	3.1	3.2	2.9	2.7	3.0
Core CPI inflation (% y/y)	4.0	4.8	3.7	3.4	3.4	3.3	3.5
Unemployment rate (%)	3.8	3.6	3.8	4.0	4.1	4.2	4.0
Fed funds rate, end period (%)	5.33	5.33	5.38	5.13	4.88	4.63	4.63

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.

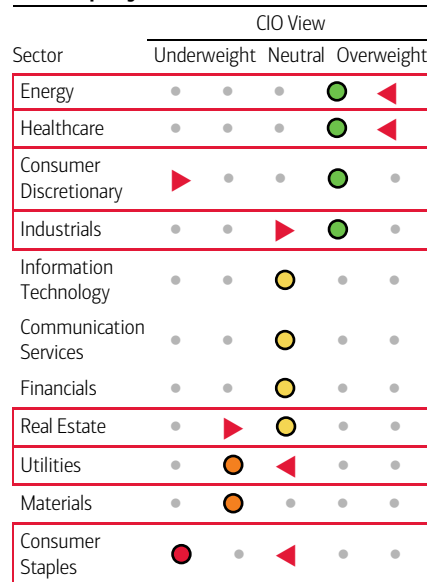
Sources: BofA Global Research; GWIM ISC as of February 23, 2024.

Asset Class Weightings (as of 2/6/2024)



*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 Office as of February 6, 2024. 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.

CIO Equity Sector Views



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.

U.S. Equities/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.

Government Bonds/Bloomberg US Treasury Intermediate Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with maturities of 1 to 9.9999 years to maturity.

Corporate Credit/Bloomberg U.S. Long Corporate Index designed to measure the performance of U.S. corporate bonds that have a maturity of greater than or equal to 10 years.

Cash/Ibbotson US 30-Day Treasury Bills Index is an unweighted index which measures the performance of one-month maturity US Treasury Bills.

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.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

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. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting 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.

© 2024 Bank of America Corporation. All rights reserved.