Capital Market Outlook

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IN THIS ISSUE

Macro Strategy

Recent large supply declines in Venezuela and supply restraint by the Organization of the Petroleum Exporting Countries (OPEC) are causing a higher and wider than expected oil-price range despite hopes to the contrary in the era of the U.S. shale-oil revolution. Current upside potential U.S. production surprises could help keep prices around $65 per barrel this year, but late-cycle dynamics favor upside risks ahead, in our view.

Global Market View

Volatility was essentially MIA last year, but it's back—and with a vengeance. Quiet time may be over but not, in our view, the market rally, for a variety of reasons. We continue to emphasize high quality across all asset classes, and reiterate the need for portfolio diversification and rebalancing, where appropriate.

Thought of the Week

Stronger than expected wage growth for January may have rattled markets, but taking a closer look in our analysis we find that fundamentals remain positive, suggesting that the bull market in equities may not have run its course.

Portfolio Considerations

The significant market volatility in the past week appears to be a technical correction, not a change to global economic fundamentals or a more systemic solvency issue, in our view.

MACRO STRATEGY

OPEC Restraint Key to Higher Oil Prices

GWIM Chief Investment Office Macro Strategy Team

We believe commodity prices tend to rise later in economic expansions as global demand approaches peak levels for the cycle. These late-cycle increases are historically one of the factors behind the higher inflation that forces the tightening of monetary policy ahead of most recessions.

U.S. inflation started to show signs of bottoming in 2017 and, in our view, appeared poised to gradually move up in 2018. Markets were reluctant to accept this view even as leading indicators became increasingly consistent with faster growth, higher inflation, and currently rising interest rates. As a result, long-term interest rates undershot levels consistent with brightening economic prospects as 2017 progressed, causing them to rise sharply in early 2018.

As inflation and interest-rate expectations started to overshoot, equity-market tumult ensued. However, our analysis indicates that credit markets have remained relatively unfazed during this tumult, suggesting that a systemic deterioration in macroeconomic conditions is likely not behind the upheaval, and that the setback in equity prices looks to be temporary.

One of the early signs of a reflationary cycle taking hold in the U.S. and global economies was the sharp V-shaped recovery in base-metal prices out of their midcycle-slowdown rut. While we had also expected oil prices to increase because of tightening supply and demand conditions, and easing upside pressures on the dollar in a global reacceleration environment, their performance lagged base metals until June 2017. From there, oil prices embarked on a sharp 50% rally through January 2018, narrowing their massive relative underperformance to metals since the 2014 shale-oil-driven collapse in oil prices.[1]

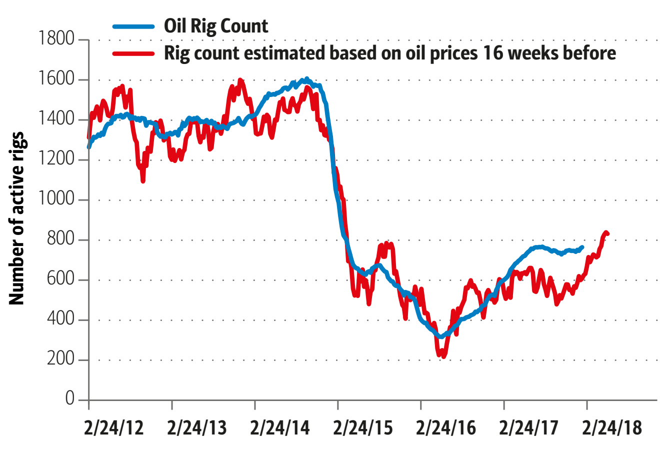
Indeed, we expected inventories to start eroding in 2017 for the first time since 2013, helping oil prices recover more of their post-2014 losses. As discussed in our March 2017 *Focus* article, *Lower for Longer*, "the call on OPEC," or the cartel production necessary to balance the global oil market, was poised to increase after 2017 because demand was catching up with supply and non-OPEC investment plans were insufficient at 2015-2016 prices to sustain production gains through 2022. As we noted at that time, "OPEC will likely have to gradually open up the spigots and reduce its surplus capacity ... to keep up with demand." Instead of gradually exiting its pact, however, OPEC extended its agreement to restrain supply through the end of 2018.

[1] Bloomberg. January 2018.

This extension has increased the risk of excessive market tightening in the context of strong global demand and recently accelerating supply declines in Venezuela. According to the International Energy Agency's January 2018 Oil Market Report, the number of oil rigs in operation there is estimated at about half of that needed to prevent accelerating declines. Also, Venezuela has had increasing difficulty importing diluent for its high-viscosity oil, which further hampered its production and exports. Production dropped 30% in 2017, and with the situation showing no sign of resolving anytime soon in our opinion, the risk premium on oil prices has increased. A number of temporary supply disruptions around the world, including in Canada, the North Sea and Libya, have also contributed to the decline in global inventories and related oil-price surge in recent months. Thus, fundamentals changed faster than we had anticipated, causing sentiment to shift dramatically from fears of oversupply in the first half of 2017 to worries over rapidly declining inventories by year-end. In turn, prices shifted direction, declining 20% to $45 per barrel by June 2017 and rising 50% thereafter.

While OPEC failed to respond to the market tightness, happy to see surging oil-export revenues from rallying prices, U.S. crude production started to surprise to the upside, retracing its peak-to-trough decline since 2014 as drilling increased in response to rising oil prices. As shown in Exhibit 1, drilling got ahead of itself relative to prices for a while but picked up again as prices surged in recent months. Rising activity and high field productivity have allowed U.S. crude-oil production to move to a new record high with still about half the previous number of rigs in operation.

Exhibit 1: The U.S. oil rig count has more than doubled in response to the oil price recovery since January 2016, and the price rally over the past few months suggests potential strengthening activity ahead



Source: Baker Hughes; U.S. Trust® Macro Research Team. Data as of February 6, 2018.

With analysts estimating a 10% gain in supply this year, we believe the U.S. appears to be on track to contribute a disproportionate 80% share of the non-OPEC liquid-fuel supply increase in 2018. If participants in the OPEC-led pact to cap output maintain crude production at their 32.35 mbd 2017 level this year, the estimated 1.35 mbd of U.S. liquid-fuel expansion could amount to as much as 72% of the global supply growth.

Because of a large U.S. supply growth expected in 2018, global supply and demand could be relatively balanced, with only small stock drawdowns, in our view. However, we expect the "call on OPEC" to increase substantially in 2019 if global growth remains strong, as analysts expect non-OPEC supply growth to moderate. In addition, we think any further disruption in Venezuela would have to be offset by stronger production elsewhere, including the U.S. or OPEC, in order to avoid bigger supply shortages and price spikes ahead. Nevertheless, it is likely OPEC will exert its newfound leverage to maintain oil prices in a new higher range that maximizes oil revenues without hurting global growth and causing self-defeating declines in global oil demand, in our view.

All in all, the oil market moved into the tightest conditions in four years in the second half of 2017 as global demand continued to grow and supply lagged, according to the International Energy Agency. With demand anticipated to remain strong as global gross domestic product (GDP) accelerates in 2018, the market faces growing pressure for more inventory declines to help meet rising demand absent rising supply from OPEC or its allies, or potential upside surprises in the U.S. This dynamic could likely keep prices in a higher range this year than previously expected.

Uncertainty about OPEC's strategy and response to more market tightening remains high, in our view. In addition, geopolitical stability risks cast doubt on the ability of many OPEC countries to further boost production despite large reserves. At the same time, we believe the potential to produce more OPEC oil given available resources should not be underestimated. In any case, we do not think surplus capacity is high enough to help much in case of big simultaneous disruptions in Venezuela, Libya and Nigeria, for example, the risk of which has increased substantially with the Venezuelan crisis. Simultaneous setbacks would create a serious threat to global oil supplies and global economic expansion.

With heightened uncertainty and supply constraints, we believe prices are likely to stay in a higher and wider range ($55-$75 per barrel) than we had anticipated for this year. Potential upside U.S. supply surprises at current prices may help boost the likelihood of prices averaging closer to $65 per barrel, in our view, but late-cycle dynamics tend to favor upside rather than downside surprises for oil prices ahead.

Quiet time may be over but in our view, not the market rally

Joseph P. Quinlan, Head of Market & Thematic Strategy
Lauren J. Sanfilippo, Vice President and Research Analyst

The year is young but already investors have been whipsawed by two extremes. Last month's push higher, with the S&P 500 hitting a record high of 2,872.87 on January 26, followed by a market swoon of over 10% and a market correction (a decline of at least 10% from a recent high) for the first time in two years. This year's market gyrations come on the heels of a very sedate 2017: For the entire year, the S&P 500 never experienced a 2 percent move either up or down, abnormal given that such moves generally occur, on average, eight times a year. Volatility was essentially missing in action last year, but it is back—and with a vengeance. Quiet time may be over but in our view, not the market rally.

Too far, too fast

It's commonplace to say the markets have come too far too fast in the past few months, but there's no better way to say it, in our view. Exhibit 2 outlines the S&P 500's stair step, historic push higher since the Great Recession ended in June 2009. This unloved rally has posted 100-point gains, on average, every 172 calendar days. However, the moves from 2,600 to 2,700, and then to 2,800 have been closer to market moon shots. The 100-point move to 2,800 took just 13 calendar days, a relentless and unprecedented spike that quickly went into reverse in early February 2018.

Sentiment shifted with the January U.S. payroll report showing a 2.9% gain in average hourly earnings, the highest annual rise since 2009. The stronger-than-expected wage bump spooked markets accustomed to benign wage growth and stoked fears of future upward pressure on prices and interest rates. The markets are correct—inflationary pressures are building, but for the right reasons, in our view.

Fundamentals remain Positive

Despite the market violence of the past week, in our analysis we find the fundamentals of the U.S. and global economy remain positive. Indeed, they have rarely been better, in our view, with the global economy in the midst of a powerful consumption-led global synchronized expansion.

All in, we believe the economic backdrop outside the U.S. has rarely looked better, and ditto for the U.S., where virtually all cylinders appear to be firing. Consumers are spending. Many companies are hiring and investing. The weak U.S. dollar has helped boost U.S. exports of goods and services, with exports hitting a monthly record high of $203 billion in December. The majority of nations in the world don't generally export that much in a year.[2] Finally, a public sector push for growth emanates from tax reform and rising government spending (notably in defense and infrastructure).

Exhibit 2: Historical Days for 100-point Rises in the S&P 500

Level	% rise	Date reached	Days taken
1,000		3-Aug-2009	
1,100	10.0	19-Nov-2009	105
1,200	9.1	14-Apr-2010	149
1,300	8.3	1-Feb-2011	293
1,400	7.7	15-Mar-2012	408
1,500	7.1	25-Jan-2013	316
1,600	6.7	3-May-2013	98
1,700	6.3	1-Aug-2013	90
1,800	5.9	22-Nov-2013	113
1,900	5.6	23-May-2014	182
2,000	5.3	26-Aug-2014	95
2,100	5.0	17-Feb-2015	175
2,200	4.8	22-Nov-2016	643
2,300	4.5	9-Feb-2017	79
2,400	4.3	15-May-2017	95
2,500	4.2	15-Sep-2017	123
2,600	4.0	21-Nov-2017	67
2,700	3.8	4-Jan-2018	44
2,800	3.7	17-Jan-2018	13

Source: Bloomberg. Data as of February 6, 2018. **Past performance is no guarantee of future results.**

Thanks to all of the above, it is little wonder U.S. (and global) yields have headed back up since the start of the year. Long-term inflation expectations are rising owing to increasing wages, a tight U.S. labor market, elevated oil prices, an expanding federal budget deficit and a currently weak U.S. dollar. But while there's a whiff of inflation, rising rates in the U.S. generally reflect the underlying strength of the economy and the expectation among investors that the era of "secular stagnation"—or perennial subdued annualized growth of 2%—may be a thing of the past. And, indeed, it is, in our view.

Besides, interest rates appear to be "normalizing" but remain at historically low levels; the Federal Reserve's pace of monetary tightening remains gradual, while neither the Bank of Japan nor the European Central Bank seem to be in a hurry to remove the monetary punch bowl, in our opinion. As for the January jump in wage growth, one month hardly makes a trend. In addition, the figures reflect hourly wages of all private sector workers; in the same jobs report, wage data for the lower-paid 80% of the workforce with blue-collar and non-managerial jobs came in at 2.4%—still tame in our view, in other words. (For more on this topic, see the Thought of the Week).

In the end, the back-up in yields reflects our expectations of strong real growth in GDP—a backdrop favorable to equities. For now, stronger economic growth, the tailwinds from tax reform and a currently weaker U.S. dollar all point to higher earnings for the S&P 500.

[2] Bureau of Economic Analysis; February 6, 2018.

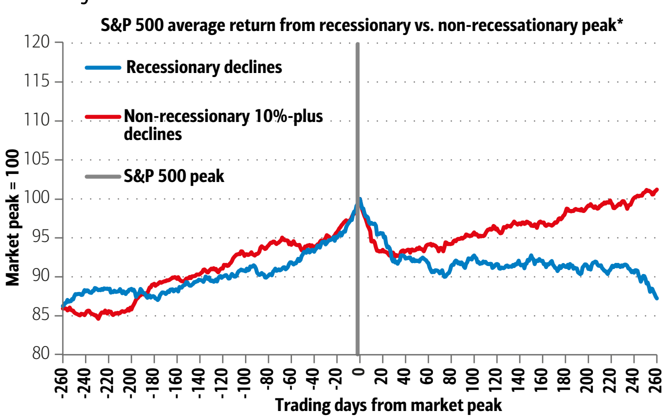
A taste of the future

The pullback in equities was not only overdue but also a taste of the future, in our view. Owing to the push-pull of the markets—the countervailing forces of strong global growth and solid corporate earnings juxtaposed against central bank tightening and inflation-generating capacity constraints—we believe volatility could remain a staple of the markets in 2018. The CBOE Volatility Index, or VIX, a market metric of future volatility, is back in play.

That said, we believe investors should neither hide nor panic. As our analyst within the Chief Investment Office, Ehiwario Efeyini, notes, non-recessionary market pullbacks tend to be relatively short-lived (Exhibit 3), while major one-day market selloffs, historically, are typically followed by better-than-average returns (Exhibit 4).

Concerning the former observation, major market declines in the past have typically fallen into one of two categories, as referenced in Exhibit 3. Declines associated with economic recessions have tended to be deeper and more protracted, while other falls of 10% or more have generally been shallower and relatively short-lived. The 11 recessions since 1945 have historically produced an average decline for the S&P 500 of 29.5%, lasting for an average of over 13 months. Declines of more than 10% not associated with recessions have historically lasted an average of just three months.

Exhibit 3: Non-recessionary market declines tend to be relatively short-lived

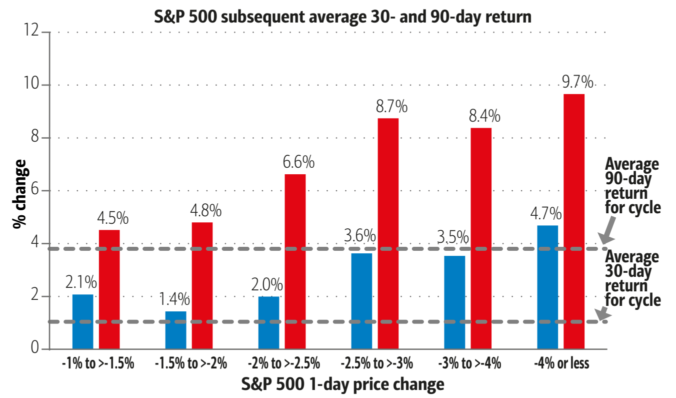


*Market peaks from 1945-2017. Source: Bloomberg. Data as of December 2017. **Past performance is no guarantee of future results.**

Regarding the latter (Exhibit 4), throughout the current cycle, major one-day market declines have historically been followed by large price gains. Since the start of the current bull market in 2009, one-day declines of 4% or more, as we saw last Monday, have on average historically been followed by price gains of 4.7% over the following 30 days and 9.7% over the following 90 days. This compares with historical average 30-day and 90-day price returns for the cycle overall of 1.3% and 4.0% respectively.

When this history is overlaid with the following current dynamics—solid growth in the U.S. and overseas, little sign of panic in either the foreign exchange markets or credit markets, the fact that major bouts of volatility are often followed by steep volatility declines, and robust corporate earnings—we see continued upside for equities over the medium term, from our perspective. It will take some time, however, to build a market bottom. Think in terms of weeks or months as assets are re-priced, and investors recalibrate their risk/reward profiles.

Exhibit 4: Major one-day market selloffs have historically been followed by better-than-average returns



Source: Bloomberg, U.S. Trust, Bank of America Private Wealth Management. Data as of December 2017. Returns shown for period since market cycle trough (3/9/09–12/29/17). **Past performance is no guarantee of future results.**

Bottom Line

We continue to emphasize high quality across all asset classes, and reiterate the need for portfolio diversification and rebalancing, where appropriate, after last year's robust gains in equities. We prefer large cap over small caps, and believe dividend payers/growers should be staple considerations of any portfolio. Our bias is towards investment grade bonds over high yield. We continue to allocate capital to non-U.S. equities, with a preference towards Japan (robotics), China (e-Commerce) and non-Japan Asia (consumer-related equities). Health care and technology remain global sectors highly leveraged to the burgeoning emerging middle-class consumer, among the most powerful spending cohorts in the world. We are positive on defense and cybersecurity plays given mounting cyber risks and global geopolitical tensions.

Summarizing, market downdrafts are generally frequent, are typically shallow in duration, and often result in future higher returns. Volatility comes with investing—a fact that may be forgotten by investors owing to a tranquil 2017, in our view. Now, however, quiet time may be over but in our view, not the market rally.

Some Runway for Wage Growth in 2018

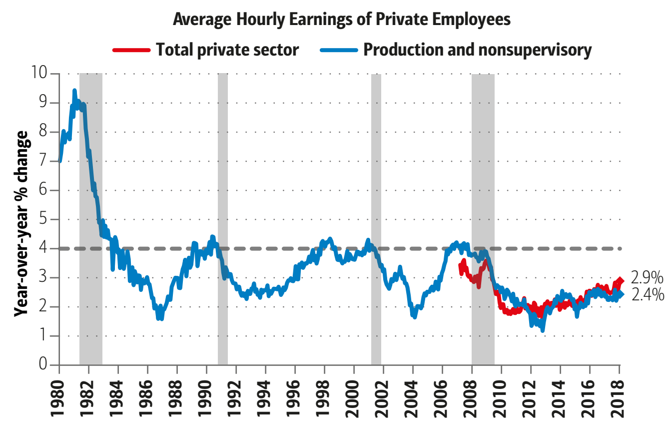
Kathryn A. Cassavell, Vice President and Research Analyst

One of the catalysts of last week's selloff in financial markets was an acceleration in wage growth, which fueled investors' fears that the Federal Reserve would speed up the pace of interest rate hikes to combat inflationary pressures. The current trend higher in private sector average hourly earnings – up 2.9% in January from a year ago – had been slow to develop but recently has gathered steam amid tight labor market conditions.

However, while the payrolls report was certainly market-moving, the underlying data was supportive of our forecasts for strong economic growth and suggests that the bull market in equities may not have run its course. Taking a closer look, Exhibit 5 shows that wage growth for production and nonsupervisory employees has breached 4% prior to the last three recessions. In January that figure, which excludes managerial personnel but covers 82% of the total private workforce, was little changed at 2.4%. Although the level of wage growth is not the sole indicator of recession and should be analyzed alongside productivity data, it does provide some historical context.

That said, further acceleration in wage gains may not directly translate to an outbreak in inflation if accompanied by the faster productivity growth we are expecting in 2018.[3] We believe strong incentives for capital spending from the recent tax reform could help deliver this boost in productivity needed for wage growth without a run up in inflation in the near term.

Exhibit 5: Further room for U.S. wage growth



Source: U.S. Bureau of Labor Statistics/Haver Analytics. Data as of February 2018. Data for total private employees not available prior to 2007. **Past performance is no guarantee of future results.**

[3] See Capital Market Outlook, December 11, 2017, "Break on Through to the Other Side."

PORTFOLIO CONSIDERATIONS

- The significant market volatility in the past week appears to be a technical correction, not a change to global economic fundamentals or a more systemic solvency issue, in our view.
- We believe investors who are still under their investment benchmark in equity exposure should consider re-balancing portfolios up in equities in the coming days and weeks as the dust settles across the markets. Valuations have come back down to more normal levels and we anticipate global profits to grow well into the double-digit percentages this year.
- We maintain our equity overweight with a high-quality, diversified bias. We prefer large capitalization stocks in the U.S. and overseas, including Emerging Markets.
- Rising yields should continue to weigh on bond prices in the near term, in our view. We prefer higher-quality exposure and neutral-to-lower duration in fixed income.

MARKETS IN REVIEW

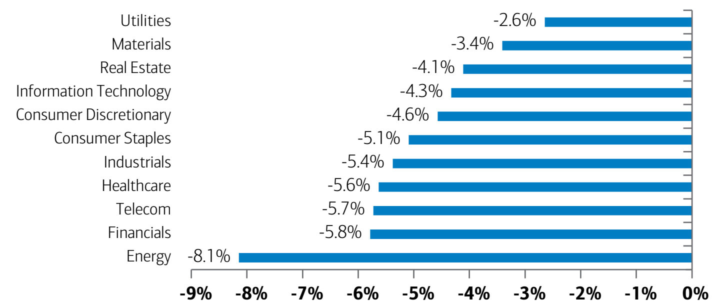
Equities

		Total Return in USD (%)		
	Level	WTD	MTD	YTD
DJIA	24,190.90	-5.1	-7.4	-1.9
NASDAQ	6,874.49	-5.0	-7.2	-0.3
S&P 500	2,619.55	-5.1	-7.2	-1.8
S&P 400 Mid Cap	1,820.93	-5.0	-6.8	-4.1
Russell 2000	1,477.84	-4.5	-6.1	-3.7
MSCI World	2,050.90	-5.5	-7.3	-2.4
MSCI EAFE	1,992.31	-6.2	-7.4	-2.8
MSCI Emerging Mkts	1,142.85	-7.1	-8.9	-1.3

Fixed Income[1]

		Total Return in USD (%)		
	Yield (%)	WTD	MTD	YTD
Corporate & gov't	2.95	-0.2	-0.9	-2.0
Treasury bills	1.56	0.0	0.0	0.1
Treasury notes and bonds	2.51	0.1	-0.6	-1.9
Agencies	2.43	0.2	-0.2	-0.9
Municipals	2.62	0.2	-0.2	-1.4
U.S. Investment Grade	3.06	-0.1	-0.8	-1.9
International	3.59	-0.5	-1.3	-2.3
High Yield	6.36	-1.5	-1.9	-1.3

S&P 500 Sector Returns (For the week ending 2/9/18)



Commodities & Currencies

		Total Return in USD (%)		
	Level	WTD	MTD	YTD
Bloomberg Commodity	175.10	-3.9	-4.6	-2.7
WTI Crude $/Barrel[2]	59.20	-9.5	-8.5	-2.0
Gold Spot $/Ounce[2]	1,316.15	-1.3	-2.2	1.0

Level	Current	Prior Week End	Prior Month End	2017 Year End
EUR/USD	1.23	1.25	1.24	1.20
USD/JPY	108.80	110.17	109.19	112.69

Source: Bloomberg, Factset. [1] Bloomberg Barclays Indices. [2] Spot price returns. All data as of the 2/9/18 close. **Past performance is no guarantee of future results.**

Asset Class Weightings (as of 1/9/18)

ASSET CLASS	CIO VIEW Negative		Neutral		Positive
Global Equities				●	
U.S. Large Cap				●	
U.S. Mid & Small Cap				●	
International Developed				●	
Emerging Markets				●	
Global Fixed Income		●			
U.S. Treasuries		●			
U.S. Municipals			●		
U.S. Investment Grade				●	
U.S. High Yield		●			
U.S. Collateralized		●			
Non-U.S. Corporates	●				
Non-U.S. Sovereigns	●				
Emerging Market Debt			●		
Alternatives*			●		
Commodities			●		
Hedged Strategies			●		
Real Estate			●		
Private Equity			●		
U.S. Dollar			●		
Cash			●		

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

Economic and Market Ranges (as of 2/9/18)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017E	2016	2017E	2018E
Real global GDP (% y/y annualized)					3.1	3.5 – 4.0	3.5 – 4.0
Real U.S. GDP (% q/q annualized)	1.2	3.1	3.2	2.6	1.5	2.3	2.5 – 3.5
CPI inflation (% y/y)*	1.6	1.9	2.1	2.1	1.3	2.1	2 – 3
Core CPI inflation (% y/y)*	2.2	2.1	2	1.8	2.2	1.8	2 – 3
Unemployment rate, period average (%)	4.7	4.4	4.3	4.1	4.9	4.4	3.9
Fed funds rate, end period (%) **	0.87	1.12	1.12	1.37	0.62	1.37	1.87 – 2.37
10-year Treasury, end period (%)	2.4	2.31	2.33	2.41	2.45	2.41	2.87 – 3.12
S&P 500, end period ***	2363	2423	2519	2674	2239	2674	2800-3000
S&P operating earnings ($/share)	31	33	32	38	119	129 – 138	148 – 158
U.S. dollar/euro, end period	1.07	1.14	1.18	1.2	1.05	1.2	1.18 – 1.28
Japanese yen/U.S. dollar, end period	111	112	113	113	117	113	105 – 115
Oil ($/barrel), end period	51	46	52	60	54	60	60 – 70

The average quarterly percent growth for the current calendar year divided by the average quarterly percent growth for the previous calendar year, annualized (unless stated otherwise). E = Estimate.

* Latest 12-month average over previous 12-month average

** Fed funds rate, end period based on market indications.

*** Our 2018 S&P 500 end period forecast: 2830 is the equilibrium target with potential for 3000 post tax reform, which could underpin earnings in the high $150s, or an increase of $9 to $10 above the upper end of our range.

Past performance is no guarantee of future results. 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.

Source: Global Wealth & Investment Management Investment Strategy Committee.

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 dollars.

Dow Jones Industrial Average is a price-weighted measure of 30 U.S. blue-chip U.S. companies. The index covers all industries except transportation and utilities.

NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

S&P 400 Mid Cap Index is representative of 400 stocks in the mid-range sector of the domestic stock market, representing all major industries.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

S&P Small Cap 600 measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

MSCI EAFE (Europe, Australasia, and Far East) Index comprises 21 MSCI country indices, representing the Developed Markets outside of North America.

MSCI Emerging Markets Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 832 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI World Index is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and does not offer exposure to emerging markets.

Important Disclosures

Investing involves risk, including the possible loss of principal. No investment program is risk-free, and a systematic investing plan does not ensure a profit or protect against a loss in declining markets. Any investment plan should be subject to periodic review for changes in your individual circumstances, including changes in market conditions and your financial ability to continue purchases.

It is not possible to invest directly in an index.

Asset allocation, diversification, dollar cost averaging and rebalancing do not ensure a profit or protect against loss in declining markets. Dollar cost averaging involves continual investment in securities regardless of fluctuating price levels; you should consider your willingness to continue purchasing during periods of high or low price levels.

Past performance is no guarantee of future results.

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. Income from investing in municipal bonds is generally exempt from Federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax (AMT).

Investments focused in a certain industry may pose additional risks due to lack of diversification, industry volatility, economic turmoil, susceptibility to economic, political or regulatory risks and other sector concentration risks.

Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risks related to renting properties, such as rental defaults.

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