MERRILL
A BANK OF AMERICA COMPANY

CHIEF INVESTMENT OFFICE

Capital Market Outlook

January 27, 2025

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

IN THIS ISSUE

Macro Strategy—*Fed Policy Not Restrictive, But More Balanced Growth Needed Longer Term:* The economy has entered 2025 with great momentum, confirming the favorable signals coming all along from narrowing credit spreads as well as our view that policy is closer to neutral than the Federal Reserve (Fed) has been assuming. Growth and inflation dynamics remain consistent with a "Goldilocks" environment typical of the middle of the business cycle, when risk assets tend to outperform. Despite some wavering into 2025, markets appear to agree, with Equities buoyed by optimism about the durability of the expansion and a strong earnings growth outlook.

The midcycle phase tends to be the longest part of the cycle, spanning about eight years before the pandemic abruptly brought the previous expansion to an end, for example. Still, there are some risks and imbalances that bear watching. Inflation remains above the Fed's 2% target, with upside risks if the Fed overstimulates the economy given ebullient recent business sentiment surveys, surging household net wealth, and unrestrained discretionary government spending. Also, the dollar has become extremely overvalued, typically a headwind for domestic/global manufacturing as well as international trade. More balanced growth both here and abroad will likely become necessary to extend the expansion.

Market View—*Time to Focus on Fundamentals:* While Equities have since clawed back losses, the early-year market churn generated a sense of unease among investors after a prolonged period of tranquility. We're bracing for more uncertainty surrounding headline risk, potential new policy initiatives, and geopolitical tensions—all of which could lead to choppiness within a broader uptrend. Investors should be prepared to tune out the noise and stay grounded in fundamentals. In that spirit, a survey of the current environment suggests that key macro and market indicators are still sound: The economic growth backdrop is solid, inflation is still in the low single digits, earnings are increasingly supportive, and technicals look healthy. Our view is that Equities can continue to add to gains this year and that the long-term secular bull market is set to continue. If there's volatility on the way, the best course of action might be to take a step back and remember to stay committed to a long-term, disciplined investment process.

Thought of the Week—*U.S. Consumer Checkup:* The consumer closed out 2024 on solid footing. The Atlanta Fed GDPNow Q4 consumer spending estimate has steadily increased in the last few weeks from 3.2% on January 2 to a strong 3.8% as of the latest January 17 estimate update. Can the enduring strength of consumers, the U.S. economy's primary growth engine, hold in 2025? The durability of spending momentum will likely depend on healthy wage growth, low unemployment and layoffs, rising household net worth and manageable household debt servicing levels.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

Emily Avioli
Vice President and Investment Strategist

Jordy Fuentes
Wealth Management Analyst

THOUGHT OF THE WEEK ▶

Kirsten Cabacungan
Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 1/27/2025, and subject to change

Portfolio Considerations

Investors should consider a more diversified approach to Equities in the coming year as the more highly valued areas share some of the spotlight with the rest of the market in 2025.

This month, we adjusted our U.S. Equity sector views, with a downgrade of Healthcare to neutral from slight overweight, and in turn we reduce the magnitude of our underweight to Consumer Staples with an upgrade to slight underweight.

Within Fixed Income, our highest conviction call remains that the yield curve will normalize by short rates moving lower, and investors should therefore consider moving out investable cash into their strategic duration target as cash yields are likely to decrease from here, and the backup in yields may be an opportunity.

Chartered Financial Analyst® and CFA® are registered trademarks owned by CFA Institute.
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. 7560753 1/2025

MACRO STRATEGY

Fed Policy Not Restrictive, But More Balanced Growth Needed Longer Term

Chief Investment Office, Macro Strategy Team

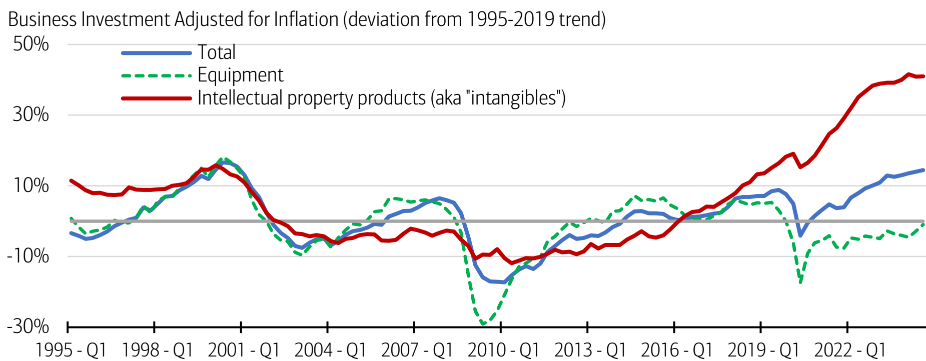
Recent data confirm our expectations for a return to "Goldilocks" economic conditions of moderate growth and inflation, a positive environment for risk assets. On the growth front, for instance, real gross domestic product (GDP) is estimated to have increased 3.0% in Q4 at an annualized pace, according to the Atlanta Fed, the third straight quarter of 3% growth. Based on available data, the expansion remains driven by a solid 3.8% increase in consumer spending, with outlays on goods much above trend, rising by an estimated 6% in Q4.

The latest Fed Beige Book prepared for the January 28-29 rate-setting meeting indicates that economic activity was the strongest in more than two years during the December to early January period. Confirming the positive growth momentum, employment significantly exceeded consensus expectations in December, keeping the unemployment rate low at 4.1%. Though still concentrated in healthcare, education, leisure and hospitality, as well as state and local government, sustained labor demand combined with still substantial aggregate household excess savings and strong wealth effects are setting up growth for a healthy pace in 2025.

The new administration's policies are expected to shift more job growth into the private sector. Manufacturing employment and production may also finally come out of their long rut since a number of manufacturing surveys have rebounded significantly in response to the pro-growth agenda of the new administration and prospects for a broader-based economic growth environment. The National Federation of Independent Business (NFIB) survey of small-business sentiment surged in January on similar expectations.

Such rebalancing couldn't come a day too soon. On average, real equipment investment growth has been meager since 2019 and is estimated to have declined about 4% at an annualized rate in Q4 (Exhibit 1). Industrial production has flatlined for 17 years. Manufacturing employment also declined in December, capping a year of contraction. The employment component of the Institute for Supply Management (ISM) manufacturing index dipped further into contraction territory in December, signaling no hiring spree is in the offing yet despite improving sentiment and a surge in its new orders subindex.

Exhibit 1: Real Business Investment Above 25-Year Trend But Focused On "Intangibles."



Source: Bureau of Economic Analysis/Haver Analytics. Data as of January 20, 2025.

On the inflation side, progress toward the Fed's 2% target has slowed in recent months. The consumer price index (CPI) accelerated over the past six months, reaching a 4.8% annualized monthly pace in December. This has turned the year-to-year rate higher to 2.9% from a cycle low of 2.4% in September. That said, the reacceleration is largely due to idiosyncratic avian-flu-related shortages as well as a recent spike in energy prices, which is unlikely to be sustained given energy supply and demand trends discussed in our January 13, 2025, *Capital Market Outlook*.

Inflation excluding the volatile food and energy components was much more encouraging, and well received by financial markets. Indeed, "core" CPI slowed markedly from 3.8% at an annualized pace in November to just 2.7% in December, its smallest monthly gain since

Investment Implications

An extended midcycle tends to be risk-asset friendly. Equity market diversification to position for more balanced profits growth and price performance makes sense at this point in the cycle but some imbalances bear watching.

July. This, combined with a meaningful deceleration in shelter inflation (likely with more to come), suggests “core” inflation remains on track to ease from its still much above target year-to-year December rate of 3.25%.

The U.S. thus appears to have found the delicate balance between growth and inflation as the Fed successfully normalized rates. Still, this “not too hot, not too cold” midcycle economy is not immune to risks. Inflation remains above the Fed’s 2% target, with upside risks from potentially excessive Fed easing in the context of ebullient small business sentiment, red-hot consumer spending, and strong wealth effects.

Also, fiscal deficits are massive, and real government spending is growing at double its historical average pace. As discussed in our January 21, 2025, *Capital Market Outlook*, the potential for sharply higher tariffs and risks of retaliation dampening exports and economic growth is real. There’s even talk about possible government attempts to deliberately weaken the dollar from its strongest level since 1985 in order to reduce the trade deficit and bolster domestic growth and manufacturing capacity.

Trade deficits, manufacturing stagnation, extreme dollar appreciation, and uneven equity market performance are reflective of U.S. asset-light business models, a big fiscal deficit, and insufficient growth overseas. The relative outperformance of the U.S. economy, large interest-rate differentials, and the appeal of unusually fast growth, free cash flow rich “magnificent” mega caps have attracted massive capital from around the world into the U.S. This has boosted the real trade-weighted dollar index by about 20% since 2020 and 40% over the past decade to its highest level since the 1985 Plaza Accord, when a coordinated currency intervention successfully depreciated the dollar to reduce a burgeoning trade deficit.

A strong dollar tends to be associated with weak U.S. and global manufacturing and trade. Domestic manufacturing output and employment have stagnated for about 17 years, while the trade deficit has increased both in absolute terms and as a share of real GDP. At the same time, with profits and valuations highly skewed in favor of the asset-light technology companies, high capital intensity has been an increasing headwind for stock performance, further discouraging investment. According to Empirical Research Partners, this tends to particularly be the case when the real interest rate increases, as has been the case over the past year.

Moreover, technology companies’ profits are less cyclical and not as directly tied to investment in tangible assets as those of the dominant industries of the past. While they drive innovation and productivity, their asset-light growth model has restrained the traditional cycle of investment, hiring, and GDP (Exhibit 1). Real and broader-based benefits from Artificial Intelligence-related investment are needed on the productivity and profits growth front across a broader spectrum of industries for a more balanced and sustained expansion.

For this, the U.S. economy needs investment in domestic productive physical assets, skilled labor, and infrastructure. Tariffs and coordinated efforts to depreciate the dollar floated as a way to address the trade deficit would just address symptoms rather than the causes of current imbalances.

Along with pro-business policies already proposed, a more sustainable, less disruptive, and less risky approach to reduce trade deficits and boost domestic manufacturing would thus focus on reducing the fiscal deficit, increasing domestic savings, investing in productivity-enhancing infrastructure, workforce development, and innovation. This would boost domestic supply and make U.S. products more competitive on the international market, reducing the trade deficit. In turn, this would organically reduce capital inflows, easing upside pressures on the dollar without tarnishing its position as a reserve currency and global financial market anchor.

In the end, a central source of imbalance is the unusually large U.S. fiscal deficit. Lower government deficits would go a long way toward restraining excess demand and its spillover into large trade deficits counterbalanced by equally massive capital inflows. It would also help bring inflation back to target. More domestic saving and investment would reduce the “twin deficits” and boost domestic productive capacity and productivity. More balanced growth overseas is also necessary to sustain growth and avoid the excesses that may make future adjustments more painful than necessary. Reducing these imbalances is the key to extending the current expansion for years to come.

RETURN TO FIRST PAGE

MARKET VIEW

Time to Focus on Fundamentals

Emily Avioli, Vice President and Investment Strategist

Jordy Fuentes, Wealth Management Analyst

The SP 500 initially stumbled into 2025, extending December's -2.4% decline by falling an additional -0.9% in the first two trading weeks of January.[1] While the "fizzle" environment has since turned into a "sizzle," with Equities clawing back losses, the early-year dip generated a sense of unease among investors after a prolonged period of tranquility. To wit, the S&P 500 is up 58.0% over the last two years, representing a 90th percentile rally,[2] and has not seen a 10.0% correction since October of 2023.

We maintain a constructive outlook for 2025 and believe that Equities can add on to the outsized gains of the past two years, but we're also bracing for uncertainty surrounding headline risk, potential new policy initiatives, and geopolitical tensions—all of which could lead to choppiness within a broader uptrend. Dusting off the old volatility playbook, investors should be prepared to tune out the noise and stay grounded in fundamentals. In that spirit, a survey of the current environment suggests that key macro and market indicators are still sound.

The economic growth backdrop is solid: The consumer spending engine continues to power the U.S. economy. The December Retail Sales report showed that control group sales, which exclude volatile components and feed into GDP calculations, saw a stronger-than-expected 0.7% month-over-month (MoM) increase, compared to a 0.4% MoM increase in November. Bank of America credit and debit card spending was up 2.2% year-over-year (YoY) per household in December, marking the second-fastest pace of YoY spending growth in 2024. While nuances remain, consumers generally remain well supported by elevated net worth, solid wage growth, and a still-healthy labor market. On that front, the U.S. economy added a greater-than-anticipated 256,000 jobs last month and the unemployment rate unexpectedly ticked down to 4.1%. U.S. GDP is set to expand at a healthy clip against this backdrop. The Atlanta Fed's GDPNow estimate is tracking growth of 3.0% for Q4 and we expect growth of 2.8% for 2024 and 2.4% for 2025 (Exhibit 2A).

Inflation is still in the low single digits: While the resilient economic backdrop has stoked concerns about the path of inflation, the latest data should provide some degree of reassurance. The December CPI report showed that headline inflation was in line with expectations with accelerations of 2.9% YoY and 0.4% MoM. Core consumer prices, which strip out components like food and energy, eased on a MoM basis for the first time in six months (Exhibit 2B). Past episodes of inflation have seen more than one peak over a multiyear time horizon—a risk we're watching closely—but signs of a resurgence are currently absent. Lower inflation allowed the Fed to cut interest rates by 100 basis points in 2024. BofA Global Research believes the cutting cycle may be over, but investors are still pricing in the possibility of additional easing in 2025. Our near-term base case is that monetary policy will remain accommodative while inflation hovers in the low single digits, creating a solid backdrop for Equities.

Earnings are increasingly supportive: Q4 2024 earnings season is off to a strong start, with growth continuing to broaden beyond just the Information Technology and Communication Services sectors. The Financials sector, for instance, is tracking a YoY blended earnings-per-share (EPS) growth rate of 49% for Q4.[3] All 11 S&P 500 sectors are expected to post positive YoY EPS growth by Q3 2025 for the first time since Q3 2021, and nine sectors are expected to report double digit earnings growth by Q4 2025

Portfolio Considerations

While risks remain, solid fundamentals ultimately support our positive bias for Equities this year. From a positioning perspective, we emphasize the importance of staying the course and staying fully invested in a diversified portfolio.

[1] Bloomberg. January 2, 2025.

[2] BofA Global Research. January 2, 2025.

[3] FactSet. January 22, 2025.

RETURN TO FIRST PAGE

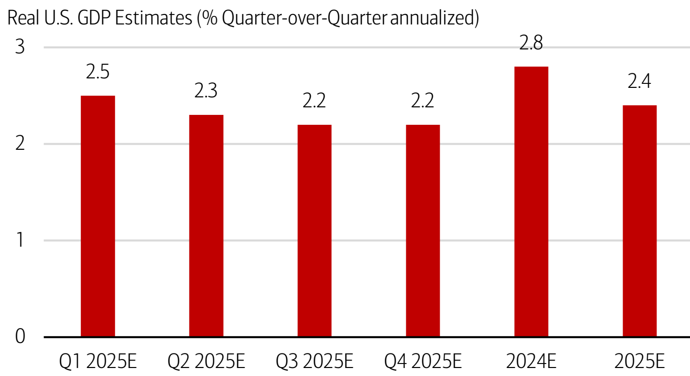
(Exhibit 2C). Consensus is forecasting S&P 500 YoY EPS growth of 9.4% and 14.6% for 2024 and 2025, respectively. While profitability is still elusive for Small-caps, the outlook for a potential earnings recovery has improved amid expectations for lower borrowing costs and solid economic growth. Ultimately, continued earnings expansion should be a key support for markets moving forward.

Market indicators look healthy: The strong fundamental backdrop is complimented by solid technical indicators. The Chicago Board Options Exchange Volatility Index (VIX) briefly spiked above 25 at the beginning of last month's market consolidation but quickly fell back below its five-year average (Exhibit 2D). The S&P 500 has continued to trade comfortably above its 200-day moving average, which remains in an uptrend. Credit markets are not showing signs of stress, successfully shrugging off the recent choppiness. While certain breadth indicators have shown some deterioration, other gauges of market health have mostly held up. We interpret this as a positive sign that the recent churn was not likely a prelude to a broader sell-off.

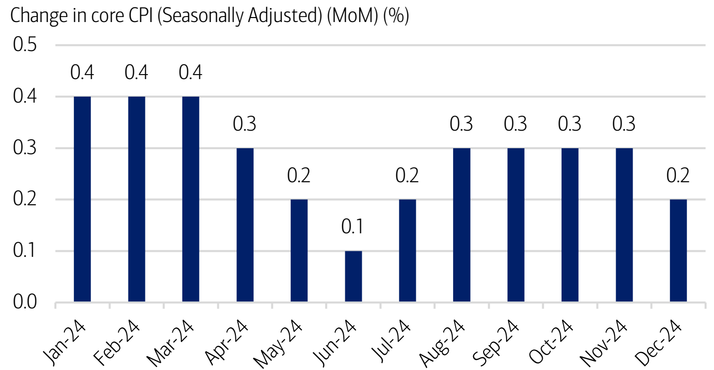
Adding it all up, we believe that 2025 will be a solid year for markets and that the long-term secular bull market is set to continue. That said, we see potential for more short-term market swings. While risks related to geopolitics, monetary and fiscal policy, and inflation are certainly worth monitoring, we encourage investors to cut through the noise and focus on fundamentals. The best course of action during periods of market turbulence is often to take a step back and remember to stay committed to a long-term, disciplined investment process.

Exhibit 2: The Fundamental Backdrop Looks Solid.

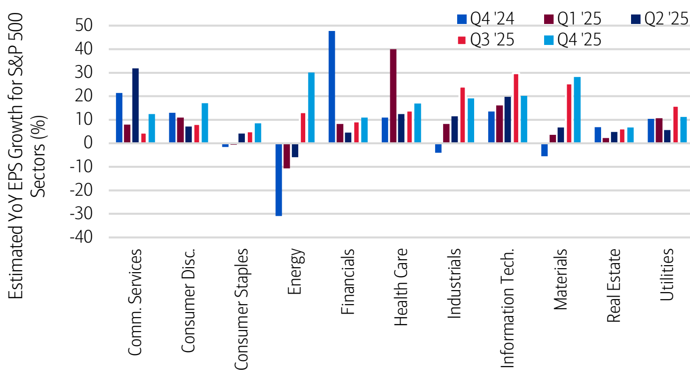
2A) Estimates call for strong GDP growth.



2B) Recent inflation data has been encouraging.



2C) Broadening earnings expansion is supportive.



2D) The VIX remains relatively subdued.

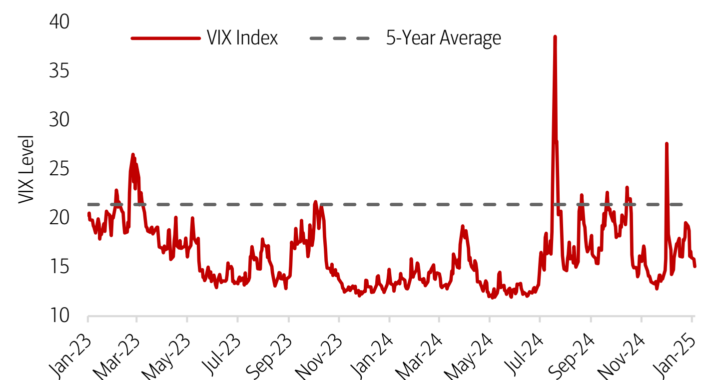


Exhibit 2A) E=Estimate. Source: BofA Global Research. January 17, 2025. Exhibit 2B) Source: FactSet. January 17, 2025. Exhibit 2C) Source: FactSet. January 17, 2025. Exhibit 2D) Source: Bloomberg. January 17, 2025. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

THOUGHT OF THE WEEK

U.S. Consumer Checkup

Kirsten Cabacungan, Vice President and Investment Strategist

As a new year, new administration and the potential for a new monetary policy stance take form, an important question for the outlook emerges: Can the enduring strength of consumers, the U.S. economy's primary growth engine, hold?

The consumer closed out 2024 on solid footing. According to Bank of America aggregated credit and debit card data, spending per household was up 2.2% YoY in December.[4] That marked the second fastest month of YoY spending growth for all of 2024 and a strong pickup from November. December retail sales told a similar story as sales in the retail core control group, the measure of retail sales that strips out volatile components and directly feeds into GDP calculations, advanced by the strongest pace in three months.[5] To add, the Atlanta Fed GDPNow Q4 consumer spending estimate has steadily increased in the last few weeks from 3.2% on January 2 to 3.8% as of the latest January 17 estimate update, which is slightly above third quarter consumer spending at 3.7% and the most since early 2023.[6]

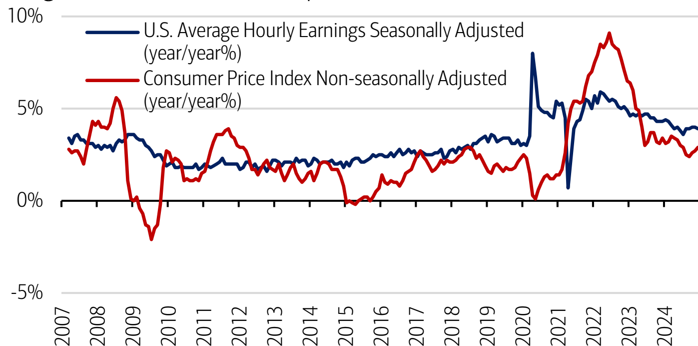
Over the last few years, consumption has held up solidly even amid tests from elevated price pressures, labor market softness, high borrowing costs, heightened geopolitical uncertainty and U.S. election volatility. The durability of spending momentum should persist as long as the factors underpinning the consumer remain in place (Exhibit 3) including a combination of healthy wage growth, low unemployment and layoffs, rising household net worth and manageable household debt servicing levels. Positive incoming data so far suggest early signs that the consumer should be on track to support solid economic growth this year.

Portfolio Considerations

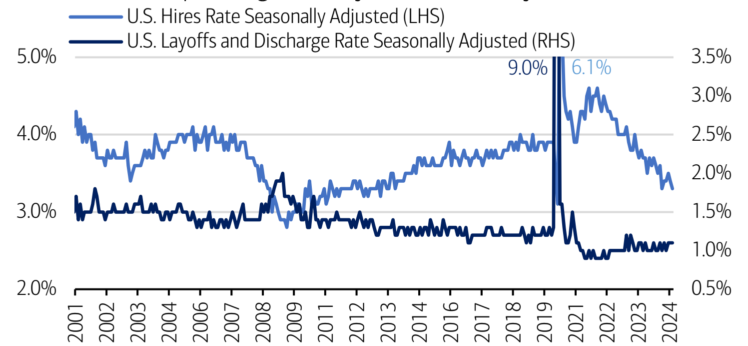
Given that consumer spending accounts for roughly 70% of GDP, the strength of the U.S. economy relies on the health of the consumer. The outlook for U.S. economic growth remains positive as solid wage growth and employment conditions underpin consumer spending momentum.

Exhibit 3: The U.S. Consumer Remains Healthy.

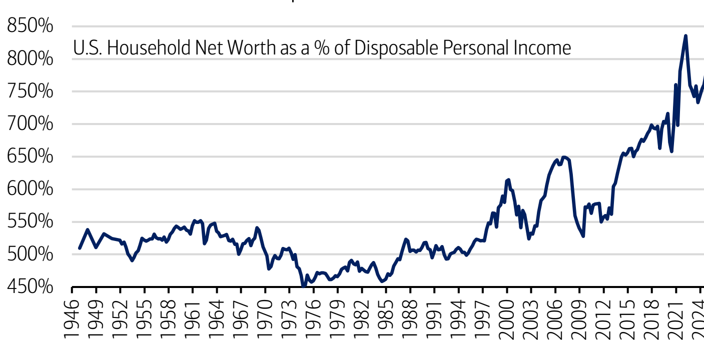
3A) Household purchasing power remains supported as wage growth continues to outpace inflation.



3B) A cooling in the hiring rate has not translated into weaker consumer spending, with layoffs historically low.



3C) Household net worth close to eight times disposable income due to strong financial and real estate asset gains is a tailwind for confidence and consumption.



3D) Household balance sheets also look to be in good shape with overall debt servicing ratios low even amid a moderate shift up since the trough during the pandemic.

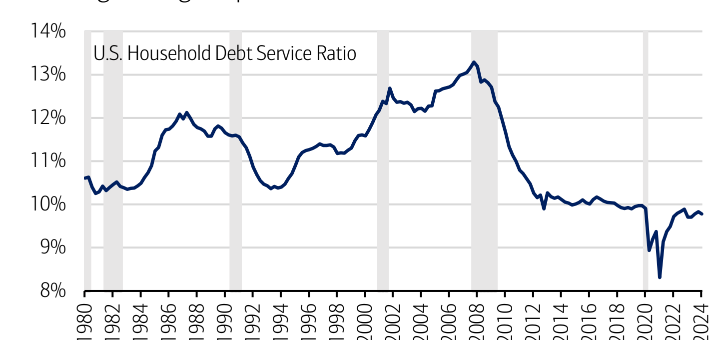


Exhibit 3A) Sources: Bureau of Labor Statistics; Bloomberg. Data as of January 22, 2025. Exhibit 3B) Sources: Bureau of Labor Statistics; Bloomberg. Data as of January 22, 2025. Exhibit 3C) Sources: Federal Reserve; Bloomberg. Data as of January 22, 2025. Exhibit 3D) Shading represents a recession. Sources: Federal Reserve; Bloomberg. Data as of January 22, 2025.

[4] BofA Global Research, "Consumer Checkpoint: Resolute in the new year?", January 10, 2025.

[5] U.S. Census Bureau. Data as of January 22, 2025.

[6] Federal Reserve Bank of Atlanta. Data of January 22, 2025.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	44,424.25	2.2	4.5	4.5
NASDAQ	19,954.30	1.7	3.3	3.3
S&P 500	6,101.24	1.8	3.8	3.8
S&P 400 Mid Cap	3,275.64	1.1	5.0	5.0
Russell 2000	2,307.74	1.4	3.5	3.5
MSCI World	3,856.78	2.1	4.1	4.1
MSCI EAFE	2,360.81	3.2	4.4	4.4
MSCI Emerging Markets	1,090.02	1.9	1.5	1.5

Fixed Income†

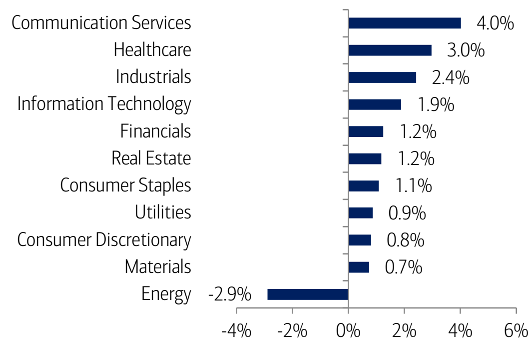
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.80	0.15	0.12	0.12
Agencies	4.63	0.09	0.22	0.22
Municipals	3.76	0.26	-0.05	-0.05
U.S. Investment Grade Credit	4.92	0.11	0.09	0.09
International	5.35	0.25	0.21	0.21
High Yield	7.23	0.33	1.16	1.16
90 Day Yield	4.30	4.30	4.31	4.31
2 Year Yield	4.27	4.28	4.24	4.24
10 Year Yield	4.62	4.63	4.57	4.57
30 Year Yield	4.85	4.86	4.78	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	250.60	-0.2	5.0	5.0
WTI Crude $/Barrel††	74.66	-4.1	4.1	4.1
Gold Spot $/Ounce††	2770.58	2.5	5.6	5.6

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.05	1.03	1.04	1.04
USD/JPY	156.00	156.30	157.20	157.20
USD/CNH	7.24	7.34	7.34	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 1/20/2025 to 1/24/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 1/24/2025 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 1/24/2025)

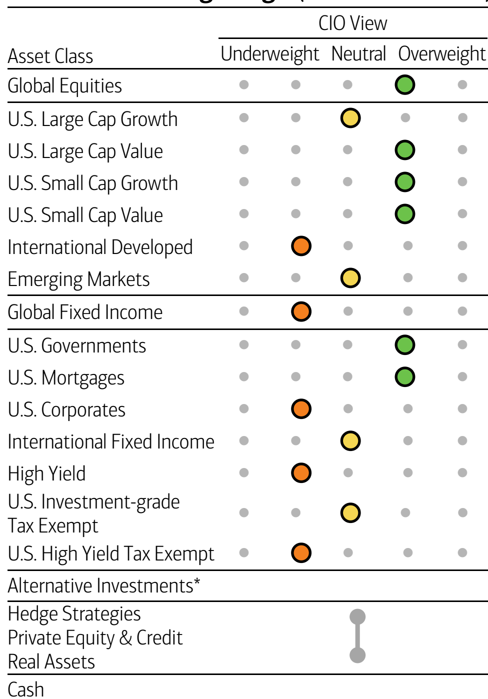
	Q4 2024E	2024E	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.1*	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.0*	2.8*	2.5	2.3	2.2	2.2	2.4
CPI inflation (% y/y)	2.7	3.0	2.6	2.6	3.0	2.7	2.7
Core CPI inflation (% y/y)	3.3	3.4	3.0	2.9	3.2	3.1	3.0
Unemployment rate (%)	4.2	4.0	4.3	4.3	4.4	4.4	4.4
Fed funds rate, end period (%)	4.33	4.33	4.38	4.38	4.38	4.38	4.38

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.

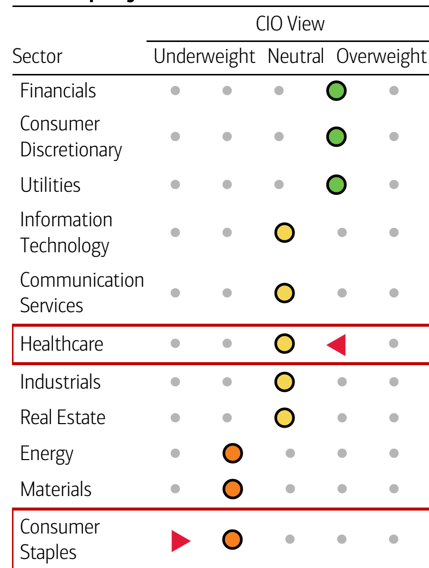
Sources: BofA Global Research; GWIM ISC as of January 24, 2025.

Asset Class Weightings (as of 1/7/2025)



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

CIO Equity Sector Views



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

*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 January 7, 2025. 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 Index is a market-capitalization-weighted index that is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Institute for Supply Management (ISM) manufacturing index is a monthly economic indicator that measures the health of the US manufacturing sector.

Consumer Price Index measures the average change in prices paid by consumers over time for a basket of goods and services.

Real trade-weighted dollar index compares the value of the dollar against the currencies of countries with which each of the 50 U.S. states trades.

Chicago Board Options Exchange Volatility Index a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

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.

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. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. 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.

© 2025 Bank of America Corporation. All rights reserved.