MERRILL
A BANK OF AMERICA COMPANY

CHIEF INVESTMENT OFFICE

Capital Market Outlook

March 31, 2025

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

IN THIS ISSUE

Macro Strategy—*Staying the Course:* Narratives shift with increasing speed, sentiment is skittish, clarity about the outlook remains elusive. Still, the January activity swoon has proven mainly idiosyncratic. Corporate balance sheets and profit estimates remain healthy, typically a positive for sustained hiring and capital spending. Job openings remain ample, and layoffs are contained. Leading signals for wage and salary growth through midyear suggest sustained, if moderate, consumer spending growth.

There are also reasons to expect manufacturing and trade support from pro-growth European/China policies as well as upcoming U.S. deregulation and tax incentives. With sustained but slower growth, Equities have been trying to retrace their sharpest correction in decades but remain caught between giving policy, growth and profits the benefit of the doubt and questions about the sustainability of outsized Information Technology (IT) profit margins. Risk assets overall are likely to benefit if the expansion continues and if interest rates remain range-bound, as we expect.

Market View—*Amid the Chop and Churn of the Markets, 10 Reasons for U.S. Optimism:* Yes, it's getting sloppy out there. Bearish sentiment is on the rise, policy uncertainty remains elevated, concerns of U.S. recession are creeping higher, and major U.S. Equity indexes have underperformed the rest of the world this year. Against this backdrop, it's important for investors to remember the big picture: No economy is better built, better prepared and better positioned to weather today's market gales than the U.S.

From copious natural resources to technological leadership to military might and beyond, the U.S. is primed to thrive in an age of geopolitical strife and fragmentation. We continue to favor the U.S. over other regions of the world and view weakness as a buying opportunity given our 10 reasons for optimism below. The bottom line: During times of market angst, don't bet against the myriad structural strengths of the U.S. Stay long America.

Thought of the Week—*Is the Muni Tax Exemption at Risk?:* Investors have begun questioning whether the municipal bond tax exemption is at risk as policymakers grapple with how to extend key provisions of the 2017 Tax Cuts and Jobs Act (TCJA) while limiting increases to the federal deficit. We believe the municipal tax exemption will remain largely intact, although it is possible that certain municipal subsectors (e.g., private activity bond issuers) could lose their ability to sell tax exempt debt on a going-forward basis. We believe any legislation that limits future tax-exempt issuance should only make valuations on existing municipal bonds richer.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

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

Ariana Chiu
Wealth Management Analyst

THOUGHT OF THE WEEK ▶

David T. Litvack, CFA®
Managing Director and Tax-Exempt Strategist

MARKETS IN REVIEW ▶

Data as of 3/31/2025, and subject to change

Portfolio Considerations

The Global Wealth & Investment Management Investment Strategy Committee adjusted our tactical asset allocation by increasing our allocation to Equities relative to Fixed Income and upgrading International Developed Equities to neutral from slight underweight.

Within Equities, we also trimmed the magnitude of the overweight to U.S. Small-cap, with the proceeds going to U.S. Large-cap Equities.

Within Fixed Income, we are decreasing our rate risk and increasing our credit risk.

Fundamentals and diversification matter, and we see the market rotation continuing.

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. 7792161 3/2025

Staying the course

Chief Investment Office, Macro Strategy Team

The economy remains on two tracks, with evidence of resilience alongside lingering policy fog and sharply lower consumer/business confidence. On balance, however, the incoming data and forces shaping the U.S. economy still appear to fit a midcycle pattern of slower but sustained economic and profits growth. Growth seems to be slowing, not stumbling, keeping the expansion intact, if more fragile.

First, worries about an economic contraction starting in Q1 proved premature. From payrolls and retail sales to industrial production, inventories, and durable goods shipments, a wave of firmer data confirms that the January economic swoon was a blip caused by weather disruptions, gold import distortions, and uncertainty around tariff policy.

Tellingly, the Chicago Fed National Activity Index, which captures the signal from 85 monthly indicators, moved back into above-trend growth territory in February. Its diffusion index, or the preponderance of indicators above or below trend, sharply spiked well into midcycle territory. Overall, despite soft consumer spending growth, durable goods shipments indicate strong Q1 business equipment investment. Inventories are also likely to boost growth, with real gross domestic product (GDP) growth near 2% at an annualized rate in Q1, according to various estimates.

Looking further out, industrial production, one of the indicators showing a strong February rebound, also looks poised to strengthen further, consistent with continued midcycle expansion. This would be in line with favorable separate signals for a sustained rebound in the Institute for Supply Management manufacturing index and global trade, both typically strongly correlated with the direction of business investment and earnings growth estimates (Exhibit 1A).

Amidst the uncertainty fog, the range of tailwinds for U.S. and global manufacturing and trade is rather broad and hard to dismiss. It includes everything from a rollover in the trade-weighted dollar index from extreme overvaluation and a sharp increase in German economic expectations (as measured by the ZEW index) to China fiscal stimulus. Brightening growth prospects in Europe are particularly encouraging given their credible and firming roots: A massive German government spending plan, including for infrastructure, technology, and defense. Slower inflation and lower European central bank policy rates. Elevated household savings and firming real consumer spending conditions. The end of the growth-inhibiting southern European deleveraging process. Signs of an upturn in the eurozone bank lending cycle, a positive given Europe's heavy reliance on bank lending for economic growth.

In our view, these tailwinds are likely to spill over into U.S. and global industrial activity and trade volume growth, helping extend the expansion and support earnings growth estimates. Probably not coincidentally, the Australian S&P Global manufacturing purchasing managers' index (PMI), typically closely aligned with the global manufacturing and trade cycle, has seen a particularly sharp increase through March, and international Equity markets have caught a strong bid following years of underperformance.

In a year of transition to slower U.S. consumer spending growth and less deficit-led economic growth, support from the industrial and business investment sector is key to sustained expansion. Encouragingly, foreign companies and governments have announced plans for hundreds of billions of dollars in U.S. investment as a result of U.S. government policy changes and incentives. For now, however, despite strong Q1 real equipment spending estimates, more forward-looking new orders for capital goods data remain disappointing. According to our analysis, real nonresidential investment is likely to stay positive this year but below average at around 2% to 4%. Downside policy risks to business investment must resolve soon to prevent a worse outcome with bigger negative effects on GDP, as the consumer sector likely cools somewhat this year.

Indeed, even though some of the swing from 6.9% annualized monthly real consumer spending in December to -7.1% in January was retraced in February, according to the Bureau of Economic Analysis, the rebound was not strong enough to suggest robust Q1 consumer spending. Basically, while the fall in some measures of consumer expectations

Investment Implications

Slower midcycle U.S. growth along with domestic/global policy and economic adjustments argue for patience, discipline and portfolio diversification, including into overseas Equities.

to lower levels than seen at the depth of the 2008-2009 Great Recession or the pandemic can be taken with a grain of salt, fading consumer tailwinds (from excess saving, low pandemic-related interest rates, unusually strong labor demand) and growing policy change unease are real.

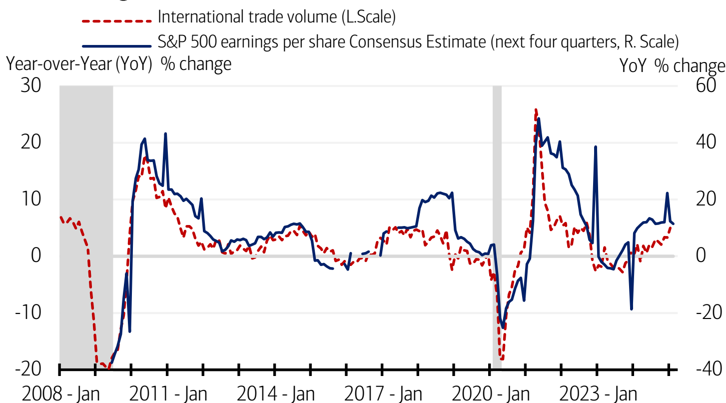
Slower consumer spending more in line with wage and salary growth, itself poised to run at a moderate pace in coming months, was inevitable following a 3.1% average quarterly pace over the past two years. However, with aggregate household balance sheets still in good shape, job openings still ample, and a likely sustained manufacturing rebound, consumer spending growth is likely only adjusting (to about a 1.5% to 2% growth pace), based on our analysis, not collapsing.

All in all, the preponderance of data indicates that we're not even in late-cycle territory, where overheating, aggressive Fed restraint and clear signs of a struggling economy typically start to emerge. Inflation is sticky but unlikely to run out of control due to tariffs in the absence of premature Fed easing and runaway domestic demand. The expansion is likely to continue as the consumer recalibrates, and the Fed is patient.

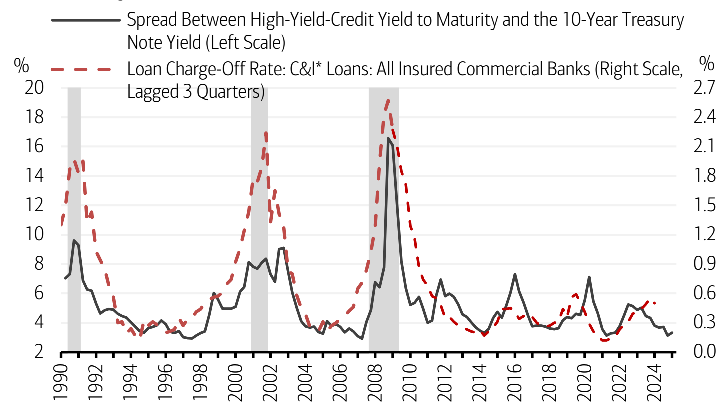
Business investment is stable, and industrial production is showing tentative signs of an upturn, helped by a bottoming in the inventory cycle, strong profits and improving overseas growth. Importantly, credit spreads are still subdued and charge-off rates unlikely to increase much for the foreseeable future (Exhibit 1B). With charge-off risks contained, banks reported increased willingness to lend to consumers and easier business lending standards in Q1, a positive for consumer spending and business investment.

Exhibit 1: Most Economic Data Fit Mid-Cycle Pattern.

1A) Sustained Global Manufacturing and Trade Growth Positive for Earnings Growth Estimates.



1B) Credit Spreads Still in Midcycle Territory, A Positive for Banks Willingness to Lend.



Gray bars represent recessionary periods. Exhibit 1A) Source: Standard & Poor's Capital IQ Consensus Estimates; Netherlands Bureau for Economic Policy Analysis/Haver Analytics. Data as of March 27, 2025. *C&I=Commercial and Industrial. Exhibit 1B) Source: Federal Reserve Board/Haver Analytics. Data as of March 24, 2025.

How durable the expansion proves to be will depend on how smooth the U.S. growth rebalancing turns out to be and particularly on whether policy changes spur private-sector activity enough to keep productivity, profits and employment growth healthy. Innovation is difficult in the absence of "learning by doing," so expanding the manufacturing base is part of the productivity/profits growth equation. Broadening advanced technology adoption is also necessary to boost productivity and value added. This would create attractive-pay jobs for a higher share of the population, sustaining consumption, profits and production growth.

Stronger business investment and manufacturing production are thus critical to avoiding the decoupling of asset prices from real economic output to extreme and unsustainable degrees. In the meantime, the current market demands investor discipline with a focus on quality, cash flow, valuation and diversification. Midcycle return potential for Equities typically becomes more volatile and limited by rich valuations and slower, more "normal" trend-like earnings growth.

MARKET VIEW

Amid the Chop and Churn of the Markets, Ten Reasons for U.S. Optimism

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

Ariana Chiu, Wealth Management Analyst

Yes, it's getting sloppy out there. Bearish sentiment is on the rise, as is market volatility as investors digest and discount the various policy initiatives of the Trump administration. Consumer and business confidence has rolled over. So too have the major U.S. Equity indexes, which have significantly underperformed the rest of the world this year. Concerns of a U.S. recession are creeping higher, while the "U.S. exceptionalism" narrative is fading.

Against this backdrop of mounting concerns, it's important for investors to see the big picture—the forest for the trees. We are neck-deep in a challenging market environment, for sure. But as we highlight below, no economy is better built, better prepared and better positioned to weather today's market gales than the U.S. Accordingly, we still favor the U.S. over other regions of the world but have shifted our International Developed Equity exposure from underweight to neutral. Our bias is toward large-cap (Growth and Value) and Equities over Fixed Income. Critically, we are also buyers on weakness based, in large part, on our ten reasons for optimism.

First, no economy in the world is as large, diverse and wealthy as the U.S. economy. Think of our economy as a hydra-headed superpower, leading the world in such diverse activities as aerospace, agriculture, finance, energy, technology, healthcare, education and numerous other industries. With just 4.3% of the global population, the U.S. accounts for over 28% of global GDP. In nominal dollars, the U.S. economy is more than $10 trillion larger than China's. Never have so few people produced so much output, creating so much wealth. America's per capita income (nearly $87,000) remains light years ahead of China ($13,000) and India ($2,700).[1]

Second, no large power is as blessed by geography as the U.S., and in an age of geopolitical strife, resource constraints and contested borders, there's a premium on geography. Our bounty includes copious supplies of natural resources, fertile soils, freshwater and forests. The Great Plains are the largest continuous mass of arable land in the world; the Mississippi river system is an inland transportation network unrivaled on the planet. And the Great Lakes are the largest group of freshwater lakes on earth. Add to the above that no country produces more crude oil than the U.S., giving America much lower energy costs relative to Europe, Japan and China, all net energy importers. In the end, America's relatively self-contained, continent-sized economy is a geostrategic gift; relative to other nations, the U.S. is primed to weather a more fractured world.

Third, America's unique entrepreneurial ecosystem that encourages and enables the incessant churn of creative destruction is unparalleled on a global basis. America's economic metabolism is different from the rest of the world. No country creates and destroys as manically as America. Just since 2000, more than half (52%) of the companies on the Fortune 500 list have gone bankrupt, been acquired or ceased to exist. Meanwhile, as old firms die, new firms are spawned. America's startup itch has only grown stronger in the past few years. According to the U.S. Census Bureau, some 5.2 million new businesses were started in the U.S. in 2024—a near-record high and a figure well above the average of the prior decade. Think of last year's Artificial Intelligence (AI)-fueled market rally as yet another example of entrepreneurial America leading the way and the world.

Fourth, the U.S. remains a magnet for foreign capital owing to a myriad of attributes, including a vast and wealthy consumer market, a large skilled labor pool, a transparent rule of law, deep and sophisticated capital markets, relatively cheap energy costs and low corporate taxes. At last count, the amount of foreign capital invested in the U.S. was nearly $50 trillion, according to the U.S. Department of Commerce. The U.S. investment stakes of foreigners have increased nearly five-fold since the start of the century. No country in the

Portfolio Considerations

While market volatility and policy uncertainty remain elevated, we urge investors to focus on fundamentals and remember the long view: The U.S. is the most diverse and resilient economy in the world. As such, U.S. assets continue to sit at the center of Chief Investment Office (CIO) portfolios. We encourage investors to remain fully invested and treat episodic weakness as a potential buying opportunity.

[1]International Monetary Fund (IMF) as of March 27, 2025.

world has been at the receiving end of so much foreign capital this century, albeit, that said, we are watching for signs of foreign investors pulling back amid rising U.S. trade tensions.

Fifth, while the odds of a U.S. recession have ticked up in the past few weeks, our base case is that the U.S. avoids an economic downturn in the near term. What's more—and the main point—**investors shouldn't fear the 'R" word because recessions are part and parcel of the dynamic U.S. business cycle.** The U.S., according to the National Bureau of Economic Research (NBER), has experienced twelve recessions over the post-World War II era. Recessions typically last just over ten months on average, and taking the long view, the U.S. economy has been in recession only 13% of the time since 1945. This explains how and why the total economic output of the U.S. has risen from under $1 trillion in 1945 to nearly $30 trillion today. It's also behind the stunning rise of U.S. equities since 1945, with stocks (S&P 500) posting compound average annualized returns of 11.4% between 1945 and 2023 versus bonds (5.1%), credit (5.7%), and cash (3.8%).

Sixth, America's military supremacy remains intact and continues to support/ reinforce the global competitiveness of the U.S. The U.S. spends more on defense than the next nine countries combined, according to the Stockholm International Peace Research Institute. This investment not only adds to global stability but also supports and drives technological advances in areas like aerospace, drone, cybersecurity and space, among many activities. The ascent of China, the ongoing security threat from Russia, and the explosion in cybersecurity breaches—all of these factors have made global defense a growth industry. We remain bullish on leading U.S. defense/cybersecurity firms, as well as defense leaders in Europe and Asia.

Seventh, while China has made significant technological strides over the past decade, the U.S. remains the world's technology leader owing to the nation's risk-taking, not-afraid-to-fail entrepreneurial culture that underpins America's leadership in both technology and innovation. With the exception of Israel and South Korea, America invests more in research & development (R&D) than any other country, at roughly 3.5% of GDP. The market cap of some of America's leading technology leaders—like Apple ($3.3 trillion), Nvidia ($3.0 trillion) and Microsoft ($2.9 trillion)—is larger than the gross output of most nations. America is the largest market in the world for R&D spending, and, in terms of AI, the U.S. accounts for more than half of global private-sector investment in this space.

Eighth, the top-ranked universities in the world are in the U.S.; indeed, 25% of the universities in the Quacquarelli Symonds World Rankings' top 100 universities for 2025 were located in America; four out of the top 10, and seven out of the top 20, were American universities. Given the quality of its higher education, the U.S. continues to attract the best and brightest from around the world, ultimately adding to the economy's pool of skilled/productive human capital.

Ninth, the greenback remains king for now—the world's unchallenged world reserve currency, accounting for 57.4% of allocated global central bank reserves as of Q3 2024, according to the IMF. For second-place euro, the currency's share of central bank holdings fell from 28.0% in mid-2009 to 20% in Q3 2024. The global economy still pivots around the greenback, an "exorbitant privilege" for the U.S. and U.S. investors.

Finally, the U.S. still ranks as one of the most competitive economies in the world. According to the IMD World Competitiveness Rankings of 2024, the U.S. ranked 12th overall, trailing smaller economies like Switzerland, Sweden and Denmark. Meanwhile, the U.S. ranked third in the latest global talent competitiveness survey from the World Economic Forum. Only Switzerland and Singapore ranked higher. The upshot: Competitiveness matters—and the U.S. is positioned to remain among the world's most competitive economies.

The bottom line: yes, the U.S. capital markets/economy are exhibiting some signs of cyclical strain. Policy uncertainty remains elevated, stoking concerns about future economic growth and earnings. However, during these times of market angst, and taking the long view, it's important for investors to understand (and not forget) the multiple structural strengths of the U.S. Ergo, don't bet against the U.S. economy and don't bail on the markets (stay invested).

RETURN TO FIRST PAGE

THOUGHT OF THE WEEK

Is the Muni Tax Exemption at Risk?

David T. Litvack, CFA®, Managing Director and Tax-Exempt Strategist

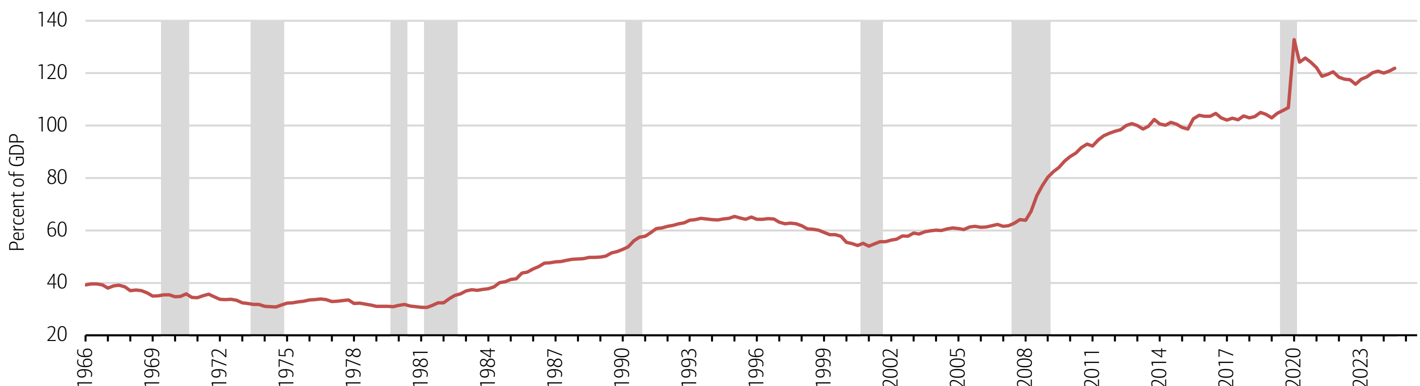
With Congress focused on limiting the growth in federal debt (Exhibit 2), market participants have begun questioning whether the municipal bond tax exemption is at risk. In January, the U.S. House of Representatives Ways and Means Committee released a list of over 200 options grossing nearly $6 trillion as potential pay-for to renew expiring provisions of the 2017 TCJA. Eliminating the exclusion of interest on state and local bonds would save the federal government $250 billion over 10 years, and ending the tax preference on other municipal subsectors would save an additional $114 billion, according to the Committee document. This list was included in the House's budget reconciliation bill, which is targeting a total of $2 trillion in spending cuts.

States and local governments have been able to issue tax-exempt bonds since the original income tax code was enacted in 1913, and we believe this is highly likely to continue. Municipal issuers have been lobbying Congress, arguing that the municipal bond tax exemption is a vital and cost-effective tool for the country to maintain and modernize its infrastructure. The Government Finance Officers Association estimates that eliminating the exemption would increase borrowing costs to municipal issuers by $833 billion over 10 years, far more than the savings to the federal government. We believe this lobbying has been effective, and there is evidence of bipartisan support for the municipal tax exemption, e.g., the introduction in February of a bill to restore tax-exempt advance refundings, which were eliminated in the TCJA.

Investment Implications

We believe concerns that the municipal bond tax exemption may be at risk are overblown. We believe the muni tax exemption will remain largely intact, although it is possible that private activity bond issuers could lose their ability to issue new tax-exempt debt. Any limits on future tax-exempt issuance should only make existing municipal bond valuations richer.

Exhibit 2: Federal Debt: Total Public Debt as Percent of GDP.



Gray bars represent recessionary periods. Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget via FRED. Data as of March 2025.

While we believe the muni tax exemption will remain largely intact, it is possible certain tax-exempt municipal subsectors, e.g., private activity bonds (PABs) such as those issued by colleges and universities, could be at risk; in fact, tax-exempt PABs had been slated for elimination in an early draft of the TCJA, but they were salvaged in the final version.

We do believe that any changes to the municipal tax exemption would be on a prospective basis, with the tax exemption on existing bonds "grandfathered," as in the last two times there were changes to the muni tax exemption in 1986 and 2017. Therefore, we don't believe risks to the muni tax exemption should deter investors from buying munis. In fact, any legislation that reduces future tax-exempt issuance should pressure valuations of existing municipal bonds richer due to their increased scarcity value.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	41,583.90	-1.0	-5.0	-1.9
NASDAQ	17,322.99	-2.6	-8.0	-10.1
S&P 500	5,580.94	-1.5	-6.2	-4.8
S&P 400 Mid Cap	2,915.07	-1.0	-5.7	-6.3
Russell 2000	2,023.27	-1.6	-6.3	-9.0
MSCI World	3,634.71	-1.4	-4.3	-1.6
MSCI EAFE	2,451.37	-1.0	1.7	9.1
MSCI Emerging Markets	1,120.72	-0.9	2.4	4.7

Fixed Income†

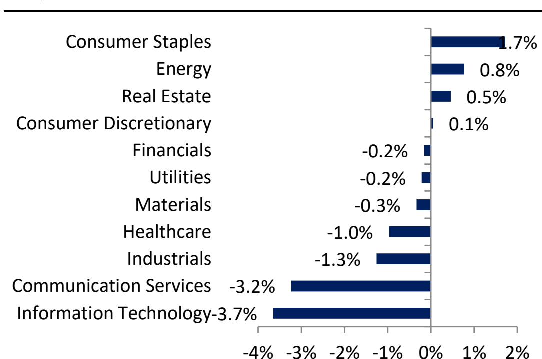
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.51	-0.06	-0.20	2.44
Agencies	4.36	0.05	0.16	1.99
Municipals	3.90	-0.90	-2.02	-0.55
U.S. Investment Grade Credit	4.62	-0.04	-0.19	2.54
International	5.17	-0.21	-0.50	2.09
High Yield	7.72	-0.44	-0.95	1.08
90 Day Yield	4.29	4.29	4.29	4.31
2 Year Yield	3.91	3.95	3.99	4.24
10 Year Yield	4.25	4.25	4.21	4.57
30 Year Yield	4.63	4.59	4.49	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	258.23	0.5	3.3	8.2
WTI Crude $/Barrel††	69.36	1.6	-0.6	-3.3
Gold Spot $/Ounce††	3085.12	2.1	8.0	17.6

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.09	1.04	1.04
USD/JPY	149.32	148.64	150.63	157.20
USD/CNH	7.26	7.24	7.29	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 03/24/2025 to 03/28/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 03/28/2025 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 3/28/2025)

	Q4 2024A	2024A	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.2	-	-	-	-	3.1
Real U.S. GDP (% q/q annualized)	2.4	2.8	1.5	1.5	2.0	2.0	2.1
CPI inflation (% y/y)	2.7	3.0	2.8	2.9	3.2	3.0	3.0
Core CPI inflation (% y/y)	3.3	3.4	3.2	3.3	3.5	3.3	3.3
Unemployment rate (%)	4.2	4.0	4.1	4.2	4.2	4.2	4.2
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 March 28, 2025.

Asset Class Weightings (as of 3/4/2025)

	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 March 4, 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.

RETURN TO FIRST PAGE

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.

Chicago Fed National Activity Index is a monthly index designed to gauge overall economic activity and related inflationary pressure, based on a weighted average of 85 monthly indicators of national economic activity.

Chicago Fed National Diffusion Index measures the degree to which a change in the monthly CFNAI is spread out among its 85 underlying indicators. It's a three-month moving average, providing a more consistent picture of national economic growth than the monthly index itself.

Institute for Supply Management Manufacturing Index is a monthly economic indicator that measures the health of the US manufacturing sector, based on surveys of purchasing managers at manufacturing firms.

Trade-weighted dollar index is a measure of the value of the United States dollar relative to other world currencies. It is a trade weighted index that improves on the older U.S. Dollar Index by incorporating more currencies and yearly rebalancing.

ZEW Index is a monthly survey conducted by the Centre for European Economic Research (ZEW) that measures the level of optimism among financial and economic analysts regarding the expected economic developments in Germany over the next six months.

Australian S&P Global Manufacturing Purchasing Managers' Index is a monthly survey that measures business activity in the Australian manufacturing sector, based on responses from purchasing managers, and is a leading indicator of economic conditions.

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. 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). 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.

RETURN TO FIRST PAGE