

CHIEF INVESTMENT OFFICE

# Capital Market Outlook

August 18, 2025

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

## IN THIS ISSUE

**Macro Strategy—*The Fourth Turning and Artificial Intelligence*:** As artificial intelligence (AI) accounts for an increasing share of future economic activity, the already entrenched secular trend of higher capital income relative to labor income is likely to intensify. This is one of the major reasons for rising wealth and income inequality in the U.S. economy. As AI takes over more and more responsibility for future economic growth and replaces many existing jobs, a major challenge for future social stability will be creating an institutional framework that allows the broad population to share in the abundance of wealth AI promises to create as human and machine intelligence merge and accelerate exponentially over the next two decades. The value of this unprecedented transition is increasingly apparent in the equity prices of the companies that are leading this race into a radically different future.

**Market View—*Amid the Shifting Global Trade Landscape, Here Are 3 Realities That Haven't Changed*:** Much has shifted this year in the world of trade—notably the effective tariff rate on U.S. imports which now stands at 18.6%, a striking departure from the 2.5% average tariff rate maintained over the last half-century. With several trade deal frameworks now in place, corporates and governments globally—as well as the capital markets—are coming to terms with the fact that higher U.S. tariffs are here to stay. But while the global trading regime is shifting, investors should also be attuned to what hasn't changed. One, the U.S. is still dependent on China for strategic minerals. Two, the U.S. is still on track to run a significant (if not record) trade deficit this year. Finally, while trade between the U.S. and China has declined, China is still an export-led economy boasting a \$1 trillion-plus trade surplus with the rest of the world. Each of these realities has important implications for the U.S. and global economy. We explain below.

**Thought of the Week—*Done Deal on a Fed Rate Cut?*:** The market looks convinced a Federal Reserve (Fed) rate cut is coming. Futures traders, according to the CME FedWatch Tool, have priced in above 80% probability of a rate cut at the September Federal Open Market Committee (FOMC) meeting. Signs of labor market cooling and developing internal pressure to ease policy at the Fed have likely contributed to the recent rise in interest rate expectations.

Despite the shift in market tone, a September rate cut is not locked in. Risks on both sides of the Fed's dual mandate—maximum employment and price stability—keep the Fed's next policy decision in play. If the Fed resumes its rate-cutting cycle though, how might stocks respond? History suggests market performance can vary during Fed easing cycles depending on the economic backdrop and the reasons behind why the Fed cut rates. Easing cycles without a recession have historically been a more favorable backdrop.

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**MACRO STRATEGY ►**

**MARKET VIEW ►**

**THOUGHT OF THE WEEK ►**

**MARKETS IN REVIEW ►**

## Portfolio Considerations

We maintain our overweight in Equities and preference for the U.S. relative to the rest of the world and believe a neutral stance is warranted in International Equities overall given our weaker dollar view. We would use weakness on the back of “soft patch” concerns as a buying opportunity in Equities.

This month we adjusted the U.S. Equity sector views by moving Industrials to a slight overweight, Financials to a full overweight, Energy to a full underweight and Healthcare to a slight underweight.

We maintain neutral duration within Fixed Income. Longer-term Fixed Income provides meaningful returns relative to cash and therefore diversifies equity risk over time with more stable income.

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## The Fourth Turning and Artificial Intelligence

*Chief Investment Office, Macro Strategy Team*

While this is the fourth time in U.S. history that a crisis period requiring radical reforms has arisen, the circumstances requiring more radical change are compounded by the imminent arrival of artificial or machine intelligence that is predicted to surpass biological human intelligence by orders of magnitude over the next two decades.<sup>1</sup> The social reorganization required to weather this transition is likely to put tremendous strains on political and governance institutions far beyond the already major upheavals that are currently testing developed countries' capacities to govern.

The stock market is one of the most forward-looking indicators of where the economy is headed. That's why it's included in the index of leading indicators and why it's considered a long leading indicator rather than a short-term or high frequency indicator. Its information content has more staying power than more volatile measures like confidence surveys.

This helps explain the contradictory messages coming from media and economic pundits that have been focused on the supposed dangers of U.S. trade policy versus the bullish outlook the stock market and earnings forecasts have been signaling. Similarly, the conventional wisdom about a tariff-related inflation surge continues to be contradicted by market measures of inflation expectations and the fact that the evidence to date shows companies rather than consumers are absorbing the tariff increases and still making plenty of money as earnings revisions remain strongly positive for U.S. companies.

Like the commentary on trade policy, the chatter around the budget bill has also missed the mark in our view. Shifting the spending mix away from government spending and tax incentives toward capital spending is already paying off in a big way.

According to the latest updates during Q2 earnings season, aggregate capital expenditures (capex) has topped \$1 trillion, up 14% over the past year. A third of this capex is coming from AI hyperscalers, according to Absolute Strategy Research. As a share of sales, capex has reached levels last seen during the late '90s dot.com boom. The big difference is today's tech titans are highly profitable and funding investment out of cash flow rather than borrowing.

Earlier this year there was concern this AI-focused capex boom would reverse. Instead, the race has intensified to capture the fruits of this AI future. For example, according to Empirical Research Partners' calculations, four of the Magnificent 7<sup>2</sup> hyperscalers were looking to raise capex 20% at the beginning of 2025 but have recently upped that to 45%. Estimates for 2026 keep rising based on recent commentary. Again, this is a boom in AI-related capex. Outside of AI-related businesses, capital spending is more subdued.

While the dot.com boom was a bubble that popped, there are some marked differences with today's technology boom. For one thing, because of concerns surrounding the Y2K date, companies were investing heavily in technology equipment to weather that transition and the Fed was providing abundant liquidity to prevent a year-end squeeze. Once the date passed uneventfully, technology capex dried up and the Fed withdrew its special liquidity provision. Valuations had reached the most extreme level since 1929, and the markets were vulnerable to the change in fundamental conditions.

Valuations today are similarly stretched with some important differences. The most highly profitable companies at the AI forefront are generating sufficient cash flow to finance

### Investment Implications

As more and more earnings are generated by the application of AI to economic value creation, companies leading this charge are being rewarded with higher valuations. Participating in this secular shift is an important component of a well-diversified asset allocation, in our view.

<sup>1</sup> Neil Howe, *The Fourth Turning is Here: What the Seasons of History Tell Us About How and When the Crisis Will End*, Simon & Schuster, 2023. The previous fourth turnings occurred during the eras of the American Revolution, the Civil War, and the Great Depression and World War II.

<sup>2</sup> Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft, and Tesla.

their massive investments without relying on excessive borrowing. The vast preponderance of market gains in 2025 (about 70%) have come from AI plays according to Empirical Research. Fortunately, the latest earnings season confirmed that they also account for a growing share of earnings and a much faster pace of earnings growth. In short, they have much better fundamentals than the Pet.com’s of yesteryear.

Of course, there must be some limits on AI’s earnings potential and its timeline. As always, the mix of leaders and laggards will shift over the next decade just as it did after the dot.com bust. Nevertheless, like the internet-fueled tech boom of the 1990s, the AI-fueled technology boom of the next two decades is proceeding at an exponential pace just as the visionaries of that era predicted.

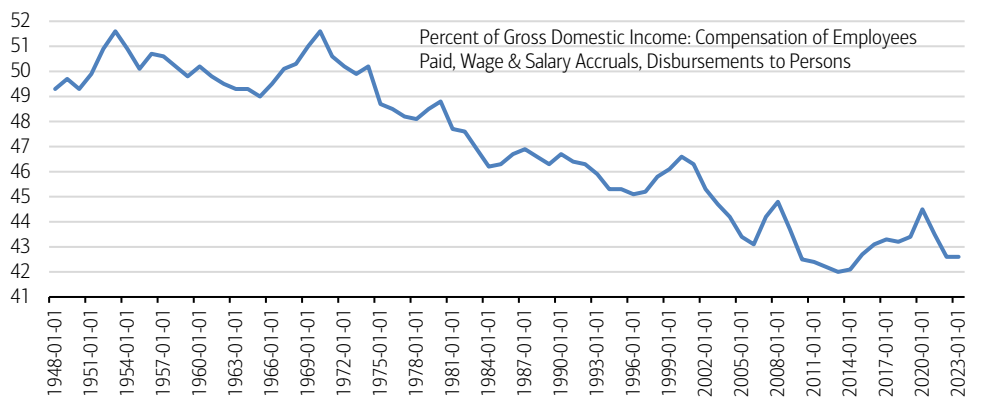
Starting in the late 1980s and culminating in his 2005 book, *The Singularity is Near*, Ray Kurzweil accurately predicted that AI would emerge and surpass human intelligence by about 2030. In his recent book, *The Singularity is Nearer*, he helps readers think about the implications of machine intelligence a million of times faster and greater than human intelligence.

One of his many concerns about the coming potential for superabundance that results is how the fruits of this new era will be shared. Already the rise of technology companies with higher ratios of revenues and earnings per employee has been fueling a trend toward a lower and lower share of labor income in the overall economic pie. This trend also reflects a rising trend of retired workers living off capital rather than labor income. As can be seen in Exhibit 1 the share of wage and salary income fluctuated around 50% for about 25 years after World War II and fell below that range in the later 1970s as the application of digital technology began to take off. This trend toward a lower and lower share of labor income is likely to continue as AI boosts the capital share of the income pie.

As AI adoption accelerates exponentially in coming years, the owners of these companies are likely to continue to see the enormous accrual of wealth the Magnificent 7 founders and leaders are already experiencing. The share of wealth in an increasingly small segment of the population has exploded during the technology boom. While policy recommendations like a universal basic income are designed to address the issues raised by increasing income and wealth inequality in an economy increasingly dominated by AI, programs to broaden the ownership of capital are likely to garner increasing attention as AI takes over a much bigger chunk of the economy.

One solution is broadening equity ownership so more of the population shares in the increasing pool of capital income. This secular trend of rising earnings power made possible by accelerating technological progress helps support our recommendation for an Equity overweight in well-diversified portfolios.

**Exhibit 1: Labor Share of Income Falling as Capital Share Rises with Accelerating Technological Progress.**



Source: Bureau of Economic Analysis. Data as of 2023. Latest available.

## Amid the Shifting Global Trade Landscape, Here Are 3 Realities That Haven't Changed

*Ariana Chiu, Assistant Vice President and Wealth Management Analyst*

Much has shifted this year in the world of trade—notably the effective tariff rate on U.S. imports, which now stands at 18.6%, a striking departure from the 2.5% average tariff rate maintained over the last half-century.<sup>3</sup> With several trade deal frameworks between the U.S. and its major trading partners now in place, corporates and governments globally are coming to terms with the fact that higher U.S. tariffs are here to stay. So are the capital markets, with U.S. and global Equity indexes at or near record-highs because the worst fears in April—a global trade war—never materialized.

While the global trading regime is shifting, investors should also be attuned to what hasn't changed. One, the U.S. is still dependent on China for strategic minerals. Two, the U.S. is still on track to run a significant (if not record) trade deficit this year. Finally, while trade between the U.S. and China has declined, China is still an export-led economy boasting a \$1 trillion-plus trade surplus with the rest of the world. Each of these realities has important implications for the U.S. and global economy. We explain below.

**First, while China's share of total U.S. imports has declined this year, U.S. dependence on China for strategic minerals persists and will be difficult to unwind.** On a headline level, yes—U.S. dependence on China for imported goods has fallen. According to the Census Bureau, China's share of total U.S. goods imports stood at just 9.5% in the first half of the year, lower than 13.4% in 2024 and a far cry from the 21.6% peak in 2017. Mexico and Canada emerged as the top two sources of U.S. goods imports through June, supplanting China for the first time since 2002 (Exhibit 2A).

Yet when it comes to strategic minerals and metals essential to U.S. defense systems, power generation, manufacturing and more, U.S. dependence on China hasn't declined. In some cases, per Exhibit 2B, reliance has only intensified. That's in addition to China refining 99% of the world's gallium, 95% of the world's graphite and 92% of the world's rare earths, to name a few.<sup>4</sup> It's no wonder then that the administration has tread carefully with China in recent months, including negotiating to restore access to rare earth elements and magnets in June. China's chokehold on mineral supply chains will continue to be a geopolitical focal point for years to come, in our view.

**Second, even with higher tariffs, the U.S. is likely to run a hefty trade deficit in 2025—marking the 50th consecutive year the U.S. has run a trade deficit.** In the first half of the year, the U.S. goods trade deficit through June clocked in at \$735 billion, or 27% higher than the \$577 billion deficit recorded in the same period last year.<sup>5</sup> And while the trade deficit is likely to moderate in the second half of the year given higher tariffs, it may not be enough to offset Q1's record import surge. In fact, the U.S. would have to reduce its trade deficit by 25% year-over-year (YoY) in the second half of 2025 just to match last year's trade deficit. Hardly an easy task.

Moreover, with trade deficits an ongoing sore spot for this administration, investors shouldn't ignore the possibility that still elevated trade deficits heading into 2026 serve as fodder for stricter trade restrictions to come. While this isn't our base case, the bottom line is that economic rebalancing doesn't happen overnight. U.S. import demand is sticky. The U.S. consumer entered this year driving more than 30% of global consumption while Asia's manufacturing prowess and high saving rates in economies like China, Korea and Taiwan are decades in the making. Correcting these structural imbalances will require considerable follow-through.

**Third, China's export machine has shown few signs of slowing down with the country's trade surplus reaching new heights this year.** The second largest economy in the world made headlines in 2024 for running a near-\$1 trillion trade surplus. The hope

### Investment Implications

Longer-term, a rebalancing to more production in the U.S. and more consumption in parts of Europe and Asia should encourage more sustainable global growth. We remain neutral on Emerging Markets as China's growth model continues to favor exports over consumption. In the U.S., further trade restrictions amid still-elevated trade deficits could be a wildcard to consider heading into 2026, in our view.

<sup>3</sup> Yale Budget Lab, as of August 7, 2025.

<sup>4</sup> International Energy Agency, as of May 2025.

<sup>5</sup> Bureau of Economic Analysis, as of August 5, 2025.

earlier this year was that, in the face of much higher U.S. tariffs, China would pivot away from exporting its way to growth. With President Xi Jinping himself acknowledging overcapacity in sectors like electric vehicles last month<sup>6</sup>, investors remain optimistic that stimulus measures can drive consumption-led growth in China.

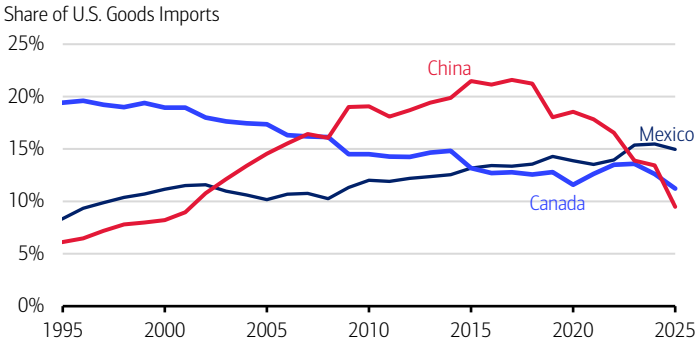
Beijing’s reliance on exports as a means to growth has only intensified, however. Per Exhibit 2C, the country’s trade surplus is now tracking at an annualized \$1.2 trillion or roughly 6% of gross domestic product, in part reflecting the country’s export push into foreign markets outside of the U.S. That’s what Exhibit 2D highlights: While exports to the U.S. have declined 12.5% YoY so far this year, exports to Vietnam (20.6%), the broader ASEAN region (13.4%), Africa (24.1%) and the European Union (7.2%) have surged. Whether transshipments from Southeast Asia to the U.S. will subside amid tougher tariff policy remains to be seen. For now, China appears to be relying on a familiar growth engine, with limited signs that domestic consumption is ready and able to take the baton.

**What This Means for Investors:** We continue to believe that the reordering of global trade in a world long-addicted to U.S. consumption is overdue. This won’t happen overnight and will take years, if not decades. In the long term, greater attention to domestic consumption in parts of Europe and Asia should shape more balanced and sustainable global growth.

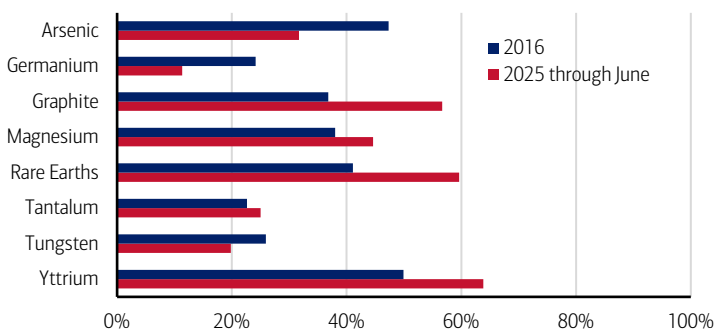
In the near term, investors should consider the variables that will be more difficult to change—and the attendant investment implications. First, while the latest 90-day extension to U.S.-China trade talks has appeased the markets, the U.S.-China trade dance over semiconductors (advantage U.S.) and strategic minerals (advantage China) remains a potential flashpoint and source of market volatility. Second, with the U.S. on track to log another outsized trade deficit in 2025, the risk is that the administration wields other market-unsettling measures and policies in 2026 to correct the deficit. And finally, China’s unwillingness to shift its growth model from export- to consumption-led growth, and the expected ensuing global protectionist backlash, is one key reason why we remain neutral on Emerging Markets, of which China maintains a significant weight.

**Exhibit 2: Taking Stock of What's Changed—And What Hasn't—in Global Trade.**

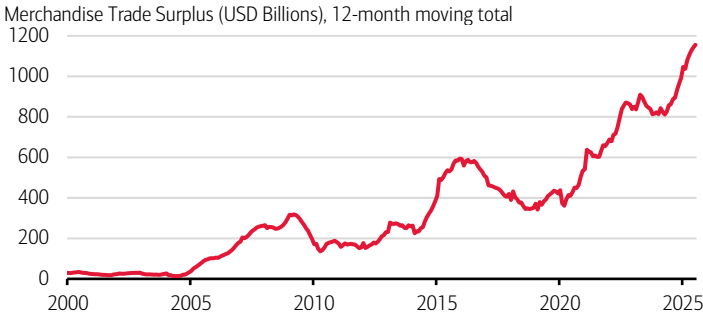
2A) U.S. Imports More From Mexico and Canada for First Time Since 2002.



2B) Critical Materials Imports from China as a Percent of Total.



2C) China's Trade Surplus Soars Past \$1 Trillion.



2D) China Exports Less to U.S., More to the Rest of the World.

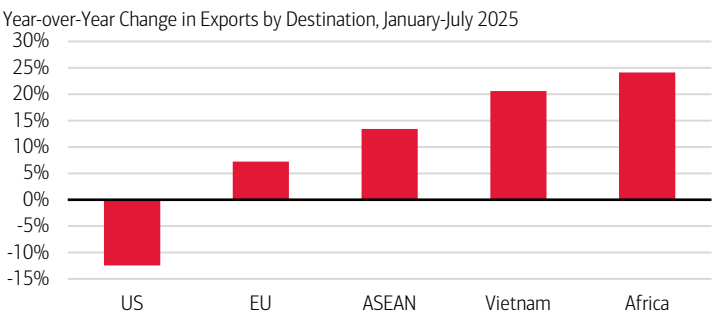


Exhibit 2A) Source: Census Bureau. Data through June 2025, as of August 11, 2025. Exhibit 2B) Sources: U.S. International Trade Commission, U.S. Geological Survey Mineral Commodity Summaries. Data as of August 12, 2025. Exhibit 2C) Source: General Administration of Customs of China, Haver Analytics. Data as of August 11, 2025. Exhibit 2D) Source: General Administration of Customs of China, Haver Analytics. ASEAN includes Brunei, Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam. Data as of August 11, 2025.

<sup>6</sup> “China struggles to break its addiction to manufacturing,” Financial Times, July 29, 2025.

Done Deal on a Fed Rate Cut?

Kirsten Cabacungan, Vice President and Investment Strategist

The market looks convinced a Fed rate cut is coming. Futures traders according to the CME FedWatch Tool have priced in above 80% probability of a 25-basis point (bps) rate cut at the September FOMC meeting. That’s a ramp up from a month ago when odds stood at around 55%.<sup>7</sup>

The surge in rate cut expectations can be attributed in part to signs of labor market cooling after jobs growth for both May and June were revised sharply lower, and the July figure came in below expectations. Investor optimism has also likely been boosted by what appears to be developing internal pressure at the Fed to ease policy. The Fed saw its first dual dissent in over 30 years at the last FOMC meeting after two Fed governors voted against the decision to remain on hold in favor of an immediate cut. Not to mention the Fed’s June Summary of Economic Projections reflected a median forecast of two rate cuts by the end of the year.

Despite the shift in market tone, a September rate cut is not locked in. Risks on both sides of the Fed’s dual mandate—maximum employment and price stability—keep the Fed’s next policy decision in play. Inflation continues to sit above the Fed’s 2% target. While the July Consumer Price Index (CPI) report showed headline 12-month inflation held steady at 2.7% for a second month, core CPI, which excludes more volatile food and energy prices, rose 3.1% from a year ago, up from 2.9% in the prior month.<sup>8</sup> The U.S. Producer Price Index also posted its biggest monthly gain in July since June 2022. That likely keeps the Fed highly data-dependent heading into September.

If the Fed resumes its rate cutting cycle, how might stocks respond? History suggests market performance can vary during Fed easing cycles depending on the economic backdrop and the reasons behind why the Fed cut rates. Based on the past 7 periods, easing cycles without a recession have historically been a more favorable backdrop for market returns with U.S. Equities delivering an average annualized total return of 29.3% during the cycle (Exhibit 3).

U.S. Equities have so far reacted positively to increased rate cut expectations, with the S&P 500 climbing to new all-time highs. Small-caps have also gained momentum after the Russell 2000 Index posted its best week relative to the S&P 500 since April and rallied to its highest level since December. Easier financial conditions tend to be a tailwind for Small-caps since nearly half of Small-cap debt is short-term or floating rate.<sup>9</sup> For now, BofA Global Research maintains its forecast of no rate cuts this year with the potential for 100 bps of cuts in 2026, but any signs of improving prospects for easier monetary policy will likely remain a tailwind for stocks ahead.

Exhibit 3: History of Fed Easing Cycles.

Start of Easing Cycle	End of Easing Cycle*	Type of Easing Cycle	Recession	Full Easing Cycle Annualized Total Returns							
				Stocks	Bonds	Cash	Large-caps	Small-caps	Growth	Value	Dividend Stocks
Sep-84	Mar-88	Normalization/Emergency (1987 Crash)	No	17.3%	14.7%	7.6%	16.8%	10.6%	16.0%	18.2%	-
Jun-89	Sep-93	Normalization/Recession	Yes	12.0%	11.3%	6.0%	12.3%	11.0%	13.6%	12.8%	-
Jul-95	Mar-97	Normalization	No	25.6%	5.2%	5.4%	24.9%	14.2%	24.0%	25.6%	25.1%
Sep-98	Jun-99	Emergency (LTCM** Crisis)	No	45.0%	-0.7%	4.5%	45.0%	36.6%	50.5%	39.1%	24.6%
Jan-01	Jun-04	Recession (Dot-com Bubble)	Yes	-3.1%	6.4%	2.2%	-2.8%	7.3%	-8.3%	2.1%	8.7%
Sep-07	Dec-09	Recession (Global Financial Crisis)	Yes	-11.0%	6.6%	1.6%	-10.7%	-10.3%	-7.4%	-14.2%	-3.2%
Jul-19	Mar-21	Normalization/Recession (Covid)	Yes	21.5%	3.8%	0.9%	23.0%	30.0%	30.1%	14.3%	16.5%
Sep-24	?	Normalization									
Average (All Easing Cycles)				15.3%	6.8%	4.0%	15.5%	14.2%	16.9%	14.0%	14.3%
Average (Non-recession)				29.3%	6.4%	5.8%	28.9%	20.5%	30.2%	27.7%	24.8%
Average (Recession)				4.8%	7.1%	2.7%	5.4%	9.5%	7.0%	3.8%	7.3%

\*End of easing cycles defined as one year after Fed’s last rate cut. If the Fed raised rates before that date, then the end of the easing cycle defined as the date of the Fed rate hike. The 1984-1988 easing cycle period occurred during the “stop-and-go” Fed era and when the central bank oscillated between rate cuts and hikes. Therefore, this easing period is defined as the peak in the effective Fed funds rate through the end of the emergency cuts during the October 1987 market crash. Returns reflect annualized total returns for the full easing cycle. Green shading represents positive returns while red shading represents negative returns. \*\*Long-term Capital Management. Stocks=S&P 500; Bonds=Bloomberg U.S. Aggregate Bond Index; Cash=ICE BofA U.S. 3-month Treasury Bill Index; Large-caps=Russell 1000; Small-caps=Russell 2000; Growth=Russell 1000 Growth; Value=Russell 1000 Value; Dividend Stocks=S&P 500 Dividend Aristocrats. Bloomberg. Data as of August 14, 2025. **Past performance is no guarantee of future results.** Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

<sup>7</sup> CME FedWatch Tool as of August 18, 2025.  
<sup>8</sup> Bloomberg. Data as of August 14, 2025.  
<sup>9</sup> BofA Global Research, *US Equity Strategy in Pictures*. As of August 1, 2025.

Portfolio Considerations

We maintain an overweight to U.S. Equities amid strong earnings growth, a solid economic backdrop and an increasing potential for easier monetary policy ahead. Small-caps have recently gained some momentum and may benefit from future interest rate cuts, though tariffs concerns remain a headwind. We therefore emphasize incorporating both Large- and Small-caps in strategic portfolios.



Equities

Total Return in USD (%)				
	Current	WTD	MTD	YTD
DJIA	44,946.12	1.8	1.9	6.7
NASDAQ	21,622.98	0.8	2.4	12.4
S&P 500	6,449.80	1.0	1.8	10.5
S&P 400 Mid Cap	3,172.49	1.6	0.7	2.6
Russell 2000	2,286.52	3.1	3.5	3.4
MSCI World	4,174.56	1.2	2.5	13.6
MSCI EAFE	2,740.81	2.4	4.9	23.5
MSCI Emerging Markets	1,272.43	1.6	2.5	20.4

Fixed Income†

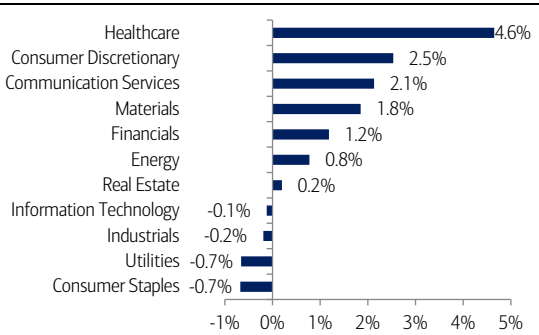
Total Return in USD (%)				
	Current	WTD	MTD	YTD
Corporate & Government	4.39	-0.03	0.56	4.30
Agencies	4.25	0.06	0.52	3.86
Municipals	3.91	-0.03	0.60	0.05
U.S. Investment-Grade Credit	4.54	-0.02	0.61	4.38
International	4.95	0.19	0.73	5.01
High Yield	6.95	0.27	0.53	5.59
90 Day Yield	4.21	4.24	4.34	4.31
2 Year Yield	3.75	3.76	3.96	4.24
10 Year Yield	4.32	4.28	4.37	4.57
30 Year Yield	4.92	4.85	4.90	4.78

Commodities & Currencies

Total Return in USD (%)				
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	249.11	-0.3	-0.6	4.4
WTI Crude \$/Barrel††	62.80	-1.7	-9.3	-12.4
Gold Spot \$/Ounce††	3336.19	-1.8	1.4	27.1

Total Return in USD (%)				
	Prior Week End	Prior Month End	2022 Year End	
Currencies				
EUR/USD	1.17	1.16	1.14	1.04
USD/JPY	147.19	147.74	150.75	157.20
USD/CNH	7.19	7.19	7.21	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 08/11/2025 to 08/15/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 08/15/2025 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 8/15/2025)

	Q1 2025A	Q2 2025A	Q3 2025E	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	3.0	3.1
Real U.S. GDP (% q/q annualized)	-0.5	3.0*	1.0	1.6	1.7	1.7
CPI inflation (% y/y)	2.7	2.5*	2.8	2.6	2.6	2.3
Core CPI inflation (% y/y)	3.1	2.8*	3.0	3.0	3.0	2.7
Unemployment rate (%)	4.1	4.2*	4.3	4.4	4.2	4.5
Fed funds rate, end period (%)	4.38	4.38	4.38	4.38	4.38	3.38

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. \*Data as of August 15, 2025.  
Sources: BofA Global Research; GWIM ISC as of August 15, 2025.

Asset Class Weightings (as of 8/5/2025)

Asset Class	CIO View		
	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			

\*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 August 5, 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.

CIO Equity Sector Views

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

## 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.**

**Equity/Stocks/S&P 500 Index** is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

**Index of leading indicators** is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables.

**Consumer Price Index** is a measure of the average change over time in the prices urban consumers pay for a basket of consumer goods and services.

**Producer Price Index** measures the average change over time in the selling prices domestic producers receive for their output.

**Bonds/Bloomberg U.S. Aggregate Bond Index** is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

**Cash/ICE BofA U.S. 3-month Treasury Bill Index** is an unmanaged index that is comprised of a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month.

**Large-cap/Russell 1000 Index** is a U.S. stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

**Small-caps/Russell 2000 Index** is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index.

**Growth/Russell 1000 Growth Index** measures the performance of the large- cap growth segment of the US equity universe.

**Value/Russell 1000 Value Index** measures the performance of the large- cap value segment of the US equity universe. It includes those Russell.

**Dividend Stocks/S&P 500 Dividend Aristocrats Index** is a stock market index composed of the companies in the S&P 500 index that have increased their dividends in each of the past 25 consecutive years.

## Important Disclosures

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

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

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. 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.

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