

Capital Market Outlook

September 3, 2024

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

IN THIS ISSUE

Macro Strategy—Rate Cut Expectations Broaden Equity Market Rally: Slowing inflation, anchored inflation expectations, and normalizing labor market conditions have Federal Reserve (Fed) officials increasingly confident in achieving their 2% inflation mandate. Attention has thus shifted to protecting labor demand from further cooling, with Fed Chair Powell recently endorsing lower interest rates to this aim. Indeed, the employment picture appears on track for revisions that will render hiring much less “sprightly” than initially reported. As a result, markets are pricing in rapid-fire Fed interest cuts amounting to 100 basis points by year-end.

Still, healthy corporate revenues, earnings and credit conditions argue for patience and gradual easing. Robust U.S. nominal gross domestic product (GDP) growth and strong productivity have resulted in better-than-expected corporate earnings. In fact, downside employment revisions imply even stronger productivity than current data indicate. Companies tend to reduce employment when profits weaken, not when they increase. Also, the BofA Global Research global earnings revisions ratio (ERR) has increased sharply to a 29-month high in August. According to that research, the ERR and Global Wave remain consistent with continued economic expansion and robust Equity returns a year out.

Market View—Influencing the “Buffalo Market”: In July, as global Equity volatility picked up, we referenced an analogy, characterizing the market environment to a buffalo. Less attractive than a bull, given its heavier and disheveled nature, it “roams” more erratically instead of “charging” in one direction, lacking dominant catalysts like those present in a bull market.

For investors, it’s important to understand the major elements goading the buffalo market’s “zigs and zags.” In this report, we also “survey the range,” reviewing some potential catalysts on watch, which may shift the market’s direction and nature.

Thought of the Week—Don’t Overlook the Earnings: While investors’ attention has been dominated by high-profile economic releases, rapidly shifting interest rate cut expectations, and wild swings in the equity market over the last few weeks, the S&P 500 quietly notched its best quarterly earnings growth since Q4 2021. Top-line revenue growth held up and margins remained resilient.

Importantly, earnings strength continued to broaden beyond the Magnificent 7¹ cohort. While some metrics underwhelmed, overall, the latest data suggests that a durable earnings uptrend is underway. We will likely see more market churn over the next few months, but we believe a strong earnings backdrop should ultimately help to reinforce our Equity overweight.

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

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MACRO STRATEGY ►

Chief Investment Office
Macro Strategy Team

MARKET VIEW ►

Rodrigo C. Serrano, CFA®
Director and Senior Investment Strategist

THOUGHT OF THE WEEK ►

Emily Avioli
Vice President and Investment Strategist

MARKETS IN REVIEW ►

Data as of 9/3/2024,
and subject to change

Portfolio Considerations

We maintain an overweight to Equities, with a preference for higher quality U.S. Large- and Small-caps, and still favor a significant allocation to bonds in a diversified portfolio.

We reaffirm our guidance within Fixed Income of slightly long duration and a preference for quality across the segments and curve.

Through these periods of episodic volatility, asset class diversification is working again when it is needed most.

Rate-Cut Expectations Broaden Equity-Market Rally

Chief Investment Office, Macro Strategy Team

Mainly reflecting elevated interest rates and normalizing consumer demand, incoming U.S. economic data have remained slightly negative on balance. Housing and manufacturing have long been casualties of tight Fed policy, but labor demand has also shown troubling signs of fatigue through July. That month was affected by one-off events, such as hurricane Beryl and the aftereffects of the June cyberattack on auto dealers, however, suggesting only a temporary labor-demand swoon.

While it remains to be seen how much of the sharp July hiring slowdown and unemployment rate increase to 4.3% was reversed in August, the broad-based softening trend in labor market indicators has caught the Fed's attention. Indeed, although layoffs have remained low, more complete Bureau of Labor Statistics information reveals that monthly payroll gains in the year to March 2024 were about 30% weaker than previously reported. An average monthly payroll gain of about 170,000 versus 240,000 currently on the books would still be robust. However, this downside revision to employment is the largest since 2009.

The fact that the magnitude of the revision harks back to the depth of the 2008/2009 Great Financial Crisis is not only uncomfortable. It suggests that labor demand has been much less "hot" than assumed over the past year or so. Revision patterns also reveal an even greater dependence on the government, education, and healthcare sectors than initially reported. Furthermore, they imply 30% lower personal income growth over the revised period, and thus less personal saving than assumed. This, at a time when wage growth is softening, the private sector job openings rate has sharply dropped below prepandemic levels, and lower-income households are increasingly feeling financial strains.

The revisions also substantially narrow the gap between the payrolls survey and the household survey of employment, from which the unemployment rate is derived. The latter has been sending weaker signals all along. In fact, even the unemployment rate may be adjusted higher. That's because periods of rapid immigration, such as experienced over the past two years, have often led to substantially higher labor force estimates. According to Oxford Economics, the current undercount is gauged at around 1.3 million to 2 million people, doubling the level of employment growth needed to keep the unemployment rate steady from about 100,000 to at least 200,000 per month this year. The household survey has shown negligible jobs growth over the past year, however, causing the unemployment rate to rise to 4.3% from 3.5% a year ago. Upside labor force revisions would raise it even more.

While a higher unemployment rate helps explain the wage growth deceleration and general disinflation trend of the past year or so, it also puts the Fed's full-employment mandate at risk. The reason for higher unemployment—layoffs versus insufficient hiring relative to the increase in the labor force—should thus not matter to the Fed. And it hasn't. Once the Fed became confident in achieving its inflation target and risks to its full-employment mandate increased, it strongly endorsed market expectations of rate cuts.

Inflation getting closer to the 2% Fed target has been a sine qua non condition for achieving an economic "soft landing," so its recent deceleration gives the Fed room to maneuver. "Core" inflation² has decelerated sharply over the past three months to a 1.6% - 1.7% annualized pace, depending on the measure. According to Fed Chair Powell's August 23 speech at the annual Jackson Hole economic policy symposium, the "unmistakable" easing of labor market conditions makes it unlikely to be a source of elevated inflationary pressures anytime soon, so "The time has come for policy to adjust...We will do everything we can to support a strong labor market as we make further progress toward price stability."

Fed Chair Powell has made it clear that the Fed doesn't welcome any further increase in the unemployment rate and that the central bank has a lot of ammunition to prevent such an outcome. At the same time, he reiterated that the interest rate path remains highly dependent on incoming data. In our view, a gradual easing would be prudent for a number of reasons.

Portfolio Considerations

Better-than-expected U.S. earnings, a significant rebound in the global ERR, and a healthy Global Wave indicator typically are signs of sustained economic expansion and solid Equity returns. Upcoming Fed rate cuts should bolster the expansion and earnings uptrend, reinforcing risk-asset outperformance.

² "Core" inflation, or inflation excluding the more volatile food and energy, better reflects underlying inflation trends.

First, consumer spending has decelerated but remains healthy, supported by still high levels of employment and strong household balance sheets.

Second, robust U.S. nominal growth and strong productivity have resulted in better-than-expected earnings through Q2. Downside revisions to U.S. payrolls imply even stronger productivity than apparent in current data. With healthy revenue and profits growth, credit markets remain calm, inconsistent with a need for panic rate cuts. In fact, recent data from BofA Global Research show a significant rebound in the global ERR to a 29-month high in August, led by strong upside revisions in the U.S. and Europe. Companies tend to reduce employment when profits weaken or decline, not when they increase. Following several months of gains, the Global Wave indicator also remains at healthy levels. According to BofA Global Research, similar ERR and Global Wave conditions in the past were consistent with a positive economic, profits and Equity return outlook over the following year.

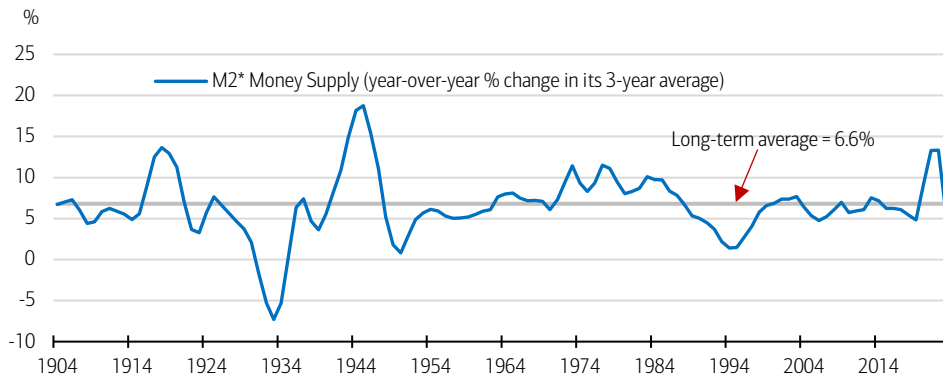
Third, global growth has proven more resilient than expected, and a global easing cycle has already begun. Its force should gather steam with the Fed soon joining in, helping to solidify the expansion. Overstimulating growth with excessive rate cuts could cause inflation to reverse its downtrend.

Fourth, heightened geopolitical risks to oil supplies and recently announced oil supply disruptions in Libya remind us of the limits to growth posed by energy shocks.

Fifth, risks to inflation from overreliance on government jobs and government spending urge caution.

Six, U.S. money supply on a three-year average basis doesn't appear excessively weak (Exhibit 1).

Exhibit 1: Money-supply Growth Back to Long-term Trend.



*M2 is a measure of the U.S. money stock that includes currency and coins held by the non-bank public, checkable deposits, and travelers' checks plus savings deposits (including money market deposit accounts), small time deposits under \$100,000, and shares in retail money market mutual funds. Sources: Federal Reserve Board/Haver Analytics. Data as of August 27, 2024.

All in all, inflation is slowing but is not at target yet. It has averaged 4.4% since the pandemic started, eroding the dollar's purchasing power at more than double the 2% rate promised by the Fed's inflation target. At the same time, earnings growth and corporate spreads have remained favorable. Businesses don't cut employment when profits increase. Thus, the economy appears to be normalizing rather than in need of urgent care, as currently priced in the markets. Overstimulating the economy with large and quick rate cuts risks reigniting upside price pressures, especially given untethered government deficits and risks of oil disruptions. Indeed, concerns that the Fed may err on the side of higher inflation in order to accommodate unusually large government debt and deficits run high.

According to Fed Chair Powell's Jackson Hole speech, "Disinflation while preserving labor market strength is only possible with anchored inflation expectations, which reflect the public's confidence that the central bank will bring about 2% inflation over time. That confidence has been built over decades and reinforced by our actions." The Fed's commitment to the 2% inflation target and to maintaining well-anchored inflation expectations will be tested once again.

Influencing the “Buffalo Market”

Rodrigo C. Serrano, CFA®, Director and Senior Investment Strategist

Amid greater equity market volatility, we characterize a “buffalo market” as one that has become tired, lacking clear direction, unlike a bull market. With a tendency to “roam,” it’s more sideways tendency has been goaded by volatility related to a reversal of the Japan’s yen carry trade. Influencing its “zigs and zags,” we propose a confluence of elements that may also be at play.

The Zigs (Positive influences). Fundamental improvement has helped support U.S. equity markets. For the S&P 500, Q2 results have made apparent a broadening of profits growth. According to Bloomberg Intelligence, net income growth excluding the Magnificent 7 is poised to grow by 9.1%, the quickest pace since Q2 of 2022 (Exhibit 2A).³ Indicating consumer resilience, retail sales in July grew month-over-month by the most since January 2023. A recent acceleration on a year-over-year (YoY) basis saw more subcategories participate. Meanwhile, the National Federation of Independent Business Small Business Optimism Index hit its highest level since February 2022, breaking out of a low range.

Another supportive element for Equities more broadly has been building expectations of monetary policy relief due to continued disinflation. Aside from hard data indicating ebbing price pressures in the U.S., inflation expectations three years out hit a record low, according to a consumer survey published by the New York Federal Reserve. In the euro area, a market measure of long-run inflation expectations hit its lowest level in nearly two years in the back half of August, according to Bloomberg.⁴

And Zags (Negative influences). Dragging on global Equities year-to-date has been the performance of China. Policy measures to shore up the faltering property market have been largely ineffective.⁵ Officials presently have ruled out more forceful strategies.⁶ A wealth shock from lower home prices has curtailed consumer spending and loan demand. A decline in bank loan growth for the first time since July 2005 was also due to falling corporate borrowing. Weakness in China has factored in subdued activity across manufacturing globally.

Fragility in the euro area’s industrial sector has been offset by strength in the services sector. Despite its expansion, however, backlogs have shrunk while growth in new orders is decelerating, according to purchasing managers’ indexes, raising expectations that the sector is set to cool (Exhibit 2B). Moreover, amid generally weaker-than-expected activity for the region, retail sales in June contracted on a YoY basis for the first time since February. Political and fiscal uncertainty has factored in fraying investor confidence.

Surveying the Range Ahead. Over the coming months, the progression of these dynamics and/or other potential catalysts may help reestablish the bull trend or prolong the buffalo market.

For instance, it may take less monetary easing than expected for economies to regain their strength and surprise yet again. In the U.S., a unique economic cycle has defied leading indicators of recession, including an inversion of the Treasury yield curve. An expanding labor force has helped fuel consumption, consistently defying cautious forecasts. So too has expanding household net worth, which stands at a record. Factoring has been an over 50% rise in national home values since 2019. Amid a homeownership rate of around 65%, many have benefited. Bolstering consumption globally, the Organisation for Economic Co-operation and Development expects continued real wage growth, helped by disinflation. Of 35 tracked countries, 29 recorded a rise at an average rate of 3.5% on a YoY basis through Q1. Recovering real consumption power may be

Investment Implications

Raised market volatility has reemphasized the value of diversification, seen in the performance of high-quality Fixed Income helping mitigate portfolio volatility overall. In the U.S, we see a normalization of economic activity as a natural, beneficial element for the longer-run outlook. Greater flexibility in monetary policies would help preserve global economic growth. On watch are potential catalysts which may weaken confidence, impeding a healthy consolidation of gains in financial assets.

³ The Magnificent 7 comprises seven outperforming technology companies within the S&P 500.

⁴ Five-year, Five-year forward inflation swap rate.

⁵ "China's HomeSales Slump Again, Signaling Crisis Not Over Yet," *Wall Street Journal*, August 1, 2024.

⁶ China rejects \$1 Trillion Housing Rescue Plan Pitched by IMF, Bloomberg, August 2, 2024.

supporting consumer sentiment, seen in Germany, the Netherlands and Poland, for example.⁷ Conversely, how long can the euro area’s service sector trudge along? More subdued economic data compared to expectations may raise uncertainty over the outlook.

Developments out of China may also prove to be catalysts for global growth. Amid signs of cooling activity and heightened protectionist inclinations in major export markets, officials have taken steps to support consumption and unveiled a 20-point plan to bolster the services sector. Yet analysts overall have argued for higher-impact fiscal policies with greater force. These would help improve confidence, lower national savings, and raise demand for loans, fostering a greater effectiveness of easing monetary policy, in our view. Decisive policy actions may help reverse worrisome signals from sluggish commodity prices to a lacking confidence globally in investing in human capital.⁸

Fragile sentiment may also reflect the approach of the U.S. election, as well as political uncertainty in Europe. Over the coming months, fiscal negotiations in both regions may become prominent. Also affecting confidence may be the progression of geopolitical hot spots, such as the conflict in Eastern Europe, tensions in the Middle East and potential flashpoints in Asia, including the South China Sea.

Returning to the initial prod awakening the buffalo’s meandering tendency, some analysts believe financial market volatility tied to the reversal of the yen carry trade has notably reduced imbalanced positioning.⁹ In turn, a brief, contained financial shock could help limit losses for assets such as the equity of U.S. technology companies, some pressured to map out returns from large investments in innovation. However, yen strength may hinge on whether easing monetary policy in the U.S. notably deviates from that of Japan’s, where inflation pressures persist, risking more volatility and fueling broader uncertainty, both unfriendly elements for economic growth.

Exhibit 2: Some “Zigs and Zags” in Charts.

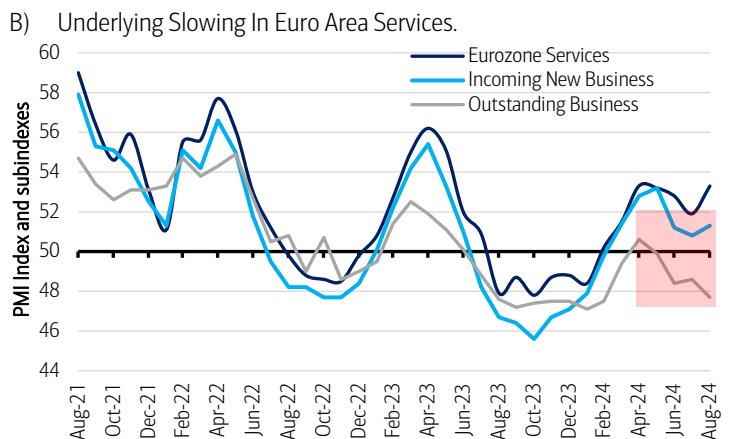
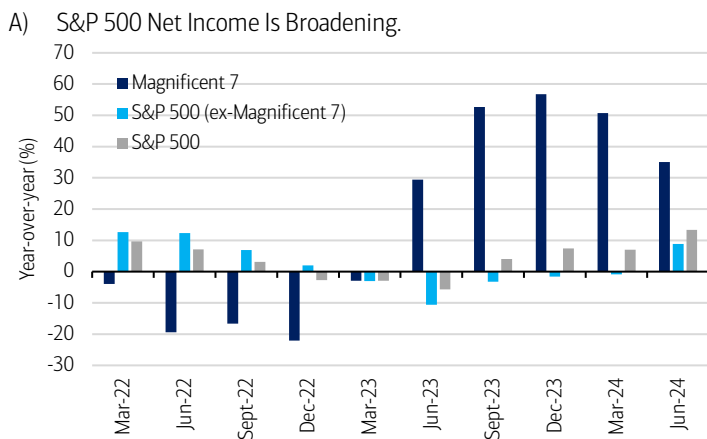


Exhibit 2A) Source: Bloomberg Intelligence and S&P Global. Data as of August 30, 2024. Exhibit 2B) Source: Bloomberg Intelligence and S&P Global. Data captured through August 2024.

⁷ Data produced by the European Commission.

⁸ World’s Largest Recruiter Says Clients Don’t Have Enough Confidence to Hire, Bloomberg, July 23, 2024.

⁹ JPMorgan Says Three Quarters of Global Carry Trades Now Unwound, Bloomberg, August 7, 2024.

THOUGHT OF THE WEEK

Don't Overlook the Earnings

Emily Avioli, Vice President and Investment Strategist

Over the last few weeks, investors' attention has been dominated by high-profile economic releases, rapidly shifting rate cut expectations, and wild swings in the equity market. Meanwhile, the S&P 500 quietly notched its best quarterly earnings growth since Q4 2021.

With 99% of companies in the S&P 500 reporting results, the index is on track to see Q2 earnings-per-share (EPS) increase by 11.4% YoY. This marks the fourth positive consecutive quarter of earnings growth, signaling a strong recovery from 2023's earnings recession, and puts the index on track for 10.1% YoY EPS growth for the full year 2024.¹⁰ Seventy nine percent of companies have reported a positive EPS surprise, and estimates have been revised upward since reporting season began. Top-line revenue growth held up, and margins remained resilient, with the S&P 500 seeing a blended net profit margin of 12.2% for the quarter.¹¹

Beneath the surface, broadening continued. Excluding the Magnificent 7 cohort, which led earnings higher at the index level for the last several quarters, the remaining 493 companies in the S&P 500 saw earnings increase by 6.5% YoY in Q2, marking the first positive EPS growth in five quarters (Exhibit 3A). Five of the 11 S&P 500 sectors saw double-digit earnings expansion, with areas like Utilities, Financials and Healthcare joining Information Technology and Consumer Discretionary as leaders of the pack (Exhibit 3B).

Despite the strong showing overall, it's worth noting that a few metrics underwhelmed. Disappointing results from certain mega-cap Technology names cast doubt that massive investments in Artificial Intelligence will see near-term returns. Consumer commentary was mixed, with some retailers providing supportive guidance and others flagging waning demand. The hotly anticipated Small-caps earnings recovery has yet to emerge, with the S&P 600 posting negative YoY EPS growth for Q2, while estimates for Q3 were revised lower. These developments bear watching.

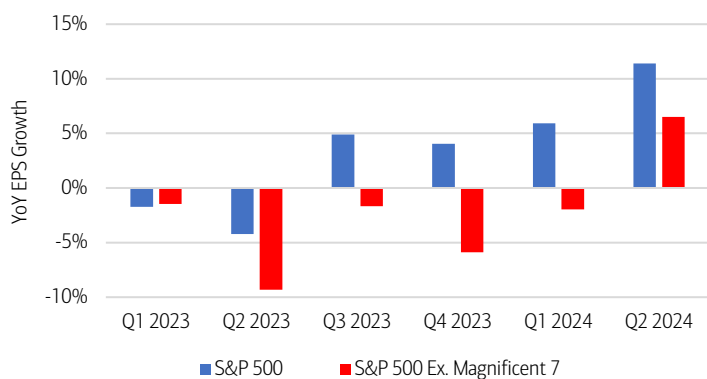
All things considered, the latest data suggests that a durable earnings uptrend is underway, reinforcing our Equity overweight. We will likely see more market churn over the next few months amid election uncertainty, geopolitical tensions, and a normalizing economy, but we believe a strong earnings backdrop should ultimately provide Equities with solid support.

Portfolio Considerations

Q2 earnings results reinforce our view that a new profit cycle is underway. A solid earnings backdrop, supported by lower costs of capital, economic growth, a steady consumer, and long-term secular themes, may act as a tailwind moving forward. From a positioning perspective, we reiterate our slight preference for Equities.

Exhibit 3: Q2 Earnings Season Results.

A) Quarterly YoY EPS Growth for S&P 500 and S&P 500 ex. Magnificent 7



B) Q2 YoY Earnings and Sales Growth by S&P 500 Sector.

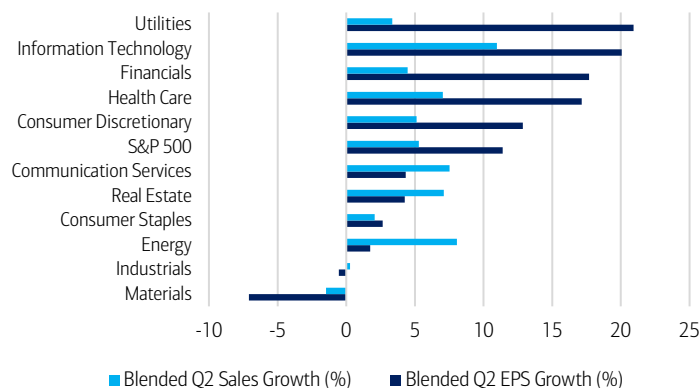


Exhibit 4A) Source: FactSet. Data as of September 3, 2024. Exhibit 4B) Source: FactSet. Data as of September 3, 2024. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. **Past performance is no guarantee of future results.**

¹⁰ FactSet, September 3, 2024.

¹¹ FactSet Earnings Insight, August 16, 2024.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	41,563.08	1.1	2.0	11.7
NASDAQ	17,713.63	-0.9	0.7	18.6
S&P 500	5,648.40	0.3	2.4	19.5
S&P 400 Mid Cap	3,091.52	-0.1	-0.1	12.2
Russell 2000	2,217.63	0.0	-1.5	10.4
MSCI World	3,661.24	0.3	2.6	16.7
MSCI EAFE	2,453.44	0.6	3.3	12.0
MSCI Emerging Markets	1,099.92	0.0	1.6	9.5

Fixed Income[†]

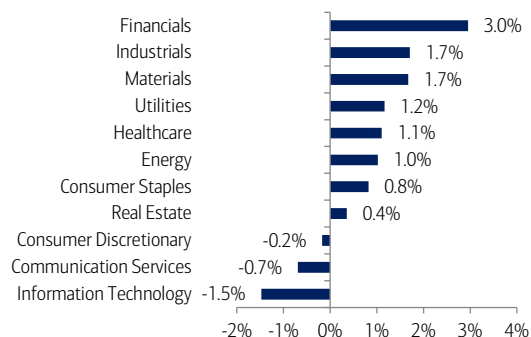
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.32	-0.53	1.38	2.95
Agencies	4.35	-0.18	0.93	3.29
Municipals	3.45	0.01	0.79	1.30
U.S. Investment Grade Credit	4.42	-0.51	1.44	3.07
International	4.94	-0.59	1.57	3.49
High Yield	7.30	0.20	1.63	6.28
90 Day Yield	5.11	5.13	5.28	5.33
2 Year Yield	3.92	3.92	4.26	4.25
10 Year Yield	3.90	3.80	4.03	3.88
30 Year Yield	4.20	4.09	4.30	4.03

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	228.58	-0.3	0.0	0.9
WTI Crude \$/Barrel ^{††}	73.55	-1.7	-5.6	2.7
Gold Spot \$/Ounce ^{††}	2503.39	-0.4	2.3	21.3

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.10	1.12	1.08	1.10
USD/JPY	146.17	144.37	149.98	141.04
USD/CNH	7.09	7.12	7.23	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 8/26/2024 to 8/30/2024. [†]Bloomberg Barclays Indices. ^{††}Spot price returns. All data as of the 8/30/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 8/16/2024)

	2024E	Q1 2024A	Q2 2024A	Q3 2024E	Q4 2024E	2025E
Real global GDP (% y/y annualized)	3.2	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	2.7	1.4	2.8	2.5	2.0	2.2
CPI inflation (% y/y)	3.1	3.2	3.2	3.0	2.9	2.3
Core CPI inflation (% y/y)	3.4	3.8	3.4	3.3	3.2	2.7
Unemployment rate (%)	4.0	3.8	4.0	4.1	4.1	4.1
Fed funds rate, end period (%)	4.88	5.33	5.33	5.13	4.88	3.88

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 August 16, 2024.

Asset Class Weightings (as of 8/6/2024)

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 Funds			
Private Equity			
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 6, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

CIO Equity Sector Views

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

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.

National Federation of Independent Business Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides an indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce.

Purchasing Managers' Index (PMI) also known as the ISM manufacturing index is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at manufacturing firms nationwide. It is considered to be a key indicator of the state of the U.S. economy.

Euro-zone Services Purchasing Managers' Index (PMI) measures the activity level of purchasing managers in the services sector. A higher than expected reading should be taken as positive/bullish for the EUR, while a lower than expected reading should be taken as negative/bearish for the EUR.

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®)/S&P 500 Total Return Index, including Information Technology Total Return (TR) USD; Consumer Discretionary TR USD; Industrials TR USD; Real Estate TR USD; Communication Services TR USD; Materials TR USD; Financials TR USD; Consumer Staples TR USD; Utilities TR USD; Energy TR USD; Healthcare TR USD.

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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. 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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