

# Capital Market Outlook

September 30, 2024

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

## IN THIS ISSUE

### Macro Strategy—*Investors Need a More Nuanced View of the U.S. Consumer: We*

**Explain:** We believe mounting concerns of a U.S. recession are overdone. The U.S. economy beats to the tune of the U.S. consumer, and right now, the pulse of the consumer remains solid, in our view. What's key is this: Not all U.S. consumers are created equal; differentiating factors like educational attainment levels, ownership of financial assets and income levels matter. The higher the education, the higher the income, and the higher the capacity to spend. There is also greater job security: The unemployment rate among holders of master's degree or higher/equivalent was just 2% last year, or roughly half the jobless rate among workers with a high school diploma.

U.S. personal consumption levels have surprised to the upside this year because better educated, higher-income households are in better financial shape than lower-income households. This cohort is outspending—and when they spend, they move the needle. Just 4.4% of U.S. households account for 15% of total U.S. personal consumption; supporting matters is the wealth effect. The greater the wealth of a consumer, the greater the confidence and capacity to consume. U.S. household net worth topped a record \$164 trillion in Q2, based on data from the Federal Reserve (Fed), fueled in large part by a strong stock market and robust housing prices. Higher-income consumers are out in force, powering the U.S. economy forward. Hence, don't sweat the mounting fears of an impending U.S. recession.

**Market View—*Emerging Markets and the New Fed Easing Cycle:*** For investors in Emerging Markets (EM), shifts in the direction of Fed policy have historically had significant implications for equity market returns. In past decades, U.S. monetary policy tightening to the extent seen since 2022 has generally resulted in greater financial stress and often periods of crisis in emerging economies. And by contrast, periods of U.S. monetary easing have typically been associated with outperformance for EM Equities. A small number of countries may benefit from easier financial conditions as the Fed cuts rates, but strong EM fundamentals are likely to make for a limited effect from the new easing cycle across the bulk of the emerging world.

**Thought of the Week—*No Quick Fix for Europe:*** The former European Central Bank (ECB) President, Mario Draghi, has seen Europe's competitive future and it's not pretty. Long undermining Europe's growth and competitiveness are intractable forces such as: a shrinking labor force-cum-low productivity due to the continent's unfavorable demographics; a highly fragmented bloc of 27-member states riddled with overregulation; a high degree of energy dependence on external sources; and multiple geopolitical hot spots that continue to drive waves of migrants to Europe, straining resources and stirring anti-immigration sentiment. Europe, according to Draghi, faces an "existential challenge" that will require trillions of euros to fund key initiatives to drive future growth. That's a tall order in our opinion given Europe's continual quarters of low-to-stagnating growth and high public debt levels, resulting in little fiscal appetite to back public spending, while private-sector investment has failed to meaningfully supplement. That adds to the list of reasons we continue to favor U.S. assets over European counterparts.

## MACRO STRATEGY ►

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

## MARKET VIEW ►

**Ehiwario Efeyini**  
Director and Senior Market Strategy Analyst

## THOUGHT OF THE WEEK ►

**Lauren J. Sanfilippo**  
Director and Senior Investment Strategist

## MARKETS IN REVIEW ►

Data as of 9/30/2024,  
and subject to change

### Portfolio Considerations

In the next couple of months, market activity is likely to be more on edge, in our view. This is typical during election years, whereas, historically, September and October have usually been weak months. We would view weakness as an opportunity to add to Equities and diversify at the same time.

This month we adjusted our U.S. Equity sector allocations by upgrading Financials to slight overweight, and downgrading Industrials to neutral. 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.

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.

7065462 9/2024

## Investors Need a More Nuanced View of the U.S. Consumer: We Explain

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

The prospects of a U.S. recession pivot on personal consumption expenditures since the U.S. economy rests on the shoulders of the U.S. consumer. The latter accounts for nearly 70% of America's \$29 trillion gross domestic product (GDP). As goes the consumer, so goes the economy.

But that said, and as we discuss and highlight below, not all U.S. consumers are created equal due to differentiating factors like educational attainment, ownership of financial assets, and income levels.

As Exhibit 1A highlights, education matters when it comes to underlying consumer purchasing power. The equation is rather simple: the higher the education, the higher the income, and the higher the capacity to spend. According to figures from the Bureau of Labor Statistics, the median usual weekly earnings of a worker with a bachelor's degree was 66% higher than a worker with a high school diploma and more than double that of a worker lacking a high school education in 2023. As an aside, it's worth noting that out of the total U.S. labor force of 169 million, 5.6%, or 9.5 million workers, do not have a high school diploma.<sup>1</sup>

At the other end of the spectrum, workers with more advanced degrees make more money and have more income. They also enjoy more job security. Why? Because, in general, they are better skilled, more productive, and more in demand in a knowledge-intensive, technology-based economy like the U.S. According to figures from the Bureau of Labor Statistics (BLS), the unemployment rate among holders of a master's degree or higher/equivalent was just 2% last year, or roughly half the jobless rate among workers with high school diplomas.

Accordingly, if the U.S. labor market does soften in the months ahead—as expected—those most at risk of losing their jobs first are unskilled workers, or workers that comprise the bulk of lower-income households. To this point, as Exhibit 1B highlights, while the national unemployment rate reached 4.2% in August, the unemployment rate among workers with four-year degrees or more (2.5%) was well below the national average. That is to be expected.

The key is this: Yes, there are cracks building in the U.S. labor market; but the cracks are most evident among unskilled, less educated, lower-income workers/households whose overall income levels neither dictate nor drive U.S. personal consumption levels. Higher prices for many basics (rent, insurance, food) have strained their budgets, leaving not much left over for other discretionary items. To this point, the bottom 10% of households by income devote nearly three-quarters of their expenditures toward basics like food, housing and transportation, compared to 56% for the top 10%.<sup>2</sup>

U.S. personal consumption levels have surprised to the upside this year because better educated, higher-income households are in better financial shape than lower-income households. This cohort is outspending—and when they spend, they move the needle. Accordingly, just 4.4% of U.S. households account for 15% of total U.S. personal consumption; meanwhile, the top 10% of U.S. households are responsible for 21.5% of total U.S. consumption—more than the bottom 30% of households combined.

As Exhibit 1C illustrates, so great is the consumption power of the U.S. consumer that on a standalone basis, the 10% of U.S. households (accounting for \$3.8 trillion in spending in 2022) ranks as one of the largest economies in the world. What's more, note from Exhibit 1D that the U.S. consumer accounts for nearly one-third of aggregate global consumption. Hence, when the U.S. consumer sneezes, the rest of the world catches a cold. No consuming cohort in the world is as important to aggregate global demand as the American card credit-wielding consumer.

The wealth effect is another factor that has kept high-income households spending this year. Wealth, of course, is both a prerequisite and trigger for spending—the greater the wealth of a consumer, the greater the confidence and capacity to consume. That said, the bull market in U.S. Equities and the sharp appreciation of U.S. housing stock have combined to make U.S. consumers feel more flush and confident about spending. And why

### Portfolio Considerations

We continue to believe that mounting recession concerns in the U.S. are overblown. The engine of growth—personal consumption—continues to purr, portending steady upside for economic growth and corporate profits.

<sup>1</sup> BLS. Data as of September 6, 2024.

<sup>2</sup> BLS. Data as of September 25, 2024.

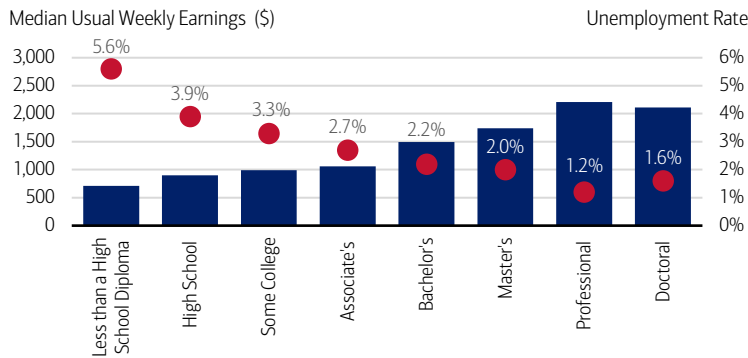
not? U.S. household net worth topped a record \$164 trillion in Q2, based on data from the Fed, fueled in large part by a strong stock market and robust housing prices (Exhibit 1E).

Meanwhile, a rising stock market does not lift all boats; no, the tide lifts only those boats that own financial assets, which, again, are higher-income households (Exhibit 1F). While 58% of U.S. households own stocks, the top 1% of households owned \$16.2 trillion in corporate equities and mutual fund shares as of Q2 2024—38% of the U.S. total.<sup>3</sup> High-income households pull back on spending when shocks rattle the stock market—think 9/11, the 2008/2009 Global Financial Crisis (GFC) and the 2020 pandemic.

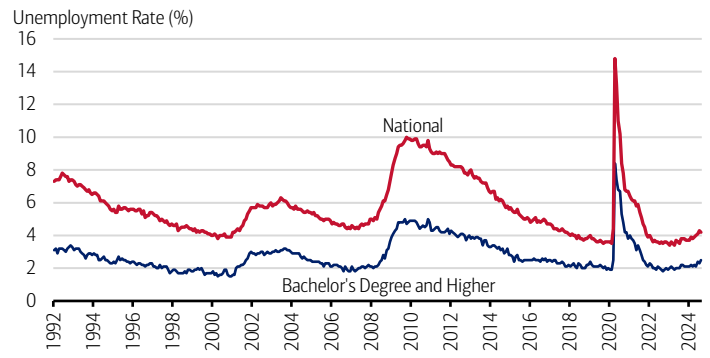
So what does all of this mean? It means that the term “U.S. consumer” is a little more nuanced and differentiating than commonly recognized. This “consumer” could either be the worker toiling in two jobs and barely making ends meet due to higher rent, food costs and insurance. Or it could be the salaried worker that owns a home that has appreciated nicely over the past few years as well as a retirement account that has ballooned along with the general market indices. Each consumer exerts a different force level on the economy, and right now, higher-income consumers are out in force, powering the U.S. economy forward. Hence, don’t sweat the mounting concerns of an impending U.S. recession.

### Exhibit 1: Breaking Down the Nuances of the U.S. Consumer.

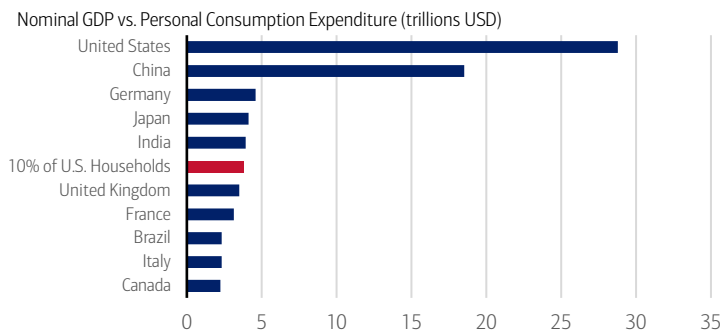
1A) Earnings and Unemployment by Educational Attainment in 2023.



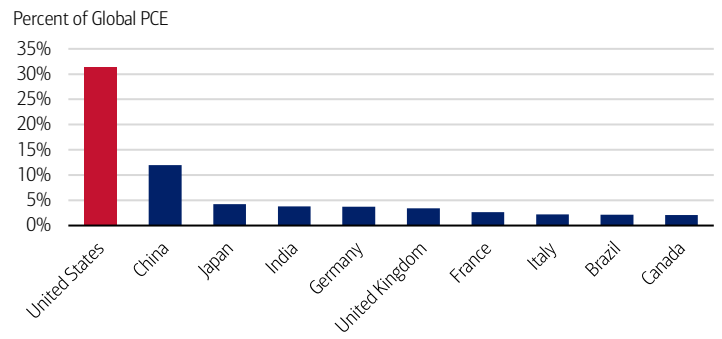
1B) Education Matters: Degrees = More Job Security.



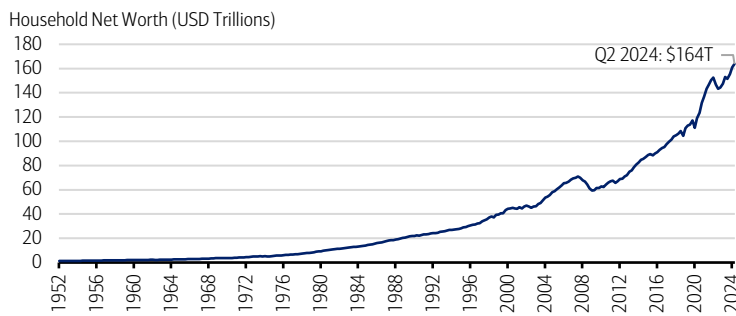
1C) The U.S. Consumer: A Potent Global Force.



1D) The Big Spenders: U.S. vs. World.



1E) Wealth: A Key Underpinning of Consumption.



1F) Stock Ownership by Income Percentile.

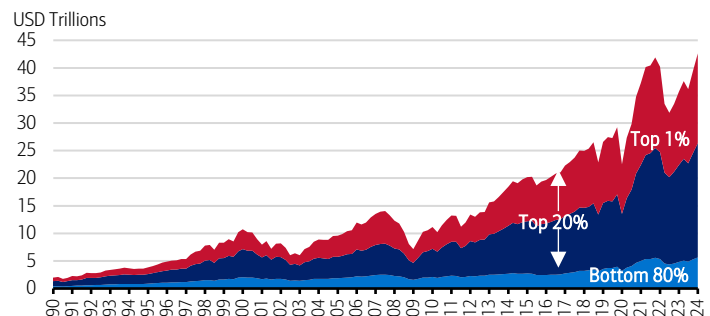


Exhibit 1A) Source: BLS. Data through 2023, as of September 19, 2024. Exhibit 1B) Source: BLS. Data as of September 6, 2024. Exhibit 1C) Sources: International Monetary Fund (IMF); Bureau of Economic Analysis. Nominal GDP figures refer to 2024 estimates from the IMF's April 2024 World Economic Outlook. Consumption of 10% of U.S. households refers to 2022 data. Exhibit 1D) Source: United Nations. Data as of 2022, latest available. Exhibit 1E) Source: Federal Reserve Board. Data as of September 12, 2024. Exhibit 1F) Includes ownership of corporate equities and mutual fund shares. Source: Federal Reserve Board. Data as of September 20, 2024.

<sup>3</sup> Federal Reserve Board. Data as of September 20, 2024.

## Emerging Markets and the New Fed Easing Cycle

*Ehiwario Efejini, Director and Senior Market Strategy Analyst*

The September 50 basis point (bps) policy rate cut by the Fed most likely marked the beginning of its first monetary easing cycle since the pandemic. For investors in EM, shifts in the direction of Fed policy have historically had significant implications for equity market returns. In past decades, U.S. monetary policy tightening to the extent seen since 2022 has generally resulted in greater financial stress and often periods of crisis in emerging economies. And by contrast, periods of U.S. monetary easing have typically been associated with outperformance for EM Equities. The rolling crises of the mid- to late-1990s (in Mexico, southeast Asia and Russia) that followed the 1994–1995 tightening cycle clearly highlight the negative effect that Fed tightening has had on EM returns in the past. The huge outperformance of EM Equities in the late 1980s and early 1990s, and again in the early- to mid-2000s, each followed periods of Fed monetary easing.

But in the decade-plus since the GFC, the association between Fed policy and EM returns appears to have weakened, with EM Equities proving less responsive to the direction of U.S. interest rates. Maximum Fed accommodation and successive rounds of quantitative easing in the years that followed the rate cutting cycle of 2007–2008 came alongside major underperformance for EM Equities during the first half of the 2010s. And in the current economic cycle EM returns have been relatively resilient in the face of the most aggressive Fed rate hikes since the 1990s, broadly keeping pace with their developed ex-U.S. counterparts since the start of the tightening cycle in 2022. This relative detachment from Fed policy in more recent years suggests a potential change in the interaction between U.S. rates and EM performance, and a departure from the typical relationship experienced in the past.

Historical crises in emerging economies sparked by Fed rate hikes have usually been characterized by capital flight, deleveraging and falling asset values. U.S. interest rates rise attracting capital away from riskier emerging countries (particularly those with large current account deficits) and reducing support for local EM asset prices and exchange rates. Associated strength in the U.S. dollar has typically been an additional hurdle. For those emerging economies with fixed exchange rates, a loss of export competitiveness with the rest of the world further undermines current account positions, forcing central banks to run down their foreign exchange reserves. And where exchange rates are floating, foreign currency debts rise in local currency terms, resulting in widespread defaults, debt downgrades, recessions and further exchange rate depreciation. Fed rate cutting cycles have seen this process operate in reverse, providing a boost for EM asset values.

But starting in the years that followed the 1997–1998 Asian financial crisis and continuing into the period since the GFC, the fundamentals across much of the EM universe have markedly improved (alongside a much-increased market concentration in the Asia-Pacific region). Fixed exchange rates have largely been abandoned. EM foreign currency reserves have almost doubled as a share of GDP since the crisis years of the 1990s. And across 18 major emerging economies included in the MSCI EM Index, the share of EM debt denominated in U.S. dollars has roughly halved in the past decade, led by the private sector across households, corporates and banks (Exhibit 2). As a result, emerging markets have become more insulated from the direction of Fed policy rates on a structural basis.

The effect from Fed policy has been further dampened in the current cycle given more balanced current account positions across the emerging world. Another key reason that EM equities have held up relatively well through this recent period of Fed tightening is that current account deficits have shrunk or disappeared entirely for most countries. Two-thirds of the MSCI Index market capitalization is now represented by countries in outright current account surplus. This share is down from the pandemic peak (which was driven by a collapse in import demand) but is still up by more than 10 percentage points from the taper tantrum period of a decade ago. And adding countries with only moderate deficits (of less than 3% of GDP) captures virtually the entire market capitalization of the index. The upshot is that EM has become less reliant on external funding over recent years, which has also limited the need for domestic monetary tightening to compete for global capital flows. The Fed raised rates by 525 bps over the course of its tightening campaign. But over the same period, only three major emerging markets (the deficit countries of Egypt, Turkey and Colombia) were

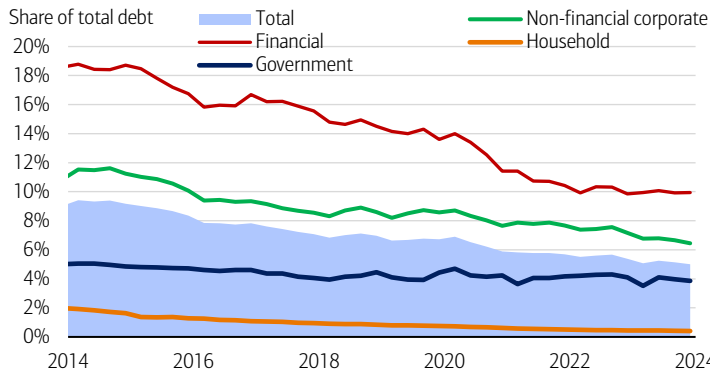
### Investment Implications

Fed monetary easing has historically been associated with outperformance in EM. We nonetheless observe a decreasing sensitivity in recent cycles as improving fundamentals have insulated emerging economies from Fed policy to a greater extent. Though some individual markets may benefit from the new easing cycle, we would expect a limited effect for the majority of the EM Index. We therefore remain cautious on the outlook for EM Equities, maintaining a neutral tactical view in our regional allocations.

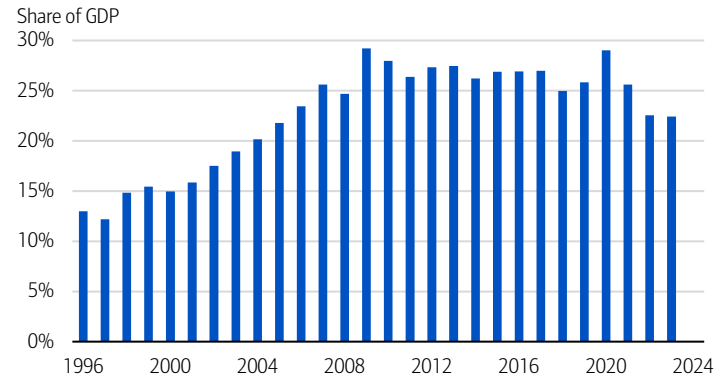
forced to hike by more. This contrasts with the steep interest rate hikes required by emerging world monetary authorities during past cycles, especially in the crisis decades of the 1980s and 1990s.

**Exhibit 2: Share of U.S. Dollar-Denominated Debt In Emerging Economies Has Fallen; Foreign Exchange Reserves Have Increased.**

2A) Emerging Economy U.S. Dollar-Denominated Debt.



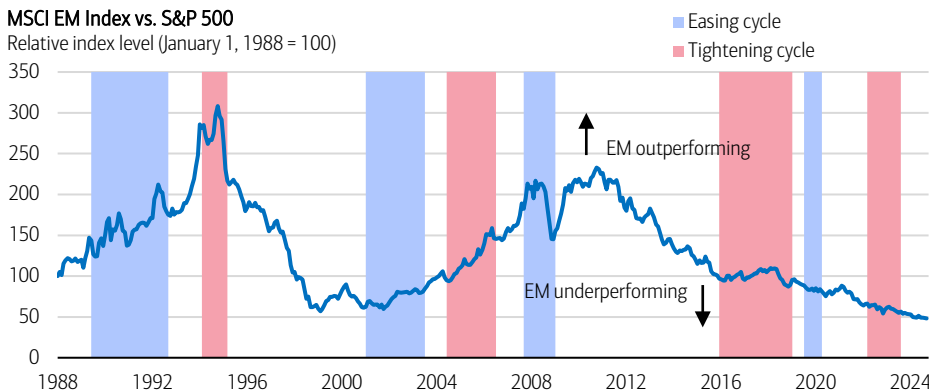
2B) Emerging Economy Foreign Exchange Reserves.



Sources: Institute of International Finance; IMF; World Bank; Bloomberg. Data as of 2023. Countries included: Brazil, Chile, China, Colombia, Czech Republic, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey (reserves also include Egypt, Philippines, Taiwan).

The result has been a relative insensitivity for EM returns to the direction of Fed policy in the current environment compared to previous years (Exhibit 3). And looking ahead, this implies that EM equities may not receive the same boost from Fed rate cuts as they have in the past. Domestic policy should therefore be much more important for the EM outlook over the period ahead, and the heavyweight China market in particular is likely to remain a key driver. In this regard, last week’s monetary stimulus announcements and pledges by the central government to introduce new fiscal measures could come as a near-term source of support for resource producers and other markets in the Asia-Pacific region. Though here, we still see headwinds from the ongoing structural challenges for China’s real estate market, in addition to constraints from domestic regulatory tightening and foreign export controls directed at the Technology sector.

**Exhibit 3: EM Equities Have Become Less Sensitive to Fed Policy In Recent Cycles.**



Price indexes shown in USD terms. Sources: Bloomberg; Chief Investment Office. Data as of August 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

Fed policy is likely to be most beneficial for deficit countries in the emerging world, in addition to those with exchange rates still pegged to the U.S. dollar whose monetary authorities follow the Fed rate moves (i.e., the Gulf states of Saudi Arabi, UAE and Qatar). These markets could also receive a boost from easier domestic financial conditions. But together those constituents account for less than 10% of MSCI EM Index market capitalization. The broader pattern as we move into the final quarter of 2024 and look ahead into next year is likely to be that the current Fed rate cutting cycle proves to be less consequential for EM equity markets than in previous episodes. The steep rate hikes since 2022 have not resulted in widespread economic weakness, financial instability or significant market underperformance. And by the same token, we would expect a limited effect from the new easing cycle across the bulk of the EM universe.

## No Quick Fix for Europe

Lauren J. Sanfilippo, Director and Senior Investment Strategist

Mario Draghi, the former ECB President, has seen Europe’s competitive future, and it’s not pretty. Europe, according to Draghi, faces an “existential challenge” that will require trillions of euros to fund key initiatives to drive future growth. High on the to-do list: the digitalization of its economy, solutions to climate change and strengthening Europe’s military—all important to the future competitiveness of Europe. The clarion call is practical in theory, but unlikely in reality considering the region’s structural impediments to growth.

Undermining Europe’s growth and competitiveness are intractable forces such as: a shrinking labor force-cum-low productivity due to the continent’s unfavorable demographics; a highly fragmented bloc of 27-member states riddled with overregulation; a high degree of energy dependence on external sources; and multiple geopolitical hot spots (Ukraine/the Middle East) that continue to drive waves of migrants to Europe, straining resources and stirring anti-immigration sentiment. It’s little wonder, then, that Europe’s innovative gears are squeaky. Innovation and technological prowess are not Europe’s strengths.

As such, the European Union (EU) woefully trails the U.S. (and Asia) in terms of incubating behemoth companies (Exhibit 4A). Europe is home to few companies with a market capitalization over €100 billion that are “new” in the last 50 years. Meanwhile, six U.S. companies currently valued at over \$1 trillion were born over this period. Of the 25 largest companies in the world, Europe is home to just one. Nearly a third of Europe-founded ‘unicorns’ (defined as companies valued over \$1 billion) have relocated their headquarters abroad, mostly to the U.S., enticed by the funding prospects and more favorable regulatory environment.<sup>4</sup>

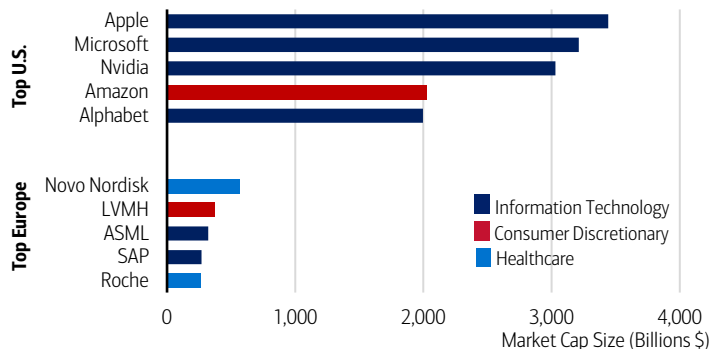
Draghi’s report<sup>5</sup> calls for an EU-wide industrial strategy backstopped by a business-friendly regulatory environment (a tall order, in our opinion). Considering the region’s continual quarters of low-to-stagnating growth and high public debt levels, there is little fiscal appetite to back that level of public spend. Enter private sector investment. As Exhibit 4B highlights, the transatlantic private sector investment gap has only widened over the past few years, placing Europe in the slow lane versus the U.S. (and the rest of the world). In the end, this isn’t the first time Europe has been urged to unshackle itself from handcuffs of slow growth (recall the Lisbon Agenda circa 2001). And given the glacial pace of change across the ocean, it probably won’t be the last. That adds to the list of reasons we continue to favor U.S. assets over European counterparts.

### Portfolio Considerations

There’s no place like home for U.S. investors, considering the economic malaise in Europe, while China, faced with considerable structural challenges, has been a substantial drag on EM. On an absolute and comparative basis, the backdrop for U.S. Equities remains more supportive, driven by economic growth running at (to slightly above) trend, a Fed that has begun cutting rates, while the Artificial Intelligence secular story still captivates investment.

### Exhibit 4: Comparing the U.S. and EU Most Valued Companies and Private Sector Investments.

4A) America’s most valuable companies are behemoths and far more technologically driven than Europe’s largest names.



4B) A Widening Private Sector Investment Gap Between the U.S. and EU.

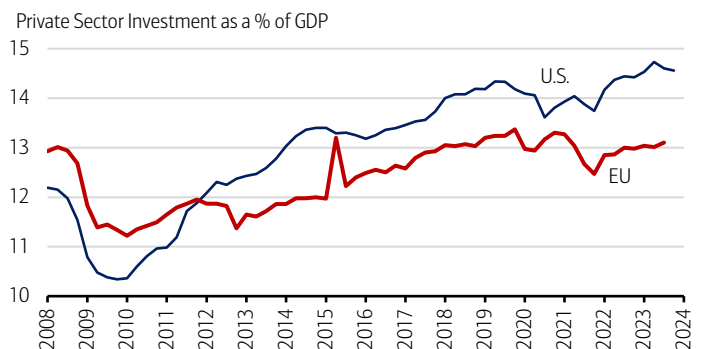


Exhibit 4A) Ranked by market value by respective country. Source: Bloomberg. Data as of September 25, 2024. Exhibit 4B) Real private investment in equipment, infrastructure and innovation. Sources: Eurostat; Organisation for Economic Co-operation and Development; European Commission; Financial Times. Data as of September 27, 2024.

<sup>4</sup> 30% of unicorns founded between 2008 to 2021, *The Future of European Competitiveness*, European Commission, September 2024.

<sup>5</sup> For more, see: *The Future of European Competitiveness*, European Commission, September 2024.



Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,313.00	0.6	1.9	13.9
NASDAQ	18,119.59	1.0	2.4	21.4
S&P 500	5,738.17	0.6	1.7	21.6
S&P 400 Mid Cap	3,119.24	0.5	1.0	13.4
Russell 2000	2,224.71	-0.1	0.4	10.9
MSCI World	3,726.80	1.4	1.9	19.0
MSCI EAFE	2,506.69	3.8	2.5	14.7
MSCI Emerging Markets	1,174.52	6.2	7.0	17.2

Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.06	-0.02	1.61	4.61
Agencies	3.99	0.05	1.09	4.41
Municipals	3.32	0.07	0.93	2.24
U.S. Investment Grade Credit	4.17	-0.01	1.58	4.69
International	4.68	-0.01	1.95	5.51
High Yield	6.98	0.13	1.59	7.98
90 Day Yield	4.60	4.65	5.11	5.33
2 Year Yield	3.56	3.59	3.92	4.25
10 Year Yield	3.75	3.74	3.90	3.88
30 Year Yield	4.10	4.08	4.20	4.03

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	239.41	2.2	4.7	5.7
WTI Crude \$/Barrel††	68.18	-5.2	-7.3	-4.8
Gold Spot \$/Ounce††	2658.24	1.4	6.2	28.9

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.12	1.12	1.10	1.10
USD/JPY	142.21	143.85	146.17	141.04
USD/CNH	6.98	7.04	7.09	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 9/23/2024 to 9/27/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 9/27/2024 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 9/27/2024)

	2024E	Q1 2024A	Q2 2024A	Q3 2024E	Q4 2024E	2025E
Real global GDP (% y/y annualized)	3.1	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.7	1.4	3.0	2.5	2.0	1.8
CPI inflation (% y/y)	2.8	3.2	3.2	2.6	2.2	2.0
Core CPI inflation (% y/y)	3.4	3.8	3.4	3.2	3.1	2.6
Unemployment rate (%)	4.1	3.8	4.0	4.2	4.3	4.5
Fed funds rate, end period (%)	4.13	5.33	5.33	4.88	4.13	2.88

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 September 27, 2024.

Asset Class Weightings (as of 9/3/2024)

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 September 3, 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	●	●	●
Financials	●	●	●
Information Technology	●	●	●
Communication Services	●	●	●
Industrials	●	●	●
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.

**MSCI Emerging Market Index** captures large and mid cap representation across 24 Emerging Markets (EM) countries.

**MSCI Market Capitalization Index** includes large-, mid- and small-cap indexes designed to represent and measure global equity markets as they evolve.

## 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. 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.

© 2024 Bank of America Corporation. All rights reserved.