

# Capital Market Outlook

October 7, 2024

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

## IN THIS ISSUE

**Macro Strategy—Assessing Supply Chain Pressures Given Escalating Geopolitical Conflict and Port Strikes:** On balance, global monetary and fiscal policies are reflationary at the same time that the risk of short-to-medium-term supply chain disruptions seems to be increasing. Geopolitical risk is at a multidecade high, with escalating conflict in the Middle East threatening energy supplies. Port strikes emerged as an additional logistical challenge, and it is still hurricane season in the Atlantic, with risk to domestic energy infrastructure. We assess global supply chain pressures, the potential for a resurgence in inflation and the investment implications.

**Market View—Still the King: Ten Questions & Answers on U.S. Dollar Hegemony:** By default and design, the dollar’s global reign continues and is one key reason (among many) why we prefer/favor U.S. dollar-denominated assets relative to non-U.S. dollar assets. Shifting geopolitics, advancing technologies, digitalization, polarized U.S. politics and related activities could chip away at the dollar’s preeminent global standing over the long term. However, and for now, the ultimate backstop to the buck is the U.S. economy—the largest, wealthiest and most competitive economy in the world, bar none. For now, the dollar’s reign continues.

**Thought of the Week—An Update on Small-caps in Six Charts:** Small-caps staged a comeback at the start of last quarter and, despite some volatility, managed to outperform Large-caps for the quarter for the first time this year. With the Federal Reserve (Fed) now committed to recalibrating policy and supporting the economic expansion, the setup for Small-caps could be more favorable. Six charts on where Small-caps could be headed from here.

## MACRO STRATEGY ►

**Jonathan Kozy**  
Managing Director and Senior Macro Strategist

## MARKET VIEW ►

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

## THOUGHT OF THE WEEK ►

**Kirsten Cabacungan**  
Vice President and Investment Strategist

## MARKETS IN REVIEW ►

Data as of 10/07/2024,  
and subject to change

### Portfolio Considerations

As the Fed begins the first easing cycle in four years, our base case is a balanced market outlook within an uptrend where valuation remains sticky and equity prices track earnings growth step-for-step.

Within Equities, we adjust our sector allocations by upgrading Utilities to slight overweight, and downgrading Energy to slight underweight. For globally oriented investors, we adjust our geographic allocation by upgrading Japan to slight overweight and lowering Asia Pac ex-Japan to slight underweight. Within Fixed Income, we raise our outlook on munis to neutral for high tax investors and are lowering our duration to neutral. This month we are also rebalancing our multi-asset portfolios back to our tactical targets and remain overweight Equities relative to Fixed Income 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.

7092582 10/2024

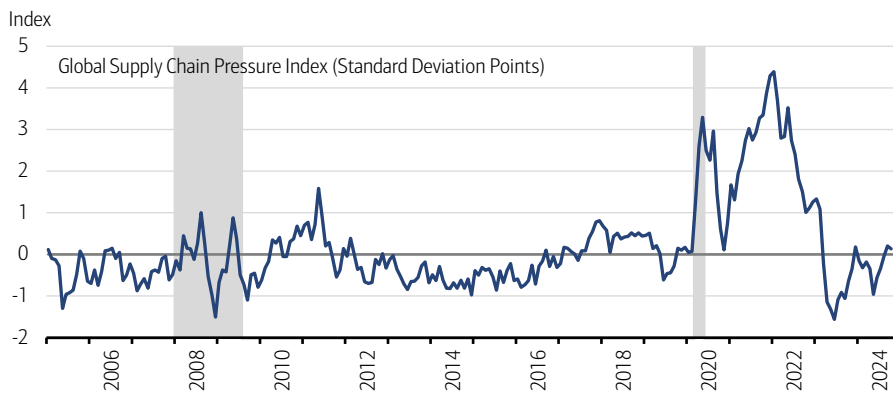
## Assessing Supply Chain Pressures Given Escalating Geopolitical Conflict and Port Strikes

*Jonathan Kozy, Managing Director and Senior Macro Strategist*

On balance, global monetary and fiscal policies are reflationary at the same time that the risk of short-to-medium-term supply chain disruptions seems to be increasing. Geopolitical risk is at a multidecade high. Escalating conflict between Israel and Iran threatens energy supplies, while some commercial ships are still avoiding the Red Sea and Suez Canal. Last week, port strikes at major U.S. ports presented additional logistical challenges. Hurricane season in the Atlantic also still has a few months to go, with risk to domestic energy infrastructure. Below we assess global supply chain pressures, the potential for a resurgence in inflation, and the investment implications.

**What is the current state of supply chain pressures?** In September, the most recent reading of the Federal Reserve Bank of New York's Global Supply Chain Pressure Index suggested supply chain pressures were slightly above normal and have been trending higher the last few months (Exhibit 1). The uptrend is at least in part related to the ongoing Russia/Ukraine conflict and the persistent Red Sea and Suez Canal disruption that started last year, forcing many commercial vessels to avoid the most efficient transit route.

### Exhibit 1: Escalating Middle East Conflict Occurring with Supply Chain Pressures Near Normal But Simmering.



Gray bar represents recessionary periods. Source: Federal Reserve Bank of New York. Data as of October 4, 2024. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

The underlying components are mixed. Cross-border transportation costs have been increasing but look nothing like 2021. For example, the Baltic Dry Index rose in August and September but is nearly unchanged for the year. Country-level manufacturing survey data that ask about “delivery times” also suggest supply chain pressures have been increasing, but at the level delivery times and backlogs only suggest slightly below average lead-times.

**Could geopolitical events and rising oil prices reignite inflation and put the Fed on hold?** Oil prices would have to increase significantly more, in our view, to over \$100 per barrel. Is that possible? Yes, in our opinion. Geopolitical risk is at a multidecade high, and the risk of energy supply disruptions related to escalating conflict in the Middle East is significant, with a number of possible scenarios. For one, Israel could directly attack Iranian energy infrastructure. Iran produces over three million barrels of oil per day. A further escalation could involve Iranian retaliation on Saudi and UAE energy facilities. Third, it is also possible that Iran could disrupt energy flows through the Strait of Hormuz. This is just to name a few. These are not our base-case assumptions.

The good news is the oil market is well supplied. Saudi Arabia recently backed off production cuts, and the U.S. stands by with the possibility to use what is left of its Strategic Petroleum Reserve to help buffer any significant spike in prices.

### Portfolio Considerations

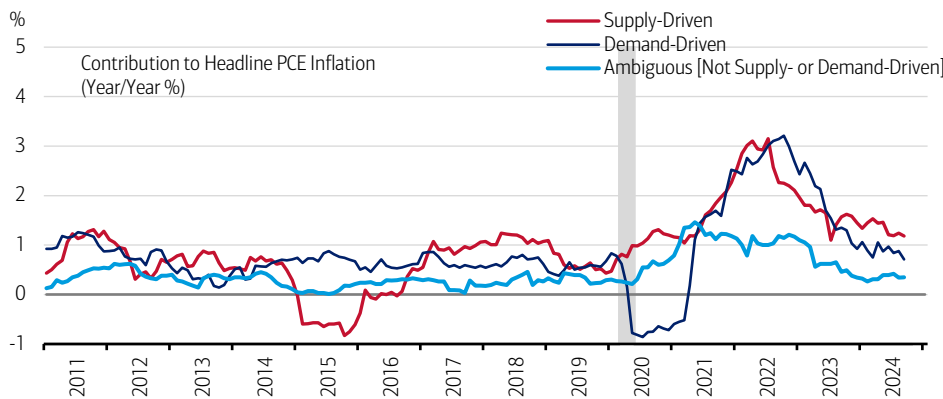
We remain constructive on Defense stocks given the trend in geopolitical risk. The last few weeks just reinforce the fundamental shift in the geopolitical environment. Defense stocks offer some non-cyclical diversification benefits that energy cannot.

For interest rates, the risks to supply-side inflation from geopolitical conflict and port strikes likely warrant the Fed's attention given the potential for disinflation to slow or stop. The persistence in elevated geopolitical conflict might also mean longer-term rates and private sector borrowing rates stay higher for longer.

But even in a scenario where oil prices continue to rise, the pass-through to core inflation metrics is often limited. For this reason, we believe oil would have to increase to over \$100 per barrel to have a meaningful impact on core inflation.

It is also worth noting that demand's contribution to inflation has been fading, but global reflationary efforts are starting to kick into a higher gear with China's fiscal and monetary bazooka and the Fed cutting rates. If demand-driven disinflation continues to falter, it could act as a buffer on inflation. If it picks up along with supply-driven factors, inflation could stabilize above the Fed's target or move higher (Exhibit 2). This would put the Fed in a tricky position to keep cutting rates.

**Exhibit 2: Geopolitical Backdrop A Risk To Supply-Driven Inflation. Demand-Driven Disinflation Continues?**



\*PCE=Personal Consumption Expenditures Gray bar represents recessionary period. Source: Federal Reserve Bank of San Francisco. Data as of September 27, 2024.

**What is the effect of the International Longshoreman’s Association (ILA) dockers’ strike on supply chain pressures, the economy and inflation?** If the strike resumes in January and lasts more than a few days or weeks, it could have a meaningful albeit transitory impact on growth, supply chain pressures and inflation because the ports take in a large chunk of trade volume. Inventory building in anticipation of the last few days should help in the near term. The National Association of Manufacturers estimates that the effect on gross domestic product (GDP) could be \$5 billion per day. Thus, a month or multimonth strike would be a significant, temporary drag on U.S. GDP, but for now a temporary solution is in place until January 15.

**What are the investment implications?** For long-term investors, events like worker strikes do not often warrant action. For military conflict events, we have been constructive on Defense stocks for years given the trend in geopolitical risk. The last few weeks just reinforce the fundamental shift in the geopolitical environment. It is worth noting that pure-play S&P 500 Defense stocks outperformed S&P 500 Energy stocks on October 1 as tensions rose in Israel/Iran and as oil prices spiked, and Defense stocks also outperformed when Equity volatility spiked in late July. In short, Defense stocks offer some non-cyclical diversification benefits that energy cannot.

For interest rates, the risks to supply-side inflation probably warrant the Fed’s attention given the potential for disinflation to slow or stop. The persistence in elevated geopolitical conflict might also mean longer-term rates and private sector borrowing rates staying higher for longer.

## Still the King: Ten Questions & Answers on U.S. Dollar Hegemony

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

Invariably, at some point in a client meeting comes the oft-repeated question: “So what about the U.S. dollar? Aren’t you worried that rising U.S. protectionism, coupled with Washington’s massive federal budget deficits, are undermining the attractiveness of the dollar and its global reserve currency status?”

Our answer: “No,” for the reasons discussed below.

**Starting with the basics, what is a reserve currency?** A reserve currency—aka the U.S. dollar—makes the world go round. It’s the currency for the planet, lubricating global trade, investment, foreign exchange transactions, cross-border loans, debt issuances and related activities. It’s the preferred currency for central banks, foreign multinationals, sovereign wealth funds and other global institutions. In a nutshell, the global economy runs on dollars.

**What are the main forces underpinning the U.S. dollar?** A number of factors structurally support the reign of the dollar—notably America’s capital markets, which are among the deepest, widest, most liquid and most innovative in the world. America’s military might, the country’s favorable demographics relative to other developed nations, and the economy’s record of flexibility, openness and resiliency are other key dynamics supportive of the dollar. Institutional inertia is another factor to consider, as is the related fact that the post-war global economy has prospered greatly under the dollar’s reign.

**What are the benefits to the U.S. economy from the dollar’s status as the world’s dominant currency?** As the world’s top currency, there is constant demand from central banks and foreign financial institutions for U.S. dollars and dollar-backed securities like U.S. Treasuries. This demand, in turn, means the U.S. can borrow more cheaply (at lower interest rates) than it would otherwise. That’s a big deal for one of the world’s largest debtor nations: the U.S. For decades, the U.S. has relied on foreign savings to plug its saving gap, and, for decades, foreign investors have been all too happy to oblige. To this point, foreign investors owned over \$29 trillion in U.S. securities (U.S. Treasuries + Corporate bonds + government agency bonds + Equities) in Q2 of 2024, up from \$3.7 trillion at the start of the century, according to the Fed. Another big deal: Borrowing in dollars from foreign creditors mitigates against foreign exchange rate risks for the U.S. government and other U.S. borrowers. That’s a “privilege” other governments, firms and individuals don’t have because when they borrow in foreign currencies, they incur the risks that come with swings in exchange rates.

**Are there downside risks associated with the dollar’s hegemony?** Yes, namely that 1) low borrowing costs can lead to excess debt accumulation, and 2) constant global demand for dollars can lead to bouts of excess dollar strength—notable during crises—undermining U.S. export competitiveness and therefore the incomes and jobs of some U.S. workers.

**What are the current challenges to the dollar’s global reign?** The dollar’s reign isn’t a given. Worries about the Fed’s creditability and independence, concerns about the U.S. federal budget deficit, the deployment of economic and financial sanctions that prohibit access to the U.S. capital markets (or the “weaponization of finance”)—all of these factors could erode the dollar’s attractiveness as a reserve currency over time. Nor can geopolitics be ignored—the West’s “weaponization of finance” has spurred a number of countries to look for alternatives to the dollar in conducting cross-border transactions. A few examples: India is now settling some trade in rupees; five central banks in Southeast Asia have signed an agreement to link their payments systems directly, bypassing the need for dollars; the BRICS<sup>1</sup> are considering creating a new reserve currency; and Russia and Saudi Arabia are taking some payments for oil exports to China in renminbi (RMB). China has also recently concluded RMB clearing arrangements with Pakistan, Argentina and Brazil.

### Investment Implications

The U.S. dollar’s world reserve currency is emblematic of America’s resilient and dynamic economy and underpins our preference for U.S. assets vs. the rest of the world.

<sup>1</sup> BRICS is an intergovernmental organization comprising Brazil, Russia, India, China, South Africa, Iran, Egypt, Ethiopia, and the United Arab Emirates.

### Could the rise of China dethrone the dollar as the world's reserve currency?

China, no doubt, wants a greater say on how the global economy is run, and has over the past few decades, actively encouraged the greater use of the RMB in bilateral transactions. To date, however, and due to China's capital controls and investor concerns over Beijing's active intervention in the economy, the RMB plays only a marginal role in global finance. According to the Bank for International Settlements, the RMB is the 8th most traded currency in the world, well behind the U.S. dollar, of which close to 90% of all foreign exchange trades are involved. As a store of value, less than 3% of global central bank holdings are in RMB versus roughly 60% held in U.S. dollars. Meanwhile, while around 40% of global transactions are conducted in dollars, the similar share of the RMB is just 3%.

### How much of a concern do central bank digital currencies (CBDC) pose to the U.S. dollar?

CBDCs bear close watching—digitalization is a hallmark of the global economy and imagining a more digitalized international monetary future is hardly a stretch. However, the rise in CBDC programs have been largely designed for domestic/internal reasons, rather than cross-border transactions. The lack of common global standards, incompatible infrastructures, regulatory barriers—due to these factors, CBDCs are not expected to impinge on the dollar's reserve status anytime soon.

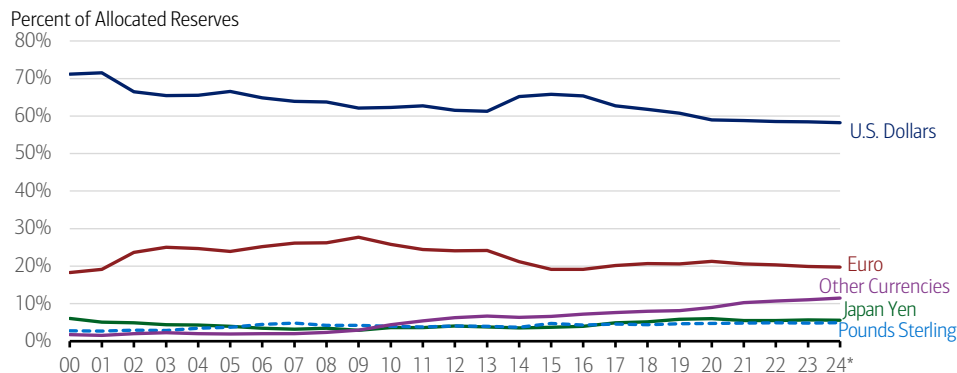
### Besides digital currencies and China, what other alternatives are there to the greenback?

The euro ranks as the world's second-largest reserve currency, with the euro accounting for nearly 20% central bank reserves as of Q2 2024. That's just one-third the dollar's global share and reflects the fragmented and shallow capital markets of Europe (Exhibit 3). The region has successfully created a single currency but not a pan-European capital markets that would pool and allocate capital more effectively. As for the pound and the yen, the sun has already set on these two currencies.

**What about the rising role of nontraditional currencies in global finance?** This is where it gets interesting and where one can see the future contours of a multipolar currency world take shape. According to the International Monetary Fund, the share of nontraditional reserve currencies (Australia, Canada, Sweden, South Korea, Singapore and China) rose from virtually zero at the turn of the century to roughly 10% in 2022, with the RMB accounting for one-quarter of the shift away from the dollar and the other currencies just mentioned accounting for three-fourths of the shift. The rising appetite for nontraditional currencies reflects the growing liquidity of these currency markets and falling transaction costs with the deployment of more electronic trading platforms and the more active management of central bank reserve managers in search of yield.

**What does all of this mean for U.S. investors?** By default and design, the dollar's global reign continues and is one key reason (among many) why we prefer/favor U.S. dollar-denominated assets relative to non-U.S. dollar assets. Yes, shifting geopolitics, advancing technologies, digitalization, polarized U.S. politics and related activities could chip away at the dollar's preeminent global standing over the long term. However, and for now, the ultimate backstop to the buck is the U.S. economy—the largest, wealthiest and most competitive economy in the world, bar none. For now, the dollar's reign continues.

### Exhibit 3: The Dollar Easily Outpaces the Rest: Currency Composition of Foreign Exchange Reserves.



\*Data for Q2 2024. Source: International Monetary Fund. Data as of September 2024.

## An Update on Small-caps in Six Charts

Kirsten Cabacungan, Vice President and Investment Strategist

Small-caps could gain more momentum ahead. With the Fed now committed to recalibrating monetary policy and supporting the economic expansion, the setup for Small-caps looks more favorable as lower borrowing costs and solid economic growth form a base for a potential earnings recovery next year.

**Portfolio Considerations**

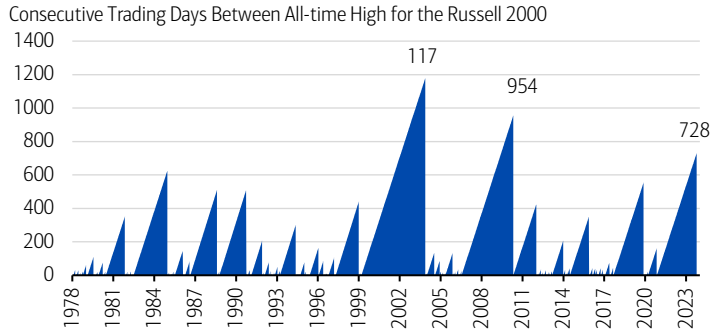
We maintain a slight Small-cap overweight considering expectations for solid economic growth, a broadening profits cycle, and lower costs of capital moving forward.

### Exhibit 4: Where Could Small-Caps Be Headed From Here?

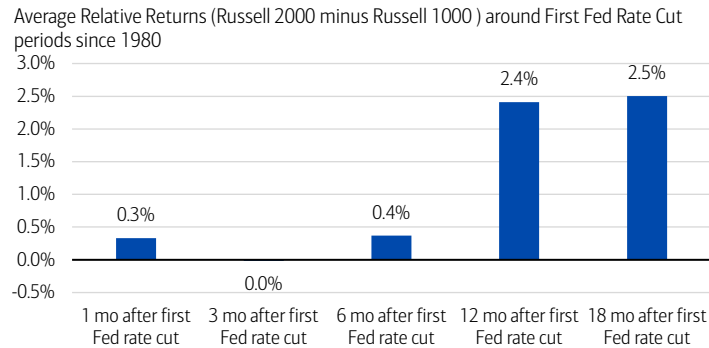
4A) Small-caps have struggled in the last few years and still have not recovered their previous all-time high.



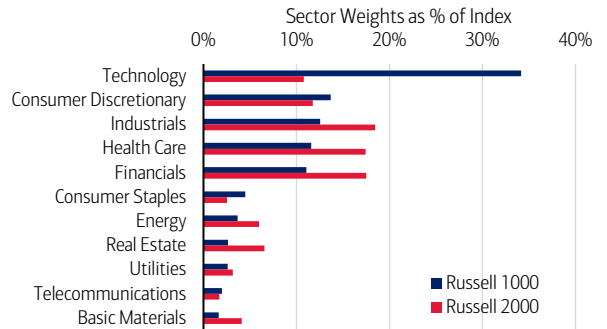
4B) That marks the third longest stretch without a new all-time high on record for the Russell 2000.



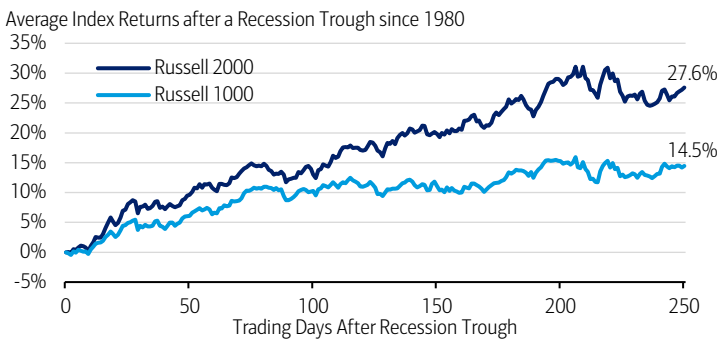
4C) But easier financial conditions could be a tailwind, as Fed cutting cycles have historically been a positive backdrop for Small-cap outperformance one year later...



4D) ...since Small-caps tend to have more exposure to cyclical, rate-sensitive areas of the stock market like Financials.



4E) Small-caps have historically fared better than Large-caps out of recessions, which suggests their performance remains closely tied to the business cycle.



4F) Lower borrowing costs and solid economic growth therefore could be supportive of Small-caps ahead, as the outlook for a potential earnings recovery improves.

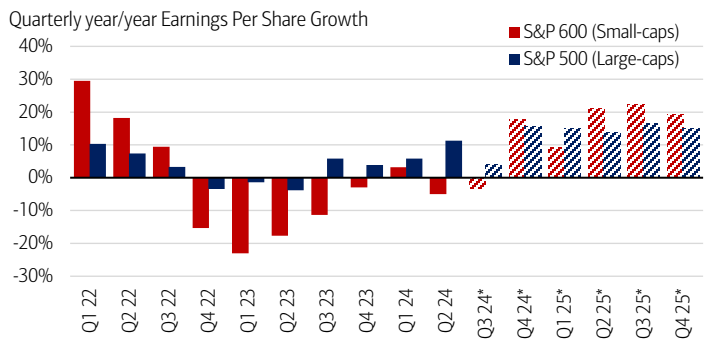


Exhibit 4A) Source: Bloomberg. Data from Russell 2000 all-time high on November 8, 2021 to October 2, 2024. Exhibit 4B) Source: Bloomberg. Data as of October 2, 2024. Exhibit 4C) Average returns covering previous Fed cutting cycles since 1980 (1980, 1981, 1984, 1989, 1998, 2001, 2007, 2019). Source: Bloomberg. Data as of October 2, 2024. Exhibit 4D) Source: FTSE Russell. Data as of August 31, 2024. Exhibit 4E) Source: Strategas Research Partners. Recession defined by National Bureau of Economic Research. Data as of October 2, 2024. Exhibit 4F) \*Estimates. Source: FactSet. Data as of October 2, 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.**

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,352.75	0.1	0.1	14.0
NASDAQ	18,137.85	0.1	-0.3	21.5
S&P 500	5,751.07	0.3	-0.2	21.9
S&P 400 Mid Cap	3,118.26	0.0	-0.1	13.4
Russell 2000	2,212.80	-0.5	-0.8	10.3
MSCI World	3,698.41	-0.7	-0.6	18.1
MSCI EAFE	2,413.03	-3.7	-2.2	10.5
MSCI Emerging Markets	1,179.34	0.4	0.7	17.7

Fixed Income<sup>†</sup>

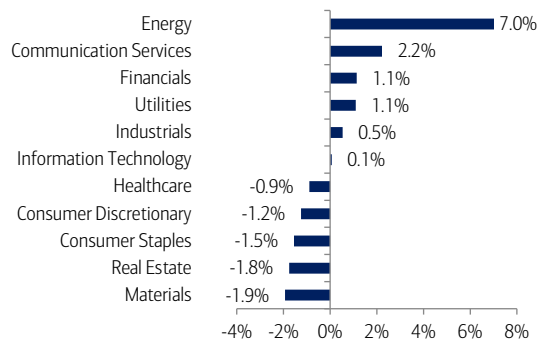
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.32	-1.22	-1.01	3.34
Agencies	4.27	-0.77	-0.63	3.61
Municipals	3.34	0.03	-0.02	2.27
U.S. Investment Grade Credit	4.43	-1.24	-1.01	3.40
International	4.88	-1.03	-0.86	4.42
High Yield	7.10	-0.15	-0.17	7.82
90 Day Yield	4.61	4.60	4.62	5.33
2 Year Yield	3.92	3.56	3.64	4.25
10 Year Yield	3.97	3.75	3.78	3.88
30 Year Yield	4.25	4.10	4.12	4.03

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	243.96	1.9	1.8	7.7
WTI Crude \$/Barrel <sup>††</sup>	74.38	9.1	9.1	3.8
Gold Spot \$/Ounce <sup>††</sup>	2653.6	-0.2	0.7	28.6

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.10	1.12	1.11	1.10
USD/JPY	148.70	142.21	143.63	141.04
USD/CNH	7.10	6.98	7.01	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 9/30/2024 to 10/4/2024. <sup>†</sup>Bloomberg Barclays Indices. <sup>††</sup>Spot price returns. All data as of the 10/4/2024 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 10/4/2024)

	2024E	Q1 2024A	Q2 2024A	Q3 2024A	Q4 2024E	2025E
Real global GDP (% y/y annualized)	3.1	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.7	1.6	3.0	2.5	2.0	1.8
CPI inflation (% y/y)	2.8	3.2	3.2	2.6	2.3	2.0
Core CPI inflation (% y/y)	3.4	3.8	3.4	3.2	3.1	2.7
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	4.83	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 October 4, 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.

**Federal Reserve Bank of New York's Global Supply Chain Pressure Index** is a measure of the intensity of disruptions to global supply chains.

**Baltic Dry Index** is a shipping freight-cost index issued daily by the London-based Baltic Exchange. The BDI is a composite of the Capesize, Panamax and Supramax timecharter averages. It is reported around the world as a proxy for dry bulk shipping stocks as well as a general shipping market bellwether.

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

**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.

**S&P 600 Index** covers roughly the small-cap range of American stocks, using a capitalization-weighted index. To be included in the index, a stock must have a total market capitalization that ranges from \$1 billion to \$6.7 billion.

## 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.