MERRILL
A BANK OF AMERICA COMPANY

CHIEF INVESTMENT OFFICE

Capital Market Outlook

October 10, 2023

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

IN THIS ISSUE

Macro Strategy—*Geography Matters—China:* While investors in Emerging Market (EM) Equities wait and hope for a fiscal bazooka in China, the bazooka China might need the most to attract equity investors is a diplomatic thaw. In a benign geopolitical risk environment, China's geography is supportive of its position as one of the largest economies in the world and deserving of a significant allocation in Emerging Market Equity indexes. But diplomatic tensions are particularly constraining given the significant percentage of China's economy that resides on its single coast, its reliance on strategic chokepoints and its dependence on maritime activities.

This week we look at these geographical features as they relate to China's economic growth potential. For investors, geography can be a useful lens for assessing country-level Equity, Corporate bond and sovereign risk.

Market View—*"Higher-for-Longer" Goes Beyond Interest Rates: What Investors Need to Know:* "Higher-for-longer" (HFL) doesn't just apply to the trajectory of U.S. interest rates—it's also applicable to a number of key variables that will shape the investment landscape over the medium term.

These factors include world oil prices, the U.S. federal budget deficit, global defense spending, and political discourse in the U.S. as we move closer to the 2024 presidential election. This backdrop portends more chop and churn in the capital markets over the near term and underpins the Chief Investment Office's (CIO) underlying investment theme that investors maintain a balanced and diversified asset mix, with an emphasis on high quality in both Equities and Fixed Income.

Thought of the Week—*Equities Yield A New Concern:* After staging an impressive runup year-to-date, Q4 focus is on the reality explicitly presented at the last Federal Reserve (Fed) meeting: Interest rates are likely to remain higher for longer—a dynamic that has dented technology and rate-sensitive sectors.

No longer an exempt corner of the market, mega cap tech has felt the pinch from rising yields, as seen by its underperformance to the S&P 500 in September by the widest margin since late last year.

MACRO STRATEGY ▶

Jonathan W. Kozy
Managing Director and Senior Macro Strategy Analyst

Theadora Lamprecht
Investment Analyst

MARKET VIEW ▶

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

Ariana Chiu
Wealth Management Analyst

THOUGHT OF THE WEEK ▶

Lauren J. Sanfilippo
Director and Senior Investment Strategy Analyst

MARKETS IN REVIEW ▶

Data as of 10/10/2023, and subject to change

Portfolio Considerations

Our strategy is to maintain a high level of diversification and to use excess cash to add to higher-quality areas that have drifted below strategic asset allocation targets in both Equities and Fixed Income. As more economic data confirms a lower growth path is indeed unfolding, we'd be active in rebalancing early next year. This month, we increased our exposure to Agency Mortgage-backed Securities; upgraded Investment-grade Tax-Exempt while decreasing our exposure to Investment-grade Corporates. We also lowered Utilities and upgraded Energy as technical factors and higher yields are weighing on certain sectors.

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. 6003281 10/2023

MACRO STRATEGY

Geography Matters—China

Jonathan W. Kozy, Managing Director and Senior Macro Strategy Analyst

Theadora Lamprecht, Investment Analyst

Investment commentary about geography probably will not go viral on social media. We would have a better chance of that by making highly speculative calls around the Fed Chairman Powell's next move, potential China stimulus, or hysteria about generative Artificial Intelligence (AI) taking jobs and/or leaving everyone with excessive leisure time. But geography matters, and, across a vast array of public and private sector intelligence platforms, it is often overlooked. For asset allocators, geography plays a pivotal role in shaping economic growth potential, macro-level volatility and foundational assumptions for longer-term capital market assumptions. We initiate our "Geography Matters" series with a closer look at China's geographical advantages and disadvantages, a necessary distraction from the highly speculative news flow that drives Chinese equity markets on a day-to-day basis. Why now? Because China's realized and desired position in the global economy has changed. A closer look at its geography helps us understand its growth potential and why the geopolitical environment is such a headwind for risk-assets.

Investment Implications

Geopolitical dynamics are dampening many of China's geographical advantages that are foundational for maximizing economic growth potential. Unfortunately, the duration of diplomatic tensions is unknown and difficult to forecast, giving us another reason to be hesitant in upgrading EM Equity indexes with large allocations to China.

When asking ChatGPT and similar platforms to "rank the top countries that have the best geography for economic growth." China consistently ranked within the top 10 countries with its vast size, diverse topography, coastal advantage, river systems and natural resources cited as supportive of economic growth. The U.S., Canada, Australia, Singapore, Netherlands, Germany, South Korea, United Arab Emirates and Chile rounded out the top 10. Notably, it was able to acknowledge that an assessment of a country's geography can change over time due to geopolitical dynamics, and in our view the current dynamics are significantly dampening many of China's geographical advantages.

One of China's unique geographic characteristics is an extensive coastline. China's coastline is around 14,000km (8,700 miles), making it the country with the tenth largest coastline in the world.[1] It extends from the Bo Hai Gulf in the north to the Gulf of Tonkin in the south. It also includes areas touching the Yellow Sea, East China Sea and South China Sea. One advantage of a significant shoreline is the ability to facilitate international trade, allowing the country easier access to global markets. Many of the globalized industries within the country are located in cities near the coast. According to China's National Bureau of Statistics, in 2020, coastal provinces accounted for approximately 63.1% of China's gross domestic product, highlighting the economic significance of these regions. Honing in further, corporations based in Beijing, Shanghai and Shenzhen, cities near the coastline, account for around 69% of the revenue of mainland China's Fortune Global 500 cohort.[2] One reason for the economic rise of these coastal areas is the economic reforms that began in the 1970s, where the government designated four areas as "Special Economic Zones" (SEZs). These were created as a mechanism for enticing foreign direct investment, job creation and industrialization. For example, Shenzhen is one of these regions and still produces 90% of the world's electronics.[3]

On the other hand, China's single coast is also its geopolitical hotspot, with Taiwan front and center. It faces South Korea, Japan, Taiwan and the Philippines and is exposed to strategic chokepoints, particularly when geopolitical tensions are elevated. When considering economic security, the Strait of Malacca is the shortest sea route between China and India and is one of the most heavily traded shipping networks in the world. Over 70% of China's petroleum and Liquefied Natural Gas (LNG) exports are shipped through this straight, and 60% of China's trade flows through and into the South China Sea.[4] Given the country's heavy reliance on this area from an economic perspective, this leaves it exposed to risk from any potential naval blockades or country disputes within the South China Sea.

[1] Encyclopedia Britannica, October 2023.

[2] "Where are the Headquarters of the World's Biggest Companies? A Few Global Cities are Major Corporate Magnets," *Fortune*, April 2023.

[3] "The Astonishing Rise of Shenzhen, China's Gadget Capital," World Economic Forum, November 2017; "5 Things to Know About Doing Business In Shenzhen," *Inc. Magazine*, 2015.

[4] "China and the 'Malacca Dilemma'," The Warsaw Institute, February 2021.

And the rest of China's border is not particularly benign. China borders 14 other nations including nuclear-armed Russia, North Korea, Pakistan and India. Given fraught relationships with numerous nations and the current, elevated geopolitical risk environment, this puts China in a potentially insecure position compared to the U.S., for example, which has two coasts and borders allies and more stable nations, such as Canada.

While China is the third-largest country in terms of land area (behind only Russia and Canada), their amount of arable land, land used for crop production, has shrunk at a considerable rate.[5] China's arable land (as a percentage of total land area) is 11.6%, while the U.S. and India maintain 17.2% and 51.9%, respectively. From 2009 to 2019, arable land in China decreased 6%, with further reductions expected by 2030.[6] This poses potential risks for food supply chains both domestically and globally. Reasons for this decline include climate change, excess fertilizer use and land neglect. From 1981 to 2010, climate change and ozone pollution reduced China's national average crop yields by 10%. Additionally, the production of three staple crops in China—rice, wheat and corn—is vulnerable to climate change and could lead to notable losses of around 8% in crop yields by 2030.[7] Growth in countrywide food consumption has outpaced domestic supply. Between 2000 and 2020, the country's food self-sufficiency ratio decreased from 93.6% to 65.8%.[8] China produces one-fourth of the world's grain and feeds one-fifth of the world's population.[9] As feeding the population is a major goal of China's leaders, considering they have the world's second-largest population, and a sensitive concern with a rich history, they have sought to diversify import sources. China is now the world's leading purchaser of soybeans, rice, beef, pork, barley and sorghum. Moreover, imports tend to be cheaper now than locally producing. For example, the cost to grow soybeans in China is 1.3X more expensive than it is in the U.S. Major food supplies to China include the U.S., Australia, Canada and India, many of which it has tense geopolitical relationships with, which could pose a challenge for trade in the future amid any potential elevated hostility and thus place China at a disadvantage in terms of food security.

An additional consideration is China's geographic vulnerability to natural disasters and climate change. China is susceptible to water scarcity, desertification and numerous natural disasters (earthquakes, floods, droughts). When considering the financial effect of adjusting to climate vulnerabilities, like other countries, China's future may be expensive. Economic losses from natural disasters increased to 41.18 billion yuan ($5.74 billion) in July 2023, more than January to June combined—38.23 billion yuan—due to two powerful typhoons hitting the country.[10] Additionally, Beijing was struck by the worst rains in 140 years after the capital's hottest June on record. This is a major concern, as two-thirds of China's territory suffers from the threat of flooding, while the eastern and southern coastal regions and inland provinces encounter tropical cyclones, with around seven tropical cyclones occurring annually. Furthermore, each of China's 23 provinces have experienced earthquakes that measure 5.0 or higher on the Richter scale due to China sitting right in the region of the Eurasian, Pacific and Indian Ocean active tectonic plates.

Why are we considering geography now? Isn't geography relatively stable? Yes, but China's position in the global economy, both realized and desired, is much different. And global tensions related to Taiwan are evolving. Additionally, climate-related events appear to be testing all countries' vulnerabilities, with geography a significant factor. Overall, it is important to note that geography alone is not the sole determinant of economic success, as various factors such as political stability, infrastructure, human capital and government policies also play significant roles. While China has relatively favorable geography in comparison to many countries, the current geopolitical backdrop is challenging its geographic advantages, and the duration of uncertainty is unknown. Overall, the backdrop leaves investors with a lot to think about in terms of pulling the trigger on upgrading Emerging Market Equities with a large allocation to China.

[5] World Population Review, 2023.
[6] "China's Total Arable Land Shrinks Nearly 6% from 2009-2019," Reuters, August 2021.
[7] "Climate Change to Adversely Impact Grain Production in China by 2030," International Food Policy Research Institute, February 2018.
[8] S&P Global, 2023.
[9] Council on Foreign Relations, January 2023.
[10] "China July-August Economic Losses from Disasters Double from First Six Months," Reuters, September 2023.

MARKET VIEW

"Higher-for-Longer" Goes Beyond Interest Rates: What Investors Need to Know

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

Ariana Chiu, Wealth Management Analyst

"Higher-for-longer" (HFL) doesn't just apply to the trajectory of U.S. interest rates—it's also applicable to a number of key variables that will shape the investment landscape over the medium term.

As we discuss below, the HFL mantra also applies to world oil prices, the U.S. federal budget deficit, global defense spending, and political discourse in the U.S. as we move closer to the 2024 presidential election. This backdrop portends more chop and churn in the capital markets over the near term and underpins the CIO's underlying investment theme that investors maintain a balanced and diversified asset mix, with an emphasis on high quality in both Equities and Fixed Income.

Investment Implications

Investors confront a different investment backdrop as we head into year-end. A number of factors have converged to weigh on sentiment, ranging from uncertainty in Washington to higher interest rates. The upcoming earnings season could shift sentiment to the upside, but we expect more chop and churn in the markets over the near-term. Key sector overweight: Energy.

A "Higher-For-Longer" World

For **interest rates,** HFL gained traction following the Fed's September meeting, which didn't come with a rate hike (as expected) but rather a mouthful of Fed-speak about how a stronger-than-expected U.S. economy had altered the Fed's outlook for inflation and therefore the fed funds rate. In June, the Fed projected the fed funds rate would fall to a range of from 4.5% to 4.75% by the end of 2024; in September, however, the Fed pivoted, raising the funds target to a range of from 5% to 5.25% by year-end 2024, according to their Summary of Economic Projections—a recognition on the part of the Fed of the robustness of the U.S. economy in general and a tight labor market in particular. Per the latter, the 336,000 rise in nonfarm payrolls in September was well above the consensus estimate (170,000) and is supportive of the higher-for-longer narrative. Also contributing to higher yields: the expectation of more Treasury issuance in the face of the expanding federal budget deficit.

Investment implications: With nominal and real rates at some of the most attractive levels in 15 years, Fixed Income and equivalents have become legitimate alternatives (headwind) to Equities. Per the Investment Strategy Committee, we recommend a slightly long-duration position in Fixed Income and increasing exposure to agency Mortgage-backed Securities and Investment-grade Tax-exempt Municipals.

Exhibit 1: A HFL World.

What	Why	Investment Implications
Interest Rates	Stickier inflation; elevated energy prices; structurally higher wages; tight labor market	Headwind to Equities; favors hard assets, attractiveness of cash and Fixed Income
Energy Prices	Tight global oil supplies; Middle East geopolitical tensions; higher demand for metals and minerals due to green transition; robust U.S. fiscal outlays	Long Commodities including oil, metals, minerals and agricultural products; negative for Consumer Discretionary sector
Budget Deficit	Rising outlays of mandatory programs including Social Security, Medicare and Medicaid; higher defense outlays and interest payments	Higher interest rates, increasing interest payments on debt; weaker U.S. dollar; potential credit downgrade
Defense Spending	New geopolitical order featuring war in Europe, cold war in Asia; years to replenish munitions due to Ukraine conflict; cyber fears	"Hard Power": Long defense and cybersecurity; favorable to hard assets; global defense spending a growth industry
Political Discourse	Polarized Washington; difficulties in governing; negative optics of 2024 election	Negative to consumer/business confidence and related asset classes; potentially weaker U.S. dollar; possible credit downgrade

Sources: Chief Investment Office. Data as of October 5, 2023.

Oil prices retrenched in early October, but even at current levels (in excess of $80 per barrel), oil prices remain well off the lows of roughly $70 per barrel set in June. Not unexpectedly, world oil prices have jumped in the wake of Middle East tensions. Weak oil demand could push prices lower over the near term, although the offset to softer demand

RETURN TO FIRST PAGE

could be more supply constraints courtesy of OPEC+ members. Last month, Saudi Arabia extended its 1 million barrels per day (bpd) voluntary oil production cut until the end of the year, while Russia pledged to extend its 300,000 bpd export reduction plan until year-end as well. The upshot: tighter global supplies heading into the winter months, lower inventories, limited spare capacity, and higher prices across the energy complex. If investors have learned anything in the past few weeks, it's that oil is the ultimate political commodity whose prices are set by the markets and politics. Given the geopolitical dynamics of today, world oil prices are expected to be managed at higher-than-expected levels over the near term.

Investment implications: We remain overweight Energy and believe higher oil prices will drive higher-than-expected cash flow and earnings over the next few quarters. Relative to other sectors in the S&P 500, Energy has provided attractive valuations and strong dividend growth. We also remain long-term bulls on metals and minerals given underlying secular demand via the green (renewable) transition.

Another HFL variable—the U.S. budget deficit. While a U.S. government shutdown was recently avoided—at least for the next 45 days—what's not avoidable are the challenging finances of the U.S. government. As we recently noted, growth in the "Formidable Five" government spending programs (Social Security, Medicare, Medicaid, Defense and Interest Payments) entail outsized federal budget deficits over the medium term, barring initiatives to boost revenues. In brief, defense spending is a growth industry given the geopolitical realities of today. Meanwhile, an aging population and work force, coupled with greater life expectancies, will help keep a floor under benefit outlays on the nation's largest mandatory spending programs (Social Security, Medicare, Medicaid). Lastly, as interest rates have climbed over the past 18 months, so has the cost of servicing America's expanding budget deficits via higher interest payments. Given this backdrop, we continue to keep a wary eye on Washington.

Investment implications: America's challenging finances adds an element of complexity and uncertainty to effective portfolio construction. The greater the market worries and frets over America's finances, the greater the potential for higher interest rates, deferred social spending, a credit downgrade, a weaker U.S. dollar and fiscal consolidation.

Global defense spending is yet another factor we have labeled as HFL given the geopolitical realities of our times. A war in Europe, a cold war in Asia, combined with ever-expanding cybersecurity concerns and Middle East tensions, all add up to more global defense spending over this decade. Per the latter, global defense spending topped a record $2.2 trillion in 2022, according to Stockholm International Peace Institute, and is only expected to move higher in the years ahead. The U.S. remains far and away the largest military spender and the world's top arms exporter. The sharpest rise in spending, however, has come from Europe, where spending levels in real terms are now back to the cold war levels of the 1980s. In Asia, Japan and South Korea have boosted spending in light of more military expenditures from China.

Investment implications: We are bullish on "hard power" given current geopolitics. U.S. firms are global leaders in defense and cyber activities.

Finally**, HFL political discourse in Washington** is yet another tailwind for the markets, with Kevin McCarthy removed as House Speaker last week as a prime example of the reigning uncertainty emanating from the nation's capital. At risk: the policy-making responsibilities of the U.S. government at a time when the budget for Fiscal Year 2024 remains up for grabs and the clock is ticking on when funding expires in mid-November. Remember: The markets abhor political brinkmanship. The more uncertainty in Washington, the greater the concerns in the bond market about government spending and finances, and America's ability to manage its debt levels. Also keeping a close eye on the finances of the U.S.—foreign investors, who own nearly 30% of marketable U.S. Treasurys.

Investment implications: Dwindling confidence in Washington could act as a drag on consumer and business confidence heading into next year. Also in the cross hairs of a discord in Washington: the U.S. dollar, which has enjoyed another strong year. The potential for another credit downgrade (Moody's) is another factor we are monitoring carefully.

RETURN TO FIRST PAGE

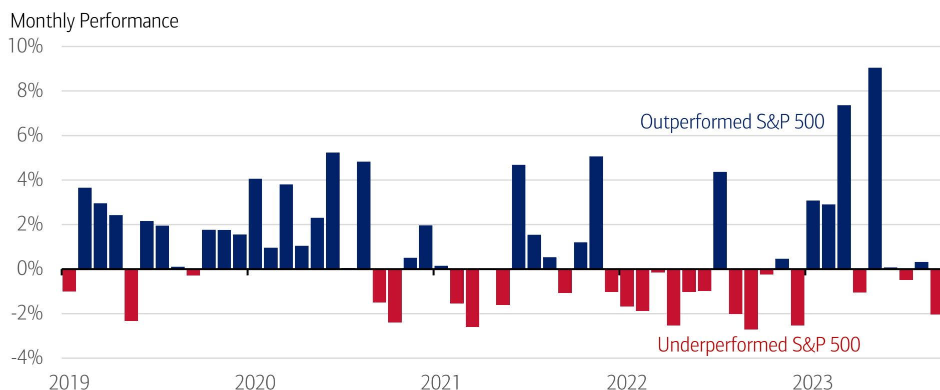
THOUGHT OF THE WEEK

Equities Yield A New Concern

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Entering Q4, the S&P 500 had returned 12% year-to-date (YTD) after a 7%-plus retracement from a high reached at the end of July. With sporadic broadening out seen in June, a narrow return profile from the moniker “the Magnificent 7” of technology behemoths still contributed the bulk of returns YTD. After logging big gains earlier in the year, Technology slid 7% in September, underperforming the broader index by the widest margin seen since late last year (Exhibit 2). No longer an exempt corner of the market, mega cap technology has felt the pinch from rising yields. So too have valuations, no longer impervious to higher rates. The Technology sector trades at 24 times its projected earnings over the next 12 months, down from 28.5 at its July high—although still above its 10-year average of around 19.

Exhibit 2: Technology's Performance Differential With The S&P 500.



Source: Bloomberg. Data as of October 3, 2023. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

This was coincident with rates on the move, as the 10-year yield traveled from 4.11% at the end of August to 4.57% by September-end, at which point its yield was at the highest since 2007. More impressive has been the 10-year charge to 4.8% over the first week of October. Yields on shorter-term Treasurys have also jumped, with the 2-year yield trending above 5%.

After staging an impressive runup YTD, Q4 focus is on the reality explicitly presented at the last Fed meeting: Interest rates are likely to remain higher for longer—a dynamic that has dented Technology and rate-sensitive sectors. Some sector rotation was evident over Q3—toward Energy (+11%) as the sector rode a rally in oil prices and away from interest rate-sensitive corners of the market like Utilities (-10%) and Real Estate (-9.6%). Also lopsided has been the scant 33% companies that have outperformed the benchmark so far this year, leaving behind the overwhelming majority of S&P 500 companies.

Q4 risks multiple shocks: From labor strikes to Washington disfunction, to geopolitical tensions, to rising oil—none of which stack up in importance to the higher-for-longer narrative heard from the Fed. Given the crosscurrents so far in October, the wreckage from last week: A Bloomberg Global Bond Aggregate lost $1.3 trillion in value, while $1.5 trillion was lost from global Equities.

Portfolio Considerations

The seasonal downdraft in Equities over the month of September came into fruition complimenting a surge in bond yields. Even given the higher volatility and higher interest rate environment, longer-term fundamentals for the Technology sector are strong—given fortress balance sheets, dividend growth and free cash flow characteristics. As yields have sharply risen across Fixed Income, we recently adjusted our Fixed Income strategy to be more defensive while recommending a slightly long-duration position versus a stated benchmark.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,407.58	-0.2	-0.2	2.5
NASDAQ	13,431.34	1.6	1.6	29.2
S&P 500	4,308.50	0.5	0.5	13.7
S&P 400 Mid Cap	2,455.43	-1.8	-1.8	2.4
Russell 2000	1,745.56	-2.2	-2.2	0.3
MSCI World	2,845.23	-0.3	-0.3	10.8
MSCI EAFE	1,993.63	-1.8	-1.8	5.1
MSCI Emerging Markets	937.34	-1.6	-1.6	0.2

Fixed Income†

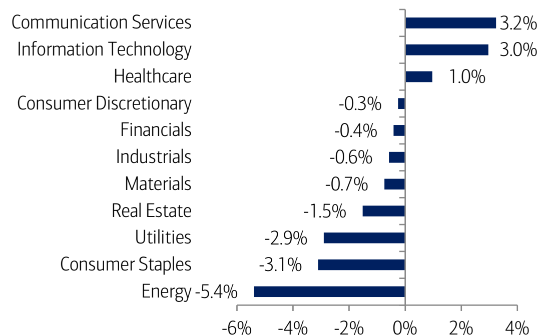
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	5.44	-1.17	-1.17	-2.01
Agencies	5.26	-0.32	-0.32	1.07
Municipals	4.43	-0.64	-0.64	-2.01
U.S. Investment Grade Credit	5.54	-1.17	-1.17	-2.36
International	6.23	-1.44	-1.44	-1.42
High Yield	9.20	-1.21	-1.21	4.58
90 Day Yield	5.51	5.45	5.45	4.34
2 Year Yield	5.08	5.04	5.04	4.43
10 Year Yield	4.80	4.57	4.57	3.87
30 Year Yield	4.97	4.70	4.70	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	232.54	-2.1	-2.1	-5.4
WTI Crude $/Barrel††	82.79	-8.8	-8.8	3.2
Gold Spot $/Ounce††	1833.01	-0.8	-0.8	0.5

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.06	1.06	1.06	1.07
USD/JPY	149.32	149.37	149.37	131.12
USD/CNH	7.31	7.29	7.29	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 10/2/2023 to 10/6/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 10/6/2023 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 10/6/2023)

	2022A	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	3.6	-	-	-	-	3.0
Real U.S. GDP (% q/q annualized)	1.9	2.2	2.1	2.0	1.5	2.1
CPI inflation (% y/y)	8.0	5.8	4.0	3.5	3.4	4.2
Core CPI inflation (% y/y)	6.1	5.6	5.2	4.4	3.9	4.8
Unemployment rate (%)	3.6	3.5	3.5	3.6	3.8	3.6
Fed funds rate, end period (%)	4.33	4.83	5.08	5.33	5.63	5.63

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 6, 2023.

Asset Class Weightings (as of 10/3/2023)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities			●		
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
US. Small Cap Growth			●		
US. 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. High Yield Tax Exempt		●			
U.S. Investment-grade 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 October 3, 2023. 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

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

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 stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

S&P 500 sub-sectors and industry groups Global Industry Classification Standard 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; Energy TR USD; Healthcare TR USD; Pharmaceuticals; Banks; Telecommunications; REITS.

Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Bloomberg Global Bond Aggregate Index is a flagship measure of global investment grade debt from a multitude local currency markets.

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. 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. Bonds are subject to interest rate, inflation and credit risks. When interest rates go up, bond prices typically drop, and vice versa. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. 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. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. 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.

© 2023 Bank of America Corporation. All rights reserved.