

# Capital Market Outlook

October 15, 2024

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

## IN THIS ISSUE

**Macro Strategy—Data Reinforce The Case For Only Gradual Fed Easing:** The economy is navigating a sea of heightened geopolitical risk, political uncertainty and unsettling weather-related destruction. Though still low, unemployment claims have started to rise due to the Boeing strike and hurricane-related dislocations. The hot war brewing in the Middle East creates risks of higher oil prices. Heightened uncertainty has contributed to occasional spikes in the equity market “fear factor” CBOE VIX<sup>1</sup> above average levels in recent weeks.

Soft spots and risks aside, U.S. economic fundamentals appear firmer than just a few weeks ago. Big upside revisions to gross domestic product (GDP) accounts have boosted economywide pretax corporate profits 12% above earlier estimates. With a larger economic “pie,” the household sector is also in better shape than was expected, with higher-than-initially reported saving out of income. Still healthy employment and wage growth, plus a more comfortable saving cushion, puts the consumer sector in better position to help extend the expansion. Chinese government plans to stimulate the economy and a global easing cycle well under way should provide additional support. All this challenges the already weak case for a “hard landing” and forceful Federal Reserve (Fed) rate cuts, with rate markets already recalibrating expectations. Treasury market volatility has remained elevated as a result.

**Market View—The Bull Market Turns Two:** Two years have now passed since the current cyclical bull market emerged on October 12, 2022. Since then, the S&P 500 has returned about 61%. If the current bull market were to end now, it would be among the smallest recorded in terms of both duration and magnitude. While near-term risks to this rally remain, including the upcoming U.S. presidential election, escalating geopolitical tensions, stretched valuations, and a normalizing economy, it’s our view that the bull should continue to run well into its third year. Strong support from factors like corporate earnings expansion, moderating inflation and easier monetary policy, a stable consumer, and a resilient labor market should help Equities climb the wall of worry moving forward. From a positioning perspective, we maintain an Equity overweight and a high level of diversification.

**Thought of the Week—Generative AI: It’s Not Just About Mega-Cap Tech:** Electricity demand has essentially flatlined for the better half of this century. Now, for the first time in two decades, demand for power in the U.S. is primed to soar. The culprit? Generative artificial intelligence (AI)—and the physical infrastructure required to process vast volumes of data. Private construction of data centers has more than doubled in less than two years, and, by 2030, data centers are projected to account for up to 9% of total U.S. electricity generation—more than double the percentage in 2023.

The bottom line: When it comes to generative AI, opportunities for investors extend well beyond the mega-cap Technology companies that have received the bulk of media attention over the last couple of years. Higher electricity demand supports greater investment in power generation, transmission and distribution—all of which provides a positive backdrop for industrial commodities and the Utilities sector. We upgraded our Utilities sector allocation to a slight overweight in October.

<sup>1</sup> Chicago Board Options Exchange (CBOE) Equity Market Volatility Index is a measure of market sentiment. It reflects market expectations for equity market volatility 30 days forward.

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## MACRO STRATEGY ▶

**Chief Investment Office**  
Macro Strategy Team

## MARKET VIEW ▶

**Emily Avioli**  
Vice President and Investment Strategist

## THOUGHT OF THE WEEK ▶

**Ariana Chiu**  
Wealth Management Analyst

## MARKETS IN REVIEW ▶

Data as of 10/15/2024,  
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.

## Data Reinforce The Case For Only Gradual Fed Easing

*Chief Investment Office, Macro Strategy Team*

Faced with imperfect data and concerns that unemployment might increase more than consistent with its full-employment mandate, the Fed implemented a bold 50 basis point rate cut in September. Indeed, inflation was becoming less of a risk, manufacturing was stuck in a rut, and the household sector, the workhorse of the current expansion, seemed to have run out of fuel. Various labor market indicators, including payroll growth, the quits rate and job openings, had significantly weakened. Pandemic-related excess savings seemed to run increasingly thin, and the saving rate was reaching rock bottom again.

Still, as discussed in recent *Capital Market Outlook* reports, U.S. economic fundamentals haven't been as bleak as perceived. Moreover, recent employment data and large revisions to Bureau of Economic Analysis (BEA) economic growth, corporate profits and personal saving data paint an even more favorable picture than apparent just weeks ago—one of resilience, strength and sustained expansion. The revisions validate the view that, all along, the economy has been only normalizing from unusually strong levels rather than exhibiting pre-recessionary dynamics. They also strengthen the case for only gradual Fed rate cuts to extend the expansion without renewed risks of inflation.

Indeed, inflation remains above the Fed's 2% target, and the September Consumer Price Index (CPI) report was disappointing. Importantly, "core" CPI is up 3.3% year-over-year (YoY), and sharply higher from 1.6% in July to 3.1% in September on a three-month annualized basis. Although this bump in the disinflation trend should resolve, as some of the disproportionate price increases are likely one-offs, a cautious Fed easing approach is necessary to avoid overstimulating the economy.

Importantly, the September payrolls report significantly exceeded expectations, with strong hiring and large upside revisions to July and August employment to boot. Rather than displaying ongoing weakness, the three-month average payroll gain strengthened to a respectable 186,000, the highest since May. The share of industries expanding payrolls increased sharply. Hiring was strong enough for the unemployment rate to tick down again to 4.1% (from 4.3% in July) even as the labor-force participation rate remained unchanged.

In addition, the National Federation of Independent Business (NFIB) survey of small business conditions shows still elevated job openings by historical standards, despite another step lower in September. Plans to increase payrolls have inched up, stabilizing around average levels. Plans to boost pay over the next three months have spiked since July and remain elevated. Moreover, significant upside revisions to aggregate personal income have raised the saving rate to a more robust 5% average over the past year than the 3.7% initially reported by the BEA. This indicates that the household sector has not exhausted its excess pandemic savings after all, and thus is in better position to help prolong the expansion than previously thought.

Although initial jobless claims rose much more than expected in the week ending October 5, they were led by large increases in areas most affected by Hurricane Helene and the Boeing strike. Claims are likely to increase further due to Hurricane Milton. For now, continued claims, which saw their largest increase since January in the week ended September 28, appear disproportionately affected by the Boeing strike. Thus, the sharp deterioration in these labor market indicators largely reflects idiosyncratic shocks rather than deteriorating economic fundamentals.

Favorable labor market and consumer income/spending conditions have been closely tied to strong corporate-sector productivity and profitability. Productivity growth, one of the linchpins of economic health, has not only outpaced expectations, but is also on track for upside revisions courtesy of higher GDP growth estimates. With structural underpinnings closely tied to accelerating technological advancement, productivity growth is likely to remain sturdy, in our view, helping keep profit margins lofty, unemployment low, and inflation in check.

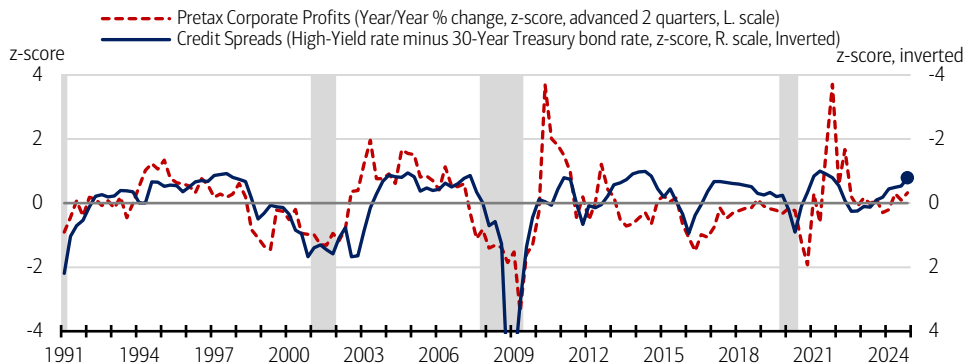
With pre-tax corporate profits strong, and even 12% higher after the BEA revisions, it's hardly surprising that credit spreads have remained narrow (Exhibit 1). Spreads—which tend to widen when the economic outlook deteriorates, and vice versa—have been narrowing since the resolution of last year's regional banking crisis. Their downtrend was reinforced by the Fed's

### Portfolio Considerations

The Fed's September rate cut is likely to be more about fine-tuning policy rather than about battling recessionary forces. Typically, the outlook for cyclical risk assets is positive one year after such a first rate cut.

September rate cut and large recent upside corporate earnings surprises. With low perceived risks of negative credit events, the “market fear” VIX index has mostly stayed below its long-term average. Neither Treasuries nor the dollar, both often seen as “safe havens”, have experienced the rush of inflows typical of a deteriorating economic outlook.

**Exhibit 1: Corporate Profits Growth Rebound Positive For Spreads And The Economic Outlook.**



Gray bar represents recessionary periods. z-score=number of standard deviations from the mean of the data set. Sources: BEA Analysis/Haver Analytics. Data as of October 8, 2024.

As noted above, soft spots persist, with the industrial sector still stuck in a rut if the depressed Institute for Supply Management (ISM) manufacturing survey reported for September is any indication. Service-sector strength has continued to more than offset pockets of weakness, however, helping keep the expansion going at an estimated 3.2% pace in Q3, according to the Atlanta Fed. That’s why, the spike in the ISM nonmanufacturing index to its highest level in 18 months is quite encouraging. This more so as its September rebound has been led by a sharp upturn in new orders to 59.4, well into expansion territory. Their improvement from just 47.3 in June bodes well for sustained service-sector growth in coming months.

All this, mixed with a broad array of government economic support measures announced in China and rate cuts around the world, buoys confidence in the U.S. and global growth outlook. This is important because, historically, when the Fed cuts rates ahead of an economic slowdown or recession, equity markets tend to perform poorly. However, when rate cuts occur because inflation is no longer a pressing concern and a recession doesn’t materialize, the market response tends to be positive. According to a September 25, 2024, BofA Global Research report, in three of the previous six Fed easing cycles where the U.S. avoided a recession, the global equity index rallied by an average of 14% over the following year. Conversely, in cycles where a recession did ensue, the MSCI All-Country World Index fell by 10%.

Style performance also diverged dramatically in these scenarios. During non-recessionary rate cuts, the cyclical Risk style outperformed the defensive Quality style by over 14%, whereas in recessions, Risk underperformed Quality by nearly 20%. Given the current context, the September rate cut is likely to favor a tilt toward cyclical styles. That said, there are always exceptions to the rule. We suggest upgrading Utilities, which is typically a defensive sector, to a slight overweight on surging electricity demand to support the buildout of AI. Favorable secular trends in electric power demand and capital expenditures investments tend to be positive for this sector. A slight underweight for the Energy sector on an increasing oil supply outlook for 2025 also seems in order.

As of October 8, 2024, BofA Global Research noted that its Market Trough Monitor, which is designed to identify potential troughs in global equity markets, triggered a "trough signal" last week. This implies that “the equity market rally has potential to continue. After the previous 13 previous trough signals since 1996, the MSCI All-Country World Index averaged 28% in the subsequent 12 months, and global equity market returns ranged between 7% and 58%.”

Aside from an improving global earnings cycle and supportive policy in the U.S. and China, which are all positive for equity markets and cyclicals, “seasonality also provides a positive backdrop given that global equities have rallied in the last 10 weeks of the calendar year in 86% of years since our data began in 1988,” according to BofA Global Research.<sup>2</sup>

<sup>2</sup> September 30, 2024.

## The Bull Market Turns Two

*Emily Avioli, Vice President and Investment Strategist*

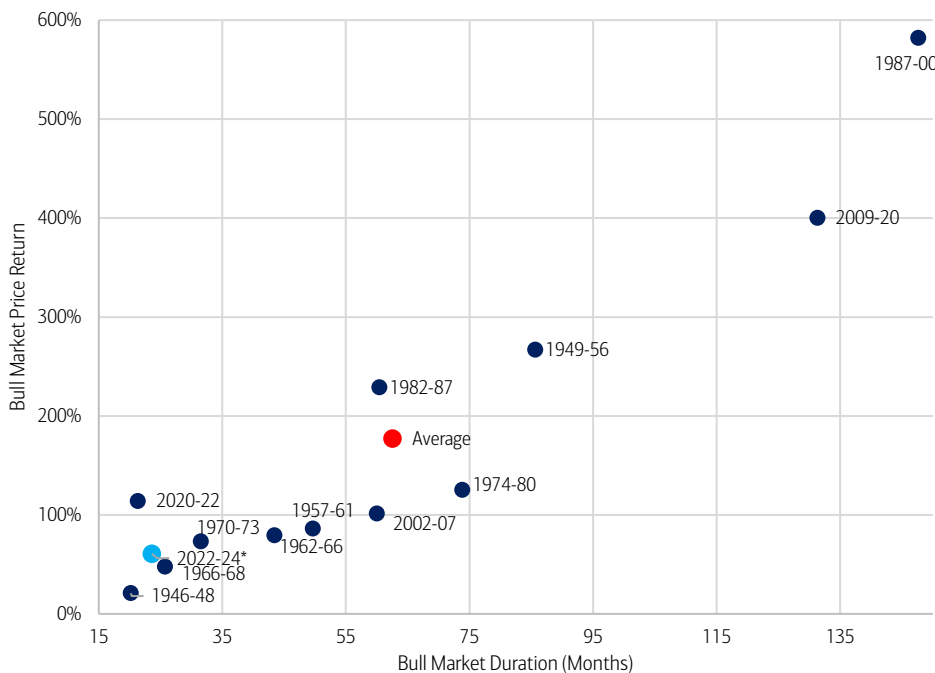
The S&P 500 just achieved its latest expectation-defying milestone. Two years have now passed since the current cyclical bull market emerged from the closing low of 3,577.03 on October 12, 2022.<sup>3</sup> As the Equity upswing enters its third year, an obvious question arises: How much longer will it last?

History may provide a useful guide. Since 1946, cyclical bull markets in the S&P 500 have lasted for 63 months, with price returns of 177%, on average. The current bull market pales in comparison, with a duration of 24 months and a return of 64% (Exhibit 2). About 67% of bull markets since 1946 have lived to see their third birthday. If the current bull market were to end now, it would be among the smallest recorded in terms of both duration and magnitude (Exhibit 2).

While time is seemingly on this bull’s side, as the old market adage goes, “bull markets don’t die of old age.” Rather, they are ended by one catalyst or another, whether that be a recession or some other exogenous shock. Today, bearish sceptics might point to a number of mounting risks that could threaten the rally’s longevity: Volatility is expected to pick up with the U.S. presidential election just around the corner, red-hot geopolitical tensions seem to escalate daily, valuations are stretched above long-term averages, and economic data has been pointing to a normalizing trend for the past several months.

In our view, it’s more likely that these risks will lead to near-term choppiness within a broader market uptrend. We continue to see powerful factors that should help Equities climb the wall of worry and allow the bull to run well into its third year.

**Exhibit 2: S&P 500 Cyclical Bull Markets Since 1946**



\*Ongoing. Source: Bloomberg, Yardeni Research. Data as of October 8, 2024. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. Past performance is no guarantee of future results.**

### Factors That Could Keep This Bull Running

**Earnings Expansion:** Earnings are arguably the most important source of power for the equity engine in the ongoing bull market. The S&P 500 saw Q2 earnings-per-share (EPS) increase by 11.4% YoY, marking the fourth positive consecutive quarter of earnings

<sup>3</sup> Source: Bloomberg. Data as of October 8, 2024. Cyclical bull market is defined as a rise of at least 20% from the previous equity market low.

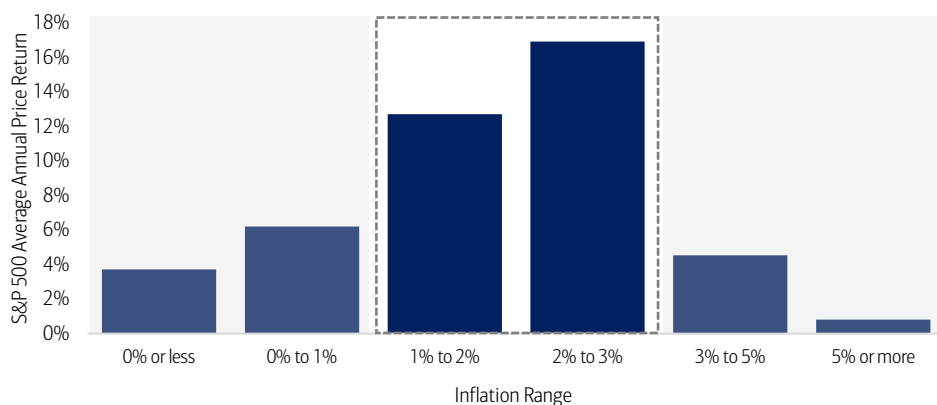
### Investment Implications

As the Equity bull market enters its third year, we maintain an Equity overweight and a high level of diversification. Any near-term market turbulence will likely come up against powerful tailwinds that should be a solid base for continued Equity strength.

growth for the index. Top-line revenue growth has held up, and margins have remained resilient. Five of the 11 S&P 500 sectors saw double-digit earnings expansion in Q2, with areas like Utilities, Financials and Healthcare joining Information Technology and Consumer Discretionary as leaders of the pack, helping to support a broadening equity market rally. Heading into the Q3 reporting season, the S&P 500 is expected to see YoY EPS increase by 3.8%. Eight out of 11 sectors are tracking positive earnings growth in Q3, and all 11 sectors are expected to see positive earnings growth by Q2 2025.<sup>4</sup> With valuation multiples admittedly at high levels, we believe it will be a sustained, broad-based earnings uptrend that drives equities higher in coming quarters.

**Moderating Inflation:** Despite a slightly hotter-than-expected inflation print for September, it's our view that the moderating trend in inflation is set to continue. CPI rose by 0.2% last month, in line with the 0.2% month-over-month (MoM) increases observed in August and July. On a YoY basis, inflation moderated to 2.4% in September from 2.5% in August. Historically, low-single-digit inflation has been a sweet spot for the performance of the S&P 500, with the highest average annual returns observed when annual CPI averaged between 1% and 3% YoY (Exhibit 3). Lower inflation has also enabled the Fed to cut interest rates, a development which has historically been followed by positive equity returns on average. While there is a risk that inflation could reaccelerate from here, our base case is that it will remain on a durable path downward as the Fed continues to gradually ease interest rates. Lower inflation, accompanied by lower rates, may boost equity market performance going forward.

**Exhibit 3: Average Annual YoY CPI Of 1% to 3% Has Historically Been Supportive For Equities.**



Source: Bloomberg. Annual data referenced from December 31, 1928 to December 31, 2023. Refers to annual S&P 500 Index price return data and annual average YoY CPI data. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. Past performance is no guarantee of future results.**

**Stable Consumers:** It's hard to overstate the importance of the consumer to both equity markets and the broader economy. When examining the various crosscurrents that consumers navigate today, we find that tailwinds still overpower headwinds. The labor market, which is often cited as the consumer's strongest support, remains resilient—nonfarm payrolls rose by the most in six months in September, the unemployment rate declined to 4.1%, and average hourly earnings increased by 4% YoY, according to the Bureau of Labor Statistics. Meanwhile, a rise in the value of real estate and stock holdings helped U.S. household wealth grow to a record \$163.8 trillion in Q2, which should continue to fuel spending moving forward.<sup>5</sup> While consumers still face their fair share of challenges, including elevated price levels, mounting credit card debt and rising delinquencies, they remain on relatively stable footing and should continue to support the economy and corporate earnings in the near term.

**The Bottom Line:** We continue to monitor downside risks to Equities and the potential for market choppiness in the near term. But in our view, strong support from factors like corporate earnings expansion, moderating inflation and easier monetary policy, and a still solid consumer and labor market should keep the bull market running into its third year.

<sup>4</sup> FactSet. Data as of October 8, 2024.

<sup>5</sup> Federal Reserve. September 12, 2024.

## Generative AI: It's Not Just About Mega-Cap Tech

Ariana Chiu, Wealth Management Analyst

Electricity demand is on the rise in the U.S. after essentially flatlining for the better half of this century (Exhibit 4A). According to the U.S. Department of Energy, electricity demand could grow 15% to 20% over the next decade owing to generative AI, whose hefty energy appetite is fueling an American power renaissance.

While effects on the real economy from AI are still nascent, the buildout of energy-intensive AI data centers—or the physical infrastructure required to store and process vast volumes of data—is real and well underway. Indeed, according to the Census Bureau, private construction of data centers across the U.S. has more than doubled in less than two years. In August, data center construction reached a seasonally adjusted annual rate of \$28 billion, up 57% over the year (Exhibit 4B).

With this buildout comes hunger for constant power. After all, a single hyperscaler data center can consume as much power as 80,000 households, with one ChatGPT query requiring about 10 times as much electricity as a simple Google search.<sup>6, 7</sup> This year alone, data centers in the U.S. and Canada are projected to order roughly nine times the amount of power commissioned in 2015.<sup>8</sup> Looking ahead, the Electric Power Research Institute estimates that data centers could account for up to 9% of total U.S. electricity generation each year by 2030—compared to 4% in 2023. Globally, meanwhile, power demand from data centers could reach the total electricity consumption of Japan by 2026, per the International Energy Agency.

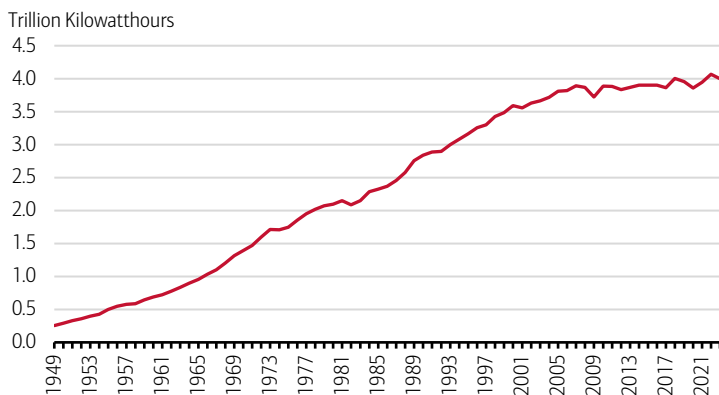
**What does this mean for investors?** When it comes to generative AI, the bottom line is this: Opportunities for investors extend well beyond mega-cap Technology companies. For the first time in two decades, electricity demand is set to soar, supporting greater investment in power generation, transmission and distribution. We believe that all of this provides a positive backdrop for industrial commodities and the Utilities sector. Per the latter, longer-term tailwinds from the AI data center buildout should continue to benefit the sector, which emerged as the top-performing S&P 500 sector in Q3 2024—outperforming the broader benchmark by the largest margin in nearly six years. We upgraded the sector from a slight underweight to a slight overweight this month.

### Portfolio Considerations

We expect the buildout of generative AI to send U.S. electricity demand higher for the first time since the early 2000s. With greater power required to fuel resource-intensive AI data centers, we believe that industrial commodities and Utilities are well-positioned to take advantage of long-term AI-driven tailwinds. In light of this, we upgraded the latter sector to a slight overweight this month.

### Exhibit 4: An American Power Renaissance Is Coming.

4A) Electricity Usage in the U.S. Has Flatlined for Two Decades.



4B) Data Center Construction is Soaring.

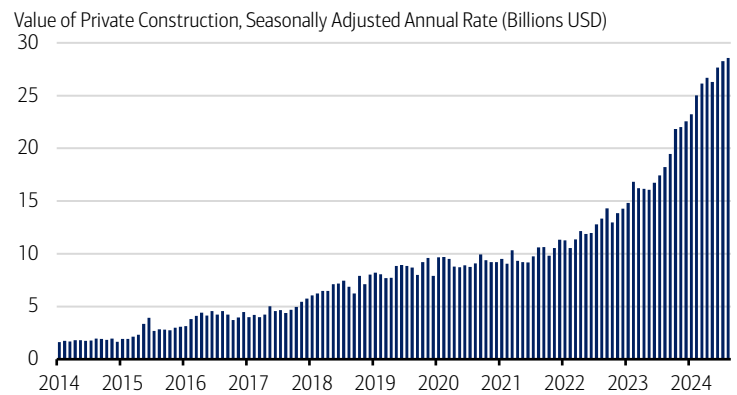


Exhibit 4A) Source: U.S. Energy Information Administration. Annual data through 2023, as of October 4, 2024. Exhibit 4B) Source: Census Bureau. Data as of October 7, 2024.

<sup>6</sup> McKinsey & Company, January 2023.

<sup>7</sup> International Energy Agency, January 2024.

<sup>8</sup> Wall Street Journal, September 2024.



Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,863.86	1.2	1.3	15.4
NASDAQ	18,342.94	1.1	0.9	22.9
S&P 500	5,815.03	1.1	1.0	23.3
S&P 400 Mid Cap	3,153.59	1.1	1.0	14.7
Russell 2000	2,234.41	1.0	0.2	11.4
MSCI World	3,731.93	0.9	0.3	19.2
MSCI EAFE	2,418.74	0.3	-2.0	10.7
MSCI Emerging Markets	1,159.56	-1.7	-0.9	15.8

Fixed Income†

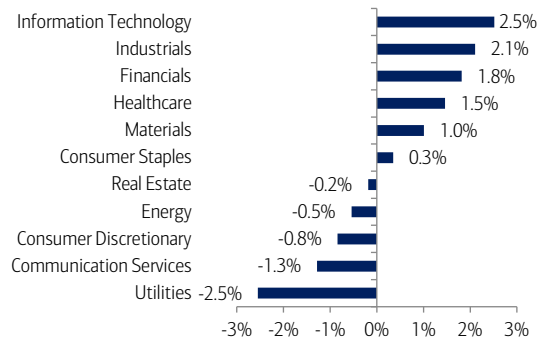
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.38	-0.47	-1.48	2.85
Agencies	4.30	-0.14	-0.77	3.46
Municipals	3.45	-0.54	-0.56	1.72
U.S. Investment Grade Credit	4.50	-0.46	-1.46	2.93
International	4.93	-0.44	-1.29	3.96
High Yield	7.24	-0.31	-0.48	7.49
90 Day Yield	4.63	4.61	4.62	5.33
2 Year Yield	3.96	3.92	3.64	4.25
10 Year Yield	4.10	3.97	3.78	3.88
30 Year Yield	4.41	4.25	4.12	4.03

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	241.14	-1.2	0.6	6.5
WTI Crude \$/Barrel††	75.56	1.6	10.8	5.5
Gold Spot \$/Ounce††	2656.59	0.1	0.8	28.8

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.09	1.10	1.11	1.10
USD/JPY	149.13	148.70	143.63	141.04
USD/CNH	7.07	7.10	7.01	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 10/7/2024 to 10/11/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 10/11/2024 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 10/11/2024)

	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)	2.9	3.2	3.2	2.6	2.5	2.3
Core CPI inflation (% y/y)	3.4	3.8	3.4	3.2	3.2	2.7
Unemployment rate (%)	4.0	3.8	4.0	4.2	4.3	4.5
Fed funds rate, end period (%)	4.38	5.33	5.33	4.83	4.38	3.13

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 11, 2024.

Asset Class Weightings (as of 10/1/2024)

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			

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	●	●	●

\*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 1, 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.

## 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.

**Consumer Price Index** is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

**Core Consumer Price Index** associates the noise in an aggregate price index with particular items—food and energy. The core CPI excludes food and energy prices from the CPI.

**Institute for Supply Management nonmanufacturing index** is a monthly economic indicator that measures the level of activity in the US manufacturing sector.

**Chicago Board Options Exchange Market Volatility Index** is a measure of implied volatility, based on the prices of a basket of S&P 500 Index options with 30 days to expiration.

**MSCI All-Country World Index** is a market capitalization-weighted index that tracks the performance of stocks in both developed and emerging markets.

## Important Disclosures

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