CHIEF INVESTMENT OFFICE

Capital Market Outlook

November 12, 2024

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

IN THIS ISSUE

Macro Strategy—*Republican Sweep. Now What?:* Former President Donald Trump won the popular vote and electoral college and has been elected the 47th President of the U.S. The Republicans are also expected to have narrow majorities in the Senate and House. Higher interest rates, U.S. Small-cap equity outperformance, cyclical sector relative outperformance, and a rally in cryptocurrency assets were among the initial financial market responses. The U.S. fiscal and monetary policy impulse was already positive heading into the election, and the Republican sweep provides a path to an amplified policy impulse unless the Federal Reserve (Fed) and long-term interest rates say otherwise. For now, aggregate financial conditions remain accommodative even as private-sector borrowing rates move higher. Growth and deregulation have "trumped" higher rates. We remain overweight U.S. Equities including Small-caps and Financials, but rising interest rates related to the new administration's assumed agenda are a potential risk and we will continue to assess this as possible headwind. Below we assess these post-election moves and other takeaways for the markets and economy.

Market View—*Three Inconvenient Truths Confronting the Next Administration and the Markets:* The election victory of former President Donald Trump and the Republican Party ignited a broad-based market rally last week, with major U.S. indexes all hitting record highs. While we believe there are factors supportive of a grind higher in U.S. Equities, it's not all clear sailing for the markets. Why? Because an administration that favors higher tariffs, potentially, on friends and foes alike, appears to be prone to more deficit spending in the face of a massive federal budget deficit and is isolationist in nature is on a collision course with three inconvenient truths, outlined below. First, boosting tariffs on China puts at risk U.S. access to key minerals and metals needed to power economic growth in America. Second, with the next administration likely to extend the 2017 Tax Cuts and Jobs Act, while cutting the corporate tax rate, the federal budget deficit is likely to remain large and therefore an ongoing concern to the capital markets. Finally, foreign investor confidence could be undermined by an administration wielding protectionist threats against its very own foreign creditors.

Thought of the Week—*Hyperscalers are Driving the AI Arms Race:* U.S. hyperscalers continue to place big bets on Artificial Intelligence (AI), keeping the U.S. well positioned to remain one of the world's most competitive economies well into the next decade—so much so that the hyperscalers grouping is expected to drive the entirety of the capital expenditure growth for S&P 500 companies this year. That's against a backdrop of capital expenditures that have largely flatlined as a proportion of gross domestic product (GDP) over the past five decades.

Thanks to its fortress balance sheets, Big Tech has the capital to invest in AI, exceeding the research and development budgets of some of the largest countries in the world. Capital-intensive indeed, the AI buildout will likely be expansive and expensive—whether spent on land development, data center construction, or the electrification and Information Technology (IT) infrastructure equipment.

MACRO STRATEGY ▶

Jonathan Kozy
Managing Director and Senior Macro Strategist

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 Strategist

MARKETS IN REVIEW ▶

Data as of 11/12/2024, and subject to change

Portfolio Considerations

We maintain our tactical Equity overweight relative to Fixed Income, our diversified, balanced approach in Growth versus Value, and continue to favor the U.S. relative to the rest of the world as we close out the choppiness at the end of 2024.

Our highest conviction Fixed Income call remains that the yield curve will normalize by short rates moving lower, and investors, in our opinion, should therefore consider moving out investable cash in Fixed Income to their strategic duration target as cash yields are likely to decrease relatively quickly from here, and the short-term backup in yields may be an opportunity.

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. 7272566 11/2024

MACRO STRATEGY

Republican Sweep. Now What?

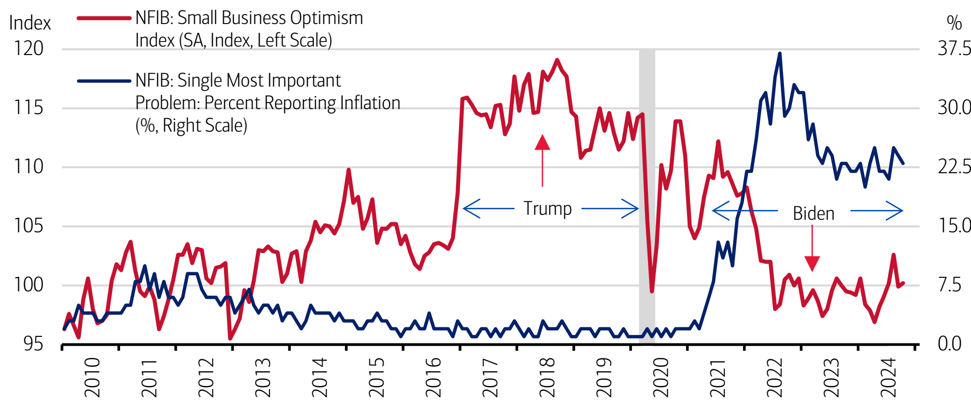
Jonathan Kozy, Managing Director and Senior Macro Strategist

Former President Donald Trump won the popular vote and electoral college and has been elected the 47th President of the U.S. The Republicans are also expected to have narrow majorities in the Senate and House. The initial market reaction following the election outcome included a risk-on equity market coupled with higher interest rates. Both make sense in a higher nominal growth environment. Within Equities, cyclical sectors like Financials, Energy, Consumer Discretionary and Industrials outperformed along with small capitalization stocks. We remain overweight U.S. Equities including Small-caps as the fiscal policy impulse has legs, but rising interest rates related to the new administration's assumed agenda are a potential risk and we will continue to assess this as possible headwind. For now, aggregate financial conditions remain accommodative even as private-sector borrowing rates move higher.

For U.S. Equities, the removal of election uncertainty is in and of itself an important hurdle for a continuation of the equity bull market. Small-caps are often early beneficiaries of the post-election transparency, and a Republican sweep has the potential to bring a benign tax and regulatory environment and largely pro-growth policies.

But small companies also face a persistent headwind from inflation and rising interest rates. Interest rates are moving in the wrong direction for small companies who are more reliant on the debt markets. Interestingly, in small business survey data like the National Federation of Independent Business (NFIB) Small Business Survey, firms overwhelmingly respond that "Inflation" and "Quality of Labor" are their biggest problems (Exhibit 1). One issue to watch will be if the new administration's policies fix these problems, make them worse or position them somewhere in between.

Exhibit 1: Small Business Sentiment Likely Gets a Boost from Trump Victory. Inflation is Biggest Problem.



Gray bar represents recessionary period. Source: NFIB. Data as of October 8, 2024.

Profitability has been elusive for U.S. Small-caps. Profit margin expansion or contraction has long been a key driver of Small-cap relative performance. Higher nominal economic growth would help top-line growth, supporting profits, but the Trump presidency does raise some questions about margin pressures if immigration policy raises labor costs and inflation/deficit concerns keep upward pressure on interest costs. We have seen this backdrop before, and it ended up benefiting Large-cap technology companies that did not borrow and had large cash holdings where they benefitted from higher short-term interest rates.

We think growth and deregulation will help offset these risks for now. Small-cap financial stocks offer a well-developed example. Smaller banks like faster growth and deregulation as credit losses are less likely while benign regulation eases the burden of doing business

Portfolio Considerations

We remain overweight U.S. Equities including U.S. Small-cap Equities and financials. Small-caps are often early beneficiaries of post-election transparency, and a Republican sweep has the potential to bring a benign tax and regulatory environment and largely pro-growth policies. The Financials sector relative performance also benefits from firm growth and deregulation.

while also making mergers and acquisitions more attractive. While higher rates might create some balance sheet challenges, the growth and regulatory backdrop are an important offset.

Small-caps might also get a sentiment boost. Exhibit 1 shows that small business sentiment appears to have a partisan lean. The NFIB Small Business Optimism Index reached a record high under the first Trump administration, but dropped into recession territory under Biden when real economic growth was stronger, even if you exclude pandemic years. This suggests that regulation, taxes and other issues are more important at least for sentiment. Thus, the election outcome pointed to a rebound. Overall, we think regulation, taxes and growth are critical issues for smaller companies and may help arrest the downtrend in Small-caps relative underperformance versus Large-cap stocks.

Monetary policy will be important to watch for rate-sensitive assets like Small-caps and sectors like Real Estate and Utilities. Fed interest rate cuts have been a tailwind for risk assets the last few months, with the Fed choosing to accept inflation above its target to protect the labor market. The move higher in long-term interest rates started before the election when betting odds moved in Trump's favor and has continued post-election. Higher private-sector rates add some cyclical risk and have worked against the Fed's efforts. Importantly, though, most aggregate measures of financial conditions remain accommodative. Signs of financial stress like corporate credit spreads remain very well behaved, supporting risk assets.

The Fed had to follow the election last week with a policy decision and chose to cut its policy rate by 25 basis points on November 7 but also signaled that a pause is possible. With Fed policy a key driver of long-term rates, the 10-year Treasury rate has moved into a higher range here. BofA Global Research expects a range of 4.25% to 4.75% in the near term. For now, most of the move higher appears to be on growth expectations as market-based inflation expectations are stable.

Trump's foreign policy will affect inflation expectations and risk. He ran on a "peace through strength" campaign. While he pledged to end the Russia-Ukraine war quickly, it's questionable how much influence he has other than decreasing aid which might just be offset by increases from other countries. Upside risk to energy prices from the Middle East conflict remains in place, as Trump has a history of a hawkish approach to Iran and support for Israel. In sum, it isn't a given that a Republican sweep has much say in the oil price risk premium and its contribution to inflation risk even if Trump postures for peace.

Investors are diversifying deficit and inflation risk with speculative assets like gold and cryptocurrencies. The latter received a significant post-election boost on prospects for regulatory clarity and risk-on sentiment while the gold rally paused on higher real interest rates. We view gold as a strategic diversifier and would maintain strategic exposure given the geopolitical backdrop.

Bottom line: Trump's pro-growth policies including deregulation and tax cuts are positive tailwinds for Small-cap Equities and risk assets generally but might come with stickier inflation and deficit concerns, keeping financial conditions at the top of the list of things to watch as growth and profits remain firm. Our overweight positions in U.S. Equities, Small-cap U.S. Equities and Financials should benefit in this environment.

RETURN TO FIRST PAGE

MARKET VIEW

Three Inconvenient Truths Confronting the Next Administration and the Markets

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

Ariana Chiu, Wealth Management Analyst

The election victory of former President Donald Trump and the Republican Party ignited a broad-based market rally last week, with major U.S. indexes—the S&P 500, the Dow Jones Industrial Average and Nasdaq Composite—all hitting record highs. We believe there is more upside to the rally, with the prospect of lower tax rates and less regulation, combined with the dynamic and resilient DNA of the U.S. economy, supportive of a grind higher in U.S. Equities.

But that said, it's not all clear sailing for the markets. Why? Because an administration that favors higher tariffs, potentially, on friends and foes alike, appears to be prone to more deficit spending in the face of a massive federal budget deficit and is isolationist in nature is on a collision course with three inconvenient truths, outlined below.

Number one: Breaking up with China will be hard to do. Much has been made in the media about America's declining import share from China, with the percentage of total U.S. goods imports from China now at their lowest level since 2003. China's share of U.S. imports was just 13.3% in the first nine months of 2024, down from 13.9% in 2023 and a peak of 21.6% in 2017. Looking ahead, if President-elect Trump has his way, the share would only decline in the years ahead, with Trump pledging to sharply raise tariffs on Chinese goods to 60%.

Against this backdrop, tariffs on China imports have to be applied carefully because while America's import dependence on China for a range of basic and mundane products like apparel, footwear and toys has dropped precipitously over the past few years, U.S. dependence on China for critical mineral imports required to power America's manufacturing/industrial base remains quite high (Exhibits 2A and 2B, respectively). Indeed, for such key minerals like graphite, tungsten and rare earths, America's import dependence on China is higher today than when Trump first entered office in 2016.

Thus far, U.S.-China "decoupling" has been relatively painless for the U.S. economy and non-threatening to the capital markets because finding alternative suppliers for dolls, hoodies and sandals hasn't been that difficult or disruptive. But finding alternative sources for critical minerals supporting the U.S. semiconductor and defense sectors, for instance, isn't going to be easy or come cheap. The inconvenient truth is that the U.S. remains wedded—coupled—to the refining champion of the world: China. Boosting tariffs on China puts at risk U.S. access to key minerals and metals needed to power economic growth in America.

Number Two: Deficits will matter at some point. While U.S. deficits and debt have barely registered with the stock market, it's been different in the bond market. The bond vigilantes have become increasingly attuned to the fact that the U.S. fiscal stance is expected to remain expansionary for the foreseeable future, backing up Treasury yields and the cost of capital.

Where Treasury yields peak this cycle remains unknown—yet with the next administration likely to extend the 2017 Tax Cuts and Jobs Act, while cutting the corporate tax rate, the federal budget deficit is likely to remain large and therefore an ongoing concern to the capital markets. As Exhibit 2C makes clear, after accounting for spending on Medicare, Medicaid and Social Security, in addition to interest payments and defense spending, the share of federal spending on other programs is quite limiting.

The inconvenient truth is that there is little political will in Washington to rein in spending, nor the appetite to raise revenue. The upshot: outsized federal budget deficits over the medium term, coupled with rising debt financing needs, and the prospects of higher nominal long rates. That said, the more encouraging news is that America enjoys more financial space than most other nations because Washington's finances are backstopped by the most dynamic, innovation-led private sector in the world, which entails greater fiscal sustainability over the long run.

Investment Implications

While market uncertainty has eased with post-election clarity, we believe that U.S. dependence on China for key materials, a federal budget deficit heading higher, and protectionist sentiment toward foreign creditors remain key issues to watch. We continue to emphasize broad diversification in portfolios with an emphasis on higher-quality U.S. assets.

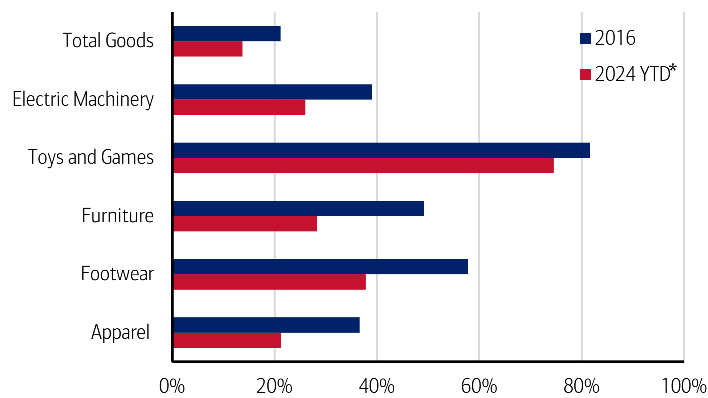
Number three: Splendid isolationism could be harder to achieve than expected. There is little doubt that the pendulum is swinging away from internationalism (the U.S. being the nanny and caretaker to the world) toward isolationism ("America First" via more tariffs, anti-immigration, and deglobalization). This "go-it-alone" attitude of the U.S. has been building for some time and will likely only be amplified by Trump 2.0. The top priorities of the 47th President are domestic, not foreign. The rules-based, free market-led interdependent world led by the U.S. is of secondary importance, and emblematic of a U.S. strategically disengaging from the world.

But the inconvenient truth is that America's isolationist tilt isn't risk-free. Why? Because the U.S. is a large debtor nation, long dependent on foreign capital to plug its own savings shortfall. To wit, walking out on the rest of the world when you're in hock to foreign investors to the tune of nearly $30 trillion is going to be neither easy, nor prudent, for that matter. With massive amounts of Treasury supply about to hit the markets, the last thing the U.S. needs right now is a boycott of foreign buyers.

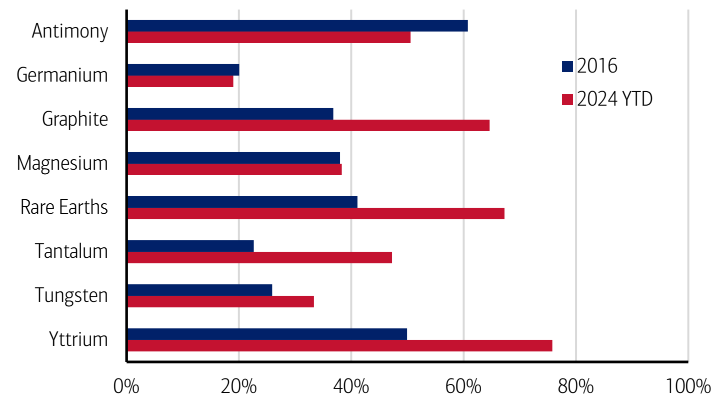
As Exhibit 2D highlights, foreign ownership of U.S. securities has jumped nearly tenfold since 2000, helping, in the process, to grease the financial wheels of the U.S. public and private sectors. As of the end of Q2 2024, foreign investors owned 30% of marketable U.S. Treasurys, 35% of marketable corporate bonds and 21% of U.S. Equities. That is another way of saying that foreign capital is a critical component of the U.S. capital markets, and that foreign investors have long had full faith and confidence in U.S. securities. This confidence, however, could be undermined by an administration wielding protectionist threats against its very own foreign creditors. The U.S. dollar surged immediately following the election results but could weaken or fade down the road as the U.S. turns more inward and insular.

Exhibit 2: Worth Watching: U.S.-Sino Trade, Federal Spending and Foreign Holdings of U.S. Securities.

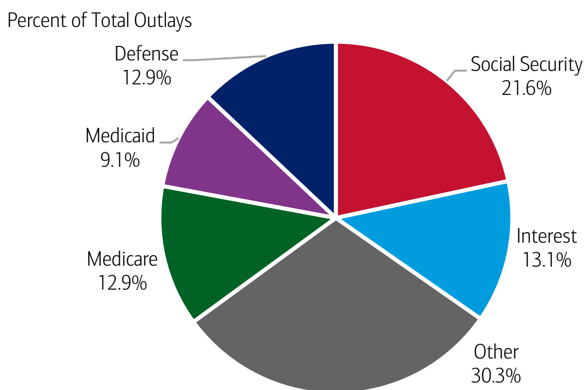
2A) Goods Imports From China As a Percent of Total.



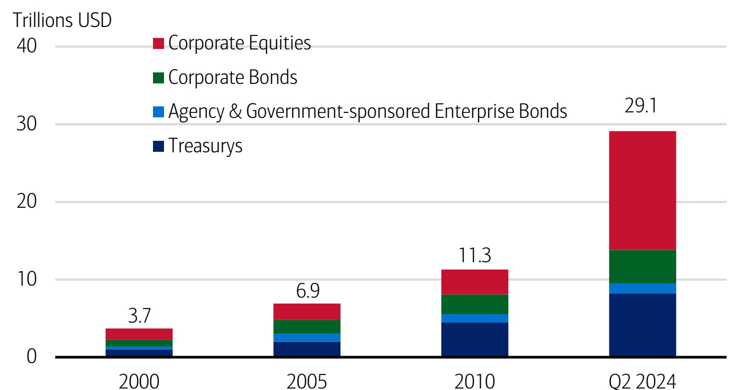
2B) Critical Mineral Imports From China As a Percent of Total.



2C) Federal Outlays in Fiscal Year 2024.



2D) Foreign Ownership of U.S. Securities.



*Year-to-Date. Exhibit 2A) YTD data through September. Source: U.S. Census Bureau. Data as of October 2024. Exhibit 2B) YTD data through August. Sources: U.S. International Trade Commission, U.S. Geological Survey Mineral Commodity Summaries. Data as of October 2024. Exhibit 2C) Sources: U.S. Treasury, Haver Analytics. Data as of October 2024. Exhibit 2D) Source: Federal Reserve Board. Data as of September 18, 2024.

Hyperscalers are Driving the AI Arms Race

Lauren J. Sanfilippo, Director and Senior Investment Strategist

Heard through Q3 earnings announcements: U.S. hyperscalers[1] continue to place big bets on next-generation data centers and digital infrastructure for AI. Despite investor criticism of what could prove to be excessive spending, Big Tech is going all in and has emerged as the leading wedge in the AI's arms race with China and the rest of the world.

Exhibit 3A shows that, by category and as a proportion of GDP, investment in buildings (structures) and equipment has more or less flatlined over the past five decades. This excludes software (intellectual property products), categorically the exception that has consistently grown over this period. Taken together, all in capital investment has averaged roughly 12% to14% of GDP for decades, yet the needle may be ready to shift higher thanks to the investment of hyperscalers. Indeed, in the most recent quarters, a growth story has emerged within capital equipment investment, partially attributable to the AI data center buildout, which we view as one aspect to the AI multiyear investment cycle.

Growth has been impressive, with a total of $60 billion announced capital investment across the hyperscaler's Q3 earnings reports (Exhibit 3B). The grouping of four have grown their capital investment budgets by 60% over the last 12 months, with their level of spend on track to surpass $200 billion this year—so much so that the hyperscalers are expected to drive the entire capital expenditure growth for all S&P 500 companies in 2024.[2] That's a lot of committed capital and ode to how intensive this buildout will likely be—whether land use, data center construction, or electrification and IT infrastructure equipment (including servers, networking and other related components).

Portfolio Considerations

For the AI buildout more investment will likely be directed along its value chain, including server manufacturers that continue to benefit from higher compute demand to electrical equipment suppliers, to HVAC and mechanical systems. Given AI data center's high average power densities, accelerating electricity demand and power generation is a long-term tailwind for the Utilities sector, which we currently view favorably within our sector preferences.

Exhibit 3: Decades-Long Capital Expenditure Hovers Around 12%–14% of U.S. GDP, While Announced Hyperscaler Capital Investment Has Taken Off.

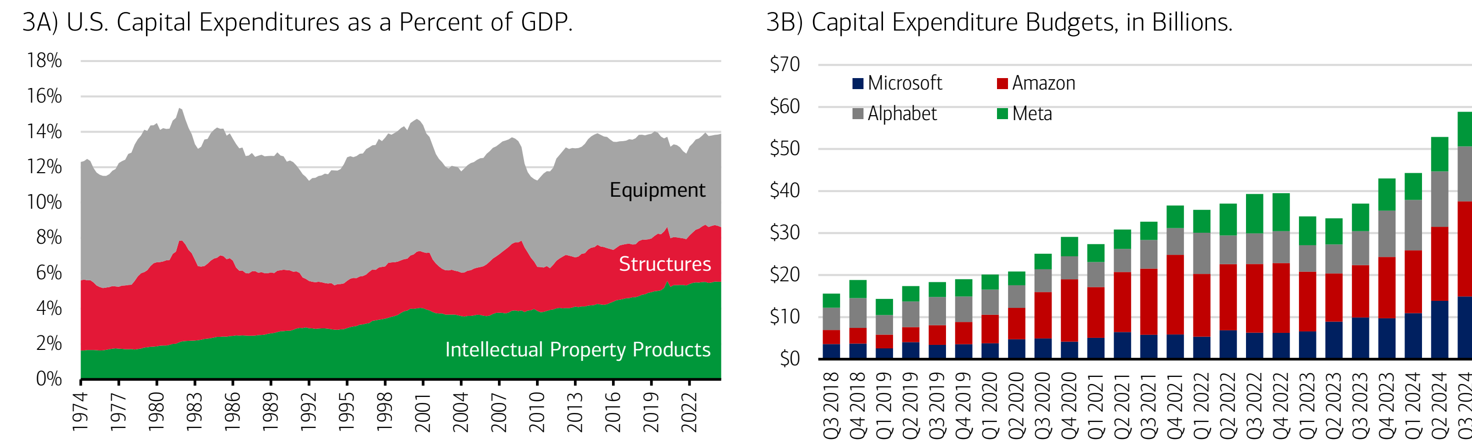


Exhibit 3A) Source: Bureau of Economic Analysis. Data as of October 30, 2024. Exhibit 3B) Company earnings documents. Source: FactSet. Data as of November 5, 2024.

By comparison and canvassing of the rest of the world, entire countries can't commit this level of capital to their annual research and development budgets—not Japan ($180.5 billion), nor Germany ($131.8 billion).[3] All in, while Wall Street is anxious to see returns on soaring AI investment, these homegrown hyperscalers are out in front, keeping the U.S. AI-competitive, and positioned to remain one of the world's most competitive economies well into the next decade.

[1] Considered the largest hyperscalers: Microsoft, Amazon, Alphabet, Meta.

[2] Source: BofA Securities, data as of October 28, 2024.

[3] Source: Organisation for Economic Co-operation and Development. Latest available data as of 2024 for 2022.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	43,988.99	4.6	5.3	18.5
NASDAQ	19,286.78	5.8	6.6	29.2
S&P 500	5,995.54	4.7	5.1	27.2
S&P 400 Mid Cap	3,297.36	6.3	6.5	20.0
Russell 2000	2,399.64	8.6	9.3	19.7
MSCI World	3,791.23	3.6	4.0	21.1
MSCI EAFE	2,336.75	0.1	0.2	7.1
MSCI Emerging Markets	1,135.65	1.2	1.5	13.3

Fixed Income†

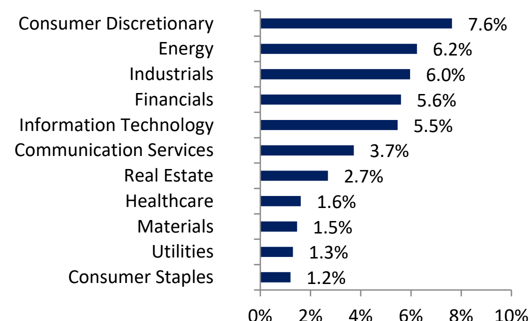
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.60	0.73	0.26	2.17
Agencies	4.53	0.21	0.00	3.05
Municipals	3.60	0.50	0.52	1.33
U.S. Investment Grade Credit	4.71	0.78	0.33	2.20
International	5.09	1.25	0.75	3.54
High Yield	7.12	0.74	0.80	8.28
90 Day Yield	4.52	4.50	4.54	5.33
2 Year Yield	4.25	4.21	4.17	4.25
10 Year Yield	4.30	4.38	4.28	3.88
30 Year Yield	4.47	4.58	4.48	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	235.58	0.2	0.1	4.0
WTI Crude $/Barrel††	70.38	1.3	1.6	-1.8
Gold Spot $/Ounce††	2684.77	-1.9	-2.2	30.1

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.07	1.08	1.09	1.10
USD/JPY	152.64	153.01	152.03	141.04
USD/CNH	7.20	7.14	7.12	7.13

S&P Sector Returns



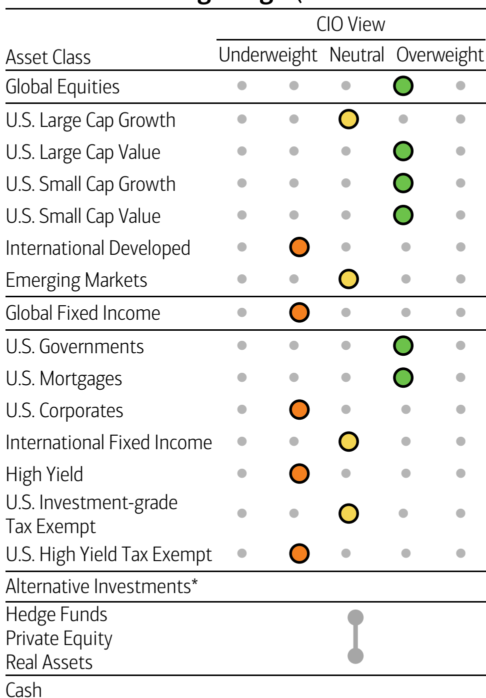
Sources: Bloomberg, Factset. Total Returns from the period of 11/4/2024 to 11/8/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 11/8/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 11/8/2024)

	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	2.8	2.0	1.9
CPI inflation (% y/y)	2.9	3.2	3.2	2.6	2.5	2.2
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

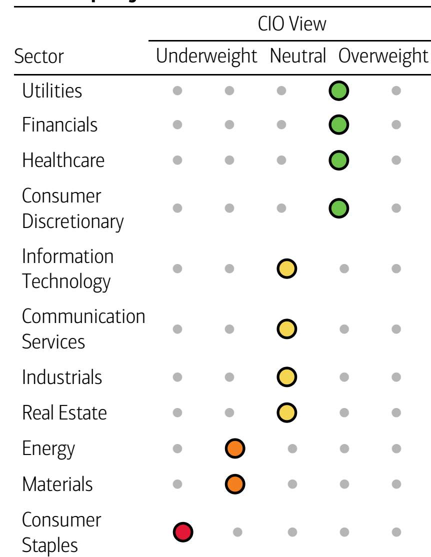
The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is 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 November 8, 2024.

Asset Class Weightings (as of 11/5/2024)



	CIO View				
Asset Class	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



	CIO View				
Sector	Underweight		Neutral	Overweight	
Utilities				●	
Financials				●	
Healthcare				●	
Consumer Discretionary				●	
Information Technology			●		
Communication Services			●		
Industrials			●		
Real Estate			●		
Energy		●			
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 November 5, 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.

National Federation of Independent Business (NFIB) Small Business Optimism Index is a monthly index that provides a snapshot of the health of small businesses in the United States.

Dow Jones Industrial Average Index is a stock market index of 30 prominent companies listed on stock exchanges in the United States.

Nasdaq Composite Index is a market capitalization-weighted index of almost all the stocks listed on the Nasdaq stock exchange. It is a broad index that is heavily weighted toward the important information technology sector, followed by consumer discretionary and healthcare companies.

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

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.