

CHIEF INVESTMENT OFFICE

Capital Market Outlook

December 15, 2025

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

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Macro Strategy—One Country, Many Markets: Taking Stock of China's Growing Command of Global Trade (Part One): China's grip on world trade is reshaping the global economy and transforming the geopolitics of the 21st century. The country now accounts for 15% of global exports, which is roughly on par with the combined market share of second-place America (8.6%) and third-place Germany (7%). The world is so awash with goods from China that the nation's trade surplus is on track to top \$1 trillion this year.

China's command of global trade—and the knock-on effects on global asset prices—is slowly sinking in with investors. As a sampling, China's dominance in trade is eroding Germany's industrial base, the largest in Europe; it has undermined Japan's formidable auto industry in the developing nations; and it has blocked the well-worn path of trade-led economic development in many emerging markets. China's exporters have now set their sights on autonomous vehicles and pharmaceuticals. Dolls to drugs—China's export breadth is unsurpassed, with service exports set to accelerate in the future. 2026 marks the 25th anniversary of China joining the World Trade Organization (WTO). The world thought China's entry into the Western-led, rules-based institution would change China. Rather, China has changed the world.

Market View—ChatIOU? Why Increased AI-Related Debt Issuance Is No Big Deal: Technology mega-caps are embracing mega-capital expenditures (capex), ramping up capital investments tied to Artificial Intelligence (AI). The so-called hyperscalers, the five largest providers of cloud computing infrastructure and services, are projected to collectively spend trillions of dollars through the end of the decade. Who is going to pay for this colossal investment? Hyperscalers will be pulling out all the stops, leaning on internal cash flows, public bond markets, structured-products markets, private credit (PC) and potentially others.

The good news is that most of the companies that are currently racing to spend the most on AI are those that can afford to do so: the largest and highest-rated technology firms, with strong balance sheets, robust cash generation and high earnings growth. A flood of jumbo-size bond deals from the hyperscalers this autumn was easily absorbed by investors—a trend that should be sustained as the majority of issuance is coming from some of the highest-quality companies in the market.

Thought of the Week—Technical Trends Heading into 2026. U.S. Equities have regained momentum, with the S&P 500 recovering from its November pullback and returning to record territory. Technical conditions have improved, supported by strong trend signals and lower volatility. Historical seasonality points to the potential for continued strength through the end of this year and into early 2026, particularly if the Santa Claus rally materializes, which has historically preceded strong January and full-year returns. However, 2026 is a U.S. midterm election year, and pre-election periods tend to be volatile, though post-election performance has historically been robust. Overall, the technical backdrop remains constructive, and we maintain a bias to buy on weakness while emphasizing diversification to manage potential volatility.

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Portfolio Considerations

The bull market is expected to continue in 2026, driven by strong earnings and economic growth, though its pace may moderate due to labor softness, Artificial Intelligence (AI) sector shakeouts, valuation concerns, and midterm election volatility.

The current investment strategy emphasizes disciplined diversification by balancing growth opportunities and stability, maintaining an overweight in Equities with a tilt toward Growth and International exposure, while shifting from excess cash and short-term Fixed Income to longer-dated bonds to capture higher yields.

Major market and economic growth themes for 2026 include digital infrastructure expansion, global industrialization, transition investing, advancements in power generation, experiential spending, automation and robotics, and a biotechnology renaissance.

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One Country, Many Markets: Taking Stock of China's Growing Command of Global Trade (Part One)

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China's rise as the world's largest exporter of goods over the past half century is nothing short of stunning. When China opened to the world in 1978, tiny Austria and Denmark exported more goods each year than the world's most populous country. Fast-forward to today, and China's dominance in global trade is nearly unparalleled in modern history. The country now accounts for 15% of global exports, which is roughly on par with the combined market share of second-place America (8.6%) and third-place Germany (7%).¹ The world is so awash with China's goods that the nation's trade surplus is on track to top \$1 trillion this year, similar to last year's amount.²

What this all means for the global economy—and various asset prices—is slowly sinking in with investors. The consequences are astounding and varying. China's dominance in trade, for instance, is leading to the deindustrialization of Germany, Europe's largest economy. It is undermining Japan's formidable auto industry, with China's electric cars now eating into Japan's carmakers' long-standing grip in the developing nations. By refusing to vacate the production of lower-valued goods (textiles, footwear, toys, etc.), China is blocking the well-worn path of economic development for other emerging markets. And by building half of the world's ships each year; by controlling over 70% of the global commercial drone market; by exporting more solar panels, electric vehicles, and battery cells than any nation in the world—China's grip on world trade is reshaping the global economy and transforming the geopolitics of the 21st century.

How It All Happened: The Making of an Export Colossus. China's export ascent didn't happen overnight—it has been decades in the making, beginning with the country's turn toward the West in the late 1970s. Then, China opened a number of Special Economic Zones designed to attract foreign investment for export. It also got busy building out a massive manufacturing and export-oriented infrastructure. Deep water ports were dragged, massive industrial parks were erected, airports were built, and miles and miles of highways were paved and rail lines laid, all in support of China's industrial-cum-export growth model.

Over the 1990s, liberal trade and investment policies assisted in attracting more capital from the world's largest manufacturers. Global leaders decamped for China, enticed by tax incentives, low-cost labor and the prospects of a massive, untapped consumer market. Millions of Chinese workers migrated from the interior to the exterior port cities over the decade, creating a massive labor pool for foreign firms to leverage. To wit, foreign direct investment inflows in 2000 (\$41 billion) were more than 10 times the level of 1990 (\$3.5 billion), according to United Nations Conference on Trade and Development. And China's exports of goods in 2000 (\$249 billion) were four times the level a decade prior per IMF data.

But this was just the beginning—China's entry into the WTO in 2001 only supercharged China's export machine. Membership in the WTO guaranteed China access to every major market on the planet. Tariffs fell sharply on China's goods. Quotas were eliminated. Foreign firms poured even more capital into China. The number of factories in China exploded. Entire supply chains migrated east. Foreign technology was transferred, boosting the nation's industrial and export competitiveness. In short order, China became the factory to the world.

In just the span of a decade, China's share of world manufacturing output soared from 8.7% in 2000 to 18.1% in 2010, when it eclipsed the U.S. as the world's top manufacturer of goods. Just four years later, China was out producing all of Europe, accounting for nearly one-quarter of global manufacturing versus Europe's 24% share. As China's manufacturing sector went into overdrive, so did China's exports, as depicted in Exhibit 1A. Since 2000, China's exports have expanded at an annual compounded rate of 12%, a surge in trade the likes of which the world has never experienced.

Portfolio Considerations

China's export dominance will continue to exert a powerful influence on various assets well into the future.

¹ Source: IMF. 2024 data as of December 2025.

² China General Administration of Customs. Data through November as of December 2025.

What makes China’s command of global trade so formidable is that the nation’s manufacturing and export platform rests on many different pillars, all strategically and methodically put in place over the past few decades. Relentlessly moving up the value chain, marrying foreign capital with China’s low-cost labor, maintaining an undervalued currency, and doling out cheap credit, tax breaks and other state subsidies have all been supportive of China’s export dominance.

But there is more—think China’s One Belt, One Road initiative that helped crack open new export markets in the Middle East, Africa and other parts of the world. Or the massive loans and lines of credit China has generously doled out around the world over the past few decades; indeed, China’s development-finance commitments this century have made the nation the world’s largest official lender. Between 2000 and 2023, only 17 nations in the world did not receive a loan or grant from China.³ Finally, signing on to multiple free-trade agreements has also been a strategic wedge in gaining more market access.

Then there was the “Made in China 2025” initiative, a strategic industrial makeover of the past decade that has supercharged the exports of high-valued goods like electric vehicles, robots, solar panels, battery cells, drones and wind turbines. These markets have long been under the domain of the developed nations but are now under intense pressure from producers in China. And it doesn’t end there—peering into the future, China is now making significant gains in open-source AI, as well as autonomous vehicles (robotaxis) and pharmaceuticals. Unbeknownst to many investors, China is already the world’s second-largest developer of new drugs (lagging the U.S.). But as *The Economist* recently mused, “the day when a pharma giant emerges from China no longer seems so remote.”

From dolls to drugs—what doesn’t China export? Services: check that box. China is now the world’s fifth-largest exporter of services and has come on strong in such service exports as telecommunications, construction, computers and information services.

All of the above has dramatically scrambled global trade, as evident in Exhibit 1B. In 2000, just six countries counted China as their number one supplier of imports. Back then, most of the world imported goods from the developed nations, notably the U.S. and Europe. Today, the story is dramatically different: 80 now count China as their number one supplier of imports, a profound shift that has come at the expense of manufacturers in the U.S. and, notably, Europe.

In part two of this series, we will delve deeper into how China’s trade onslaught has undermined the industrial competitiveness of Europe, how China’s soaring trade with the emerging markets has taken market share from the U.S. and other developed multinationals, and how China’s mercantilism has fueled more global trade protectionism and the adoption of industrial policies around the world—and much more. 2026 marks the 25th anniversary of China joining the WTO. Upon its entry into the Western-led, rules-based institution, the assumption was that China would change and become more like other nations. Rather, China has changed the world.

Exhibit 1: China’s Entry into the WTO Changed Everything.

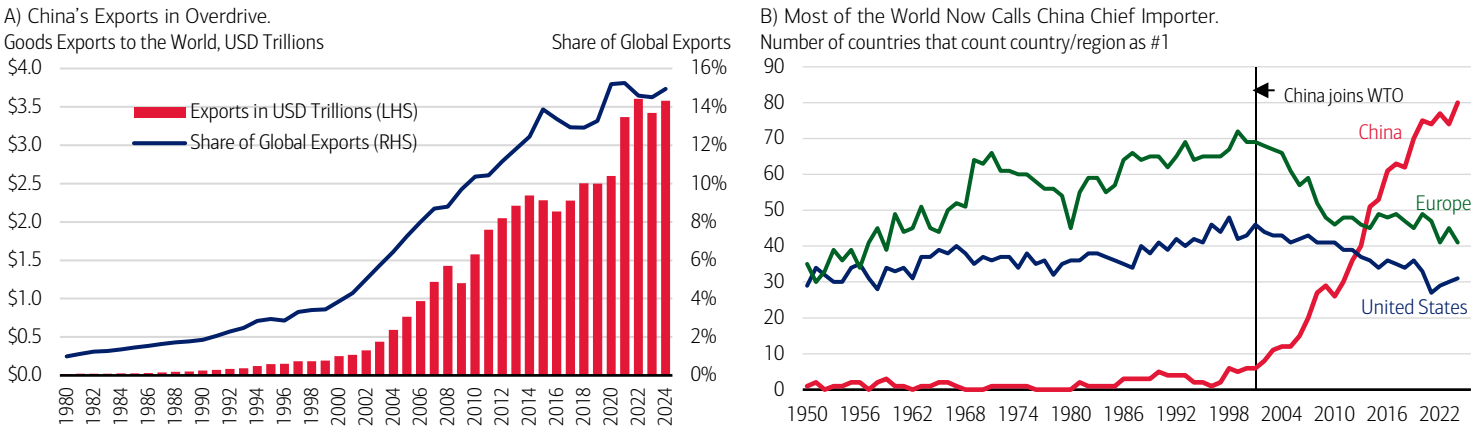


Exhibit 1A) Source: Internal Monetary Fund (IMF). Data through 2024, as of December 2025. Exhibit 1B) Source: IMF. Data through 2024, as of December 2025.

³“Foreign Aid With Chinese Characteristics.” Alicia R. Chen, Foreign Affairs, December 2025.

Chat10U? Why Increased AI-Related Debt Issuance Is No Big Deal

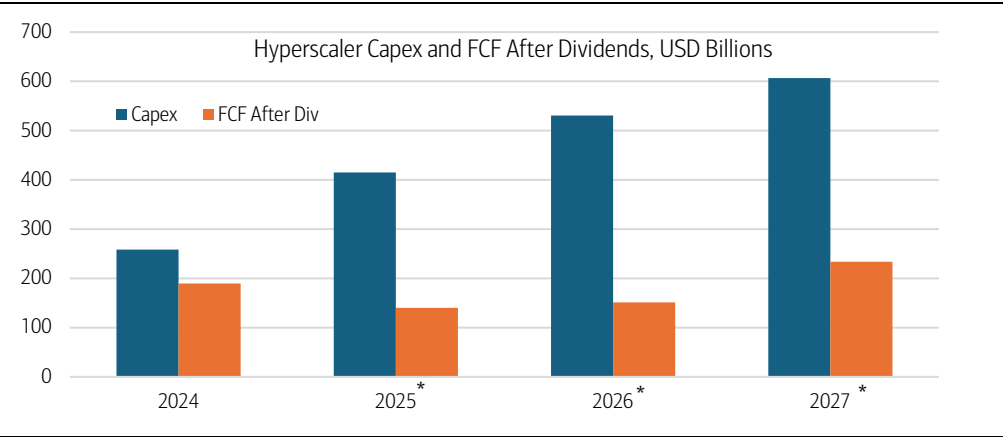
Chief Investment Office, Fixed Income Team

Technology mega-caps are embracing mega-capex, ramping up capital investments tied to AI. The so-called hyperscalers, the five largest providers of cloud computing infrastructure and services, are projected to spend a combined \$415 billion on capex this fiscal year, up almost 200% year-over-year—followed by an expected \$115 billion increase in FY26 to over \$530 billion.⁴ This torrid pace is expected to continue. Based on McKinsey estimates, the total amount of capex needed across the AI ecosystem through 2030 could total \$5.2 trillion.⁵ Who is going to pay for this colossal investment? The bottom line is that hyperscalers will be pulling out all the stops, leaning on internal cash flows, public bond markets, structured-products markets, PC and potentially others.

The good news is that the broader U.S. economy is benefiting from the AI investment boom. Furthermore, most of the companies that are currently racing to spend the most on AI are those that can afford to do so: the largest and highest-quality hyperscalers. With strong balance sheets, robust cash generation and high earnings growth, the biggest technology firms are well positioned to finance most of the ongoing capex cycle from operating cash flows (Exhibit 2).

However, despite heavy reliance on retained cash flow, companies will be issuing a significant amount of debt to fund these investments, which is a notable departure for these historically asset-light companies. Starting this autumn, hyperscalers stormed the debt markets—some coming to the Investment-grade market for the first time in years (e.g., Amazon), and some issuing their largest bond deals ever (e.g., Alphabet). We also saw Meta write the playbook for a new blend of public and private financing at an unprecedented size, with a \$27 billion off-balance-sheet, A+-rated bond deal. Meta followed up on this deal with a separate \$30 billion senior unsecured issuance several weeks later. Including this transaction, the five hyperscalers have issued over \$115 billion in Investment-grade credit markets just since Labor Day—almost a quarter of total market issuance.⁶

Exhibit 2: The Five Hyperscalers Have Capacity To Fund AI Capex And Still Have Positive FCF (Operating Cash Flow Minus Capex) After Dividends.



*Estimate. Five hyperscalers combined, 2024 actual and 2025-2027 consensus estimates. Source: Bloomberg. Data as of December 4, 2025.

This mega-supply was easily absorbed by investors. While the hyperscalers have underperformed in recent months, credit spreads have widened just modestly from historically tight levels seen in early October. This makes sense: Investors are pricing in a

Investment Implications

The AI infrastructure buildout is likely to remain a salient theme in Equity and Fixed Income markets next year—and a key driver of U.S. economic growth. For Equities, we maintain a neutral stance on the Information Technology sector, favoring larger and higher-quality companies with strong earnings growth, free-cash-flow (FCF) and balance sheets. In Fixed Income, increased debt issuance from Technology firms could modestly weigh on credit spreads but may also offer attractive potential buying opportunities for investors.

⁴ Bloomberg as of December 4, 2025.

⁵ McKinsey & Company. April 28, 2025.

⁶ Bloomberg, CIO calculations as of December 5, 2025.

technical overhang, reflecting expectations for additional waves of bond supply in 2026 and beyond. This issuance does not represent a fundamental concern. The majority of the hyperscalers have ample capacity to increase debt balances while maintaining conservative leverage metrics and best-in-class credit ratings. This supports our view that this is not an impending credit issue.

The big question—will buyers show up and take down this significant issuance? We believe so. Investors remain eager to gain exposure to high-quality corporates, especially if issuance comes with higher spreads/yields. Another flood of issuance next year could push Investment-grade spreads modestly wider, but, crucially, **this reflects a weaker technical backdrop (i.e., supply/demand dynamics), not material credit deterioration.**

Alternative capital can step in: For transactions whose size exceeds what the public markets can absorb all at once, or when borrowers are looking for customization or faster execution, PC markets—both Investment-grade PC and leveraged lending—can fill that gap.

For Investment-grade, recent transactions such as Meta’s off-balance-sheet deal open the door for more companies to employ nontraditional and/or more complex financing structures, especially for individual data center projects. After all, there’s clearly plenty of investor demand for these types of deals. And given the number of eyes on large, public companies, investors are very attuned to usages of off-balance-sheet or “creative” financing.

That said, although data center financing is an expanding part of PC, it’s still too early to gauge how much the subsector will drive returns for PC over the long term. Looking ahead to 2026, PC returns will likely reflect a decidedly more mixed environment with declining base rates and higher credit losses as the asset class moves further away from its golden era. PC investors would likely cheer growing volumes of data center borrowing regardless of the dearth of new issuance relative to demand in recent years.

Regarding the broader AI infrastructure buildout, there are risks worth watching:

We are only in the early innings of the buildout. Debt financing could pose a much larger problem down the road for lower-quality companies with concentrated business models than for AA-rated companies with fortress balance sheets. Additionally, increasing leverage could result in bouts of volatility or amplify risks if credit conditions deteriorate—but, importantly, the AI capex boom is being fueled largely by the titans of the U.S. economy.

Bottom line: AI-related capex is likely to remain a key driver of U.S. growth, but the big spenders’ debt-funding needs should have a relatively small impact on markets, in our view. Investor demand remains strong, and we’re still in the early stages of an infrastructure investment cycle to power the next leg of productivity growth—generating tailwinds for both 2026 and in the long term.

Technical Trends Heading into 2026

Kirsten Cabacungan, Vice President and Investment Strategist

U.S. Equities have regained momentum in recent weeks thanks to the December Federal Reserve (Fed) interest rate cut, pushing the market back into record territory. The S&P 500 has now fully recovered from its more than 5% November drawdown to notch its first new all-time high since October and its 37th record close this year. The rally repaired recent technical damage as well, with the S&P 500 back above its 50-day moving average (Exhibit 3A).

Market breadth has also improved. The share of S&P 500 stocks trading above their 200-day moving average has trended higher, rebounding to 63.8% after briefly dipping to a five-month low of 50.8% during November. Meanwhile, rotation away from mega-cap Technology leadership toward other sectors has supported a comeback from the equal-weight S&P 500, which has outperformed the market-cap weighted index since October.

A sharp retreat in both implied and realized volatility further reinforces the return to calmer market conditions, signaling a moderation in recent market swings. The Volatility Index is back down to the lower end of its year-to-date range at around 16 from its recent November intra-day high of 28. At the same time, the S&P 500's 10-day realized volatility remains muted, slipping into single digits, and the 5-day realized volatility even produced one of its quietest stretches since August 2021.⁷

Seasonality trends point to momentum potentially extending through the final weeks of the year and into early 2026. December has historically been one of the strongest months for stocks, with the S&P 500 gaining an average of 1.4% since 1950 and posting positive returns 73.3% of the time—the strongest positivity rate of any month. This seasonal strength is often amplified by the Santa Claus rally—the last five trading days of December and the first two of January—which has delivered an average gain of 1.3% and is up 77.3% of the time, compared to just 0.3% and 57.9% for any typical seven-day stretch. Notably, the S&P 500 was negative during the Santa Claus rally periods in the past two years, though there has never been three consecutive negative periods going back to 1950. Historically, when the Santa Claus' rally is positive, January and the full year tend to see strong gains, averaging 1.4% and 10.2%, compared to -0.1% and 6.1% after negative periods (Exhibit 3B).

From a cyclical perspective, 2026 could be choppy since volatility tends to rise during U.S. midterm elections years. Since 1970, the S&P 500 has seen an average maximum drawdown of 18.7% and delivered a modest 1.7% return in the 12 months before midterms. However, the post-midterm backdrop has been positive, with the index up 100% of time in the 12 months following the elections, averaging 13.5%.

Overall, we remain buyers on equity weakness as the technical setup for 2026 remains broadly bullish, anchored by strong trend support, lower volatility, and seasonal tailwinds. Diversification is still prudent however as market breadth remains narrow despite recent improvement, which could amplify volatility expected to reemerge ahead of the midterm elections.

Investing Implications

We continue to favor U.S. Equities, as we expect the bull market advance to be supported by a powerful combination of fiscal stimulus, accommodative monetary policy, a surge in capital investment and a resilient corporate earnings backdrop. That said, the recent equity market volatility underscores the value in maximizing diversification in portfolios.

Exhibit 3: The Technical and Seasonality Setup.

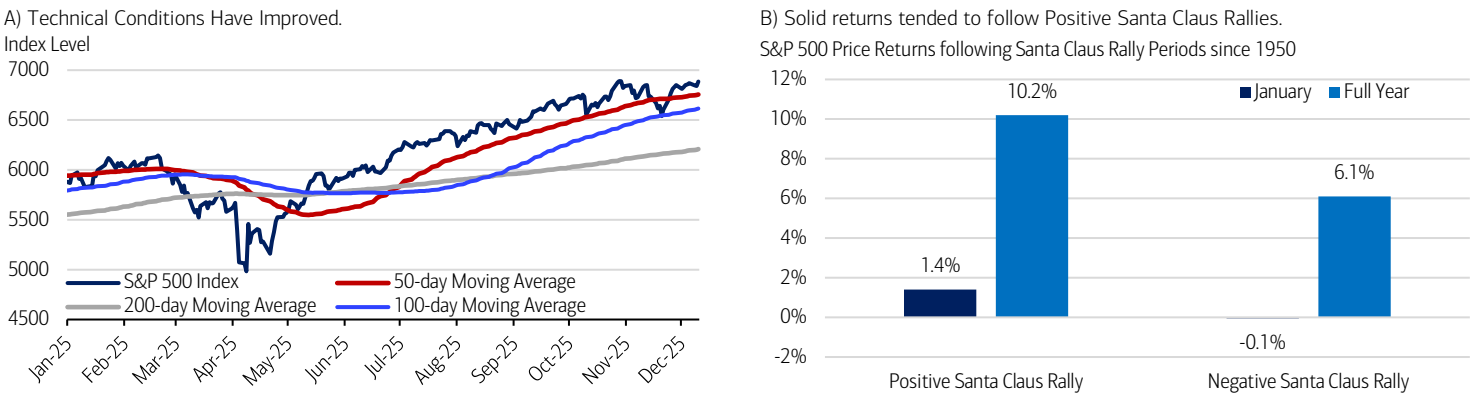


Exhibit 3A) Source: Bloomberg. Data as December 11, 2025. Exhibit 3B) Source: Bloomberg. Data as December 11, 2025. Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

⁷ Strategas Research Partners, Equities Derivatives Strategy. December 8, 2025.

Equities

Total Return in USD (%)				
	Current	WTD	MTD	YTD
DJIA	48,458.05	1.1	1.7	15.8
NASDAQ	23,195.17	-1.6	-0.7	20.9
S&P 500	6,827.41	-0.6	-0.3	17.5
S&P 400 Mid Cap	3,350.95	1.0	1.3	8.9
Russell 2000	2,551.46	1.2	2.1	15.9
MSCI World	4,407.82	-0.2	0.3	20.4
MSCI EAFE	2,855.60	0.9	1.6	29.5
MSCI Emerging Markets	1,389.99	0.4	1.9	32.1

Fixed Income†

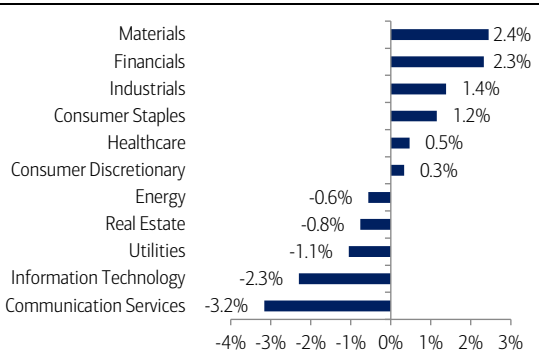
Total Return in USD (%)				
	Current	WTD	MTD	YTD
Corporate & Government	4.27	-0.21	-0.76	6.36
Agencies	3.99	0.01	-0.27	5.76
Municipals	3.61	-0.04	-0.16	3.99
U.S. Investment-Grade Credit	4.38	-0.20	-0.68	6.73
International	4.87	-0.30	-0.77	7.16
High Yield	6.70	-0.13	-0.01	8.00
90 Day Yield	3.61	3.69	3.80	4.31
2 Year Yield	3.52	3.56	3.80	4.24
10 Year Yield	4.18	4.14	4.01	4.57
30 Year Yield	4.84	4.79	4.66	4.78

Commodities & Currencies

Total Return in USD (%)				
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	273.95	-2.6	-1.2	14.8
WTI Crude \$/Barrel††	57.44	-4.4	-1.9	-19.9
Gold Spot \$/Ounce††	4299.63	2.4	1.4	63.8

Total Return in USD (%)				
Currencies	Current	Prior Week End	Prior Month End	2024 Year End
EUR/USD	1.17	1.16	1.16	1.04
USD/JPY	155.81	155.33	156.18	157.20
USD/CNH	7.05	7.07	7.07	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 12/8/2025 to 12/12/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/12/2025 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 12/12/2025)

	Q4 2025A	2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Real global GDP (% y/y annualized)	-	3.4	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	1.4	2.0	2.5	2.8	2.3	2.0	2.4
CPI inflation (% y/y)	3.0	2.8	2.9	3.0	2.9	2.6	2.9
Core CPI inflation (% y/y)	3.0	3.0	2.9	3.1	2.9	2.8	2.9
Unemployment rate (%)	4.5	4.3	4.5	4.5	4.4	4.3	4.5
Fed funds rate, end period (%)	3.63	3.63	3.63	3.38	3.13	3.13	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 December 12, 2025.

Asset Class Weightings (as of 12/2/2025)

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 Strategies				
Private Equity & Credit				
Real Assets				
Cash				

CIO Equity Sector Views

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

*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 December 2, 2025. 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 stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

Volatility Index measures the market's expectation of 30-day volatility for the S&P 500.

Cap weighted Index is a type of stock market index in which each component of the index is weighted relative to its total market capitalization.

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Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

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. 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. 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 (AMT). 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, such as gold, 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-credit, 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.

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