

Chris Hyzy: This is Chris Hyzy, chief investment officer for the January viewpoint update titled "Bang, Welcome to 2024."

After the broad, powerful move up in equity markets fueled by enthusiasm over the prospects for rate cuts, particularly in the United States, also a sharp decline in yields overall across the curve and a weaker U.S. dollar over a two-month period to close out last year in 2023, the beginning of this year started off with a bang. Weakness in technology stocks and small cap shares had led the short-term downdraft as some consolidation of the very sizable gains from November and December began right out of the gates on the first day of trade in 2024. Overbought conditions to close out last year in the equity markets quickly became oversold in just a matter of days. However, in our view, nothing has really changed except the turn of the calendar. The broader-based upswing in the final months of 2023 was welcomed as beaten-down areas such as financials, small and mid-caps, and some value-oriented areas outperformed, with the equal weighted S&P 500 handily outperforming the overall regular market cap weighted index.

We continue to expect a choppy uptrend throughout January with another short-term weak period, however, in February, for three primary reasons. First, corporate earnings should be solid as the momentum from the end of last year carries through into the early parts of this year. Second, balancing out some of the positives in corporate profits is rising concerns, obviously, over the geopolitical landscape. And finally, third, the constant focus on whether the Federal Reserve begins a rate-cutting campaign in March or not is likely to add to a seesaw environment to begin this year.

One other point of interest here is the higher growth than what everyone expected, which still is slow growth but still higher than expected, is still driven mainly by policy, fiscal policy from last year as the deficit widened out, and what we believe is more easy monetary policy this year to keep the economy, overall, from avoiding a recession.

We remain with a positive view overall for this year with our expectations for solid gains and equities and more normal yield relationships and fixed income broadly. BofA Global Research is still forecasting earnings growth to the S&P 500 of some 6% to \$235.00 per share, and a year-end target of some 5,000 for the index. Again, this still remains.

Furthermore, we continue to expect a broader rotation in the equity markets with small cap shares and emerging markets remaining on our potential upgrade watch list. These areas closed 2023 with large moves upward and are now building better price patterns overall. However, from our perspective, a more sustainable move upward generally occurs when corporate margins begin to expand again. We are not seeing that yet. And rates enter a second wave lower, we are just about to see that, in our opinion. And finally, we are within the rate cutting cycle, which we don't expect again until starting in March.

We are balanced versus our strategic benchmarks overall in both equities and fixed income, and we are fully invested across our portfolios with still a preference for large caps in the U.S. relative to the rest of the world. In fixed income, our preference is to maintain a higher quality positioning across credit and sovereigns, and where appropriate, we favor extending duration. Yield patterns are also likely to be choppy throughout the year as investors stay laser focused on inflation, the overall economic backdrop, and of course, Fed policy. BofA Global Research still expects four Fed

cuts starting in March for all of 2024, and that would put that on a path of quarterly rate cuts.

That will do it for today. Thanks for listening.

Operator: Please see important information provided in this report.

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