CHIEF INVESTMENT OFFICE

Capital Market Outlook

January 13, 2020

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

IN THIS ISSUE

- **Macro Strategy**—While we remain bullish, there are plenty of catalysts this year that could create risk to the upside or downside for equities. Below we outline some of the major catalysts for investors to watch.
- **Global Market View**—Tensions in the Middle East are expected to remain elevated over the medium term, although courtesy of the Permian put—aka, a gusher of an oil field in Texas, and America's rising energy independence—the U.S. is far less exposed to the vagaries of Mid-East politics.
- **Thought of the Week**—As highlighted by the recent geopolitical tensions in the Middle East, the nature of warfare has changed through the threat of cyberattacks. While state-sponsored cyberattacks by national intelligence agencies or affiliated groups are a growing concern, we outline below how the U.S. is committed to one of the largest defense budgets in the world, helping to bolster our defenses and capabilities.
- **Portfolio Considerations**—We still remain underweight international developed equities overall but cut the large underweight approximately in half. We also raised emerging market (EM) equities slightly to neutral from a slight underweight. On the back of these adjustments, we still remain overweight the U.S. and maintain our overall overweight in equities.

MACRO STRATEGY

Brian T. Wilczynski
Assistant Vice President and
Investment Analyst

Kishan Chhatwal
Assistant Vice President and
Investment Analyst

GLOBAL MARKET VIEW

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

Kathryn C. McDonald, CFA®
Vice President and
Market Strategy Analyst

THOUGHT OF THE WEEK

Lauren J. Sanfilippo
Vice President and
Market Strategy Analyst

Data as of 1/13/2020 and subject to change.

MACRO STRATEGY

Catalysts in Focus for 2020

Brian T. Wilczynski, Assistant Vice President and Investment Analyst

Kishan Chhatwal, Assistant Vice President and Investment Analyst

The powerful rally in equities to close out 2019 was a mirror image to the precipitous selloff to end 2018. Headwinds ranging from tight monetary policy, to fears of an earnings recession, to trade uncertainty and slower global growth all began to fade as U.S. equities rallied to new all-time highs in what was the strongest year for the S&P 500 since 2013. While we remain bullish, there are plenty of catalysts this year that could create risk to the upside or downside. Here we outline some of the major catalysts for investors to watch.

2901093 1/13/2020

1. Economic activity and corporate earnings should likely remain primary fundamental drivers.

While global growth was challenged for most of 2019, leading indicators suggest that the outlook for this year is starting to improve. As we enter 2020, we are keenly focused on a number of key economic variables related to the consumer, business activity and financial conditions, many of which are outlined in Exhibit 1. As things stand, the U.S. consumer remains healthy, supported by a strong labor market, and manufacturing is beginning to stabilize around the world, while the potential U.S.-China trade détente is putting a floor on business and investor confidence. Inflation meanwhile remains quiescent, enabling central banks to remain dovish.

Exhibit 1: Business Cycle Indicators to Follow.

↑ **Expansionary** ↑ **Expansionary, but in extended territory** ▬ **Neutral** ↓ **Recessionary**

	Health of the Consumer			Health of U.S. Businesses		Financial/Market Signals		
Category	Labor Market	Consumer Spending	Housing Market	Corporate Profits	Business Conditions	Yield Curve	Credit Conditions	Equity Market
Description	Jobs created, unemployment claims, avg. weekly hours, wage inflation, productivity	Consumer confidence, retail sales, auto sales	Housing starts, new building permits	Profit growth, producer price inflation, wage inflation, profit margins, productivity	ISM* manufacturing and non-manufacturing, business confidence, capital spending	Yield Curve (10-Year – Fed Funds)	Corporate debt spread, bank lending	Equity prices, valuations (price per earnings), sentiment
Current Trend	↑	↑	↑	↑	▬	↑	↑	↑

*Institute for Supply Management. Source: Chief Investment Office as of January 2020.

Last year's equity gains were almost entirely fueled by multiple expansion, whereas earnings are expected to do the heavy lifting this year. The focus on earnings picks back up the week of January 13. Consensus expectations are for earnings per share (EPS) to fall 1.9% for Q4 2019, before accelerating to 4.5% in Q1 and 9.6% for full-year 2020, according to FactSet. Importantly, management guidance, margins and commentary surrounding the economic outlook, capital spending and trade tensions will be market-moving.

We expect S&P 500 EPS growth to bottom soon and accelerate toward 8% in 2020, driven by: 1) A rebound in nominal gross domestic product (GDP) growth supporting sales growth. 2) Improvements in global manufacturing, which has trended higher after appearing to bottom over the summer. Manufacturing along with capital expenditures (capex) is a significant driver of S&P 500 earnings, so a rebound there presents upside to our forecast. 3) A weaker dollar, which could help to ease financial conditions and support manufacturing activity and trade, especially outside the U.S. Encouragingly, in December 2019 earnings revision ratios showed broad improvement in all regions.

2. Central bank liquidity is key for sentiment and financial conditions.

In 2020, most major central banks are expected to maintain their accommodative stance. While not our base case, one potential negative catalyst could be an unexpected jump in inflation beyond what the market expects or the Federal Reserve (the Fed) is willing to tolerate, which could bring rate hikes back on the table. With the market not pricing in rate hikes anytime soon, this would catch many investors off guard and lead to tighter financial conditions from higher rates and a stronger dollar: both headwinds to equities, especially outside the U.S.

The European Central Bank (ECB) and Bank of Japan (BoJ) are expanding their balance sheets, but investors remain skeptical about the efficacy of negative rates in Europe and Japan. As such, there has been a rising chorus for more fiscal stimulus and structural reforms that could more meaningfully affect sluggish growth rates. Japan has already introduced a $120 billion spending plan, and European budgets imply around 40 bps of fiscal impulse but positive catalysts for international stocks would be if Germany were to loosen their tight budgetary strings and UK Prime Minister Boris Johnson implements infrastructure spending promised during recent election campaigns.

The People's Bank of China has continued to ease policy to support economic growth, cutting banks' reserve requirement ratio again this month in addition to cutting its medium-term lending facility rate late last year. While financial stability remains a key priority for Beijing, policymakers have reiterated their commitment to easing financial conditions to shore up economic growth, which would likely be well-received by investors.

3. The U.S. presidential election cycle is the primary headline risk.

While the primary drivers of the economy and stock market will be earnings and central bank actions, election campaigns will produce plenty of market-moving noise and provide investors food for thought on potential policy changes ranging from taxes to healthcare, energy and more. In the near term, developments surrounding the Senate impeachment trial could create volatility as well.

A potential improvement in manufacturing and farm incomes post the China deal is likely to strengthen the Republican Party's position in swing states like Wisconsin, Florida, Pennsylvania and Michigan. If the economy shows signs of weakening, and U.S.-China trade tensions escalate with China not following through on U.S. agricultural purchases, then the markets may price in increasing odds for a Democratic win. Volatility is likely to pick up if polls show rising popularity for more progressive left-leaning candidates. In this situation, certain consumer discretionary names could be pressured by talks of a $15 minimum wage; healthcare by drug pricing regulation or "Medicare for All"; energy by limits on offshore drilling or fracking; and technology/telecommunications by antitrust regulation and consumer privacy protections. However any president's ability to enact legislation depends heavily on the composition of Congress. Republicans currently hold 53 seats in the Senate, and if they maintain control, the likelihood of some of the more controversial policies like "Medicare for All" and a wealth tax goes down substantially. Most power by the executive branch without Congress would be on regulation, including antitrust investigations at the Department of Justice and Federal Trade Commission, which would be particularly relevant to major technology and communication services companies. Certain areas of bipartisan consensus could gain traction as well, particularly in the healthcare sector on drug pricing or hospital costs, which could pressure health providers and biotech/pharmaceutical companies.

4. U.S.-China Negotiations.

The signing of the "Phase One" trade deal on January 15 is the first hurdle for investors. News of the deal helped set up the market rally into year-end despite lingering uncertainty about U.S. demands for further structural changes for the Chinese economy. We expect "Phase Two" discussions to be on-again, off-again, potentially resulting in greater market access but little enforcement on intellectual property or technology transfer protections. As negotiations between the two sides resume, a reaction by the White House to pushback from Beijing on U.S. demands could be a catalyst for markets. For example, statements by the administration to introduce new tariffs could trigger a selloff in equities, whereas signs that the two sides are making progress would be more market-friendly.

In the meantime, national security concerns remain front and center, particularly for the technology sector. The Commerce Department looks to remain steadfast in its efforts to secure the nation's technology supply chain, announcing this past November that it is proposing new rules to "identify, assess, and address" technology sector transactions that pose a national security risk to the U.S., and is considering tightening controls on U.S.-originated content being exported to China from non-U.S. manufacturers. News of more stringent export controls will likely induce retaliation by Beijing, making it harder to negotiate "Phase Two", further hurting business sentiment. In addition, temporary general licenses allowing certain transactions by U.S. firms with Huawei will expire in mid-February, which would be a key development.

Putting aside the day-to-day headlines, over the long-run we expect the global economy to move toward a dual supply chain; one dominated by the U.S. and the other by China, with technology standing out as potentially the most disrupted sector. While this creates uncertainty for investors, it will accelerate trends in automation, artificial intelligence, robotics and more, allowing companies to enhance productivity and margins while also potentially creating a new domestic capex cycle.

Portfolio Strategy

Our base case remains for an improving economy, low inflation allowing the Fed to remain accommodative, and the equity markets making new highs in the first half of the year. Improved investor positioning to begin the year and higher absolute valuations imply volatility will likely rise and investment returns will moderate in 2020. We remain overweight global equities with a preference for U.S large caps. The aforementioned catalysts will inform us of the direction of growth and risk assets as the second half unfolds.

GLOBAL MARKET VIEW

The Permian Put

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy
Kathryn C. McDonald, CFA®, Vice President and Market Strategy Analyst

The U.S.-Iran confrontation has induced a sharp degree of volatility into the global capital markets. Our base case, however, is that the latest geopolitical shock does not lead to a sustained oil price increase, thereby having a minimal and limiting effect on global growth, corporate earnings and risk premiums. History never repeats itself, but geopolitical shocks in the past have triggered sharp and short market pullbacks, followed by subsequent market rebounds. We believe this time will be no different.

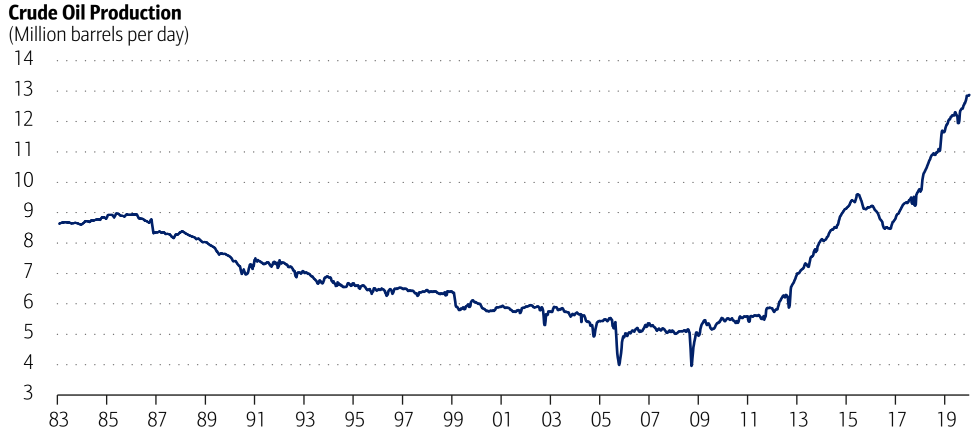
Why?

Because U.S. economic growth and earnings remain supported by an accommodating Fed, the U.S.-China trade truce, sturdy U.S. economic fundamentals (housing, consumer spending, and employment), and global reflationary policies in such locales as Japan, China and Europe. Another critical support to our sanguine view lies with the Permian "put"—or the fact that America's energy independence has never been as great as it is today, thanks to the U.S. energy renaissance, with soaring output from the Permian Basin at the forefront.

Owing to three ingredients—(1) pro-market policies at the state and local level, combined with (2) revolutionary technologies like horizontal drilling and hydraulic fracturing, and (3) good old American entrepreneurship/risk-taking that upended the energy patch—America's buffer against unrest in the Middle East is basically itself, America. While the U.S. isn't immune to a global oil shock, America's energy revolution of the past decade and a half has taken the sting out of potential supply disruptions from the Middle East. Hence the general easing in oil prices after an initial move upward.

Exhibit 2 highlights the stunning surge in U.S. oil production since the early 2000s. U.S. crude oil production averaged more than 8 million barrels per day (b/d) over the 1980s, although daily oil output declined over the 1990s and into the first decade of this century. A cyclical low was reached in September 2005, when U.S. crude production dropped under 4 million b/d. Ironically, the tide began to turn in the oil patch just about the time the U.S. economy and financial markets imploded on the account of the global financial crisis of 2008/09. While Wall Street was hemorrhaging, the oil patch was humming thanks to more advanced techniques in horizontal drilling and hydraulic fracking. Fast forward to today, and the U.S. is now producing almost 13 million b/d; America eclipsed both Russia and Saudi Arabia in 2018 to become the largest oil producer in the world.

Exhibit 2: Crude Oil Production Has Soared in the Last Decade.

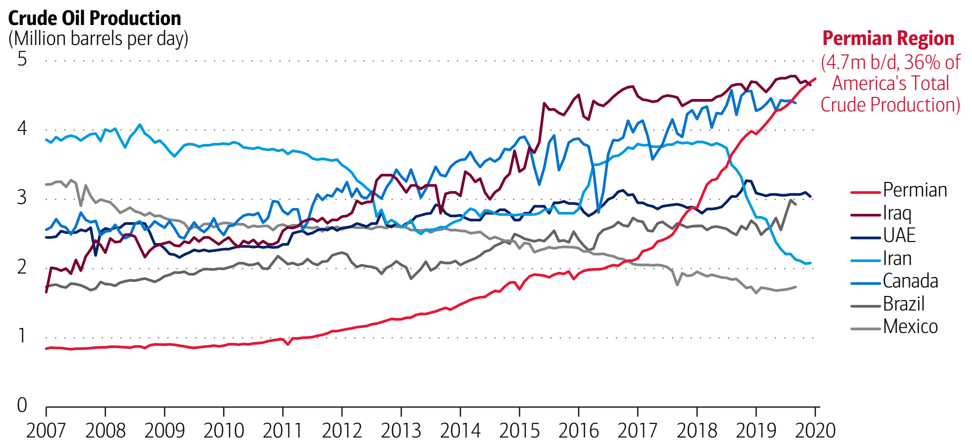


Weekly data through January 3, 2020. Source: U.S. Energy Information Administration. Data as of January 2020.

The Permian: A Golden Oldie

Of the fifty states in the Union, a total of thirty-one produce oil, but no one does it better than Texas. The state produced 5.3 million b/d of crude oil in October 2019, well ahead of second place North Dakota. On a standalone basis, Texas ranks as the third largest oil producer in the world, owing in large part to the thriving Permian Basin, which not only accounts for over 60% of total Texas crude oil output but also outproduces OPEC members like Iraq, UAE and Iran, and Latin American producers Brazil and Mexico (Exhibit 3).

Exhibit 3: The Making of an Oil Super-Giant: U.S. Permian Region Crude Production.



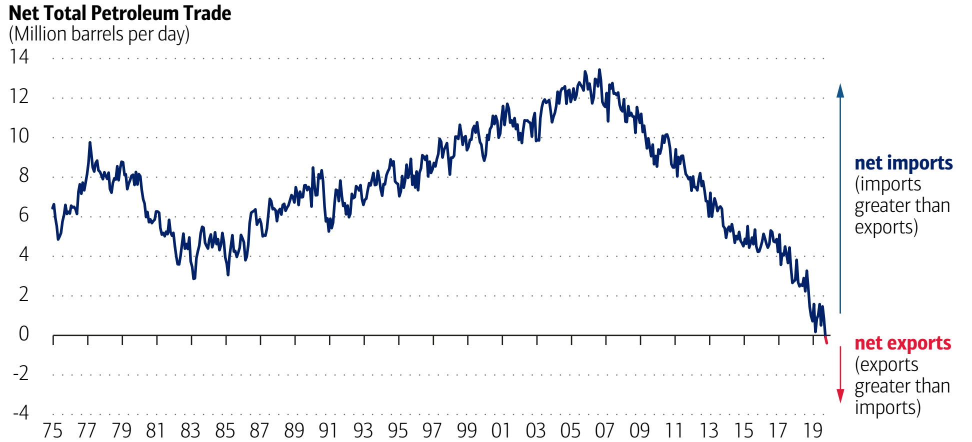
Canada, Brazil, Mexico data through September 2019. Permian data through January 2020. OPEC countries data through December 2019. Saudi Arabia and Russia production levels exceed Permian production and are excluded from this chart. Sources: U.S. Energy Information Administration; Bloomberg. Data as of January 2020.

The resurrection of the Permian Basin is a case study on American ingenuity and emblematic of the U.S. energy renaissance. Centered on Midland, Texas, but stretching into eastern New Mexico, the Permian Basin is one of the oldest fields in the U.S., pumping oil since the 1920s. Production peaked at roughly 2 million b/d in the early 1970s before languishing and declining over the 1980s and 1990s. Thereafter, however, horizontal drilling and hydraulic fracturing transformed the Permian Basin, with production soaring from 0.9 million b/d in 2010 to 4.7 million b/d in December 2019.

That's a startling spike in production, but, according to industry estimates, there's more oil to come. Aggregate production has been held back in recent years by infrastructure bottlenecks (notably the lack of pipelines), although these impediments to production are being alleviated by more investment spending on roads, pipelines and related items. The upshot: Output from the Permian is expected to continue climbing over the next decade, with some industry analysts expecting output to top 8 million b/d by 2023.[1] Whether that target is met remains to be seen, but suffice it to say that the consensus is that there is more upside to the Permian. At the forefront of America's rising energy independence, the 100-year-old oil producing field now accounts for over 36% of total U.S. crude oil production, roughly double the share (18.1%) in 2013.

And as the Permian goes, so goes U.S. jobs, incomes and, notably, exports. Thanks in part to the boost in Permian production, America's trade in energy has been dramatically reconfigured as underscored in Exhibit 4. In September 2019, the U.S. exported more petroleum (89,000 barrels more) than it imported for the first time in history.

Exhibit 4: U.S. Becomes Net Exporter of Petroleum Products.



Monthly data through October 2019. Source: U.S. Energy Information Administration. Data as of January 2020.

As a point of reference, petroleum exports in this case equal crude oil + petroleum products. And as noted by the U.S. Energy Information Agency, net petroleum trade is calculated as total imports of crude oil and petroleum products less total exports of crude and petroleum products. While the U.S. still imports more crude oil than it exports, it now exports more petroleum products than it imports, hence net total petroleum exports. In addition, more than 60% of U.S. crude oil imports come from the secure suppliers of Canada and Mexico, as opposed to Middle East OPEC members in the cross hairs of regional tensions.

The bottom line: We shudder to think what shape the global financial markets would be in without America's energy revolution acting as a buffer to the instability of the Middle East. There was a time when the slightest hint of instability or unrest, let alone U.S. military involvement in the region, would send global oil prices soaring, frightening the health of the global economy. Today, however, the U.S. financial markets are less exposed and vulnerable to unexpected events in the Middle East. This volatile part of the world still matters—to be sure. But thanks to the Permian put, the U.S. has bought some insurance against the vagaries of Middle East politics.

[1] See "This Texas area is expected to double oil output to 8 million barrels in just four years, boosting U.S. exports," CNBC, March 8 2019.

THOUGHT OF THE WEEK

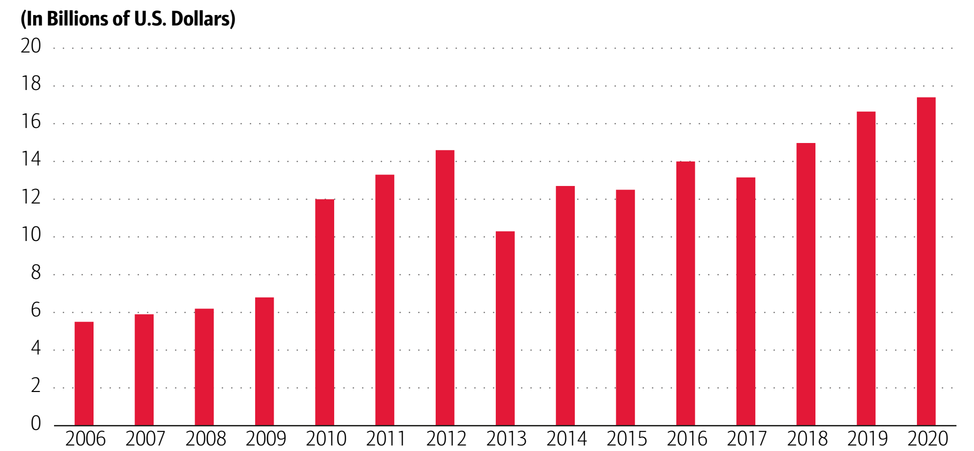
Cyberwarfare as a Reality

Lauren J. Sanfilippo, Vice President and Market Strategy Analyst

Boots on the ground are no longer the only means of combat. A modern array of tools, means and weapons has changed the nature of warfare between adversaries. Notably, cyberwarfare as a new norm, highlighted by recent geopolitical tensions in the Middle East such as threats from Iran heightening the attention of the U.S. government and military. Vulnerable targets include critical infrastructure, government sites, large or small cities, through corruption or compromise within the public or private sphere of large data sets spanning healthcare, banking, energy, Global Positioning Systems (GPS), etc.

While state-sponsored cyberattacks by national intelligence agencies or affiliated groups are a growing concern, the U.S. is committed to one of the largest defense budgets in the world, a budget that has long included a growing cybersecurity allocation. The 2020 U.S. budget includes $17.4 billion for cybersecurity (Exhibit 5), a $790 million or 5% increase over 2019, with the Department of Defense (DoD) as the largest contributor to the budget. The DoD budgeted $9.6 billion in cybersecurity funding for 2020, a 10% increase over last year.

Exhibit 5: U.S. Government Cybersecurity Spending.



Note: FISMA budget represented as cyber spend for 2006-2014. Budget of the U.S. Government Cybersecurity line item used from 2015 onward. Source: The Congressional Budget Office. Data as of 2019.

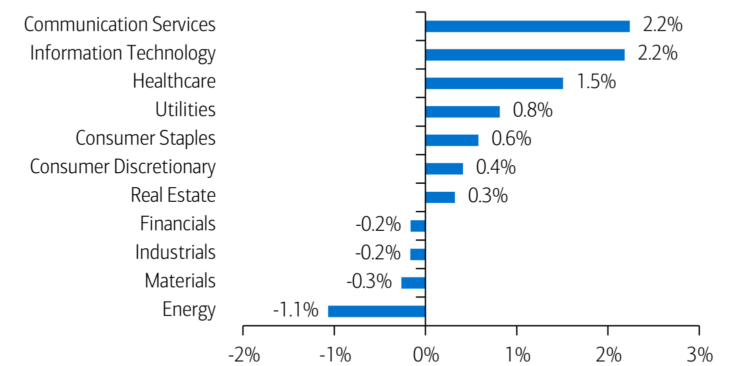
As for private sector spend, research firm Gartner estimates globally that worldwide spending on information security products and services rose more than 12% to $114 billion in 2018 and was estimated to grow 9% to $124 billion in 2019, highlighting the heightened private sector approach of not only prevention, but detection of and response to cybersecurity incidents.

Traditional players in the cybersecurity space will continue to benefit from macro trends and the regulatory focus on data governance and protection. Businesses will need to adapt to the developing attack landscape and growing hacker sophistication, ranging from ransomware, social engineering and phishing, while expanding coverage of traditional firewalls to focus on nextgen cloud security and endpoint protection. Safeguarding vulnerable cities, municipalities and corporations entails billions of dollars of investment in cybersecurity and is one key reason why we remain constructive on direct and indirect cyber plays. Opportunities to invest in cybersecurity outside of traditional technology names include defense primes, government IT service providers and multi-industrial companies—all likely to benefit from the pickup in public and private cybersecurity spending. What is clear is that a lack of cybersecurity is costly—you're only as good as your cyber defenses.

Equities

	Current	Total Return in USD (%) WTD	MTD	YTD
DJIA	28,823.77	0.7	1.1	1.1
NASDAQ	9,178.86	1.8	2.3	2.3
S&P 500	3,265.35	1.0	1.1	1.1
S&P 400 Mid Cap	2,051.37	-0.2	-0.5	-0.5
Russell 2000	1,657.64	-0.2	-0.6	-0.6
MSCI World	2,377.62	0.6	0.8	0.8
MSCI EAFE	2,040.49	-0.1	0.2	0.2
MSCI Emerging Markets	1,133.63	0.9	1.7	1.7

S&P 500 Sector Returns



Fixed Income[1]

	Current	Total Return in USD (%) WTD	MTD	YTD
Corporate & Government	2.18	-0.2	0.5	0.5
Agencies	1.84	-0.1	0.3	0.3
Municipals	1.66	0.3	0.7	0.7
U.S. Investment Grade Credit	2.26	-0.1	0.4	0.4
International	2.80	-0.1	0.6	0.6
High Yield	5.04	0.2	0.4	0.4

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	1.47	1.47	1.49	1.49
2 Year Yield	1.57	1.52	1.57	1.57
10 Year Yield	1.82	1.79	1.92	1.92
30 Year Yield	2.28	2.24	2.39	2.39

Commodities & Currencies

Commodities	Current	Total Return in USD (%) WTD	MTD	YTD
Bloomberg Commodity	171.69	-0.8	-0.2	-0.2
WTI Crude $/Barrel[2]	59.04	-6.4	-3.3	-3.3
Gold Spot $/Ounce[2]	1,562.34	0.7	3.0	3.0

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.11	1.12	1.12	1.12
USD/JPY	109.45	108.09	108.61	108.61
USD/CNH	6.92	6.97	6.96	6.96

Source: Bloomberg, Factset.Total Returns from the period of 1/6/20 to 1/10/20. Bloomberg Barclays Indices.[1] Spot price returns.[2] All data as of the 1/10/20 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 1/9/2020)

	Under-weight		Neutral	Over-weight	
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	•	•	●	•	•
High Yield	•	●	•	•	•
U.S. Investment Grade Tax Exempt	•	•	●	•	•
U.S. High Yield Tax Exempt	•	●	•	•	•
International Fixed Income	●	•	•	•	•
Alternative Investments*	see CIO Asset Class Views				
Hedge Funds					
Private Equity					
Real Assets					
Cash					

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

Economic and Market Forecasts (as of 1/13/20)

	Q2 2019A	Q3 2019A	Q4 2019A	2019A	Q1 2020E	2020E
Real global GDP (% y/y annualized)	–	–	–	3.1*	–	3.2
Real U.S. GDP (% q/q annualized)	2.0	2.1	2.2*	2.3*	1.0	1.7
CPI inflation (% y/y)	1.8	1.8	2.1*	1.8*	2.4	2.3
Core CPI inflation (% y/y)	2.1	2.3	2.3*	2.2*	2.4	2.4
Unemployment rate (%)	3.6	3.6	3.5	3.7	3.5	3.6
Fed funds rate, end period (%)	2.40	1.90	1.55	1.55	1.63	1.63
10-year Treasury, end period (%)	2.01	1.66	1.92	1.92	1.80	1.80
S&P 500 end period	2942	2977	3231	3231	–	3300
S&P earnings ($/share)	41	42	41.5*	164.1*	40.5	177
Euro/U.S. dollar, end period	1.14	1.09	1.12	1.12	1.10	1.15
U.S. dollar/Japanese yen, end period	108	108	109	109	110	103
Oil ($/barrel, avg. of period, WTI**)	60	56	57	57	52	54

The forecasts in the table above are the base line view from BofA Global Research team. 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.

Past performance is no guarantee of future results. 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. S&P 500 represents a fair value estimate for 2020. **West Texas Intermediate

Sources: BofA Global Research; GWIM ISC as of January 13, 2020.

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.

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 dollars.

S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies. It represents the stock market's performance by reporting the risks and returns of the biggest companies.

Important Disclosures

This material was prepared by the Chief Investment Office (CIO) and is not a publication of BofA Global Research. The views expressed are those of the CIO only and are subject to change. This information should not be construed as investment advice. It is presented for information purposes only and is not intended to be either a specific offer by any Merrill or Bank of America entity 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.

Global Wealth & Investment Management (GWIM) is a division of Bank of America Corporation. The CIO, which provides investment strategies, due diligence, portfolio construction guidance and wealth management solutions for GWIM clients, is part of the Investment Solutions Group (ISG) of GWIM.

Investing involves risk, including the possible loss of principal. No investment program is risk-free, and a systematic investing plan does not ensure a profit or protect against a loss in declining markets. Any investment plan should be subject to periodic review for changes in your individual circumstances, including changes in market conditions and your financial ability to continue purchases.

Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

It is not possible to invest directly in an index.

Asset allocation, diversification, dollar cost averaging and rebalancing do not ensure a profit or protect against loss in declining markets. Dollar cost averaging involves continual investment in securities regardless of fluctuating price levels; you should consider your willingness to continue purchasing during periods of high or low price levels.

Past performance is no guarantee of future results.

Merrill, Bank of America, their affiliates and advisors do not provide legal, tax or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

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. Investments in foreign securities 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. 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.

Merrill Private Wealth Management is a division of MLPF&S that offers a broad array of personalized wealth management products and services. Both brokerage and investment advisory services (including financial planning) are offered by the Private Wealth Advisors through MLPF&S. The nature and degree of advice and assistance provided, the fees charged, and client rights and Merrill's obligations will differ among these services. The banking, credit and trust services sold by Merrill's Private Wealth Advisors are offered by licensed banks and trust companies, including Bank of America, N.A., Member FDIC, and other affiliated banks.