CHIEF INVESTMENT OFFICE

Capital Market Outlook

January 19, 2021

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

MACRO STRATEGY

Chief Investment Office Macro Strategy Team

GLOBAL MARKET VIEW

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THOUGHT OF THE WEEK

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Data as of 1/19/2021, and subject to change

IN THIS ISSUE:

- Macro Strategy—The coronavirus stimulus package approved by Congress at the end of December solidifies the reflation trend ignited by the $2.2 trillion Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") of March 2020 and the aggressive Federal Reserve (Fed) stimulus. In our view, "core" personal consumption expenditures (PCE) inflation[1] is likely to mostly remain contained below 2% this year, with reflation trades (commodities, Treasury Inflation Protected Securities (TIPS), equities, housing, small-caps) so far behaving as they typically do when monetary policy is most accommodative and economic growth surges out of recessions. However, upside risks to inflation have increased.
- Global Market View—Upside surprises to the level of consumer spending and earnings should continue to support equities into 2021, especially in those sectors that are more leveraged to the business cycle and a vaccine-led recovery. Spending by high-income households fell the most in 2020, suggesting that much of the pent-up consumer demand should initially come from affluent consumers.
- Thought of the Week—As the global economic recovery continues to gather steam, we have become more constructive on the Industrial sector, which may stand poised to benefit. Driving factors include a global growth rebound, a very supportive global policy backdrop, surging manufacturing activity and renewed investor interest in cyclical pockets of the market.
- Portfolio Considerations—We expect a "grind-it-out" year in equity returns that could far outpace fixed income, and what matters most is our expectation for a broad market advance relative to the narrow advances we have recently experienced, in our view. The bull market for equities continues in 2021, in our opinion, and investors should consider reassessing their portfolio allocations early in Q1.

MACRO STRATEGY

Growing Evidence of Reflation Success

Chief Investment Office, Macro Strategy Team

As we expected, the U.S. and global economy have remained on a strong recovery track following massive government support early in the pandemic. The IHS Markit global manufacturing and non-manufacturing purchasing managers' surveys (PMIs) got back into expansion territory by the fall of 2020, with the December manufacturing survey at a

[1] "Core" personal consumption expenditures (PCE) inflation is the Federal Reserve's preferred inflation measure.

3-year high. The V-shaped rebound in global manufacturing helped international trade volume quickly return near pre-pandemic levels following its February to May 2020 decline. This benefited emerging-market (EM) industrial production, which is now close to its pre-coronavirus level. Typical in the early stages of global synchronized expansions, their swift cyclical rebound and currency appreciation against the dollar have boosted the MSCI EM equity index up to fresh records in domestic currencies in recent weeks.

Even in the U.S., manufacturing output is less than 3% below its pre-pandemic level compared to a 20% fall in April-May 2020. In contrast, it took four years for manufacturing production to match its pre-recession peak after the 2001 recession, while never matching it after the 2008/2009 Great Financial Crisis (GFC). The success of government policy in stimulating the economy out of the early-pandemic crisis is also evident in better-than-expected U.S. earnings reports and substantial recent upward revisions of analyst earnings forecasts typical during manufacturing upcycles. While the U.S. manufacturing Institute for Supply Management (ISM) Index may peak soon given its extremely high December level, consistent with some moderation in earnings revisions and stabilization in TIPS breakeven inflation expectations as the year progresses, we believe that it is likely to remain above average, helped by a weakening dollar and positive lagged effects of global interest-rate cuts around the world in 2020 still percolating through the U.S. and global economies.

Indeed, while the December payroll employment appeared very weak, job losses were concentrated in shutdown food-and-drink places, more than offsetting big gains in employment elsewhere. That demand for labor has otherwise remained broad-based, consistent with strong eCommerce, construction, technology, business equipment investment, healthcare and manufacturing conditions, is corroborated by a still-high December employment diffusion index of 61% despite stricter coronavirus restrictions. The housing sector, for example, which has a large multiplier effect on the economy, currently remains a strong driver of growth. Home sales rose 25% year-over-year (YoY) in November, quickly driving the supply of homes for sale down to new record lows. As homebuilders scramble to keep up with demand, single-family home-building permits are expected to continue to increase sharply in 2021, further supporting the economy.

Also, with extraordinarily elevated U.S. aggregate personal savings and average disposable personal income up 9% YoY since the pandemic started (the biggest jump since the late 1980s), U.S. consumer spending remained above pre-pandemic levels in December and seems to be picking up more steam as the new fiscal package filters through, according to credit card data and surveys of retailers. The ongoing housing boom also creates significant household wealth effects that are favorable for U.S. consumer spending this year.

All of this has reflected in rising corporate revenues and profit margins, as well as normalizing corporate credit spreads. As a result, business investment has also surprised to the upside after a short and mild capital expenditures (capex) recession. New orders for non-defense capital-goods orders ex-aircraft reached fresh records in November, while the ISM manufacturing new orders sub-index touched a 17-year high in December, suggesting sustained business investment strength into 2021, another positive for the economic outlook. Putting it all together, we believe that U.S. real gross domestic product (GDP) growth may turn out to be closer to 6% or 7% in 2021, a range unheard of in almost 40 years (compared to our estimate of a 4% to 5% growth before the latest round of fiscal stimulus and dollar declines).

As noted above, financial markets have been pricing in the brightening growth and emerging reflation trend in line with our expectations, with equity-market rallies to new records, a drop in financial stress indicators to below-average levels, a surge in the Commodity Research Bureau (CRB) Index to a three-year high, and sustained gains in TIPS breakeven inflation expectations (now above 2%, the highest since mid-2018). Indeed, in our view, and as discussed in recent reports, the Fed was more likely to succeed this time around in fighting deflation for a number of reasons. These include the unusual nature of the recession, the coordination of the massive fiscal-monetary policy response (which has created a much more favorable environment for growth and inflation than in the post-GFC expansion), and the decisive Fed intervention (including an epic surge in money supply and forward guidance suggesting a zero-rate policy through at least 2022). New and promised additional government spending further cement the reflation trend, while a likely slowdown in the globalization trend is also seen moderating the disinflationary forces of the past three decades. Also important, the strong dollar appreciation of the decade following the GFC was highly disinflationary. With a rapidly growing trade deficit and the Fed now more willing to accommodate higher inflation, the dollar is likely to remain softer, in our view. This would further nudge up the import price index after a two-year downtrend, eliminating a key disinflation force.

Rapid U.S. money supply and GDP growth, a depreciating dollar, and rising commodity prices are emblematic of early business cycles and represent the channels through which a self-feeding positive synchronized global growth cycle develops. Indeed, the U.S. trade deficit has been widening fast over the past year as strong U.S. consumer demand overflowed into other economies abroad, helping boost their exports, international trade, commodity prices, and manufacturers' pricing power. U.S. corporate revenue growth and profits (particularly from overseas activity) tend to greatly benefit in this environment, in turn helping explain the rally in equity prices, narrowing credit spreads as well as the subdued equity-market volatility. Against a background of meaningfully stronger growth and reaccelerating inflation, it is not surprising to see Treasury yields starting to perk up.

That said, inflation generally responds slowly to changes in economic conditions, which in turn respond with a lag to changes in monetary policy. This makes inflation a long-lagging indicator that is likely to remain contained this year until inflation-suppressing forces engendered by the pandemic fade, and the new strong aggregate demand and money-supply environment becomes more dominant. For now, underlying macroeconomic forces that typically lead average hourly earnings (AHE) growth (including high unemployment, low labor-force participation rates, elevated uncertainty) still suggest a sharp slowdown in AHE growth this year from its currently strong 5%+ YoY pace. Combined with prospects for a higher productivity growth trend than seen in the post-GFC decade, as discussed in past reports, this indicates contained unit labor costs and cost-push inflation. In addition, rent-of-shelter inflation, which accounts for a large share of the consumer spending basket (about 40% of "core" consumer price index (CPI)), looks poised to remain under extreme downside pressure given the pandemic shock as well as its slow usual response to changes in economic conditions. Overall, absent a breakdown in the dollar, we believe that lagged headwinds from the pandemic dislocations will continue to keep inflation from sustainably exceeding 2% this year, particularly "core" PCE inflation, which is likely to lag CPI inflation.

In sum, the increase observed in TIPS implied inflation expectations, commodity prices, Treasury yields and equity prices along with the narrowing credit spreads corroborate our current view that the stimulus worked to prevent a self-reinforcing deflationary downward spiral in the wake of the pandemic. In fact, while "core" PCE inflation is unlikely to exceed 2% on a sustained basis this year, the odds of inflation surpassing this threshold by late 2021 have increased with the dollar downtrend, solid aggregate consumer finances, strong wealth effects, new fiscal support, as well as potential imminent drop in uncertainty and normalization of economic activity as a result of expanding vaccinations. The biggest and most direct government stimulus since WWII should also be expected to shorten the typical length between stimulus and inflation to some extent. Absent appropriate Fed policy adjustments, the prospect of unrestrained government spending in this context increases inflation risks. After all, as past experience both here and abroad has shown, unfettered money creation ultimately results in rapid erosion of a currency's purchasing power.

Affluent Consumers' Pent-Up Demand to Drive Spending in 2021

Kathryn McDonald, CFA®, Vice President and Investment Strategist

One of the key reasons for our bullish call on equities, and recent tilt toward more cyclical sector exposure, is a strong pent-up consumer demand cycle that we expect to gain momentum in the second half of 2021. In prior reports we have outlined some of the key forces behind this consumer pent-up demand cycle, including a historically high rate of personal savings, a sharp rebound in wage and salary income, healthy household balance sheets, and a housing and equity market boom lifting consumer net worth to all-time highs. What's more, the latest election results in Georgia increase the prospects for an additional fiscal stimulus package, which BofA Global Research forecasts could amount to $1 trillion and include another round of stimulus checks and extended unemployment benefits.

In this context, the sharp rise in the savings rate has caused many analysts to compare the current cycle to the post-WWII period. In a recent article, Morgan Housel of the Collaborative Fund explains:

"The best comparison might be the late 1940s and 1950s. Then, as now, bank accounts were stuffed full… And then, as now, a lot of that money couldn't be spent because of war-time rationing. After the war ended and life got on, the amount of pent-up demand for household goods mixed with the prosperity of war-time employment and savings was simply extraordinary. It's what created the 1950s economic boom. Fewer than two million homes were built from 1940 to 1945. Then seven million were built from 1945 to 1950. Commercial car production was virtually nonexistent from 1942 to 1945 as assembly lines were converted to build tanks and planes. Then 21 million cars were sold from 1945 to 1950."[2]

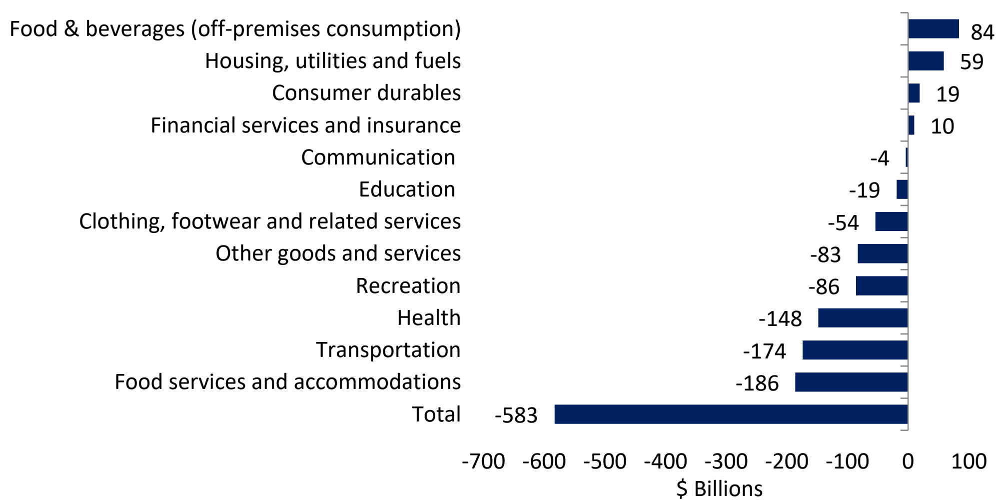
All in all, we believe 2021 could mark the sharpest consumer spending comeback in 40 years, with consumer spending growth pushing above 5.7% in real terms.[3] Given this backdrop, and taking into account the narrative outlined in our prior reports on the causes of consumer pent-up demand, we outline below what that spending might look like in the years ahead and what the sector implications are.

Services Consumer Spending Gap

According to estimates from World Data Lab, the total decline in U.S. consumer spending last year amounted to roughly $600 billion, with expenditures falling the most for food services, transportation, health services, and recreation (Exhibit 1). By now, it's well understood that the coronavirus recession was heavily concentrated in services industries—a unique feature of this crisis. While some of the lost services spending may never be recovered (you can't make up for lost haircuts, dentist appointments or vacation days), we believe the propensity to consume after the crisis, especially by high-income households, is likely to surge.

[2] See Collaborative Fund, "Two Worlds: So Much Prosperity, So Much Skepticism," January 7, 2021.
[3] See CIO Capital Market Outlook 11/30/2020 "U.S. Consumer Locked and Loaded for 2021".

Exhibit 1: Change in U.S. Sectoral Spending Patterns in 2020.



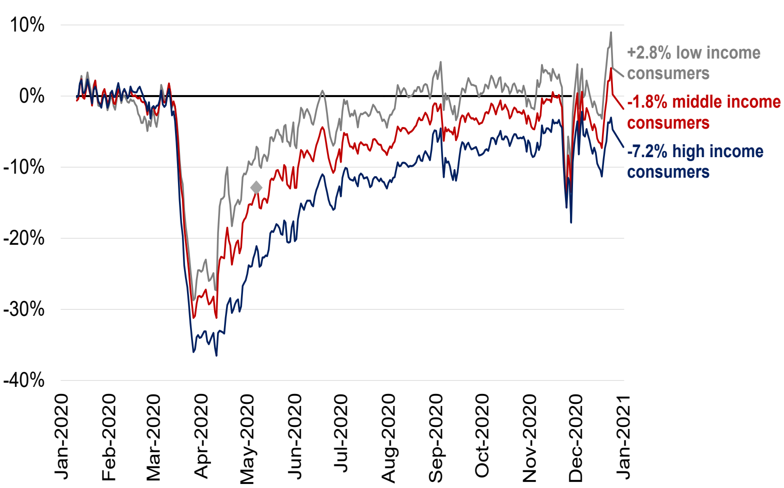
Sources: Brookings Institution; Bureau of Economic Analysis; World Data Lab Projections for Q4 2020. Data as of December 2020.

Affluent Consumers Driving Demand

As shown in Exhibit 2A, consumers in the highest income quartile pulled back on spending the most in 2020, suggesting that much of the consumer pent-up demand will initially come from affluent consumers. Looking at Exhibit 2b, we see that the highest-income consumers tend to spend disproportionately on leisure, housing, autos, travel and other services. High-income U.S. households make up 39% of total U.S. aggregate spending, but they represent 55% of spending on lodging, 63% of entertainment fees and admissions, and 48% of public transport expenses.

Exhibit 2: Affluent Consumers Have Pulled Back Their Spending the Most.

A: Percent change in consumer spending compared to January 2020 levels.



B: Affluent Consumers Drive Spending in Leisure, Housing, Autos, Travel and Other Services.

	Selected Expenditure Categories, 2019	Aggregate Spending, All Consumers (Bil $)	Highest Income Quintile: Percent of Total Spending
	Annual aggregate expenditures	**8,333**	**39%**
	Food at home	613	31%
	Food away from home	466	39%
Leisure	Alcoholic beverages	76	43%
Housing	Owned dwellings	899	45%
	Rented dwellings	586	16%
Leisure	Other lodging (e.g., for travel purposes)	127	55%
	Utilities, fuels, and public services	536	29%
Other Services	Personal services (e.g., day care, elder care)	65	55%
	Other household expenses	143	38%
	Housekeeping supplies	101	33%
Housing	Household furnishings and	277	41%
	Apparel and services	249	38%
Autos	Cars and trucks, new	259	42%
	Cars and trucks, used	314	34%
	Gasoline, other fuels, and motor oil	277	31%
	Maintenance and repairs	117	34%
Autos/ Travel	Vehicle rental, leases, and other charges	105	42%
	Vehicle insurance	204	30%
Travel	Public and other transportation	103	48%
	Healthcare	687	33%
Leisure	Entertainment: Fees and admissions	116	63%
	Audio and visual equipment and services	132	31%
	Pets	90	37%
	Toys, hobbies, and playground equipment	19	36%
Leisure	Other entertainment equipment and services	51	52%
	Personal care products and services	104	36%
	Tobacco products and smoking supplies	42	13%

Addendum:	All consumers	Highest quintile
Number of consumer units (in thousands)	132,242	26,536
Average household income before taxes	$82,852	$218,670

Low-income consumers defined as consumers living in zip codes with low (bottom quartile) median income; middle -income consumers are the middle two quartiles; high-income is the top quartile. Sources: (Exhibit A) Opportunity Insights; trackthere covery.org. (Exhibit B) Bureau of Labor Statistics, Consumer Expenditures Survey 2019. Data as of January 3, 2021. Short term shown to illustrate more recent trend.

At the other end of the spectrum, low- and middle-income consumers, supported by fiscal stimulus, managed to increase their spending 2.8% since the beginning of last year. According to a Fed survey, consumers receiving stimulus transfer payments last year allocated a relatively high portion (about 70%) of their stimulus checks toward saving and paying down debt. When asked about the intended use of a second round of stimulus payments, households indicated they would spend just 14% on essential items and 7% on non-essential items.[4] But as progress is made on the vaccine distribution, and as high-income consumers ramp up spending on travel, restaurants and other services, jobs in these industries should recover, increasing consumer confidence and unleashing further spending by low-income and middle-class households—a virtuous cycle.

Drawing upon the China Experience

China's return to normal has seen a surge in domestic travel, although international travel remains weak. Auto sales have also been particularly strong. At the end of last year, sales in consumer staples goods and electronics had stalled, while demand for autos, cosmetics and jewelry had bounced back at a much quicker pace. Consumer services for indoor consumption, such as movie theatre trips, were slower to recover but are now returning to pre-pandemic levels.

Sector Implications

In the following two Exhibits (3A and 3B), we break down consumer spending into four potential categories depending on (1) the level of virus disruption and (2) the relative importance of affluent consumers in overall sector spending. We find that the industries with the strongest pent-up demand potential in 2021 are those most battered by the coronavirus restrictions in 2020 and highly leveraged to wealthy consumers. As shown in Exhibit 3B, markets started pricing in positive vaccine announcements in November, though returns for the year for sectors most leveraged to the vaccine-led recovery still lag behind the coronavirus beneficiaries.

Exhibit 3A: Consumer Demand and Equity Returns

A: Pent-up Consumer Demand Spectrum

HIGH <--- Share of High-Income Consumers in Total Spending ---> LOW

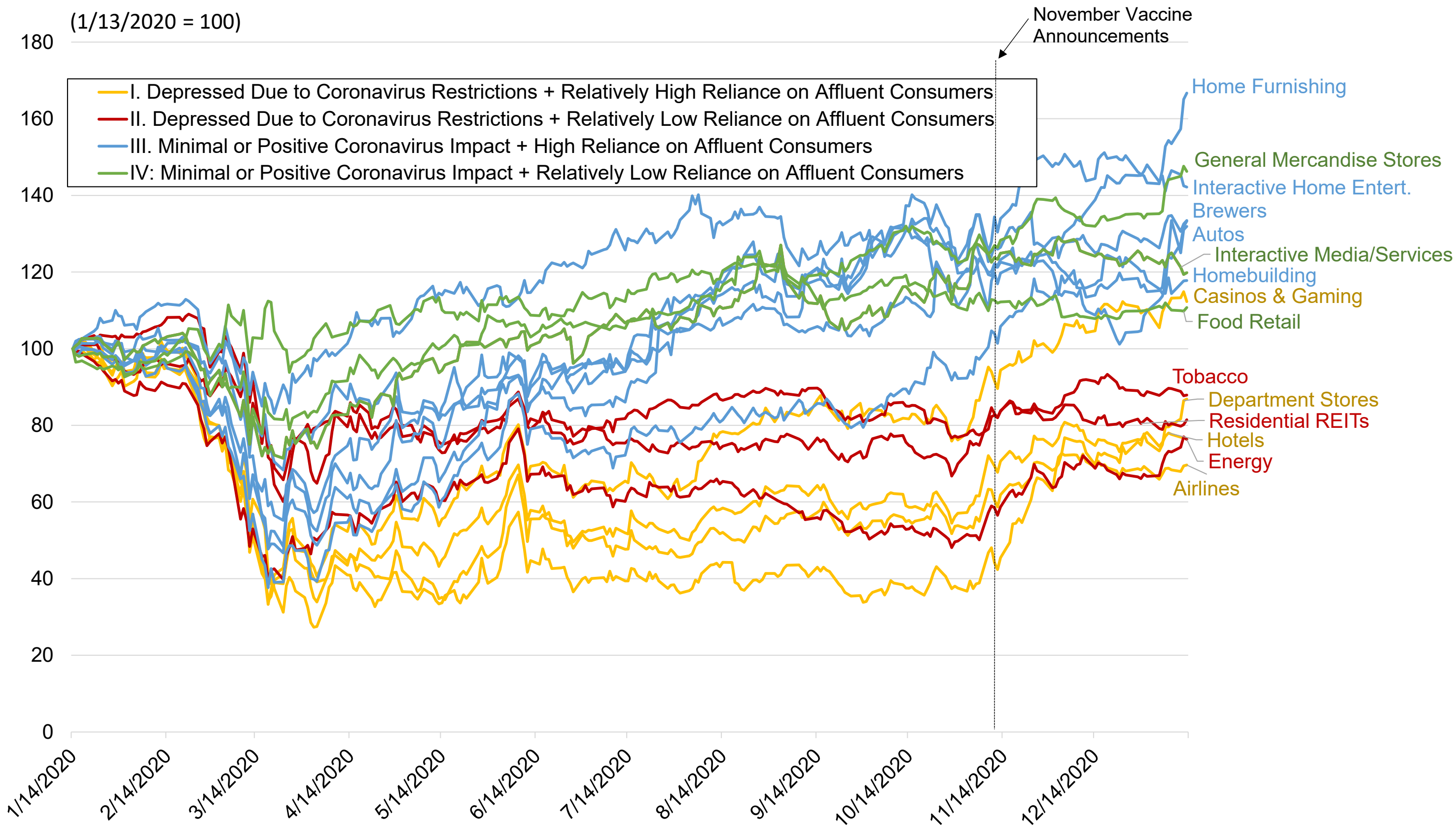
High Coronavirus Impact	**I. Depressed Due to Coronavirus Restrictions + Relatively High Reliance on Affluent Consumers** High Pent-Up Demand Sectors: Travel, Leisure, Gaming, Restaurants, Luxury Goods	**II. Depressed Due to Coronavirus Restrictions + Relatively Low Reliance on Affluent Consumers** Personal Care Products/Servicesm Oil & Gas, Rented Dwellings, Tobacco Products, Healthcare
Low Coronavirus Impact	**III. Minimal or Positive Coronavirus Impact + Relatively High Reliance on Affluent Consumers** Consumer Discretionary Goods, Housing, Autos (New), Alcoholic Beverages, Household Furnishings/Equipment	**IV: Minimal or Positive Coronavirus Impact + Relatively Low Reliance on Affluent Consumers** Consumer Staples, Food at Home, Autos (Used), Consumer Electronic Goods and Services

Sources: Chief Investment Office. Data as of January 13, 2021. Short term performance shown to illustrate more recent trend. Past performance is no guarantee of future results.

[4] See Federal Reserve Bank of New York, "How Have Households Used Their Stimulus Payments and How Would They Spend the Next?" October 13, 2020.

Exhibit 3B: Consumer Demand and Equity Returns

B: Sub-Industry Returns: S&P 1500



Sources: Bloomberg. Data as of January 13, 2021. Short term performance shown to illustrate more recent trend. Past performance is no guarantee of future results.

That said, the diagrams above fail to fully incorporate the structural forces that are permanently shifting consumer spending behavior over the long run. For instance, as videoconferencing and telework replaced in-person meetings during the pandemic, business travel may take many years to recover. The housing market, though relatively unscathed during the crisis, should continue to be supported by structural consumer pent-up demand from millennials and the shift to remote work. The transition to clean energy should continue to disrupt traditional oil producers. And brick-and-mortar retail will likely lose market share to online shopping outlets long after the pandemic. In other words, long-term investors should always consider cyclical factors alongside structural themes.

The Bottom Line: Upside surprises to the level of pent-up consumer spending should continue to support equities into 2021, especially in those sectors that are more leveraged to the business cycle and a vaccine-led recovery. As a result, we believe investors should consider adding cyclical exposure to their portfolios to position for a stronger-than-expected consumer recovery in the year ahead.

THOUGHT OF THE WEEK

A Variety of Factors Are Manufacturing Bullishness for Industrials

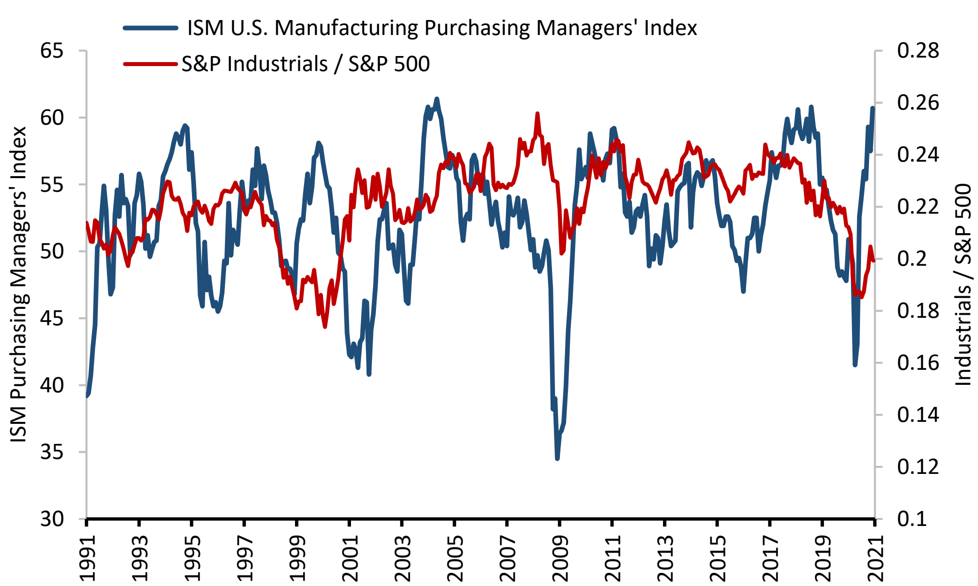
Emily Avioli, Assistant Vice President and Investment Strategist

Nick Giorgi, CFA®, Vice President and Investment Strategist

The pandemic led to an abrupt downturn in global economic activity, hitting the Industrial sector particularly hard, which shed approximately 43% in market value in early 2020. However, as the economy inches closer to recovery, a growing number of indicators suggests that the darkest days for Industrials have passed, and investors are beginning to take note.

Industrials are particularly economically sensitive and tend to perform best in the early stages of the business cycle. Current conditions suggest an upturn has begun with room to run, given the steady rise in global manufacturing PMI since July and with the U.S. ISM PMI sitting above 60 (Exhibit 4). Industrials also tend to outperform after market bottoms, outpacing the S&P 500 by an average of 18% in the first 18 months after index troughs, and then leading by 11% over the following three years, according to BofA Global Research. Moreover, the fundamental outlook for Industrials is improving, with rising earnings revisions leading the current consensus expectations for 2021 sales growth of 8.9% and earnings growth of 20.5%, according to Factset.

Exhibit 4: Industrial Outperformance Often Coincides with Rising PMIs.



Sources: Chief Investment Office; Bloomberg. Data as of January 11, 2021. Past performance is no guarantee of future results.

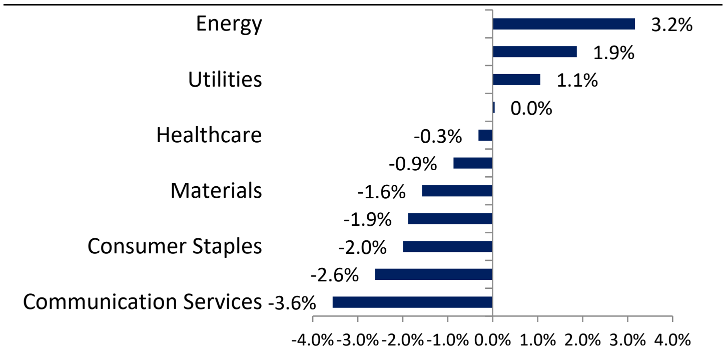
A sooner-than-expected recovery in China's economy has pulled higher global trade and commodity prices, providing another boost to the sector. In addition, a historically accommodative monetary policy backdrop and a weaker U.S. dollar should continue to support nominal growth and cyclical areas of the market such as Industrials as well as Financials and materials. Finally, fiscal policy could be a positive catalyst. The President-elect Biden administration's fiscal agenda is likely to have a particular focus on boosting U.S. manufacturing, infrastructure spending and the Green economy, which should brighten the prospects for Industrials.

MARKETS IN REVIEW

Equities

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
DJIA	30,814.26	-0.9	0.7	0.7
NASDAQ	12,998.50	-1.5	0.9	0.9
S&P 500	3,768.25	-1.5	0.4	0.4
S&P 400 Mid Cap	2,424.03	0.3	5.1	5.1
Russell 2000	2,123.20	1.5	7.5	7.5
MSCI World	2,714.81	-1.4	1.0	1.0
MSCI EAFE	2,184.94	-1.4	1.8	1.8
MSCI Emerging Markets	1,358.03	0.3	5.2	5.2

S&P 500 Sector Returns



Fixed Income

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
Corporate & Government	1.17	0.20	-1.07	-1.07
Agencies	0.53	0.08	-0.27	-0.27
Municipals	1.07	0.10	0.02	0.02
U.S. Investment Grade Credit	1.18	0.19	-0.76	-0.76
International	1.85	0.38	-1.14	-1.14
High Yield	4.18	0.12	0.35	0.35

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.08	0.07	0.06	0.06
2 Year Yield	0.13	0.13	0.12	0.12
10 Year Yield	1.08	1.12	0.91	0.91
30 Year Yield	1.83	1.87	1.64	1.64

Commodities & Currencies

		Total Return in USD (%)		
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	171.77	1.0	3.1	3.1
WTI Crude $/Barrel††	52.36	0.2	7.9	7.9
Gold Spot $/Ounce††	1828.45	-1.1	-3.7	-3.7

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.21	1.22	1.22	1.22
USD/JPY	103.85	103.94	103.25	103.25
USD/CNH	6.48	6.46	6.50	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 1/11/2021 to 1/15/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 1/15/2021 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 1/5/2021)

	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*					
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.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Economic & Market Forecasts (as of 1/15/2021)

	Q1 2020A	Q2 2020A	Q3 2020A	Q4 2020A	2020A	Q1 2021E	2021E
Real global GDP (% y/y annualized)	-	-	-	-	-3.4*	-	5.3
Real U.S. GDP (% q/q annualized)	-5.0	-31.4	33.1	5.0*	-3.5*	4.0	5.0
CPI inflation (% y/y)	1.5	0.6	1.4	1.2	1.3	1.7	2.4
Core CPI inflation (% y/y)	2.1	1.2	1.7	1.6	1.7	1.5	1.8
Unemployment rate (%)	3.8	13.0	8.8	6.8	8.1	6.7	5.8
Fed funds rate, end period (%)	0.08	0.08	0.09	0.09	0.09	0.13	0.13
10-year Treasury, end period (%)	0.67	0.66	0.68	0.91	0.91	1.00	1.50
S&P 500 end period	2585	3100	3363	3756	3756	-	3800
S&P earnings ($/share)	33	28	39	38*	138*	36	165
Euro/U.S. dollar, end period	1.10	1.12	1.17	1.22	1.22	1.20	1.25
U.S. dollar/Japanese yen, end period	108	108	105	103	103	103	100
Oil ($/barrel, avg. of period, WTI)**	46	29	40	44	40	46	47

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.

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 the year-end target for 2021. **West Texas Intermediate.
Sources: BofA Global Research; GWIM ISC as of January 15, 2021.

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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 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

S&P Commodity Research Bureau (CRB) Index measures the aggregated price direction of various commodity sectors, and is designed to isolate and reveal the directional movement of prices in overall commodity trades.

MSCI Emerging Markets Index is an index used to measure equity market performance in global emerging markets.

Employment diffusion index is calculated by taking the percent reporting increases and subtracting the percentage reporting decreases.

Import and export price indexes measure changes in the price of goods and services in international trade.

Consumer Price Index (CPI) is an aggregate of prices paid by urban consumers for a typical basket of goods, excluding food and energy. This measurement, known as "Core CPI," is widely used by economists because food and energy have very volatile prices.

Personal Consumption Expenditure (PCE) Index measure is the component statistic for consumption in gross domestic product collected by the United States Bureau of Economic Analysis.

Institute for Supply Management (ISM) manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

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