BANK OF AMERICA

CHIEF INVESTMENT OFFICE

# Capital Market Outlook

October 12, 2021

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

## IN THIS ISSUE

**Macro Strategy—**Combatting the fallout of the coronavirus pandemic has stretched the limits of monetary policy for many major central banks, in our view. An increased emphasis on fiscal treatments brings significant implications for the business cycle and portfolio positioning. Analogous to current developments on the health front, contentious discussion of the suitability of fiscal boosters for extended protection of the economic expansion has begun. The prospect for these fiscal injections supports our view for a well-diversified tactical equity barbell approach.

**Global Market View—**Given the new geopolitics of the 21st century, we consider it critical that investors regularly monitor and rebalance their portfolios according to their income needs and risk tolerance, with the understanding that the global geopolitical environment is fluid and in flux, and prone to periodic pressure points that can create and sustain market volatility.

**Thought of the Week—**Global central banks have taken the first steps in removing accommodations, but monetary policies will likely remain supportive of growth for some time, and market yields seem to agree.

**Portfolio Considerations—**The U.S. remains our preferred equity region relative to the rest of the world, with stronger balance sheets on aggregate, robust economic growth prospects, and strong earnings revisions. We prefer short duration relative to a stated Fixed Income benchmark that is aligned to investment goals.


MACRO STRATEGY

**Rodrigo C. Serrano, CFA®**
Director and Investment Strategist

GLOBAL MARKET VIEW

**Joseph P. Quinlan**
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THOUGHT OF THE WEEK

**Christopher Gunster**
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**Data as of 10/12/2021, and subject to change**

## MACRO STRATEGY

### Approving Fiscal Boosters

*Rodrigo C. Serrano, CFA®*, Director and Investment Strategist

Containing the fallout of the coronavirus pandemic has stretched the limits of monetary policy for many major central banks, in our view. In response, lawmakers have increasingly resorted to fiscal treatments with significant implications for the business cycle and portfolio positioning.

To help inoculate economies, policymakers have approved $18.3 trillion in fiscal stimulus, equal to just over 21% of the world's gross domestic product (GDP), according to Cornerstone Macro (Exhibit 1). These injections, alongside public initiatives to vaccinate populations, have spurred corporate confidence, anticipating an eventual return to pre-pandemic business conditions. According to KPMG, 60% of multinational CEOs are

confident in the prospects for global economic growth, a level associated with "an aggressive growth stance." In the U.S., CEO business sentiment as measured by The Conference Board reached a 45-year record in Q2.

**Exhibit 1: Observing Public Commitments To Bolster The Economic Cycle, Business Optimism Has Risen.**

| | Potential Fiscal Stimulus | | Potential Central Bank Liquidity Injection | |
|---|---|---|---|---|
| | in $ trillion | % of GDP | in $ trillion | % of GDP |
| U.S. | 6.09 | 28.4 | 6.21 | 29.0 |
| Eurozone | 4.51 | 33.9 | 2.38 | 17.9 |
| Japan | 2.79 | 54.1 | 1.03 | 20.0 |
| U.K. | 0.69 | 25.1 | 0.57 | 20.7 |
| China | 1.22 | 8.4 | 1.43 | 10.0 |
| Others | 2.99 | | 1.05 | |
| Global | 18.29 | 21.1 | 12.66 | 14.6 |

Source: Cornerstone Macro Research. Data as of September 27, 2021.

A tailwind for many of these firms, the flexibility offered by President Joe Biden's American Rescue Plan, a $1.9 trillion fiscal stimulus package passed in March, opens the door to notable infrastructure investment.[1] The European Union's (EU) ambitions, highlighted by its NextGenerationEU recovery fund (NGEU), focus on modernizing the region's economy, including fair climate and digital transitions, according to the European Commission.

Analogous to current developments on the health front, contentious discussion of the suitability of fiscal boosters for extended protection of the economic expansion is now front and center in the U.S., in our opinion. Details for another fiscal dose are awaited from Fumio Kishida, Japan's new prime minister. In the EU, the future of the Stability and Growth Pact, a fiscal policy rulebook of sorts, will likely come under scrutiny next year.

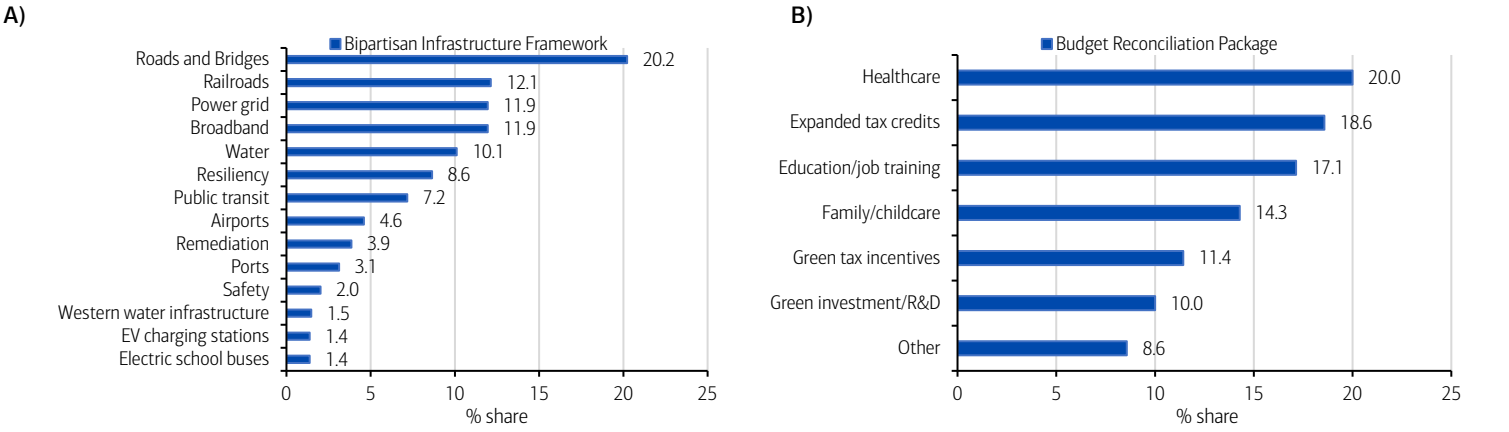
### Supplemental Treatments

In the U.S., the Bipartisan Infrastructure Framework (BIF), totaling roughly $550 billion in new funds, combined with a broader proposed $3.5 trillion budget reconciliation plan (BRP), would deliver an additional fiscal impulse of roughly 18.7% of GDP over five to 10 years. While the amount of the overall package is likely to fall, its size and other facets of the combined proposals could reinforce long-run business optimism, paving the way for private sector capital expenditure (capex) and a sustained economic growth cycle, in our view.

Consisting of funding for roads, bridges, railroads and the power sector, among other items, the BIF is one of the largest traditional infrastructure bills in decades (Exhibit 2A). It would help address the sector's "mediocre" state, according to the American Society of Civil Engineers, a level implying notable upside for the economy's productive capacity. Meanwhile, the BRP comprises other principal elements of President Biden's Build Back Better economic platform. Around $700 billion, or 21%, would probably be allocated to developing the nation's green energy capabilities (Exhibit 2B). However, the majority of the package would likely be focused on "human infrastructure." Of a projected total of $2.45 trillion in this segment, $600 billion, or 17%, would be dedicated to enhancing educational opportunity—investments that may narrow a skills gap present between the labor force and the demands of innovative industries, in our opinion.

[1] Covid Stimulus Offers Trove of Cash for Infrastructure," Bloomberg, July 9, 2021.

**Exhibit 2: Estimated Share Breakdown of the Bipartisan Infrastructure Framework (Left) and The Budget Reconciliation Plan (Right).**




Source: BofA Global Research, Chief Investment Office. Data as of September 2021.

In September, the MSCI Japan Index beat its U.S. and European counterparts after former Prime Minister Yoshihide Suga announced his resignation. Some of the outperformance may have been due to anticipation for more fiscal stimulus. Suggesting near-term policy continuity, Prime Minister Kishida has argued for a package as large as 30 trillion yen ($270 billion), roughly 5.5% of GDP. According to BofA Global Research, the funds would be used for coronavirus-related subsidies, including fixed-cost support, such as rent payments. We think Kishida may well adopt some of the policy proposals from the more popular vaccine minister and defeated primary opponent in the electoral contest, Taro Kono, including prioritizing spending on renewable energy and expanding the nation's 5G network to boost productivity. He also advocates keeping the Bank of Japan's ultra-accommodative monetary policy, including its 2% inflation target.

Meanwhile, the NGEU, also designed to assist Europe recover from the effects of the coronavirus pandemic, should contribute to a supportive fiscal policy stance through next year, according to the European Fiscal Board. Yet, talks have commenced on what happens after. To what degree could fiscal limits, codified in the Stability and Growth Pact, return in 2023, after they were suspended last year to contain the fallout of the health crisis? Arguing for greater flexibility to improve visibility, integral execution of the NGEU may naturally run afoul of the sterner guidelines.[2] Moreover, the European Commission, as well as notable countries in Southern Europe, aim to avoid a repeat of the drag produced by austerity during a considerable period in the past decade. Encouragingly, Olaf Scholz, chancellery candidate of the Social Democratic Party and winner of Germany's federal election in September, supports large investments in infrastructure, climate change and digitalization, as do the Green Party and the Free Democratic Party (FDP), two groups seen as kingmakers in a future coalition regime.

## Debating the Right Dose

However, conflicting political agendas may complicate the path ahead for investors. In the U.S., leaders of the progressive wing of the Democratic Party insist on linking both the BIF and BRP through the legislative process, a strategy opposed by other lawmakers. According to Strategas Research Partners, a pathway to break the impasse could be to reduce the spending time frame, thereby reducing the headline size of the expenditure to more palatable levels. Delay in passing the package risks exacerbating the fiscal drag next year, weighing on the economic recovery, in our view.[3] Discussions about the scope of corporate taxation are also of interest, due to the potential longer-term effects on profitability and capex.

[2] Europe Economic Weekly: Winter Feels so Far Away – BofA Global Research, September 10, 2021.
[3] Hutchins Center Fiscal Impact Measure of the Brookings Institution, October 1, 2021.

In Japan, Prime Minister Kishida's recent scrutiny over Abenomics argues for post-pandemic policy variation toward narrowing the nation's income gap, particularly if his party scores decisive victories in lower and upper house elections slated for October-end and next year respectively.[4] Moreover, Kishida's view in 2018 that monetary easing "cannot last forever" may signal his reduced emphasis on monetary policy over the longer term.[5] September's equity outperformance has given way to a rockier October.

Meanwhile, Europe is far from united on a thorough fiscal policy revamp. Pointing to robust public finances as a pivotal pillar of EU membership, the finance ministers of eight nations, including Austria and the Netherlands, expressed their common view that a rules-based framework focused on reducing excessive debt should be sustained. Germany will be an important voice, in our view. Yet, coalition talks may drag on for months. Despite shared views on investment, the FDP favors maintaining Germany's constitutional debt limits and reduced public spending for other European countries, favoring market forces to allocate investment.

### Portfolio Considerations

Our Equity preference over Fixed Income considers the prospect for fiscal boosters. If these are approved, their focus to spur productivity-enhancing projects argues for investments in digital infrastructure, including fiber optics, to support the growth of this innovative economy. A significant aim to combat climate change also supports careful consideration of renewable energy opportunities. Promoting human infrastructure, amid the health crisis, may also benefit evolving healthcare technologies. Sectors such as Engineering, Machinery and Construction may enjoy a policy tailwind for traditional infrastructure. Private enterprise, seeking to build capacity and increase productivity, may enhance its investment in artificial intelligence and factory automation, including robotics.

However, these injections may also boost longer-term inflation expectations, particularly if they exacerbate supply-chain disruptions that prove to be longer-lasting than anticipated. The notable risk of higher interest rates may induce equity market volatility, affecting growth sectors such as Technology. These macroeconomic crosscurrents underscore our view for a well-diversified tactical barbell approach, including positioning portfolios for an economic upcycle. Cyclical value-oriented Equity sectors, including Financials, Materials and Industrials would stand to benefit, in our view. Energy and other commodity-related investments, such as tangible assets, have historically served as hedges in an environment of greater-than-expected inflation.

GLOBAL MARKET VIEW

## Recent Geostrategic Chess Moves and the Implications for Investors

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

*Lauren J. Sanfilippo.* Vice President and Investment Strategist

Nothing captures the seismic geostrategic chess moves of the past month more than Vladimir Ilyich Lenin's quip that "there are decades where nothing happens; and there are weeks where decades happen." On the geostrategic front, in other words, there have been plenty of moving parts as of late. Below, we highlight a few of these tectonic shifts, along with the potential implications for investors.

### AUKUS: Upping the great rivalry between the U.S. and China

The first chess move was U.S.-led and goes by the acronym of AUKUS; the latter is a trilateral security pact between Australia, the U.K, and the U.S. (hence AUKUS) announced in mid-September. At its core, the security agreement will supply Australia with at least

[4] Abenomics reflects former Prime Minister Shinzo Abe's policy platform, which combined fiscal and monetary elements combined with reforms.

[5] Leika Kihara, "Japan's new premier Kishida to sustain big fiscal, monetary support--for now," Reuters, September 29, 2021.

eight nuclear-powered submarines, which, relative to diesel-powered submarines, have longer ranges, are faster and harder to detect. Without mentioning names, the deal is widely understood to be in response to China's growing military aggression in the region and marks the first time the U.S. has shared its nuclear propulsion technology with an ally apart from the U.K. That said, AUKUS goes beyond submarines: The deal includes more trilateral coordination in cybersecurity, artificial intelligence, quantum computing and other high-tech activities. In a nutshell, the alliance resets the balance of power in Asia. As *The Economist* put it, "The pact is America's most dramatic and determined move yet to counter what it and others in the Indo-Pacific region see as a growing threat from China."[6]

### The Quad goes formal

The Quad—consisting of the U.S., Australia, India and Japan—has been around since 2007 but has been more talk than action, more passive than active for most of its existence. Australia actually dropped out of the Quad in 2010. However, since 2017, and as China has ramped up its outward thrust in the region, the Quad has become more active and cohesive, a resurgence that culminated in the first-ever, in-person meeting of Quad leaders in September (the group met virtually in March of this year). The meeting was held in the White House, a locale not unnoticed, for sure, by Beijing.

There, leaders committed to forming a green-shipping network, announced initiatives to bolster semiconductor supply-chain security and artificial intelligence standards, and pledged to adopt and implement shared cybersecurity capabilities. Working groups have also been established to address the global vaccine shortage and climate change. Adding more heft to the Quad, the four members regularly hold defense exercises and are active in sharing intelligence and military logistics support. Along with the new AUKUS partnership, the Quad is further evidence that new alignments (security and commercial) are being forged across Asia in direct response to the rise of China.

As noted in *The Wall Street Journal*, "it's possible to imagine a future in which Quad cooperation prevents Chinese telecom firms Huawei and ZTE from dominating global 5G networks, preserves the democratic world's edge in semiconductors, and wards off Chinese domination of emerging technologies such as synthetic biology, genome sequencing, and artificial intelligence."[7]

### China's Countermove: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

While Beijing has expressed its displeasure at the Quad and the formation of AUKUS, it hasn't stood still. Indeed, one day after AUKUS was announced, the mainland formally requested to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the massive 11-nation trade bloc that excludes both the U.S. and China. Given the structure of China's command-and-control economy, it's unlikely that China's formal bid to join CPTPP will happen any time soon. But it was hardly a coincidence that China's request to join the trade bloc came one day after AUKUS was announced.

The upshot: On both the security and economic front, the U.S. and China are aggressively jockeying for pole position in a part of the roughly one-third of the global economy, 59% of world population, and the bulk of global manufacturing and trade. More broadly speaking, the fulcrum of geopolitics is shifting from West to East, away from Europe to Asia. Recall that during much of the cold-war era, Europe was at the center of great power politics, while Asia, led by Japan and then followed by the newly industrialized nations of Hong Kong, Singapore, South Korea and Taiwan (NICs) and China peacefully trodded down the path of economic prosperity, relatively unencumbered by geopolitical concerns.

[6] "Resurfacing, America in Asia," September 25, 2021.

[7] "The Quad Enters the Ring With China," *The Wall Street Journal*, October 1, 2021.

Times have changed, however. The great power competition of our times is embedded in the belly of the global economy, a reality that could create and trigger periodic bouts of economic instability and errant capital flows, among other things.

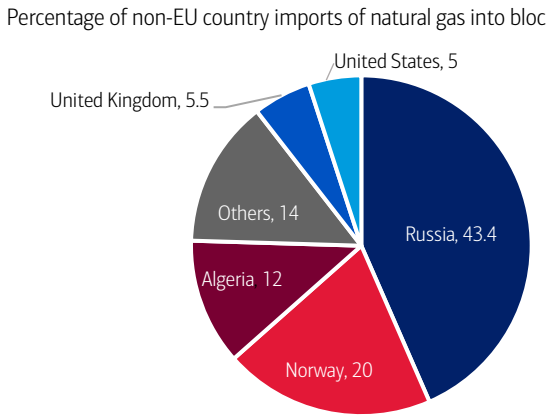
### Nord Stream 2 and the Weaponization of Oil

Another wild card of the global economic outlook: soaring global energy prices, notably across the EU, which after the U.S, is the second largest economy in the world (the EU's GDP was $15.2 trillion in 2020 vs. $14.7 trillion in China, nominal dollars).

There are many moving parts to Europe's energy crunch (natural gas prices are six times higher than a year ago), including the lack of wind needed to drive renewable energy supplies, a shortage of truck drivers, soaring global demand, delayed maintenance and underinvestment in the energy sector, among other variables.

Another key: the EU's heavy reliance on natural gas imports, with Russia front and center. In 2020, the country provided over 43% of gas imports among non-EU nations. That is another way of saying that Russia figures prominently in Europe's energy equation (Exhibit 3). That said, Russia has been pumping less natural gas into Europe at preciously the moment when Europe's gas needs have rarely been greater; this has prompted some parties to suggest the sluggish pace in natural gas exports from Russia is in response to Europe's sluggish pace in approving the Nord Stream 2 pipeline, which is controlled by Russia energy giant Gasprom. The pipeline is complete, but both Brussels and Berlin have yet to sign off on the deal. Even the International Energy Association has suggested that Moscow do more to alleviate Europe's energy crunch by shipping more gas to Europe, but the request has fallen on deaf Moscow ears.

**Exhibit 3: Which Countries Export Natural Gas to the European Union?**




Source: Eurostat. Data as of 2020.

Meanwhile, Europe's energy crisis is unfolding against falling U.S. oil production in the U.S., juxtaposed against the rising market share of global oil production of Organization of the Petroleum Exporting Countries (OPEC). The latter now has the upper hand in setting world oil prices, a geostrategic shift from just a few years ago when U.S. shale and energy producers were in the driver's seat.

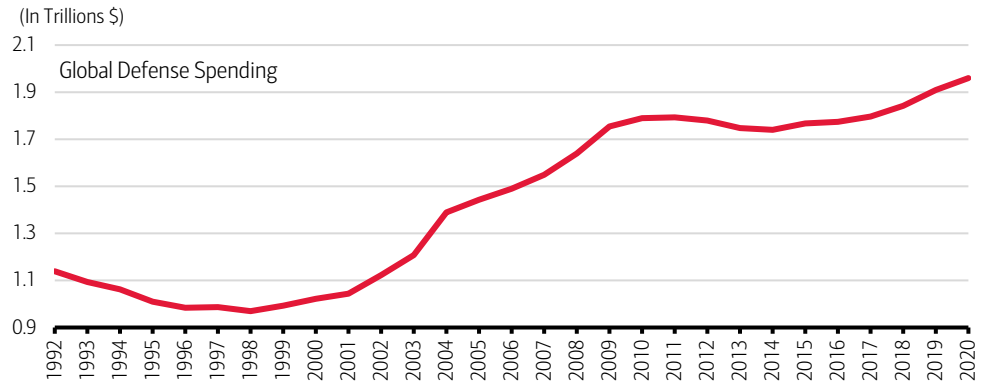
All of the above is a timely reminder to investors that oil/energy has been and will always be considered a "political" commodity, whose supply can suddenly and unexpectedly be ensnared in geopolitics, creating volatility in the global capital markets.

### Investment Implications

First and foremost, we believe the shifting tectonic geostrategic plates are a tailwind for leading U.S. defense and cyber security leaders. Consider staying long defense. As Exhibit 4 shows, global defense spending is in a secular uptrend. Greater cohesion among the Quad and AUKUS will present market opportunities for many U.S. leaders in technology,

artificial intelligence and health-tech. We also remain constructive on the U.S. Energy sector (i.e., overweight relative to the S&P 500 benchmark) and remain long-term bulls on many commodities, ranging from cobalt, copper, to lithium and graphite.

**Exhibit 4: Global Defense Spending.**




Source: SIPRI. Data as of June 2021.

Widening the lens, given the new geopolitics of the 21st century, we believe it is critical that investors regularly monitor and rebalance their portfolios according to their income needs and risk tolerance, with the understanding that the global geopolitical environment is fluid and in flux, and prone to periodic pressure points that would create and sustain market volatility. In this era, successful portfolio construction will likely be determined and dictated by owning high quality assets, being diversified and by being positioned/hedged in a more unsettled world.

THOUGHT OF THE WEEK

## Negative Real and Nominal Rates Continue To Support Global Growth

*Christopher Gunster,* Managing Director and Head of CIO Fixed Income Portfolio Management

Global central banks have begun to pull back the extraordinary accommodations initiated last year during the onset of the coronavirus disruption. The Federal Reserve (Fed) has signaled its intentions to begin tapering in coming months, the European Central Bank (ECB) has begun scaling back their bond purchases, the Bank of England is expected to raise their policy rate in December, and the central bank of Norway has already raised their rate higher by 0.25%. Despite these first steps toward tightening, global central bank policies still remain accommodative and will likely be for some time. Given the size of the global central bank response, the unwind will necessarily require a longer-than-previous time period to return to normal.

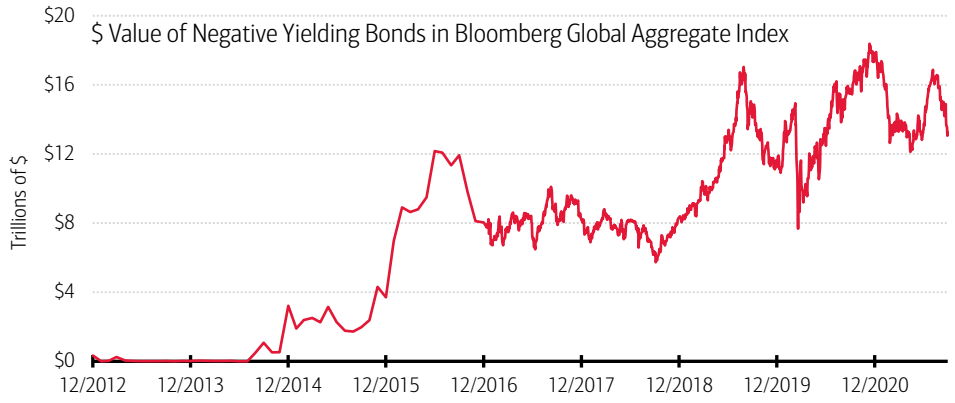
Despite the recent market volatility, market data is clearly supportive of future growth. Real interest rates in U.S. Treasury bonds across all maturities are currently negative. This may not be attractive for bond investors, but, for issuers in debt markets, these negative real Treasury rates combined with historically tight corporate bond spread flows directly to an improving bottom line.

A look at global interest rates also paints a similar accommodative picture. Nominal yields on sovereign bonds in Europe and Japan in short maturity bonds remain mostly in negative territory. The current amount of bonds which yield less than zero is substantial. $13 trillion of bonds within the Bloomberg Global Aggregate Index are trading in negative yield territory. (Exhibit 5). While this amount has begun to ebb since its record high of $18 trillion in Q4 of 2020, it still remains well above levels seen just a few years ago and far from zero. We expect this trend lower to continue, but a recent October 2 Bloomberg

survey of economists shows no expectation of a rate hike through 2022 for either the ECB or Bank of Japan.

We are on the threshold of a shift in global monetary policy but for the near term, policies remain accommodative and global market yields are supportive of additional growth.

**Exhibit 5: $ Value of Negative Yielding Bonds in Bloomberg Global Aggregate Index.**

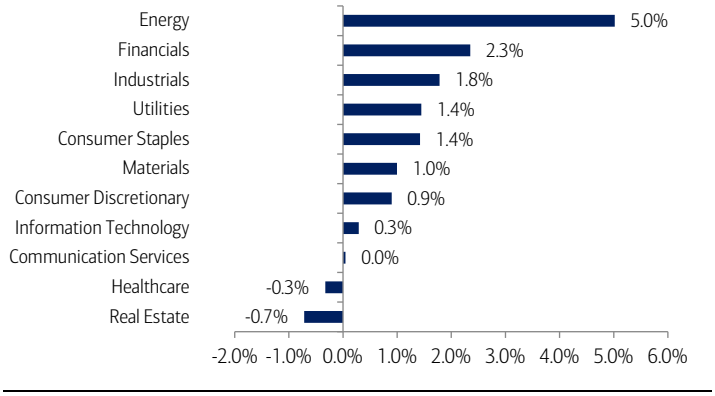



Source: Bloomberg Global Aggregate Bond Index. Data as of 9/29/2021.

## Equities

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| | Current | WTD | MTD | YTD |
| DJIA | 34,746.25 | 1.3 | 2.7 | 15.2 |
| NASDAQ | 14,579.54 | 0.1 | 0.9 | 13.7 |
| S&P 500 | 4,391.34 | 0.8 | 2.0 | 18.2 |
| S&P 400 Mid Cap | 2,690.22 | 0.3 | 1.9 | 17.7 |
| Russell 2000 | 2,233.09 | -0.4 | 1.3 | 13.9 |
| MSCI World | 3,043.74 | 0.7 | 1.3 | 14.5 |
| MSCI EAFE | 2,269.79 | 0.3 | -0.5 | 7.8 |
| MSCI Emerging Markets | 1,257.04 | 0.9 | 0.3 | -0.9 |

## S&P 500 Sector Returns




## Fixed Income†

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| | Current | WTD | MTD | YTD |
| Corporate & Government | 1.53 | -0.92 | -0.60 | -2.52 |
| Agencies | 0.89 | -0.41 | -0.25 | -0.99 |
| Municipals | 1.16 | -0.15 | -0.16 | 0.63 |
| U.S. Investment Grade Credit | 1.63 | -0.77 | -0.50 | -2.05 |
| International | 2.22 | -1.16 | -0.77 | -2.03 |
| High Yield | 4.16 | -0.33 | -0.33 | 4.19 |
| 90 Day Yield | 0.05 | 0.03 | 0.03 | 0.06 |
| 2 Year Yield | 0.32 | 0.26 | 0.28 | 0.12 |
| 10 Year Yield | 1.61 | 1.46 | 1.49 | 0.91 |
| 30 Year Yield | 2.16 | 2.03 | 2.04 | 1.64 |

## Commodities & Currencies

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| Commodities | Current | WTD | MTD | YTD |
| Bloomberg Commodity | 219.15 | 1.7 | 1.8 | 31.5 |
| WTI Crude $/Barrel†† | 79.35 | 4.6 | 5.8 | 63.5 |
| Gold Spot $/Ounce†† | 1757.13 | -0.2 | 0.0 | -7.4 |

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| Currencies | Current | Prior Week End | Prior Month End | 2020 Year End |
| EUR/USD | 1.16 | 1.16 | 1.16 | 1.22 |
| USD/JPY | 112.24 | 111.05 | 111.29 | 103.25 |
| USD/CNH | 6.45 | 6.44 | 6.45 | 6.50 |

Sources: Bloomberg, Factset. Total Returns from the period of 10/4/2021 to 10/8/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 10/8/2021 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.**

## Asset Class Weightings (as of 10/5/2021)

| Asset Class | CIO View | | | | |
|---|---|---|---|---|---|
| | Underweight | | Neutral | | Overweight |
| Equities | | | | ● | |
| U.S. Large Cap | | | | ● | |
| U.S. Mid Cap | | | ● | | |
| U.S. Small Cap | | | | ● | |
| International Developed | | | ● | | |
| Emerging Markets | | | ● | | |
| Fixed Income | | ● | | | |
| U.S. Investment Grade Taxable | | ● | | | |
| International | ● | | | | |
| Global High Yield Taxable | | ● | | | |
| U.S. Investment Grade Tax Exempt | | | ● | | |
| U.S. High Yield Tax Exempt | | ● | | | |
| Alternative Investment* | | | | | |
| Hedge Funds | | | | | |
| Private Equity | | | | | |
| Real Estate | | | | | |
| Tangible Assets / Commodities | | | | | |
| Cash | | | | | |

*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.

## Economic Forecasts (as of 10/8/2021)

| | 2020A | Q1 2021A | Q2 2021A | Q3 2021A | Q4 2021E | 2021E |
|---|---|---|---|---|---|---|
| Real global GDP (% y/y annualized) | -3.1 | - | - | - | - | 5.9 |
| Real U.S. GDP (% q/q annualized) | -3.4 | 6.3 | 6.7 | 4.5* | 6.0 | 5.9 |
| CPI inflation (% y/y) | 1.2 | 1.9 | 4.8 | 5.3* | 5.5 | 4.4 |
| Core CPI inflation (% y/y) | 1.7 | 1.4 | 3.7 | 4.1* | 4.2 | 3.4 |
| Unemployment rate (%) | 8.1 | 6.2 | 5.9 | 5.1* | 4.5 | 5.4 |
| Fed funds rate, end period (%) | 0.09 | 0.06 | 0.08 | 0.06 | 0.13 | 0.13 |

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.

**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.
Sources: BofA Global Research; GWIM ISC as of October 8, 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 U.S. dollars.**

**S&P 500 Index** is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

**MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market.

**Bloomberg Global Aggregate Bond Index** is a broad-based fixed-income index used by bond traders, mutual funds, and ETFs as a benchmark to measure their relative performance.

## Important Disclosures

**Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.**

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. 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. Bonds are subject to interest rate, inflation and credit risks. 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. 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. 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.