CHIEF INVESTMENT OFFICE

Capital Market Outlook

October 31, 2022

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

IN THIS ISSUE

Macro Strategy—*Treasurys At The Epicenter Of Brewing Financial Market Stress:* The end of the four-decade secular bull market in bonds has caught investors by surprise and changed some key underlying relationships in the asset markets.

As the Federal Reserve (Fed) removes liquidity from the economy, pockets of stress are developing quite differently from those of past tightening cycles. In particular, the Treasury market has emerged as the epicenter of rising risks to financial stability. This has caused the Fed to signal a slowing of and potential pause to rate hikes in the first half of 2023.

Market View—*Where Have All The Workers Gone?* The disruption to the U.S. labor market has many business owners asking the same question—where are all the workers? It's a common refrain given that along the way to recouping the jobs lost since the start of the pandemic, a few million workers are still missing in action as measured by the labor force participation rate. A possible inhibitor to our outlook and influencer of the next move of the Fed boils down to two words: "help wanted."

Add together a rapidly aging labor force, an expanding number of retirees and pre-pandemic stalled-out participation rates among women, and the U.S. economy confronts a structural worker deficit with macro and micro implications only accelerating the substitution of labor for capital.

Thought of the Week—*Bear Market Not Spooked Just Yet:* Bear markets generally do not move in a straight line, and instead tend to be sprinkled with various attempts at price recovery, often referred to as bear market rallies.

Faced with multidecade-high inflation, lagged effects of tight monetary policy, leading indicators pointing to further weakness and earnings uncertainty, the equity market will likely see more volatility to come.

MACRO STRATEGY ▶

Chief Investment Office Macro Strategy Team

MARKET VIEW ▶

Lauren J. Sanfilippo
Director and Senior Investment Strategy Analyst

THOUGHT OF THE WEEK ▶

Kirsten Cabacungan
Assistant Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 10/31/2022, and subject to change

Portfolio Considerations

We remain neutral Equities and see near-term risks for Equities coming from a global slowdown in growth and profits, persistently elevated levels of inflation, and what we believe to be a Fed policy error. This month, we raised Fixed Income, tactically, to a slight overweight and increased overall credit quality, as real and absolute yields have become attractive for the first time in many years. With this adjustment, which was funded from the Cash asset class, we also look for opportunities to extend duration. In addition to our tactical changes within Fixed Income, muni bonds have become more attractive, and we remain overweight within an all Fixed Income allocation, where appropriate.

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Treasuries At The Epicenter Of Brewing Financial-Market Stress

Chief Investment Office, Macro Strategy Team

During the long bond bull market from the early 1980s to the pandemic, risk-parity strategies emerged as the go-to portfolio allocation approach to hedge business-cycle risks. When the economy expanded, stocks outperformed bonds, and when it contracted, bonds benefited from falling interest rates, helping to offset losses in Equities. That paradigm has failed in 2022, with both stocks and bonds posting deeply negative returns, as Treasury debt doesn't offer the usual risk-off, flight-to-quality alternative in the new macroeconomic environment.

This shift in the government debt from a risk-free asset to a risky asset has prompted concerns among policymakers, with the recent debacle of the U.K. gilt market highlighting its significance. Basically, rather than the panacea for market turbulence, sovereign debt has become the epicenter of the liquidity strains that accompany every tightening cycle. Treasury Secretary Yellen's October 24 warning that the current economic backdrop is "dangerous and volatile," her emphasizing that "we are very focused on the Treasury market," and her pledges to bolster the Treasury market reflect such concerns. Emerging liquidity concerns about Treasurys are also causing Fed officials to begin preparing markets for smaller rate increases and an eventual pause in rate hikes, while the central bank monitors the effect of its tightening to date.

Such a pause is grist for stock market bulls hoping that it would represent a precursor to an ease later in 2023 and thus a new bull market. Yet, the Treasury market has reacted in an unusual way compared to past cycles. Normally, when the yield curve prices in peak Fed rates, it is inverted, with the 10-year Treasury yield higher than the 30-year bond rate. Instead, over the past month to October 25, the long end has steepened, with the 30-year Treasury yield rising 44 basis points (bps) compared to just around 10 bps, or less, for yields from two-year to 10-year maturities. This sharp relative deterioration in the long bond is reminiscent of what happened in the U.K. gilt market, albeit to a lesser extent.

Another indicator of a different market regime is the behavior of various measures of financial stress. So far in 2022, most financial stress indicators have simply gone from extremely low in 2021, when unprecedented Fed liquidity kept financial conditions unusually easy, back to more average historical levels, or only slightly tighter. However, some of their subcomponents have diverged. For example, the Office of Financial Research (OFR) Financial Stress Index is based on 33 financial market variables divided into five categories, one of which encompasses "safe assets." This subindex is deemed to indicate higher financial market stress when the so-called "safe assets" rise in value, on the presumption of a flight-to-quality bid, such as Treasurys used to exhibit in the old risk-parity regime. According to the fine print, "Safe assets contain valuation measures of assets that are considered stores of value or have stable predictable cash flows. In times of stress, higher valuations of safe assets may indicate that investors are migrating from risky or illiquid assets into safer holdings." Paradoxically, because of historic Treasury value losses in 2022, this index is being depressed by the most negative contribution from "safe assets" in the 22-year history of the index.

Basically, because the risks that are affecting markets this year are primarily interest-rate risks that have decimated Treasury values, the usual flight-to-quality into Treasurys has not happened, keeping stress indicators artificially depressed. Most financial stress has typically been caused by a deterioration in credit quality over the business cycle rather than interest rate fluctuations. At least that was the case during the low-inflation, low-interest rate, risk-parity era, when credit problems were the dominant source of risk and volatility.

Instead, as Gavekal Research has noted recently, "Despite deteriorating U.S. macro indicators, elevated market volatility and slumping asset prices this year, investors have remained relatively untroubled by the threat of corporate defaults." Indeed, interest-coverage ratios for both consumers and businesses are unusually high, as the era of zero rates allowed consumers to lock in low mortgage rates and CFOs to lock in low bond rates. In addition, inflation has bloated cash flows, making debt payment relatively easy by historical standards. As a result, high-yield spreads have only moved from very narrow to more historically normal levels, reflecting that credit is still in relatively good shape. The credit "shoe to drop" awaits a recession before it creates a problem.

Despite still moderate high-yield spreads and financial stress indicators, there's evidence that stress in corporate bonds is building. For example, the New York Fed Corporate Bond Market Distress Index (CMDI) shows a move from very low corporate bond market stress in 2021 to only slightly elevated stress in 2022. However, its investment-grade (IG) and high yield (HY) stress subcomponents have sharply diverged. While HY stress measures have remained below average, as

Investment Implications

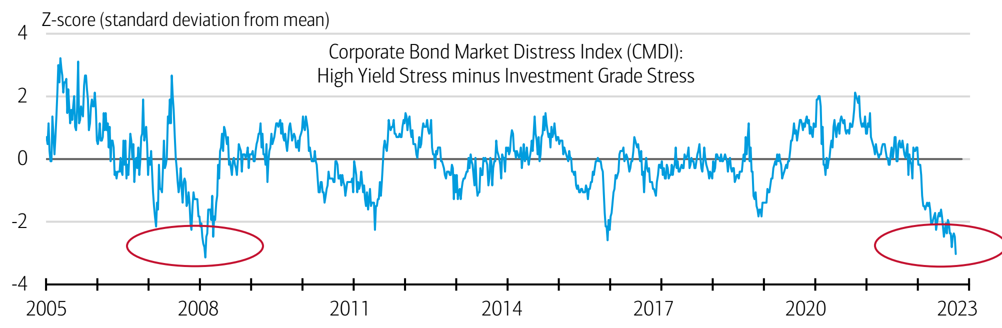
We believe the bear market rally in stocks and bonds is an opportunity to rotate into stocks that should benefit from the new, higher-interest rate macro environment (such as Energy, Defense and Value, more generally) and away from those that outperformed in the decade after the 2007-2009 Great Financial Crisis (GFC).

RETURN TO FIRST PAGE

noted below, the IG market stress has spiked to levels not seen since 2008 and the short pandemic recession.

As a result, the gap between the HY and IG stress indicators has reached extreme lows similar to past periods of tight monetary policy, such as 2018, when the Fed was raising rates and draining reserves; periods of general market upheaval, such as the 2011 European sovereign debt crisis; and the 2008 GFC (Exhibit 1). The divergence reflects the fact that IG bonds have lower credit risk but longer duration than HY bonds, making IG bonds more vulnerable to the current environment of relatively high interest rate risk but still relatively low credit risk.

Exhibit 1: Extreme Gap Between HY and IG Market Stress Conditions Raises Red Flags.



Source: Federal Reserve Bank of New York/Haver Analytics. Data as of October 26, 2022.

Thus, the stress that is working its way through the economy mainly reflects the direct effect of Fed policy on the Treasury market, banking system, housing and IG corporate bonds. First, the Fed was the major buyer of Treasurys during the quantitative easing (QE) era. During quantitative tightening (QT) it is shifting from the biggest buyer to shrinking its holdings of Treasury debt. Since QE was focused on longer maturities to suppress long-term interest rates, QT now has the reverse effect, explaining the relative deterioration in longer-term Treasury prices and larger yield increases.

In addition to drawing liquidity out of the Treasury market, QT is draining the monetary base and stopping the growth in the money supply, which peaked near +30% on a year-over-year (YoY) basis in February and is now barely positive. This is important because big swings in nominal gross domestic product (GDP) growth are associated with big swings in money supply growth, and this swing in money supply growth has been the biggest since 1900.

A shrinking monetary base is tightening the bank reserve supply that provides the basis for credit expansion. Not surprisingly, the Fed's Q3 Senior Loan Officers' survey saw every question on lending conditions flip to tightening, some by a lot. Liquidity and leverage regulations are constraining banks' ability to source reserves from the Fed's reverse repo (RRP) facility. According to recent Renaissance Macro Research analysis, "The result is that QT will continue to drain bank reserves…and may need to be ended prematurely." According to Morgan Stanley research discussing the regulatory capital challenges facing banks and their effects on Fixed Income markets, while banks have made substantial progress reducing their risk weighted assets (RWA) to create an adequate capital buffer, the result is "a notable deceleration in loan growth across banks in aggregate…" Bank tightening of credit has spillover effects in secondary markets, with particular effect on products that banks hold in their portfolios, such as agency mortgage-backed securities (MBS) and AAA tranches of securitized products, like collateralized loan obligations (CLOs). The effect of a tightening Fed balance sheet on bank reserves and bank credit is adding to the fault lines that are building in financial markets.

In sum, there's evidence suggesting more stress developing in financial markets than meets the eye. The stress seems to be concentrated around the effects of QT and rapid Fed rate hikes on the Treasury market and banking system's risk appetite, exacerbated by liquidity and capital constraints. While HY bond market stress remains below average, stress in the IG bond market is already the highest since 2009 aside from its early pandemic spike. Further credit market deterioration awaits a recession, which in our view will occur sooner rather than later if the Fed maintains its tightening and QT plans. According to the 2021 annual report of the New York Fed Bank, the Fed could begin to reduce the size of QT once reserves are about 10% of GDP and completely once they are 9% of GDP. Based on these metrics, BofA Global Research estimates QT would end around late 2024 to early 2025. Given the stress that's already brewing in financial markets, we suspect QT will end much sooner, similar to the Fed's truncated QT plans in 2019.

MARKET VIEW

Where Have All The Workers Gone?

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Call it the "Great Resignation" or "Great Reshuffle," the disruption to the U.S. labor market has many business owners asking the same question—where are all the workers? It's a common refrain given that along the way to recouping the jobs lost since the start of the pandemic, 2.9 million workers are still missing in action.[1] Add together a rapidly aging labor force, an expanding number of retirees and pre-pandemic stalled-out participation rates among women, and the U.S. economy confronts a structural worker deficit with macro and micro implications. A possible inhibitor to our outlook and influencer of the next move of the Fed boils down to two words: "help wanted."

Most economic measures suggest a healthy labor market but it's the deterioration in the trend that bears watching. Like job growth for instance—over the last six months, the U.S. economy has added on average over 360,000 jobs per month; however, the 12-month growth average is above that, at 474,000. The pace of job growth, in other words, is slowing.

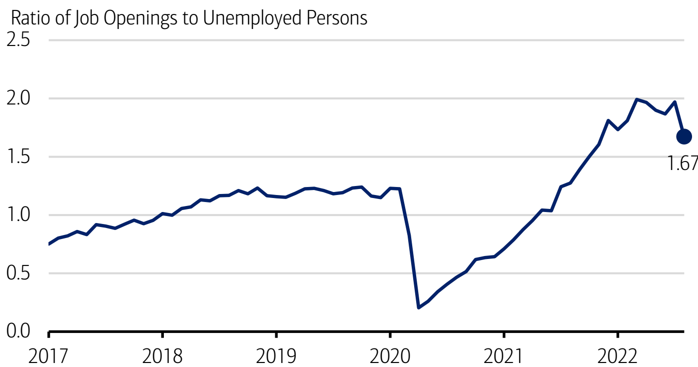
As shown in Exhibit 2A measuring labor market tightness—there are some 1.67 jobs available for every unemployed person, down from 2.0 jobs for every job seeker as recently as July and the leanest ratio since the end of last year. Nearly 4.2 million Americans closed the summer out by quitting their job in August, an increase of 100,000 from a month earlier. The quits rate, a measure of voluntary job leavers as a share of total employment settled at 2.7%. And finally, job openings remain much higher than any pre-pandemic rate although down 10% in August. (Exhibit 2B shows quits and job openings rates.) The point being: While the labor market has run hot, there are some signs of cooling. Although welcome news to the Fed, the risk is that the Fed goes too far and too fast, tipping the economy into recession.

Investment Implications

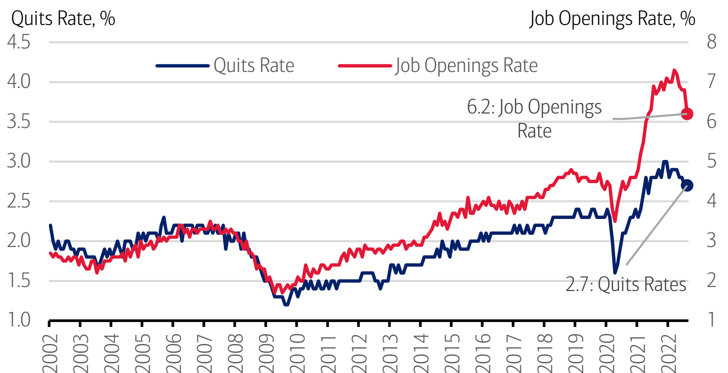
Considering the investment perspective of a tight labor market, automation companies across both the industrial and process automation spectrums can help supplement labor markets globally. On the industrial side, this includes a wide range of global robotics companies, including industrial manufacturers and companies involved in vision and motion systems as well as other robotics parts and components. Beyond manufacturing, we see potential investment opportunities in supply chain automation, where warehousing employment has failed to keep pace with the rise of e-commerce.

Exhibit 2: A Few Measures of the Labor Market.

A) 1.7 Help Wanted Signs for Every Job Seeker



B) Is the Grass Greener? Job Openings vs Quit Rates



Note: Job openings rate is the number of job openings on the last business day of the month as a percent of total employment. The quits rate is the number of quits during the entire month as a percent of total employment. Source: Bureau of Labor Statistics. Data as of October 2022.

At the same time, the labor force participation rate remains below its pre-pandemic level. At 62.3%, the participation rate is 1.1 percentage points below its level of February 2020 (as the reference month before the pandemic). Although the labor force participation rate of all workers 16 and over has recovered over two percentage points from its low in April 2020, it has remained fairly stagnant over the remainder of this year. Exhibit 3A shows the challenging climb back to pre-pandemic participation by age brackets. Individuals age 65 and older have made up the largest percentage of missing workers (around 40%), likely in pursuit of switching office chairs for beach chairs in retirement.

Neither population growth nor immigration is helping matters. Structurally, it's true our labor force is getting older and population growth is slowing. Over the last two decades, the average age of the U.S. labor force has increased three years, according to the Bureau of Labor Statistics (up from 39 in 2000 to 42 in 2020). In certain occupations, the average age is even higher: The average age of a registered nurse: 52 years; physician: 53 years; real estate broker: 50 years; accountant: 50 years; chief executives: 52 years; and judges: 54 years, according to the

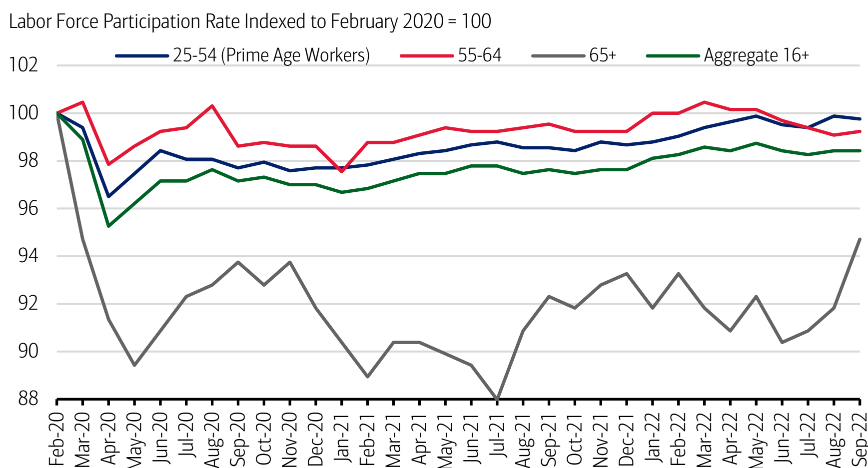
[1] U.S. Chamber of Commerce.. Data from the September 2022 BLS Employment Situation report comparing labor force participation rate of February 2020 and September 2022.

Department of Labor. Meanwhile, half of 55-plus adults are now retired as of Q3 of 2021, up marginally compared to Q3 of 2019.[2]

What about immigrants and their role in driving employment growth in the U.S.? Well, of all the foreign inputs the U.S. economy relies on (capital, labor, markets and natural resources), labor is arguably the most critical. Exhibit 3B highlights the fact that America's reliance on foreign labor is already quite significant across both skilled and unskilled occupations. For instance, 30.2 million foreign-born immigrants make up 17% of our workforce. Over 32% of workers are foreign born working in construction and extraction. That figure jumps to 39% for the farming, fishing and forestry industries. More than one in five workers are foreign born working in healthcare service occupations, while similar ratios can be seen across high-skill, or management and professional, occupations. Since America doesn't enjoy a global monopoly on brains or the best and brightest, the success of many American firms rests with the ability to leverage the knowledge/skills of foreign workers. Whether it's responding to medical needs during the pandemic or maintaining buildings for the return of school or work, the U.S. relies heavily on immigrants to contribute to the quantity and quality of the labor supply here in the U.S.

Exhibit 3: The Recovery in Labor Force Participation and a Snapshot of Immigrants Supplementing the U.S. Labor Force by Occupation.

A) Labor Force Participation Rate Recovery by Age Brackets



B) Snapshot of Foreign Born Populations Filling U.S. Jobs.

Occupation	% Foreign Born
Share of Employed Foreign-Born	***17%***
Management, professional, and related occupations	**14%**
Computer and mathematical occupations	**27%**
Life, physical, and social science occupations	**21%**
Healthcare practitioner and technical occupations	**15%**
Service occupations	**23%**
Healthcare support occupations	**22%**
Food preparation and serving related occupations	**21%**
Building and grounds cleaning and maintenance occupations	**36%**
Sales and office occupations	**12%**
Sales and related occupations	**13%**
Natural resources, construction, and maintenance occupations	**27%**
Farming, fishing, and forestry occupations	**39%**
Construction and extraction occupations	**32%**
Installation, maintenance, and repair occupations	**16%**
Production, transportation, and material moving occupations	**21%**
Production occupations	**23%**
Transportation and material moving occupations	**20%**

Not Seasonally Adjusted. Source: Bureau of Labor Statistics. Data as of September 2022.

That said, due to worker visa caps and restrictions, declining levels of enrollment in U.S. universities, and travel-related restrictions related to the pandemic, the number of skilled and unskilled workers legally entering the U.S. labor force has lagged over the past few years. To this point, the number of H-1B recipients (plus their family members) dropped nearly 40% in 2020, to just 368,440, down from 601,594 in 2019, according to the last data from the U.S. Citizenship and Immigration Service. A clear supply-demand mismatch, U.S. employers filed 308,000 H-1B registrations in the full year 2022, against a cap of just 85,000. In short and across the spectrum, the U.S. workforce is still in need of workers who pick apples (unskilled) and work at Apple (skilled).

Bring On The Robots

As an offset to a structurally shrinking labor force and political uncertainties about immigration policies, U.S. firms (goods and services) have been left with little choice but to ramp up automation. Enter the robots. Improving robotic capabilities, declining costs, and the expansion of automation into many different industries, accelerated by the pandemic, should lead to more demand for industrial and service robotics in the coming years.

We believe the U.S. is on the cusp of an automation renaissance. The worldwide supply of industrial robots is estimated to have grown by a record in 2021—by 517,385 installed industrial robots, growing 31% YoY.[3] Albeit from a low base, sales of professional service robots totaled 121,000 in 2021 with more than one out of every three robots built for the transportation industry, according to estimates from the International Federation of Robotics. In short, we are in the early innings of the robotics revolution, which is welcome news for the current labor market landscape. In the end, the case of missing workers has accelerated the substitution of labor for capital—a key theme of the Chief Investment Office.

[2] Also higher in 2021 compared to 2019 for age groups 55-64, 65-74 and 75+, Source: Pew Research.

[3] International Federation of Robotics, *World Robotics Report* 2022, October 2022.

Bear Market Not Spooked Just Yet

Kirsten Cabacungan, Assistant Vice President and Investment Strategist

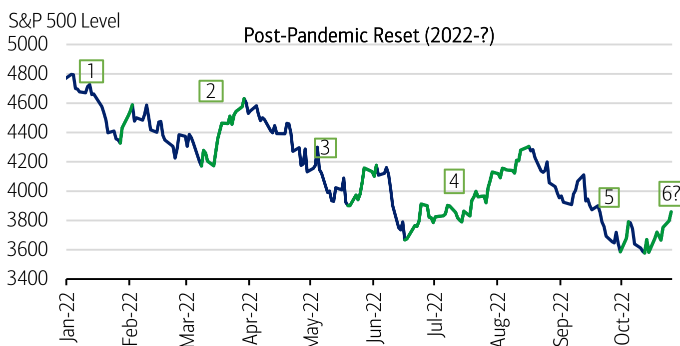
Bear markets generally do not move in a straight line. They tend to be sprinkled with various attempts at price recovery, often referred to as bear market rallies. These periods tend to see a brief and strong rise in stocks, making it seem like a market bottom has formed, but ultimately prove to be unsustainable with Equites eventually falling back on course toward a new low. The last three bear markets[4] that coincided with recessions, excluding 2020, saw, on average, seven bear market rallies that rose 12% over 28 trading days that were then followed by an average decline of 17% once the rally reversed (Exhibit 4). To note, later rallies in bear markets have shown to be more aggressive, rising and falling deeper than earlier ones.

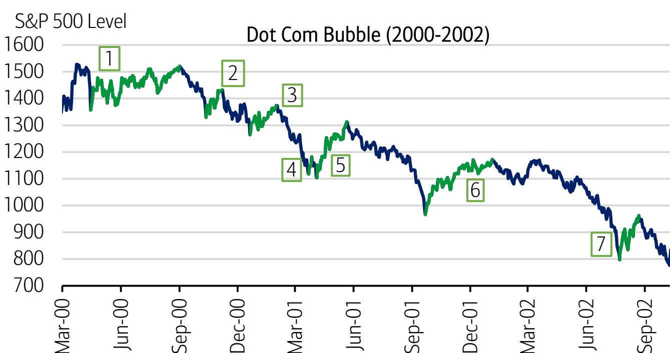
What is the fate of the recent market trend? Could it be just another countertrend rally this year or has a new bull market started? The S&P 500 is up roughly 9% since the interim bottom established on October 12, which follows a difficult September, when equities fell 17% from mid-August to the end of the month. The main drivers behind the bounce can be attributed to more buying interest amid extreme bearish sentiment and perhaps better-than-expected earnings reports. The latest spread between bulls and bears ranks among the 30 most negative in the American Association of Individual Investors Survey's history, and cash levels among fund managers have risen to their highest level since 2001, according to BofA Global Research. While these factors may have led to a short lift for Equities, the fundamental backdrop has not changed. Faced with multidecade-high inflation, lagged effects of tighter monetary policy, leading indicators pointing to further weakness and earnings uncertainty, the equity market will likely see more volatility to come. In fact, the Chicago Board Options Exchange's CBOE Volatility Index (VIX), a measure of volatility, has not yet touched extreme levels that are typical ahead of a bear market trough. Until the economic backdrop shows signs of improvement, an inflection point in the market could be further down the line. For now, investors should remain disciplined as the environment stays choppy.

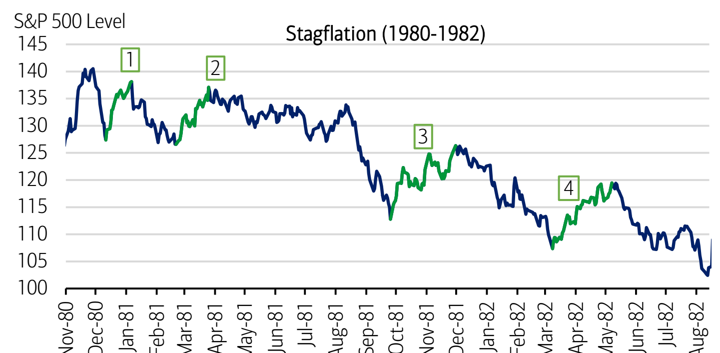
Investment Implications

Equities markets could stay pressured until the economic backdrop improves. In the meantime, sentiment shifts could lead to brief unsustainable rallies and volatility. Investors should remain "on guard" and tilt defensive.

Exhibit 4: Bear Market Rallies Are Common.







Note: Bear market rallies are defined as a rise in stocks of greater than 5% amid an ongoing bear market, or broader market decline of 20%, that eventually declines to a new low during the period. Sources: Chief Investment Office; Bloomberg. Data as of October 25, 2022.

[4] Great Financial Crisis (2007-2009), Dot Com Bubble (2000-2002), Stagflation (1980-1982).

RETURN TO FIRST PAGE

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	32,861.80	5.7	14.5	-8.1
NASDAQ	11,102.45	2.2	5.0	-28.6
S&P 500	3,901.06	4.0	8.9	-17.1
S&P 400 Mid Cap	2,434.93	5.3	10.6	-13.2
Russell 2000	1,846.92	6.0	11.0	-16.9
MSCI World	2,561.04	4.0	7.7	-19.7
MSCI EAFE	1,748.92	4.1	5.3	-23.2
MSCI Emerging Markets	845.58	-2.2	-3.4	-29.6

Fixed Income†

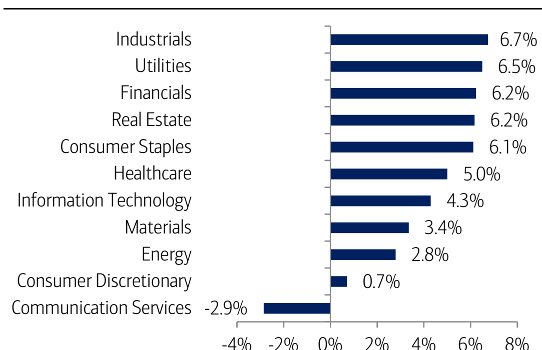
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.89	1.46	-0.94	-15.90
Agencies	4.64	0.54	-0.54	-9.00
Municipals	4.22	-0.58	-0.93	-12.95
U.S. Investment Grade Credit	4.94	1.65	-0.88	-15.36
International	5.87	1.97	-0.75	-19.33
High Yield	8.99	2.44	3.03	-12.16
90 Day Yield	4.05	3.93	3.25	0.03
2 Year Yield	4.41	4.47	4.28	0.73
10 Year Yield	4.01	4.22	3.83	1.51
30 Year Yield	4.14	4.33	3.78	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	241.81	0.5	0.5	14.2
WTI Crude $/Barrel††	87.90	3.4	10.6	16.9
Gold Spot $/Ounce††	1644.86	-0.8	-0.9	-10.1

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.00	0.99	0.98	1.14
USD/JPY	147.60	147.65	144.74	115.08
USD/CNH	7.27	7.23	7.14	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 10/24/2022 to 10/28/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 10/28/2022 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 10/28/2022)

	2021A	Q1 2022A	Q2 2022A	Q3 2022A	Q4 2022E	2022E	2023E
Real global GDP (% y/y annualized)	6.2	-	-	-	-	3.4	2.4
Real U.S. GDP (% q/q annualized)	5.9	-1.6	-0.6	2.6	0.5	1.8	-0.4
CPI inflation (% y/y)	4.7	8.0	8.6	8.3	7.4	8.1	4.4
Core CPI inflation (% y/y)	3.6	6.3	6.0	6.3	6.4	6.3	4.7
Unemployment rate (%)	5.4	3.8	3.6	3.5	3.6	3.6	4.8
Fed funds rate, end period (%)	0.07	0.33	1.58	3.08	4.38	4.38	4.63

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**
A = Actual. E/* = Estimate.
Sources: BofA Global Research; GWIM ISC as of October 28, 2022.

Asset Class Weightings (as of 10/4/2022)

	CIO View				
Asset Class	Underweight		Neutral		Overweight
Global Equities			●		
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
US. Small Cap Growth			●		
US. 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					

CIO Equity Sector Views

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

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of October 4, 2022. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index 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.

Office of Financial Research (OFR) Financial Stress Index is a daily market-based snapshot of stress in global financial markets.

New York Fed Corporate Bond Market Distress Index (CMDI) is a unified measure that identifies periods of dislocations and is associated with future realizations of other financial market conditions

Chicago Board Options Exchange's CBOE Volatility Index (VIX) calculates a real-time index to show the expected level of price fluctuation in the S&P 500 Index options over the next 12 months.

Important Disclosures

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