CHIEF INVESTMENT OFFICE

Capital Market Outlook

November 29, 2021

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

IN THIS ISSUE

Macro Strategy—Little appreciated or recognized by investors, globalization remains hugely important to U.S. firms and long-term investment returns. Global engagement is beneficial to all stakeholders: countries, companies and workers. We outline 10 important facts about Corporate America and globalization.

Global Market View—In our view, 2022 will be dominated by major shifts in the investment terrain. Despite emergence of new virus variant, the pandemic is expected to fade over the balance of 2022; the Federal Reserve (Fed) will tighten; bottlenecks are expected to unwind; and Republicans could take control of Congress. Against this backdrop, we continue to like cyclical sectors such as Energy and Financial, as well as inflation hedges like Real Estate and Tangible/Real Assets.

Thought of the Week—The future may be green, but black (coal) is back. It's a fossil-driven world, and the transition to green energy will be measured in decades, not years. We're not recommending bad behavior in light of the outsized gains in coal but continue to recommend Energy as a sector overweight and remain long-term bulls on many key Commodities that could fuel the Green Revolution.

Portfolio Considerations—Maintain an Equity overweight—a U.S. Equity bias relative to the rest of world—relative to Fixed Income overall. Within Fixed Income, we remain lower duration. This month, we are trimming our slight overweight allocation from Large-cap in favor of Mid- and Small-cap Equities, with a preference for Value, where appropriate. We are also raising Real Estate sector to neutral, and lowering Communication Services to a slight underweight.

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

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

THOUGHT OF THE WEEK
Joseph P. Quinlan
Managing Director and Head of CIO Market Strategy

Hayley Licata
Analyst

Data as of 11/29/2021, and subject to change

Weakness Is An Opportunity

Equity markets were under significant pressure last Friday as concerns grow over a new coronavirus variant emerging in South Africa. Investor risk aversion has increased considerably with cyclical shares including Commodity and consumer related companies experiencing the largest drawdown. At this point, the economy was beginning to re-balance itself and grow at an above average clip heading into next year with better than expected corporate revenues and profits as the key support to risk assets.

Recently, with markets at or close to all-time highs in the U.S., despite weakness in Technology shares, and longer dated yields breaking out again to the upside, the broad markets were likely ripe for a pull-back if a new concern developed. The new variant is something the markets were not factoring into their scenario analysis in the short term. In fact, most investors were more concerned about a fourth wave developing driven by

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp.
Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Please see back page for important disclosure information. 3933753 11/2021

increased infections from the much discussed Delta variant in the Winter months in colder weather states. Simply put, risk assets do not like uncertainty particularly as it relates to the overall level of economic growth, the level of profits, and a potential change to the story line for a new year.

We will continue to monitor the latest situation and its potential effect on economic and corporate fundamentals as we close out this year. Although new variants are always a concern, we view this latest weakness as more of an exhale of the latest investor enthusiasm over the easing of supply chain disruptions, strong job growth, and a Fed determined to approach monetary policy with a transparent and balanced approach. We expect the dominant story to remain strong corporate fundamentals, a healthy consumer, and a broader economic backdrop that continues to learn to advance in the face of the coronavirus evolution.

As concerns come and go, we expect valuations in the Equity markets to remain sticky around current levels and not rise further. We expect the profit foundation to drive asset prices heading into and through 2022. A marketplace that stays "on edge" but yet has solid enough fundamental underpinnings can grind higher over time, in our view. We would use the latest concerns as an opportunity to add to cyclical exposure and specific targeted growth segments of the broader market such as mega cap Technology. This barbell approach, in our opinion, should help investors participate in an Equity environment that is not yet in late cycle. The areas most vulnerable remain the longer duration, higher beta, little to no profit areas across the Equity spectrum.

We remain Equity overweight relative to Fixed Income and still prefer the U.S. relative to the rest of the world. Weakness regarding new concerns that are not likely to alter the "growth curve" in a material way are buying opportunities from our perspective. This latest pressure provides investors more attractive prices in the higher-quality areas building and expanding the already strong free cash flows heading into next year.

MACRO STRATEGY

Corporate America and Globalization: Ten Facts

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

Despite all the chatter around deglobalization, reshoring of production and U.S.-centric supply chains, Corporate America remains very much wedded to the concept of globalization, and for good reasons. The U.S. economy accounts for less than one-quarter of global output and not even 5% of the global population. Translation: There's a great deal of earnings potential outside the U.S. and a tremendous amount of non-U.S. resources to be leveraged for growth. Being domestic takes you only so far.

The coronavirus has soured many on globalization since the pandemic has clearly shown that when one part of the world experiences a crisis or problem, it can quickly morph into a problem for the entire globe—aka severe acute respiratory syndrome (SARS)-coronavirus-2 (CoV-2). This same interdependence, however, can be the solution. As the World Trade Organization (WTO) notes in its annual report on global trade, "Today's hyper-connected globe, characterized by deep trade links, has made the world more vulnerable to shocks, but also more resilient to them when they strike."[1] Case in point: The WTO cites the example of one major U.S. vaccine manufacturer dependent on sourcing 280 components from 19 different countries to produce the final product. The moral of the story—a world built around national/economic self-sufficiency—not globalization—would probably be a world still waiting for a vaccination to coronavirus.

Globalization remains hugely important to U.S. firms and long-term investment returns. To that end, here are 10 facts about U.S. multinationals (MNCs) and globalization.

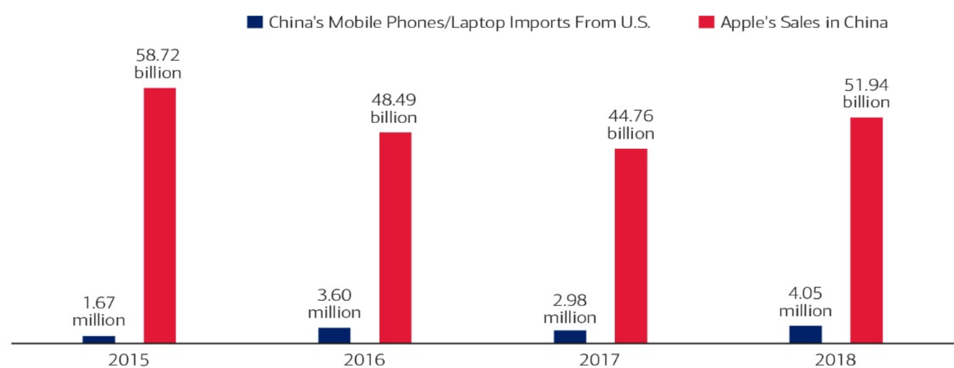
[1] See "World Trade Report 2021, Economic Resilience and Trade", World Trade Organization, November 2021.

One: **U.S. MNCs, at their core, are American-centric,** which runs counter to the popular and dangerous refrain that U.S. firms have abandoned the U.S. for cheaper foreign destinations. Not true. MNCs consist of two entities: (1) U.S. parent companies based in America and (2) U.S. foreign affiliates sprinkled around the world. That said, in 2019, according to the latest figures from the Bureau of Economic Analysis (BEA), of the 44 million workers employed worldwide by MNCs, roughly two-thirds worked for parent companies in America. Nearly 75% of the total output of U.S. MNCs was generated in the U.S. the same year; meanwhile, of total global spending on property, plant and equipment for U.S. MNCs in 2019, 78% was sunk in America. Ditto for research & development (R&D) expenditures: 85% of total R&D of MNCs took place in the U.S. The upshot: Globally engaged U.S. firms are a large and important part of the overall U.S. economy—not lone rangers stalking the world for the best deal on cheap labor/resources at the expense of U.S. workers.

Two: **The U.S. is not only the largest recipient of global foreign direct investment (FDI), but also the world's top provider of global FDI.** Most nations experience net outflows for a variety of reasons, but, in America, for every $1 of FDI outflows since 2000, the U.S. economy has attracted $1 in inflows, with the latter a key ingredient in U.S. growth and employment/ income gains. Based on data from the United Nations, cumulative FDI outflows from the U.S. over 2000-20 totaled $4.6 trillion versus cumulative inflows of $4.6 trillion. That's a rare match in inflows/outflows—and a dynamic that adds to the underlying competitiveness of the U.S. economy.

Three: **U.S. foreign affiliate sales, not trade, is the benchmark of U.S. global commerce.** Bi-lateral trade flows don't even begin to tell the story of U.S. global engagement. MNCs compete more via affiliate sales than trade because they have to—global success requires firms to be local (investment) rather than arms-length (trade). In 2019, the last year of available data, U.S. foreign affiliate sales totaled $6.8 trillion, while U.S. exports (goods and services) totaled $2.5 trillion, less than 40% of affiliate sales. For a granular visual on this dynamic, see Exhibit 1. According to official trade data, China imports from the U.S. of laptops and mobile phones totaled $4 billion in 2018, which doesn't even begin to square with Apple's reported sales of $52 billion in China the same year. Along a similar vein (but not shown) Nike posted sales of $5.13 billion in China in 2018, light years ahead of reported China apparel and footwear imports for the same year ($209 million). The upshot: Conventional trade statistics are virtually useless in gauging global commerce—they are also dangerous in that they are used by legislators and policy makers to craft policies (trade restrictions against China, for instance). The risk: Bad data begets bad policies.

Exhibit 1: China's Technology Imports From U.S. Versus Apple's Sales In China.



Source: Global Value Chain Development Report as of November 29, 2021. Data as of 2019.

Fourth: **U.S. firms mainly produce overseas to serve local markets, not to export goods back to the U.S.** According to the latest figures from the BEA, roughly 90% of the goods and services produced by U.S. foreign affiliates in 2019 were sold locally in the host country. The common refrain that U.S. firms produce abroad to export back to America, thereby undermining U.S. workers, is flat-out wrong.

Fifth: **The bulk of U.S. global assets are sunk in the developed nations, not low-cost emerging markets.** Again, this is counter to the prevailing narrative. MNCs are motivated by profits. Profits are a function of sales. Sales are a function of spending. Spending requires income. And income is greatest in wealthy nations, hence the MNC emphasis on developed nations. Skilled labor is also a hallmark (and attraction for MNCs) of developed nations. Global assets of U.S. foreign affiliates totaled $28.5 trillion in 2019, with 76% of this sum in the developed nations. Global affiliate sales totaled $6.8 trillion the same year, with 85% of the total derived from wealthier nations, according to BEA.

Six: **Europe remains far and away the most important foreign market for Corporate America.** Because MNCs desire wealthy consumers and prefer to leverage skilled labor, as opposed to unskilled, Europe has been the long-time top destination of U.S. MNC capital. Over the balance of this decade, and based on data from the BEA, Europe has attracted roughly 55% of U.S. FDI outflows, with the United Kingdom, the Netherlands and Ireland among the top destinations.

Seven: **Corporate America's footprint in China has grown substantially over the past two decades,** a fact that should not be lost on investors. If the U.S. and China travel the road to "decoupling," then it's going to be painful for both parties given how intertwined the parties have become in the past two decades. Exhibit 2 illustrates the booming U.S.-China relations over this century. From a bit player in 2000, China is now a significant cog in the global wheels of U.S. MNCs. It's not uncommon for U.S. firms to book larger annual profits in China ($10.7 billion in 2020) than in Germany and France combined ($7.1 billion).

Exhibit 2: Activities of U.S. Multinationals in China.

	2000	2005	2010	2015	2019
	Total Assets ($ Billions)				
All Countries	4,745.3	9,654.4	19,582.5	24,894.4	28,514.4
China	29.3	63.6	209.3	391.5	453.6
% of Total	0.6%	0.7%	1.1%	1.6%	1.6%
	Sales ($ Billions)				
All Countries	2,507.4	3,786.9	5,168.6	5,950.9	6,756.3
China	26.4	77.6	169.8	357.4	378.8
% of Total	1.1%	2.0%	3.3%	6.0%	5.6%
	Value Added ($ Billions)				
All Countries	606.6	911.5	1,242.2	1,358.8	1,437.0
China	5.5	16.2	37.0	66.4	80.6
% of Total	0.9%	1.8%	3.0%	4.9%	5.6%
	Employees (Millions)				
All Countries	8.2	9.1	11.3	14.1	14.6
China	0.3	0.5	1.1	1.7	1.7
% of Total	3.7%	5.5%	9.7%	12.1%	11.6%

Source: Bureau of Economic Analysis. Data as of November 16, 2021.

Eight: **The most globally exposed sector of the S&P 500 is Information Technology,** with foreign sales accounting for around 57% of the total according to FactSet, followed by Materials (47.4%), Energy (40%) and Industrials (30%). Per sub-sectors, the most exposed are Semiconductors and Semiconductor Equipment companies (around 78%), followed by Pharmaceuticals and Life Science companies (42.5%).

Nine: **The new face of globalization is digitalization, a positive omen for the U.S. and U.S. technology leaders.** While the cross-border movement of goods, capital and people has been a staple of globalization for decades, the future will be different. Today, the composition of globalization is shifting toward more cross-border data, digital services, immaterial activities and intangibles. Not surprisingly, the country with the most sophisticated and developed digital infrastructure—the U.S.—is also the world's leading exporter of digitally enabled services. The U.S. also leads the world in foreign affiliate sales of services, according to data from the BEA. The increased digitalization of the global economy means more cross-border trade and investment in digital services, and continued upside for U.S. leaders in tech hardware, software, cloud computing, platform, etc. In short, the U.S. is well positioned for the next phase of globalization.

Finally: **Globalization is an economic lifeline Corporate America has successfully leveraged for decades,** bestowing benefits not only on the company and its shareholders but also

stakeholders in the U.S., i.e., workers, communities, states, etc. Economic self-sufficiency is a fool's errand. As the WTO notes, "Policies that aim to increase economic resilience by re-shoring production, promoting self-sufficiency, and unwinding trade integration can often have the opposite effect, effectively reducing economic resilience."[2] That's a warning shot not only for inward-looking U.S. policymakers but also a shot across the bow of China, whose leaders are bent on boosting the Middle Kingdom's economic self-sufficiency.

In the end, the death of globalization has been greatly exaggerated. It's alive. It's not perfect. It needs some fixing. But it's hugely important to Corporate America and its ability to generate future earnings growth.

GLOBAL MARKET VIEW

Assessing the Key Moving Parts of 2022

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

There will be no shortage of change and churn in 2022. Indeed, today's investment landscape will look significantly different a year from now. Major shifts lie on the horizon that could materially alter the investment terrain and asset prices. Below, we briefly discuss four market-changing dynamics and the attendant implications for portfolios.

Pandemic to endemic. All pandemics eventually fade, and coronavirus is expected to be no different. Even with the emergence of the Omicron strain, the pandemic could be relegated to the history books next year if U.S. and global vaccination rates are ramped up—or more of the unvaccinated get jabs and more of the vaccinated get booster shots. Improved antibody treatments and the potential antiviral pills will help assist as well. Presently, 4.12 billion people worldwide—roughly 54% of the population—have received one dose of the vaccine. On the horizon: endemic coronavirus. In this world, SARS-CoV-2 isn't completely eradicated—it will survive and likely become endemic, meaning it will always be present in the population. As Dr. Anthony Fauci—Chief Medical Advisor to the President of U.S.—recently noted, "endemicity means a lot more people get vaccinated, a lot more people get boosted, and although you don't eliminate or eradicate it, that infection is not dominating your life."[3]

As for the investment implications, that the world is likely moving toward endemicity is already priced into global equities. Yet when the pandemic is officially declared over, the feel-good effect will be the equivalent of winning a major war, unleashing more consumer pent-up demand for travel and leisure, and entertainment, housing, and various goods and services. On the downside, there could be more pressure on stay-at-home sectors like Digital Media, Technology and e-Commerce.

"Transitory" to tapering to tightening. Heading into 2021, the Street consensus for the first Fed rate hike was sometime in early 2023. But the double-barreled effect of ultra-ease monetary policies-cum-massive fiscal spending, and the attendant surge in inflationary prices/pressures, has pulled forward the timing of both Fed tapering and tightening—and made mash of Fed-speak of price pressures being "transitory." Tapering (monthly bond buying program) has begun, while the pivot toward tighter monetary policies will gain significant traction over the balance of 2022. Indeed, BofA Global Research have upped their Fed tightening timetable by two quarters and expect the Fed to start hiking rates in June 2022. The outlook is now for three hikes in 2022, four hikes in 2023, and one in 2024, bringing the Fed funds rate up to 2.0% to 2.25%.

Importantly, even in the face of Fed tightening, we continue to see upside for U.S. Equities in 2022. Solid real gross domestic product (GDP) growth (4% range) and productivity-led upside earning gains may help push the major indexes higher over the course of next year, in our opinion. History suggests that U.S. Equities perform relatively well in the early

[2] Ibid.

[3] "Fauci Says Boosters for all key to U.S. reaching Covid-19 endemic level," Reuters, November 7, 2021.

stages of a Fed tightening cycle, with six-month and 12-month returns for the S&P 500 6.2%, and 10.2%, respectively, based on data from Bloomberg. By asset class, Financials stand out on the upside, along with cyclicals and small-caps, while the more negative aftershocks will be felt in Fixed Income, emerging markets and bond proxies like Utilities, Telecom and Staples.

Bottlenecks to de-bottlenecks. Supply chain disruptions have throttled the production of numerous goods, boosted prices for finished/unfinished goods, and have had significant international spillover effects. That said, supply chain bottlenecks are expected to ease over the balance of 2022 as more firms broaden their supplier base and increasingly localize/regionalize their supply chains. Also helping matters: Third-party manufacturers in Asia ramp factory production as vaccination rates climb across the region; port bottlenecks slowly unwind next year; and the pandemic-related surge in demand for manufactured goods—which helped amplify the severity of bottlenecks—fades. According to the latest data from Evercore ISI capital expenditures (Capex) surveys, supply chain issues are expected to peak for a number of industries (consumer, industrial, transport) in Q1 or Q2 of 2022. Overcoming the global semiconductor shortage/bottleneck will be a key challenge next year, with the chip shortage of 2021 cutting global auto production by 7.7 million units, equivalent to 8% of pre-pandemic production.[4] The key beneficiaries of de-bottlenecks will be transportation and logistics firms, retail, and autos.

A blue wave to red wave. As we recently noted, the political tea leaves for the Democrats aren't looking favorable. Indeed, less than one year out from the 2022 midterm election, the political landscape for Democrats, to say the least, looks rather challenging. Numerous polls speak to the fading popularity of the White House, with voter angst fueled by slower growth and rising inflationary pressures on virtually everything (goods and services). There's nothing more politically harmful one year before an election than voter concerns of stagflation—weak growth-cum-rising prices. Per the latter, October's consumer price index (CPI) year-over-year (YoY) number came in at 6.2%, the biggest gain in consumer prices since 1990. Prices, not jobs, have moved to the political forefront.

Even in good times, midterm elections are rarely pretty for the incumbent party, so as we head into 2022, the markets are expected to start to discount the prospects of a "red wave," or the sweep of the Republicans in the House and Senate. That translates into political gridlock, which, following two years of aggressive government activism, will be welcomed by the financial markets. The markets don't mind a divided government. The bottom line: If the Republicans do take control of Congress in 2022, the market tea leaves are rather propitious, with average annual total returns of the S&P 500 under a Democratic White House and Republican-controlled Congress nearly 16%, according to Bloomberg.

Investment Summary

In our view, the coming year will be dominated by major shifts in the investment landscape. Think endemic, tightening, de-bottlenecks and "red wave." It is going to be choppy and volatile because seminal shifts in the investment landscape are never smooth and linear. Our best case for portfolio positioning considerations is summarized in Exhibit 3.

[4] "Bottlenecks: Causes and macroeconomic implications," BIS Bulletin, November 2021.

Exhibit 3: 2022: A Seminal Year of Transition.

2021		2022	Portfolio Positioning Considerations
Pandemic	➞	Endemic	The Roaring '20s—the official end of the pandemic is akin to winning a major war; the feel-good effect fuels demand for travel, leisure, entertainment and "revenge" spending on goods and services. The U.S. experiences a record number of weddings; housing remains robust. Supply bottlenecks have eased, proving a better match between consumer demand and supply. On the downside, internet retail, digital stocks and related work-from-home stocks fade.
Transitory	➞	Tapering/Tightening	YoY consumer prices peak in the first half of '22, which underpins strong demand for hard assets (Real Estate, Commodities, gold). The backdrop for Energy and Financials remains favorable in the first half of the year; ditto for the cyclical trade. At risk: Fixed Income, emerging markets and bond proxies like Utilities, Telecom and Staples. Equities perform rather well in the early stages of Fed tightening cycle; monetary policies take at least a year to have real effects on the real economy.
Bottlenecks	➞	De-Bottlenecks	Pressures ease over the balance of the year, providing more upside earnings growth for transportation, logistics and autos. Automation/robotics is also a significant beneficiary as companies leverage more technology to run warehouses, delivery/track goods. The capital investment cycle remains strong as firms regionalize supply chains; per the latter, the mantra of "just-in-time" becomes "just-in-case."
Blue Wave	➞	Red Wave	After one of the largest dollops of government spending in U.S. history—with U.S. fiscal spending tallying more than $7 trillion over 2021/22—the markets welcome a divided government or gridlock Meanwhile, massive government transfers continue to trickle through the economy, providing underlying fiscal support for most of 2022. We don't foresee a sudden fiscal cliff stifling growth. In Washington, all eyes are on the Fed as it navigates and communications its expectations about inflation.

Source: BofA Global Research; Chief Investment Office. Data as of November 24, 2021.

THOUGHT OF THE WEEK

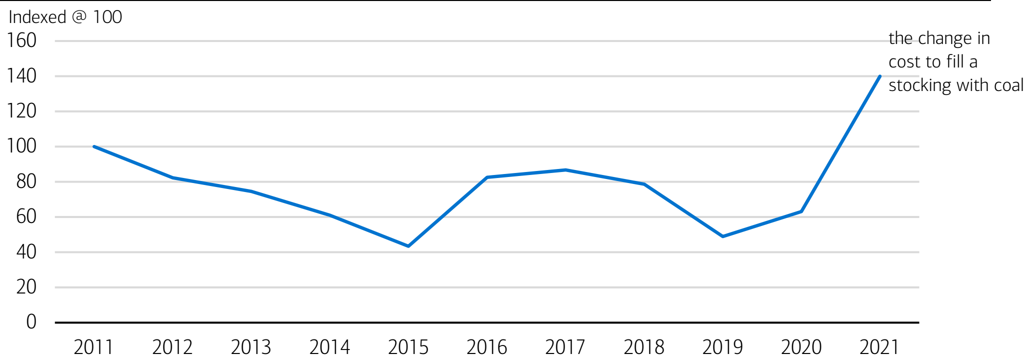
Soaring Coal Prices Favor the Naughty (and Investors with Commodity Exposure)

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

Hayley Licata, Analyst

Christmas lore has it that naughty children receive lumps of coal in their stocking instead of gifts. If true, then maybe it's time for some misbehaving, since a stocking full of coal, by our calculations, has increased 122% in value this year,[5] well ahead of S&P 500 total returns of 25% (Exhibit 4).

Exhibit 4: Stocking Stuffers? Cost to Fill a Stocking with Coal.



Sources: Market Insider; Coalpail.com. Data as of November 22, 2021.

The future may be green, but black (coal) is back. According to the U.S. Energy Administration, U.S. coal-fired electricity generation is expected to jump 22% this year, the first year-over-year increase since 2014. Coal prices have spiked over the past year owing to surging natural gas prices, soaring demand, and debilitating infrastructure problems. In the U.S., coal and natural gas are the two largest sources of electricity generation and compete on relative price. So off the back of rocketing natural gas prices, coal has emerged as the less expensive substitute, not only in the U.S. but around the world. Despite all the headlines around Climate Change Conference (COP26) and the global focus on de-carbonization, the simple truth is that coal remains a primary source of global electricity generation, notably in India and China. Hence, the last-minute change in the final text of COP26, with "phase out" of coal substituted with "phase down." The latter, of course, is more palatable to India and China, and many other coal-belching producers.

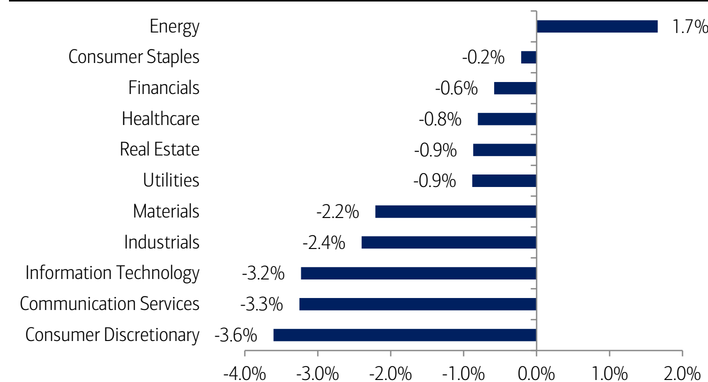
[5] Price of Coal = ($ per U.S. Ton)/(Inches^3 per U.S. Ton of Coal)*(Inches^3 per Stocking).

Another simple truth: Going green won't be easy. Here's one key problem—the push to boost renewable power capacity (think solar, wind and batteries) is extraordinarily metal-intensive, requiring more minerals that are energy- or fossil fueled-based. Think copper, for instance, which is essential to the production of electrical vehicles and related infrastructure (batteries, charging stations, etc.). Also think water (our favored long-term Commodity play), in that mining and mineral processing require large volumes of water. For now, it's a fossil-driven world, and the transition to green energy will be measured in decades, not years. That said, we're not suggesting bad behavior in light of the outsized gains in coal this year; however, we continue to prefer Energy as a sector overweight and remain long-term bulls on many key Commodities that could fuel the Green Revolution.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,899.34	-2.0	-2.4	15.9
NASDAQ	15,491.66	-3.5	0.0	20.9
S&P 500	4,594.62	-2.2	-0.1	23.9
S&P 400 Mid Cap	2,779.41	-3.2	-0.4	21.8
Russell 2000	2,245.94	-4.1	-2.1	14.7
MSCI World	3,131.98	-2.7	-1.3	17.9
MSCI EAFE	2,256.95	-3.7	-3.2	7.4
MSCI Emerging Markets	1,223.13	-3.6	-3.2	-3.5

S&P 500 Sector Returns



Fixed Income[†]

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.60	0.20	0.23	-1.65
Agencies	1.03	0.13	0.12	-1.04
Municipals	1.14	0.05	0.67	1.17
U.S. Investment Grade Credit	1.70	0.13	0.10	-1.48
International	2.31	-0.07	-0.19	-1.22
High Yield	4.86	-1.17	-1.19	3.11
90 Day Yield	0.04	0.04	0.05	0.06
2 Year Yield	0.50	0.51	0.50	0.12
10 Year Yield	1.47	1.55	1.55	0.91
30 Year Yield	1.82	1.91	1.93	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	213.78	-2.2	-3.1	28.3
WTI Crude $/Barrel[††]	68.15	-10.4	-18.5	40.5
Gold Spot $/Ounce[††]	1802.59	-2.3	1.1	-5.0

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.13	1.13	1.16	1.22
USD/JPY	113.38	113.99	113.95	103.25
USD/CNH	6.40	6.39	6.40	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 11/22/2021 to 11/26/2021. [†]Bloomberg Barclays Indices. [††]Spot price returns. All data as of the 11/26/2021 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 11/11/2021)

Asset Class	CIO View: Underweight		Neutral	Overweight	
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 qualified investors.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Economic Forecasts (as of 11/24/2021)

	2020A	Q1 2021A	Q2 2021A	Q3 2021A	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-3.2	-	-	-	-	5.8
Real U.S. GDP (% q/q annualized)	-3.4	6.3	6.7	2.0	6.0	5.6
CPI inflation (% y/y)	1.2	1.9	4.8	5.3	6.6	4.6
Core CPI inflation (% y/y)	1.7	1.4	3.7	4.1	4.9	3.5
Unemployment rate (%)	8.1	6.2	5.9	5.1	4.4	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 November 24, 2021.
BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation.

Index Definitions

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

Consumer Price Index (CPI) is the price of a weighted average market basket of consumer goods and services purchased by households.

Important Disclosures

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

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer, or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill financial advisor.

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

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp."). This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

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 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. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. 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. 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. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults.

© 2021 Bank of America Corporation. All rights reserved.