CHIEF INVESTMENT OFFICE

Capital Market Outlook

November 7, 2022

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

IN THIS ISSUE

Macro Strategy—*Data Still Mixed, But With A Negative Tilt:* Rising interest rates and financial market stress coupled with mixed incoming data, moderating energy prices, and bouts of hope that the Federal Reserve (Fed) can steer the U.S. economy into a "soft landing" have caused wild swings in investor sentiment and equity prices over the past six months.

Still, the hawkish November 2, 2022, Fed Chair Powell interest rate hike commentary and the preponderance of incoming data continue to indicate a rapidly cooling economy leading into an eventual inflation- and Fed-induced recession. Since Equities tend to bottom only after the contours of a recession become clear, the market has yet to see the lows of the current bear market, in our view.

Market View—*The Consumer Is Still Strong, But Headwinds Are Building:* The consumer, who has been largely credited for propping up the economy this year amid deteriorating macro fundamentals, remains relatively strong. But key supports are weakening as factors that are favorable for the consumer are being overshadowed by factors that call for getting cautious.

In our view, the consumer's firepower is gradually fading.

Thought of the Week—*The Great Wall Of Pain If China "Closes":* Russia's divorce from the mainstream global economy has triggered a great deal of market uncertainty and volatility this year; however, should the world's other autocratic regime—China—separate from the rest of the world, the consequences would be much greater.

We quantify China/Russia global linkages.

MACRO STRATEGY ▶

Irene L. Peters, CFA®
Director and Senior Macro Strategy Analyst

MARKET VIEW ▶

Emily Avioli
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THOUGHT OF THE WEEK ▶

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

MARKETS IN REVIEW ▶

Data as of 11/7/2022, 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. Bonds have become significantly more attractive and provide an even better ability to diversify multi-asset class portfolios by providing income and the ability to decline in yield substantially in an economic downturn. Neutral duration is recommended, balancing two-sided rate risk against significantly better valuations.

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MACRO STRATEGY

Data Still Mixed, But With A Negative Tilt

Irene L. Peters, CFA®, Director and Senior Macro Strategy Analyst

Mixed incoming economic indicators have stirred hopes of sustained expansion despite high inflation and aggressive Fed monetary policy tightening. On the positive side, supply chain bottlenecks and related upside price pressures have eased. The 10-year Treasury yield has not sustainably dipped below the fed funds rate, as it tends to before a recession starts. Energy prices have moderated from early-year highs. Flattered by 40-year-high inflation, business pricing power and revenue growth have remained elevated. Labor demand has stayed unusually strong as businesses brought back in record time the full 23 million jobs lost early in the pandemic. Also, real gross domestic product (GDP) growth rebounded in Q3 to a healthy +2.6% annualized rate from two previous quarters of contraction.

On the other hand, much of the data that offer early signals about the direction of the economy have continued to flash yellow or red. First, the Conference Board (CB) Index of Leading Indicators (LEI) declined again in September, its six-month growth rate falling deeper into negative territory and its weakness becoming more broad-based. According to the CB, "The persistent downward trajectory of the LEI in recent months suggests a recession is increasingly likely before yearend."

Second, statistical analysis of historical data indicates that the extent of the current deterioration in claims for unemployment compensation, perceptions of labor market strength, real income, bank lending conditions, housing, and consumer spending have never before occurred without a recession ensuing within 12 months. According to Applied Global Macro Research (AGMR) statisticians, these data "are close to or worse than what we should expect at this point if the U.S. recession is to start by March."

Third, and related, notwithstanding a significant rebound in real GDP to a seemingly healthy +2.6% annualized rate in Q3, the worst may not be behind us after all. Aside from the fact that our research points to renewed economic weakness and outright contraction next year, the GDP report actually reveals an accelerating loss of momentum when trade, inventories, and government spending are excluded from real GDP in order to extract a better measure of "core" domestic demand strength.

Indeed, growth in real final sales to domestic purchasers slowed to just a 0.1% annualized quarterly pace in Q3 from +2.1% in Q1 and +0.5% in Q2. According to AGMR, this deceleration has been faster than in run-ups to previous recessions, increasing the likelihood of a recession within 12 months. This is especially so since the LEI decline in recent months noted above points to further deterioration in this measure of underlying economic strength in the coming months.

Inflation and aggressive Fed tightening have clearly restrained consumer demand and housing. Despite rock-bottom unemployment and strong nominal wage gains, consumer spending adjusted for inflation rose just 1.4% at an annualized quarterly pace in Q3, half its 30-year average pace, even as mended supply chains have increased product availability and access to services has normalized. At the same time, the consumer sector's contribution to GDP growth has been increasingly offset by a deepening drag from housing activity, as the 30-year mortgage rate jumped from 3% to over 7% over the past year. Quarter-to-quarter, the residential real estate investment component of GDP fell at an eye-popping 26.4% annualized rate in Q3, its biggest drag on GDP growth since the onset of the Great Financial Crisis in Q4 2007.

Conditions suggest that consumer-spending growth will likely become soft enough to be consistent with an ensuing recession over the next four to six months, according to our calculations. Headwinds include elevated uncertainty about the economy; recessionary levels of consumer expectations; diminished ability to save out of income because of high inflation; spending restraints from the housing recession, and negative wealth effects from large asset price declines this year, especially in inflation-adjusted terms.

According to an October 21, 2022, Fed paper—*Excess Savings During the COVID-19 Pandemic*—the pandemic shutdown and various pandemic-related government transfer payments (stimulus checks, student-loan debt payment deferments, child credits,

Investment Implications

Consistent with inflation-driven recession concerns, investors have remained focused on both reflationary and defensive Equity sectors while continuing to unload assets that tend to suffer most in a high interest rate environment. This investment pattern should persist until the recession materializes.

supplementary unemployment compensation) boosted aggregate personal saving by $2.3 trillion in excess of the underlying trend by 2021 Q3. The government transfer windfall especially helped strengthen household balance sheets in the bottom half of the income distribution, greatly boosting credit performance and demand for consumer goods. While this excess saving has declined with normalizing activity and surging inflation, Fed researchers estimate that it still amounted to about $1.7 trillion in mid-2022, suggesting that "While this buffer is dwindling, for now it is likely still providing some needed balance sheet support that could help to stanch a negative feedback loop were the economy to slow."

However, we believe that this view is too rosy at this point, as it ignores this year's large financial market losses and negative effects of high inflation on aggregate household net worth. For example, an almost 10% inflation over the past year, or so, has wiped out about $5,000 of real purchasing power for those making $50,000 per year (around median income), in large part nullifying the value of the $5,000 average excess savings per household still available in the bottom half of the income distribution, according to the same report.

At the aggregate level, when accounting for a 16% cumulative inflation since late 2019 and large portfolio losses this year, the eye-popping nominal household net worth increase of 30% by early 2022 turns into a three-year gain of only about 5% by late 2022. Such a small increase over a three-year period has been observed only before or during previous recessions and is more consistent with the weakening of real final sales to private domestic purchasers, which, as noted above, has also slowed as much or more than in run-ups to previous recessions.

Fourth, notwithstanding the surprise business equipment investment spurt in Q3, real capital spending growth is likely to remain on a downtrend for a number of reasons. In our view, these include: slowing nominal GDP and corporate revenue growth; CEO sentiment plumbing recession-like levels in Q4 (according to the CB's CEO survey), and tightening credit markets. The dollar appreciation and collapsing European growth expectations amplify the headwinds to the U.S. investment and manufacturing cycle.

The downtrend in the Institute for Supply Management (ISM) Index is consistent with this view. The ISM Index dropped to just 50.2 in October, tracking well our projections for an eventual dip into contraction territory below the 50 mark in the coming months. Manufacturing strength is quite narrow, with only eight of 18 manufacturing sectors reportedly seeing stronger activity in October, and only three of 18 reporting growth in new orders versus five in September. Part of the weakness has come from an accelerating decline in export orders.

The fact that a noticeable number of panelists' companies are reducing employment levels through hiring freezes and attrition, according to reports citing ISM commentary, is not surprising. It fits the general progression of softening economic growth dynamics into eventual recessions, with variable lags, until Fed policy becomes accommodative again. In the meantime, all this, combined with tightening lending standards and rising bond market stress is not consistent with booming capex prospects. Depressed small business sentiment doesn't help on this front either.

Fifth, the boost from net exports that led the Q3 rebound in GDP is not expected to be sustained given weakening global growth prospects and rapidly contracting manufacturing export orders while the large dollar appreciation encourages imports.

Last, but not least, much of the aggressive Fed tightening to date has yet to filter through, and as Fed Chair Powell made clear on November 2, the end of the tightening campaign is not in sight either. Much restraint is thus likely to hit the economy in the coming months and quarters.

All in all, the sooner financial conditions ease again, the dollar stabilizes, business and consumer expectations turn up from currently recessionary levels, leading indicators stop falling, and money supply starts rising again, the higher the probability that growth will pick up and a new bull market can resume. Given Fed liquidity tightening plans and the negative signals from various leading indicators of economic growth, this outcome is becoming increasingly remote for 2023. Equities rarely trough before the middle of a recession. The U.S. equity market usually bottoms around the time when the unemployment rate is rising the fastest, and just before the manufacturing ISM Index bottoms, both outcomes that we believe are unlikely anytime soon.

MARKET VIEW

The Consumer Is Still Strong, But Headwinds Are Building

Emily Avioli, Assistant Vice President and Investment Strategist

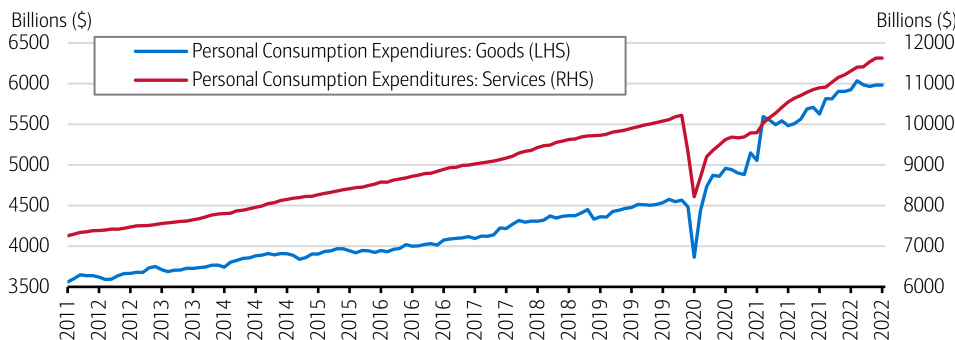
Theadora Lamprecht, Investment Analyst

The resilient consumer has been largely credited for propping up the economy this year amid deteriorating macro fundamentals. While the consumer still remains relatively strong, key supports have weakened further since our August update.[1] Factors that favor for the consumer are being overshadowed by factors that show the consumer's firepower gradually fading.

Among the biggest positives for the consumer today is the tight labor market, which has so far remained resilient in the face of aggressive policy tightening. The U.S. economy added 261,000 jobs in October, and unemployment rose to 3.7% from 3.5% the month prior, hovering near historic lows.[2] Initial jobless claims have fallen back below the pre-pandemic average for 2019, down by 44,000 since mid-July.[3] JOLTS job openings rebounded from 10.3 million in August to 10.7 million in September,[4] and private payrolls rose by an above-consensus 239,000 last month.[5] But below the surface, we see signs of cooling. New job postings are down 50% from their October 2021 peak, and layoff announcements have risen, led by Technology and Financials companies.[6] It's our view that the labor market will continue to cool as the lagged effects of monetary policy filter through the economy, which will ultimately weaken the consumer's strongest support.

Low unemployment has emboldened consumers to keep spending, with personal consumption expenditures rising by a seasonally adjusted (SA) 0.6% on a month-over-month (MoM) basis in September.[7] Services spending has held strong amid a lingering reopening effect, while goods spending is weakening by comparison (Exhibit 1). Goods spending rose by 0.3% MoM in September, while services spending rose by 0.8% MoM.[8] Several large retailers cited weakening demand in Q3 earnings results, and underlying consumption patterns indicate that consumers are increasingly switching to private label products due to affordability issues.[9] These gauges suggest that consumer spending may be in a slowdown, late-cycle phase.

Exhibit 1: While Services Spending Is Strong, Goods Spending Has Started To Weaken.



Source: Bloomberg. Data as of September 30, 2022.

Rising nominal wages have at least partially funded consumer spending thus far, with average hourly earnings increasing by a SA 0.4% MoM in October and 4.7% over last year.[10] Wage growth is still providing some degree of support, though momentum is beginning to fade. IHS Markit small business wage data shows that the pace of hourly earnings growth for U.S. small business workers slowed for the second consecutive month in October. The Atlanta-Fed wage growth

Portfolio Considerations

From a portfolio positioning perspective, we continue to advocate being diversified across both Traditional and Alternative asset classes. A slowing consumer growth environment will weigh on the U.S. and global economy and corporate profits. As a result, we find Fixed Income to be more attractive than Equities. A shifting spending pattern to necessities over big-ticket items and luxury goods keeps us favoring Consumer Staples over Discretionary.

[1] Chief Investment Office Capital Market Outlook, "*The State of the Consumer—Firm but Fraying*," August 15, 2022.
[2] Bureau of Labor Statistics. November 4, 2022.
[3] Bloomberg. November 3, 2022. Refers to initial jobless claims for week ending October 28, 2022.
[4] Bureau of Labor Statistics, Job Openings and Labor Turnover (JOLTS). September 2022.
[5] ADP Research Institute. November 2, 2022.
[6] BofA Global Research Earnings Tracker. October 30, 2022.
[7] Bureau of Economic Analysis. October 28, 2022.
[8] Bloomberg. September 30, 2022.
[9] McKinsey & Company. May 2022.
[10] Bureau of Labor Statistics. November 4, 2022.

tracker moderated to 6.3%[11] year-over-year (YoY) in September compared to 6.7% YoY in August, while the Employment Cost Index slowed to 1.2% quarter-over-quarter (QoQ) in Q3 from 1.3% QoQ in Q2.[12] Meanwhile, real average hourly earnings fell by a seasonally adjusted 3% YoY in September, highlighting the diminishing purchasing power of the consumer paycheck. Personal income data tells a similar story, with real disposable personal income growth roughly flat in September.[13] Since the pace of real income growth has been insufficient relative to rising prices, households have likely been relying on savings and debt to fund consumption.

While consumers still have excess cash on hand from coronavirus-induced shutdowns and stimulus checks, the savings stockpile is beginning to dwindle. The U.S. personal savings rate, defined as personal savings as a percent of personal disposable income, has declined from 7.9% a year ago to 3.1% in September.[12] BofA Global Research estimates that the stock of excess saving on household balance sheets has fallen to $1.1 trillion, down from roughly $2.3 trillion in Q3 2021.[14] Meanwhile, the consumer is taking on more credit, though delinquencies remain low.[15] Consumer credit increased at a seasonally adjusted annual rate of 8.3% to $4.7 trillion in August. Revolving credit, which includes credit cards and personal loans, increased at an annual rate of 18.1%.[16]

Other types of debt are also increasing. Household liabilities rose by about 2% in Q3, largely in response to climbing mortgage rates. The 30-year mortgage rate rose above 7% in October, the highest level since 2002,[17] and Bank of America internal data shows that median mortgage payment for customers rose 8.8% YoY in September. As result, the First-Time Homebuyer Index and the Housing Affordability Index have fallen to the lowest points since 2006.[18] While increasing mortgage rates are adding to consumer debt, declining home values are starting to subtract from assets. Home prices fell by a SA 0.9% MoM in August after falling by 0.5% MoM in July, according to the S&P CoreLogic Case-Shiller U.S. National Home Price Index. However, home prices remain well above year-ago levels, and the lack of meaningful housing inventory and turnover may keep them elevated.

All of this is likely to contribute to a deteriorating wealth effect. When considering the consumer balance sheet in Q2, both household assets and household (and nonprofit organizations) net worth decreased 3.5% and 4.2%, respectively, compared to the previous quarter.[19] The premier reason for this decline is the negative effect the Fed's aggressive rate hikes have had on financial assets and real assets, with U.S. Equities down by about 20% this year. Again, while net worth has taken a hit recently, it's still elevated compared to pre-pandemic levels—as of mid-2022, household wealth had increased by an estimated $25 trillion since 2019, even after accounting for the substantial decline in financial assets in the first half of this year.[14]

Somewhat concerning, however, is that amid rising interest rates and elevated inflation, consumer confidence is weak. The CB's Consumer Confidence Index surprised to the downside for October, decreasing to 102.5 from 107.8 in September. The University of Michigan's Consumer Sentiment Index reached 59.9 in October, an increase of 9.9 points above the all-time low experienced in June, but this may have been driven by lower gasoline prices since this indicator is more closely tied to pocketbook items.

Summing it all up, recent volatility in the macro and market environments have increased the likelihood of decelerating momentum in the broader economy and specifically consumer spending. However, given a relatively healthy starting household balance sheet, and with most consumers having locked in lower rates on major liabilities like mortgages in the last couple of years, it is entirely possible that consumers will remain relatively well supported even as the economy softens. This could keep the consensus-expected recession shallow and mild by historical standards. Additionally, while headline inflation remains elevated, we believe it likely peaked in June at 9.1%, suggesting that the effects of the Fed's rate hikes are slowly coming into effect. But the longer it takes for inflation to fall, the tighter monetary policy will have to be, and for longer, which raises the probability of a deeper pullback in consumer spending.

[11] Fed Bank of Atlanta, October 19, 2022. Refers to the three-month moving average of the median wage growth.
[12] Bloomberg. October 28, 2022.
[13] Bureau of Economic Analysis. October 28, 2022.
[14] Fed Development of Environment Statistics Notes. October 21, 2022.
[15] Fed Bank of New York Household Debt and Credit Report. August 2022.
[16] Fed Consumer Credit data. August 30, 2022.
[17] Freddie Mac Mortgage Rates—Weekly Survey. October 27, 2022.
[18] National Association of Realtors. 2022. Note: The Housing Affordability Index (Composite) measures the degree to which a typical family can afford the monthly mortgage payments on a typical home.
[19] Fed Bank of St. Louis. Timeframe referenced from Q1-Q2 of 2022. October 28, 2022.

THOUGHT OF THE WEEK

The Great Wall Of Pain If China "Closes"

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

The global isolation of Russia in the wake of the invasion of Ukraine has proven to be highly disruptive to the world economy, notably in the global energy and food sectors. But the aftershocks of Russia's global divorce pale in comparison to the potential pain if China and the rest of the world part ways.

That is not our base case, but let's face it, China is turning inward. Greater self-sufficiency, the promotion of domestic champions, national security over profits—all of these dynamics are now policy trademarks of China. While 1979 is heralded as the year China "opened" to the West, 2022 may very well be the year the nation "closed." If this transpires, the ripple effects will be felt far and wide, because no country in the past 40-plus years has exerted as much influence on the world as the Middle Kingdom.

Russia vs. China: By nearly every metric, as the accompanying exhibit makes clear, Russia is a minnow and China is a whale when it comes to global commercial/economic clout. For instance, Russia's economy (in nominal dollars) is a fraction, roughly 10%, of China's; ditto for Russia's global share of personal consumption and population. While Russia is a significant energy exporter, its total trade with the world ($786 billion) is not even in the same ballpark as China's $6 trillion. The same holds true for the level of foreign reserves, foreign direct investment (FDI) levels, and market capitalization of publicly traded firms.

All of the above is another way of saying that, relative to Russia, the stakes of an inward-looking, disconnected China are so much higher for the rest of the world—the U.S. included. While many U.S. firms have felt the pain of Russia's ejection from the global economy, a world without China would be even more challenging. Over the past few decades, U.S. firms have built out a sizeable presence in China—both to serve the local market and to tap into China's massive labor pool. The upshot: China being open for business has been bullish and beneficial for Corporate America. By the same token, a closed China would result in a great wall of pain for many U.S. firms and investors.

Exhibit 2: Key China-Russia Metrics: The Whale Vs. The Minnow.

	China		Russia	
	Values	% of Global	Values	% of Global
GDP (Nominal, Trillions of $)	17.8	18.7%	1.8	1.9%
Global Personal Consumption (Billions of $)	5,657	12.0%	771	1.6%
Population (Millions)	1,413	17.9%	146	1.8%
Total Trade (Billions of $)	6,050	12.7%	786	1.6%
Foreign Exchange Reserves (Billions of $)	3,301	22.5%	583	4.0%
FDI (past 5-year total, Billions of $)	1,176	15.4%	119	1.6%
Holdings of U.S. Treasurys (Billions of $	972	12.9%	2	0.0%
Equity Market Cap (Billions of $)	14,667	12.1%	781	0.6%
MSCI Index Capitalization (Billions of $)	9,033	12.9%	–	–
U.S. FDI Position on a Historical-Cost Basis (Billions of $)	118	1.8%	12	0.2%
U.S. Affiliate Sales (Billions of $)	379	5.6%	47	0.7%
U.S. Affiliate Income (Billions of $)	12	2.3%	1	0.3%

U.S. dollar where applicable. MSCI China Index as China value and MSCI Russia Index as Russia value. Russia values unavailable. Sources: International Monetary Fund; Bureau of Economic Analysis; United Nations; Department of the Treasury; Census and Economic Information Center; MSCI; Goldman Sachs. Data as of 2021 latest available.

Investment Implications

China's integration into the global economy over the past few decades has been highly beneficial to Corporate America. The Middle Kingdom has long been a key source of supply and demand for U.S. firms. That said, a more inward-looking, protectionist China could weigh on the future earnings growth of many firms, across multiple sectors. The Great Power Rivalry between the two nations is heating up, and remains a key risk to investors.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	32,403.22	-1.4	-1.0	-9.3
NASDAQ	10,475.25	-5.6	-4.6	-32.6
S&P 500	3,770.55	-3.3	-2.6	-19.8
S&P 400 Mid Cap	2,405.74	-1.2	-1.1	-14.2
Russell 2000	1,799.87	-2.5	-2.5	-19.0
MSCI World	2,507.22	-2.1	-1.6	-21.3
MSCI EAFE	1,770.32	1.2	1.2	-22.3
MSCI Emerging Markets	884.98	4.7	4.4	-26.3

Fixed Income†

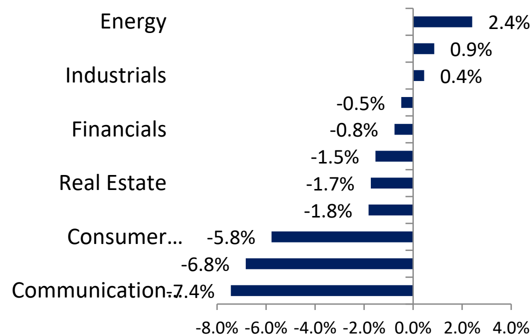
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	5.06	-0.78	-0.48	-16.56
Agencies	4.86	-0.60	-0.38	-9.55
Municipals	4.18	0.42	0.33	-12.58
U.S. Investment Grade Credit	5.10	-0.78	-0.37	-16.02
International	5.99	-0.59	-0.31	-19.80
High Yield	9.19	-1.23	-0.81	-13.24
90 Day Yield	4.10	4.05	4.06	0.03
2 Year Yield	4.66	4.41	4.48	0.73
10 Year Yield	4.16	4.01	4.05	1.51
30 Year Yield	4.25	4.14	4.16	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	254.42	5.2	3.7	20.1
WTI Crude $/Barrel††	92.61	5.4	7.0	23.1
Gold Spot $/Ounce††	1681.87	2.2	3.0	-8.1

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.00	1.00	0.99	1.14
USD/JPY	146.62	147.60	148.71	115.08
USD/CNH	7.19	7.27	7.34	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 10/31/2022 to 11/04/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 11/04/2022 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 11/04/2022)

	2021A	Q1 2022A	Q2 2022A	Q3 2022A	Q4 2022E	2022E	2023E
Real global GDP (% y/y annualized)	6.2	-	-	-	-	3.5	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 November 4, 2022.

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

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

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral		Overweight
Energy				● (green)	
Utilities				● (green)	
Healthcare				● (green)	
Financials				● (green)	
Real Estate				● (green)	
Information Technology			● (yellow)		
Consumer Staples			● (yellow)		
Industrials			● (yellow)		
Materials		● (orange)			
Consumer Discretionary	● (red)				
Communication Services	● (red)				

*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.

Conference Board (CB) Index of Leading Indicators (LEI) Index is an American economic leading indicator intended to forecast future economic activity.

Institute for Supply Management (ISM) Index is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

Employment Cost Index is a quarterly economic series detailing the changes in the costs of labor for businesses in the United States economy.

First-Time Homebuyer Index and Housing Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.

S&P CoreLogic Case-Shiller U.S. National Home Price Index measures the change in the value of the U.S. residential housing market by tracking the purchase prices of single-family homes.

Conference Board (CB) Consumer Confidence Index reflects prevailing business conditions and likely developments for the months ahead.

University of Michigan's Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. Where cach month at least 500 telephone interviews are conducted of a contiguous United States sample.

MSCI China Index measures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

MSCI Russia Index is designed to measure the performance of the large and mid cap segments of the Russian market.

Important Disclosures

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

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