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Capital Market Outlook

December 21, 2020

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IN THIS ISSUE:

- Macro Strategy—Despite several years of overvaluation that would typically make the dollar prone to a correction, the greenback may simply suffer some further discoloration without necessarily surrendering its overvalued status on a trade-weighted basis.
- Global Market View—We thought it would be a good time to look back on the key lessons of an extraordinary year. 2020 is replete with teachable moments, and in that spirit, we've compiled the top 10 lessons of 2020.
- Thought of the Week—We introduce a scenario table which provides a rough indication of where the S&P 500 index's central tendency could be, given various scenarios for earnings per share (EPS) in 2022 and price-to-earnings (P/E) multiples.
- Portfolio Considerations—The bull market for equities continues in 2021, in our opinion, and investors should reassess their portfolio allocations early in Q1 to take advantage of this gateway year.

MACRO STRATEGY

Chief Investment Office Macro Strategy Team

GLOBAL MARKET VIEW

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

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THOUGHT OF THE WEEK

Niladri "Neel" Mukherjee
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Data as of 12/21/2020, and subject to change

MACRO STRATEGY

Dollar Discoloration

Chief Investment Office Macro Strategy Team

There is a general sense that the era of a strong dollar is coming to an end, but the resilience of the U.S. economy means that caution persists on betting against the greenback. Indeed, consensus expectations looking out 12 months signal about a 2% decline in the trade-weighted dollar, or about the same "discoloration" as projected one year ago. If so, the dollar could well remain overvalued despite some depreciation.

Overvalued But Not Across the Board. A look at 33 foreign currencies in terms of purchasing power parity with the dollar showed that the greenback was 11% overvalued on a trade-weighted basis in the third quarter 2020. A similar overvaluation is reflected in deviations for the trade-weighted dollar index around its long-term average. That overvaluation narrowed some through November, but it remained sturdy (Exhibit 1). However, the dollar is not overvalued against all currencies. Of the 33 units we looked at, the dollar is overvalued against 18, fairly valued against seven and undervalued against eight. For example, the U.S. dollar is overvalued against the Canadian dollar, the yen and the Norwegian and Swedish units—and against 14 emerging market units, including those from China, India, Taiwan, South Korea, Brazil, Chile, Mexico, Hungary and Turkey. The dollar is fairly valued versus the Australian dollar, the euro and the Hong Kong dollar but is undervalued against sterling, the Swiss franc and the New Zealand dollar.

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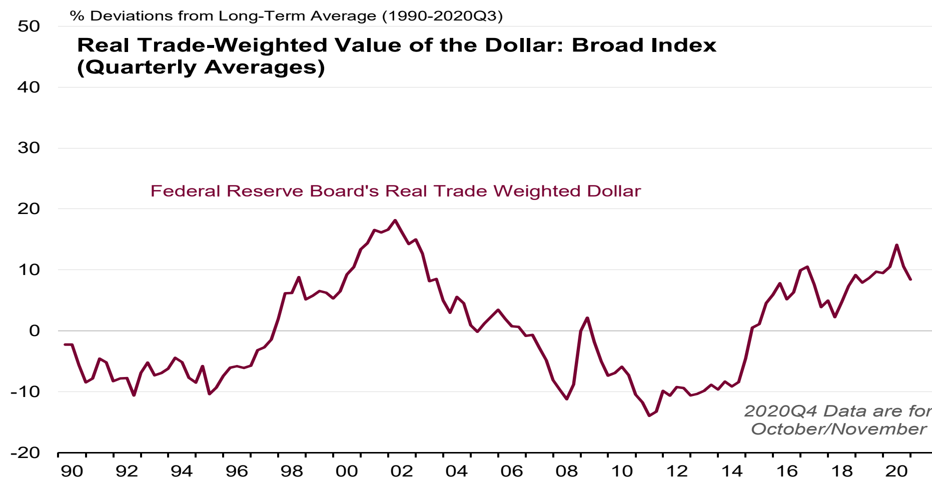
Exhibit 1: U.S. Dollar Is Still Overvalued.



Sources: Federal Reserve/Haver Analytics. Data as of December 1, 2020. **Past performance is no guarantee of future results.**

As a synchronized global expansion unfolds amid pandemic headwinds and vaccine tailwinds, the dollar has become a bit less overvalued. So far, it has shed slightly more than the viral bump that emerged when the pandemic first hit, and, in November, it was running about 2% below year ago levels, based on the Federal Reserve's (Fed's) trade-weighted dollar index. Yet it remains in the elevated trading range of the last six years.

Unisolated Explosions. The fight against renewed deflationary pressures that had begun in 2019 went full blast early this year with the widespread pandemic shutdowns. Central banks cut official interest rates to levels not seen since the 2008/2009 Global Financial Crisis and resumed or expanded their asset purchase programs—while government spending also exploded. The dual monetary and fiscal firepower explosion was not limited to the U.S. It was an unprecedented global response in order to avoid a spiral of fear and retrenchment that would cement deflation. The biggest economy in the world responded promptly and swiftly and, when viewed in the proper context, our response was within the range of responses seen in major economies.

A look at various central banks' balance sheets shows that their size relative to gross domestic product (GDP) at the end of the third quarter ranged from 27% for Canada to 532% for Japan. Indeed, the U.S. ratio of 133% was lower than for Sweden, the eurozone and Switzerland.

The U.S. also deployed a massive and well-rounded combination of fiscal initiatives to help get the economy back on track. The magnitude of fiscal support provided here and abroad is staggering and adds significantly to sovereign debt burdens. International Monetary Fund (IMF) data show overall public debt burdens shifting up across the board, but the IMF projects improvement in budget deficits relative to GDP in coming years that put the U.S. on an improving path, running right in the middle of the pack. Thus, the IMF also projects stabilization in public debt burdens, with the U.S. also running roughly in the middle of the pack, especially in terms of net public debt.

With the recurring pandemic and lingering disinflationary pressures, prolonged official support is necessary, in our view. More support may be needed until the vaccine has been widely administered, and the world economy attains a more solid footing. Global inflation trends remain generally subdued, and consensus expectations for major economies in particular remain very low, especially for Japan and the eurozone—about 1% or less, which also goes for several emerging Asian economies.

With the fall in global trade attending the shutdowns, our current account deficit widened to roughly 3.5% of GDP in Q3. Relative to GDP, the current account gap is much smaller than the 6%+ ratio seen during 2005-2006. A sustained deterioration could "discolor" the greenback somewhat. However, goods trade is currently rebounding. Moreover, though our services surplus remains impaired by weak global travel, the synchronized global expansion suggests that our surplus in investment income will help rein in the current account gap.

Synchronized Global Expansion. Consensus estimates show that, except for China, which expanded in 2020, most countries suffered bigger contractions than the U.S. Here, swiftly deployed fiscal and monetary cushions helped put the economy in a relatively better position to transition to sustainable growth—a position that is reinforced by the unparalleled flexibility of the U.S. economy and its labor market, along with the depth and breadth of its financial markets. Thus, while a synchronized global expansion likely supports diversification away from the dollar, the magnetism of dollar-based assets should remain potent enough to limit greenback discoloration.

The transition underway in global growth to a more sustainable pace is becoming slippery as apparent double-dip recessions emerge in the U.K. and the eurozone due to renewed pandemic restrictions. The pandemic is also a near-term headwind for the U.S. economy despite its resilience. Nonetheless, coronavirus vaccine optimism is beginning to show in slightly upgraded consensus expectations for growth here and in most of the rest of the world in 2021. Consensus Economics, Inc. projects global growth of 5.2% compared to -4.2% in 2020, with inflation holding at 2.8% both years. U.S. growth is seen at 4% in 2021, versus -3.6% this year, with inflation firming to 2% from 1.2% in 2020. U.S. growth would outpace Japan and Canada but lag a bit the eurozone—and some emerging economies. China and India are expected to lead with global growth of 8% and 10%.

These prospects augur some diversification away from the dollar, which is what consensus expectations for various foreign currencies versus the dollar suggest. They show a very tight range of appreciation—but not all currencies are expected to rise against the dollar. For example, consensus forecasts as of November 2020 show about 1% appreciation for the euro, the British pound, the yen and the Australian and New Zealand dollars, and about 1% declines for the Canadian dollar and the Swiss franc. The biggest uncertainty surrounds sterling, not surprisingly, while the commodity-linked Canadian dollar may well rise along with its peers. China's centrally-controlled currency is expected to rise by 1% to 2%, but some neighboring units are seen falling. In Latin America, decent currency appreciation is anticipated for Brazil, Peru and others, to be partly offset by a drop in Mexico's peso. A similar mix is expected for Central/East European currencies.

On balance, the dollar's backbone has not been broken by the explosion of fiscal and monetary firepower, which was not unique to the U.S.—and which has helped put the economy on track to attain more sustainable growth. The prospect of a successfully deployed vaccine brightens global growth prospects, including for the U.S. Some further discoloration of the greenback need not make it dull or cheap, in our view.

GLOBAL MARKET VIEW

What We Learned in 2020

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

Lauren J. Sanfilippo, Vice President and Investment Strategist

With this being the last Capital Market Outlook publication of 2020, we thought it would be a good time to look back on the key lessons of an extraordinary year. 2020 is replete with teachable moments, and in that spirit, here are our top 10 lessons of 2020.

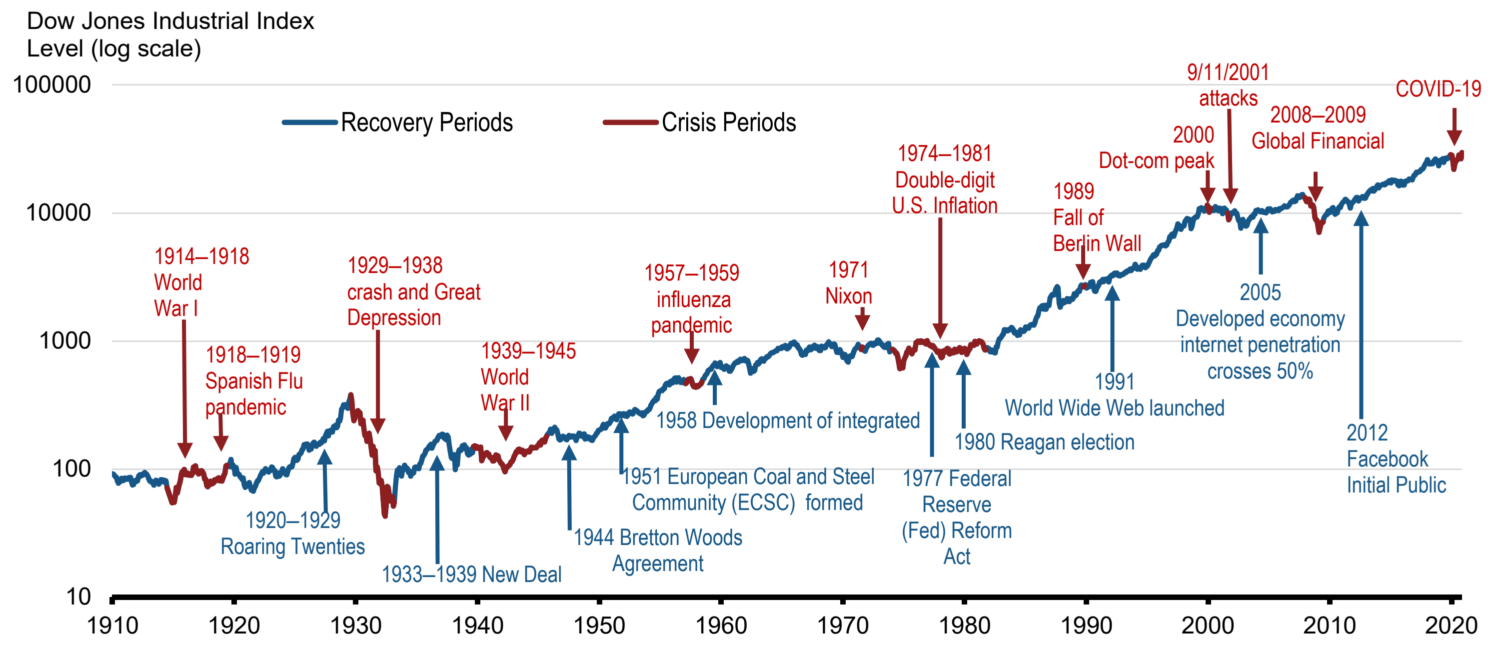
Lesson 1: All Crises Are Accelerants—And Coronavirus Is No Different.

Vladimir Ilyich Lenin—a Russian revolutionary, politician, and political theorist—once quipped that "there are decades when nothing happens, and then there are weeks when decades happen." That's what we think 2020 was in a nutshell.

Past crises or shocks often pull forward the future and give way to rejuvenated periods of growth, innovation and development (Exhibit 2). As we wrote earlier this year, "the early 20th century included a world war and a global flu pandemic. The 1930s saw an economic depression and military conflict on an even larger scale. The 1970s was a period of economic stagnation and high inflation. And the first decade of the new millennium brought the collapse of a stock market bubble, the rise of global terrorism and a financial crash. Crucially, each of these historical crisis periods was ultimately succeeded by an

economic revival, a more favorable investment environment and sustained price gains for equity markets."[1] The pandemic of 2020 will be no different.

Exhibit 2: Equity Markets and Historical Periods of Crisis and Recovery.



Sources: Chief Investment Office; Bloomberg. Data as of November 2020.

Lesson 2: Policy Makers Learned And Applied The Lessons Of History

Fortunately, policy makers took to heart one of the key lessons of the Great Financial Crisis: Go big and go fast when it comes to the policy response amid collapsing economic growth and cratering confidence in the capital markets. The pandemic's unprecedented shock to the global economy was matched by unprecedented policy responses from around the world. Think "double-barreled bazookas"—with policy makers (fiscal) and central banks (monetary) flooding the capital markets with trillions of dollars of liquidity as the coronavirus jumped borders. The numbers: America's stimulus (central bank + fiscal) totaled nearly 50% of GDP between February and December 2020. Ditto for the eurozone. Japan: 74.1% of GDP.[2] This spending not only contained the collateral damage from the pandemic-cum-global recession but was also instrumental in laying the foundation for a V-shaped global economic recovery.

Lesson 3: Health = Wealth

If we have learned anything from this pandemic, it's that health is a fundamental determinant to economic growth. The healthier the population, the stronger, more dynamic and competitive the economy. Sick nations, in contrast, are handicapped in terms of production, consumption and aggregate growth.

That said, it took a pandemic to expose the fragility of the global healthcare infrastructure. Global healthcare expenditures, according to the World Health Organization, have climbed steadily over the past two decades, reaching nearly $8 trillion in 2017 (the last year of available data). However, spending on global healthcare as a percentage of world GDP has barely budged, flatlining at around 9% to 10% over the past two decades. So even before the coronavirus hit, the world's healthcare infrastructure was straining at the seams. In the post-pandemic world, global healthcare expenditures are set to accelerate, a bullish prospect for world leaders in pharmaceuticals, diagnostic equipment, medical software/hardware, tele-medicine, and related medical goods and services.

[1] See "The New Frontier: A History of Economic Crisis and Recovery from 1918 to COVID-19," June 2020.
[2] Cornerstone Macro Research, December 15, 2020

Lesson 4: The "Commanding Heights" Now Belong To The Government

Ronald Reagan once said, "Government is not the solution to our problem. Government is the problem." Not anymore. Times have changed. Along with the rise of China, the unprecedented global healthcare crisis has swung the pendulum of control of the "Commanding Heights"—or the most important elements of the economy—back to the state, away from the markets. This seismic shift was underway before the crisis but has gained more momentum. There is rising bipartisan support for a U.S. industrial policy in such key sectors as aerospace, electronics, rare earth minerals, telecom, agriculture and other sectors deemed vital to national security. Similar strategies are currently being adopted overseas. Governments are becoming more actively involved in imposing conditions on which goods, services and technologies can be bought or sold, and which foreign partners are deemed trustworthy. The fostering of "national champions" is gaining traction. A global battle is currently brewing over data ownership and rights of privacy. Future market returns may increasingly be influenced by the delicate balance in who controls the "Commanding Heights."

Lesson 5: It's Too Soon To Write Off Globalization

Populism, protectionism and the pandemic are headwinds to a more integrated global economy and have sparked a debate about the risks of de-globalization. We are more sanguine. A more multilaterally minded President-elect Biden administration; "sticky" global supply chains; the stronger-than-expected rebound in global trade; and greater crossborder service activities as the world goes digital—all are signs that augur for greater globalization, not less. As we recently noted, there is no better example of globalization being alive and well than the Pfizer/BioNTech vaccine—the world's first coronavirus vaccine approved for mass use. As the *Financial Times* recently noted: "the vaccine was developed in Germany by the children of Turkish immigrants; tested in Germany, the U.S., Turkey, South Africa, Brazil and Argentina; manufactured in Belgium and first approved in the U.K."[3] We learned this year that globalization is malleable—it is changing, adjusting and mutating. It is far from dead—a bullish prospect for U.S. and global equities.

Lesson 6: U.S.-China Relations: Is This Time Different

There were glimmers of hope that U.S.-Sino relations would improve this year, buttressed by the signing of the Phase One trade deal in January 2020. The pandemic, however, only served to amplify the differences between the two nations in trade, technology, foreign investment and a host of geopolitical hot spots (Hong Kong, the South China Sea, etc.). We learned this year that it's different this time in our view—that the U.S. and China have entered an era of great power competition that will likely play out over the next few years, if not decades. The rivalry is considered significant given the global economic weight of the U.S. and China, their high degree of economic interdependence, and aftershocks to the rest of the world. Escalating tensions have the potential to increase market volatility and could put at risk numerous U.S. firms reliant on China for future earnings growth (and vice versa—Chinese firms doing business in the U.S. and elsewhere).

Lesson 7: Europe—More United Than Divided

When the pandemic struck early this year, Europe did what it does best: It dithered and became more divided in fashioning a policy response. Border restrictions among member states were erected in a confusing and uncoordinated way, growth declined, nationalism soared, and the risks of Europe collapsing skyrocketed. Thereafter, however, Europe's principal institutions—the European Commission, the European Council and the European Central Bank (ECB)—swung into action and crafted a number of pro-growth policies that stunned investors and even the most diehard Euroskeptics. To wit, the ECB stepped up its asset purchasing program; the Stability and Growth Pact's ceilings on debt, deficits and inflation were suspended; the European Investment Bank was given fresh funds; and topping it all off, the European Council agreed to a 750-billion-euro Next Generation European Union (EU) fund, including more powers for the European Commission to raise capital in the financial markets. The latter marks the most significant step toward an EU "transfer union" and was hailed as a Hamiltonian moment for Europe. Yes, there is a great

[3] See "Approval of COVID Vaccine is a big hurrah for science," Financial Times, December 3, 2020.

deal of work to be done in Europe, but the pandemic and fears of stretching intra-EU ties to the breaking point have passed. We learned this year that Europe is more united than divided—a bullish prospect for U.S. firms considering that more than half of U.S. global earnings (foreign affiliate income) emanates from Europe.

Lesson 8: Some Cuts Are Deeper Than Others

Early in the pandemic, and with the coronavirus mutating all over the world, coronavirus was described as the "great equalizer"—i.e., that everyone was at risk from the disease. In practical terms, that's true. In reality, it's not even close. The pandemic has taught that we're not created equal—some cuts are deeper than others.

Think of the front-line healthcare worker versus the work-from-home professional. Think of thousands of inner-city school children in Philadelphia with neither a computer nor the internet, rendering remote learning a cruel joke. Think of the mental health of a worker without healthcare versus one with healthcare. Think of the single mother, with children at home, who has to physically show up for work. Or the millions of workers (the majority women and ethnic minorities) who have lost their jobs due to cratering service activities. And think of the millions of people (some 88 to 115 million based on World Bank estimates) who will fall back into extreme poverty this year—the first time in twenty years the numbers have increased.

In a nutshell, the pandemic has exacerbated and exposed numerous inequalities, a lesson investors and policy makers ignored at their own peril.

Lesson 9: Climate Change Can Be Slowed

Something untoward happened when the world went into shutdown earlier this year: The skies in Delhi, one of the most polluted cities in the world, cleared, while in other parts of India, the majestic Himalayas became visible for the first time in decades. In China, another major global polluter, emissions dropped by roughly 25% at peak shutdown over March. In some of the largest cities in the world, like Delhi, Sao Paulo and New York, levels of fine particulate matter known as PM2.5 fell dramatically, by 25% to 60% in many cases. Nitrogen dioxide levels in northern Italy dropped by 40% beginning in early March. In Venice, meanwhile, the canal waters suddenly cleared in the absence of thousands of tourists thronging the city. When air travel came to a near halt (at one point, over 16,000 passenger jets were grounded worldwide) and global road transportation activity halved from the 2019 average, the world grew quieter, and the earth vibrated less, with seismometers around the world recording reductions in movement along Earth's crust.

The key point of all of the above: The pandemic and attendant shutdown of mankind serves as a telling lesson of the stresses and strains everyday human activity places on Mother Earth. The coronavirus did not halt climate change—greenhouse gas emissions are on the rise again—but it did demonstrate that the unrelenting rise in greenhouse gas emissions is not inevitable. The globetrotting coronavirus also illuminated how delicate and vulnerable Planet Earth is to ecological shocks. Heeding this lesson, mitigating climate risks remains a key objective of governments and corporations around the world, creating investment opportunities across a spectrum of industries—solar, wind, electrical vehicles, water, waste management, storage and distribution, and related activities.

Lesson 10: Never Bet Against America

The final lesson of 2020 is never bet against the dynamic, resilient U.S. economy—warts and all. Yes, the war against coronavirus has yet to be won—we are not out of the woods yet. In addition, the nation confronts a number of structural issues heading into 2021. But think how far we have come since the dark days of March and April, when the markets and economy were in a "free fall". As we close out the year, the S&P and other major indexes are hovering at all-time highs—a turn unimaginable back in the dark days of spring. The pandemic is a lesson on how adaptable the country is to extraordinary change—or to a once-in-a-century shock.

We end were we began: The key lesson/takeaway of Exhibit 2 is that history is always replete with crises and challenges, but these event risks are also opportunities for investors who can see the forest before the trees. History shows that markets and the economy tend to bend but not break. That's another way of saying stay long U.S. equities.

THOUGHT OF THE WEEK

Scenarios for the S&P 500 through 2022

Niladri "Neel" Mukherjee, Managing Director and Head of CIO Portfolio Strategy

Since the lows of the year on March 23, the S&P 500 has rallied 65%. Its forward price-to-earnings (P/E) ratio, (next 12-month basis) has risen to 22x from 14x. Meanwhile, consensus earnings estimates have risen to $177 for 2021 and $200 for 2022. There is some level of optimism being discounted in current equity prices for the economic normalization and earnings recovery expected broadly by investors, and, as such, a consolidation is likely in the near term. The table below provides a rough indication of where the S&P 500 index's central tendency could be, given various scenarios for earnings per share (EPS) in 2022 and P/E multiples.

These scenarios are not official price targets and are not meant to signal levels where portfolio actions may always be needed. However, during times of market volatility, it's useful to keep this basic framework in mind when deciding whether to incrementally add to or trim risk from portfolios while staying invested in one's strategic asset allocation framework.

Exhibit 3: S&P 500 Scenarios Based on Forward P/E and 2022 EPS.

		Forward P/E (Next 12 months)				
		17.0x	18.0x	19.0x	20.0x	21.0x
2022 EPS	$230	3,910	4,140	4,370	4,600	4,830
	$220	3,740	3,960	4,180	4,400	4,620
	$210	3,570	3,780	3,990	4,200	4,410
	$200	3,400	3,600	3,800	4,000	4,200
	$190	3,230	3,420	3,610	3,800	3,990
	$180	3,060	3,240	3,420	3,600	3,780
	$170	2,890	3,060	3,230	3,400	3,570

Note: These scenarios are not official price targets and are not meant to signal levels where portfolio actions may be needed. For illustrative purposes only. Forecasts are subject to change.
Source: Chief Investment Office. Data as of December 17, 2020. **Past performance is no guarantee of future results.**

Base case: The central tendency of the S&P 500 is currently around the 3,800 levels. This assumes current consensus 2022 EPS estimate of $200 and a forward multiple of 19x. We assume a rise in global growth as we move through 2021, vaccine deployment leads to the pandemic becoming less relevant in the second half of 2021, and interest rates likely moving higher moderately.

Upside scenario: It is likely that earnings estimates will move further higher for 2021 and 2022 as profit margins move back up toward pre-pandemic levels, nominal growth improves, and the dollar weakens. This could push the central tendency for the S&P toward the 4,000 range as earnings estimates move higher. In a more optimistic scenario, if multiples also expand (fund flows pick up more sustainably into equities, scarcity premium for stocks rises due to lack of yield and growth in other asset classes, sentiment moves higher into more optimistic levels) then a range of 4,200 - 4,400 is likely achievable.

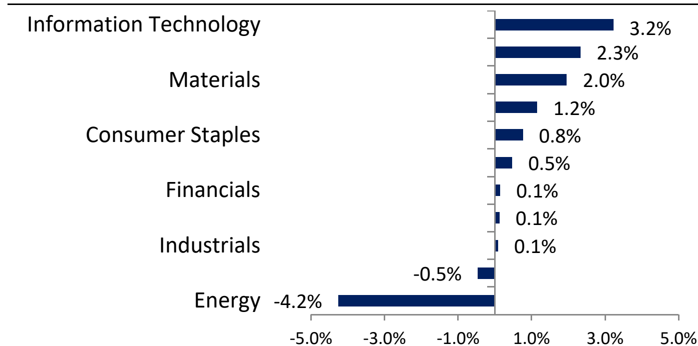
Downside scenario: If bond yields rise meaningfully, then valuation multiples may face headwinds. A slight decline in P/E puts the central case for the S&P at 3,600 levels, assuming earnings rise to levels expected currently. A lower probability scenario would be if earnings estimates for 2021/2022 also falter due to weaker-than-expected pent-up demand pull-through and an unexpected strength in the dollar. Then the central case for the S&P 500 could move lower to the 3,400 levels.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	30,179.05	0.5	2.0	8.2
NASDAQ	12,755.64	3.1	4.6	43.4
S&P 500	3,709.41	1.3	2.5	16.9
S&P 400 Mid Cap	2,287.26	2.2	5.6	12.7
Russell 2000	1,969.99	3.1	8.3	19.6
MSCI World	2,666.30	1.7	3.3	14.8
MSCI EAFE	2,131.59	2.0	3.8	7.0
MSCI Emerging Markets	1,268.36	0.9	5.3	16.1

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.12	-0.19	-0.38	8.42
Agencies	0.51	-0.08	-0.05	5.31
Municipals	1.08	0.12	0.49	5.08
U.S. Investment Grade Credit	1.17	-0.08	-0.22	7.12
International	1.82	-0.02	-0.28	9.10
High Yield	4.39	0.33	1.30	6.50

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.08	0.06	0.07	1.54
2 Year Yield	0.12	0.12	0.15	1.57
10 Year Yield	0.95	0.90	0.84	1.92
30 Year Yield	1.69	1.63	1.57	2.39

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	165.06	3.3	4.0	-4.0
WTI Crude $/Barrel††	49.10	5.4	8.3	-19.6
Gold Spot $/Ounce††	1881.35	2.3	5.9	24.0

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.23	1.21	1.19	1.12
USD/JPY	103.30	104.04	104.31	108.61
USD/CNH	6.52	6.54	6.58	6.96

Sources: Bloomberg, Factset. Total Returns from the period of 12/14/2020 to 12/18/2020. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/18/2020 close.

Past performance is no guarantee of future results.

Asset Class Weightings (as of 12/3/2020)

	Under-Weight		Neutral	Over-Weight	
Global Equities				●	
U.S. Large Caps Growth				●	
U.S. Large Caps Value				●	
U.S. Small Caps Growth				●	
U.S. Small Caps Value			●		
International Developed			●		
Emerging Markets	●				
Global Fixed Income					
U.S. Governments		●			
U.S. Mortgages		●			
U.S. Corporates				●	
High Yield		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
International Fixed Income	●				
Alternative Investments*					
Hedge Funds					
Private Equity					
Real Assets					
Cash					

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

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

Economic & Market Forecasts (as of 12/18/2020)

	2019A	Q1 2020A	Q2 2020A	Q3 2020A	Q4 2020E	2020E	2021E
Real global GDP (% y/y annualized)	2.9	-	-	-	-	-3.6	5.4
Real U.S. GDP (% q/q annualized)	2.2	-5.0	-31.4	33.1	5.0	-3.5	4.6
CPI inflation (% y/y)	2.3	1.5	0.6	1.4	1.2	1.2	2.1
Core CPI inflation (% y/y)	2.3	2.1	1.2	1.7	1.6	1.7	1.8
Unemployment rate (%)	3.5	3.8	13.0	8.8	6.8	8.1	5.7
Fed funds rate, end period (%)	1.55	0.08	0.08	0.09	0.13	0.13	0.13
10-year Treasury, end period (%)	1.92	0.67	0.66	0.68	0.90	0.90	1.50
S&P 500 end period	3231	2585	3100	3363	3250	3250	3800
S&P earnings ($/share)	163	33	28	39	38	138	165
Euro/U.S. dollar, end period	1.12	1.10	1.12	1.17	1.18	1.18	1.25
U.S. dollar/Japanese yen, end period	109	108	108	105	103	103	100
Oil ($/barrel, avg. of period, WTI**)	57	46	29	40	44	40	47

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics.

Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

A = Actual. E/* = Estimate. S&P 500 represents the year-end target for 2020 and 2021. **West Texas Intermediate.
Sources: BofA Global Research; GWIM ISC as of December 18, 2020.

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Index Definitions

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

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

Conference Board Employment Trends Index™ (ETI) is an aggregate of eight labor-market indicators that shows underlying trends in employment conditions.

Personal Consumption Expenditure Index (PCE) measures is the component statistic for consumption in gross domestic product collected by the United States Bureau of Economic Analysis. It consists of the actual and imputed expenditures of households and includes data pertaining to durable and non-durable goods and services.

Russell 2000 Index is a small-cap stock market index.

Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 90% of the total market capitalization of that index.

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