

CHIEF INVESTMENT OFFICE

# Capital Market Outlook

March 21, 2022

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

## IN THIS ISSUE

### Macro Strategy—*The U.S. Dollar in the Wake of Unprecedented Economic Sanctions:*

The U.S., the European Union and other nations responded to the Russia-Ukraine crisis by imposing unprecedented economic sanctions against Russia that leverage the U.S. dollar's status as the primary global reserve currency.

The use of sanctions does not come without consequences. Investors are increasingly concerned that the aggressive use of dollar-based sanctions could accelerate the adoption of alternatives to the global dollar network, helping to dilute the dollar's hegemony and fundamentally changing the strategic investment landscape. What is the outlook for the U.S. dollar in the near term, and is the dollar's reserve currency status at risk?

**Market View—*Taking Stock of the Rip-Roaring '20's:*** The Rip-Roaring '20s have been event-driven and action-packed, bookended by a pandemic and a conflict in Europe, with soaring inflation sandwiched in the middle. Markets will remain choppy and volatile in the near term, with our portfolio tilt toward inflation and geopolitical hedges/opportunities.

We are shifting from an era of geopolitics based on conventional military might to geoeconomics—whereby foreign security goals and national interests are fought not only with tanks, missiles and submarines but also markets, currencies and commerce.

**Thought of the Week—*For Gold, It's About Balance:*** Portfolio diversification implies maintaining a careful balance aimed at mitigating volatility, particularly during times of uncertainty. With the prospect of higher- and longer-than-expected price pressures, how monetary authorities balance these worries with economic growth concerns, should they become more prominent, would be key,

From this standpoint, several factors may be supportive for a tactical position in gold.

## MACRO STRATEGY ►

### Jonathan W. Kozy

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## MARKET VIEW ►

### Joseph P. Quinlan

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## THOUGHT OF THE WEEK ►

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## MARKETS IN REVIEW ►

Data as of 3/21/2022,  
and subject to change

### Portfolio Considerations

We continue to prefer high quality across the board, areas of solid dividend growth, and low earnings variability. We reaffirm our positive view on Equities relative to Fixed Income with a preference for U.S. Equities relative to International. Maintain diversification across and within asset classes as volatility remains elevated. For qualified investors, we currently see favorable opportunities for select Hedge Fund strategies, and we believe Private Credit strategies should benefit from the concerns of higher interest rates, as many of these investments are more credit- than interest rate-sensitive.

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## The U.S. Dollar in the Wake of Unprecedented Economic Sanctions

Jonathan W. Kozy, Managing Director and Senior Macro Strategy Analyst

### Q&A: U.S. Dollar Outlook

**What is the near- and medium-term outlook for the dollar?** The U.S. dollar is considered a “safe-haven” currency and benefits from risk-off sentiment related to elevated geopolitical risk. Year-to-date, the Bloomberg Dollar Spot index, a trade and liquidity weighted index, is up over 2%.<sup>1</sup> Forward-looking economic growth differentials, which previously favored the dollar over the euro, were also amplified because Europe is more economically exposed to the Ukraine crisis. Upside risk to domestic inflation is also pressuring the Federal Reserve (Fed) to raise rates faster, favoring the dollar on an absolute and relative basis. We expect elevated geopolitical risk to remain supportive of the dollar in the near term, but valuations are a medium-term headwind for the dollar, and we continue to see dollar strength eventually giving way to valuations.

**Why is the U.S. dollar considered a “safe-haven” currency?** The U.S. dollar’s hegemony is a product of geoeconomic power. Economic size, existing networks/alliances, deep and liquid capital markets, technological supremacy, military might, fiscal responsibility, and sound governance—all are tangible, measurable properties that are viewed favorably by the foreign exchange market participants, according to various empirical studies.<sup>2</sup> Transparency, predictability, trust, credibility and forward guidance are also key metrics for central banks, multinational corporations and individuals to gauge confidence in a sovereign currency. The U.S. has been historically dominant across most of these factors, but certainly has a growing set of vulnerabilities and threats. Fiscal responsibility and the aggressive use of sanctions are two examples of emerging vulnerabilities.

**Why is dollar hegemony important for investors?** The U.S. dollar’s status as the primary global reserve currency has been called an “exorbitant privilege,”<sup>3</sup> as has provided the U.S. with several competitive advantages and tools in the macroeconomic and international-relations arenas. These benefits include the ability to finance twin (current and fiscal account) deficits at lower rates, to use dollar-based sanctions as a tool for economic statecraft, to leverage the international transactions infrastructure for financial intelligence, and to be the global liquidity provider of last resort. Because of the depth and breadth of information that goes into foreign exchange market pricing, currency status can also broadly be viewed as a proxy for economic power, a real-time economic scoreboard. Larger shares of central bank reserves and cross-border trade allocated to dollars, and foreign exchange trading using the dollar as a base currency, are all votes of confidence.

Reserve and transactional dominance form the backbone of the U.S. economic sanctions power that is clearly on display in Russia, with obvious investment implications. The rest of the world depends on the dollar-based system to purchase a number of critical resources. The U.S. Treasury Department, through its Office of Foreign Assets Control (OFAC), can sanction banks and individuals to blacklist them from the dollar-based system. Countries can also experience non-punitive effects of dollar dominance. For example, during the 2008 Great Financial Crisis (GFC), the interbank markets and dollar lending shut down, and China could not trade with neighbors.

**How do sanctions put the U.S. dollar’s status at risk?** From other countries’ perspectives, dependency on the dollar is a significant vulnerability, and the recent sanctions make that even more apparent. The Chinese economy, for example, represents a growing share of global trade and more than a quarter of global nominal gross domestic product (GDP) over the last five years, yet most of its trade is transacted in dollars. Globally, the dollar represents 55% of central bank reserves versus just 2.5% for China, while the large majority of international transactions that run through the Society for Worldwide Financial Telecommunication (SWIFT) system are in U.S. dollars or euros.<sup>4,5</sup> And the dollar also takes the lion’s share of foreign exchange trading. Broadly speaking, the rest of the world has to access the U.S. banking system or use dollars to participate in the global economy. *Bottom line:* The dollar is an Achilles’ heel for China, Russia and other countries that are susceptible to loss of access to the dollar system to pay for critical resources. This provides enormous incentive for an alternative.

<sup>1</sup> Bloomberg. Data as of March 16, 2022.

<sup>2</sup> Barry Eichengreen, Arnaud Mehl & Livia Chitu, *How Global Currencies Work: Past, Present, and Future*, Princeton University Press, 2019.

<sup>3</sup> Quote is attributed to French finance minister Valéry Giscard d’Estaing referring to the U.S. ability to run persistent balance of payment deficits, 1960.

<sup>4</sup> International Monetary Fund, March 16, 2022.

<sup>5</sup> Over 70%, according to Bloomberg data as of March 16, 2022.

### Investment Implications

Elevated geopolitical risk and still above trend growth is supporting the U.S. dollar in the near term, particularly versus the euro. We continue to expect near-term strength to eventually come under pressure from valuations over the next few years.

**China is trying to side-step the global dollar-based system through internationalization of the Chinese renminbi (RMB). Will this work?** It's not something that can happen overnight and the dollar still has enormous advantages. China's currency internationalization efforts are aimed at diluting or sidestepping the U.S. dollar's advantage. It is building trade relationships through its Belt and Road Initiative, expanding its sovereign debt offerings, engaging in currency swap arrangements, and building a competitor to the dollar-based SWIFT system for cross-border payments, called the Cross-border Interbank Payment System (CIPS). More recently, engaging Saudi Arabia to accept RMB for oil sales is part of this effort.

However, there is more to gaining reserve currency status than just setting up a parallel transactions system. While much has been written about the technical and macroeconomic requirements for the RMB to challenge the U.S. dollar's reserve currency status, transparency, predictability, trust, credibility, and forward guidance are other key metrics for central banks, multinational corporations, and individuals to gauge the investment attractiveness of an economy or sovereign currency. The macro-level environmental, social and governance (ESG) sentiment that is gaining traction highlights the importance of these less tangible features and are significant headwinds for the RMB and others.

Economic size matters less than it used to because of this. A reserve-worthy economy needs to be relatively large for a number of reasons, but China's growing economic size does not preordain it to overtake the dollar. Indeed, by traditional economic metrics like GDP, economic size may be losing its luster as a gauge of economic might and reserve currency attractiveness. This was a key takeaway from a recent International Monetary Fund (IMF) report on "Reserve Currencies in an Evolving International Monetary System"<sup>6</sup> and is relevant to RMB internationalization. China has shown that size does not matter in the absence of key technical features, like deeper, open capital markets.

Trust and credibility are also key factors. "Money is a social and legal construct underpinned by trust," according to a recent Fed white paper.<sup>7</sup> Credibility is most apparent in the debt markets. In an effort to build both parallel and intrusive RMB-based networks to internationalize its currency, China is building its debt offerings and trade relationships through its Belt and Road Initiatives and other multilateral and unilateral trade initiatives, but many of these RMB-based infrastructure deals have been rooted in corruption and lack debt transparency (for example, lending in Uganda in 2015).

On the U.S. side, efforts abroad will be lost if the U.S. loses the trust of its international partners, and much of that trust and credibility lies with governance (the "G" in ESG). The relative strength of the dollar is rooted in its trust and foundational U.S. values, including economic freedom, rule of law, sound democratic infrastructure, and human rights protections. Academic studies (Bordo and Rousseau 2006) find these values "are positively associated with financial deepening and development." This does not look good for China's efforts for financial deepening.

Inertia and network effects favor the U.S. International currencies are most useful when other countries, financial institutions, multinational corporations and consumers use them. From this perspective, the U.S. dollar has a significant advantage. The dollar has been the preferred global reserve currency for nearly a century, according to some experts, with its prevalence partly rooted in its extensive network of alliances, partnerships and trade relations. The crisis in Ukraine is reinforcing some inertial and network effects with allies and partners.

**Could China's Central Bank Digital Currency (CBDC) help it gain a greater share of global reserves?** Technology has historically played prominently in currency evolution. Technology can lower the cost of switching currencies and eliminate some of the advantages the U.S. has from inertia. China's development of a CBDC could help it avoid the correspondent banking system since digital currency cross-border payments are essentially cash payments. It is both a vulnerability and an opportunity for the Fed to maintain relevance and efficiency in delivering stable value and liquidity.

China could also ultimately use its CBDC to entice emerging markets (EM) or rogue regimes into transacting in RMB. Importantly, a digital version of a currency that lacks transparency, rule of law, or more technical features adds value only in speed and lower cost. The Fed, through its CBDC research and own information operations, is likely considering the role of CBDCs in maintaining the dollar's role as the dominant cross-border currency.

<sup>6</sup> International Monetary Fund, "Reserve Currencies in an Evolving International Monetary System" November 17, 2020.

<sup>7</sup> Cheng, Jess et al. "Preconditions for a General-Purpose Central Bank Digital Currency." *The Fed – Preconditions for a General Purpose Central Bank Digital Currency*, Federal Reserve, 24 February 2021.

## Taking Stock of the Rip Roaring '20's

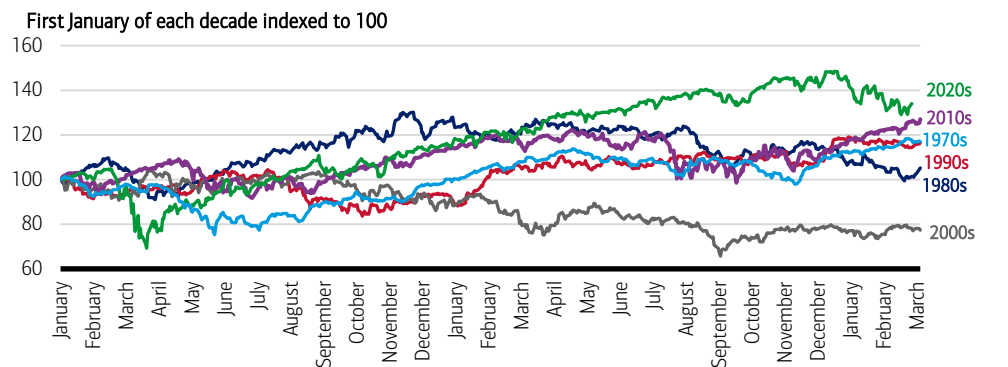
Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Vladimir Lenin's quote "There are decades when nothing happens, and there are weeks where decades happen" could not be more apropos then right now. It's early in the decade, but, in the span of just over two years, the world economy has been stricken by a pandemic and challenged by a military conflict in the heart of Europe. In between these bookends: soaring inflationary pressures reminiscent of the 1970s.

Through this maelstrom, the S&P 500 has charged higher, rising 35% from the start of the decade, well ahead of comparable periods of history (Exhibit 1). Looking under the hood, basic metals and the energy complex have led the way in terms of market returns since the pandemic struck, underpinned by soaring global demand, inadequate supplies, and the attendant boost in prices and earnings. The laggards—like airlines, casinos and gaming, office real estate investment trusts (REITs), to name a few—have been stricken by coronavirus-related restrictions and shutdowns, although today's laggards could be tomorrow's leaders as the pandemic fades to an endemic and a peaceful resolution emerges out of Ukraine.

**Exhibit 1: Returns Over January 1 Through March 16 of the Third Year For Each New Decade.**



All decades reflect S&P 500 price returns over January 1, 2022 through March 16, 2022. Source: Bloomberg. Data as of March 16, 2022. **Past performance is no guarantee of future results. It is not possible to invest directly in an index.**

Taking the long view, we are reminded of the fact that major historical turning points are nearly always accompanied by fundamental shifts in the economy. For instance, sweeping economic protectionism emerged alongside the Great Depression and helped lay the foundation for World War II. The latter, in turn, triggered a frenetic pace of innovation and productivity, and brought record numbers of women into the labor force. The Oil Shock of the early 1970s altered the geopolitical landscape between oil producers and consumers. 9/11 ultimately entangled the U.S. in decades of costly wars. The GFC heralded a new era of populism and antiestablishment sentiment fueled by widening inequality.

On it goes. Investors can be forgiven for feeling like the pace of history is accelerating. In many cases, it is. The pandemic-cum-Ukraine crisis has accelerated the pace of the global energy transition, with an even greater urgency today to not only secure reliable supplies of traditional energy sources but to also help lock in renewable alternatives (nuclear, solar, wind, etc).

Back-to-back crises have also fast-forwarded the shift toward regionalization. The world economy is being cleaved into three separate spheres: an Asian bloc, with China out front; a U.S.-led North American bloc, encompassing North American Free Trade Agreement (NAFTA) partners Mexico and Canada; and a European bloc nominally headed by the primary institutions of the European Union. In this tri-polar world, the primary objective is to gain greater self-sufficiencies in critical inputs like semiconductor chips, energy resources, strategic metals and minerals, and military capabilities.

In this world, investors should not expect U.S. firms to pack up and depart Asia and Europe. Rather, firms will likely build out or maintain supply chains/operations in each sphere. That means

### Portfolio Positioning

We've maintained our overweight to global Equities through the tumult of the pandemic to the conflict in Eastern Europe, with a geographic preference all along for the U.S. versus non-U.S. Equities. Our preference is for areas that best align with the macro rotations including energy stocks levered to resource intensity and the decarbonization transition, but also Commodities and stocks that more generally benefit from rising real asset prices.

more global trade and capital expenditure spending, with Intel's recent plans to invest nearly \$90 billion in Europe's semiconductor industry a case in point. This follows the firm's plans to spend \$7 billion on a new chip packaging facility in Malaysia and \$20 billion on a mega-plant chip plant in Ohio. It's a tri-polar world, and firms that can best leverage the resources of all three spheres will be positioned to post upside earnings.

Finally, the last two years have seen the rise of geoeconomics—or the use of economic instruments to promote and defend geopolitical objectives. The trend started with the Trump administration's tariffs against China but became more pronounced as coronavirus hammered the global economy, and vaccine protectionism spread around the world. Economics as a means of combat has gone into overdrive with the conflict in Ukraine, with Western sanctions against Russia—cutting off Russia's largest banks from SWIFT, freezing the assets of the central bank, blocking access to technology, spare parts, etc., and confiscating the property of Russian oligarch's.

The upshot: We are shifting from an era of geopolitics based on conventional military might to geoeconomics—whereby foreign security goals and national interests are fought not only with tanks, missiles and submarines but also markets, currencies and commerce.

### Investment implications: Think FAANG 2.0

We introduced our FAANG 2.0 thesis a few weeks ago, and continue to believe that given the welter of crosscurrents at home and overseas, these key segments of the markets—fuels, aerospace and defense, agriculture, nuclear/renewables, and gold/metals/minerals—are best positioned for upside gains in the near and medium term, or the rip-roaring '20s (Exhibit 2).

Given the tectonic shifts underway, we remain overweight Energy, continue to favor Defense, including cybersecurity, are bullish on agricultural commodities, favor nuclear and other alternative renewables supplies, and believe in exposure to gold and other base metals and minerals. That said, we continue to favor large-cap, profitable technology. The acceleration of history is always driven by technology and innovation, and their disruptive tendencies. Today is no different.

### Exhibit 2: FAANG 2.0.

<b>F</b> (fuels)	Geopolitical tensions, strong demand, constrained supplies, underinvestment—a number of factors will keep energy prices elevated over the medium term. Despite the outperformance of the Energy sector year-to-date (YTD), the sector still accounts for just 3.7% of the S&P 500 market cap, well below a 13.4% weighting in 1990.
<b>A</b> (aerospace)	Defense stocks have outperformed the broader market YTD by 16% <sup>8</sup> amid expectations that heightened geopolitical tensions could lead to greater military spending. Germany has pledged twice its annual defense budget; the U.K. and others made less-specific pledges. At minimum, North Atlantic Treaty Organization (NATO) requires each member to contribute more than 2% of GDP by a 2024 deadline. Defense spending is also climbing in Asia; spending on cybersecurity will remain in a secular upswing.
<b>A</b> (agriculture)	The planet will need to produce more food in the next four decades than in the past 8,000 years. The Food and Agriculture Organization's (FAO) Food Price Index hit an all-time high in January 2022. Equipment shortages, higher input costs, climate challenges and burgeoning demand from the EM middle class all suggest more upside earnings potential for the global agricultural complex. Ditto for the expected decline in agricultural exports from Russia and Ukraine. Russia supplies about 20% of world wheat exports; Ukraine supplies about 10%, according to the FAO.
<b>N</b> (nuclear and renewables)	Nuclear energy has the highest capacity factor of any energy source, producing reliable, carbon-free power more than 92% of the time—twice as reliable as coal (40%) or natural-gas (56%) plants and almost three times more than wind (35%) and solar (25%) plants. <sup>9</sup> Renewable energy use increased as the pandemic induced major declines in all other fuels in 2020. Long-term contracts, ongoing installation of plants and priority access to the grid underpin renewables growth. <sup>10</sup>
<b>G</b> (gold and metals/minerals)	Viewed as a "safe haven", gold prices are up over 6% in 2022 and posted the best February since 2016, underscoring worries over inflation and war. The Electric Vehicle (EV) transition will be mineral-intensive. A typical EV requires six times the mineral inputs of a conventional car, according to the International Energy Agency. The high mineral intensity required for batteries could imply 40 times the current lithium demands by 2040. <sup>11</sup>

Sources: Chief Investment Office. Data as of 3/21/2022 except where otherwise noted.

<sup>8</sup> S&P Aerospace and Defense Sub Industry vs. S&P 500 Index. YTD as of March 18, 2022.

<sup>9</sup> The U.S. Department of Energy, March 23, 2021.

<sup>10</sup> IEA, Global Energy Review 2021.

<sup>11</sup> IEA, The Role of Critical Minerals in Clean Energy Transitions, 2021.

## For Gold, It's About Balance

Rodrigo C. Serrano, Director and Senior Investment Strategy Analyst

Because it has no income stream, gold's place as a strategic holding in portfolios may argue for a pessimistic outlook, characterized by prolonged political and economic instability. Additionally it could suggest a forecast calling for a sustained period of declining real interest rates. This environment is not our base case. Nevertheless, portfolio diversification implies maintaining a careful balance aimed at mitigating volatility, particularly during times of uncertainty. From this standpoint, several factors may be supportive for a tactical position in gold.

Despite the benchmark nominal 10-year U.S. Treasury yield rising over 2.10% recently, the market's inflation forecast over this time frame, identified by the Breakeven Rate, has ascended at a quicker pace, essentially reducing the real interest rate. Following its historical behavior in relation to this development, gold has risen, interrupting a long-standing downtrend (Exhibit 3).

Resulting in an imbalance, the economic normalization since the coronavirus pandemic has resulted in bottlenecks for the supply side, unable to keep up with demand. While economic growth has surged, a side effect has been elevated inflation, which has dampened consumer confidence in the U.S. Likely exacerbating these harmful trends is the Ukraine/Russia conflict, risking a further commodity price shock if commercial disturbances become prolonged. Notably affecting Europe, analysts' estimates for lower economic growth and higher inflation have been sharper, presenting the risk of stagflation there.

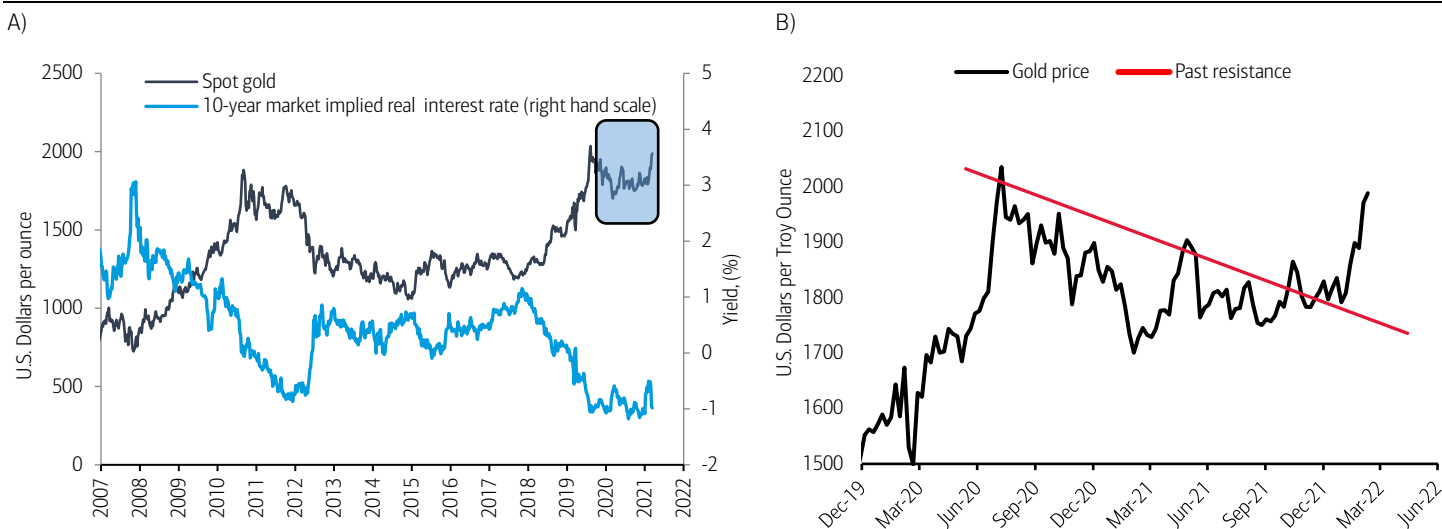
With the prospect of higher- and longer-than-expected price pressures, how monetary authorities balance these worries with economic growth concerns, should they become more prominent, would be key, in our view. Ambivalence over adherence to their price-stability mandate could help un-anchor longer-term inflation expectations, weigh on real interest rates and the value of fiat currencies including the U.S. dollar, and spur investors to seek assets that maintain their value, such as gold.

Conversely, the shiny metal also faces notable headwinds. In his latest congressional testimony, Fed Chairman Jerome Powell implied that the Fed would act firmly to contain inflation. A majority of the European Central Bank governing council recently voiced a similar sentiment. Meanwhile, falling geopolitical tensions would reduce uncertainty and risk-aversion by investors, allowing the global economy to continue to normalize from the coronavirus pandemic and gain positive momentum, also helping boost real interest rates.

### Portfolio Considerations

Rising uncertainty may favor some tactical exposure to the yellow metal, which over the past 30 years has exhibited low correlation with both Equities and Fixed Income. While not anticipated, rising concerns over the longer-term economic outlook may raise investor doubts about the ability of policymakers to follow through tightening monetary policy at the risk of harming growth prospects further. Potentially destabilizing longer-run inflation expectations, real interest rates may come under downward pressure, benefiting gold.

**Exhibit 3: Generally, Gold And Real Interest Rates Have An Inverse Price Relationship. Spurred by Geopolitical Concerns, The Yellow Meta Has Also Been Broken Above Technical Resistance.**



Chief Investment Office, Bloomberg. Data as of March 11, 2022. Exhibit B enhances shaded box in Exhibit A.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,754.93	5.5	2.7	-3.9
NASDAQ	13,893.84	8.2	1.1	-11.1
S&P 500	4,463.12	6.2	2.1	-6.1
S&P 400 Mid Cap	2,705.81	5.3	1.8	-4.5
Russell 2000	2,086.14	5.4	2.0	-6.9
MSCI World	3,010.59	6.0	1.2	-6.6
MSCI EAFE	2,156.76	5.6	-0.8	-7.3
MSCI Emerging Markets	1,122.98	3.5	-4.0	-8.6

Fixed Income†

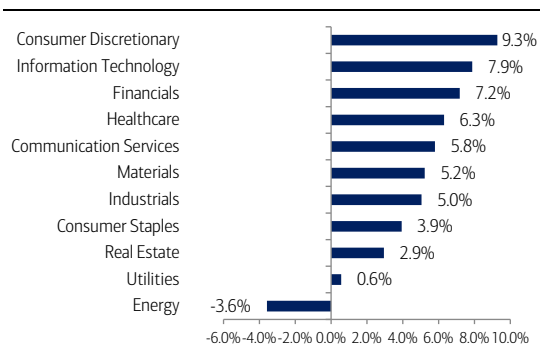
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	2.68	-0.32	-2.14	-5.65
Agencies	2.21	-0.63	-1.48	-3.35
Municipals	2.27	-0.51	-1.85	-4.88
U.S. Investment Grade Credit	2.72	-0.39	-1.98	-5.16
International	3.50	0.59	-2.26	-7.44
High Yield	6.13	0.51	-1.38	-5.06
90 Day Yield	0.37	0.36	0.29	0.03
2 Year Yield	1.94	1.75	1.43	0.73
10 Year Yield	2.15	1.99	1.83	1.51
30 Year Yield	2.42	2.35	2.16	1.90

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	263.62	-2.4	7.7	24.5
WTI Crude \$/Barrel††	104.70	-4.2	9.4	39.2
Gold Spot \$/Ounce††	1921.62	-3.4	0.7	5.1

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2020 Year End
Currencies				
EUR/USD	1.11	1.09	1.12	1.14
USD/JPY	119.17	117.29	115.00	115.08
USD/CNH	6.37	6.36	6.31	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 3/14/2022 to 3/18/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/18/2022 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 3/18/2022)

	2021A	Q1 2022E	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.0	-	-	-	-	3.6
Real U.S. GDP (% q/q annualized)	5.7	1.0	3.5	2.5	1.8	3.3
CPI inflation (% y/y)	4.7	8.0	8.4	7.4	6.0	7.4
Core CPI inflation (% y/y)	3.6	6.3	5.6	5.1	4.5	5.4
Unemployment rate (%)	5.4	3.8	3.5	3.3	3.2	3.5
Fed funds rate, end period (%)	0.07	0.38	0.88	1.38	1.88	-

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 March 18, 2022. 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.

Asset Class Weightings (as of 3/1/2022)

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					

CIO Equity Sector Views

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

\*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 March 1, 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 Equity 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.

**Bloomberg Dollar Spot index** tracks the performance of a basket of 10 leading global currencies versus the U.S. Dollar.

**Food and Agriculture Organization's (FAO) Food Price Index** is a measure of the monthly change in international prices of a basket of food commodities.

## Important Disclosures

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

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Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

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The currency market affords investors a substantial degree of leverage, which provides the potential for substantial profits or losses. Such transactions entail a high degree of risk and are not in the best interest of all investors. Currency fluctuations may also affect the value of an investment.

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