CHIEF INVESTMENT OFFICE

Capital Market Outlook

March 29, 2021

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

IN THIS ISSUE:

- Macro Strategy—Aggressive fiscal and monetary stimulus is lifting the U.S. economy out of the current 4% nominal gross domestic product (GDP)/secular-stagnation trap, with estimates for 2021 and 2022 nominal gross domestic product growth now into the 6% to 10% range. If nominal growth continues to move higher and higher, zero interest rates could become more and more stimulative and inconsistent with well-anchored inflation expectations.
- Global Market View—We've drafted our four picks that we suspect will likely provide support to markets and the economy over the balance of the year, with the greatest potential upside surprises around the 1. consumer recovery, 2. capital expenditures (CAPEX) outlook, 3. ongoing coronavirus vaccine rollout, and 4. supportive monetary and fiscal policy. The confluence of these factors underpins our outlook— and while certainly not our base case, we've included some potential upsets to each pick.
- Thought of the Week—Traditional energy is significantly outpacing clean energy in 2021, but headwinds for renewables could prove to be transitory in light of longer-term supportive trends.
- Portfolio Considerations—This month we adjusted our sector views by raising Energy, which was balanced by a move lower in Technology and a downgrade to Consumer Staples. We reaffirm our positive view on equities relative to fixed income and expect participation to broaden across sectors, regions and styles.

MACRO STRATEGY

Chief Investment Office
Macro Strategy Team

GLOBAL MARKET VIEW

Lauren J. Sanfilippo
Vice President and Investment Strategist

THOUGHT OF THE WEEK

Niladri Mukherjee
Managing Director and
Head of CIO Portfolio Strategy

Emily Avioli
Assistant Vice President and
Investment Strategist

Data as of 3/29/2021, and subject to change

MACRO STRATEGY

Helicopter Money Delivers Escape Velocity

Chief Investment Office, Macro Strategy Team

After two decades of roughly 4% average nominal GDP growth, the U.S. economy is poised to achieve "escape velocity" from the secular-stagnation trap. Four percent nominal growth kept the U.S. on the edge of the debt-deflation cliff that the U.S. fell over in the 1930s. It kept inflation expectations and actual inflation below the Federal Reserve's (Fed's) ostensible target of 2%. It kept investors risk averse, and favored defensive investments like utility stocks that generally thrive in a low interest rate, scarce growth environment. It was also an ideal environment for growth stocks that benefited from both low rates and a wider differential between their double-digit growth trajectories and the paltry expansion in the overall economy.

That paradigm ended with the aggressive policy response to the pandemic. It's been a year since the U.S. stock market began its unprecedented ascent, when the first

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

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

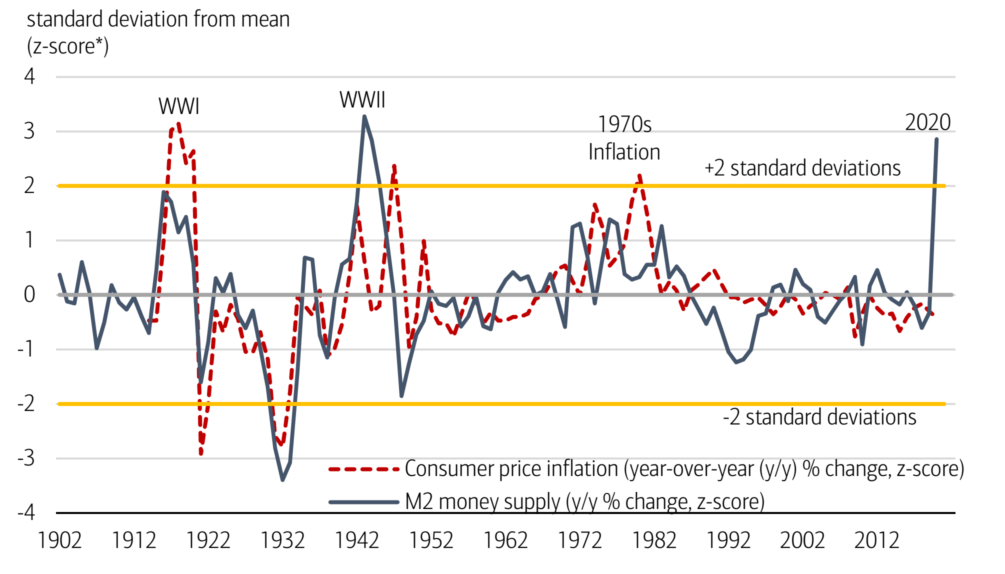
Please see back page for important disclosure information. 3514910 3/2021

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")—$2.2 trillion—was signed into law by President Trump on March 27, 2020. That bill included $300 billion one-time cash payments to individuals who had submitted tax returns, with most single adults receiving $1,200 and families with children receiving more. In addition, it authorized a similar amount in increased unemployment benefits.

Flash forward nine months, and a second CARES Act—$0.9 trillion—was signed into law by President Trump, with $600 checks for most individuals and an extension of enhanced jobless benefits. Finally, less than three months later, the new Biden administration signed another $1.9 trillion—American Rescue Plan Act of 2021—stimulus package that provided $1,400 payments to individuals and further extended supplemental unemployment benefits. All told, about $5 trillion of fiscal stimulus has been approved, with much of it boosting the economy in 2021 and 2022.

Not since WWII has the U.S. experienced such an aggressive fiscal stimulus amounting to over 20% of GDP in such a short time span. As during WWII, the bulk of this deficit is being financed by Fed money creation (Exhibit 1). For example, in early March 2021, the Treasury deposited $250 billion in individual accounts as the first wave of the latest stimulus checks were sent out. The Treasury had over $1 trillion in its deposit at the Fed from security sales that have mainly been purchased by the Fed. When the money moves from the Treasury account into the banking system, new monetary base is created that gets multiplied into the M2 money supply illustrated in Exhibit 1. This "helicopter money" has expanded money-supply growth by about three standard deviations above its underlying trend, a surge not seen since WWII, the last time such big deficits were financed by Fed money printing.

Exhibit 1: Money Supply Growth Now Similar To WWII.



*z-score (also called a standard score) gives you an idea of how far from the mean a data point is. Sources: Bureau of Labor Statistics; Federal Reserve Board/Haver Analytics. Data as of February 1, 2021. Past performance is no guarantee of future results.

Prior to this surge, money growth and inflation in the previous two decades were generally below trend, as shown in Exhibit 1, helping to explain why the Fed constantly fell short of its inflation target. There is a lot of resistance to the historical fact that "inflation is always and everywhere a monetary phenomenon." For example, it's common to use Japan's experience of the past several decades as a counterexample to this fact because interest rates in Japan have been nailed to the floor for the past three decades, presumably reflecting easy monetary policy. Yet, Japan has not had rapid money growth during this time and its nominal GDP growth has been near zero since 1990. Venezuela and Zimbabwe, on the other hand, have had explosive money growth and hyperinflation despite

the conventional wisdom that globalization, technology, and other structural forces for deflation have supposedly made higher inflation unlikely.

The three other times money-supply growth surpassed one standard deviation above trend were: 1. WWI, 2. WWII, and 3. the 1970s. In each case, nominal GDP growth ran at or above 10% for a while until money growth was reined in. This helps explain why Larry Summers —American economist—recently said in an interview that the U.S. is facing “a pretty dramatic fiscal-monetary collision.” Thus, it should not be a surprise that the consensus outlook for U.S. nominal GDP growth has rapidly moved up from the 4% secular-stagnation pre-pandemic view toward a potential 10% growth outlook after the latest coronavirus-related stimulus bill.

Exhibit 2: Nominal GDP Outlook Approaching 10%.

Blue Chip Economic Indicators Consensus Forecast for 2021

as of:	Nominal GDP	Real GDP	Consumer Price Index
Jan 2020 (before CARES Act)	4.0	1.9	2.0
June 2020 (after CARES Act)	5.5	4.0	1.7
Jan 2021 (after December stimulus bill)	6.0	4.2	2.0
Mar 2021 (American Rescue Plan Act)	7.9	5.7	2.4

Source: Blue Chip Economic Indicators Data as of March 20, 2021. Past performance is no guarantee of future results.

The markets are struggling with the uncertainty created by this more than doubling of U.S. GDP growth. In a 4% secular-stagnation world, zero interest rates were consistent with contained inflation. In a world of 10% nominal GDP growth, zero interest rates will likely stoke accelerating inflation and economic overheating. This helps explain the difference between the inflation aftermaths of WWI versus WWII. After WWI, inflation dropped quickly from 2 standard deviations above trend (over 10%) to 2 standard deviations below trend (severe deflation) as monetary policy adapted rapidly to a non-wartime setting. After WWII, the Fed continued to hold rates at very low, wartime settings, until the Treasury-Federal Reserve Accord in March 1951. As a result, double-digit nominal growth and high inflation persisted until rates were allowed to rise more in line with nominal GDP after the Accord. This illustrates the eventual showdown that’s likely to develop, as Larry Summers has warned describing the current fiscal policy as “the least responsible” in 40 years.

For investors, this uncertainty over how long highly inflationary fiscal and monetary policy will be tolerated will remain a source of volatility for the next year. The economy is likely to keep surprising to the upside until the Fed curbs the floodgates of liquidity. Debates among Fed officials are likely over how much excess inflation to tolerate. Eventually, a debate over the 2% target is likely as Modern Monetary Theory proponents argue for a higher target and more inflation tolerance much as the academic world did with the Phillips Curve theory in the 1960s that set the stage for the 1970s stagflation.

For now, the market seems to be accepting the Fed at its word. Breakeven inflation rates in the Treasury Inflation Protected Securities (TIPS) market have moved up above 2.5% for the next five years but are below that for longer maturities, in line with the view that the U.S. central bank will slow inflation after it runs moderately above the 2% target for a while. This is an encouraging sign that the market is currently not concerned that the Fed will tolerate a protracted period of excessive inflation and risk that inflation expectations come unanchored, as in the 1970s.

As Larry Summers is warning, however, the market’s complacency about inflation is likely to be surprised to the upside over the next year if past experience with comparable money growth and fiscal deficits is any indication. The Fed’s monetization of such large deficits runs the risk of igniting double-digit inflation unless it is curbed in time. Without the Fed monetizing the ballooning debt, the Treasury would need to raise taxes and slow spending while financing more debt in the private market, pressuring interest rates even higher.

The surge in the growth and inflation outlook over the past year has forced a rotation out of the defensive and high-growth beneficiaries of the old secular-stagnation environment when nominal GDP struggled to maintain its 4% average pace. In a 6% to 10% nominal GDP growth world, higher interest rates and faster near-term growth favor Small-cap, cyclical value stocks and inflation hedges like commodity stocks. If inflation rises and expectations drift higher, the dollar is likely to suffer over the longer term, much as it did in the 1970s.

One consequence of excessive stimulus is a shorter economic expansion as the Fed moves sooner to normalize rates and prevent inflation from rising persistently higher. The unusually long expansion cycles of the 1980s, 1990s and post Great Financial Crisis period reflected the "great moderation" in inflation and lack of overheating that causes protracted Fed tightness. The big fiscal deficits of the past year are much more stimulative and suggest a more stop and go environment going forward. For investors, this new world means a more proactive approach to tactical asset allocation is likely to be necessary.

GLOBAL MARKET VIEW

Four Supports for 2021: Consumer, Vaccines, CAPEX and Policy

Lauren J. Sanfilippo, Vice President and Investment Strategist

We've drafted our four picks that we suspect will likely provide support to markets and the economy over the balance of the year. While expectations of a broad-based economic expansion are mounting, we view the greatest supports and potential upside surprises around the consumer recovery, CAPEX outlook, ongoing coronavirus vaccine rollout, and supportive monetary and fiscal policy. The confluence of these factors underpin our outlook—and while certainly not our base case, we've included some potential upsets to each pick.

1. Consumer Recovery

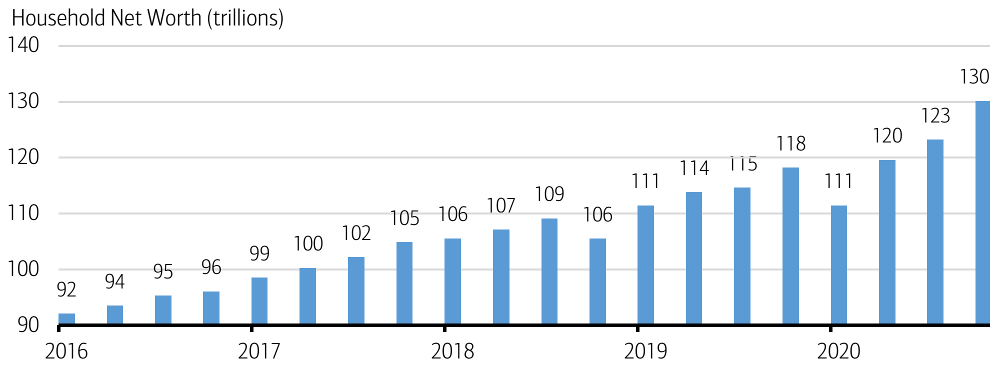
Backing the consumer is a historically high rate of personal savings (13.6% for the month of February[1]), a rebound in wage and salary income, healthy household balance sheets, improving employment data, and a housing and equity market boom, lifting consumer net worth to all-time highs. We expect households' balance sheets (across income levels) to continue to rise in 2021 on the back of government transfer payments and tax refund checks, helping to fuel consumer spending and underpin the pent-up demand cycle we see unfolding this year. Unprecedented levels of household net worth will likely drive spending for discretionary goods and services among high-income households, while government transfer payments and improving job prospects will support spending among lower-income households.

The numbers speak for themselves. While disposable income in 2020 was 7% higher than in 2019 (impressive for a recession), the value of American's assets minus liabilities, or household net worth, reached an all-time high in the fourth quarter of 2020, swelling to $130 trillion (an increase of 10% over the same time last year) and up from $118 trillion at the end of 2019 (Exhibit 3).

Spending will continue to remain strong for a variety of reasons, but we highlight—Relief, Revenge and Reunion spending—1. Relief spending in the form of dining out or returning to in-person shopping; 2. Revenge spending, or taking the time off employees never took in 2020 for vacations—think hotel and leisure; and 3. Reunion spending—spending on planes and trains to see friends and family (encouraging to see Transportation Security Administration (TSA) screened 1.36 million travelers—a level last seen in mid-March of 2020, against a low of 875,000 in April).

[1] Personal Savings Rate for the month of February, Source: Bureau of Economic Release, data as of March 26, 2021.

Exhibit 3: A Great Deal of Dry Powder: Household Net Worth Reaches $130 Trillion.



Source: Federal Reserve. Data through Q4 2020 and as of March 2021.

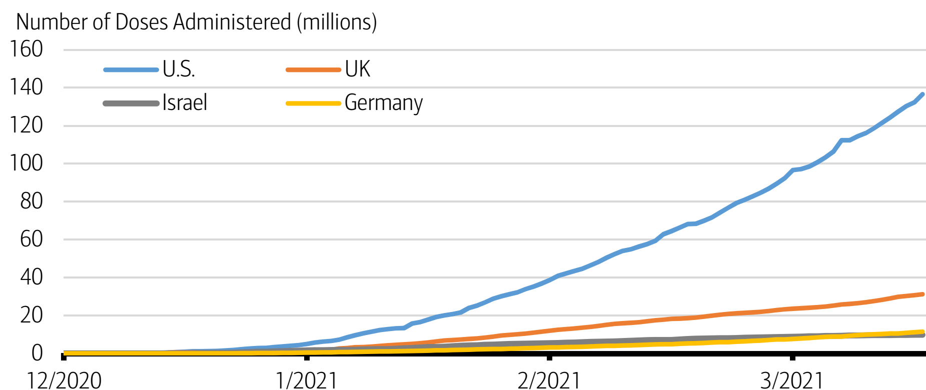
The Upset: From 6.2% in February 2021, we expect the unemployment rate to fall to 4.5% by fourth quarter 2021. While labor force participation sits 1.9 percentage points lower than its pre-crisis high of 63.4%, a major impairment to consumer confidence and higher spending would be a weaker-than-forecast jobs market.

2. Coronavirus Vaccine Rollout

While early best-case estimates put the vaccine rollout somewhere late in 2021, the first shots were developed and approved before the end of 2020—a stunningly fast timeline. This success is thanks to private sector innovation around vaccine development and distribution, and generous government spending on finding a vaccine at "warp speed." End to end, it can take years—if not decades or ever—to develop effective vaccines with the public-private partnership accelerating the cycle this time.

As this rollout churns forward, the U.S. has successfully administered over 138 million doses with 33% of the U.S. population (18 years of age or over) vaccinated with one dose and another 17.9% fully vaccinated, according to the Centers for Disease Control and Prevention. The rates are even better for more vulnerable individuals, with 43.8% of Americans over the age of 65 fully vaccinated. Running at a clip of 2.5 million-plus a day leaves most countries trailing, with wide variations in the speed of vaccinations around the world (Exhibit 4). The largest disparity of all: While the U.S. economy reopens, countries such as Italy, Germany and the U.K. have once again gone into shutdown.

Exhibit 4: Scoring a Jab: Coronavirus Vaccine Doses Administered.



Source: Bloomberg. Data as of March 24, 2021. Short term shown to illustrate more recent trend.

The Upset: Although current vaccines data are showing optimistic efficacy against new strains, several coronavirus variants are known to be circulating worldwide, and some are considered "highly transmissible," affecting the path the virus could take. Because the market has largely

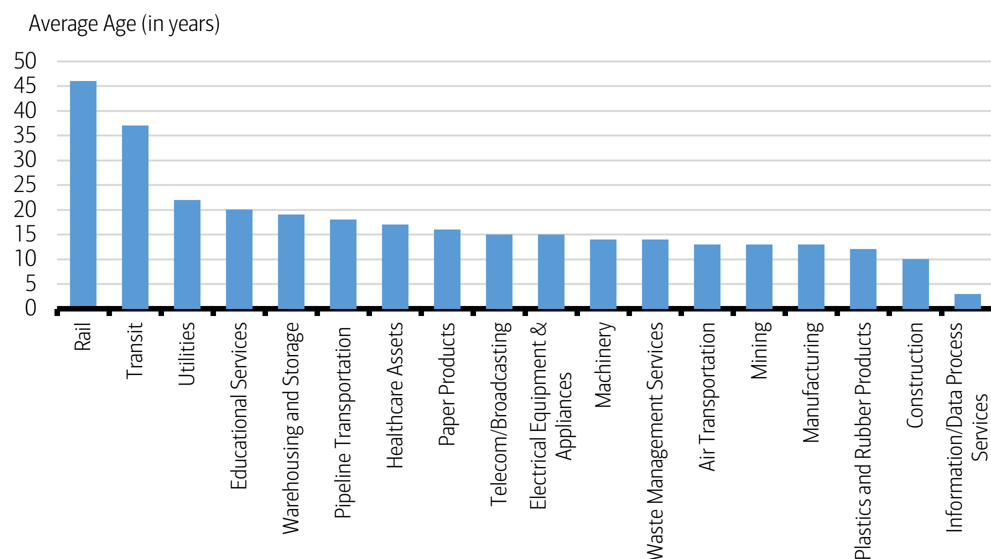
priced in positive vaccine news, we'd view any negative virus data as an upset for the market as we continue to roll out jabs.

3. CAPEX Outlook

While there's much said about consumer spending, less is said about business spending, which in our view, could deliver its own boost to growth. From August through January, orders for capital goods posted the strongest six-month annualized growth rate dating back to 1992. Since the starting point matters, it's worth pointing out the coronavirus CAPEX-related decline was shallower than most expected, and the recovery has been quicker. Sitting on corporate balance sheets for S&P 500 companies,[2] total cash holdings and short-term investments, grew to $2.2 trillion, with the Technology and Industrial sectors the most cash-flush, according to Bloomberg.

The pandemic and its aftermath support a new cycle of business investment. New orders for non-defense capital-goods orders ex-aircraft reached a new high in January, on a clear upswing since April 2020. This coincides with the Business Roundtable CEO Confidence survey suggesting CAPEX plans are to rise sharply in 2021. "New-economy" CAPEX levered to the digital component of the economy is set to continue rising over this year. This means new investment in telecom and data processing services as examples of "new economy" alongside the machinery and transit hallmarks of "old economy" all in need of replacement (Exhibit 5). In addition, any of the supply chain reconfiguration and onshoring buzz complement the outlook, as does, of course, the U.S. infrastructure bill crafted in Washington. As we have outlined before, we believe the U.S. is on the cusp of a super-cycle in infrastructure spending, which will be highly supportive of rising levels of CAPEX spending.

Exhibit 5: Average Age of Private Fixed Assets.



Source: Bureau of Economic Analysis. Data through 2020.

The Upset: A hike in corporate taxes, a watered-down infrastructure bill, widening trade protectionism among U.S. trading partners—these variables converge to sap confidence among U.S. CEOs, likely dampening CAPEX spending.

4. Double-Barreled Policy Support

"One for the ages" is the only way to describe the pandemic policy response from Washington, with both the Fed and Congress going big and fast over the past year. The

[2] Excluding financials.

recently signed $1.9 trillion—American Rescue Plan Act of 2021—stimulus plan is in addition to the $3 trillion in fiscal spending last year. Thus far, lawmakers have enacted six major bills, costing about $5.3 trillion, roughly 25% of GDP. The Fed's balance sheet, meanwhile, has blown out to nearly $8 trillion, up sharply from roughly $4 trillion pre-pandemic.

All of the above has stoked concerns of rising inflation, although the Fed's Summary of Economic Projections for March showed most Fed officials do not expect rate hikes this year or next with four of 18 officials forecasting a possible rate increase in 2022. And while market observers have been obsessing over the 10-year's recent rebound in yields, even after the recent move higher, yields are still very low from a historical perspective (Exhibit 6). By year end, BofA Global Research targets the 10-year yield at 2.15%[3] and expect rates to move in this higher uptrend but at a slower pace than to date. Until then, the massive spending in combating the pandemic will help generate U.S. real GDP growth in excess of 7% this year, one of the strongest levels of annual growth in decades.

Exhibit 6: Crowd Goes Wild: 10-Year at 1.59.

Source. Bloomberg. Data as of March 25, 2021. Past performance is no guarantee of future results.

The Upset: The economy overheats owing to too much stimulus; inflation tremors force the Fed to rethink monetary policy, triggering volatility in the U.S. credit markets and spooking investors.

Investment Implications

These four factors will help support the grind higher in equities over 2021, but the path may be choppy as the capital markets navigate the crosscurrents of robust real growth and upside earnings surprises on the one hand, versus rising inflationary concerns on the other. We continue to position portfolios for a more reflationary environment, favoring exposure to Industrials, Financials, Energy, Small-caps and emerging markets, while remaining diversified among Growth and Value factors. While overweight the Technology sector, we favor industries and themes associated with the CAPEX cycle like digitization, cloud computing and cybersecurity.

Addressing the "old economy" infrastructure, the Biden Administration plans to spend a few trillion on America's aging infrastructure. Whether the president receives his entire infrastructure package remains to be seen, but the odds favor some deal by the end of the year. In terms of asset allocation, this means gaining more exposure to infrastructure-related industrial companies and leaders in renewables as an energy source.

And lastly, the surprise to the upside around consumer spending led by the vaccine rollout and pent-up demand cycle will be a catalyst for stronger-than-expected consumer spending.

[3] BofA Global Research forecast.

So think more demand for recreational activities, transportation, and those industries aligned to travel and entertainment. In the end, the U.S. economic expansion is poised to broaden out, supporting our base case that assumes choppy growth through 2021 and 7% growth for full year 2021.[4]

THOUGHT OF THE WEEK

Renewables have the Power for a Comeback

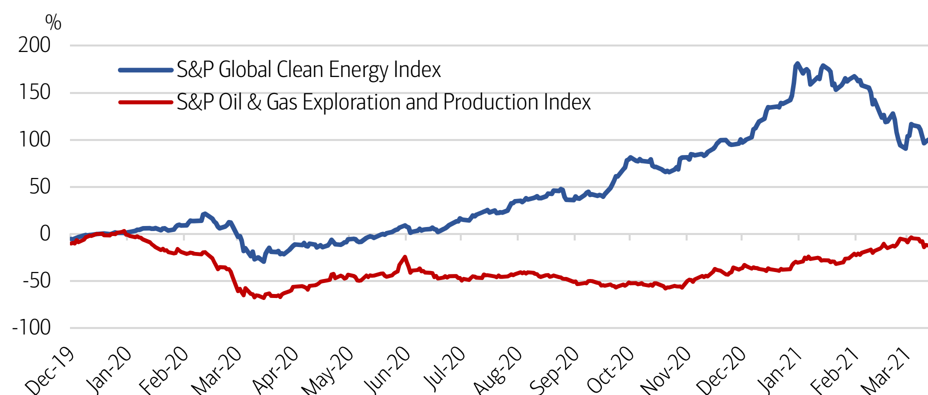
Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

Emily Avioli, Assistant Vice President and Investment Strategist

The share prices of traditional energy companies have been on a tear this year (S&P Oil & Gas Exploration and Production Index is up 36% year to date[5]) compared to the renewable sector. Clean energy started to outperform in mid-2020, backed by increased interest in environment, social and governance (ESG) investing and anticipation of a more accommodative White House and Congress in 2021. Improved cost efficiencies provided a potential tailwind, as electricity costs from utility-scale solar photovoltaics fell to $0.07 per kilowatt-hour (kWh) and the global weighted-average levelized cost of energy for onshore wind fell to $0.05 per kWh in 2019, while the cost range for fossil fuel-fired power generation was $0.05-$0.18.[6] But the positive trend turned sour early this year as the S&P Global Clean Energy Index, which was up +138% in 2020, is down -20% year to date.[7]

The move lower in recent weeks could be attributed mainly to a broader rotation out of secular growth areas due to a rise in interest rates and inflation expectations, and profit taking following the 2020 run-up in valuations. Momentum in traditional energy, in part fueled by anticipated demand increases on the heels of economic reopening, has also detracted from interest in renewables this year.

Exhibit 7: Clean Energy Has Underperformed Thus Far While Traditional Energy Has Soared.



Source: Bloomberg. Data as of March 24, 2021. Short term performance shown to illustrate more recent trend. Past performance is no guarantee of future results.

While volatility will likely prevail in clean energy names, recent headwinds may prove to be transitory. A supportive policy backdrop could add to growth prospects, as the new administration has pledged substantial future spending to fight climate change and is likely to press ahead with a green-focused infrastructure bill later this year. The transition to clean energy is building steam globally, as evidenced by China's recent pledge to be

[4] BofA Global Research forecast.

[5] Bloomberg, data as of March 24, 2021.

[6] International Renewable Energy Agency, "Renewable Power Generation Costs in 2019."

[7] Bloomberg, data as of March 24, 2021.

carbon neutral by 2060.[8] Cost efficiencies in renewables could continue to attract investment, and the U.S. Energy Information Administration projects that renewables will be the leading source of primary energy consumption by 2050.[9]

Adding it all up, clean energy is well positioned to catch up to its traditional counterpart as the global economy and its energy production and consumption patterns are reshaped in its favor in the long-run.

[8] Statement by H.E. Xi Jinping President of the People's Republic of China At the General Debate of the 75th Session of The United Nations General Assembly. September 2020.

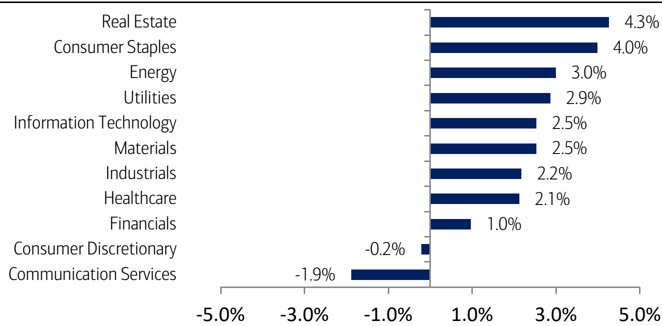
[9] U.S. Energy Information Administration, "International Energy Outlook 2019."

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,072.88	1.4	7.1	8.6
NASDAQ	13,138.72	-0.6	-0.4	2.1
S&P 500	3,974.54	1.6	4.4	6.2
S&P 400 Mid Cap	2,626.57	0.5	5.3	14.2
Russell 2000	2,221.48	-2.9	1.0	12.7
MSCI World	2,814.86	0.7	3.4	5.0
MSCI EAFE	2,217.82	-0.6	2.5	3.7
MSCI Emerging Markets	1,307.48	-2.2	-2.2	1.6

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.50	0.43	-1.43	-4.17
Agencies	0.76	0.16	-0.50	-1.41
Municipals	1.17	0.41	0.61	-0.35
U.S. Investment Grade Credit	1.58	0.35	-1.15	-3.28
International	2.28	0.51	-1.88	-4.81
High Yield	4.35	0.63	-0.12	0.58

	Current	Prior Week End	Prior Month End	2020 Year End
90 Day Yield	0.02	0.00	0.03	0.06
2 Year Yield	0.14	0.15	0.13	0.12
10 Year Yield	1.68	1.72	1.40	0.91
30 Year Yield	2.38	2.43	2.15	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	179.63	-0.5	-1.3	7.8
WTI Crude $/Barrel††	60.97	-0.7	-0.9	25.7
Gold Spot $/Ounce††	1732.52	-0.7	-0.1	-8.7

Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.18	1.19	1.21	1.22
USD/JPY	109.64	108.88	106.57	103.25
USD/CNH	6.54	6.51	6.48	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 3/22/2021 to 3/26/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/26/2021 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 3/2/2021)

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

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Economic & Market Forecasts (as of 3/26/2021)

	Q2 2020A	Q3 2020A	Q4 2020A	2020A	Q1 2021E	Q2 2021E	2021E
Real global GDP (% y/y annualized)	-	-	-	-3.2	-		5.8
Real U.S. GDP (% q/q annualized)	-31.4	33.4	4.1	-3.5	7.0	10.0	7.0
CPI inflation (% y/y)	0.4	1.3	1.2	1.2	1.8	3.6	2.9
Core CPI inflation (% y/y)	1.3	1.7	1.6	1.7	1.4	2.1	1.9
Unemployment rate (%)	13.0	8.8	6.7	8.1	6.2	5.3	5.2
Fed funds rate, end period (%)	0.08	0.09	0.09	0.09	0.13	0.13	0.13
10-year Treasury, end period (%)	0.66	0.68	0.91	0.91	1.70	1.85	2.15
S&P 500 end period	3100	3363	3756	3756	-	-	3800
S&P earnings ($/share)	28	39	42	140	36	40	165
Euro/U.S. dollar, end period	1.12	1.17	1.22	1.22	1.20	1.18	1.15
U.S. dollar/Japanese yen, end period	108	105	103	103	105	104	106
Oil ($/barrel, avg. of period, WTI**)	29	40	44	40	58	64	60

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 2021. **West Texas Intermediate.
Sources: BofA Global Research; GWIM ISC as of March 26, 2021.

BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation.

Index Definitions

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

S&P 500 Total Return 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.

Consumer Price Index is an index of the variation in prices paid by typical consumers for retail goods and other items.

S&P Oil & Gas Exploration & Production Index represents the oil and gas exploration and production sub-industry portion of the S&P Total Markets Index.

S&P Global Clean Energy Index is designed to measure the performance of 30 companies from around the world that are involved in clean energy-related businesses, comprising a diversified mix of clean energy production and clean energy equipment and technology companies.

U.S. Treasury 10-Year Index is a one-security index comprising the most recently issued 10-year U.S. Treasury note or bond.

Important Disclosures

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

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

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

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

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

All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Stocks of small-cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments, and yields and share price fluctuations due to changes in interest rates.

Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

© 2021 Bank of America Corporation. All rights reserved.