CHIEF INVESTMENT OFFICE

Capital Market Outlook

March 30, 2020

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

IN THIS ISSUE

- **Macro Strategy**—The reaction of global markets and economies to the coronavirus pandemic is a window into the future as "the singularity" approaches. Accelerating technological change based on exponential growth in data generation, analysis and response times is moving the world closer to "the singularity", where change is so fast that centuries happen in seconds. Warp speed is the "new normal" as the virtual economy swamps the old economy.
- **Global Market View**—The market dislocations from the "double whammy" of COVID-19 and the oil price shock were unprecedented. Thankfully, the Federal Reserve (Fed) has been up to the task, and managed to accomplish in a matter of days what took months in 2008; the market already seems to be starting to recover.
- **Thought of the Week**—The U.S. dollar is a real-time indicator of global financial stress and deflationary forces. It remains one of our key indicators to wach. Persistent dollar weakness could be confirmation that deflationary forces and funding pressures are abating and global growth is looking to make a turn. As an example, it peaked in March 2009, coincident with the bottom in the S&P 500.
- **Portfolio Considerations**—We prefer equities over fixed income as valuations in bonds are at extreme levels. With Treasury yields still close to historically low levels, oil prices correcting aggressively, and investor sentiment in equities at previous crisis levels, we would have long-term plans ready to re-risk (rebalance) portfolios back to strategic and tactical targets as the bottoming process in equity markets unfolds over the coming weeks. There are five signs to watch to help determine the bottoming process, in our view:

  1. Capital needs to flow freely. This is being addressed by the various facilities put in place by the Fed and Treasury. We are watching credit improvement and liquidity in the daily funding markets.
  2. The relationship between stocks and bonds needs to shift back to a somewhat normal inverse relationship.
  3. Volatility as measured by the Chicago Board Options Exchange (CBOE) Volatility Index (VIX) needs to recede when the markets are experiencing down days.
  4. Strength of the U.S. dollar needs to slow down and crest.
  5. News flow regarding the virus and the overall economy/corporate profits begin to slow and be ignored by the broader market.

MACRO STRATEGY

Chief Investment Office Macro Strategy Team

GLOBAL MARKET VIEW

Matthew Diczok
Managing Director,
Fixed Income Strategist

David T. Litvack
Managing Director,
Tax Exempt Investment Strategist

THOUGHT OF THE WEEK

Jonathan Kozy
Director and Senior Macro Strategist

Data as of 3/30/2020 and subject to change.

3017179 3/2020

Potential Strong Fundamentals Create Basis for Strong Recovery

Chief Investment Office Macro Strategy Team

The global reaction to the coronavirus shock is unprecedented compared to past epidemics, and comparisons with past economic crises fall short because prior recessions were not deliberately engineered in the public interest. Never before have major economies been deliberately shut down to bring a health crisis to manageable proportions so that health care systems are not overwhelmed and loss of life is minimized. Never before has the economy flipped so quickly from broad-based strength to unprecedented decline. Never before have equities fallen so much so fast and then rebounded so sharply. Never before has such a well-tailored and extensive policy response been applied in such a compressed period of time. This has not happened before because the information and technology infrastructure did not exist to assess and respond to a budding global health crisis so quickly.

The flip side of this unprecedented collapse in economic activity and financial markets is an unprecedented monetary and fiscal policy response tailored to address the speed and scope of this planned stoppage in economic activity. Not only is it the biggest stimulus package since World War II, it is designed to be deployed rapidly to address a "10-12 week scenario" of economic shutdown, according to Treasury Secretary Mnuchin, one of its key architects (Exhibit 1). If the shutdown lasts longer, more will come, he says. In the meantime, the administration is preparing to "*publish criteria, developed in close coordination with the nation's public health officials and scientists with respect to continued risks posed by the virus.*" Each county in the U.S. will then be assigned a federal category of "high risk," "medium risk," and "low risk," according to data-driven criteria. This will allow "low-risk" areas of the country to reopen first in a staged rollout likely beginning in the next few weeks.

Exhibit 1: Biggest fiscal stimulus ever meant to deal with a "10-12 week scenario." More to come if needed.

Estimate of major provisions in the CARES Act in billions of dollars.

Provision	Cost ($ billion)
Rebates to individuals	290
Small businesses	376
Loan forgiveness	349
Loan subsidies	17
Emergency Economic Injury Disaster Loan (EIDL) grants	10
Corporate tax relief	232
Payroll grants to airlines/cargo/contractors	32
Exchange Stabilization Fund (ESF) loans/loan guarantees/investments	500
Airlines/cargo	29
Businesses important to national security	17
Fed Section 13 (3) 2008 lending facilities	454
Unemployment insurance	250+
Coronavirus relief fund	150
Appropriations	340
Hospitals/veterans care	117
Federal Emergency Management Agency (FEMA) disaster fund	45
Department of education	31
Supplemental Nutrition Assistance Program (SNAP) & child nutrition	25
Strategic national stockpile	16
Vaccines/therapeutics & other medical	11
Department of Defense (DoD)	11
Other	85
TOTAL	**2170**

Source: Ways and Means Republicans, Senate Republicans, and Cornerstone Macro. As of March 27, 2020. Note: Section 13(3) in 2008 to extend credit to all eligible borrowers within a particular class of nonbank financial firms or to a particular segment of financial markets.

The contour of the crisis is shaped around the pandemic curve, which has been defined first in Asia. According to research from FundStrat on March 24, "*Italy appears to be apexing on COVID-19 as both new cases and deaths are now lower two consecutive days. It means it took Italy 43 days from first case to peak case and 12 days after implementing the strictest travel restrictions. 43 days was exactly the same amount of time as it took South Korea to reach its apex. And if such is the case, the U.S. would be 14 days behind Italy.*" This raises the possibility of rolling reopenings throughout the second half of April.

China is ahead in this process and is expected to be back to normal conditions in the next month after deep cutbacks comparable to those currently happening in the U.S. and Europe. While domestic activity is close to being restored in China, the hit to the rest of the world will restrain its growth rate because it is heavily export-dependent. However, within the next few weeks, the rest of the world should be where China is today.

Europe is lagging the world in its response because of the lack of a centralized approach. As in the Great Financial Crisis, the European Union's fiscal approach is scattered and the needed monetary policy approach is facing resistance. Countries have also chosen to go their own ways with respect to border security. In short, the ties holding the union together are being severely tested and the policy response is much weaker than in the U.S. In a world moving rapidly into a future requiring faster policy action, the European Union's structural governance weakness is a major liability.

Unlike Europe and China, the U.S. has chosen to apply a fiscal stimulus commensurate with the shutdown effects on U.S. gross domestic product (GDP). The onslaught of evidence that U.S. growth is collapsing has caused forecasters to cut their outlooks for second-quarter GDP growth continually over the past few weeks. Currently, estimates are clustered in a range of about a 10%-to-30% annualized decline. A three-month hit at the upper end of this range amounts to a drop of around $2 trillion.

It is thus not a coincidence that the fiscal package to address this crisis is also about $2 trillion, plus several trillion dollars of balance-sheet capacity for the Treasury and Federal Reserve to support businesses and the financial system until things return to normal. The unprecedented speed, size and scope of this package and its specific features aimed at filling the void as it occurs reflect the improved ability of policymakers to assess and respond to specific areas in a timely fashion, thanks to modern data flows and analytics. It also reflects the unusual nature of the shock. Both monetary and fiscal stimulus are being applied at a rate an order of magnitude greater than ever before. The Fed, for example, is buying more each day than it purchased in a month during the 2008–2009 crisis.

Expectations for a second-quarter GDP drop of an unprecedented 10% to 30% assume no fiscal response. A fiscal response of comparable magnitude to the shock should theoretically offset it, but that will of course depend on improvement on the health front. In any event, the policy response should go a long way toward cushioning the blow and helping put the economy back on track in the second half.

Strong economic fundamentals and pro-growth policies in place prior to the pandemic shock combined with a timely and aggressive monetary and fiscal policy response suggest that the unparalleled speed of decline in economic activity is likely to be matched by an equally unusual speed of recovery. Assuming the pandemic case curve follows current expectations based on the experience of the earlier countries, the level of disruption and blow to confidence should start to dissipate by late second quarter, if not before.

In the heat of the action to head off a more prolonged economic collapse, little attention is being paid to the longer-term consequences of a fiscal deficit that is likely to top 10% of GDP in 2020. Indeed, market signals, like the dollar exchange rate against other currencies and long-term interest rates, are not flashing warnings about potential negative consequences from bigger deficits. In fact, one of the stress signals of tightening financial conditions has been the strength of the greenback, as the financial implosion has forced a massive $12 trillion of short-dollar funding to partially unwind in the dash for cash. The dollar would not be so strong if the markets feared the big new deficits.

Also contrary to orthodox views about the inflationary consequences of big deficits is the collapse in market-based expectations for inflation. Not since the Great Financial Crisis of 2008–2009 has the outlook for inflation been so low. Around 1%, the long-term outlook for U.S. inflation has joined the ranks of Europe and Japan, where inflation has been chronically below central-bank targets.

This means that to prevent a deflationary depression outcome, the Fed needs "to print a lot of money" by buying massive quantities of Treasury securities, as it has recently pledged in announcing an open-ended program of quantitative easing. As discussed in our March 16 Capital Market Outlook, *Time to Get Serious About Inflation*, the Fed is likely to announce a new, more focused policy approach to hitting its inflation target. Its "*broad review of the strategy, tools, and communication practices it uses to pursue the monetary policy goals established by Congress...*" is set to conclude by midyear.

The timing is fortuitous, since the Fed is likely to embark on a more intense effort to raise inflation just when the Treasury will be providing an unprecedented supply of debt for the Fed to monetize, including hundreds of billions of dollars to support family incomes across the U.S.

In essence, this is a first experiment in Modern Monetary Theory (MMT), the idea that monetary policy should fund fiscal spending to support the economy. The key to preventing abuse of this process is to leave the Fed as the independent guardian of the money supply, based on the limits necessary for it to reach and maintain its inflation target.

In a recent report, Charles Gave argued that "*the Covid-19 outbreak is paving the way for a universal basic income funded by MMT (aka the magic money tree)...*" Basically, the failure of major central banks to support a nominal growth environment consistent with their inflation mandates had already set the stage for MMT. The coronavirus recession has provided the necessary political catalyst to speed up its implementation.

Policy has built a bridge over the coronavirus valley. The warp speed of events strains the capacity of policymaking institutions around the world. U.S. policymakers have risen to the occasion. The ever-rising pace of technological change implies even bigger challenges on the other side of the bridge, where the transformation to the virtual world continues to accelerate.

GLOBAL MARKET VIEW

Bridge Over Troubled Water

Matthew Diczok, Managing Director, Fixed Income Strategist

David T. Litvack, Managing Director, Tax Exempt Investment Strategist

Even with 2008 as a reference point, the recent volatility and painfully quick drawdown in markets have been unprecedented. A silver lining for bond investors, though: price drops on high-quality bonds caused by poor liquidity—not a decrease in expected cash flows—can set the stage for very good prospective returns. In an era of "lower for longer" rates, this opportunity may provide much-needed relief for savers.

The COVID-19 health crisis and oil price war were a double shock for markets that caused a global "run-on-the-bank" for U.S. dollars. Many banking functions have been transferred away from commercial banks to financial markets; a scramble for cash now impacts broad equity and fixed income markets more, and individual banks less.

A liquidity drain exhibits itself in different ways. For an individual, a "dash for cash" is literal: head to the ATM, withdraw more cash. A corporation acts similarly, but its cash sources are different—and many of them do not reside within traditional commercial banks.

For example, companies use commercial paper (CP)—effectively bonds with less than 1-year to maturity—as a cash source, issuing CP as short as overnight to dealers. Like individuals, companies can also use money market funds to invest excess cash.

In a liquidity crunch, corporations tap both sources: issue CP and make fund withdrawals. Money funds, however, are themselves large buyers of CP; so corporations securing cash from both avenues increase CP supply dramatically. Too much new issue supply—from corporate issuers; too much existing supply—from money market investors, selling CP they own to the secondary market to fund withdrawals.

As too much supply meets shrinking demand, markets lock up. Dealers are limited in how much CP they can own; dealers are "moving docks, not warehouses"—their natural function is finding end investors, not acting as end investors themselves.

This shock cascades across markets. Money funds, unable to sell CP at decent levels, raise cash in other ways. They may stop lending "repo"—short-term loans secured by high-quality bonds. When they stop lending repo to dealers, dealers may on-lend less to other customers: a hedge fund using repo to finance Treasury bonds that are hedged with Treasury futures; a mutual fund using leverage to increase returns in a bond portfolio; a mortgage real estate investment trust (REIT) using repo to finance its mortgage-backed security (MBS) holdings.

While this is stylized and not exhaustive, every element of the above actually happened in the last two weeks. Companies struggled to issue CP, and looked to tap bank revolvers; money funds had difficulty selling CP, and several required cash infusions from their parent companies; hedge funds had trouble financing speculative positions, roiling Treasury markets and creating never-before-seen volatility; investors came in on a Sunday afternoon attempting to sell billions of MBS that they could no longer finance.

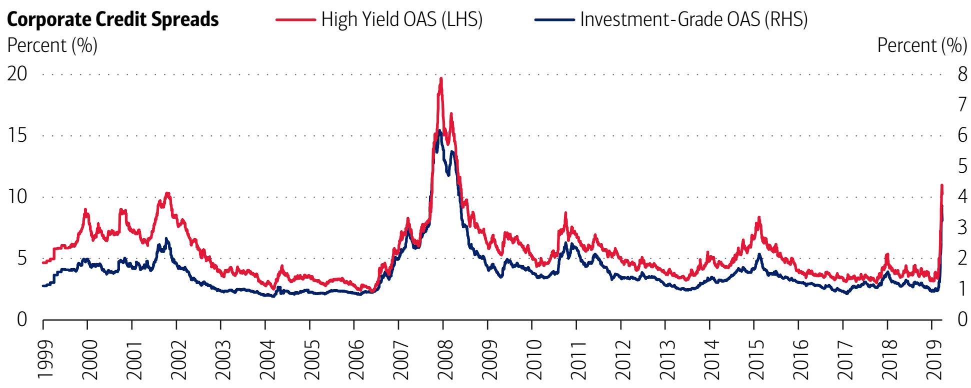
This caused significant damage across all fixed income markets. Investment-grade spreads hit yields (4.6%) and spreads (+363 basis points (bps)) that have not been seen in over 10 years; corporate spreads have never been wider than these levels outside of the Financial Crisis. High yield hit almost 11% yields and leveraged loans hit 13%.

Even the municipal bond market—usually a safe-haven—saw severe dislocations. The record $120 billion of net inflows from January 2019 through February 2020 quickly reversed; investors redeemed a record $12.2 billion. The resulting "bids-wanted" peaked over 12x their historical average, overwhelming the relatively narrow muni investor base. Yields soared over 200 bps; muni-to-Treasury yield ratios skyrocketed above their 2008 highs.

This was especially disruptive to short-term munis. Variable rate demand notes (VRDNs)—short-term money market-eligible instruments—saw very large tenders. Dealer inventories rose from $7 billion to over $25 billion on March 18, causing the benchmark rate to shoot from 1.28% to 5.20%; it has since repriced at 4.71%, with inventories down to $16 billion.

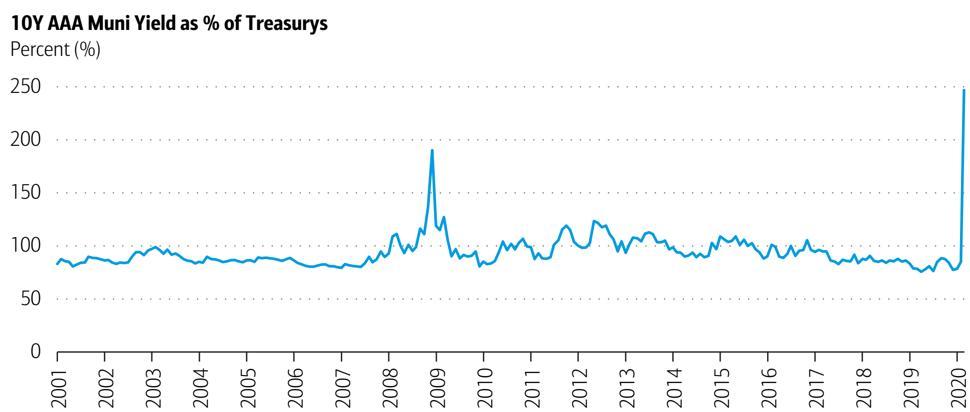
From peak-to-trough, the losses in only two weeks have been staggering: -15% in corporates; -11% in municipals; -21% in both high yield and loans.

Exhibit 2: COVID-19 and an Oil Shock Push Spreads to Recessionary Levels.



Source: Bloomberg. Data as of March 25, 2020. OAS=option-adjusted spread.

Exhibit 3: Munis Lose their Flight-to-Quality Status.



Source: Bloomberg. Data as of March 25, 2020. **Past performance is no guarantee of future results.**

In a strange quirk of fate, the Financial Crisis may actually have had a huge benefit, in retrospect: forestalling an even greater crisis now. In 2008, policymakers were driving blind; but the Fed now has an accurate roadmap. It is significantly easier to dust off the 2008 playbook rather than to create a totally new one.

And this is exactly what the Fed has done—the same things it did in the 2008 Financial Crisis:

- Immediately drop rates to near zero, start buying securities in large size;
- Re-start a program to help companies issue CP (the Commercial Paper Funding Facility);
- Re-start a program to help funds sell CP (the Money Market Mutual Fund Liquidity Facility);
- Re-start a program to help dealers fund securities (the Primary Dealer Credit Facility);
- Re-start a program helping securitization deals (the Term Asset-Backed Securities Loan Facility);
- Make U.S. dollars available to central banks across the globe (FX Swap Lines).

In addition, the Fed managed to create new programs to:

- Help companies issue debt (the Primary Market Corporate Credit Facility); and,
- Help investors sell corporate bonds and exchange-traded funds (ETFs) (the Secondary Market Corporate Credit Facility)

Many of these programs will also help municipals, for the first time. Short Municipal paper—including VRDNs—are now eligible collateral in the Money Market Facility. Furthermore, the Senate's Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") will allow the Fed to create a facility to directly lend to municipal borrowers and buy bonds in the open market.

All of this—which took several months to cobble together in 2008—has been accomplished in only one week in 2020.

From this point forward, prospective bond returns may be quite good. High-quality bonds now yield substantially more than inflation—that has not always been the case over the past decade. Furthermore, investment-grade corporates do not carry significant credit risk, so investors' cash flows are likely very similar to what they were before the recent crisis. The average credit losses in the investment grade market are only 0.05% per year since 1983; the highest rolling 5-year average was 0.17% after the 2008 Financial Crisis. We do not believe the cash flow profile of a diversified investment-grade corporate bond portfolio has changed materially, and—while there may certainly be more downside in market prices, as volatility ebbs and flows—investors who have the willingness and ability to tolerate further volatility can be compensated over the long term with these higher yields. Furthermore, the Fed's unprecedented actions to support the primary and secondary corporate bonds markets may help to set an effective "cap" on how high rates or spreads may move, in our view.

COVID-19 will increase fiscal and budgetary pressures for most states and local governments, reducing tax collections and increasing certain government expenditures. Positively, issuers enter this period after over a decade of expansion and increasing tax collections, with substantial rainy day funds. The CARES Act also provides $150 billion to state and local governments, with additional funds for education, airports and transit authorities. While we expect a modest deterioration in muni credit quality, we do not anticipate a significant increase in municipal bond defaults over the near-to-intermediate term.

THOUGHT OF THE WEEK

All Eyes On King Dollar

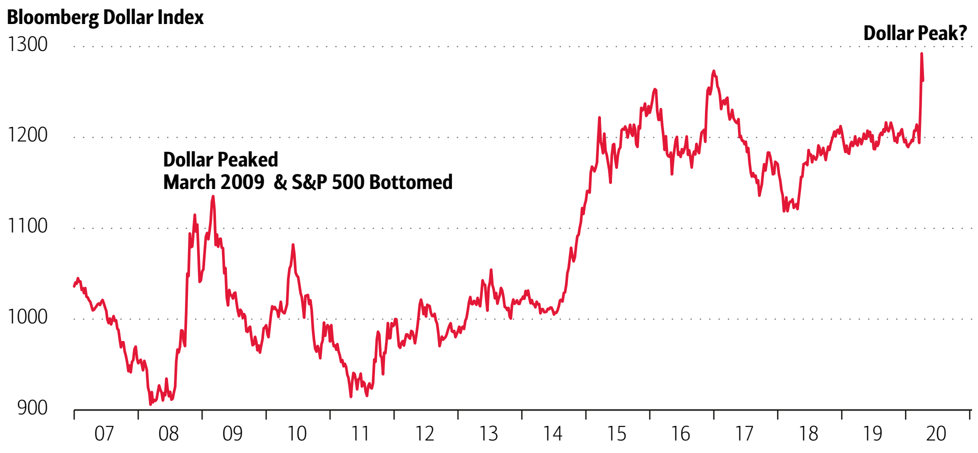
Jonathan Kozy, Director and Senior Macro Strategist

If there were any doubts about the U.S. dollar's status as the world's reserve currency, they have been put to rest the last few months. The dollar has strengthened against nearly every major and emerging market currency year-to-date and the Bloomberg Dollar Index reached an all-time high on March 23. The strength of the dollar reflects its reserve status, the relative strength of the U.S. economy prior to the COVID-19 pandemic as well as the flight-to-quality from the pandemic itself, which caused massive demand for dollars as financial stress rose and risk-off sentiment set in. Ensuing currency volatility led to the unwinding of carry trades, punishing emerging market currencies and raising the cost of dollar-denominated debt. Meanwhile, the onset of a global recession has reduced demand for commodities, which are priced in dollars, further reducing the supply.

A stronger U.S. dollar is serving to tighten financial conditions and exacerbate deflationary forces both here and abroad. Aggressive reflationary policy by central banks along with much-needed Fed dollar liquidity facilities to relieve funding pressures should ultimately lead to a weaker dollar, in our view. Recent activity in foreign exchange markets suggests we may be in the early phases of a dollar peak, but we will likely also need to see persistent relief from the COVID-19 pandemic to reinforce the global recovery.

Importantly, the dollar will be a key indicator to watch for a turn in equities and other risk assets. For example, during the Great Financial Crisis the Bloomberg Dollar Index rolled over coincident with the bottom in the S&P 500 in March 2009. Dollar weakness was confirmation that deflationary forces and financial stresses were abating and global growth was making a turn.

Exhibit 4: King Dollar Could Signal A Turn In Risk Assets.

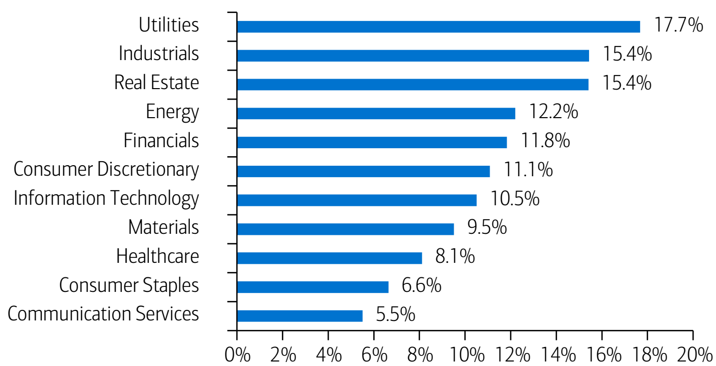


Source: Bloomberg/Haver Analytics. Data as of 3/26/2020. **Past performance is no guarantee of future results.**

Equities

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
DJIA	21,636.78	12.8	-14.7	-23.7
NASDAQ	7,502.38	9.1	-12.4	-16.2
S&P 500	2,541.47	10.3	-13.8	-21.0
S&P 400 Mid Cap	1,422.92	13.1	-21.4	-30.7
Russell 2000	1,131.99	11.7	-23.2	-31.9
MSCI World	1,827.17	10.7	-14.5	-22.2
MSCI EAFE	1,549.49	11.2	-14.2	-23.5
MSCI Emerging Markets	842.54	4.9	-16.1	-24.2

S&P 500 Sector Returns



Fixed Income[1]

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
Corporate & Government	1.75	3.1	-1.7	2.8
Agencies	1.00	0.8	0.6	3.8
Municipals	1.95	7.9	-3.3	-0.3
U.S. Investment Grade Credit	1.61	2.7	-1.0	2.7
International	3.69	6.1	-8.5	-5.1
High Yield	9.85	5.1	-12.8	-14.0

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.06	1.96	1.24	1.49
2 Year Yield	0.24	0.31	0.91	1.57
10 Year Yield	0.67	0.85	1.15	1.92
30 Year Yield	1.26	1.42	1.68	2.39

Commodities & Currencies

		Total Return in USD (%)		
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	133.76	2.6	-11.6	-22.2
WTI Crude $/Barrel[2]	21.51	-4.1	-51.9	-64.8
Gold Spot $/Ounce[2]	1,628.16	8.6	2.7	7.3

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.11	1.07	1.10	1.12
USD/JPY	107.94	110.93	107.89	108.61
USD/CNH	7.09	7.12	6.98	6.96

Source: Bloomberg, Factset.Total Returns from the period of 03/23/20 to 03/27/20. Bloomberg Barclays Indices.[1] Spot price returns.[2] All data as of the 03/27/20 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 1/9/2020)

	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*	see CIO Asset Class Views				
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.

Economic and Market Forecasts (as of 03/27/20)

	Q3 2019A	Q4 2019A	2019A	Q1 2020E	Q2 2020E	2020E
Real global GDP (% y/y annualized)	–	–	2.9	–	–	0.3
Real U.S. GDP (% q/q annualized)	2.1	2.1	2.3	0.5	-12.0	-0.8
CPI inflation (% y/y)	1.8	2.0	1.8	2.2	0.9	1.4
Core CPI inflation (% y/y)	2.3	2.3	2.2	2.3	2.2	2.1
Unemployment rate (%)	3.6	3.5	3.7	3.6	8.6	7.5
Fed funds rate, end period (%)	1.90	1.55	1.55	0.13	0.13	0.13
10-year Treasury, end period (%)	1.66	1.92	1.92	0.75	0.85	1.25
S&P 500 end period	2977	3231	3231	–	–	3100
S&P earnings ($/share)	42	42*	163*	35.0	26.0	138
Euro/U.S. dollar, end period	1.09	1.12	1.12	1.08***	1.02	1.05
U.S. dollar/Japanese yen, end period	108	109	109	110***	105	103
Oil ($/barrel, avg. of period, WTI**)	56	57	57	46	20	32

The forecasts in the table above are the base line view from BofA Global Research team. 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.

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 a fair value estimate for 2020. **West Texas Intermediate.
***Estimate as of March 20, 2020 (latest available).

Sources: BofA Global Research; GWIM ISC as of March 27, 2020.

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 is a stock market index that tracks the stocks of 500 large-cap U.S. companies. It represents the stock market's performance by reporting the risks and returns of the biggest companies.

Chicago Board Options Exchange's CBOE Volatility Index (VIX) is a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

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

Important Disclosures

This material was prepared by the Chief Investment Office (CIO) and is not a publication of BofA Global Research. The views expressed are those of the CIO only and are subject to change. This information should not be construed as investment advice. It is presented for information purposes only and is not intended to be either a specific offer by any Merrill or Bank of America entity 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.

Global Wealth & Investment Management (GWIM) is a division of Bank of America Corporation. The CIO, which provides investment strategies, due diligence, portfolio construction guidance and wealth management solutions for GWIM clients, is part of the Investment Solutions Group (ISG) of GWIM.

Investing involves risk, including the possible loss of principal. No investment program is risk-free, and a systematic investing plan does not ensure a profit or protect against a loss in declining markets. Any investment plan should be subject to periodic review for changes in your individual circumstances, including changes in market conditions and your financial ability to continue purchases.

Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

It is not possible to invest directly in an index.

Asset allocation, diversification, dollar cost averaging and rebalancing do not ensure a profit or protect against loss in declining markets. Dollar cost averaging involves continual investment in securities regardless of fluctuating price levels; you should consider your willingness to continue purchasing during periods of high or low price levels.

Past performance is no guarantee of future results.

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

Neither Bank of America nor its affiliates provide healthcare advice.

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. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. 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. When interest rates go up, bond prices typically drop, and vice versa. 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.

Merrill Private Wealth Management is a division of MLPF&S that offers a broad array of personalized wealth management products and services. Both brokerage and investment advisory services (including financial planning) are offered by the Private Wealth Advisors through MLPF&S. The nature and degree of advice and assistance provided, the fees charged, and client rights and Merrill's obligations will differ among these services. The banking, credit and trust services sold by Merrill's Private Wealth Advisors are offered by licensed banks and trust companies, including Bank of America, N.A., Member FDIC, and other affiliated banks.