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CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 20, 2020

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

IN THIS ISSUE

- **Macro Strategy**—There is no magical macro policy pill to fix the Coronavirus-induced labor market coma. That has to come from a healthcare solution. The shape of the labor market decline and rebound depends heavily on the virus itself. Still, fiscal and monetary policy is fully engaged in supporting household incomes and jobs and will help. All factors considered, we think the labor market recovery will be robust in the second half of the year, but it will be a long road back to a 3.5% unemployment rate.
- **Global Market View**—We are entering an era where the health of nations matters, where health and wealth are inextricably linked. In the future, the wealthiest states—or those economies offering the best long-term investment opportunities—looks to be those with vibrant and dynamic life science capabilities and infrastructure. The winners will be leaders in biotech, genomics, tele-medicine, AI-supported medical activities, and related goods and services. As a harbinger of the future, healthcare has outperformed the boarder market (S&P 500) since the March 23 lows.
- **Thought of the Week**—We highlight recent developments around case monitoring, testing and drug development. Ultimately, these types of developments play an important role in plans for a phased opening of the economy around the world.
- **Portfolio Considerations**—We prefer equities over fixed income as valuations in bonds are at extreme levels and equities are in our rebalancing range in terms of price 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 continue to have long-term plans ready to re-risk (rebalance) portfolios back to strategic and tactical targets as the bottoming process continues to unfold. 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 Federal Reserve (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 begins to slow and be ignored by the broader market.

MACRO STRATEGY

Jonathan Kozy
Director and Senior
Macro Strategy Analyst

GLOBAL MARKET VIEW

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

Lauren J. Sanfilippo
Vice President and
Market Strategy Analyst

THOUGHT OF THE WEEK

Nick Giorgi, CFA®
Vice President,
Investment Strategist

Data as of 4/20/2020 and subject to change.

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MACRO STRATEGY

Labor Market Dynamics in a Coronavirus World

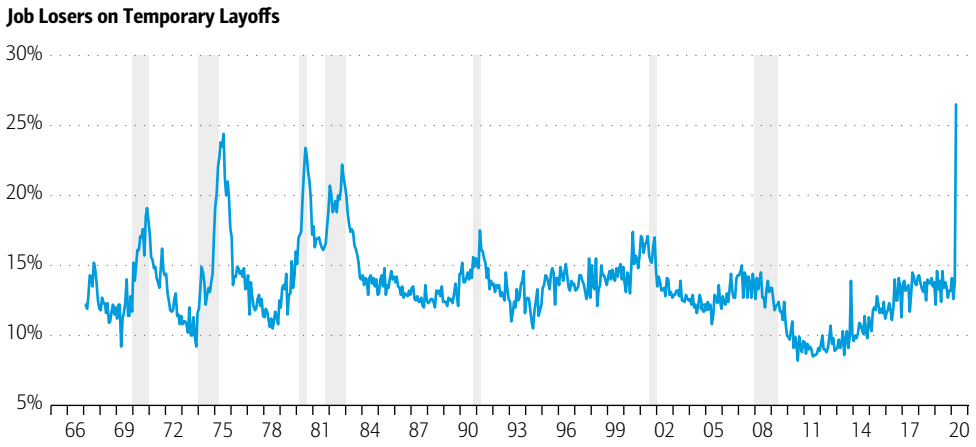
Jonathan Kozy, Director and Senior Macro Strategy Analyst

Labor market dynamics through the balance of 2020 will be dicey to say the least. Many firms will not survive the coronavirus-induced demand destruction, while record levels of furloughed and voluntarily unemployed workers dependent on fiscally enhanced incomes will make it hard to gauge labor market slack. The nature of the virus also leaves the timing of labor re-entry and the winding down (or ramping up) of fiscal stimulus very uncertain. While the number of unemployed will likely reach a record high for the post-war period in the next few months, we are cautiously optimistic that with the aid of fiscal and monetary policy, resilient U.S. firms will emerge "lean and mean" as they often do following recessions with severe labor market shocks. Below we provide commentary on current labor market dynamics, key data to watch going forward and takeaways for investors.

March was a warmup. A single summary measure like the headline unemployment rate will not be sufficient to assess labor market dynamics in the current and post-coronavirus environments. It never is anyway. For example, in March the headline unemployment rate rose to 4.4%, up from 3.5% in February. This was one of the biggest monthly increases in the unemployment rate on record despite the fact that the survey reference period was in the first half of March when layoffs were still very low. Looking under the hood, the data were more informative. While the number of employed workers fell by nearly 3 million for the month (an all-time record), less than half of those people (1.353 million) were counted as unemployed because most of them are not looking for a job. By definition, they are not counted in the workforce. This is likely because they expect to return to the same job post-coronavirus restrictions and/or because they are likely to receive greater compensation through enhanced federal and state unemployment programs.

The April jobs data will likely show an even more devastating blow to headline labor market data. Weekly initial claims for unemployment insurance provide high frequency data on job losses and for the week ending April 11, claims rose by 5.2 million, bringing the four-week moving total of layoffs to 22 million workers. This unprecedented sum represents around 13% of the household labor force as it stood in March and an even higher percentage of the 152 million people included in the establishment survey's measure of nonfarm payroll employment. Of course, as mentioned, a large percentage of these people will not be considered unemployed by the definition used to calculate the unemployment rate because they will not be looking for work. Either way, April's labor market report to be released May 8 will be record setting.

Exhibit 1: How Temporary Will The Layoffs Be?



Sources: Bureau of Labor Statistics/Haver Analytics. Data as of 4/3/2020.

Where do the layoffs end? With 22 million claims and counting, we likely still have more layoffs in the weeks ahead. Estimates for "coronavirus-vulnerable" jobs generally fall in the range of 30 to 50 million workers. Jobs outside the scope of "coronavirus-vulnerable" are also at risk from the broader economic slowdown. As a frame of reference, the civilian population in the U.S. is around 328 million people, according to the Census Bureau. The civilian working age population, including persons in and not in the labor force is about 260 million, while household and establishment employment labor force are between 150 and 160 million. Bottom line: 40 million claims for unemployment insurance would not surprise us and would be more than 25% of currently employed workers and over 12% of the U.S. civilian population.

The vulnerable sectors include retail stores, restaurants, hotels, air and rail workers, casinos, sporting event workers, etc. The Brookings Institute took a deep dive into the 2018 Census Bureau micro data from the American Community Survey and came up with an estimate that over 37 million jobs are considered "immediate-risk."[1] This is easily supported by the establishment survey data, which show the Accommodation and Food Services Industry work force was 14.4 million employees in February but fell by only 400,000 jobs in the March report. The Leisure and Hospitality industry is over 16 million workers strong and also reported only 400,000 workers lost in March. These industries are clearly in the eye of the coronavirus storm for the April employment report. The jobs recovery in many of these industries will be muted until there is a clear healthcare solution. Even as the case count drops, without a healthcare solution there will likely be some form of social distancing in the months ahead which could dampen the snap-back.

With a large chunk of these claims likely by people who plan on returning to their job, BofA Global Research stated that the headline unemployment rate will reach 15.6% in the second quarter and then fall below 10% by year-end. Backstopping the labor force is the number of essential workers, which is estimated at 49 million to 62 million by the Brookings Institute and the Department of Homeland Security.[2] This includes workers in the healthcare field, utilities, groceries and infrastructure workers, among others. Healthcare workers in the establishment survey are over 16 million strong.

Fiscal Support: Many of the vulnerable industries are small businesses (businesses with fewer than 500 employees). The ADP employment data suggest this cohort is around 63 million employees in the U.S. This is in line with the Small Business Administration's (SBA) 2018 profile figures that show around 60 million (data are sourced from 2015). It's likely that number is higher given the explosion in business applications the last few years, according to Census Bureau data.

It should come as no surprise then that fiscal stimulus has been laser focused on supporting small and medium-sized businesses and particularly in maintaining payrolls. The Payroll Protection Program (PPP) portion of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") package included $349 billion allocated to small business loans to keep workers on payrolls. According to press releases by the SBA, these funds have already been exhausted. Talks are already underway to add an additional $251 billion or more to the program. Importantly, the provisions provide loan forgiveness if firms bring workers back on to payrolls. The re-hiring of workers due to PPP should begin to show up in labor market data by May.

The combination of the enhanced unemployment benefits and the household stimulus checks will also buffer personal income even as unemployment remains elevated. BofA Global Research estimates that, "stimulus will allow aggregate personal income to remain relatively flat to pre-coronavirus levels through May." Consumer balance sheets were strong leading up to the coronavirus crisis. Personal savings rates were high, and financial obligations as a percentage of disposable personal income were at historically low levels. Income replacement and accommodative Fed policy should leave consumers

[1] brookings.edu/research/who-are-the-workers-already-impacted-by-the-covid-19-recession/

[2] brookings.edu/research/how-to-protect-essential-workers-during-covid-19/

in a solid position to rebound if the virus fades, healthcare solutions evolve and jobs come back.

But the federal boost to unemployment insurance payouts of $600 per week adds a wrinkle to analysis of the labor market and may end up keeping people off payrolls through the July 31 expiration. For example, a worker in New York State earning $45,000 per year would receive unemployment compensation of $432 per week from the state[3] plus the additional $600 federal benefit. This would equate to an annual salary of $53,664 per year. These workers also receive the household fiscal stimulus payments. The same analysis yields similar results for most states in the U.S., where from a salary-equivalent perspective it makes sense to receive unemployment benefits through July 31. And about half of workers in the U.S. make less than $50,000 per year. While this ignores the desire to work and the incentives firms could offer to entice workers back if demand picks up, job growth may be slower to come back in June and July, with little monetary incentive to do so. An extension of federal unemployment benefits is also possible. It will be a long road back to a 3.5% unemployment rate, and small and medium-sized businesses will play a key role.

For investors, the crosscurrents within the labor market will muddy projections for Fed policy, interest rates, corporate profits (and losses) and profit margins. Large dispersions in forecasts for macroeconomic variables such as these also mean financial market volatility will remain elevated. Macro forecasts feed financial market forecasts, and forecasting macro variables is a difficult task in this environment.

GLOBAL MARKET VIEW

The "Health" of Nations Also Matters

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

Lauren J. Sanfilippo, Vice President and Market Strategy Analyst

The division of labor, the accumulation of capital, the "invisible hand"—to the basic wealth-creating principles of Adam Smith's "The Wealth of Nations," we would add another: health. Why? Because if we have learned anything from the coronavirus pandemic, it's that health is a fundamental determinant to economic growth. Sick nations are handicapped in terms of production, consumption and aggregate growth. Healthy nations, in contrast, thrive—they produce, consume and grow. Their populations expand, creating more productive capacity (supply) and consumption potential (demand).

This isn't new. Expanding life expectancies have been one of the principal drivers of global economic growth since the Industrial Revolution. The life expectancy in most of the world in 1800 was around 30 years but surged over the following decades thanks to the acceleration in scientific and industrial knowledge. Innovations in life sciences helped reduced infant mortality rates, diminished the spread of infectious diseases, and extended life cycles. Thanks to better nutrition and hygiene, humans became stronger and taller, with the average human today nearly four inches taller than their predecessors in the mid-19th century.

The stronger and healthier the population, the stronger, more dynamic and competitive the economy. One key reason why "rich" nations are rich is because their populations (human capital) are robust and vibrant, backstopped by a healthcare infrastructure advanced in the battle against communicable and non-communicable diseases, and adept at keeping workers and consumers healthy. In that health is an important form of human capital, there is a positive relationship between health and economic growth. A healthy labor force correlates to an expanding labor pool, higher wages and rising productivity, with the end result an economy with more upside growth potential.[4]

[3] https://labor.ny.gov/benefit-rate-calculator/

[4] See "Health and Economic Growth: Reconciling the Micro and Macro Evidence," February 2005, David Bloom and David Canning, Harvard School of Public Health.

By the same token, "poor" states are poor in part because their most important asset—human capital—is not as productive as workers in healthier climates. Above-average infant mortality rates, elevated malnutrition levels, rising obesity rates, greater use of tobacco, debilitating levels of pollution—all of these variables undermine the physical wellness of nation-states and come with economic costs, namely a work force that is stunted, prone to work less and unproductive. As the Organisation for Economic Co-operation and Development (OECD) notes, health performance and economic performance are interlinked.[5] Nations with weak health conditions are less prone to achieve sustained growth, in that a 10% improvement in life expectancy at birth is associated with a rise in economic growth of some 0.3-0.4 percentage points a year.[6]

Which brings us to the current pandemic. It's hardly an understatement to say the world economy is ailing (Exhibit 2). Yes, a great deal of the pain has been self-inflicted given the unprecedented, self-induced global economic shutdown. However, the pandemic is a brutal reminder that a nation's wealth is inextricably linked to its health.

Exhibit 2: March Madness

U.S.	• Retail sales fell -8.7%* in March, the biggest month-over-month decline since 1992 (when records began). Sales at clothing stores dropped by more than half while spending on cars (-25.6%), furniture (-26.8%), electronics (-15.1%) and sporting goods (-23.3%) fell by double digits. • March's industrial production dropped -5.4% (the biggest drop since the end of WWII), while manufacturing output decreased -6.3% from the prior month. • The National Association of Home Builders reported its housing market index fell to 30 in March, from 72 the prior month.
Europe	• Spain, France and Germany all recorded the lowest readings in their respective Purchasing Managers Index (PMI) surveys since they started more than 20 years ago. • For the eurozone, the composite PMI index of services and manufacturing compiled dropped from a reading of 51.6 in February to only 29.7 in March. • Harmonized consumer price inflation across the 19 eurozone countries fell to 0.7% in March, down from 1.2% in February according to Eurostat.
China	• China's car sales fell -42% in the first quarter, falling to 3.7 million vehicles according to the China Association of Automobile Manufacturers. March sales for the month were down 43% on year at 1.4 million. • Outbound shipments from China dropped -6.6% in March from a year earlier, following a -17.2% decline in the January-February period. • China's economic growth fell -6.8% in the first quarter.

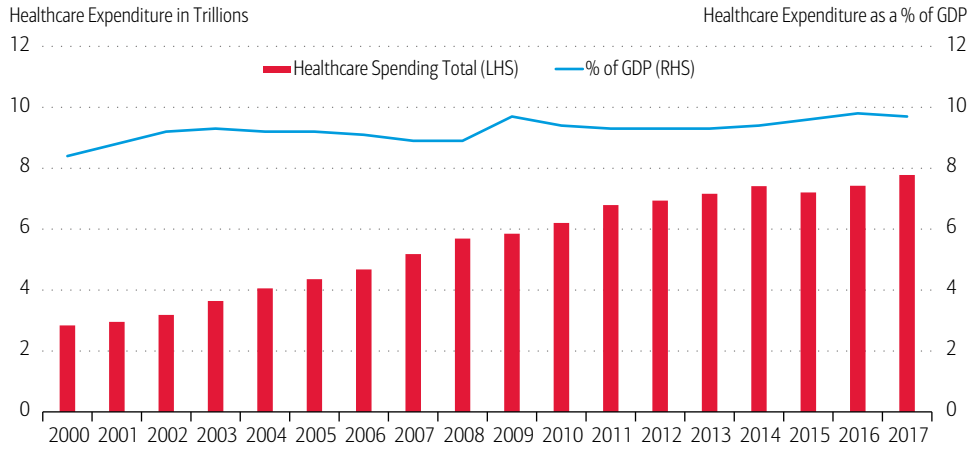
* Seasonally adjusted, Commerce Department, April 2020.
Sources: Bloomberg; Commerce Department; National Bureau of Statistics; China Association of Automobile Manufacturers; Eurostat; National Association of Home Builders. Data through April 17, 2020.

Coronavirus has not only pushed healthcare to the top of the agenda of every government in the world. It's also brutally exposed cracks in the healthcare systems of rich and poor nations alike, portending more global spending on healthcare in the decade ahead.

Per the numbers, global healthcare expenditures have climbed steadily over the past two decades, reaching nearly $8 trillion in 2017. However, spending on global healthcare as a percentage of world gross domestic product (GDP) has barely budged, flat-lining at around 9% to 10% over the past two decades (Exhibit 3). This, at a time when the world is rapidly aging (putting even more stress on healthcare systems); when non-communicable diseases are proliferating around the world; and when global obesity levels are at all-time highs. So even before the coronavirus hit, the world's healthcare infrastructure was straining at the seams, even in the wealthiest nation in the world: the United States.

[5] See the OECD Observer, "Health and the Economy: A Vital Relationship," May 2004.
[6] Ibid.

Exhibit 3: Global Healthcare Spending.



Sources: IMF; World Health Organization. Data as of 2020. Latest data available.

While the curve of the virus appears to be flattening in the U.S., coronavirus has unmasked the shortages of critical healthcare equipment in the U.S. and exposed America's lack of readiness for a major health crisis. The one-two punch has basically floored the U.S. economy—some 22 million U.S. workers have filed for unemployment benefits over the past month—and underscores the connection between health and wealth. Healthcare inadequacies—and the attendant economic damage—have also been exposed in many developed nations, notably in Japan and Europe.

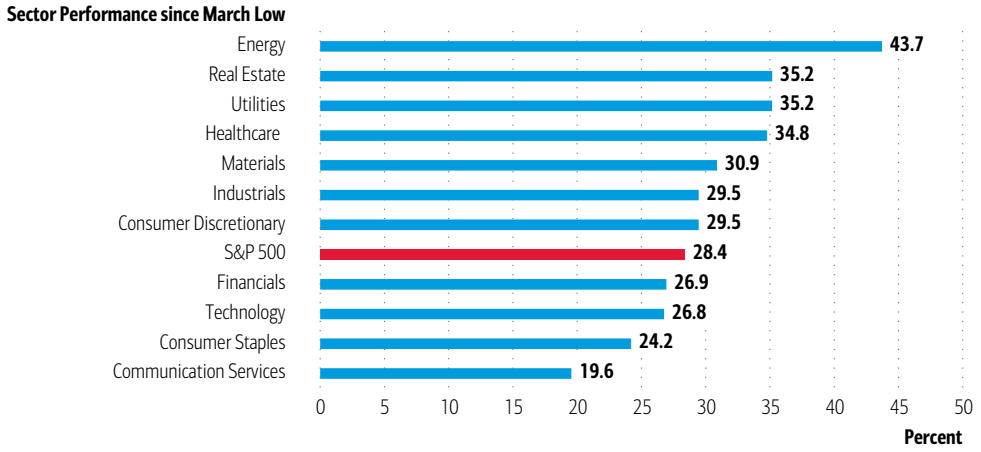
In Asia, meanwhile, the region is home to 52% of the world's population but accounts for just 21% of global healthcare spending, an unhealthy mismatch between demand (billions of people living longer and expecting better healthcare) and supply (an underfunded and overwhelmed healthcare system). Total healthcare spending in Asia—home to over 3 billion people—was just $1.6 trillion in 2017, less than half the total healthcare spend in the U.S. and just 6% of regional GDP. Whereas healthcare expenditures on a per capita basis in 2017 totaled $10, 246 in the United States, $4,169 in Japan and $5,332 in Australia, the comparable figure in China was $441. In India and Indonesia, home to over 1.5 billion people, the figures were even worse, $69 and $115, respectively.

Finally, the primacy of health leaves the developing nations vulnerable and exposed. While coronavirus knows no boundaries, inflicting suffering on rich and poor nations alike, the pandemic is notably challenging for many key emerging markets confronting a tsunami of medical challenges ranging from a spike in non-communicable diseases, life-threatening air pollution, obesity and above-average smoking use. Add to this underdeveloped sanitation levels, dirty and crowded cities, and unmanageable levels of waste, and the deteriorating health effects of many developing nations will undermine economic growth for years, if not longer. This is one key reason why we shifted our stance on emerging market equities, recently moving the asset class from neutral to underweight. As the health of many emerging markets deteriorates, so does their economic prospects.

Summarizing, we are entering an era where the health of nations matters tremendously. Health and wealth are intertwined, inextricably linked. The strongest (wealthiest) economies in the world—or those economics offering the best long-term investment opportunities for investors—will be those with vibrant and dynamic life science capabilities and infrastructure. The winners will be leaders in biotech, genomics, tele-medicine, AI-supported medical activities, and related goods and services.

Against this backdrop, the race is on. In the post-coronavirus world, global healthcare expenditures are set to accelerate, a bullish prospect for world leaders in pharmaceuticals, diagnostic equipment, medical software/hardware, tele-medicine, and related medical goods and services. Against this backdrop, it's hardly surprising that since the S&P 500 hit the lows of March 23, the healthcare industry has outperformed the broader market (Exhibit 4). We think this is a harbinger of the future.

Exhibit 4: Sector Performance Since March Low.



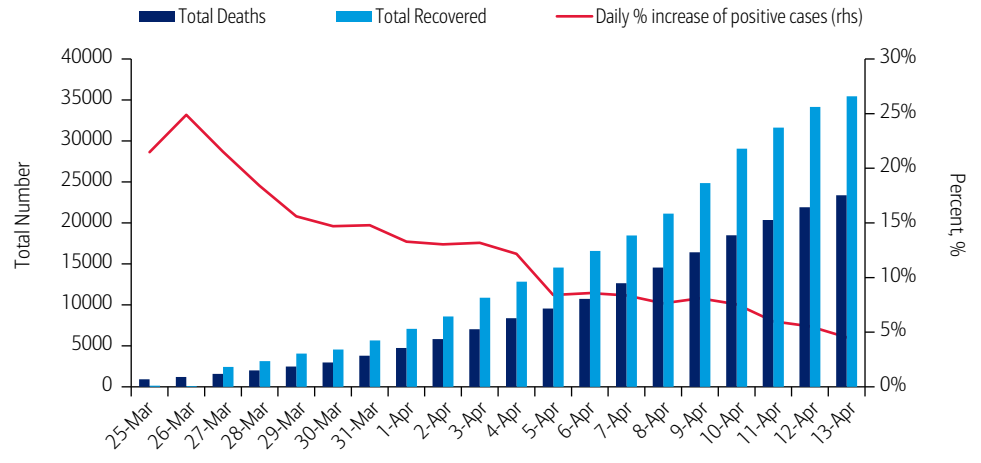
Source: Bloomberg. Data March 23, 2020 through April 17, 2020. Performance would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

THOUGHT OF THE WEEK

Coronavirus: Tracking developments

Nick Giorgi, CFA® Vice President, Investment Strategist

Exhibit 5: In the U.S., New Confirmed Cases May Be Slowing While Recovery Begins to Outpace Deaths.



Source: State Health Departments, as of April 13 2020.

Coronavirus Case Monitoring

- Current multi-day trend of declining new nationwide reported cases and deaths, 11% of positive test results hospitalized, and 36,299 patients recovered according to state department filings.

- Aggregated state health data indicates 54% of cumulative nationwide deaths centered in New York and New Jersey, as of April 13. Current multi-day trends of new cases, hospitalizations, intubations and deaths seem to be declining in New York.
- On April 14, the White House announced the Great American Economic Revival Industry Groups to help chart the economic path forward. In addition, the Governor's Office of California announced multistate committees are forming to explore how and when to lift restrictions.
- Spain has allowed heavy industry and construction workers to return to work, Italy has permitted certain shops to open, Austria and Denmark plan to restart the economy step-by-step, while Germany and the U.K. plan to consider extending full lockdowns, similarly to France according to BofA Global Research.

Coronavirus Testing Progress

- 3.0 million tests administered in U.S., 19% of tests results positive[7]
- On April 10, the National Institutes of Health stated it began a study to analyze samples from as many as 10,000 undiagnosed volunteers to assist in understanding the extent of undetected coronavirus spread in the U.S.
- Serology (antigen/antibody detection): An Italian multinational biotechnology company, announced expectation to launch testing by end of April, and on April 15 an American medical devices and healthcare company announced they will ship nearly 1 million tests each week with capacity increasing thereafter.
- American technology and internet-related services companies are partnering on coronavirus contact tracing technology, which may help to identify contacts of those whom have been infected.
- The director of the Centers for Disease Control and Prevention (CDC) expects to "substantially amplify" contact tracing efforts of those who test positive for the coronavirus in near future, according to an interview with NPR.

Coronavirus Drug Development

- 116 potential treatments and 79 vaccines (two in Phase I trials, with human patients) under active development.[8]
- Pharmaceutical executives mention potential availability of vaccine for emergency use in early 2021.
- The Coalition for Epidemic Preparedness Innovations (CEPI), a global alliance financing and coordinating the development of vaccines, estimates $2 billion cost of vaccine development within 12 to 18 months.
- Results for severe Phase III trial for remdesivir (therapeutic) expected in April 2020,[9] comparing effectiveness and safety against standard treatment.
- Hydroxychloroquine (therapeutic) results from University of Washington/New York University trial expected in summer 2020.

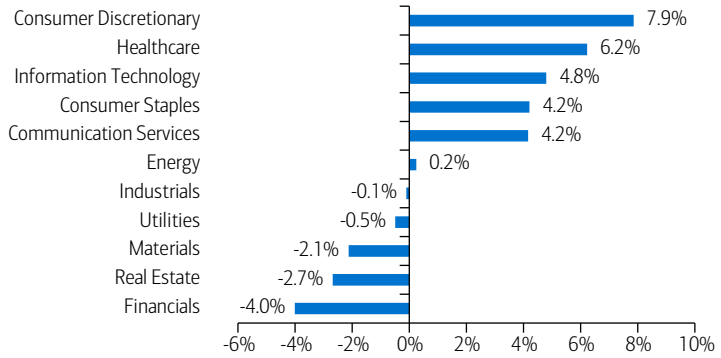
[7] The COVID Tracking Project, data as of April 14 2020.
[8] Milken Institute, data as of April 9 2020.
[9] U.S. National Library of Medicine.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	24,242.49	2.2	10.7	-14.5
NASDAQ	8,650.14	6.1	12.4	-3.3
S&P 500	2,874.56	3.1	11.3	-10.5
S&P 400 Mid Cap	1,561.43	-1.5	8.2	-23.9
Russell 2000	1,229.10	-1.4	6.6	-26.0
MSCI World	2,017.51	2.3	8.9	-14.0
MSCI EAFE	1,622.30	0.8	4.0	-19.7
MSCI Emerging Markets	901.31	1.5	6.3	-18.8

S&P 500 Sector Returns



Fixed Income[1]

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.46	1.0	2.0	5.5
Agencies	0.82	0.3	0.2	4.4
Municipals	1.92	0.5	0.5	-0.2
U.S. Investment Grade Credit	1.45	0.7	1.5	4.7
International	2.73	2.3	5.0	1.2
High Yield	7.66	2.6	5.9	-7.6

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.11	0.19	0.06	1.54
2 Year Yield	0.20	0.23	0.25	1.57
10 Year Yield	0.64	0.72	0.67	1.92
30 Year Yield	1.26	1.34	1.32	2.39

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	132.45	-2.2	0.4	-23.0
WTI Crude $/Barrel[2]	18.27	-19.7	-10.8	-70.1
Gold Spot $/Ounce[2]	1,682.82	-0.8	6.7	10.9

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.09	1.09	1.10	1.12
USD/JPY	107.54	108.47	107.54	108.61
USD/CNH	7.08	7.05	7.09	6.96

Source: Bloomberg, Factset.Total Returns from the period of 04/13/20 to 04/17/20. Bloomberg Barclays Indices.[1] Spot price returns.[2] All data as of the 04/17/20 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 04/08/2020)

	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 04/17/20)

	Q3 2019A	Q4 2019A	2019A	Q1 2020A	Q2 2020E	2020E
Real global GDP (% y/y annualized)	–	–	2.9	–	–	-2.8
Real U.S. GDP (% q/q annualized)	2.1	2.1	2.3	-7.0*	-30.0	-6.0
CPI inflation (% y/y)	1.8	2.0	1.8	2.1	0.4	0.9
Core CPI inflation (% y/y)	2.3	2.3	2.2	2.2	1.7	1.7
Unemployment rate (%)	3.6	3.5	3.7	3.8	15.6	10.6
Fed funds rate, end period (%)	1.90	1.55	1.55	0.08	0.13	0.13
10-year Treasury, end period (%)	1.66	1.92	1.92	0.67	0.50	1.00
S&P 500 end period	2977	3231	3231	2585	–	2600
S&P earnings ($/share)	42	42	163.0	34*	25.0	115
Euro/U.S. dollar, end period	1.09	1.12	1.12	1.10	1.02	1.05
U.S. dollar/Japanese yen, end period	108	109	109	108	105	103
Oil ($/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 the year-end target for 2020. **West Texas Intermediate.
Sources: BofA Global Research; GWIM ISC as of April 17, 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.

National Association of Home Builders (NAHB) Housing Market Index (HMI) is a gauge of builder opinion on the relative level of current and future single-family home sales.

Purchasing Managers Index is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Important Disclosures

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