CHIEF INVESTMENT OFFICE

Capital Market Outlook

May 24, 2021

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

IN THIS ISSUE

- Macro Strategy—As inflation expectations continue to heat up, portfolio positioning will be key for investors.
- Global Market View—The consumption boom, while U.S.-led, is about to go global, positioning likely future earnings upside for such sectors as Consumer Discretionary, Technology and various cyclical plays. From a portfolio perspective, it may be time to "cash in" by positioning for the consumer rebound in the months ahead.
- Thought of the Week—Ultra-aggressive Federal Reserve (Fed) efforts to re-anchor inflation expectations at a higher level than prevailed before the pandemic have started to show results. Inflation has been substantially surprising to the upside, and, in our view, it will likely settle well above the 1.6% average pace of the 2010-2020 period, supporting a secular shift higher in valuations for short-duration stocks (Value stocks) relative to long-duration stocks (Growth stocks).
- Portfolio Considerations—When it comes to assessing the market environment, we prefer to choose "half full." In terms of the broader economic environment, we believe we are closer to mid-cycle than late cycle and that growth is currently flashing bright green and surprising more than expected. We will remain vigilant for rebalancing opportunities in our asset allocation models as we expect rates and equities to potentially drift higher.

MACRO STRATEGY

Marci McGregor
Managing Director and Senior Investment Strategist

Emily Avioli
Assistant Vice President and Investment Strategist

GLOBAL MARKET VIEW

Lauren J. Sanfilippo
Vice President and Investment Strategist

THOUGHT OF THE WEEK

Chief Investment Office Macro Strategy Team

Data as of 5/24/2021, and subject to change

MACRO STRATEGY

Arming Portfolios for the Inflation Rotation

Marci McGregor, Managing Director and Senior Investment Strategist
Emily Avioli, Assistant Vice President and Investment Strategist

It's becoming hard to ignore the flashing signals that inflation is climbing higher. The Consumer Price Index (CPI) surprised to the upside this month and saw its largest increase in over a decade, surging 0.8% from March and 4.2% from a year prior. Prices are creeping upward across a range of consumer goods and services, with used automobiles logging the largest monthly price increase on record and food prices jumping 2.4% from the same month a year ago.[1] With the 10-year breakeven rate on U.S. Treasury Inflation-Protected Security (TIPS) recently hitting the highest level since 2013, the bond market is pricing in inflation almost as high as at any time in the last two decades.[2] Consumers are taking

[1] U.S. Bureau of Labor Statistics, May 12, 2021.
[2] Gavekal Research, May 11, 2021.

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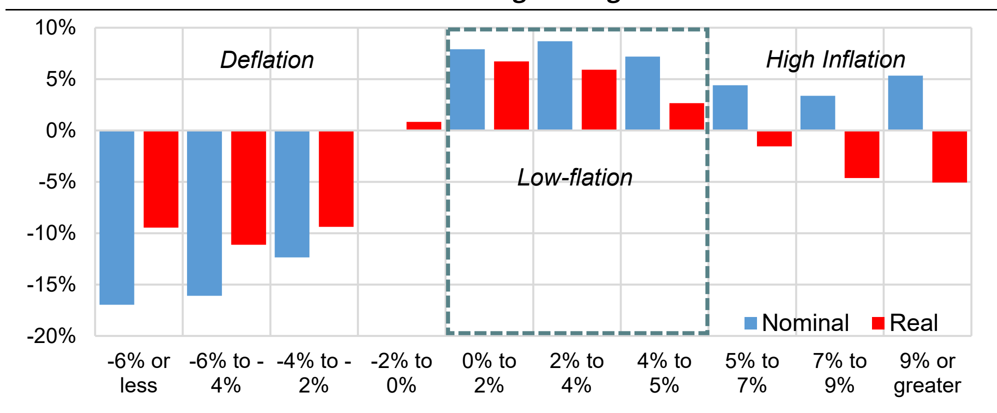
note, with the University of Michigan's latest consumer survey showing short-term inflation expectations jumping to 4.6%, up from 3.4% in April.[3] Investors are left wondering—when will the Fed ease off the gas pedal if this burst of inflation signaling proves to be more than transitory, and how should they consider preparing portfolios accordingly?

We believe this inflation is likely to eventually hit levels above the Fed's 2% target, but a Fed shift to tighter policy seems unlikely until full employment is reached and wage growth moves meaningfully higher. This could take some time, as weaker-than-anticipated April jobs data and increasing reports of labor supply shortages suggest slowing momentum in the labor market. It's worth noting that the situation may improve quickly come fall, as mass inoculation continues and schools and businesses continue to reopen. Still, uncertainty over the timeline of the labor market recovery and the staying power of inflationary fiscal and monetary policy has the potential to be a source of volatility over the next year.

Even if inflation climbs above the Fed's average comfort level, the secular bull market is likely to continue. Markets have historically responded well to 2%-4% inflation, and positive nominal returns have been observed with inflation as high as 6%, though real returns have fared much worse (Exhibit 1). In an investment context, we favor positioning portfolios to benefit from higher inflation, rather than taking speculative steps to "hedge" against it. In order to help determine how to best prepare for higher inflation, investors should take a deeper dive to explore how it effects various areas of the market.

Exhibit 1: Nominal Returns Powered Through Rising Inflation.



Sources: Chief Investment Office; Bloomberg. Data as of May 2021. 3-year average CPI level referenced for inflation. 3-year average real and nominal returns referenced for the S&P 500 Index. Performance date range 12/31/1930 - 3/31/2021. Past performance is no guarantee of future results.

Fixed Income

If the Fed continues to keep interest rates low, bond performance may lag. This is due to the nature of Fixed Income investments—stable cash flows make them inherently vulnerable to inflation, as it erodes the future value of Fixed Income streams. As such, long-duration assets will likely underperform, while short-duration assets may be more insulated. Higher inflation expectations also cause bond yields to spike and bond prices to fall, dragging down the value of Treasurys and other Fixed Income investments. To help counter these effects, investors could turn to TIPS and other similar inflation-linked bonds that have coupon and principal payments directly linked to consumer prices. Currently, however, higher inflation is priced into these investments, and yields are negative. In the near term, we continue to reiterate our recommendation for duration below a stated benchmark. Looking further out, the Fed could begin to raise rates to combat higher-than-anticipated inflation, which would once again make traditional Fixed Income an attractive source of returns.

[3] Survey of Consumers, University of Michigan, May 2021.

Equities

Equities that offer cash flows over shorter time horizons may also get a tailwind from higher inflation. While Growth stocks are often characterized by future earnings growth and little to no income, Value stocks offer limited future earnings growth and more near-term cash flows in the form of dividends. Value has recently started to outperform as the reflation trade has gained steam, and the Russell 1000 Value Index outpaced the Russell 1000 Growth Index by nearly 13% year-to-date.[4] Given the inherent characteristics of each style, inflationary signals would indicate that the rotation from Growth to Value could continue to gain momentum.

Value also has more exposure to cyclical sectors that are more likely to outperform as inflation rises, with the two biggest beneficiaries being Energy and Financials, according to BofA Global Research. These areas of the market have also started to reap the benefits of higher inflation expectations, with Financials leading relative outperformance against the S&P ex-Financials Index by 19% year-to-date.[5] Conversely, defensive sectors like Consumer Staples and Utilities are more likely to underperform as inflation climbs higher. Small-caps and mid-caps may also have an advantage, as they tend to be more cyclically oriented than their Large-cap counterparts. Drilling down even further, Equities with exposure to certain industries may get a boost, as some are more highly correlated with CPI than others (Exhibit 2).

Exhibit 2: Industries With Correlation to CPI.

Industry	Correlation with CPI	Industry	Correlation with CPI
Consumer Finance	0.76	Insurance	0.32
Real Estate Management & Development	0.68	Hotels, Restaurants & Leisure	0.27
Banks	0.66	Auto Components	0.27
Roads & Rail	0.61	Electronic Equipment Instruments	0.25
Oil & Gas Consumable Fuels	0.57	Machinery	0.24
Communications Equipment	0.55	Textiles, Apparel & Luxury Goods	0.23
Aerospace & Defense	0.54	Chemicals	0.21
Independent Power and Renewable	0.54	Trading Companies & Distributors	0.16
Airlines	0.53	Containers & Packaging	0.11
Energy Equipment & Services	0.49	Personal Products	0.09
Diversified Financial Services	0.44	Electrical Equipment	0.08
Capital Markets	0.42	Multiline Retail	0.08
Information Technology Services	0.41	Construction & Engineering	0.06
Automobiles	0.36	Commercial Services & Suppliers	0.05

Source: Cornerstone Macro Research. Data as of May 2021. 5-year correlations, 05/07/2016 – 05/07/2021. Correlations are subject to change.

Cash

Inflation increases the price of goods and services over time, effectively decreasing the amount that can be bought with cash and thus weakening its purchasing power. Cash may be better suited for deflationary environments, but that's not to say it doesn't have a place in portfolios when inflation is heating up. Investors may continue to hold a cash allocation for a variety of reasons, including liquidity, downside protection and minimal volatility. Even though the return on cash may be slightly negative after accounting for inflation, we continue to favor a cash allocation in line with a stated risk tolerance.

Real Assets

Investments with value tied to physical assets may outperform in the midst of rising prices, as relative performance of real assets are 73% correlated with inflation.[6] This has held true in the past, as Real Estate and Commodities outperformed Large-caps and government bonds during the inflationary spike of the 1970s, according to BofA Global Research. While direct investment in Commodities can be impractical, investors may

[4] Bloomberg, data as of May 14, 2021.

[5] Ibid.

[6] BofA Global Research, March 2021.

potentially gain exposure by purchasing funds and stocks that invest in Commodities companies and futures. Investors should note that not all real assets offer the same level of protection. Gold, for instance, has actually exhibited deflationary characteristics in the past, and rising nominal rates could be bearish for the bullion in the near term. Investments in real assets often come with a unique set of challenges, including heightened volatility and decreased liquidity, and should only be considered if aligned with a stated risk tolerance.

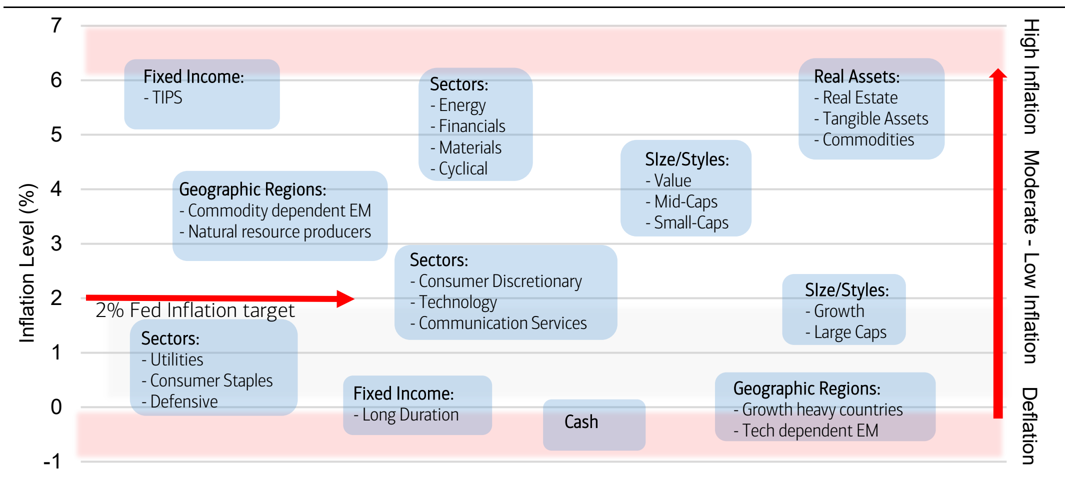
Geographies

Inflation will likely have an uneven effect on global economies. Nations with commodities exposure are likely poised to outperform, as natural resource producers should get a tailwind from rising materials prices. Latin American emerging markets (EM) economies, like Brazil and Colombia, may stand to benefit. Conversely, growth-oriented, technology-dependent markets may exhibit lackluster performance. Parts of Asia that have already started to lag during the recent sell-off, with the MSCI Asia Pacific Index slipping into correction territory, erasing gains for the year.[7] Cornerstone Macro Research confirmed this thinking in a recent study that showed countries with cyclical exposures were among the most highly correlated to CPI, while growth oriented were among the lowest.

Portfolio Considerations

This discussion has been centered around the effects of price inflation, which is widely thought to have the most direct effects on financial assets, but investors should understand that different types of inflation may have varied effects on the market. Small-caps, for instance, may be more sensitive to wage inflation, as they tend to be more labor intensive than their Large-cap counterparts. It's also worth noting that correlations between financial assets and inflation are oftentimes imperfect and can be easily influenced by a variety of outside factors.

Exhibit 3: Investment Considerations At All Levels of Inflation.



Source: Chief Investment Office. Data as of May 2021.

While investors should be cognizant of the areas of the market that are poised to do well in the midst of higher inflation (Exhibit 3), we believe that a well-diversified portfolio is the best approach, as inflation is only one factor to consider. Investors should consider incorporating Value into portfolios when appropriate, with added emphasis on cyclical areas that will benefit from higher inflation, including Financials, Energy and Industrials. Investors should also consider to continue to maintain an appropriate cash balance that aligns with a stated risk tolerance. Within Fixed Income, we continue to suggest short duration relative to benchmark. We reiterate our overweight allocation to U.S. Equities, but

[7] Bloomberg, "Asian Stock Index Enters Correction on Inflation, Virus Woes," May 12, 2021.

some exposure to International and Emerging Market equities that may benefit from an inflationary environment is suggested.

GLOBAL MARKET VIEW

"Cashing In" On the Global Consumer Recovery

Lauren J. Sanfilippo, Vice President and Investment Strategist

With so much said about pent-up consumer demand as the next leg of the U.S. recovery, it's worth tracking the U.S. consumer to its global peers. Why? Because the consumption boom, while U.S.-led, is about to go global, positioning likely future earnings upside for such sectors as Consumer Discretionary, Technology and various cyclical plays.

The three largest consumer markets in the world—the U.S., China and the Euro Area—experienced a varied (ranging from 11% to 26%) drop in consumption and a rise in consumer savings (ranging from 4 to 20 percentage points) during the pandemic. For this reason, the outlook for the global economy has never been more closely tied to the consumer. In part thanks to government stimulus measures, disposable incomes remained elevated during the pandemic, and excess savings lined consumers' pockets. At the global level, Moody's Analytics estimates households had accrued $5.4 trillion in pandemic-related savings by the end of the first quarter of this year, as shown in Exhibit 4. Over the course of the crisis, U.S. households saved a very sizable $2.6 trillion, while the Euro Area and China amassed $736 billion and $389 billion, respectively. Excess savings account for 12% of gross domestic product (GDP) in the U.S. and more than 6% of output globally.

Exhibit 4: Money To Blow: Consumer Savings.

	Excess household savings ($ Billions)	GDP, 2021 IMF ($ Trillions)	Savings as a % of GDP
WORLD	**5,398**	**93.9**	**6%**
United States	2,623	22.7	12%
Euro Area*	736	14.6	5%
China	389	16.6	2%
United Kingdom	306	3.1	10%
Germany	251	4.3	6%
France	156	2.9	5%
Italy	126	2.1	6%
Spain	115	1.5	8%
Belgium	40	0.6	7%
Portugal	18	0.3	7%
Finland	12	0.3	4%
Greece	6	0.2	3%

Note: Excess savings = savings greater than counterfactual based on growth in 2019 savings. Savings for Q1 2021. *Euro Area does not include estimates for Slovenia or Malta. Sources: Moody's Analytics; International Money Fund (IMF); government statistical agencies. Data as of April 2021.

With households primed to spend nest eggs built up during the pandemic, a number of factors, outlined in Exhibit 5, set the stage for what may result in a staggered global consumer recovery. Giving context to the table:

- Already in the first quarter of this year, U.S. personal consumption ($15 trillion) increased 10.7% compared to the prior quarter, and added 7 percentage points to GDP.[8] While the relative importance of the consumer varies to each economy, no consumer base contributes more to its GDP than that of the U.S. (70% to GDP), with the next-largest consumer markets of the Euro Area (53%) and China (39%) to a lesser extent. Above and beyond, the U.S. is the powerhouse for a domestic, but also global, consumer recovery (as measured by personal consumption expenditures, the U.S. adds 29% to global consumption).

[8] Bureau of Economic Analysis, April 2021.

- Second, China's recovery is tilted toward industrial activity such as manufacturing and exports, not consumption. Even given a year-over-year GDP report of 18.3% for the first quarter of 2021, household spending was generally weaker than expected, although, more recent May Day holiday figures point to an uptick in spending. And lastly, least exposed to a service sector employment collapse, the unemployment rate dropped to 5.1% in April 2021, the lowest level in more than a year.
- Third, while first quarter Euro Area GDP (-0.6% quarter-on-quarter) contracted due to shutdown measures and a complicated vaccine rollout, Europe has turned the corner. The pace of vaccinations is accelerating, various nations are gradually reopening (again), and funds from the European Commission's Recovery and Resilience Facility are set to be distributed over the second half of this year. In many nations, export-led growth in manufacturing will be complemented with a pickup in consumer spending and increased activity in services. Tourist-reliant countries in the area have been hard hit by the collapse in tourism—tourism contributes 12% to Spain's GDP; last year's pandemic-led shutdown reduced visitor spending across Europe by nearly two-thirds from the prior year; some 3.6 million tourist-related jobs (10% of workforce) were wiped out; and the region lost $619 billion in international visitor spending.[9] Activity is currently rising sharply as restrictions begin to ease and mobility increases, the worst should be over with Europe's consumer/service recovery story delayed but not derailed.

The takeaway: While the U.S. consumer is most ready to spend over the near term, a great deal of dry powder (consumer spending) is poised to be unleashed in both Europe and China over the second half of this year.

Exhibit 5: Consumer Scorecard.

	U.S.	China	Euro Area
Personal Consumption Expenditures (trillions of U.S. $)	$15.0	$5.6	$7.1
% of Global Consumption	*29%*	*11%*	*14%*
Population (millions of people)	333	1,440	341
Share of Population Vaccinated[1]	*48%*	*31%*	*47%*
Unemployment Rate	6.2%	5.1%	8.2%
Pre-coronavirus Unemployment Rate	*3.6%*	*5.2%*	*7.4%*
Savings Rate	28%	34%	20%
Pre-coronavirus Savings Rate	*7.3%*	*30%*	*13%*
Monetary and Fiscal Stimulus (trillions of U.S.$)	$12.3	$2.6	$1.4
Stimulus as a % of GDP	*57%*	*18%*	*11%*

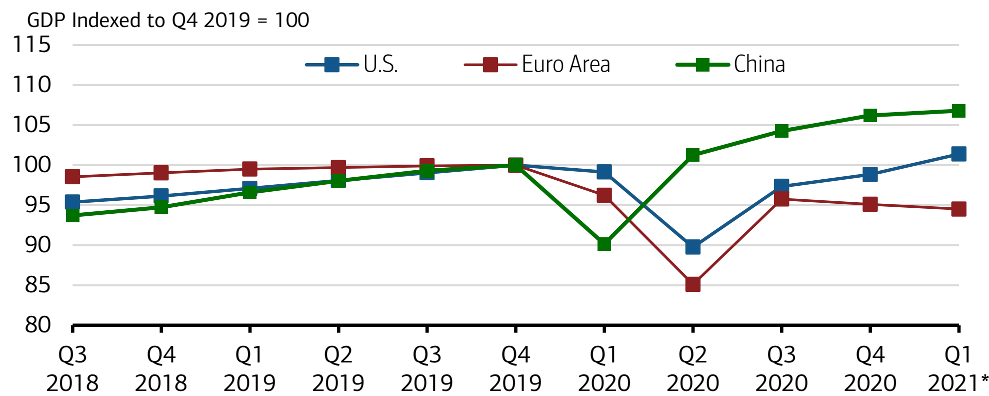
Sources: Bureau of Economic Analysis, United Nations, Our World in Data, Cornerstone Macro Research, Eurostat, National Bureau of Statistics of China. Data as of May 21, 2021. Note: Pre-coronavirus considered December 2019. Footnote 1: Percent of Population with at least one vaccination. Some countries do not provide partially/fully vaccinated figures.

Excess Savings: The Gift that Keeps Giving

Given the staggered nature of the broader economic recoveries, Moody's April 22 report expects that if consumers globally spend a third of their savings, it could increase global output by 2 percentage points in both 2021 and 2022. As depicted in Exhibit 6, a significant growth gap has emerged between the three economies early in 2020 and again late in 2020, with the U.S. and Euro Area decoupling. While the U.S. recovery should firm in the coming months, Europe will likely still lag behind the U.S. and China into 2022. The IMF anticipates China's economy will grow by 8.4% for full-year 2021, outstripping both the U.S. at 6.4% and Euro Area at 4.4%. To be sure, while China's growth may be outpacing the others, its lead is on the supply side and will likely continue to benefit from the improving demand/recovery of the rest of the world.

[9] *Financial Times*, March 28, 2021.

Exhibit 6: Growth Differential between the U.S., Euro Area and China.



*=Estimate. Sources: Bureau of Economic Analysis; Eurostat; National Bureau of Statistics of China. Data as of Q1 2021.

Portfolio Considerations for a Pent-up Demand Cycle

A reason for our overweight to the Consumer Discretionary sector and tilt toward more cyclical exposure is a pent-up consumer cycle that we expect to gain global momentum in the second half of 2021. Upside surprises to the level of consumer spending will add support for Equities even into 2022, especially in those sectors that are more levered to the business cycle and consumer recovery. Investors should consider positioning for a stronger-than-expected consumer recovery in the year ahead, when spending may run above normal levels, financed by elevated savings, and emanating first from the U.S. This coincides with our preference for U.S. Equities relative to the rest of the world, with neutral weights to both the developing and international developed markets. We continue to monitor investment opportunities abroad, notably the recoveries taking place in Europe based on an acceleration in vaccine programs or progress on the Recovery and Resilience Facility.

Emblematic of how levered the U.S., China and European Union (EU) markets are to the others, 43% of world trade in goods happens between the three. Against this backdrop, Europe's nascent consumer recovery is welcome news to Corporate America and may, along with a weaker dollar, translate to better-than-anticipated global earnings for multinationals levered to Europe's consumer end-market, with the EU accounting for roughly 55% of U.S. foreign affiliate income (a proxy for global earnings).

Bottom line: It may be time, from a portfolio perspective, to "cash in" by positioning for the consumer rebound that'll go global in the months ahead.

THOUGHT OF THE WEEK

"Transitory" Is A Relative Term

Chief Investment Office, Macro Strategy Team

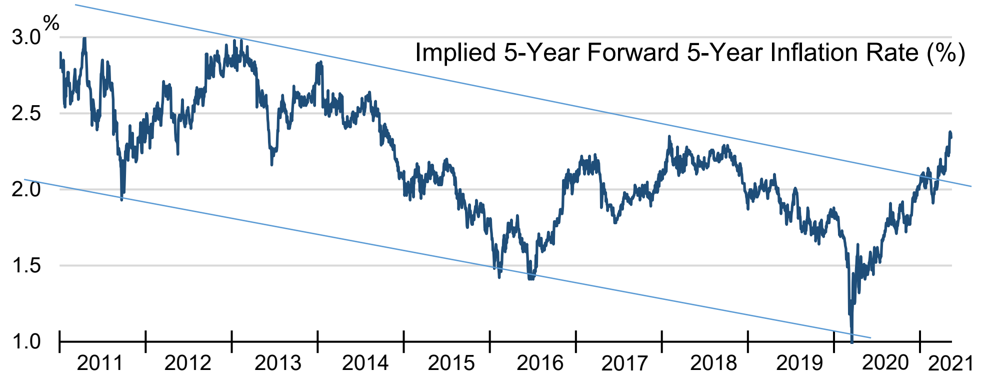
As we expected, inflation has continued to surprise forecasters to the upside, with the GDP deflator, the broadest measure of inflation, running over 4% at an annual rate in the first quarter and accelerating further based on April inflation data. As a result of growing evidence of shortages and surging pricing power, surveys show rising expectations for inflation across the board. For example, the April Blue Chip Economic Indicators survey of about 50 professional forecasters found that 87% thought the risks to their inflation forecast were to the upside and that 66% thought that these risks were "temporary." One month later, the May 10, 2021, survey found that 91% of respondents thought the risks to their inflation forecast lay to the upside, with 56% expecting risks to be temporary.

While the Fed has also deemed the jump in prices as "temporary" or "transitory," as these survey results indicate, economists are becoming more skeptical of this view. Consumer

surveys have also started to reflect a big increase in expectations for higher inflation. The question is: What does "transitory" mean? After all, high inflation turned out to be temporary, lasting only 20 years, last time the Fed lost control of the money supply in the 1960s and 1970s.

The more relevant question is: How much of the rise in inflation is "permanent," how much is likely to prove "temporary," and "how harsh would efforts to contain it be on the economy". The Fed has been clear that it is aiming for a higher inflation rate, not for the short term but for the long term, and Exhibit 7 shows that the Fed is indeed creating a structural shift higher in long-term inflation. Over the last decade, inflation expectations as measured by the five-year breakeven inflation expectations in the TIPS market five years from now were confined to a down-sloping channel, fluctuating between lower lows and lower highs while averaging lower and well short of the Fed's 2% target. As Exhibit 7 shows, since the Fed adopted its new policy and rate-hiking guideposts, the outlook for inflation has jumped well above 2% and well above its downtrending channel.

Exhibit 7: Big Jump In Long-Term Inflation Expectations Suggests Higher Inflation Is Here To Stay.



Source: Federal Reserve Board. Data as of May 17, 2021.

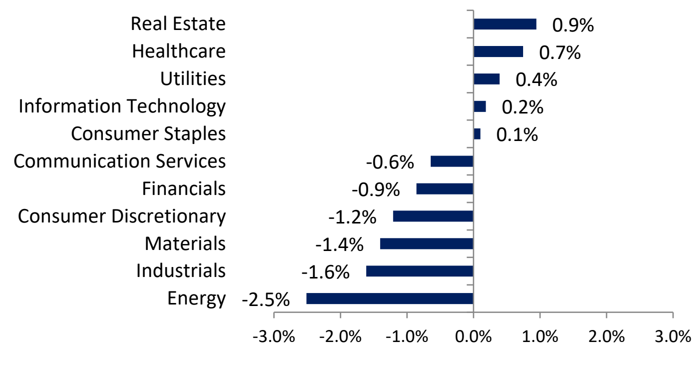
Given the fact that inflation is a lagging indicator, inflation and inflation expectations are likely to increase further into next year in response to the already-seen surge in domestic demand. With consumer and business demand likely to remain red-hot for the foreseeable future as a result of still-percolating stimulus, unusually large excess savings, and reopening-related demand, upside pressure on inflation is likely to grow. While nobody knows precisely how high inflation will eventually go, the Fed appears on a mission to keep it much higher in this decade than in the prior decade, with significant investment implications.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,207.84	-0.4	1.2	12.6
NASDAQ	13,470.99	0.3	-3.4	4.8
S&P 500	4,155.86	-0.4	-0.5	11.3
S&P 400 Mid Cap	2,689.84	-1.2	-1.2	17.1
Russell 2000	2,215.27	-0.4	-2.2	12.5
MSCI World	2,943.13	0.2	0.3	10.1
MSCI EAFE	2,314.63	1.1	2.3	9.1
MSCI Emerging Markets	1,330.04	1.7	-1.2	3.6

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.45	0.11	0.08	-3.36
Agencies	0.74	0.02	0.08	-1.11
Municipals	1.05	0.08	0.10	0.59
U.S. Investment Grade Credit	1.53	0.07	-0.02	-2.63
International	2.16	0.18	0.22	-3.38
High Yield	4.18	-0.09	-0.06	1.88

	Current	WTD	MTD	YTD
90 Day Yield	0.00	0.00	0.00	0.06
2 Year Yield	0.15	0.15	0.16	0.12
10 Year Yield	1.62	1.63	1.63	0.91
30 Year Yield	2.32	2.34	2.30	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	194.07	-1.2	0.6	16.5
WTI Crude $/Barrel††	63.58	-2.7	0.0	31.0
Gold Spot $/Ounce††	1881.25	2.1	6.3	-0.9

Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.22	1.21	1.20	1.22
USD/JPY	108.96	109.35	109.31	103.25
USD/CNH	6.44	6.44	6.47	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 5/17/2021 to 5/21/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 5/21/2021 close. **Past performance is no guarantee of future results.**

Asset Class Weightings (as of 5/4//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 5/21/2021)

	Q4 2020A	2020A	Q1 2021A	Q2 2021E	Q3 2021E	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-	-3.2	-	-	-	-	5.9
Real U.S. GDP (% q/q annualized)	4.3	-3.5	6.4	10.0	9.0	5.0	7.0
CPI inflation (% y/y)	1.2	1.2	1.9	4.5	4.2	4.0	3.6
Core CPI inflation (% y/y)	1.6	1.7	1.4	3.4	3.4	3.4	2.9
Unemployment rate (%)	6.7	8.1	6.2	5.6	4.6	4.2	5.1
Fed funds rate, end period (%)	0.09	0.09	0.06	0.13	0.13	0.13	0.13
10-year Treasury, end period (%)	0.91	0.91	1.74	1.85	2.00	2.15	2.15
S&P 500 end period	3756	3756	3973	-	-	-	3800
S&P earnings ($/share)	42	140	42*	46	48	49	185
Euro/U.S. dollar, end period	1.22	1.22	1.17	1.18	1.16	1.15	1.15
U.S. dollar/Japanese yen, end period	103	103	111	107	110	113	113
Oil ($/barrel, avg. of period, WTI**)	44	40	58	64	60	58	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 May 21, 2021.

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Index Definitions

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

S&P 500 Index is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

Consumer Price Index measures the average change in prices over time that consumers pay for a basket of goods and services.

MSCI Emerging Markets Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

MSCI Asia Pacific Index captures large and mid cap representation across 5 Developed Markets countries and 9 Emerging Markets countries* in the Asia Pacific region.

Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

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