MERRILL
A BANK OF AMERICA COMPANY

CHIEF INVESTMENT OFFICE

Capital Market Outlook

June 13, 2022

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

IN THIS ISSUE

Macro Strategy—*CAPEX and Housing: Red-Hot to Luke Warm?*: The investment sectors of the economy, including housing and business investment, drive turning points in business cycles. Both were red-hot coming out of the pandemic. Both are likely to slow over the rest of the year, but should prove resilient, in our view. Despite a relatively weak global backdrop, firms are pressed to boost productivity and strengthen supply chains through localization and/or diversification and have the balance sheets to do so. Commodity resource scarcity is also driving spending in some sectors.

On the housing front, while real home prices are bubbly and affordability is challenging, underlying demographics and supply/demand dynamics should provide some support for slowing housing activity even if prices cool rapidly. On balance, our outlook for investment spending supports our view that, if there is a recession next year, it could be relatively mild from the perspective of real economic activity. Investors looking for pockets of resilience in the face a fading profits cycle may find it in areas of business investment that are benefiting from the geoeconomic backdrop.

Market View—*The 1970s: Back to the Future?:* Among other positives, many expect the U.S. unemployment rate to remain near the lowest levels since the late 1960s for at least another year.[1] Strong balance sheets should underpin more resilient consumption. Industrial production has been steadily outperforming. Nonetheless, elevated inflation has raised worry from other prominent experts over the prospect of stagflation.[2, 3]

We argued in a April 11, 2022 Chief Investment Office Capital Market Outlook report—"Shifting Supply-Side Shocks"—that the ongoing conflict in Eastern Europe raised the risk of a more uncertain environment. In this report, we go back to the past, exploring market and macroeconomic performance, in particular during the 1970s, in search of potential clues about the future for portfolio management strategies.

Thought of the Week—*Technology Sector Turmoil: Positioning Like It's 1999?:* The weakness in the technology sector this year has drawn inevitable comparisons with the dot-com crash of 2000. A range of headwinds has weighed on information technology in 2022 stemming from global demand, supply and policy conditions, but we nonetheless view parallels with the tech bust of two decades ago as overstated. There are a number of key differences between the current environment and that of the late-1990s cycle, which should limit the extent of the current downdraft, though we continue to be cautious for now and retain a balanced view on the outlook for the sector.

[1] According to the Bloomberg consensus estimate as of June 5, 2022.

[2] "Ben Bernanke Sees 'Stagflation' Ahead," *New York Times*, May 16, 2022.

[3] While subjective, "stagflation" reflects the general climate of a simultaneous occurrence of rising or elevated inflation and the prevalence of economic stagnation, including rising or elevated joblessness.

MACRO STRATEGY ▶

Jonathan W. Kozy
Managing Director and Senior Macro Strategy Analyst

MARKET VIEW ▶

Rodrigo C. Serrano, CFA®
Director and Senior Investment Strategy Analyst

THOUGHT OF THE WEEK ▶

Ehiwario Efeyini
Director and Senior Market Strategy Analyst

MARKETS IN REVIEW ▶

Data as of 6/13/2022, and subject to change

Portfolio Considerations

As this period of uncertainty matures, markets, in our view, will be searching for signs of stability to finally bottom out and create a new base. While risks remain, global Equities still have the support of higher nominal growth levels, healthy corporate profits, a strong consumer, and an improvement in the service sectors in the near-term. We still expect high-quality Fixed Income to be a diversifier and this diversification effect has proven true when rate volatility decreases. For investors, there is a growing list of reasons to shore up and maintain strategic exposure to commodity prices.

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

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Please see last page for important disclosure information. 4782857 6/2022

MACRO STRATEGY

CAPEX and Housing: Red-Hot to Luke Warm?

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

Demand for big ticket items like houses, commercial real estate and business equipment drive turning points in business cycles. For example, non-residential business investment capital expenditures (CapEx) has contracted in every recession of the post-war period. Housing is less consistent as an indicator, but the Great Financial Crisis (GFC) shows just how devastating a downturn can be for the overall economy. On the flip side, underinvestment and consumer pent-up demand create tailwinds for expansions and related risk-assets. Below we take stock of these investment sectors in an effort to get a sense of overall business cycle dynamics and gauge the probability of a recession. Overall we think growth in activity in these sectors is set to slow, but not collapse, supporting our view that an impending recession would be mild in terms of real economic activity.

Investment Implications

Investors looking for pockets of resilience in the face of a fading profits cycle may find it in areas of business investment that are benefiting from the geoeconomic backdrop of resource scarcity and supply chain reconfiguration. Technology themes like cybersecurity also look more attractive.

The most obvious case for a slowdown in business investment is that much of the pent-up demand for spending from the pandemic has been satisfied. CapEx has been red-hot with real equipment spending growing at a 13.2% annual rate in Q1, following a 13.1% gain in 2021, according to the Bureau of Economic Analysis. Spending in most sectors is well above pre-pandemic levels, setting the stage for more trend-like growth.

Slower global growth also limits the "accelerator effect," whereby stronger demand for all goods and services induces business investment. BofA Global Research believes real global growth is set to slow to 3.3% this year and 3.2% next year. The International Monetary Fund's (IMF's) World Economic Outlook also has growth slowing this year and next. Economic growth in China is set to slow significantly as reflected in surveys of the business climate (Exhibit 1) and manufacturing purchasing managers' indexes (PMIs). Elevated recession risk in Europe is also evident in another key global CapEx indicator: Profit expectations for machinery companies in Germany (Exhibit 1) have fallen, likely highly influenced by the Russia/Ukraine conflict.

Exhibit 1: Global CapEx Indicators Point To Slower Growth Ahead.

GLOBAL CAPEX–KEY INDICATORS	2019	2020	2021	2022
Global Real Gross Domestic Product (GDP) Growth (%)	2.9	-3.1	6.1	3.6
China Business Climate Index	124.0	109.2	121.9	112.7 (Q1)
Canada: Business Outlook: Investment in Machinery & Equipment: Balance	19.8	2.5	42.3	42 (Q1)
Germany: ZEW Survey, Profit Expectations (6 months): Machinery	-25.7	-18.7	44.8	-36.5 (May)
Japan: Small/Medium Business Survey: Equipment Production Capacity	1.8	-20.1	-8.3	-4.7 (May)
U.K.: Bank of England Agents' Survey: Investment Intentions	-0.1	-3.3	1.5	3.0
U.S. INDICATORS				
CEO Business Confidence Survey: Business Executive Confidence	41.0	47.0	72.0	42 (Q2)
Small business optimism: NFIB* % planning CapEx in 3 to 6 months	28.0	24.0	26.0	27 (Apr)
Economic Policy Uncertainty** (Index)	141	243	148	172 (May)
Average Age Capital Stock: Private Equipment (years)	7.0	7.0	N/A	N/A
Federal Reserve Board (FRB): Sr. Loan Officers Survey: Banks Tightening Commercial & Industrial (C&I) Loans	0.3	37.6	-15.1	-1.5 (Q2)
FRB: Sr. Loan Officers Survey: Banks Reporting Stronger Demand C&I Loans	-12.1	-15.5	-1.2	12.3 (Q2)
Nonfinancial Corporate Business Liquid Assets/Short-term Liabilities (%)	83.5	98.1	97.2	N/A
Capacity Utilization: All Industry	77.4	71.6	75.4	79 (Apr)
U.S. Real Investment Spending Growth (%)–Equipment (includes Information Technology)	3.3	-8.3	13.1	13.2 (Q1)
U.S. Real Investment Spending Growth (%)–Intellectual Property Products	7.2	2.8	10.1	11.6 (Q1)

YTD = Year-to-Date. *National Federation of Independent Business. **Policyuncertainty.com. Sources: Bureau of Economic Analysis; Computer and Enterprise Investigations Conference; NFIB; ZEW; Federal Reserve Board/Haver Analytics. Data as of June 8, 2022. **Please refer to Index Definitions at the end of this report.**

Domestic surveys are mixed but, on balance, point to a slowdown. For example, regional Federal Reserve (Fed) manufacturing surveys of CapEx intentions have declined from the peak but point to decent growth, especially in energy-centric regions like Texas. Similarly, the NFIB small business survey, also shown in Exhibit 1, has shown very firm CapEx expectations. On the other hand, the Conference Board's (CB) Business Executive confidence metric shown in Exhibit 1 fell from 82 (readings greater than 50 signal confidence) in Q2 of last year to 42 in the current reading (Exhibit 1). Sixty-two percent expect to keep Capex

revisions flat or are lowering plans in the next year. The discrepancy between the CB's survey and the more domestic regional Fed and small business surveys highlights the relative strength of the U.S. economy versus the rest of the world and is also a good reminder that some firms are benefiting from the volatility geoeconomic backdrop.

Domestic CapEx is anchored by strong trends in technology spending. The labor market remains tight (even if it is weakening), boosting the case for productivity-enhancing investments. A recent survey of financial executives by Evercore/ISI Research showed firms are investing to secure supply chains through diversification and localization and also upgrading from physical technology infrastructure to the cloud. Maintenance technology spending, on software for example, has always been the workhorse that drives longer-term trends in overall CapEx. Over the last five years, real investment spending on intellectual property products like software has accelerated to the fastest pace since the dot-com era, according to the Bureau of Economic Analysis.

Higher commodity prices also support cyclical CapEx like energy and agricultural infrastructure. Trade data from the Census Bureau showed that imports of drilling and oilfield equipment surged in March, the latest data point available. The geopolitical backdrop is supportive of a pickup in domestic energy, commodity and transportation infrastructure investment.

Importantly, on balance, firms have the means to spend with liquid assets high relative to short-term liabilities (Exhibit 1). The profits cycle appears to be slowing, however. With margins under pressure, we think a deeper-than-expected profits downturn creates downside risk to our economic outlook with even bigger consequences for asset prices.

In the absence of firms using liquidity for CapEx, banks appear willing to lend, but standards are tightening. The FRB's Senior Loan Officers Survey for Q2 showed that fewer firms are easing standards for C&I and that some are tightening standards. The same survey showed demand for C&I loans remains firm for now, consistent with the strong CapEx figures in Q1.

The likely slowdown is evident in high-frequency leading indicators. Nondefense capital goods orders and shipments are monthly indicators of business investment. Shipments of core capital goods remain firm, but orders growth has slowed over three-, six- and 12-month time frames.

Housing is also showing signs of fatigue, but importantly it does not look overinvested. Similar to the outlook for CapEx, we expect housing activity to slow but not collapse and prices to adjust. The 200+ basis point increase in mortgage rates combined with still rising home prices is pressuring affordability, particularly for first-time buyers. By the National Association of Realtors® Housing Affordability Index, affordability is the worst it has been since the GFC and below the long-term average. This is already showing up in declining mortgage applications.

New home inventories are accumulating even as existing home inventories remain lean. The inventory of new single family houses is currently at nine months based on the current sales rate, the highest since 2010. Despite this, homebuilder confidence remains firm, albeit well off its peak. The National Association of Homebuilders Index is well off its high and falling, but the most recent reading of "69" is still positive (readings over 50 indicate more builders see conditions as good than poor). Home prices and activity will likely cool off, but the underlying demographic-driven demand from millennials should provide support over the medium term as long as we have a soft landing in the labor market.

Recessions are more painful when multiple cycles contract simultaneously (profits cycle, housing cycle, CapEx cycle, consumer durable good cycle, etc.). One important reason we think this cyclical slowdown could be less painful is because some of these sectors, like housing and CapEx, do not appear to be overinvested or poised for significant deleveraging. This doesn't necessarily inoculate passive investors who still face a declining profits cycle, but it can help identify opportunities of areas of resilience.

In many ways, this cyclical slowdown resembles the 2001 dot-com recession. In that recession, nonfinancial profits declined 40%, and asset class bubbles burst even as real private sales to private domestic purchasers (consumer spending and investment spending) did not contract in aggregate. And housing investment pushed through the recession with a few scratches. In 2001, technology CapEx was the source of real economic pain. So far, tech CapEx is holding up, but worth watching.

MARKET VIEW

The 1970s: Back to the Future?

Rodrigo C. Serrano, CFA®, Director and Senior Investment Strategy Analyst

Until recently, there's been a hesitancy by the Fed in responding to building inflationary pressures, which have become exacerbated by shifting global supply-side shocks—a progression remarkably similar to what occurred during the 1970s. Among other factors, these developments risk accelerating the emergence of a new market regime, one generally characterized by greater volatility and a potential shift in the performance relationship between asset classes.

Since the early 2000s until recently, stock and bond returns have been more negatively correlated—when stock prices declined, rising Fixed Income prices provided a greater diversification benefit, smoothing out overall portfolio returns. Yet more historical data shows that, in particular during high-inflation environments, such as the 1970s, bond and stock returns tended to move more in sync—a feature that would have reduced the benefit.[4] A similar evolution today would therefore present a relatively novel challenge for traditional portfolios.

The Search for Diversifiers

In searching for other potential diversifiers, Commodities seem like an intriguing option. Today, relative to the S&P 500 Index, the dollar value of the S&P Goldman Sachs Commodities Index (GSCI), a benchmark for this asset class, stands at a considerable price discount (Exhibit 2—green circle). Moreover, the rising trend of this ratio implies an outperformance by raw materials during the 1970s (see arrow). Sustaining a real return during this period, their outperformance during stagflationary periods was buoyed by precious metals such as gold and silver, and especially by oil.[5] Geopolitical uncertainty played a role, also a present-day dynamic. Because Commodities, alongside tangible Real Estate, also exhibited relatively less volatility compared to other asset classes back then, we think exposure to them, including via Alternative Investments for qualified investors, may help hedge portfolios.

Exhibit 2: An Attractive Valuation For The Commodities Asset Class, Compared To The S&P 500, And Historical Performance, May Comprise Appealing Characteristics For A Portfolio Diversifier.

Sources: Chief Investment Office; Bloomberg. Data as of 6/4/2022. **Past performance is no guarantee of future results.**

For the S&P 500, rising inflation has already affected its growth-sensitive sectors such as Communication Services. Meanwhile, Utilities has outperformed YTD. Though its performance has historically been negatively correlated with inflation, during times of stagflation, its defensive characteristics, along with those of Consumer Staples, have commanded a premium, according to BofA Global Research.[6] Meanwhile, during periods of economic growth, the equity of firms with pricing power and those with the ability to generate efficiencies in general can act as a natural hedge against moderate inflation, in our view.

Portfolio Implications

Characterized in part by a higher market volatility environment, we believe we're shifting into a new macroeconomic regime, one generally characterized by higher rates of inflation. Similar to the 1970s, it may present relatively novel challenges for portfolios. Yet our analysis of this time period suggests that areas of strength back then possessed some similar alignment characteristics with our present-day views of longer-run investment opportunities such as Value, Energy and Real Assets. We favor using disciplined implementation strategies, such as dollar-cost averaging.

[4] The S&P 500 index and the price of the U.S. 10-year U.S. Treasury note are used to conduct a correlation analysis. In this study, a positive value up to one indicates an increasing performance relationship, whereas a value below zero to negative one indicates inverse price movements.

[5] "Has the Inflationary Wave Broken? Expect More," *Bloomberg Opinion*, May 25, 2022.

[6] Studied were average annualized quarterly returns of S&P 500 sectors during periods of below-trend U.S. GDP growth and rising inflation (1972-2019).

Also observed was that, unlike longer-run U.S. government Fixed Income, 3-month Treasury Bills or ultrashort-duration cash-like investments tended to experience the most cases of positive returns during broad periods of inflation. On a total return basis, corporate bonds in general outperformed this category. They tended to provide greater upside during periods of economic growth while also exhibiting lower volatility versus other asset classes as shown in Exhibit 3.

Incorporating "The New Frontier"

While the 1970s provided numerous challenges for investors, pockets of strength back then align surprisingly well with our present views regarding longer-run investment opportunities—collectively titled "The New Frontier."

Though unlike Energy's positive YTD return, the Materials segment has still outperformed the broader S&P 500. The standing of these sectors today rhymes with the 1970s outperformance of Value, an equity factor that characterizes them to varying degrees.[7] Also considered a member of this classification is the Industrials sector, which saw above-average returns back then.[8] We do not tactically favor the sector presently. However, from a longer-term and more global perspective, a tailwind may be what's needed to expand CapEx to enhance supply-side capacity of the mining sector, especially for Commodities for the future, deemed essential to the global transition to clean-energy including cobalt, lithium, alongside a group of minerals categorized as rare earth metals. The prospect of reshoring global supply-chains and incorporating greater automation to protect corporate profit margins may also provide the broader Industrials sector with resilient demand. We would also not discard the longer-run potential of International Developed and select Emerging Markets Equiities, given larger weightings in cyclical-value sectors together with their relative discount to U.S. Equities. Commodity-oriented markets have outperformed YTD, including some in Asia, such as Indonesia and Australia, as well as many in Latin America and the Middle East.

Like Value, also performing better during the latter part of the 1970s were Small-cap Equities—though they did exhibit high volatility and negative returns during the recessionary period from November 1973 to March 1975 (Exhibit 3). Yet they outperformed their Large-cap brethren during the decade. In today's context, the prospect of a more fragmented, deglobalized economy may lead to greater uncertainty for large multinational corporations relative to their smaller, more domestic-oriented counterparts.

Exhibit 3: Asset-Class Returns During The 1970s—(Arranged By Average Returns).

Return - (%)	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Average
Small Cap Value	6.9	14.4	6.9	-27.4	-18.8	58.9	60.4	22.5	22.2	38.8	18.5
Value	9.0	14.0	12.0	-16.0	-21.0	58.0	52.0	12.0	13.0	31.0	16.4
Small Cap	-17.0	16.0	4.0	-31.0	-20.0	53.0	57.0	25.0	23.0	43.0	15.3
Large Cap Value	10.3	14.3	17.8	-4.0	-23.2	55.7	44.0	1.5	3.8	22.6	14.3
Commodities	-1.0	1.0	31.0	48.0	2.0	-6.0	7.0	-2.0	14.0	24.0	11.8
Small Cap Growth	-20.3	26.9	-0.3	-44.6	-32.5	61.7	38.5	18.5	17.8	49.6	11.5
Copper	2.0	-5.0	0.0	31.0	9.0	-12.0	2.0	-7.0	16.0	48.0	8.4
Growth	-13.0	26.0	10.0	-34.0	-31.0	48.0	28.0	4.0	13.0	32.0	8.3
Real Estate	8.0	4.0	3.0	3.0	9.0	8.0	8.0	14.0	14.0	12.0	8.3
Large Cap	4.0	14.0	19.0	-15.0	-26.0	37.0	24.0	-7.0	7.0	19.0	7.6
Corporate Bonds	18.4	11.0	7.3	1.1	-3.1	14.6	18.6	1.7	-0.1	-4.2	6.5
U.S. Consumer Price Index (CPI)	6.5	4.4	3.8	6.9	8.0	5.8	5.1	5.1	7.2	10.4	6.3
Cash	6.5	4.4	3.8	6.9	8.0	5.8	5.1	5.1	7.2	10.4	6.3
Long-term Government Bonds	12.1	13.2	5.7	-1.1	4.3	9.2	16.8	-0.7	-1.2	-1.3	5.7
Large Cap Growth	-5.5	24.2	21.5	-21.8	-29.3	34.4	17.4	-9.6	7.0	16.7	5.5

Source: BofA Global Research. Data as of May 12, 2022. Used benchmarks: Cash–ICE BofA U.S. 3M Treasury Bill Index; Commodities–Refinitiv Commodity Index; Copper–Spot Copper Price; Corporate Bonds–ICE BofA 15+ Year AAA-AA Corp Index; Growth and Value overlays–Fama French Benchmark Portfolios and Ibbotson; Inflation CPI–U.S. CPI; Large –S&P 500 Total Return Index; Long-term Gov't Bonds–ICE BofA 15+ Year U.S. Treasury Index; Real Estate–Case-Shiller Home Price Index; Small Cap–S&P Small Cap 600 Total Return Index. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to Index Definitions at the end of this report.**

[7] Value tends to comprise sectors trading near their intrinsic value, characterized by lower relative valuations compared to their Growth peers.

[8] "Has the Inflationary Wave Broken? Expect More," *Bloomberg Opinion*, May 25, 2022.

RETURN TO FIRST PAGE

THOUGHT OF THE WEEK

Technology Sector Turmoil: Positioning Like It's 1999?

Ehiwario Efeyini, Director and Senior Market Strategy Analyst

As we approach the midpoint of a volatile year for equity markets, much of the price weakness so far has been shouldered by the Technology sector. The tech selloff of 2022 has drawn inevitable comparisons with the dot-com crash of 2000 and, according to the latest BofA Global Fund Manager Survey for May, Information Technology is now the market segment with the largest underweight among global investors relative to its long-term average.

There is clearly much to dislike about the Technology sector in the current environment. Economic reopening has left hardware and equipment sales vulnerable to a giveback in pandemic-related demand. The Russia/Ukraine conflict has restricted the global supply of noble gases such as neon, helium and argon, which are critical in semiconductor manufacturing. The long duration of corporate earnings in the sector has left it more susceptible than other groups to the sharp rise in interest rate expectations over the past six months. And the large share of its profits sourced from overseas has been hurt by a stronger U.S. dollar. The forward price-earnings ratio of the information technology component within the S&P 500 has declined from 27x at the price peak in late-2021 to 19x at the price trough of last month (it has fallen by much more in smaller cap listings), and a growing number of firms are now reporting hiring freezes and layoffs.

Parallels with the late-1990s cycle may nonetheless be overstated. For one, the tech woes of 2022 did not start from valuation levels comparable with the crash of 2000. At the peak of the tech bubble, the sector accounted for close to 35% of S&P 500 market cap with a relative valuation more than twice as high as the broad index, compared to just under 30% and 1.3 times as high in 2021. The initial public offering (IPO) market was also much frothier in 1999, with three times the number of new listings that year, including younger, less profitable companies with much lower revenues (Exhibit 4A). And as we look ahead, we also expect the sector to make a larger contribution to a digitizing real economy, particularly as labor shortages and rising wages incentivize more automation.

We remain cautious on Information Technology for now and retain a balanced view on the sector outlook. Relative price performance reached a recent trough of -8.8 percentage points (ppts) versus the S&P 500, well above the -44 ppts of underperformance that followed the dot-com peak. And at 27% so far, the absolute peak-to-trough is also a long way from the 2000 tech bust in terms of both magnitude (83%) and duration (2.5 years) (Exhibit 4B). It seems doubtful that the current episode would approach these extremes, but ongoing risks from weaker earnings and higher rate expectations leave us neutral in our tactical positioning.

Portfolio Considerations

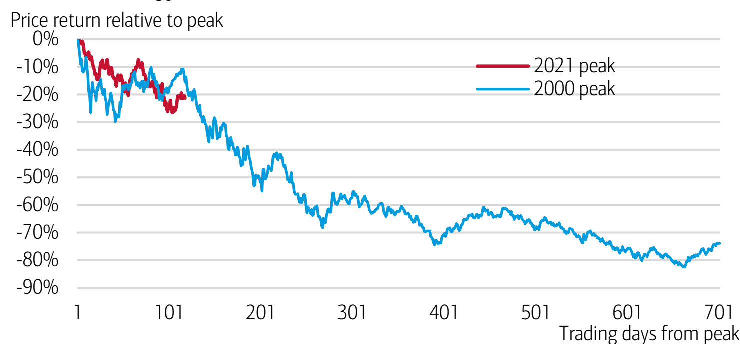
Information technology has been one of the worst-performing sectors so far this year and remains out of favor among global investors. Though we continue to see a range of headwinds for the sector in the current environment, we view the most pessimistic comparisons with the late-1990s cycle as overstated. We stay cautious in our tactical positioning but maintain a more balanced view on the sector outlook.

Exhibit 4: Two Peaks For the Technology Sector: 1999 Versus 2021.

4A) Technology Sector Characteristics

	1999	2021
Market capitalization share of S&P 500*	34.9%	29.5%
Valuation (forward P/E ratio)*	51x	27x
Relative valuation (forward P/E ratio vs. S&P 500)*	2.2x	1.3x
Number of IPOs	370	123
Sales of median IPO company ($ million)**	17.2	185.8
Age of median IPO company	4 years	12 years
Profitable share of IPO companies	14%	22%

4B) Technology Sector Returns



Sources: Jay R. Ritter (University of Florida); Bloomberg. Data as of 2021. *As of daily sector peaks (3/27/2000, 12/27/2021). **Real 2014 dollars. (Chart 4A). Bloomberg. Data as of June 8, 2022 (Chart 4B). Data based on information technology component of the S&P 500 index. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to Index Definitions at the end of this report.**

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	31,392.79	-4.6	-4.8	-12.8
NASDAQ	11,340.02	-5.6	-6.1	-27.3
S&P 500	3,900.86	-5.0	-5.5	-17.6
S&P 400 Mid Cap	2,403.07	-4.6	-4.4	-14.9
Russell 2000	1,800.28	-4.4	-3.4	-19.4
MSCI World	2,641.69	-4.9	-5.3	-17.6
MSCI EAFE	1,934.20	-4.6	-5.0	-15.8
MSCI Emerging Markets	1,054.64	-0.5	-2.1	-13.6

Fixed Income†

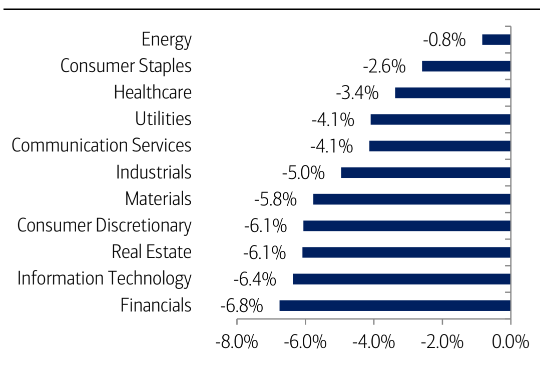
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.74	-1.45	-1.85	-11.29
Agencies	3.31	-0.95	-1.28	-6.52
Municipals	3.01	-1.00	-0.81	-8.22
U.S. Investment Grade Credit	3.77	-1.52	-1.90	-10.65
International	4.61	-1.79	-2.21	-13.86
High Yield	7.79	-2.33	-2.73	-10.50
90 Day Yield	1.30	1.13	1.04	0.03
2 Year Yield	3.06	2.65	2.56	0.73
10 Year Yield	3.16	2.93	2.84	1.51
30 Year Yield	3.19	3.09	3.05	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	290.00	1.2	3.1	36.9
WTI Crude $/Barrel††	120.67	1.5	5.2	60.4
Gold Spot $/Ounce††	1871.6	1.1	1.9	2.3

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.05	1.07	1.07	1.14
USD/JPY	134.41	130.88	128.67	115.08
USD/CNH	6.73	6.66	6.68	6.36

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 6/6/2022 to 6/10/2022 †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 6/10/2022 close. Data would differ if a different time period was displayed. Short term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 6/10/2022)

	2021A	Q1 2022E	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	5.7	-1.5	3.1	2.5	1.8	2.6
CPI inflation (% y/y)	4.7	8.0	8.2	7.8	6.6	7.6
Core CPI inflation (% y/y)	3.6	6.3	5.8	5.7	5.4	5.8
Unemployment rate (%)	5.4	3.8	3.6	3.4	3.3	3.5
Fed funds rate, end period (%)	0.07	0.33	1.38	2.13	2.63	-

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of June 10, 2022. BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation.

Asset Class Weightings (as of 6/7/2022)

	CIO View				
Asset Class	Underweight		Neutral		Overweight
Global Equities				● (green)	
U.S. Large Cap Growth			● (yellow)		
U.S. Large Cap Value				● (green)	
U.S. Small Cap Growth				● (green)	
U.S. Small Cap Value				● (green)	
International Developed		● (orange)			
Emerging Markets			● (yellow)		
Global Fixed Income		● (orange)			
U.S. Governments		● (orange)			
U.S. Mortgages		● (orange)			
U.S. Corporates				● (green)	
High Yield		● (orange)			
U.S. Investment Grade Tax Exempt			● (yellow)		
U.S. High Yield Tax Exempt		● (orange)			
International Fixed Income	● (red)				
Alternative Investments*					
Hedge Funds			● (gray)		
Private Equity			● (gray)		
Real Assets			● (gray)		
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral		Overweight
Energy				● (green)	
Financials				● (green)	
Real Estate				● (green)	
Materials				● (green)	
Healthcare				● (green)	
Utilities			● (yellow)		
Information Technology			● (yellow)		
Industrials			● (yellow)		
Consumer Discretionary		● (orange)			
Consumer Staples	● (red)				
Communication Services	● (red)				

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of June 7, 2022. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

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

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

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

China Business Climate Index is the quantitative description of the business climate survey, which can directly reflect the real situation of the economy.

Economic Policy Uncertainty Index is indices of economic policy uncertainty for countries around the world.

National Association of Realtors® Housing Affordability Index measures whether or not a typical family could qualify for a mortgage loan on a typical home.

National Association of Homebuilders Index rates the relative level of current and future single-family home sales.

S&P Goldman Sachs Commodities Index (GSCI) serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time.

Growth and Value/Fama French Benchmark Portfolios and Ibbotson are rebalanced quarterly using two independent sorts, on size (market equity, ME) and book-to-market (the ratio of book equity to market equity, BE/ME).

Small Cap/ S&P Small Cap 600 Total Return Index covers roughly the small-cap range of American stocks, using a capitalization-weighted index.

Commodities/ Refinitiv Commodity Index is a commodity futures price index.

Copper/Spot Copper Price the daily first position COMEX HG settlement price for copper per pound plus the Rod Premium.

Real Estate/Case-Shiller Home Price Index are repeat-sales house price indices for the United States.

Large Cap/ S&P 500 Total Return Index is an unmanaged composite of 500 large capitalization companies and includes the reinvestment of dividends.

Corporate Bonds/ICE BofA 15+ Year AAA-AA Corporate Index tracking the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market.

Inflation/U.S. Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Cash/ICE BofA U.S. 3M Treasury Bill Index is an unmanaged index that is comprised of a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month.

Long-term Government Bonds/ICE BofA 15+ Year U.S. Treasury Index is an unmanaged index that tracks the performance of the direct Sovereign debt of the U.S. Government with at least $1 billion in outstanding face value and a remaining term to final maturity of at least 7 years and less than 15 years.

Important Disclosures

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

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

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

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

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

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

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

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Keep in mind that dollar cost averaging cannot guarantee a profit or prevent a loss. Since such an investment plan involves continual investment in securities regardless of fluctuating price levels, should consider your willingness to continue purchasing during periods of high or low price levels.

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. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. 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. Bonds are subject to interest rate, inflation and credit risks. 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. 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. 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. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults.

Alternative Investments are speculative and involve a high degree of risk.

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

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

© 2022 Bank of America Corporation. All rights reserved.