

CHIEF INVESTMENT OFFICE

# Capital Market Outlook



June 28, 2021

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

## IN THIS ISSUE

**Macro Strategy**—At its June 15–16 policy meeting, the Federal Reserve (Fed) raised its inflation outlook by the most in decades. Nevertheless, its forecast for the consumer price index (CPI) still remains well below what’s likely in our view. The real question for investors is how much their money will be worth after this “transitory” inflation is over. We suspect the dollar will be worth at least 20% to 25% less than its pre-pandemic level when the Fed stops printing money at a double-digit pace.

**Global Market View**—Helped by rising equity market and real estate values, U.S. household net worth is currently at a record. While stark economic disparities exist within the recovery, next to fully appreciate will likely be the most pandemic-constrained categories led by a higher-income consumer and helping to benefit consumer cyclicals.

**Thought of the Week**—There is a perplexing divergence in stock prices and bond yields. Stocks may be supported by corporate earnings, while bond yields pressured lower by declining inflation expectations.

**Portfolio Considerations**—We are monitoring the possibility of higher yields and higher levels of inflation, although we generally would expect an increase in price levels to favor equities over fixed income. Consider rebalancing through the summer months if risk assets drift materially higher over and above target allocation levels.

## MACRO STRATEGY

### The Horse is Out of the Barn

*Chief Investment Office, Macro Strategy Team*

The horse is inflation, and it has escaped the barn. As the old saying goes, it’s too late to close the barn door once the horse has escaped. Eventually, you have to find the horse and bring it back. The big question for investors is when will the Fed catch the horse and bring it back into the barn.

Even with the expected tapering of its asset purchasing in 2022, the Fed’s money printing will remain at a double-digit pace for another year. As we explained at the beginning of the year, when we indicated inflation would be the main event for 2021 and far exceed the consensus and Fed expectations, there has never been this kind of money printing without a two or three standard deviations above-trend surge in consumer price inflation (Exhibit 1).

## MACRO STRATEGY

**Chief Investment Office  
Macro Strategy Team**

## GLOBAL MARKET VIEW

**Lauren J. Sanfilippo**  
Vice President and  
Investment Strategist

## THOUGHT OF THE WEEK

**Niladri Mukherjee**  
Managing Director and Head of CIO  
Portfolio Strategy

**Data as of 6/28/2021,  
and subject to change**

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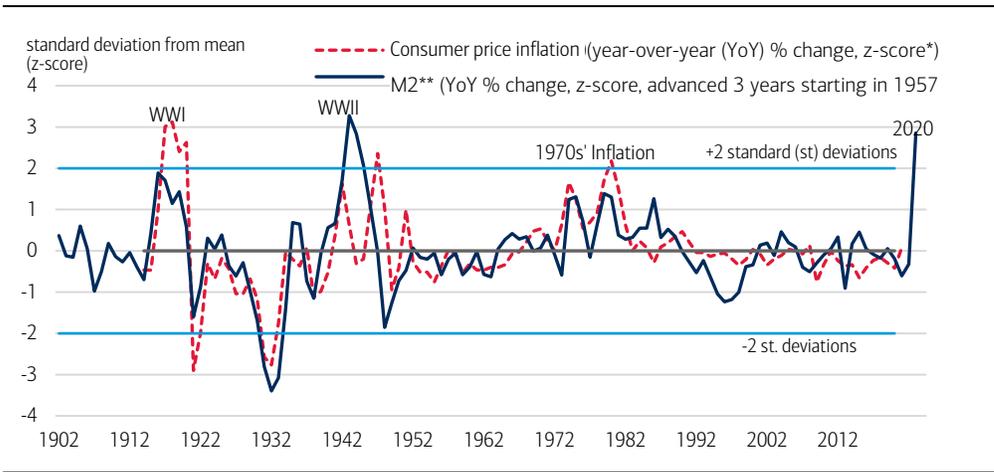
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Every time money growth has exceeded trend by two or more standard deviations, money has lost 20% to 50% of its value within a few years. During and after World War I (WWI), inflation ran 8%, 18%, 17%, 15% and 16%, respectively, in the five years from 1916 through 1920. The Fed contracted the money supply aggressively in 1921 and 1922 (Exhibit 1), and a severe depression and deflation restored much of the money value lost in the prior five years.

**Exhibit 1: Money Growth Predicts A 20%-Plus Loss In Purchasing Power.**



\*z-score is the number of standard deviations by which the value of a raw score is above or below the mean value of what is being observed or measured. \*\*M2 is a measure of the money supply that includes cash and checking deposits (M1) as well as near money. Sources: Bureau of Labor Statistics; Federal Reserve Board/Haver Analytics. Data as of June 22, 2021. Forecasts may not come to pass. Past performance is no guarantee of future results.

In fact, it was the typical policy response after war-time inflation to induce the bondholders who financed the war to hold depreciating assets during the inflation on the implicit promise of eventual deflation that would make them whole after the war. However, the 1921–1922 depression that made bondholders almost whole after WWI was the last time the U.S. central bank deliberately reversed a massive wartime, or any, inflation.

Indeed, the conventional wisdom immediately after WWII was that policy would do the same thing. Instead, a Keynesian\* era of permanent inflation began after 1945. In the three years after WWII, inflation ran 9%, 14% and 8%, respectively, for about a 30% loss in the dollar’s purchasing power between 1945 and 1948. Notice that the inflation peak during WWII lagged the money-printing peak compared to the WWI experience, as price controls artificially suppressed the usual money-printing inflation during the war. When the controls were lifted, prices adjusted to market conditions and the much bigger money supply.

Price controls were tried again in the early 1970s with similar results given the sharp acceleration in money-supply growth. CPI inflation ran at an 11% and 9% pace in 1974 and 1975, respectively. The record surge in money-supply growth in the late 1970s was associated with 11%, 14% and 10% annual CPI inflation rates in 1979, 1980 and 1981, respectively.

The history since 1900 shows such rapid money-supply growth has always been associated with double-digit inflation. While many today seem to think this time is different, the three-standard deviation surge in money-supply growth over the past year suggests otherwise. The fact that inflation is running in the high single digits in the first half of 2021 (more than double the Fed’s revised inflation forecast) also suggests otherwise. It’s also important to note that the CPI has been redefined since 1980. Economists who have recomputed the current CPI based on the earlier definition, like Joseph Carson, former Commerce Department researcher and head of Alliance Bernstein Economic Research, find that inflation would already be running over 10% based on the 1970s’ definition.

\*Relating to or denoting the economic theories of the English economist John Maynard Keynes.

So, while inflation will eventually prove transitory, it is still likely to have a devastating effect on household purchasing power and wealth. The current generation of new investors is especially vulnerable to the “money illusion” of a bull market propelled by massive money printing. If the S&P 500 index rises from 4000 to 5000 and inflation erases 25% of the dollar’s purchasing power, then the market is essentially flat in real terms despite its surge to eye-popping levels. When the transitory Weimar German Republic inflation stopped, the money was worthless. The point is that “transitory” is a straw man that is masking the biggest inflation surge since the early 1980s. When it’s over, some assets will have held their real value, but the dollar won’t be among them.

This brings us to the market’s response to the surprise “hawkishness” of the June 15–16 Federal Open Market Committee (FOMC) meeting. It should be apparent from the foregoing discussion that our view remains that the Fed is still fueling the highest inflation in 40-plus years as the changes announced on June 16 are a second and third order of magnitude compared to the fire hose of liquidity still flooding the economy.

In our view, the market reaction is confirming this. Those who believe that the inflation outlook is much lower than it has proven to date view the Fed’s shift as a policy mistake of premature, unnecessary hawkishness. However, the evidence and past experience suggest the Fed is massively behind the curve compared to the outlook for inflation it claims to expect. That’s also why the market’s initial sell-off on the so-called hawkish news lasted only a day or two. Since then, it’s back to the races, with major indexes moving back to, or exceeding, record highs.

Underneath the index levels, the big action during the sell-off was a major reversal in the primary rotational trends of 2021. The leaders of the big rotation—Value stocks generally, commodities, financials and materials—took a hit, while the big Growth stocks, underperformers in 2021 but leaders of the past decade, propelled the NASDAQ to new records. We suspect this shift in relative performance is part of a correction rather than a new trend. New trends generally require a fundamental shift in the underlying macroeconomic narrative. The economic outlook was not changed by the Fed’s shift, in our view. The Fed is playing catch-up, not moving ahead of the curve. Growth and inflation remain very strong, and there is no meaningful restraint on the horizon with inflation already approaching 10% and short-term rates at zero. These are negative real rates not seen in 70 years. Furthermore, relative performance in the equity market is being driven by earnings, where the biggest positive revisions and surprises remain in the Value sphere.

The massive purchases of government bonds by central banks around the world have depressed yields, and the counter-trend flattening in the yield curve in large part reflects this artificial depression of longer-term rates, much as it did in the 1940s’ money-supply explosion. If the flattening yield curve was signaling stress or economic slowing, credit spreads and other signs of tightening financial conditions would have responded more. Instead, financial conditions remain among the easiest ever. Even the dollar’s knee-jerk rise in response to the new “tough” Fed talk is likely to prove transitory, as the bigger downtrend that began last year likely resumes to reflect the much bigger relative loss in the greenback’s purchasing power compared to other currencies that have not seen such inflationary policies.

Former Treasury Secretary and Harvard Professor, Larry Summers, said at the beginning of the year that this is the most irresponsible policy mix since the 1970s, as it’s stimulating much more demand than the economy can handle. Inflation is the natural result. Another prominent economist, Wharton Professor Jeremy Siegel, explained on CNBC on June 16 that the free money given to people to date implies about a 20% loss in the value of U.S. money, which is quite consistent with the message from Exhibit 1.

The reason history repeats itself is that successive generations repeat the mistakes of their predecessors. For example, a trader on a recent CNBC show debating Professor Siegel adamantly insisted that Professor Siegel was wrong. His reasoning was that quantitative easing and zero rates were around for years prior to the pandemic in the U.S.,

Japan and Europe without inflationary consequences. A look at Exhibit 1 illustrates the difference between then and now. From the early 1990s, M2 growth was on average well below the historical trend and, therefore, so was inflation, despite low interest rates and quantitative easing. The same thing was true in Europe and Japan.

What's different today is that the Fed is no longer pushing on a string. The monetary horse has been saddled up with a fiscal delivery system that has helicoptered massive new money directly into household bank accounts. The big question is how will the Fed get the horse back in the barn. A soft landing to tame roaring inflation sounds like wishful thinking at this point.

## GLOBAL MARKET VIEW

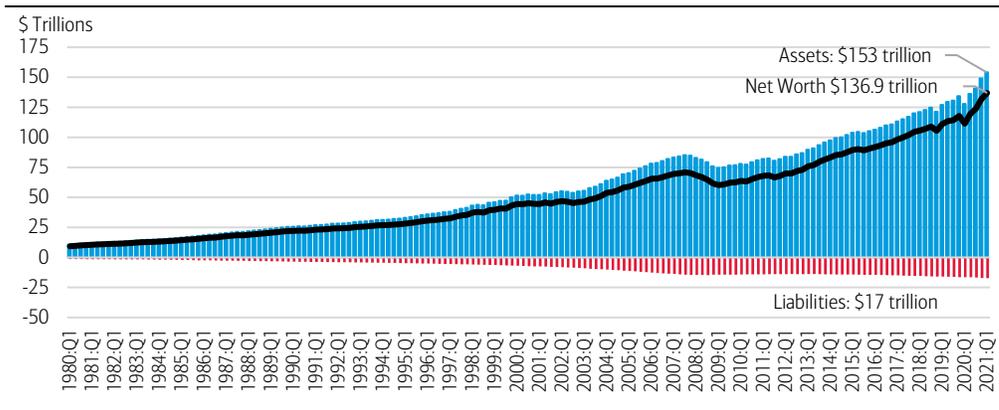
### Betting on the Joneses

*Lauren J. Sanfilippo, Vice President and Investment Strategist*

With household net worth at a record \$137 trillion, it's never been harder keeping up with the Joneses—or high-income U.S. households that are now splurging on luxury travel and second homes. Unlike the Great Financial Crisis of 2008/2009, which resulted in a six-quarter regression in net worth, the pandemic of 2020-2021 caused only a one-quarter blip in household net worth, owing to skyrocketing prices for homes and equities. Thanks to this one-two combination, high-income consumer spending is now 11% above pre-coronavirus levels.<sup>1</sup> On the path forward, it's the Joneses (affluent households) who will increasingly fuel the consumption recovery in the most pandemic-constrained categories.

U.S. household net worth increased by \$25.6 trillion in the 12 months ending Q1 2021, bringing wealth in America to a total of \$137 trillion (Exhibit 2). That's a staggering amount considering the average annual increase for the previous ten years was around \$5 trillion—an amount cleared in the first quarter of this year. Accounting for the majority of wealth gains were real estate and equity market appreciation, a \$3.2 trillion increase in the value of equities and a \$968 billion rise in real estate value held by households.

**Exhibit 2: Net Worth Reaches a Record \$137 Trillion.**



Source: Federal Reserve. Data as of Q1 2021.

To be sure, not every house on the block fared the same, with some missing out entirely. According to the Census Bureau, the current rate of U.S. homeownership is down, having dropped to 65.6% at the end of the first quarter, down from its 2004 peak of 69.2%. And while there are structural factors behind prime-aged home buyers (or those aged 35–44) coming to market, their homeownership rates are even more depressed at 62%, falling 8 percentage points since 2005. The percentage of Americans owning equities is even less than those who own a home. According to the Fed, just 15% of U.S. households have direct exposure to stocks. Add in mutual funds, or 401k investments, and that number is 55%, down from 60% in 2000. Add it all up, and many households have missed out on the

<sup>1</sup> Source: Opportunity Insights, data through May 30, 2021.

boom in property and equities, although, undoubtedly, banking massive federal transfers has helped cushion the blow to lower-income households.

### Old Habits Die Hard

All-in-all, the top fifth of earners (or households earning at least \$120,000 a year) contribute nearly 40% of all spending and account for most of the buildup in bank deposits (absolute and percent change) during the pandemic.<sup>2</sup> The bottom 20% of households account for only 9%, mostly geared toward necessities. With the Fed’s Consumer Expenditure Survey as a guide, categorically it’s clear that for the most constrained pandemic categories, such as air travel, recreation, entertainment or temporary lodging, high-end income groups consume an increasing share. The opposite is true for expenses such as utilities or food at home. For categorical reasons alone, the higher-end consumer fuels the service side of the equation. And already, there are stark economic disparities with the recovery. In Exhibit 3, a widening disconnect is apparent: a growing billionaires club versus a growing number of households facing delinquent payments; rising voluntary cosmetic procedures, while many lacked basic healthcare.

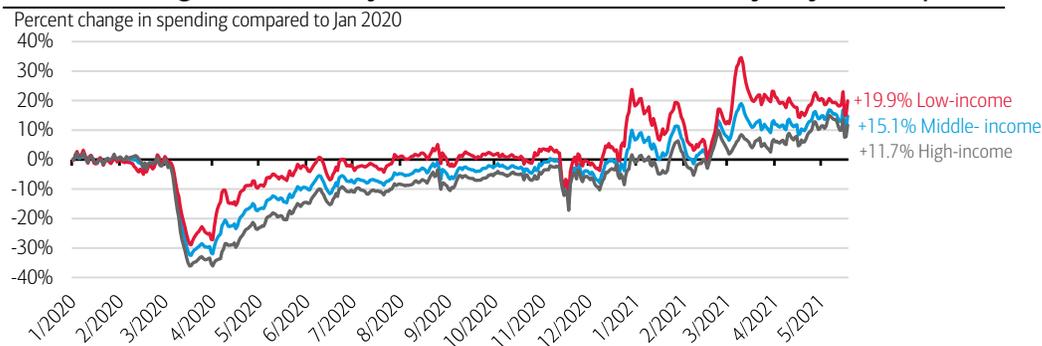
### Exhibit 3: Global Equities Have Performed Unevenly So Far This Year.

The Disconnect	
7 million Americans are behind on mortgage payments.	A surge in second-home buying: up 178% in April and 48% in May YoY.
Over 7% of all car loans in the U.S. are currently in some sort of deferment program.	Bentley delivered 11,206 vehicles in 2020, the highest output in its 101 year history.
Only 15% of Americans own direct stock, 55% including broader investments in mutual funds or 401k plans.	The S&P 500 gained 16.3%, almost \$5 trillion, in market capitalization last year.
More than one-fourth of U.S. adults were either unable to pay monthly bills or were one \$400 financial setback away from being unable.	The U.S. minted 56 new billionaires between mid-March and December 2020.
More than 4 in 10 adults went without medical care in 2020.	15.6 million elective cosmetic procedures were performed in 2020.
The pandemic resulted in permanent closure of 200,000 extra establishments compared to years prior.	217 companies went public and raised over \$78 billion in 2020.

Sources: U.S. Census Bureau; RedFin; TransUnion; Bloomberg; U.S. Census Bureau; Visualist Capital; Federal Reserve; Institute for Policy Studies; American Society of Plastic Surgeons; Renaissance Capital. Data as of June 2021.

Exhibit 4 shows spending across income quartile and its recovery from the March lows. Low- and middle-income individuals led the recovery in spending and, eventually, spending in excess of January 2020, or pre-pandemic levels. The consumer, while fully rebounded by March of this year, is now sitting almost 15% above pre-coronavirus levels. Next to fully appreciate will be the high-end-dominated markets of entertainment and leisure, some of which are already experiencing some of the fastest growth across segments.

### Exhibit 4: Bring on the Wealthy: Affluent Consumers Will Likely Play Catch-up.



Income level defined by zip code according to median income. Source: Opportunity Insights. Data through May 30, 2021. Data would differ if a different time period was displayed. Short term data shown to illustrate more recent trend.

<sup>2</sup> Source: Federal Reserve. Checking deposits 4Q 2019 vs 4Q 2020 for the Top 20%.

## The Boom in Wealth Is Global

High-end U.S. households are not the only ones feeling flush. So too are many households around the world. Rising home and asset prices have led to major gains in wealth on a global scale. According to Credit Suisse's latest global wealth report, some \$28.7 trillion was added to global household wealth during 2020, bringing the global total to a staggering \$418 trillion, up 7.4% from the prior year. Wealth per adult rose by 6% last year.<sup>3</sup> What's more, countries most affected by the coronavirus pandemic have recorded the greatest gains in wealth per adult. A common thread: Widening inequality represents a structural challenge for many pockets of the world.

## Portfolio Considerations

With home and equity prices trending well above their pre-pandemic levels, healthy household balance sheets remain a major support for the economic recovery and for record-setting growth in consumer spending this year and next. Current levels of unprecedented global wealth will be the fuel that sustains global growth well into 2022 and be the catalyst for upside earnings surprises among market leaders in such sectors related to discretionary spending.

From a positioning standpoint, the ongoing deflation and recovery story should support the rotation into cyclical sectors such as Energy, Industrials, Materials and Financials that typically align with the state of the economy. This includes the return of the consumer benefitting consumer cyclicals such as luxury goods, autos and airlines. The epitome of scarcity at a premium price, consumers stomach higher prices for the boom in luxury—handbags up 10% in 2021; high-end jewelry up 57%.<sup>4</sup>

And, still, we maintain an anchor in growth sectors and other thematic areas that will likely benefit given a long-term allocation. Thematically, the rise of the emerging market consumer and global middle class poses a structural growth opportunity for retail and the luxury segment as millions experience rising appreciation of income and living standards and shop globally recognized brands. According to Bain & Company, despite a contraction in the overall global luxury industry due to the pandemic, e-Commerce investment by luxury companies led to global online luxury sales growth of almost 50% to \$59 billion in 2020 compared to \$39.7 billion the prior year.

Geographically we are neutral on International Developed and Emerging Markets but find opportunities to own what a country does best. For example: luxury goods production and brands (France/Italy); solar and wind energy (Denmark/Nordic nations); capital goods (Germany); technology (South Korea/Taiwan/China) and robotics (Japan). Add to the list: spending for the U.S. yes, as a competency. Given that consumption (70% of U.S. growth) will fuel 7% gross domestic product for 2021, and ahead of a global growth forecast of 6.0%, what other country can beat it?<sup>5</sup>

## THOUGHT OF THE WEEK

### The Divergence between Stock Prices and Bond Yields

*Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy*

The divergence between lower bond yields and higher stock prices has presented a conundrum for investors lately. While equities have generally remained elevated, with the S&P 500 sitting firmly above 4,100, the 10-year Treasury yield has fallen back to the sub-1.50% level after reaching its highs for the year of 1.74% in March (Exhibit 5), leaving investors to question why stocks are more sanguine than bonds about future economic prospects. But, there may be some good reasons for this divergence. Equities have been supported by blockbuster corporate earnings (Q1 S&P 500 earnings per share rose 47%

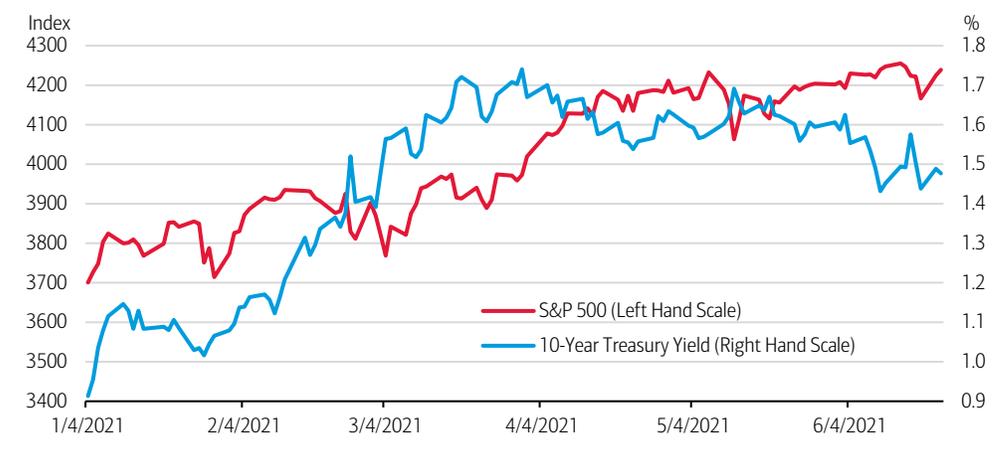
<sup>3</sup> Credit Suisse, Global Wealth Report 2021, June 2021.

<sup>4</sup> *The Washington Post*, June 18, 2021.

<sup>5</sup> BofA Global Research forecast as of June 2021.

YoY, and Q2 is tracking 62% YoY, according to FactSet). Business has been booming for manufacturers and now for service-based industries such as travel and leisure with the economy reopening. Plus, the Conference Board Measure of CEO Confidence has improved, resulting in higher mergers & acquisitions deal activity, guidance and shareholder returns like buybacks.

### Exhibit 5: Bond Yields Have Declined Since April While Equities Remained Elevated.



Source: Bloomberg. Data as of June 22, 2021.

Meanwhile, lower bond yields on the back end of the curve could be the result of moderating inflation expectations. Given that the Fed could potentially hike more aggressively than previously believed, this move lower in inflation expectations could be the markets pricing out the right tail of the inflation distribution. Investors may be coming around to the Fed's view that inflation is indeed going to be transitory and that recent higher prints for prices for consumer products and business input costs will likely cool as more production comes back online and more workers join the labor force.

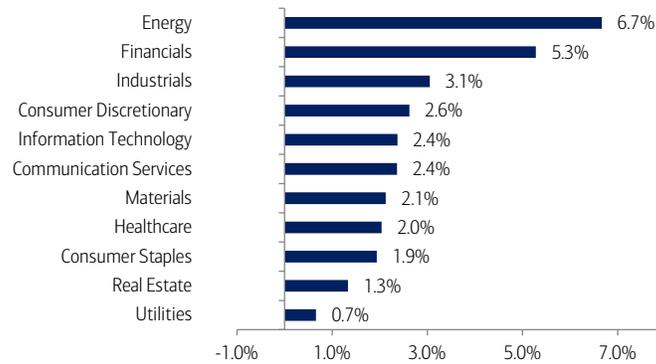
Ultimately our expectation is for bond yields to move higher, closer to the 2% levels over the course of the next few quarters. Financial conditions are likely to tighten with volatility picking up going forward. Equities may consolidate as a result, but any meaningful pullbacks should be an opportunity to put cash to work, given that the credit markets are supportive and the Fed may have potentially lengthened the cycle by reigning in inflation expectations. We favor equities over bonds in portfolios.

## MARKETS IN REVIEW

### Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,433.84	3.4	-0.2	13.6
NASDAQ	14,360.39	2.4	4.5	11.8
S&P 500	4,280.70	2.8	1.9	14.8
S&P 400 Mid Cap	2,726.48	4.4	0.1	18.9
Russell 2000	2,334.40	4.3	3.0	18.7
MSCI World	3,024.94	2.4	1.7	13.3
MSCI EAFE	2,342.43	1.5	0.4	10.6
MSCI Emerging Markets	1,379.59	1.4	0.5	7.7

### S&P 500 Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 6/21/2021 to 6/25/2021. <sup>1</sup>Bloomberg Barclays Indices. <sup>2</sup>Spot price returns. All data as of the 6/25/2021 close. **Past performance is no guarantee of future results.**

### Asset Class Weightings (as of 6/1/2021)

Asset Class	CIO View		
	Underweight	Neutral	Overweight
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.

### Fixed Income<sup>†</sup>

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.44	-0.60	0.49	-2.47
Agencies	0.81	-0.19	-0.07	-0.98
Municipals	1.03	-0.17	0.14	0.93
U.S. Investment Grade Credit	1.54	-0.41	0.30	-2.00
International	2.10	-0.70	0.98	-1.90
High Yield	3.85	0.37	1.07	3.34
	Current	WTD	MTD	YTD
90 Day Yield	0.04	0.03	0.00	0.06
2 Year Yield	0.27	0.25	0.14	0.12
10 Year Yield	1.52	1.44	1.59	0.91
30 Year Yield	2.15	2.01	2.28	1.64

### Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	197.37	1.7	-0.4	18.4
WTI Crude \$/Barrel <sup>††</sup>	74.05	3.4	11.7	52.6
Gold Spot \$/Ounce <sup>††</sup>	1781.44	1.0	-6.6	-6.2
	Current	Prior Week End	Prior Month End	2020 Year End
Currencies				
EUR/USD	1.19	1.19	1.22	1.22
USD/JPY	110.75	110.21	109.58	103.25
USD/CNH	6.46	6.46	6.37	6.50

### Economic & Market Forecasts (as of 6/25/2021)

	Q4 2020A	2020A	Q1 2021A	Q2 2021E	Q3 2021E	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-	-3.2	-	-	-	-	6.0
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	4.7	4.7	4.5	3.9
Core CPI inflation (% y/y)	1.6	1.7	1.4	3.6	3.9	3.9	3.2
Unemployment rate (%)	6.7	8.1	6.2	5.8	4.9	4.2	5.3
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	1.44	1.65	1.90	1.90
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 <sup>**</sup> )	44	40	58	66	69	65	65

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. <sup>\*\*</sup>West Texas Intermediate. Sources: BofA Global Research; GWIM ISC as of June 25, 2021.

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**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 (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods.

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

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

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

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