CHIEF INVESTMENT OFFICE

Capital Market Outlook

July 11, 2022

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

IN THIS ISSUE

Macro Strategy—*Downside Risks Remain*: Underwhelming economic data have continued to sap confidence in the longevity of the current expansion. This is not surprising, as the wild Federal Reserve (Fed)-induced gyrations in money-supply growth are now consistent with a sharp deceleration in nominal gross domestic product (GDP) growth.

The Atlanta Fed GDPNow estimate already expects a second consecutive contraction in real GDP in Q2, and inflation looks poised to peak in the second half. Since they are all governed by trends in nominal GDP, we believe that wages, consumer spending and corporate revenue growth are likely to weaken rapidly in coming quarters. This, combined with a strong dollar, sagging global growth and declining profit margins, reinforces our expectations for fading earnings growth.

Market View—*What the Markets May Not Be Pricing In?:* Equity markets have seen significant volatility this year as soaring inflation levels, aggressive monetary policy tightening by global central banks and the ongoing slowdown in the economy have led to substantial risk aversion.

A common question that often comes up at this stage is how much of the anticipated negative trends asset markets are already pricing in. Here, we highlight a few possible scenarios that the markets may not be fully factoring into prices and which, if they came to pass, would affect asset prices.

Thought of the Week—*What Type of Recovery Shape for Global Consumer Confidence: "V" or "U"?:* It's not just U.S. consumers who are feeling down—consumer confidence around the world has collapsed.

Raging inflation, Ukraine crisis, supply chain bottlenecks, the pandemic—all of these variables have converged to undermine one of the most important drivers of global growth: personal consumption. We see more of a "U-shaped" recovery in confidence/spending over the medium term, not a "V-shaped" rebound.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

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THOUGHT OF THE WEEK ▶

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MARKETS IN REVIEW ▶

Data as of 7/11/2022, and subject to change

Portfolio Considerations

This month, we lowered our overall Equity allocation to neutral, relative to Fixed Income in multi-asset portfolios, by lowering our allocation to U.S. Small-caps to neutral. We increased Fixed Income slightly as yields have become more attractive, in our view. This month we also adjusted our sector allocations to further increase our defensive positioning. In the Alternative Investment space for qualified investors, strategically, we believe Real Assets are in a bull cycle but will likely go through periods of high volatility—particularly in Commodities. We continue to emphasize a diversified, balanced and measured approach to asset allocation.

MACRO STRATEGY

Downside Risks Remain

Chief Investment Office, Macro Strategy Team

Signs of a developing negative earnings growth dynamic are accumulating. Housing indicators have deteriorated, surveys of business activity have weakened across the board (and more than the consensus expected), credit-market stress indicators have increased, and consumer spending and labor-demand are softening. As a result, economic growth forecasts have continued to be revised lower both here and at the global level over the past month. Most recently, and important given its positive correlation with earnings revisions ratios, the Institute for Supply Management (ISM) manufacturing index surprised the consensus much to the downside in June. The fall in its new-orders subcomponent into contraction territory and second consecutive contractionary sub-50 employment reading are particularly eye-catching, as they suggest continued loss of growth momentum into the second half. The fact that the non-manufacturing ISM survey surprised with a contractionary employment component for June as well, that other private surveys show growing layoff announcements across various industries, and that financial-market stress indicators have increased, validates this view.

Our analysis suggests continued weakness in manufacturing conditions over the course of the year, as reflected in the ISM manufacturing index at least dipping from 53 in June to about 48, a level typically seen as the cutoff between U.S. economic expansions and recessions. This is important since the Atlanta Fed's GDPNow tracking measure already points to a -1.2% annualized quarterly pace in Q2 following a contractionary -1.6% rate in Q1.

As discussed in past reports, this weakness is not surprising. First, the surge in inflation has caused economic growth to self-correct. Supply initially responded to the unusually large demand surge—fueled by the outsized pandemic stimulus—with an almost 6% growth pace in 2021 in volume terms, the most in 40 years. However, as supply limits were soon reached, inflation started to replace real growth, accounting for an increasing share of nominal GDP growth. Now, as the Fed shuts off the liquidity tap, nominal growth is receding altogether. In fact, the large drop in money-supply growth over the past year suggests that a sharp deceleration in nominal GDP growth is in store over the next four quarters, squeezing wages, corporate revenues and profits more than the consensus expects, in our view. Based on cooling housing conditions, weakening consumer spending, appreciating dollar and declining consumer confidence, inflation is likely to peak in the second half of 2022. At the same time, real growth remains under downside pressure given the aggressive restraint on the economy underway as quantitative tightening (QT) ramps up. For example, The Conference Board Measure of CEO Confidence™ has already declined substantially this year in line with weaker profits growth, softening investment and other cost-cutting measures that typically fuel economic weakness.

A cooling housing-market environment is a particularly important channel through which the Fed restrains growth and inflation. Rapidly rising mortgage rates are already hampering housing activity, with housing starts and home sales having weakened significantly this year, creating a drag on construction activity and big-ticket consumer spending, given their historical correlation. According to an Empirical Research June 23, 2022, report, the largest six-month spike in mortgage rates in the past 50 years has quickly caused a 30% decline in the number of households that can afford buying a home. Indeed, according to Moody's Research (June 30, 2022), "The monthly principal and interest payments for a 30-year fixed-rate mortgage, based on a 20% down payment and the median single-family existing home price, rose to nearly $1,700 in April, up from a little more than $1,000 at the start of the pandemic." Cooling housing demand also suggests some downside pressures on home prices ahead, which, along with the roughly 22% drop in inflation-adjusted equity prices over the past year (as measured by the Wilshire 5000 Equity Index), is another negative for consumer sentiment and the economic outlook.

As we discussed in recent Capital Market Outlook (CMO) reports, unfavorable incoming data and growing financial-market stress are not surprising in light of the strain that the food-

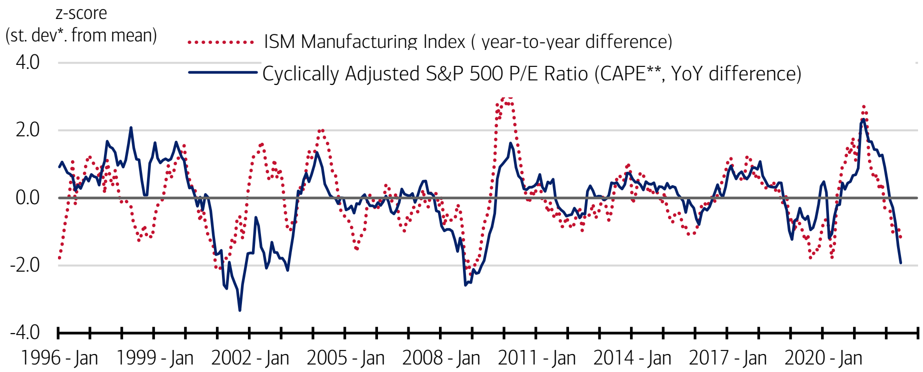
Investment Implications

Risk assets could remain under downward pressure given weakening global growth and a likely sharp slowdown in U.S. nominal income and spending ahead. In our view, risks to S&P 500 P/E ratios remain to the downside and earnings prospects appear overestimated even in the absence of an officially sanctioned recession. The mix suggests a defensive investment posture.

and-energy supply shock, high global inflation, rapidly rising interest rates, and appreciating dollar put on the U.S. and global economy, though it all boils down to the destabilizing post-pandemic Fed policy effects, which are "baked in the cake" over the next 12 months, in our view. We believe that with the Fed planning further tightening of liquidity and the ISM likely to trend lower ahead, risk assets remain vulnerable to additional downdrafts.

For now, the S&P 500 price-earnings (P/E) ratio contraction appears consistent with the ISM index dropping further, from 53 in June to about 48 later this year, which would be in line with negative effects on manufacturing activity from the strengthening dollar, growing credit-market stress, and very depressed eurozone macroeconomic sentiment readings (such as the ZEW Economic Sentiment Index and the deep drop in eurozone manufacturing new-order surveys into contractionary territory). The fact that the line between U.S. recessions and expansions usually goes through a manufacturing ISM of about 48 suggests that the P/E is close to pricing in a recession. Any deterioration in its determining factors, such as those noted above, would indicate a larger downturn, with an ISM index below 48, bringing year-over-year (YoY) changes (dotted line in Exhibit 1) two standard deviations, or more, below mean. Given the correlation shown in Exhibit 1, this would likely take the P/E ratio lower as well.

Exhibit 1: S&P 500 PE Ratio Close To Pricing In A Recession.



*st. dev=standard deviation of a random variable, sample, statistical population, data set, or probability distribution is the square root of its variance. **CAPE ratio is a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits Sources: Institute for Supply Management; Robert Shiller/Haver Analytics. Data as of July 1, 2022.

The rising recession risk has been corroborated by the bond market, with 10-year Treasury yields sharply lower from a 3.5% peak in mid-June to 2.8% to 3.1% over the past week, as the market now anticipates Fed rate cuts in 2023, consistent with a meaningful economic slowdown and easing inflation pressures. While negative economic data have boosted the demand for Treasurys following their worst first-half performance ever, risk assets have continued to suffer from risk aversion. Equity prices have generally stabilized over the past two weeks as a result of lower interest rates, but base-metal prices have fallen deeper into a bear market, and corporate credit spreads remain much wider than earlier this year. In our view, commodity prices and credit spreads are likely to remain under stress given the adverse global growth outlook, the downtrend in manufacturing ISM, and the likely tightening of lending standards ahead.

The corporate revenue growth outlook has also deteriorated with the strong dollar, high geopolitical uncertainty, weakening global growth and sharp deceleration in U.S. money-supply growth. We now expect revenue growth to slow from +15% on average in 2021 to about +7% this year and about -2% in 2023 even if no big recession ensues. Combined with deteriorating margins, this suggests an earnings contraction ahead as well.

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What the Markets May Not Be Pricing In?

Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

Emily Avioli, Assistant Vice President and Investment Strategist

Equity markets have seen significant volatility, with the S&P 500 Index, Dow Jones Industrial Average Index and NASDAQ Composite Index seeing year-to-date (YTD) drawdowns of -18%, -13% and -26%, respectively. In fact, the S&P 500's 20% decline in the first halff of 2022 was the worst since 1962 (-22%) and the second worst start to the year since 1935.[1] Clearly, soaring inflation levels, aggressive monetary policy tightening by global central banks led by the Fed and the ongoing slowdown in the economy have led to this substantial risk aversion. A common question that often comes up at this stage is how much of the anticipated negative trends asset markets are already pricing in, whether on the growth or rates front. Here we highlight a few possible scenarios that the markets may not be fully factoring into prices and which, if they came to pass, would affect asset prices.

Slowdown in Corporate Earnings. First and foremost, equity markets and analysts are not yet fully appreciating a potential slowdown in corporate earnings, in our view. Essentially most of the decline in Equities this year has come from multiple compression, with the S&P 500 forward P/E ratio declining by roughly 25%. In contrast, earnings estimates have climbed higher and are still suggesting an uninterrupted rise in profits in the coming years. Consensus is estimating 10% earnings-per-share (EPS) growth for 2022 and 9% for 2023 for the S&P 500.[2] But it's our view that earnings estimates could soon shift lower as concerns about the strength of the economy gain momentum and as company management begins to guide expectations lower, which could begin to happen during the Q2 earnings season. If there is going to be another leg lower in markets, it will likely be due to a move downward in earnings revisions.

Positive International Developments. On a positive note, we see a number of potential developments on the international front that could give Equities a boost to the upside. Regarding the Ukraine crisis, most strategists are coming around to a view that the conflict will persist for some time with the potential for more damage to the European economy due to the ongoing energy shock. A positive surprise of some form of cessation there could help International Equities and their currencies, while a decline in oil and gas prices would provide some relief to consumers globally. Additionally, improvements on the economic front in the heavyweight China market could also be a boon for Emerging Markets (EM). Chinese Equities have already risen on the back of the easing of pandemic-related restrictions in recent weeks, climbing by roughly 18% since mid-May.[3] If the Chinese government decides to inject more monetary or credit stimulus to support the economy, there could be further upside.

Dollar Weakness. Another welcome surprise for investors could be a reversal in dollar strength. The dollar's surge of roughly 8% this year has acted as a headwind for U.S. exports and foreign profits for large multinationals while tightening financial conditions for EM corporates. While dollar strength is largely expected to persist given the current macroeconomic backdrop, it's possible that the dollar could begin to weaken if the Fed unexpectedly reverses course and slows the process of draining liquidity from markets. A weaker dollar environment could begin to erode investor risk aversion and boost the attractiveness of foreign assets such as developed market Equities.

Higher Long-Term Inflation. Another key question is whether investors are considering that inflation could plateau at higher levels. Long-term inflation expectations have recently moderated, as a variety of economic data has started to fuel a "peak-inflation" and "recession" narrative. For example, the five-year breakeven inflation rates have collapsed to 2.5% from roughly 3.7% back in March.[4] Core inflation, however, as seen through the personal consumption expenditures (PCE) measure has remained elevated in the 4.5% to 5%

Portfolio Considerations

A variety of potential scenarios could further affect asset prices as the workout process continues. During times of heightened volatility, investors should remain diversified with an appropriate balance of Equities, Fixed Income and Real Assets. From an asset allocation perspective, we are neutral Equities with a preference for Large-cap over Small-cap and U.S. over International.

[1] BofA Global Research. July 1, 2022.

[2] Factset. July 5, 2022.

[3] Bloomberg. July 7, 2022. Refers to MSCI China Index.

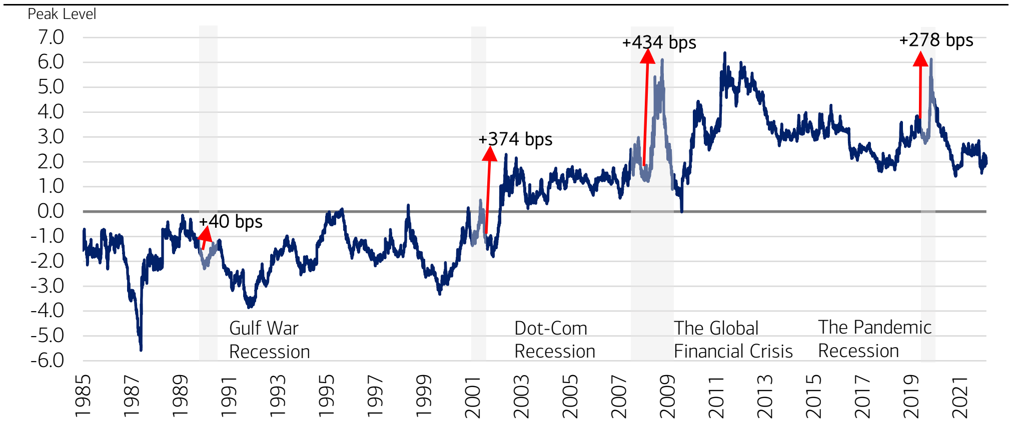
[4] Bloomberg. July 5, 2022.

range, with the Fed's own forecast at 4.3% by year end.[5] Inflation levels have likely peaked or will soon peak, but given the structural supply shortages in commodities, and with the easy availability of cheap labor in the global economy behind us, it is possible that inflation plateaus at a higher level than the markets are pricing and higher than the 2010s cycle. If data begins to suggest that inflation will remain persistently higher in the long run, Real assets would likely prove to be more attractive than financial assets for some time.

10-year Treasury Rates in a Higher Range. It is also possible that investors may not be fully appreciating the effect of QT and the potential for the 10-year Treasury yield to top out at a higher level. The Fed's interest rate hiking cycle is better understood by market participants, given the rise in the 2-year Treasury yield this year by a whopping 200 basis points (bps). Meanwhile, the Fed's own projections of the fed funds rate of 3.25% to 3.50% by the end of the year is sitting well, for the moment, with the market's expectations. However as QT ramps up, taking out the largest "price-insensitive" buyer of Treasurys and mortgages in the form of the Fed, rates may have to rise further to attract private sector buyers and foreign investors. In this case, the 10-year Treasury yield could reclaim its recent levels around 3.5% and even approach the 3.5% to 3.75% range, leading to further downside for higher-multiple/non-profitable areas of the market.

Economic Downturn. Although not our view, the prospect of a substantial economic downturn has not been priced into asset prices. The S&P 500 Equity Risk Premium (ERP) has remained relatively flat throughout recent volatility in contrast to past downturns—during the previous four recessions, the ERP rose by an average of 280 bps in the six months prior to its peak (Exhibit 2). Recently however, numerous economic indicators have fueled investor concerns about a meaningful slowdown—consumer spending softened in May, the Atlanta Fed's GDP Now estimate was lowered to a -2.1% decline for Q2[6] and manufacturing survey data and business confidence slowed in June. If economic data continues to disappoint and investors become more confident that a recession is looming, Equity volatility would rise further, along with moderating expectations for the Fed's tightening intentions. In such a scenario, defensive sectors could continue to outperform cyclicals.

Exhibit 2: ERP Increases In The Six Months Prior To Peak During Previous Recessions.



Gray areas represent recessionary periods. Sources: Chief Investment Office; Bloomberg; BofA Global Research. Data as of July 6, 2022.

Conclusion

The significant weakness in equity markets in recent months reflects widespread investor concerns about high levels of inflation, a hawkish path for Fed tightening, and slowing economic growth. But there is still uncertainty surrounding a variety of potential positive and negative scenarios that could affect asset prices. Eventually, more clarity about these potential developments should create conditions for the broader equity market to bottom and shift into the beginnings of a new cyclical bull market.

[5] Federal Reserve Summary of Economic Projections. June 15, 2022.

[6] Federal Reserve Bank of Atlanta. July 1, 2022.

THOUGHT OF THE WEEK

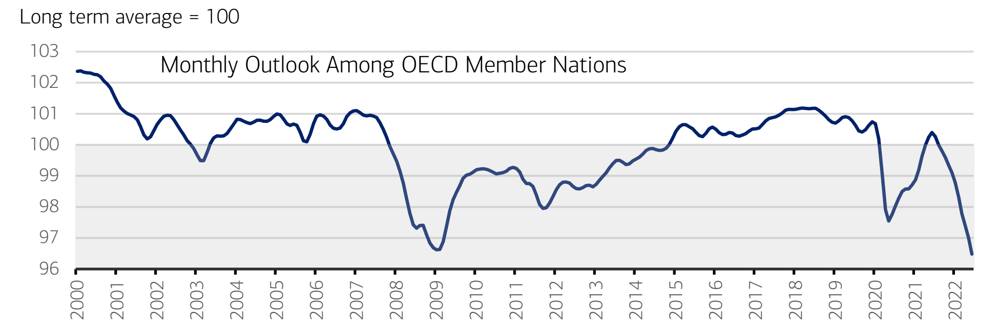
What Type of Recovery Shape for Global Consumer Confidence: "V" or "U"?

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

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

With inflation at multidecade highs, with the Ukraine crisis raging in the heart of Europe, and with the world still in the grips of a pandemic, who could blame global consumers for being cranky? As the accompanying chart highlights, consumer confidence levels among Organisation for Economic Co-operation and Development (OECD) nations (which account for 65% of global personal consumption) are now plumbing record lows. The index touched 96.5 in June—a level not only below the pandemic bottom of 97.5 in May 2020 but beneath the lows breached during the Great Financial Crisis (Exhibit 3).

Exhibit 3: Global Consumer Confidence Index at an All-Time Low.



Shaded area under 100 indicates negative outlook toward future developments in the economy. Source: OECD. Data as of June 2022. OECD members include: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, U.S.

Against this backdrop, it's hardly surprising that among the major sectors of the S&P 500, consumer discretionary is the worst performing, down roughly -29% YTD versus the S&P 500 (-18%). Broadening the lens, the MSCI World Consumer Discretionary Index is down -29% versus a -19% decline in the MSCI All Country World Index.

As a side bar, we went neutral on Consumer Discretionary in July 2021 before downgrading the sector again in to a slight underweight in May 2022 and then again this month to a full underweight. Owing to rising inflationary pressures and falling net worth among high-income earners, global consumers are likely to remain in retrenchment mode over the medium term. And that's not all: Overlay soaring food and energy costs in the EMs and China's pandemic-related shutdowns that have throttled consumption among Chinese consumers, and the outlook for global consumption looks even dicier.

Global consumer confidence has taken a massive hit this year, squeezing consumption levels among rich and poor nations, as well as the earnings of many firms. For U.S. multinationals, the pain has only been exacerbated by a muscular U.S. dollar, which acts to trim overseas earnings.

Looking forward, the odds of a "V-shaped" recovery in global consumer confidence are slim, in our opinion. It's hard to make the case for a "V" recovery à la the pandemic, when massive government support/transfers and ultra-easy credit conditions triggered a sharp snapback in confidence and spending. This time is different. Around the world, inflation is eating into the disposable incomes of consumers. The global rout in Equities has erased trillions from the net worth of households. Extreme poverty is rising in many emerging markets. Central banks are raising interest rates, not lowering them. All remain powerful tailwinds to consumer confidence and spending. Think "U" not "V".

Portfolio Considerations

To better align our sector positioning to the current economic environment and in recognition of multiple headwinds for consumers globally, we've recently downgraded our view of the Consumer Discretionary sector to a full underweight. Complementing this move, we increased our defensively oriented positions on a sector basis.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	31,338.15	0.8	1.9	-12.8
NASDAQ	11,635.31	4.6	5.5	-25.3
S&P 500	3,899.38	2.0	3.1	-17.5
S&P 400 Mid Cap	2,320.39	1.1	2.3	-17.7
Russell 2000	1,769.37	2.4	3.6	-20.7
MSCI World	2,603.62	1.7	2.3	-18.7
MSCI EAFE	1,849.48	1.0	0.2	-19.4
MSCI Emerging Markets	999.57	0.9	0.2	-17.5

Fixed Income†

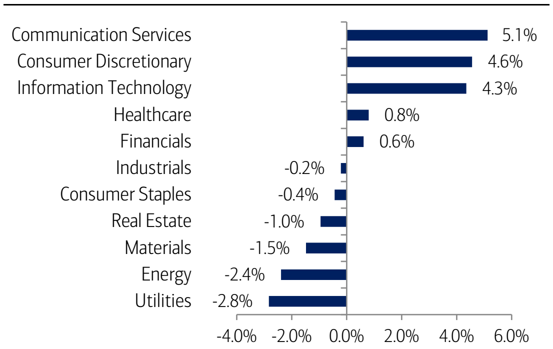
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.77	-0.86	-0.32	-11.33
Agencies	3.35	-0.71	-0.31	-6.27
Municipals	3.03	0.79	1.15	-7.93
U.S. Investment Grade Credit	3.79	-0.87	-0.27	-10.59
International	4.71	-0.49	0.06	-14.33
High Yield	8.59	1.33	1.52	-12.89
90 Day Yield	1.88	1.64	1.63	0.03
2 Year Yield	3.10	2.83	2.95	0.73
10 Year Yield	3.08	2.88	3.01	1.51
30 Year Yield	3.24	3.10	3.18	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	248.52	-1.0	-0.9	17.3
WTI Crude $/Barrel††	104.79	-3.4	-0.9	39.3
Gold Spot $/Ounce††	1742.48	-3.8	-3.6	-4.7

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.02	1.04	1.05	1.14
USD/JPY	136.10	135.21	135.72	115.08
USD/CNH	6.69	6.70	6.69	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 7/4/2022 to 7/8/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 7/8/2022 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 7/8/2022)

	2021A	Q1 2022A	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	5.7	-1.5	1.5*	2.5	1.8	2.3
CPI inflation (% y/y)	4.7	8.0	8.4*	8.4	7.3	8.0
Core CPI inflation (% y/y)	3.6	6.3	5.9*	5.9	5.7	6.0
Unemployment rate (%)	5.4	3.8	3.6*	3.5	3.5	3.6
Fed funds rate, end period (%)	0.07	0.33	1.63*	2.88	3.38	-

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 July 8, 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 7/5/2022)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities	·	·	●	◄	·
U.S. Large Cap Growth	·	·	●	·	·
U.S. Large Cap Value	·	·	·	●	·
US. Small Cap Growth	·	·	●	◄	·
US. 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					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Energy	·	·	·	●	·
Financials	·	·	·	●	·
Real Estate	·	·	·	●	·
Healthcare	·	·	·	●	·
Utilities	·	·	►	●	·
Information Technology	·	·	●	·	·
Industrials	·	·	●	·	·
Consumer Staples	►	·	●	·	·
Materials	·	●	·	◄	·
Consumer Discretionary	●	◄	·	·	·
Communication Services	●	·	·	·	·

*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.

Institute for Supply Management (ISM) manufacturing index is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.Wilshire 5000 Equity Index.

ZEW Economic Sentiment Index is constructed as the difference between the percentage share of analysts that are optimistic and the share of analysts that are pessimistic for the German economy in six months.

Dow Jones Industrial Index is a stock market index of 30 prominent companies listed on stock exchanges in the United States.

NASDAQ Composite Index is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. Along with the Dow Jones Industrial Average and S&P 500, it is one of the three most-followed stock market indices in the United States.

Global Consumer Confidence Index is based on a monthly survey of more than 17,500 adults under the age of 75 conducted on Ipsos' Global Advisor online platform.

MSCI World Consumer Discretionary Index is designed to capture the large and mid cap segments across 23 Developed Markets (DM)* around the world.

MSCI All Country World Index is a stock index designed to track broad global equity-market performance.

MSCI China Index measures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

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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, dollar cost averaging 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. 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. When interest rates go up, bond prices typically drop, and vice versa. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. 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.

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.

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