

CHIEF INVESTMENT OFFICE

Capital Market Outlook

July 13, 2020

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

IN THIS ISSUE

- **Macro Strategy**—The New York Federal Reserve's (Fed) Weekly Economic Index (WEI) is a recent addition to a growing set of higher frequency macroeconomic datasets. The index improved every week in May and June. What are the headline index, the underlying components, and other recent economic data releases telling us about the state of the U.S. economy?
- **Global Market View**—The pandemic has greatly accelerated the fusion of science and technology. Indeed, we are on the cusp of a healthtech revolution, a favorable earnings/growth backdrop for many leading technology firms with expanding exposure to the massive U.S. healthcare industry.
- **Thought of the Week**—It's generally understood that the Q2 earnings season will not be particularly cheery, as the global pandemic shut down large swaths of the economy. We expect the pace of decline to trough in the second quarter and investors to use earnings season to look for the degree of economic disruption, emerging trends or clues, and expectations for the earnings path going forward.
- **Portfolio Considerations**—We believe we are in the early stages of another long-term bull market (one with higher-than-average valuation, slightly elevated volatility and lower rates for longer) and remain highly favorable on equities relative to fixed income and cash.

MACRO STRATEGY

Jonathan Kozy
Director and Senior
Macro Strategy Analyst

GLOBAL MARKET VIEW

Joseph Quinlan
Managing Director and
Head of CIO Market Strategy

THOUGHT OF THE WEEK

Nick Giorgi, CFA®
Vice President and
Investment Strategist

Data as of 7/13/2020 and subject to change.

MACRO STRATEGY

Is Economic Activity Flatlining?

Jonathan Kozy, Director and Senior Macro Strategy Analyst

In an environment where recessions last for months instead of quarters, economists are increasingly relying on higher-frequency indicators of activity to stay informed. The New York Fed's Weekly Economic Index (WEI) was "initiated in early March 2020 in response to the need for tools to monitor the rapid evolution of economic conditions at the onset of the coronavirus pandemic."¹ Alongside a plethora of other U.S. economic data, the WEI improved for ten straight weeks, covering the months of May and June, but progress in some of the underlying data has slowed more recently (Exhibit 1). Barring another forced shutdown of activity, we think this is just a pause in activity as endogenous factors and cyclical momentum should drive a continuation of upside economic surprises over the balance of the year. A closer look at the behavior of some of the components of the index and other higher-frequency data also support this view.

¹ [newyorkfed.org/research/policy/weekly-economic-index](https://www.newyorkfed.org/research/policy/weekly-economic-index)

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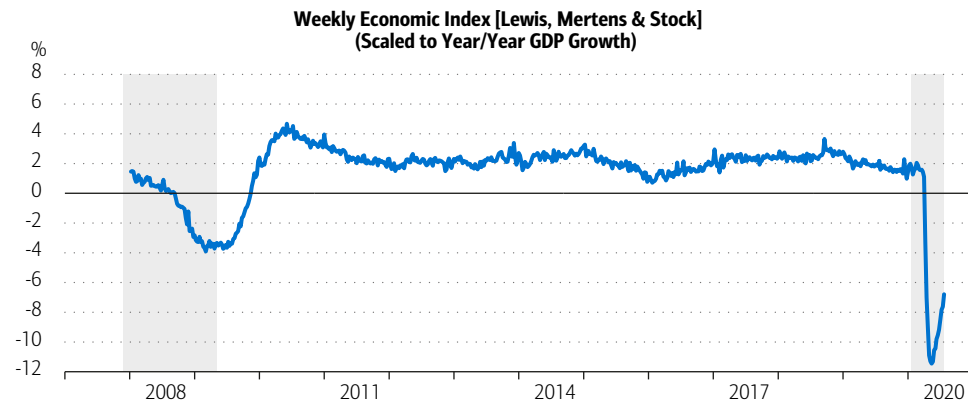
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Exhibit 1: Weekly Economic Data Marched Higher.



Source: Federal Reserve Bank of New York/Haver Analytics. Data as of 7/9/2020. **Past performance is no guarantee of future results.**

The consumer spending data within the WEL include Johnson's Redbook same-store sales and the Rasmussen Consumer Confidence Index. The Johnson Redbook Index covers a sample of about 9,000 retailers on a weekly basis. This represents a large chunk of the dollar value of the retail sales series covered by the headline retail sales series. On a year-over-year (YoY) basis, the weekly index is down 6.9%, dragged lower by declining department store sales. But this index does not include online retailers, which are a growing share of overall sales and more insulated from the fear factor associated with coronavirus. The monthly retail sales data from the Census Bureau show nonstore retail sales grew at a 190% annual rate in April and May (two-month rate of change annualized). This is not a new trend but an acceleration. Over the last 10 years, online sales have grown consistently at over a double-digit pace and now make up close to 20% of overall retail sales. In contrast to the Johnson Redbook Index, BofA Global Research total consumer spending based on aggregated credit card data is up 5.2% year-over-year, a stark difference likely reflecting exponential growth in online retail sales.

Income and labor market dynamics are supportive of consumer spending. On the jobs front, the WEL includes initial claims for unemployment insurance (UI), continuing claims for UI, and surveys of job staffers. Still-elevated initial claims are raising investor concerns about the recovery, but it is important to remember the amount of churn that occurs in the labor market. Each month, millions of workers gain and lose jobs in a non-Coronavirus environment (5 million to 6 million separations and hires per month throughout 2019). In May, 6.5 million people were hired, while there were 4.1 million job separations. The normal churn is made more volatile by the coronavirus. Thus, the still-elevated level of initial claims for UI can be balanced by hiring as has been quite evident in the jobs figures for the last two months, including the decline in continuing claims for UI. It is worth noting that continuing claims for UI continue to fall even with significant fiscal incentive to stay out of the workforce in the form of the federal subsidy to state unemployment insurance.

Other labor market data have shown encouraging signs. Staffing companies reported a bottom in the labor market in late April, according to the American Staffing Association Staffing Index, and the index (included in the WEL) continued to move higher through the end of June. The Job Openings and Labor Turnover Survey (JOLTS) data arrive with a lag, but the underlying dynamics recently reported for May are also supportive of further gains. Job openings thwarted expectations for a decline by registering a 400,000 gain in May, propelled higher by openings in hospitality and construction. Openings remain above the peak level of openings seen during the 2000s expansion. This comes without a significant reopening in hard-hit, hospitality-heavy cities like New York City. Job quits also rose for the first time since January, a sign of confidence in the labor market, as workers typically do not quit in the face of a deteriorating job market.

The behavior of economic data over the next few weeks will also shape the next fiscal package, which policy strategists expect before the August recess. The Organisation for Economic Cooperation and Development has suggested that governments across the globe should begin to remove subsidies to encourage people to adjust to the new coronavirus-induced labor market dynamics. Government will look to strike a balance between support and normalization. For example, the package could include a reduced UI benefit combined with a return-to-work bonus. Our analysis of personal income data at the aggregate level suggests that there is wiggle room to make changes without derailing aggregate consumer spending, particularly because the hiring that took place in May and June has raised private sector wages and salaries. Private wage and salary income is \$747.5 billion below its peak in February while government UI benefits are up \$1.25 trillion over the same period. Most of the private income decline has been in the service industry. Bottom line: The government appears to have a stimulus cushion to manage a smooth transition and avoid a fiscal cliff scenario.

The pickup in consumer spending that is taking place will reignite production indicators with a lag. Auto sales, for example, will push demand for auto production and ultimately demand for steel production, one of the stagnant components of the WEI. Raw steel production as tracked by the American Iron and Steel Institute has stabilized but remains depressed and is one of the weaker data points in the WEI. Production is off one-third on a YoY basis since March while capacity utilization is 55%, down from over 80% in March. More than half of U.S. steel demand comes from construction (led by commercial real estate) and auto production demand. While the latter is picking up, the former is likely in for an extended period of slowdown on the production side. The energy sector is another significant source of demand with weak prospects going forward. The auto and machinery sectors are highly cyclical and offer hope for a more rapid expansion of raw steel production going forward, in our view.

Other high-frequency data worth noting but not included in the WEI include the Census Bureau's Business Applications, which recently reached all-time highs reflecting the dynamic nature of the U.S. economy. The U.S. has consistently ranked in the top tier in the World Bank's Ease of Doing Business rankings. Businesses fail and are replaced by new ones. Additionally, the pickup in weekly mortgage purchase applications reflects the suburban housing demand acceleration, which is supported by demographics, record low mortgage rates and coronavirus fears. Within the WEI, gasoline usage is slowly picking up and may receive a tailwind from commuters switching from public transportation to cars. Lastly, total rail freight carloads also took a pause at the end of June/early July but the YoY index construction provides some optimism going forward, as comparables from last year start to get much easier in the second half of the year. Rail traffic will be driven by consumer behavior but also global trade flows, which are picking up with global growth.

Lastly, high-frequency indicators with components that lead economic momentum are encouraging. The Economic Cycle Research Institute (ECRI), FIBER Weekly Leading Index & Boom-Bust Barometer began turning in early April. This index includes financial indicators such as the money supply, equity indexes, the yield curve and industrial materials prices. It also includes previously discussed initial claims for UI. This leading index is growing at its fastest pace since the end of the Great Financial Crisis in 2009.

Overall, despite the recent pause, economic data continue to point to a consumer-led recovery supported by robust fiscal income support and, more recently, job growth. The liquid personal savings rate is high, a leading indicator for consumer spending, and balance sheets are being reinforced by rising equity and home prices. High-frequency measures of consumer confidence have rebounded the last few months after bottoming well above levels seen during the financial crisis. Production-based measures of economic activity included in the New York Fed's Weekly Index are tightly linked to private sector wage and salary growth (excluding stimulus) and remain depressed but should follow suit if the coronavirus allows for it.

The Coming Boom in Healthtech

Joseph Quinlan, Managing Director and Head of CIO Market Strategy

Manufacturing, entertainment, advertising, transportation, agriculture, retail, finance, travel and leisure—there is hardly an industry that has not been touched—and/or torched—by the incessant advancement of technology. Pick virtually any sector of the economy, and there's good chance it's been upended or unmoored by chips and clicks, save one: the U.S. healthcare industry.

Heavily regulated and ensnared in a complex web of hospitals, government agencies, insurers and drug companies, the U.S. healthcare sector has been relatively estranged from the forces of technology for decades. Doctors only truly went digital in 2015, when the U.S. government mandated that patient health records be digitalized. That sparked a memorable article in *The New Yorker* a few years later—“Why Doctors Hate Their Computers”—which effectively argued that healthcare software was so dysfunctional that some doctors were becoming depressed and even suicidal.² Things have improved since the article was published (2018). And surgical techniques have been enhanced by advanced technologies over the past decade, while the cost of cancer screening, genome sequencing and related activities has improved owing to technological advances. But that said, the U.S. healthcare industry—up until now—has remained largely unmoved by the transformational forces of technology.

Enter the coronavirus pandemic—one of the world's most debilitating healthcare crisis in over a century. Coronavirus has hastened the merging of healthcare and technology, with the world now intensely focused on applying every available technological application and technique to the crisis. As noted in an excellent report from the European Parliamentary Research Service, “As the coronavirus pandemic (Covid-19) evolves, technological applications and initiatives are multiplying in an attempt to stop the spread of the disease, treat patients and take the pressure off overworked healthcare workers, while also developing new, effective vaccines.”³ Technology, in other words, is at the front lines of battling this disease (Exhibit 2).

Exhibit 2: How Health Tech Has Been Used Through the Pandemic.

Technology	Current Use	Potential/Future Considerations
Artificial Intelligence	Processing of data collected on digital platforms and mobile networks, thermal imaging and face recognition to track the spread of the coronavirus	Artificial Intelligence's ability to process large amounts of unstructured data should accelerate the development of drugs that can fight future diseases
Blockchain	Facilitates exchange of consistent factual information across multiple parties; ensures trustworthiness of clinical data collection and reporting; helps to identify gaps in medical supply chain management	Tracking the spread of a disease; better storage/integration of patient medical history data; managing insurance payments; maintaining sustainability of medical supply chains and donation pathways
Open-source technologies	Placement of the first genome in an open database on 8 January 2020 paved the way for scientific research globally; allows for exchange of data, knowledge and expertise at unprecedented speed	Could pave the way for building a variety of databases of patient, consumer or producer behavior; significant potential for private-sector data and insights to be used by public-sector bodies to tackle societal challenges
Telehealth technologies	Less pressure on hospital capacity; safety for health workers; gives ability to serve people in distant locations; more efficient deployment of limited resources	Should improve the sorting of patients before they arrive in hospitals; serving suspected cases without physical contact with medical staff
3D printing	Parts needed in small quantities can be produced at low cost as CAD files can be easily distributed and replicated (masks, safety goggles, nasal swabs, oxygen valves)	Scope for speedier and more cost-efficient certification of materials, processes and products
Gene-editing technologies	30-minute tests for COVID-19 are being designed; being used in clinical trials for human genetic diseases and in agri-applications	Could facilitate better understanding of host-pathogen interactions and improve diagnostics; may provide a new way to treat infectious diseases

² See “Bezonomics” by Brian Dumanie, page 227.

³ See “Ten technologies to fight coronavirus” by the European Parliamentary Research Service, UBS., April 2020.

Exhibit 2 continued on the next page →

Technology	Current Use	Potential/Future Considerations
Nanotechnology	Experimental nanovaccine was tested in a human trial; gold nanoparticles and carbon quantum dots were demonstrated to reduce the infection rate of the cells	Potential for creation of rapid COVID-19 tests based on nano-biosensors; possibility to analyze coronavirus presence and evolution in animals, helping to mitigate the risks of future outbreaks in humans
Drones	Used for food and medicine delivery, disinfection and aerial broadcasting	May help to detect people with symptoms, such as high temperature, sneezing and coughing in crowds
Robots	Disinfection of various private and public sites; handle biohazardous waste; deliver food and medication; check temperature and provide services for quarantined people	Further deployment of robots should ease pressure on medical systems; widely expected uses include robotaxis, home robots and security services

Source: Mihalis Kritikos, "Ten technologies to fight coronavirus," European Parliamentary Research Service, UBS. Data as of April, 2020.

Briefly scanning the technological horizon, **Artificial Intelligence** is being used by scientists around the world to trace the pandemic in real time, hoping to predict where the coronavirus will appear next and in what shape or form. Given AI's ability to process massive reams of data, the technology is also being used to uncover new molecules that could serve as potential drugs to fight the disease.

Blockchain applications are being used to monitor the outbreak of the disease by creating "ledgers" that are both secure and updated hundreds of times per day. They are also being used to improve security, regulatory compliance and selective privacy issues around data and intellectual property rights as well as patient information and donation pathways.

Open-source technologies have been critical in quickly and widely disseminating information about coronavirus, with public health institutions having publicly shared over 183 sequences of variants of SARS-CoV-2 since the pandemic started. Think more globally dispersed information (knowledge, data, expertise) in the global fight against the pandemic, which should, in the long-run, help stop the spread of the disease.

Telehealth technologies have been instrumental in easing pressure on hospital capacity, reducing the transmission of the coronavirus and providing healthcare to patients in remote or rural locations. "Virtual care" (telehealth) totaled just 0.1% of all medical claims filed in the U.S. in 2018 but has exploded since the pandemic started.⁴ Pre-coronavirus, neither patient nor doctor was enamored with telemedicine but times have changed. And so have many of the regulatory hurdles that have long hampered virtual care. To wit, the coronavirus Preparedness and Response Supplemental Appropriations Act, signed into law on March 6, allows seniors to use their Medicare benefits for telemedicine, prompting Medicare claims for telemedicine to jump from 10,000 in March to over one million a week in April. Some rules have also been waived, which now allows patients and doctors to connect over FaceTime and Zoom and allows for out-of-state virtual visits. In short, telemedicine has gone mainstream.

3D printing has never been as important as now owing to the disruption of multiple global supply chains, notably in the manufacturing of ventilators, breathing filters, test kits, nasal swabs, face masks and other medical supplies. 3D printing, in other words, has been pivotal in providing hospitals with quick and cheap vital equipment, and offsetting declining volumes of supplies due to shuttered factories and workers taken ill by the coronavirus.

Gene-editing technologies are being deployed to accelerate the development of not only drugs but also diagnostics of coronavirus. As reported, it took only two weeks for scientists to isolate the coronavirus and figure out the full sequence of its genetic material, helping to shed light on the origins and spread of the disease as well as potential drug treatments.

Nanotechnologies are being harnessed to contain, diagnosis and treat the disease, with nano-based products having antiviral effects and the capacity to interact and bind to a coronavirus, thereby preventing it from attaching and spreading to healthy cells. An experimental nanovaccine has become the first vaccine reported to be tested in a human trail; in the long run, nanotechnologies could produce an antiviral agent that helps slow and treat coronavirus.

⁴ See "Hands Off," by John Seabrook, *The New Yorker*, June 29, 2020.

Drones are yet another technology that has proved to be very important in the fight against the coronavirus. Drones are being deployed to monitor quarantine areas, to facilitate aerial broadcasting, to spray disinfectants in hot zones, to monitor traffic and to deliver medical supplies. They have been critical in minimizing direct human contact and exposure to the coronavirus, and therefore key in coronavirus containment. Looking ahead, new coronavirus-specific detection drones are being developed to perform more sophisticated functions like detecting temperatures, heart and respiratory rates, and detecting people sneezing or coughing in crowds.

Among many things, **robots**, like drones, have been key in reducing the risk of person-to-person transmission of coronavirus. Robots are being used to disinfect entire hospitals, decontaminate public and private sites, handle biohazardous medical waste, and deliver food and medical supplies to those in need. Cleaning, testing, delivering, patrolling, monitoring, communicating, dancing—robots have done it all this pandemic and have become more firmly embedded in the U.S. healthcare sector than ever before.

Joined at the hip

Taking it all in, the pandemic has greatly accelerated the fusion of science and technology. And we're not just talking about enabling software that updates medical records. We are talking about technological capabilities and computational horsepower that is fundamentally altering the largest sector of the U.S. economy, the \$3.7 trillion healthcare industry.

As this new book—*The Future Is Faster Than You Think*—, notes, “the intersection of AI, cloud computing, quantum computing, sensors, massive data sets, biotechnology, and nanotechnology is producing a plethora of new healthcare tools.”⁵

Think medical and science research on steroids. From the same book, two key quotes from scientists:

“Say you're trying to create a new cancer drug. Instead of building a large-scale wet lab to explore the properties of hundreds of thousands of compounds in test tubes, you're going to be able to do much of that exploration inside a computer. In other words, the gap between neat ideas and new drugs is about to become a whole lot shorter.”⁶

“Artificial Intelligence allows us to do with fifty people what a typical drug company does with five thousand.”⁷

Meanwhile, advances in augmented reality now allows surgeons to train and see inside clogged arteries and allows medical students to work on virtual cadavers. 3D printing has gone well beyond prosthetics and is now entering organ printing and bionics—yes, the ultimate spare part is coming: bionic eyes. Cellular medicine will be transformed with cellular technologies. On it goes.

We are on the cusp of a healthtech revolution. Even when the pandemic fades, the bond between health and technology will only grow stronger. As the world's population of over 7 billion people continues to age, continues to contract non-communicable diseases like heart and liver diseases, continues the battle against obesity and related ailments, demand for healthcare solutions via technological advances will only rise. We see every part of healthcare is in play: medical diagnostics is being upended by greater use of sensors, networks, Artificial Intelligence; Medical procedures are being changed by artificial intelligence, robotics and 3D printing; genomics, quantum computing are transforming medicines themselves; and medical prevention is being transformed by wearable devices. Per the latter, Apple's CEO Tim Cook: “If you zoom out into the future and ask what was Apple's greatest contribution to mankind, it will be about health.”⁸ Your watch or smartphone could become your doctor.

⁵ See “*The Future Is Faster Than You Think*,” by Peter Diamandis and Steven Kotler, page 89.

⁶ Ibid, page 30.

⁷ Ibid, page 166.

⁸ Ibid, page 155.

The bottom line: 2020 is the year healthcare and technology meaningfully merged. It's an affiliation replete with investment opportunities. We are bullish on healthtech—or the dominant leaders and players in the technological activities outlined in Exhibit 2—as well as many leading pharma/bio-tech companies.

THOUGHT OF THE WEEK

Q2 Earnings Preview: Saddling Up at the Trough

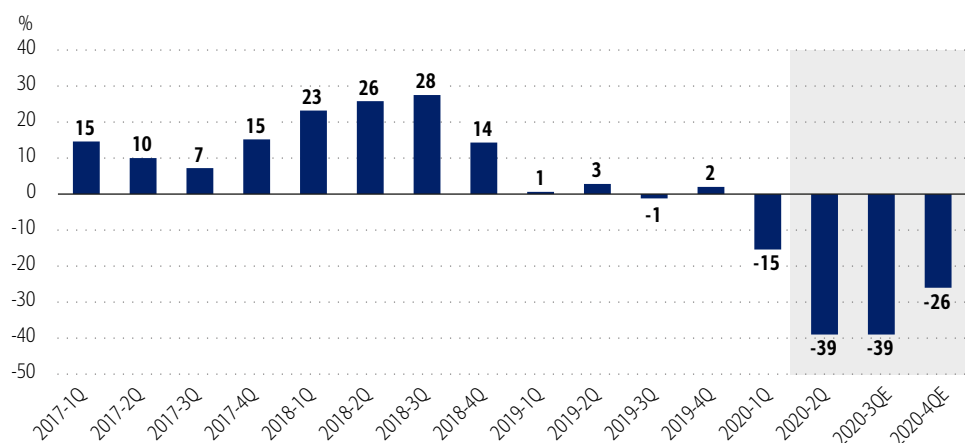
Nick Giorgi, CFA®, Vice President and Investment Strategist

The first step is acceptance. It's generally understood that the Q2 earnings season will not be particularly cheery, as the global pandemic shut down large swaths of the economy and induced what is likely to be the steepest but shortest recession in U.S. history. According to BofA Global Research, this earnings season should represent the trough in YoY quarterly growth for the S&P 500. Some of the keys investors should consider: A) ascertain the degree of economic disruption, B) sift through releases for emerging trends or useful information, and C) inform expectations for the earnings path going forward.

The economic fallout from the coronavirus began to build in late February but reached a crescendo in the U.S. during the second quarter, as the Atlanta Fed's GDPNow Forecast declined from 2.7% at the end of Q1 to an unprecedented -51.2% by the end of May. Corporate profit expectations have correspondingly been slashed to the greatest degree since 2008, with second quarter S&P 500 consensus earnings expectations now tracking at a -44% YoY pace, an accelerated fall from Q1 results of -15%. Analysts also expect a 12% decline in sales. BofA Global Research is a bit more upbeat with better economic surprise data, a pickup in oil prices, a weaker USD, and encouraging results from early reporters guiding projections 8% higher than consensus.

Earnings upside may help to support equities, which appear to be looking past earnings season for the most part, but investors will also be keen to watch forward guidance and other trends. Buybacks and dividends may also be of focus, as will corporate cash levels and capital expenditures. Margins in Technology will be watched to gauge the enduring primacy of the S&P's sectorial workhorse. Finally, company commentary will be important but perhaps scarce, with almost 40% of companies having suspended guidance. We project earnings to improve as we move into the back half of the year and into 2021, but the path forward for earnings may still remain hazy.

Exhibit 3: The Pace of S&P 500 Earnings Decline Should Slow Later in the Year.



E=estimates. Sources: Chief Investment Office; Yardeni Research. Estimates reflect BofAML Global Research. Data as of July 6, 2020. This data is for illustrative purposes only. Results may differ.

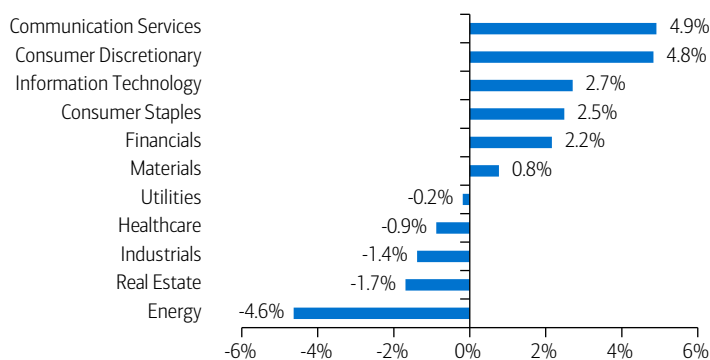
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MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	26,075.30	1.0	1.1	-7.4
NASDAQ	10,617.44	4.0	5.6	18.9
S&P 500	3,185.04	1.8	2.8	-0.4
S&P 400 Mid Cap	1,772.98	-0.3	-0.6	-13.3
Russell 2000	1,422.68	-0.6	-1.3	-14.1
MSCI World	2,259.60	1.5	2.7	-3.2
MSCI EAFE	1,812.78	0.5	1.9	-9.7
MSCI Emerging Markets	1,069.27	3.6	7.8	-2.8

S&P 500 Sector Returns



Source: Bloomberg, Factset. Total Returns from the period of 07/06/20 to 07/10/20. Bloomberg Barclays Indices.¹ Spot price returns.² All data as of the 07/10/20 close.

Past performance is no guarantee of future results.

Asset Class Weightings (as of 5/6/2020)

	Under-weight	Neutral	Over-weight
Global Equities	• • • • •		• • • • •
U.S. Large Cap Growth	• • • • •		• • • • •
U.S. Large Cap Value	• • • • •		• • • • •
U.S. Small Cap Growth	• • • • •		• • • • •
U.S. Small Cap Value	• • • • •	• • • • •	• • • • •
International Developed	• • • • •	• • • • •	• • • • •
Emerging Markets	• • • • •	• • • • •	• • • • •
Global Fixed Income	• • • • •	• • • • •	• • • • •
U.S. Governments	• • • • •	• • • • •	• • • • •
U.S. Mortgages	• • • • •	• • • • •	• • • • •
U.S. Corporates	• • • • •	• • • • •	• • • • •
High Yield	• • • • •	• • • • •	• • • • •
U.S. Investment Grade Tax Exempt	• • • • •	• • • • •	• • • • •
U.S. High Yield Tax Exempt	• • • • •	• • • • •	• • • • •
International Fixed Income	• • • • •	• • • • •	• • • • •
Alternative Investments*	see CIO Asset Class Views		
Hedge Funds	• • • • •		
Private Equity	• • • • •		
Real Assets	• • • • •		
Cash	• • • • •		

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

Fixed Income¹

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.17	0.5	0.7	8.0
Agencies	0.57	0.1	0.1	5.2
Municipals	1.43	0.5	0.5	2.6
U.S. Investment Grade Credit	1.19	0.4	0.5	6.7
International	2.06	0.7	1.3	6.4
High Yield	6.58	0.3	1.1	-2.8

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.12	0.14	0.13	1.54
2 Year Yield	0.15	0.15	0.15	1.57
10 Year Yield	0.64	0.67	0.66	1.92
30 Year Yield	1.34	1.43	1.41	2.39

Commodities & Currencies

Commodities	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Bloomberg Commodity	142.19	1.5	2.6	-17.3
WTI Crude \$/Barrel ²	40.55	-0.2	3.3	-33.6
Gold Spot \$/Ounce ²	1,798.70	1.3	1.0	18.5

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.13	1.12	1.12	1.12
USD/JPY	106.93	107.51	107.93	108.61
USD/CNH	7.01	7.07	7.07	6.96

Economic and Market Forecasts (as of 07/10/20)

	Q3 2019A	Q4 2019A	2019A	Q1 2020A	Q2 2020A	2020E
Real global GDP (% y/y annualized)	-	-	2.9	-	-	-4.1
Real U.S. GDP (% q/q annualized)	2.1	2.1	2.3	-4.8	-35*	-5.7
CPI inflation (% y/y)	1.8	2.0	1.8	2.1	0.5*	1.0
Core CPI inflation (% y/y)	2.3	2.3	2.2	2.2	1.3*	1.4
Unemployment rate (%)	3.6	3.5	3.7	3.8	13.0	9.0
Fed funds rate, end period (%)	1.90	1.55	1.55	0.08	0.08	0.13
10-year Treasury, end period (%)	1.66	1.92	1.92	0.67	0.68	1.00
S&P 500 end period	2977	3231	3231	2585	3100	2900
S&P earnings (\$/share)	42	42	163.0	34*	25*	115
Euro/U.S. dollar, end period	1.09	1.12	1.12	1.10	1.12	1.05
U.S. dollar/Japanese yen, end period	108	109	109	108	108	103
Oil (\$/barrel, avg. of period, WTI**)	56	57	57	46	29	40

The forecasts in the table above are the base line view from BofA Global Research team. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts.

Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

A = Actual. E/* = Estimate. S&P 500 represents the year-end target for 2020. **West Texas Intermediate. Sources: BofA Global Research; GWIM ISC as of July 10, 2020.

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Index Definitions

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

Indexes are all based in dollars.

S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies. It represents the stock market's performance by reporting the risks and returns of the biggest companies.

New York Fed's Weekly Economic Index (WEI) provides a signal of the state of the U.S. economy based on data available at a daily or weekly frequency. It represents the common component of ten different daily and weekly series covering consumer behavior, the labor market, and production.

Rasmussen Consumer Confidence Index measures consumer confidence on a daily basis.

Economic Cycle Research Institute (ECRI), FIBER Weekly Leading Index & Boom-Bust Barometer identifies turning points in the economic cycle that are indicated by pronounced changes in the index.

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