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CHIEF INVESTMENT OFFICE

Capital Market Outlook

July 20, 2020

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- **Macro Strategy**—The structural shifts caused by the global response to the pandemic have set the stage for a synchronized global expansion with higher trend growth than prevailed in the aftermath of the 2008/2009 Great Financial Crisis (GFC). New patterns emerging in the asset markets reflect this major change in the world economic outlook.
- **Global Market View**—Health and policy developments highlight potential market catalysts for the second half of the year. Positive developments would keep equity investors within a passable channel toward a renewed secular bull market, guided by buoys and illuminated by the lighthouse. However, disappointment may push the market outlook off course, into hazards such as reefs and rocks.
- **Thought of the Week**—We explore the Biden tax proposal and what it may mean for investors and tax planning.
- **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

Chief Investment Office Macro Strategy Team

GLOBAL MARKET VIEW

Rodrigo C. Serrano
Director and Investment Strategist

THOUGHT OF THE WEEK

National Wealth Strategies Team

Data as of 7/20/2020 and subject to change.

MACRO STRATEGY

Investing In A Post-Pandemic Synchronized Global Expansion

Chief Investment Office Macro Strategy Team

The decade after the Great Financial Crisis (GFC) of 2008 was marked by an inability of the world economy to achieve “escape velocity,” causing economists to rationalize an unprecedented future of “secular stagnation.” The big positive surprise we currently anticipate is a quantum leap out of secular stagnation based on new catalysts propelling the economy in the wake of the coronavirus pandemic. First, policy, both monetary and fiscal, has been radically transformed by the response to the shutdowns. Monetary policy was too timid over the past decade, failing to achieve its primary objective across the developed world, namely to anchor inflation around a persistent 2% average pace. With the economic collapse caused by shutdowns, the U.S. joined Europe and Japan in the zero-rate trap that arises when inflation expectations collapse. In our view, monetary policy will have to remain extraordinarily accommodative for the foreseeable future in order to re-anchor inflation expectations back to more normal levels. Thus, the pandemic has forced a correction in the failed policies of the past two decades. The resultant negative real interest rates are a major reflationary force for stronger economic growth.

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Monetary policy failed to achieve its primary purpose after the GFC mainly because it was constantly overwhelmed by counterproductive fiscal policy, which worked at cross purposes to the goal of reflating a deflation-prone economy. This problem is well documented in two of the most authoritative retrospectives on the GFC, Ben Bernanke's—former Chair of the Federal Reserve—2015 *The Courage to Act* and Barry Eichengreen's—American economist—2014 *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History What's more*, when fiscal policy finally became strongly pro-growth in 2017, monetary policy was tightened prematurely, negating its impact on growth and inflation.

To plug the hole created by the pandemic shutdowns, governments around the world had to spend massive amounts of money, creating fiscal deficits of a magnitude not seen since World War II. This has been the first recession ever in the U.S. with disposable personal income rising instead of falling, which helps explain why consumer confidence has not collapsed in line with the experience of past recessions. Income support, together with the strong understanding of the overwhelming majority of the unemployed that their job loss is temporary, has kept consumer expectations for the economy at solid levels and helped household spending come roaring back after the shutdowns were lifted. It is not a coincidence that the bear market ended the same week the biggest fiscal support package ever was signed into law. We believe this was a major step into a new era of more pro-growth monetary and fiscal policy, which also appears to be the message from the fastest, strongest equity bull market recovery out of recession ever seen.

Another important force for stronger growth as a result of the pandemic is the changed of the current view toward China. An accelerated decoupling of China from the world's democracies is underway as attitudes toward China all around the world have been radically transformed by its actions over the past six months. For example, according to July's GaveKal Research, "*...the U.K.'s U-turn, reneging on its plan to allow Huawei to supply up to a third of its 5G equipment, shows how international distrust of China is hardening along ideological lines, spurring liberal nations to prioritize national security over economic growth. The push to expand the G-7 into a D-10, or "Democratic 10," will gather pace as political allies coordinate policies to contain China.*"

While this deepening conflict undermines the efficiencies of globalism, its shortcomings were already glaringly obvious in the supply-chain breakdowns exposed by the pandemic as well as the growing populist backlash against the negative impact of globalization on developed economies. A new, decoupled world that addresses these issues and preserves democracy is likely to take form over the next decade, requiring major new capital-spending initiatives, both in the free world, "D-10 sphere," and in China's sphere of influence, which largely includes countries committed to its Belt and Road Initiative (BRI).

As the first country into the pandemic and the first country out, China is about three months ahead in this new economic expansion, and its stocks have recently broken out into a new bull market. The quest to lead global technology is making its companies the main successful competitors to the U.S. tech companies leading the new global bull market. Emerging-market (EM) equities are performing well in anticipation of this new period of stronger inconsistent global economic growth. As EMs navigate this new expansion with separate Chinese and U.S. economic spheres evolving, their options to play one side against the other will likely benefit their growth. Recent events seems to have already moved India closer to the U.S. and away from China, while many African nations are bound to China's side because of their BRI arrangements. In any event, we believe that the prospect of a more dynamic environment for EMs in a stronger world economy is part of the message from the weakening dollar and rallying EM equity markets.

Europe appears to have also stopped lagging in the wake of the pandemic as the euro has been bolstered by the new arrangement for a fiscal union. The pandemic's devastating effect on Southern Europe has forced Germany to finally drop its decades-long resistance to fiscal sharing. Otherwise, the euro was not expected to survive. As the biggest weight in the dollar index, a stronger euro is a major factor behind the dollar's recent technical trend change.

Stronger world growth and increased risk taking are a traditional formula for a softer U.S. dollar, and that is indeed what we are seeing as the trade-weighted dollar index has made a "death cross." The cross of the dollar's 50-day moving average below its 200-day moving average is a typical confirmation of a major trend change. This is significant evidence that the greenback's era of strength has likely ended. That strength was directly related to subpar global growth and risk aversion as capital fled higher-risk areas for safer harbors in the U.S.

A similar message is coming from the stealth breakout in industrial-metal stocks that has been eclipsed by all the focus on the extraordinary outperformance of tech stocks. From aluminum to zinc, base metals are currently all showing strength. Silver is breaking out. Gold was first out of the chute, and the easy U.S. monetary policy that has rendered deeply negative real interest rates should keep it on trend for $3,000/oz over the next year, according to BofA Global Research. Less noticed is the fact that "Dr. Copper" has been outperforming gold recently as the markets sniff out the coming synchronized global expansion with relative growth improvements outside the U.S.

By moving the developed-market laggards to more pro-active policy, the pandemic had catalyzed a period of stronger future world growth. This could also true for the U.S. First, a softer dollar should help boost U.S. growth. The fundamental reason why the dollar has started to weaken is that U.S. monetary policy has eased more than in other countries. U.S. rates have dropped into line with the rest of the world after an extended period of relatively higher rates. The U.S. fiscal intervention has also been much greater, particularly to help the U.S. labor market through an extended period of "creative destruction" that the pandemic has catalyzed. In Europe, in contrast, short-time work schemes, furloughs and subsidies helped workers avoid actual unemployment but also helped to reduce labor-market dynamism and put sand in the gears of economic evolution. These labor-market rigidities are part of a more general tendency to preserve the status quo in Europe in contrast to the more "Wild West" nature of the U.S. economy, where "creative destruction" is given a freer rein.

This fundamental difference helped to explain the relative outperformance of the U.S. over the decades, as evident, for example, in much higher productivity and per-capita income levels than those in major European countries. As the acceleration in economic change caused by the pandemic continues, this fundamental difference is likely to widen the gap even further, as the U.S. is much more resilient than Europe and much of the rest of the developed world. This difference is also evident in the disproportionate role U.S. technology companies increasingly play in the global economy and overall market capitalization, and the desperate scramble by China to mimic their success by developing a parallel technology infrastructure.

The pandemic has magnified this gap by helping to move the world more quickly into a virtualized future where U.S. technology has unmatched leadership. The pandemic made these companies more valuable. However, that does not mean more traditional value and cyclical companies are less valuable. As is evident in the breakout in industrial-metal equity market, a synchronized global expansion with faster growth is considered bullish for a broader path of equities. The improved relative performance of European markets despite a much lower proportion of tech highflyers illustrates the point.

In sum, this is an environment when a rising tide lifts all boats. Swings back and forth between value and growth leadership are to be expected when a pervasive economic improvement begins. While cyclicality took a breather in June, we would not be surprised by a strong second half. Finally, we would note that opposite to the recent bearish "death cross" experienced by the dollar, we've seen a bullish "golden cross" in U.S. equities, with the 50-day moving average of the S&P 500 level recently crossing above its 200-day moving average. This is a typical confirmation that a new bull market has begun after a recession. It's what would be expected in the early days of a new, synchronized global expansion.

Rocks & Buoys: Potential Second-Half Catalysts

Rodrigo C. Serrano, Director and Investment Strategist

Described in our July Investment Strategy Overview ("The Lighthouse and What Lies Ahead"), the lighthouse helps illuminate the path forward for investors. It also helps to identify warning signals, such as oncoming storms. Buoys can also help distinguish nearby navigational (market) hazards, such as reefs and rocks. In the second half of the year, we think respecting the guide of these nautical aids will be particularly important.

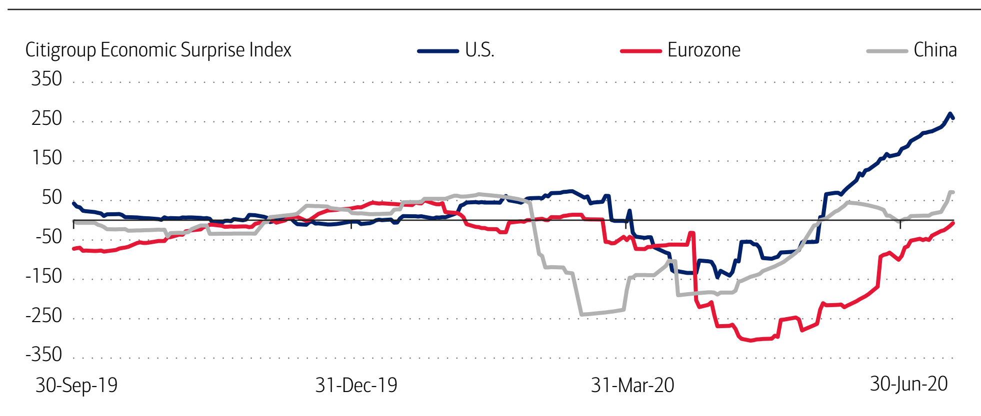
We believe they signal a passable channel for investors. Unprecedented stimulus and the lifting of quarantines have translated into a powerful surge of economic activity. As a result, a better-than-expected earnings season with sunnier corporate profit outlooks, along with upcoming policy decisions and developments, may help serve as upside catalysts for equity markets. However, these maritime guides also caution of a potentially narrow path. Containing the coronavirus has proved challenging. Worried over rising debt and other factors, governments may hesitate on providing needed fiscal support, disappointing expectations. Rising geopolitical tensions and political uncertainty may also cast the outlook adrift.

Improving Fundamentals

The Caixin Composite Purchasing Managers Index (PMI) aims to signal the growth trajectory of the broader Chinese economy. With a 50-mark delineating expansion from contraction, it touched its bottom at 27.5 in February. At 55.7, its latest reading for June points to a stronger economic recovery. Meanwhile, the month-over-month growth of eurozone retail sales has surpassed the consensus analyst expectation for two consecutive months, rising by 17.8% in May.

In the U.S., recent economic data has surprised consensus expectations by the most on record (Exhibit 1). Along with stabilized oil prices and a softer U.S. dollar, these trends argue for a better-than-expected second quarter earnings season for the S&P 500, according to BofA Global Research, which expects earnings growth to trough this quarter and improve in the second half of this year. A beat on earnings, along with growing corporate optimism in the sustainability of the economic recovery, may result as a positive catalyst. Increased inflows from sidelined investors would result in greater equity market resilience, in our view.

Exhibit 1: Economic data in the U.S. has resoundingly surprised to the upside, while China and the eurozone are showing improved performance compared to analyst expectations.



Source: Bloomberg. Data as of July 14, 2020. **Past performance is no guarantee of future results.**

A Second Wave or Contained?

Because our economists believe that the economy is exiting out of an initial V-shaped transition phase and into a slower healing phase, we believe mending business and consumer confidence may play a significant role in affirming the economic recovery at this juncture.

As the biggest potential downside catalyst to the outlook, signs of a potential resurgent, significant second wave of coronavirus infections may prompt more rollbacks in reopening policies, worry business and consumers, and have the potential to endanger the economic recovery. California, Texas and Florida—the nation's first, second, and fourth largest state economies, according to the Bureau of Economic Analysis—headline an increase in new cases in over 40 states.[1] High-frequency data, capturing trends in dining, small-business hiring and foot traffic have stopped improving.[2] Studies argue that individuals' choice to avoid the virus has played a larger role than state-sponsored restrictions to economic activity.[3] Major EMs, such as Brazil and India seem to still struggle in containing their initial outbreaks, while fresh, though relatively muted, outbreaks in Japan and Australia argue against complacency in other developed markets.[4]

On the other hand, strengthened testing, tracing and treatment frameworks may serve to contain the long-term negative effects of second waves, catalyzing market resilience. Countries such as Germany, South Korea and China have shown success in containing outbreak clusters. Furious work continues on over 140 vaccine candidates.[5] More wide-spread use of masks may help to stem infection rates, according to a complete literature review by *The Lancet*.[6]

Policy Triggers

The International Monetary Fund (IMF) asserts that close to $11 trillion in fiscal stimulus has been deployed by governments globally, as of July 10. Despite this impressive figure, it states that further action is needed. The U.S. and the European Union (EU) are expected to announce their approaches soon. The size and composition of these packages, together with signals of the commitment of authorities to provide greater support may serve as catalysts for markets.

Softer economic data may also galvanize policymakers to "keep their foot on the gas," in our view. And some policymakers appear to have proposed a liability protection for businesses against coronavirus-related lawsuits as a top priority, while hinting at a smaller second round of stimulus checks to households. Discussion over extending enhanced unemployment benefits or providing back-to-work bonuses and funds to help state and local governments are also likely to dominate discussions.

In Europe, we believe that an observed path toward clinching a deal comparable to the European Commission's proposed €750 billion "Next-Generation EU" economic recovery fund may result as a positive market catalyst. Seen by investors as a first step toward debt mutualization and fiscal union, the package could provide greater clarity on the region's long-term prospects. The initiative would also help shore up virus-battered countries such as Italy and Spain. The bloc's latest summit on July 17–18 has helped maintain anticipation of a postive outcome, seen in a continued rally in both the region's stock markets and the euro.

1 "Coronavirus in the U.S.: Latest Map and Case Count"—New York Times, July 20, 2020.

2 "New Coronavirus Surges Slow Economic Recovery"—*Wall Street Journal* (July 8, 2020).

3 "How Did COVID-19 and Stabilization Policies Affect Spending and Employment?"—Opportunity Insights, based at Harvard University (June 9, 2020).

4 "Asia ramps up coronavirus curbs as new clusters erupt"—Reuters (July 14, 2020).

5 The COVID-19 vaccine race—Gavi: The Vaccine Alliance (updated June 30, 2020).

6 The Lancet is a peer-reviewed medical journal.

We believe foreign policy and the outcome of the U.S. presidential election may also serve as market catalysts. U.S.-China relations have deteriorated recently, and various potential tensions could rock the boat in terms of the outlook. Despite these tensions, Phase One of the trade deal between both countries looks to have helped keep economic relations generally stabilized. As part of the pact, China has lifted import restrictions in February on a wide variety of U.S. agriculture products. Yet, the country is also significantly behind in its commitments to purchase set quantities of U.S.-covered goods from 2020 to 2021, totaling $200 billion over 2017 levels.[7]

We think investors may shift their expectations on domestic taxation and regulatory policies, as well as the country's foreign policy posture in the coming months.

In Closing

The Chief Investment Office believes that the glow of the lighthouse and beaconing buoys chart a path forward for investors, an economic environment that favors equities relative to fixed income and cash. In the U.S., many economic measures have currently signaled a stronger-than-expected rebound, amid improved global performance; this after shutdowns during the first half of the year were lifted. Presently, a historic level of global monetary and fiscal support has potential to offset investor worries over the effect of the coronavirus pandemic. Research advances to bolster testing, tracing and treatment frameworks to possibly combat the potential effects of subsequent waves of the virus. Perhaps the most important upside catalyst for equity markets is strengthened confidence in the sustainability of the global economic revival.

However, rough seas risk pushing the outlook off course into rocks and other hazards. Rising infection rates may test confidence, particularly if more U.S. states reverse reopening measures. Fiscal plans domestically and in Europe may hit snags, delaying needed support. Longer-term worries, such as an escalation of fraught U.S.-China geopolitical tensions or political uncertainty in the U.S., may also prompt investors to start battening down the hatches.

THOUGHT OF THE WEEK

Biden's Tax Policy Takes Center Stage

National Wealth Strategies Team

Greater attention is being paid to the tax proposals by Joe Biden, the presumptive Democratic presidential nominee. Several reasons lie behind this surge of interest. First polling indicates Biden's lead in the general election is increasing (Real Clear Politics indicates a nearly 9% lead, up from about 5% in May). Second, two developments during the week of July 6 brought our attention to tax proposals and tax policies: The Biden-Sanders Unity task force (issued July 8, 2020) made several tax recommendations. While the Task Force's report will likely shape the democratic platform, not all of its tax recommendations have been adopted as Biden's tax proposals; and, Biden's "Build Back Better" (BBB) economic plan (released July 9), with the goal of bolstering domestic manufacturing and supporting American workers also contained references to several tax raising proposals.

The Biden tax plan is projected to raise an additional $4 trillion of taxes over ten years. To put this in perspective, this is far less than Bernie Sanders' tax proposal (which was estimated to raise about $23 trillion in revenue over 10 years) but far more than Hilary Clinton's 2016 tax proposal (which was estimated to raise approximately $1.4 trillion in revenue over 10 years).

[7] U.S.-China phase one tracker: China's purchases of U.S. goods.

The Biden Tax Plan:

	Former Vice President Joseph Biden
Income	Raise top individual tax rate from 37% to 39.6%, generally for those making over $400,000. Increase top long-term capital gain and qualified dividend tax rate to 43.4% (ordinary income tax rate plus healthcare surtax) for income above $1 million. Cap the tax benefit of itemized deductions at 28% for taxpayers with rates higher than 28%. Restore Pease limitation[8] on itemized deductions (which phases out itemized deductions) for taxpayers with income over $400,000. Other: phase out qualified business income deduction for taxpayers with income over $400,000; expand earned income tax credits; $8,000 tax credit for childcare; equalize tax benefits for defined contribution retirement plans; close real estate tax loopholes, without specifics.
Estate	Eliminate step-up in basis on estate-included assets (currently assets included in a decedent's estate are generally stepped-up to date of death values). Currently unclear if such a change would result in (i) a capital gains tax imposed at death, or (ii) require the beneficiaries to take the decedent's tax basis for inherited assets.
Social Security	12.4% Social Security payroll tax on wage income over $400,000 (currently capped at $137,700). Tax would be split between employer and employee. Would result in no Social Security payroll taxes on income between $137,700 and $400,000. No proposed changes to Medicare taxes. Currently 6.2% Social Security tax (employee's share) up to maximum wage base ($137,700); employer pays a similar share. 1.45% Medicare tax full wage base (no cap) and a surtax of 0.9% on wages above $200,000 (couples 250,000).
Corporate	Raise the corporate tax rate from the current 2017 Tax Cuts and Jobs Act (TCJA) rate of 21% to 28%. Impose 15% minimum corporate tax (a so-called minimum book tax) for companies reporting a net income over $100 million. Currently, no corporate alternative minimum tax. Impose a minimum 21% global intangible low-tax income (GILTI) rate on foreign profits (up from current 10.5% rate).

Source/Notes: Tax Notes, May 6, 2019; The Hill, July 15, 2019; Scranton, PA speech (Oct. 23, 2019); Bloomberg Tax (Dec. 4, 2019); The Center for Retirement Research at Boston College (April 8, 2020); Tax Foundation, April 29, 2020)

The Biden-Sanders Unity Task Force—The Unity Task Force made several tax recommendations in a report issued July 8, 2020. The task force represents the campaigns of presumptive Democratic presidential nominee Joe Biden and Senator Bernie Sanders and generally calls for higher taxes on the wealthy, but stops short of more radical tax reforms such as a wealth tax. Some of the tax recommendations are already included in the Biden tax proposal, other noteworthy recommendations include the following: (1) expand the childcare and dependent tax credits to provide a fully refundable, advanceable tax credit; (2) limit the ability of wealthy taxpayers to defer and avoid taxes on income (especially that relate to financial investments); (3) forgive all undergraduate tuition-related federal student debt from two- and four-year public colleges and universities for debt-holders earning up to $125,000, with appropriate phase-outs to avoid a cliff; (4) ensure student debt loan cancellation will not result in taxable income; (5) increase Obamacare tax subsidies to ensure greater affordability through lower premiums and cost-sharing linked to gold plans; (6) raise estate taxes back to the historical norms (presumably a rate of up to 55% and a drop in the exemption to $3.5 million); (7) tax ultra-large banks to promote financial stability and fund investments in American productivity; and (8) eliminate tax breaks for prescription drug advertisements.

"Build Back Better" Economic Plan—The BBB program is a proposed $700 billion economic plan that focuses on reviving manufacturing and buying American products, a clean energy future, policies promoting a "caring economy," and policies to advance racial equity. While no new tax proposals are offered in the plan, it reiterates the desire for corporate tax changes and the need for more revenue to pay for the plan.

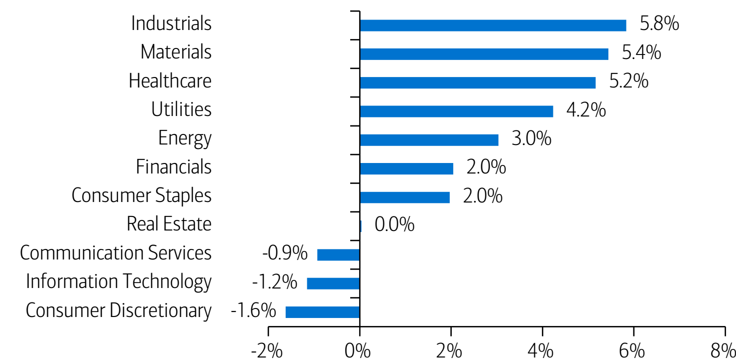
[8] The Pease limitation, named after the late U.S. Rep. Donald J. Pease from Ohio, capped the value of itemized deductions for taxpayers.

MARKETS IN REVIEW

Equities

	Current	WTD	MTD	YTD
	Total Return in USD (%)			
DJIA	26,671.95	2.3	3.4	-5.3
NASDAQ	10,503.19	-1.1	4.4	17.7
S&P 500	3,224.73	1.3	4.1	0.9
S&P 400 Mid Cap	1,836.55	3.6	3.0	-10.1
Russell 2000	1,473.32	3.6	2.3	-11.0
MSCI World	2,293.92	1.5	4.3	-1.8
MSCI EAFE	1,852.43	2.2	4.1	-7.7
MSCI Emerging Markets	1,055.06	-1.2	6.5	-4.0

S&P 500 Sector Returns



Fixed Income[1]

	Current	WTD	MTD	YTD
	Total Return in USD (%)			
Corporate & Government	1.13	0.3	1.1	8.3
Agencies	0.55	0.0	0.1	5.2
Municipals	1.34	0.4	0.9	3.0
U.S. Investment Grade Credit	1.18	0.2	0.8	7.0
International	1.98	0.7	2.1	7.2
High Yield	6.15	1.1	2.2	-1.7

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.10	0.12	0.13	1.54
2 Year Yield	0.15	0.15	0.15	1.57
10 Year Yield	0.63	0.64	0.66	1.92
30 Year Yield	1.33	1.34	1.41	2.39

Commodities & Currencies

Commodities	Current	WTD	MTD	YTD
	Total Return in USD (%)			
Bloomberg Commodity	141.89	-0.2	2.3	-17.5
WTI Crude $/Barrel[2]	40.59	0.1	3.4	-33.5
Gold Spot $/Ounce[2]	1,810.42	0.7	1.7	19.3

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.14	1.13	1.12	1.12
USD/JPY	107.02	106.93	107.93	108.61
USD/CNH	6.99	7.01	7.07	6.96

Source: Bloomberg, Factset.Total Returns from the period of 07/13/20 to 07/17/20. Bloomberg Barclays Indices.[1] Spot price returns.[2] All data as of the 07/17/20 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.

Economic and Market Forecasts (as of 07/17/20)

	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	-5.0	-35*	-5.7
CPI inflation (% y/y)	1.8	2.0	1.8	2.1	0.4	1.1
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 ($/share)	42	42	163.0	33*	25*	115
Euro/U.S. dollar, end period	1.09	1.12	1.12	1.10	1.12	1.05
U.S. dollar/Japanese yen, end period	108	109	109	108	108	103
Oil ($/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 17, 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.

Caixin Composite Purchasing Managers Index (PMI) tracks high-quality listed companies that drive China's economic growth.

Citigroup Economic Surprise Index is an objective and quantitative measures of economic news. It is defined as weighted historical standard deviations of data surprises.

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