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CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 15, 2022

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IN THIS ISSUE

Macro Strategy—*The Extended Dollar*: In the December 13, 2021 Chief Investment Office (CIO) *Capital Market Outlook*, we noted that the overvalued dollar would likely maintain its balancing act over the coming year in part because of continued reluctance to bet against it, but one cannot rule out upside to the dollar nor dismiss downside risks.

Over halfway into 2022, the greenback has become more overvalued and consensus expectations continue to reflect a reluctance to bet against it. Monetary tightening and increasingly adverse geopolitical crosscurrents are key factors supporting the dollar, but the more overvalued it becomes, the harsher the unwinding is likely to be—provided investors find suitable refuge abroad.

Market View—*The State of the Consumer—Firm but Fraying:* The consumer has thus far remained resilient in the face of rising rates and multi-decade high inflation, but the shifting macroeconomic backdrop is presenting fresh challenges.

Here, we review factors that are currently in favor for the consumer, versus factors that call for getting cautious. In our view, a strong consumer should continue to support the economy and corporate earnings in the near-term, but signals are pointing to decelerating momentum.

Thought of the Week—*An Energized Q2 Earnings Season:* Strong nominal growth has helped elevate second quarter earnings growth to the high-single digits. Excluding the energy sector, however, the earnings growth rate would have registered a decline.

While we are encouraged by the resiliency of corporate earnings results so far this year, given the deteriorating outlook into year end, we expect earnings to decline in 2023 on economic weakness and margin pressures.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

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THOUGHT OF THE WEEK ▶

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Director and Senior Investment Strategy Analyst

MARKETS IN REVIEW ▶

Data as of 8/15/2022, and subject to change

Portfolio Considerations

We maintain a neutral view on Equities as risks to economic growth and corporate profits remain. As growth moderates, profit estimates are likely to follow as the Fed pursues a more aggressive tightening bias. We still expect high-quality Fixed Income to be a diversifier—in the long run, coupon income is a larger determinant of total returns than price changes due to rate moves—and this diversification effect has historically proven true when rate volatility decreases. An allocation to Hedge Funds, for qualified investors, has the potential to lower the effect of the volatility and possibly take advantage of the dislocation and sector rotation.

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The Extended Dollar

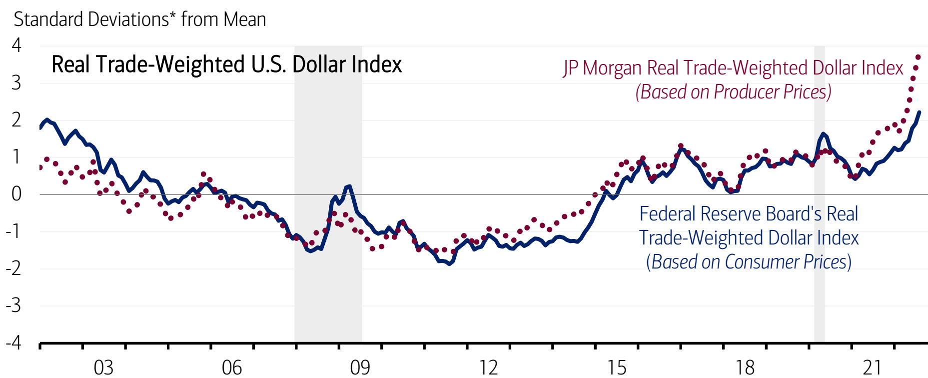
Chief Investment Office, Macro Strategy Team

Year-to-date (YTD), the Federal Reserve (Fed) Broad Trade-Weighted Dollar Index has risen 6% in nominal terms and 7% in inflation-adjusted or real terms (based on July 2022 averages versus December 2021 averages), and the dollar has become more overvalued. Indeed, the trade-weighted dollar's overvaluation has been extended substantially. The two real or inflation-adjusted dollar indexes shown in Exhibit 1 have broken out of the +2/-2 standard deviations valuation range they have been in since early 2002, and one of them nearly reached four deviations above the mean in July. This suggests that dollar overvaluation is becoming rather extreme and that it may not be sustained for long. Based on individual valuations for 33 foreign currencies relative to the U.S. dollar, we estimate that the trade-weighted dollar was overvalued by 11% to 12% in Q2. It has obviously become more expensive since then. The dollar is more overvalued than it was when last discussed in December (about 7%), and its overvaluation has broadened as well, but it is not overvalued across the board. In Q2, it was overvalued against five of the 10 advanced-economy currencies tracked and also overvalued against 15 of the 23 emerging market (EM) currencies tracked. The dollar was either fairly valued or undervalued against the remaining 13 units tracked.

Investment Implications

The strong dollar is currently hurting the profits of U.S. companies operating abroad, adding to the likelihood of earnings disappointments as the global economy loses momentum in 2023. As a result, we continue to favor more defensive positioning in companies with less-cyclical, more domestically-sourced revenues, including those in the Healthcare and Utilities sectors.

Exhibit 1: Measures of Dollar Overvaluation Entering Extreme Range.



Gray area represents recession periods. *Standard deviation is the measure of dispersion of a set of data from its mean. Sources: Federal Reserve Board; JP Morgan/ Haver Analytics. Data as of August 8, 2022. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

The dollar is navigating increasingly rough seas but is so far keeping its head well above water. It is getting key support from rising interest rates as the Fed tries to rein inflation in despite the growing risk of recession. In doing so, the Fed is rebuilding its battered credibility, which is a critical element fortifying the dollar's backbone, in our view. Complete success, however, is still a long way off. Inflation-adjusted or real official interest rates are deeply negative, which suggests much more aggressive tightening will be necessary in order to push real rates into positive territory and bring inflation down sustainably—despite the potential negative effect on economic growth.

While most other major central banks are also engaged in a race to help slay inflation with interest rate hikes and quantitative tightening (QT) or balance sheet reduction, the risk of deeper recessions in the U.K. and the Eurozone, for example, looks much bigger than for the U.S. They face a much more adverse geopolitical environment since Russia invaded the Ukraine, and the escalation of back-and-forth retaliation with the West has lately resulted in Russia's reducing the supply of natural gas to Western Europe so drastically that some experts say gas rationing may become necessary. The downside risks for the Eurozone economy and the Euro are heightened by the potential widening of long-term interest rate spreads between heavily indebted sovereigns, such as Italy, and more creditworthy counterparts, such as Germany, as QT takes place. The European Central Bank (ECB) has set up the Transmission Protection Instrument (TPI) to help prevent fragmentation, but it leaves too much room for interpretation/disagreement; internal metrics add opaqueness,

RETURN TO FIRST PAGE

and there are potential complications stemming from involvement by the European Court of Justice, which assesses compliance with the European Union's (EU) fiscal rules and sound macro policies. All these complications underscore the fundamental flaw of a monetary union operating without a corresponding fiscal union, which constitutes a perennial vulnerability for the Euro, in our view.

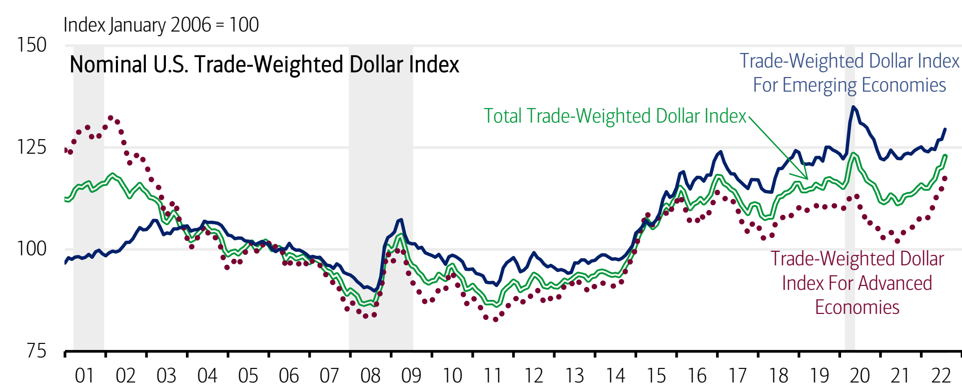
Increasingly adverse territorial tensions also exacerbate U.S.-China rivalries and tend to favor the dollar as well. Indeed, many EM in Asia (not China) and elsewhere have been hiking interest rates since 2021, but the dollar has nonetheless tended to rise against them.

For now, the shrinking trajectory of the U.S. federal budget deficit also favors the dollar, even though it is happening by default, as past fiscal stimulus has largely expired and revenue growth remains strong. The four-quarter cumulative federal budget deficit was equivalent to 4.2% of gross domestic product (GDP) in Q2, compared to 18.6% in Q1 of 2021 and 4.7% at yearend 2019. This may be as good as it gets; the deficit is likely to widen over the next year as economic growth slows, in our opinion. In contrast, the gently deteriorating current account deficit is dollar-negative—but it should narrow if a recession hits the U.S.

A Soft-Landing Dollar Ahead? Global economic, financial and geopolitical crosscurrents are basically keeping bets against the dollar contained, especially given its persistent ability to surprise to the upside in recent years. Consensus expectations versus the U.S. dollar available for 33 foreign currencies translate into a 4% decline in the trade-weighted dollar through July 2023—a modestly bigger decline than has been projected for each of the last few years. This is a soft-landing scenario for the overvalued dollar—amid deteriorating soft-landing expectations for economic growth next year here and abroad. In short, the dollar may remain overvalued for some time even though the trajectory of growth expectations for the U.S. in 2023 suggests a growing vulnerability.

Most of the anticipated decline in the dollar is expected to occur against the major foreign currencies; they are expected to rise fairly solidly against the dollar—in contrast to more mixed expectations for EM currencies. The dollar would remain in an elevated trading range all around, especially versus EM currencies—against which it has been strong for several years (Exhibit 2). If so, dollar overvaluation would moderate rather than correct significantly. This soft-landing scenario for the dollar (which additional consensus estimates suggest would extend into 2024), may not necessarily materialize. However, these are extraordinary times for the world economy, so ongoing reluctance to bet big against the greenback is understandable. Even as the dollar moves closer to a tipping point, that tipping point can keep getting postponed by the extraordinary circumstances of soaring inflation and required monetary tightening that brings us and the rest of the world closer to recession—and by very charged geopolitical crosscurrents and conflicts for which there seem to be no easy solutions. Against this backdrop, investors may not easily find suitable refuge away from the U.S. dollar.

Exhibit 2: A Broadly Strong Dollar.



Gray area represents recession periods. Sources: Federal Reserve Boar/Haver Analytics. Data as of August 1, 2022. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

MARKET VIEW

The State of the Consumer—Firm but Fraying

Emily Avioli, Assistant Vice President and Investment Strategist

Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

The consumer has thus far remained resilient in the face of rising rates and multi-decade high inflation, but the shifting macroeconomic backdrop is presenting fresh challenges. Here, we review factors that are currently in favor for the consumer, versus factors that call for getting cautious. Reviewing them in aggregate, our consumer scorecard is still tilting positive but showing signs of transitioning lower.

Portfolio Implications

A strong consumer should continue to support the economy and corporate earnings in the near-term, but signals are pointing to decelerating momentum. From a portfolio-positioning perspective, we remain neutral Consumer Staples and fully underweight Consumer Discretionary sectors.

Exhibit 3: CIO Consumer Scorecard.

Positives	Negatives
(+) Jobs →	(-) Inflation
(+) Wages →	(-) Wealth Effect
(+) Spending →	(-) Consumer Confidence
(+) Debt →	
(+) Savings →	

Source: Chief Investment Office. August 10, 2022. Note: Transitioning arrows indicate the direction the factor may be moving toward.

(-) Inflation: First and foremost, inflation remains the biggest challenge for consumers. The latest Consumer Price Index (CPI) print showed that headline inflation increased by 8.5% year-over-year (YoY) in July. Some of the steepest price increases have been associated with essentials like energy and food, which were up 32.9% and 10.9% respectively. Accordingly, 40% of respondents to a recent U.S. Census Bureau Survey said that it has been somewhat or very difficult to cover usual household expenses amid surging prices.[1] While all types of consumers are feeling the burden of inflation, middle and low income consumers may be facing higher inflation effects—a recent research report estimated that inflation was +9.4% YoY for middle income consumers in May,[2] compared to +8.9% YoY for high income consumers. In our view, two or three months of data is needed to indicate that inflation has peaked, which would ultimately provide relief to consumers.

(-) Wealth effect: The wealth effect provided a powerful tailwind to consumer spending coming out of the worst of the pandemic in 2020 as household finances were buoyed by higher prices for homes, financial assets like stock holdings and liquid savings. But it has since started to reverse, leaving a negative effect on consumers. Despite July's bear-market rally, U.S. stocks remain lower by 12% YTD, according to Bloomberg. The overall value of consumer portfolios has likely decreased amid broad-based weakness in Equity, Fixed Income, and speculative assets like cryptocurrencies and meme stocks. Record-high real estate prices are likely still boosting the balance sheets of consumers who own homes, but the tailwind has likely faded for new home owners given the rise in financing costs (since January, 30-year mortgage rates increased by more than 200 basis points, reaching the highest level since 2008),[2] and early signs of weakness in prices given declining buying intentions.

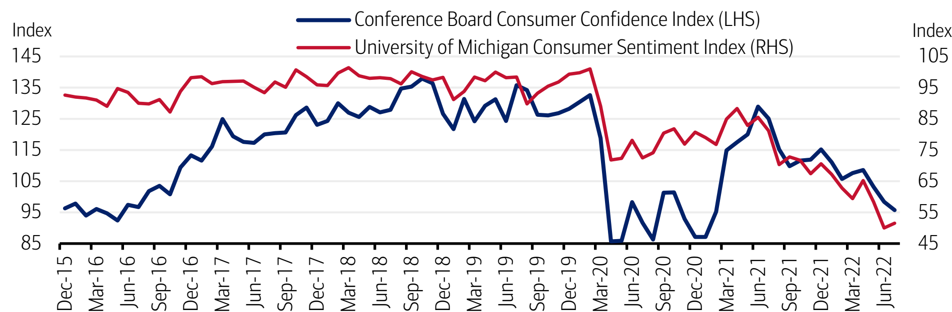
(-) Consumer Confidence: Given these headwinds, consumer confidence has fallen dramatically this year. The University of Michigan Consumer Sentiment Index (MCSI) hit its lowest level in history in June and remained near historic lows in July. The Conference Board's Consumer Confidence Index told a similar story, decreasing to its lowest level since February 2021 in July (Exhibit 4). Some are speculating that consumer confidence may have hit rock bottom, but we don't yet see signs of it brightening on the horizon—the MCSI's measure of future expectations declined to the lowest level since 1980 in July, while a similar measure from the Conference Board ticked down to the lowest level since 2013.

(+) Jobs: Notably, it's unprecedented to have such low levels of consumer confidence when the labor market is historically strong. The unemployment rate fell to 3.5% in July, a five-decade low also seen just before the pandemic began in February of 2020.[3] The National Federation of Independent Business (NFIB) reported that 49% of small business owners had job openings they could not fill last month, with the number of openings far exceeding the historical average. While this data suggests that the labor market is still very tight, we're beginning to see signals that it could soon begin to ease. Initial jobless claims, a proxy for layoffs, have been steadily creeping up,

[1] U.S. Census Bureau Household Pulse Survey, June, 29 2022–July 11, 2022.
[2] BofA Global Research July 29, 2022.
[3] Bureau of Labor Statistics (BLS), Bloomberg. August 5, 2022.

rising to 260k for the week ended July 30, higher by 94,000 from its lows in March.[4] This comes as several big companies, particularly in the tech industry, have recently made headlines for putting hiring plans on hold. We also think that the tight labor market will encourage the Fed to continue pursuing an aggressive path of tightening, which will ultimately start to curb demand for workers.

Exhibit 4: Various Indicators Point To Low Levels Of Consumer Confidence.



Source: Bloomberg. Data as of August 10, 2022. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

(+) Wages: The effect of soaring prices has been at least partially cushioned by strong wage growth. According to the BLS, average hourly earnings rose by 5.2% in the 12-month period ending in July, up 0.5% from the month prior. Other measures of wage inflation confirmed the uptrend in June, with the Employment Cost Index and the Atlanta Fed Wage Growth Tracker up 5.1% and 6.7%, respectively. It's worth noting that while wages are continuing to rise, inflation is rising faster, meaning that consumer's heftier paychecks have less purchasing power. Still, strong wage growth is likely to continue to provide some support for the consumer going forward.

(+) Spending: Despite surging prices, consumer spending, which accounts for more than two thirds of U.S. economic activity, increased by a seasonally adjusted 1.1% in June.[5] Services spending, which has been powered higher by pent-up demand for experiences, advanced 0.8% marking the sixth straight monthly increase. Goods spending has been weaker by comparison this year, as consumers have started to shun "big ticket" items and shift spending patterns to adapt to inflation. More U.S. consumers switched to different brands and retailers in 2022 than at any point since the beginning of the pandemic, with the biggest motivation being price, and roughly one third of those consumers made the switch in favor of private-label products.[6] This comes as the world's largest retailer recently reported higher foot traffic in stores, suggesting that consumers of all stripes are beginning to search for lower prices. While spending data currently remains strong, these subtle shifts hint that it could soon start to soften, especially if the labor market begins to weaken.

(+) Debt: So far, consumers have also been able to cover the higher costs for food and fuel without over-leveraging. U.S. household debt as a percentage of GDP stood at 75% as of Q1. For reference, this measure hovered closer to 100% around the beginning of the global financial crisis.[4] But as inflation remains persistent, there are signs that the consumer is taking on more debt. According to the Fed Bank of New York Household Debt and Credit Report, total household debt rose 2% in Q2 to reach $16.15 trillion. Mortgage balances, the largest component of household debt, rose by $207 billion as interest rates continued to climb. Credit card debt, which accounts for roughly 6% of overall debt, saw a 13% YoY increase, marking the largest increase in more than twenty years. While debt service costs remain low and the mortgage profile is of higher quality than in the past, we expect weaker data moving forward as pricing pressures persist.

(+) Savings: The consumer also remains well-supported by excess savings which according to some estimates are roughly $2 trillion, built up during coronavirus induced shutdowns and generous government stimulus. The U.S. personal savings rate, defined as personal savings as a percent of personal disposable income, hit an all-time high of 34% in April 2020. Since then, the savings rate has steadily declined to 5.1%, sitting below the historic average of 8.9%.[7] While the savings rate has started to dwindle, the consumer still has the savings cushion to spend. BofA Global Research data suggests that balances in consumer's savings and checking accounts remain well above 2019 levels across all income cohorts.

[4] Bloomberg. August 4, 2022.
[5] Bureau of Economic Analysis. July 29, 2022.
[6] McKinsey & Company. May 4, 2022.
[7] U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis. July 29, 2022.

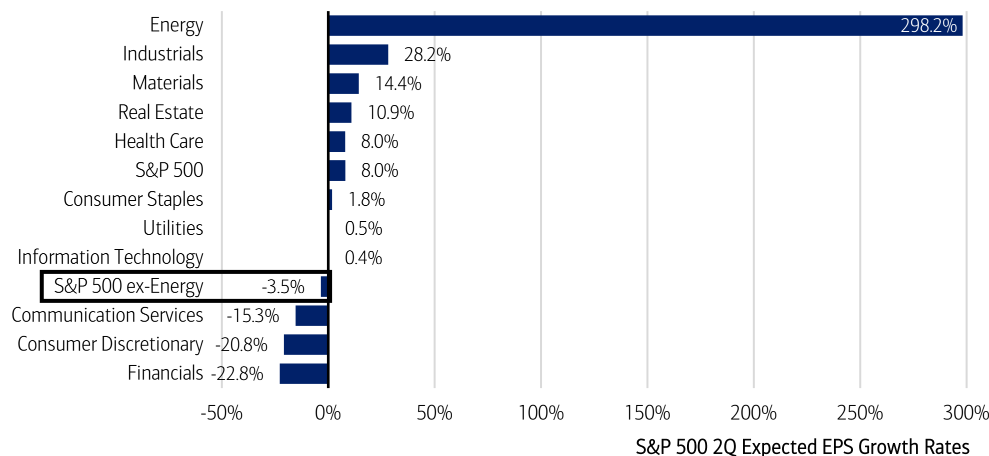
THOUGHT OF THE WEEK

An Energized Q2 Earnings Season

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Through more than 450 of the S&P 500 company results, the tag line has been "better than feared" for Q2 earnings. Cushioned by the elevated nominal growth environment, results are charting earnings growth of around 8% for Q2 compared to the year prior, thanks in large part to one sector: Energy.[8] In fact, excluding the Energy sector, earnings would not only decline, but shrink by almost 4%. Of the eleven sectors, and by a large margin, Energy's estimated 298% earnings growth leads the pack, with profits expected to have increased almost $50 billion, tripling profits from a year ago. By contrast, three sectors have recorded a negative earnings growth rate, with the Financials sector the laggard, as banks faced tough loan loss reserve comps of the year prior.

Exhibit 5: Power Move: A Near Tripling of Q2 Earning Per Share (EPS) Growth For Energy.



Source: FactSet. Data as of August 11, 2022. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

Also to note is that of the five largest individual stock contributors, two of the top five are within the Energy sector, (up from one in Q1 2022).[9] The Global Wealth & Investment Management Investment Strategy Committee double upgraded the Energy sector from underweight to overweight last March 2021 when Energy was 2.8% of the index. A glacial progression, Energy stocks now make up 4.2% of the overall index sixteen months later. Courtesy of the ascent in oil and natural gas prices, as well as the lingering (albeit fading) effect from the broader reopening of the economy and improving capital investment in exploration and production by energy companies, earnings have risen from 3% of total S&P 500 earnings to 13% this earnings season.[10]

While analysts have begun to trim their estimates for the second half of the year, they've been slower to trim 2023 estimates, likely an admission of the uncertain outlook and uncertain magnitude of recession on the way. Current positioning in Equities and bearish sentiment have set the stage, in our opinion, for Equities to see bear market rallies (especially around a peak in inflation), already having seen two 10% rallies since the January 3 peak on the S&P 500. And although we are encouraged by the resiliency of corporate earnings results so far this year, given the deteriorating outlook into year end, we expect an earnings decline in 2023 of 8% on economic weakness and margin pressures. For that reason, we remain disciplined and "on guard" and would consider using market volatility to become even more balanced at the sector level in Equities and diversified at the asset allocation level according to an investor's risk profile.

Portfolio Implications

Equities posted positive July performance of 9% and a so-far positive August for the S&P 500 helped by Q2 corporate earnings season. Through the environment of slowing corporate profits we maintain a balance of Value, Growth and defensively-oriented sector exposures that tend to exhibit relative earnings strength through uncertain environments, with Energy stocks offering commodity exposure and inflation protection.

[8] Factset data, as of August 10, 2022.
[9] Exxon and Chevron as the second and fourth largest earnings contributors in the S&P 500, Bloomberg data as of August 10, 2022.
[10] A share of the S&P 500 Q2 results so far, Bloomberg data as of August 10, 2022.

RETURN TO FIRST PAGE

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,761.05	3.0	2.9	-6.0
NASDAQ	13,047.19	3.1	5.3	-16.2
S&P 500	4,280.15	3.3	3.7	-9.3
S&P 400 Mid Cap	2,615.01	4.5	4.1	-7.1
Russell 2000	2,016.62	5.0	7.0	-9.5
MSCI World	2,834.51	3.0	3.3	-11.4
MSCI EAFE	1,963.88	2.2	1.5	-14.3
MSCI Emerging Markets	1,016.83	1.6	2.6	-15.7

Fixed Income†

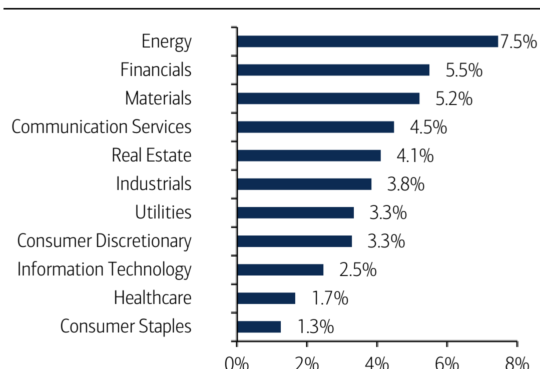
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.63	0.17	-0.72	-9.78
Agencies	3.38	0.03	-0.78	-5.70
Municipals	2.87	-0.08	-0.19	-6.76
U.S. Investment Grade Credit	3.62	0.24	-0.80	-8.89
International	4.43	0.60	-0.29	-11.87
High Yield	7.43	0.94	1.60	-7.67
90 Day Yield	2.52	2.47	2.32	0.03
2 Year Yield	3.24	3.23	2.88	0.73
10 Year Yield	2.83	2.83	2.65	1.51
30 Year Yield	3.11	3.07	3.01	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	264.76	4.6	1.2	25.0
WTI Crude $/Barrel††	92.09	3.5	-6.6	22.4
Gold Spot $/Ounce††	1,802.40	1.5	2.1	-1.5

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.03	1.02	1.02	1.14
USD/JPY	133.42	135.01	133.27	115.08
USD/CNH	6.74	6.77	6.75	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 8/8/2022 to 8/12/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 8/12/2022 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 8/12/2022)

	2021A	Q1 2022A	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.0
Real U.S. GDP (% q/q annualized)	5.7	-1.6	-0.9	-0.5	-2.0	1.2
CPI inflation (% y/y)	4.7	8.0	8.6*	8.2	6.7	7.9
Core CPI inflation (% y/y)	3.6	6.3	6.0*	6.0	5.5	6.0
Unemployment rate (%)	5.4	3.8	3.6	3.5	3.8	3.7
Fed funds rate, end period (%)	0.07	0.33	1.58	2.88	3.63	-

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **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 August 12, 2022.

Asset Class Weightings (as of 8/2/2022)

	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				●	
Utilities				●	
Healthcare				●	
Financials				●	
Real Estate				●	
Information Technology			●		
Consumer Staples			●		
Industrials			●		
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 August 2, 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.

RETURN TO FIRST PAGE

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 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

Federal Reserve (Fed) Broad Trade-Weighted Dollar Index is an index created by the Fed to measure the value of the USD, based on its competitiveness versus trading partners.

JP Morgan Real Trade-Weighted Dollar Index compares the value of the dollar against the currencies of countries with which each of the 50 U.S. states trades.

Nominal U.S. Trade-Weighted Dollar Index is a creation of the U.S. Federal Reserve Bank. It is used to measure the value of the U.S. dollar against currencies widely used in international trade, rather than against all currencies.

Real Trade-Weighted U.S. Dollar Index is a measurement of the foreign exchange value of the U.S. dollar compared against certain foreign currencies.

Consumer Price Index (CPI) measures the overall change in consumer prices based on a representative basket of goods and services over time.

University of Michigan Consumer Sentiment Index is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan.

Conference Board's Consumer Confidence Index is a survey that measures how optimistic or pessimistic consumers are regarding their expected financial situation.

S&P 500 Sectors Index/Energy/Industrials/Materials/Real Estate/Healthcare/Consumer Staples/Utilities/Information Technology/Communication Services/Consumer Discretionary/Financials those companies included in the S&P 500 that are classified as members of the GICS® sectors.

Employment Cost Index is a quarterly economic series detailing the changes in the costs of labor for businesses in the United States economy.

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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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