CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 16, 2021

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

IN THIS ISSUE

Macro Strategy—Incoming data, ranging from employment and productivity growth to consumer spending, inflation and corporate profits, have continued to track our expectations for a booming U.S. economy with upside inflation surprises. Financial-market conditions have also followed typical patterns for this environment, with inconsistencies generally related to temporary, countertrend moves. In our view, the stage is set for the next leg up in global cyclical, Value trade.

Global Market View—Recent regulatory measures have made for a prolonged period of volatility in Chinese equity markets. But rather than avoiding China as an investment destination altogether, China's policy priorities in our view emphasize the need for investors to remain focused on market segments that are aligned with its longer-term strategic goals.

Thought of the Week—Over the past year, executives and creatives in the gaming and tech industries have breathed new life into the Metaverse concept, framing massive multiplayer games as precursors to an expansive digital world that combines a fictional Metaverse with a real world that has become increasingly digitized during the coronavirus pandemic.

Portfolio Considerations—We believe the ultimate trend for Equities is still positive but with occasional bouts of weakness, which should provide investors with potential opportunities to rebalance portfolios; look to add to underweight positions in Equities or increase exposure as cash builds.

MACRO STRATEGY

Chief Investment Office
Macro Strategy Team

GLOBAL MARKET VIEW

Ehiwario Efeyini
Director and Senior Market Strategy Analyst

THOUGHT OF THE WEEK

Chief Investment Office
Equity Analyst Team

Data as of 8/16/2021, and subject to change

MACRO STRATEGY

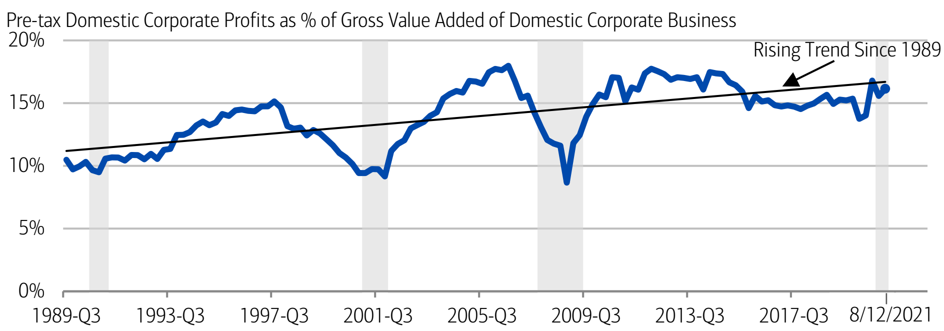
Extended Strong Manufacturing Cycle Likely Ahead

Chief Investment Office, Macro Strategy Team

The data have continued to confirm our view that the U.S. economy is experiencing historically strong consumer spending and faster-than-expected inflation. Real consumer spending increased at an 11% quarter-to-quarter annualized rate for a second consecutive time between April and June. Its 70-year high year-over-year growth pace (+16%) has by far exceeded the economy's production ability, spurring massive inventory destocking, trade deficits, and the fastest seven-month "core" consumer price index (CPI) inflation in 30 years. After an unprecedented coronavirus-related decline in 2020, U.S. real gross domestic product (GDP) is now back on its trend since 1985, while real consumer spending exceeds its long-term trend. As discussed below, there are good reasons to expect it to remain an engine of robust growth in coming quarters.

Historically-high nominal GDP growth, strong productivity, and rock-bottom interest rates have created conditions for booming corporate profits. Pretax GDP-based corporate profits reached new records in Q1, and Q2 earnings revisions have been overwhelmingly positive. In our view, this measure of profits is on track to surge about 20% in 2021. Indeed, with unusually strong demand growth, robust corporate pricing power, and low interest expense as a share of revenues, profit margins (Exhibit 1) have remained very high in 2021, consistent with our expectations, and are likely to continue to surprise to the upside in coming quarters. First, the Federal Reserve (Fed) has remained on the sidelines even as inflation reached the highest level in decades, rendering policy increasingly stimulative. Second, we expect productivity growth to continue to fluctuate around a much higher trend of about 3% compared to less than 1% on average between 2010 and 2018. Coupled with decades-high revenue growth, this suggests that the outlook for corporate profitability remains positive.

Exhibit 1: Profit Margins Boosting Equities.



Gray shaded bars represent recession periods. Source: Bureau of Economic Analysis/Haver Analytics. Data as of August 12, 2021. Past performance is no guarantee of future results.

Strength in global manufacturing activity and global trade are also favorable to profits growth and sustained expansion. The global IHS Markit manufacturing index is at its highest level in 10 years, consistent with continued strong global industrial production growth, and world trade volumes have returned to trend after an unprecedented drop in April-May 2020, only restrained by supply constraints.

Not surprisingly, CEO business sentiment as measured by The Conference Board reached a 45-year record in Q2, and business capital spending and unfilled job openings are at record levels. Unexpectedly strong activity, nominal growth, and profitability also explain why the S&P 500 index and credit spreads have remained unfazed even as inherent daily market volatility, internal churn/rotations, and rising coronavirus infection rates have kept investors and market commentary on edge. Indeed, the S&P 500 index has reached fresh highs, credit spreads have remained very narrow, and the Chicago Board Options Exchange (CBOE) Volatility Index (VIX) has mainly stayed below average over the past two months or so.

That supply constraints and limitations continue to restrain activity and create upside inflation pressures is clear in the National Association of Independent Business (NFIB) small-business sentiment survey and July inflation data. For example, the NFIB survey shows a record number of members reporting excessively low inventories. The Job Openings and Labor Turnover Survey (JOLTS) shows record-high unfilled job openings. To attract labor, the NFIB reports that small businesses' plans to raise wages are at 30-year highs.

The NFIB survey also shows the largest share of businesses rising prices and planning to raise prices in 40 years. According to recent Evercore ISI Research surveys, business pricing power is at record highs, helping to keep margins higher than generally anticipated. As a result of this unprecedented ability to pass on input price increases, year-over-year CPI inflation stayed at a 13-year high of 5.3% in July. The increase in overall CPI inflation year-to-date (7% annualized rate) is the biggest in 40 years. "Core" inflation remained at a 30-year high for a second consecutive month in July.

What's more, as discussed in numerous reports this year, inflation is a lagging indicator, so in our view, it is premature to expect it to peak anytime soon, given strong above-potential growth ahead because of: 1) massive and ongoing government stimulus; 2) extra personal saving due to coronavirus restrictions/concerns; 3) strong profits and business capital expenditures (nondefense capital goods orders excluding aircraft continue to boom, up about 16% above the pre-coronavirus level in June according to the Census Bureau); 4) surging employment and wages; and 5) a record 23% increase in consumer net worth over the past year, according to Fed statistics.

Also, declining residential construction and the massive drawdown in inventories have mainly reflected supply bottlenecks and point to sustained strong support for economic growth. So, in our view, upside inflation surprises have only started. It will eventually take strong action by the Fed to restrain inflation, especially given new government spending programs just implemented (about $300 tax credit per child), recently Senate-approved ($1 trillion infrastructure bill), or in the pipeline ($3.5 trillion budget proposed to include "the largest expansion of the federal safety net in nearly six decades," according to *The New York Times*).

Consistent with continued strong growth and employment, high profits, and strong unmet demand, manufacturing and non-manufacturing surveys have remained very elevated through July. Nevertheless, worries about the possible peaking of the Institute for Supply Management (ISM) index have no doubt contributed to some of the countertrend asset performance of the past few months as a result of profit-taking in anticipation of eventual ISM declines.

Indeed, the manufacturing ISM index reached a 40-year high in March and moderated to 59.5 by July. Generally, when the ISM index declines, the dollar tends to appreciate, gold outperforms base metals, credit spreads widen, and earnings revisions ratios deteriorate. In our view, however, the ISM index is unlikely to decline enough to prevent cyclical asset prices from reaching new highs in coming months. Even if it may have peaked, our analysis suggests that it will remain very elevated, mainly because unusually solid demand, unprecedented current supply-chain strains, and depressed inventories indicate an extended strong manufacturing cycle.

The fact that the new-orders component remained in very robust expansion territory in July, while inventories dipped into contraction territory and production growth slowed from its 20-year March high because of ongoing supply shortages, supports this view. The ISM non-manufacturing index reached a record high in July, as services have been slower to recover from the pandemic than goods production, and is also likely to remain much above its historical average as it makes up for 2020 coronavirus-related shortfalls.

All this is very encouraging for the employment outlook. With demand for labor booming, prospects for employment growth are very strong. Payrolls increased by almost 1 million jobs in June and another near-million jobs in July, about double the January-to-May hiring pace. Private-sector job openings hit record highs, with 9.2 million unfilled positions, and manufacturing and service sector surveys indicate strong hiring ahead. As noted above, the NFIB survey shows that record numbers of small businesses are raising pay to attract labor as the rate of employees quitting remained near a 20-year high in June, and the labor force participation rate (LFPR), though recovering, remains lower than before the pandemic. According to a recent survey conducted by Indeed Hiring Lab in early June, only 17% of the unemployed are looking for a job with a sense of urgency, with the rest expressing a sense of financial security that allows them to wait longer before accepting a job.

Growing vaccinations and a likely continuation of recovery in the LFPR, combined with record demand for labor, suggest, in our view, that employment growth could maintain its June-July pace in the second half. This could help bring the unemployment rate down further, from 5.4% in July to 5% or less by the end of the year, and a possible 3% handle in 2022. This could put more money in consumers' pockets, helping to offset diminishing support from expiring emergency unemployment compensation and to sustain above-trend consumption.

The firming economic backdrop evident in incoming data and leading indicators helps explain the impressive stability of financial markets and low levels of financial stress in the face of an ongoing global pandemic. Debt refinancings, infusions of equity capital, mergers and acquisitions, and surging earnings have helped boost corporate credit quality, keeping loan charge-off rates and other credit events at bay while spurring record upgrades to company credit ratings. This has narrowed credit spreads and reduced financial-market volatility. Reflecting normalizing economic conditions, the VIX index has settled mostly below average since early June. Based on historical patterns, a likely yield curve re-steepening will help keep the VIX on a downtrend, and strong growth with high inflation will also keep the reflation trade going. Indeed, after a corrective period when long-bond yields were falling in June and July, the relative outperformance of cyclical, Value stocks that began last November has resumed all around the world.

GLOBAL MARKET VIEW

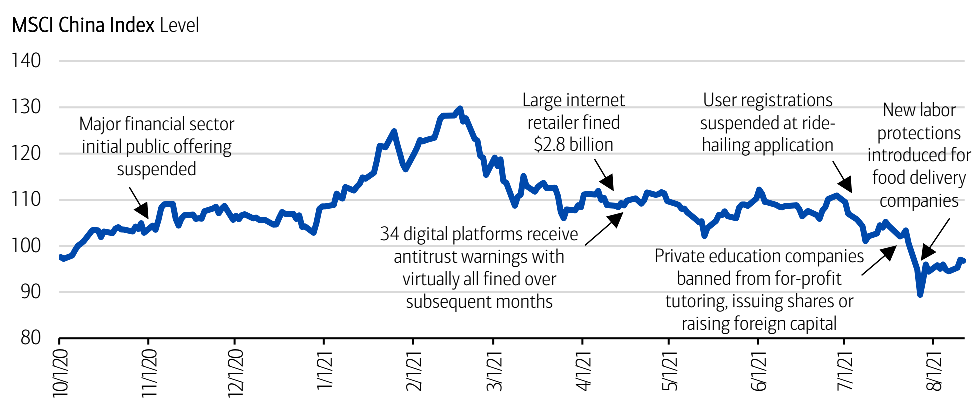
China's Regulatory Challenges: Down but not Out

Ehiwario Efeyini, Director and Senior Market Strategy Analyst

After weeks of volatility for the Chinese equity market, a degree of calm returned in the first half of August. The MSCI China Index fell by 19% during the month of July, capping a 31% peak-to-trough decline from its February peak as local regulators tightened controls on a number of individual technology companies. The new measures were aimed primarily at consumer internet firms, particularly those listed on U.S. exchanges. And though these moves largely came as a continuation of what has been an existing trend, the wide range of firms targeted in this most recent episode demonstrates that regulatory risks are here to stay and could potentially broaden. This in turn leaves us more cautious on selected areas within the Chinese market.

Gaining the most attention was the late-July crackdown on local private education companies, which were banned from for-profit tutoring, issuing shares or raising foreign capital. But this was just one in a series of similar interventions over the past several months, stretching back to last November when a major financial sector initial public offering was suspended shortly before it was set to launch. In April, China's largest internet retail firm was fined $2.8 billion for anti-competitive practices. Days later, another 34 digital platforms received antitrust warnings—virtually all of them were fined over subsequent months. In early July, a popular ride-hailing application suspended new user registrations pending a cybersecurity review, with the authorities pledging to increase supervision for offshore-listed companies. And last month ended with regulators ordering food delivery firms to ensure that their workers earn at least the local minimum wage and to increase other labor protections (Exhibit 2).

Exhibit 2: Chinese Regulatory Measures Have Weighed On Equity Markets In 2021.

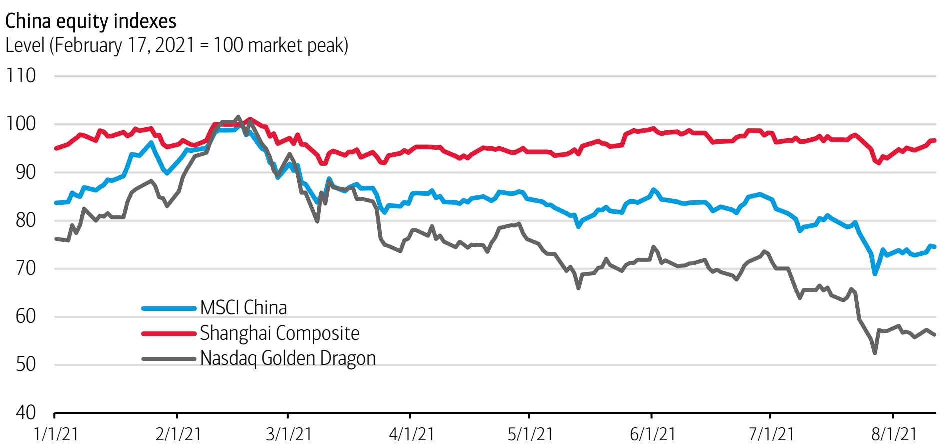


Source: Bloomberg. Data as of August 11, 2021.

In each of these cases, the target has been different, but the underlying motivation of the authorities has been the same—to preserve the legitimacy of the central government by maintaining social stability through control over key areas of the economy. The spotlight in recent months has been placed on data security, industry competition, financial stability and inequality. But investors have essentially been put on notice that any activity that could potentially pose risks to social welfare or national security is now a potential target.

The net result of these policy moves has been a significant de-rating of the Chinese market over the past six months. But the selloff has not been uniform, either by sector or by exchange. The most digitally oriented sectors of Information Technology, Consumer Discretionary and Communication Services have led the downdraft, and shares listed outside mainland exchanges have also been the hardest hit. China-listed shares, by contrast, have performed much better across the broad market, reflecting the relative strengths of the underlying economy (including its high absolute growth rate, high vaccination uptake, current account surplus, contained inflation and recent monetary support), particularly compared to many lower-income countries within the emerging world. The onshore Shanghai Composite Index, which is also the most diversified by sector, has registered the smallest peak-to-trough decline this year so far from February's highs (9%). The Nasdaq Golden Dragon China Index, which includes only U.S.-listed companies and has 85% of its market capitalization in Technology, Consumer Discretionary and Communication Services, has seen the largest drop (48%). And the MSCI China Index, which still has a relatively high 60% concentration in the three most tech-driven sectors but is also the most diversified across U.S., Hong Kong and mainland China exchanges, has fallen in between the two (31%) (Exhibit 3).

Exhibit 3: Regulatory Interventions Have Resulted In Highly Differentiated Returns Across Chinese Equity Indexes.



Source: Bloomberg. Data as of August 11, 2021. 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.

This latest series of regulatory interventions has therefore resulted in highly differentiated drawdowns across different Chinese indexes. But this does not represent a new risk for investors in the Chinese market, and similar episodes occurred during the last cycle. In 2016, for example, new rules were imposed on digital advertisers in the wake of a marketing scandal involving counterfeit online medications. Two years later, new restrictions were introduced for online gaming licenses, which dealt a severe blow to the large digital media firms and precipitated a near-30% drop for the MSCI China Index in the second half of 2018—a decline comparable to that of the past six months. Investors in the Chinese market have therefore had similar experiences in past years.

But looking forward, we would expect to see some persistent effects from these most recent events. The risk and reality of regulatory intervention is likely to reduce both the willingness and ability of U.S. investors to move into selected Chinese companies. Restrictions on funding and operational activity by the Chinese agencies will clearly play a role. And U.S. regulators are also likely to demand more disclosures from prospective listings given the heightened uncertainty over potential actions by the Chinese authorities.

This should not, however, come as a major impediment to future price appreciation for Chinese equities. Large pools of domestic savings and investment capital remain available within China and Hong Kong, and offshore yuan and Hong Kong dollar-denominated holdings dominate the MSCI China Index with an 80%-plus market capitalization weighting. The underlying growth rate across technology-related segments should also remain strong, particularly given the need for more investment in digital infrastructure and online services post-coronavirus. Consumer internet firms have come under the most regulatory scrutiny, but the Chinese authorities should nonetheless remain keen to avoid undermining the role that its technology companies play in domestic innovation and domestic employment. This role will only increase in importance over the coming years given the growing strategic competition with the U.S. and the structural slowdown in growth driven by productivity and demographics.

China's technological capacity will therefore remain critical to its aim of becoming a high-income economy by 2025 and delivering on national priorities of indigenous innovation, inclusive growth, economic self-sufficiency and emissions reduction as outlined last October in the 14th Five-Year Plan. And this helps to explain why explicit projections for economic growth have been abandoned in exchange for a narrower focus on more specific 2025 targets such as increasing the value-added share of GDP in digital industries from 8% to 10%, maintaining annual growth in research and development (R&D) spending at over 7%, doubling the number of high-value patents per 10,000 people from six to 12, and decreasing carbon intensity by 18%.

Rather than avoiding China as an investment destination altogether, this in our view emphasizes the need for investors to remain focused on market segments that are aligned with China's longer-term strategic goals. And this spans a broad range of industries including semiconductors, cloud computing, robotics, artificial intelligence, cybersecurity, advanced manufacturing, biotechnology and clean energy—groups that are less likely to be subject to regulatory restrictions and should receive more official support over the years ahead as target areas for future growth (Exhibit 4).

Exhibit 4: China's Industrial Policy Priorities Under The 14th Five-Year Plan.

Target Industry	Policy Priorities
Integrated Circuits	R&D in key materials, breakthroughs in advanced and special integrated circuit processes, development of broadband semiconductors
Artificial Intelligence	R&D in special chips, construction of open-source algorithm platforms, innovation in natural language recognition processing
Biotechnology	Genetic cell and genetic breeding, synthetic biology and biopharmaceuticals, creation of major new varieties of crops, livestock and agricultural microorganisms
Medical Equipment and Innovative Medicines	High-end imaging, radiotherapy and other large-scale medical equipment, and special drugs
Intelligent Manufacturing and Robotics	Industrial control equipment, key technologies in intelligent robots and additive manufacturing
Industrial Internet	R&D in industrial software applications, promote the construction of the industrial ecology of "industrial Internet + intelligent manufacturing"
New Energy Vehicles	High-safety power batteries, high-efficiency drive motors and high-performance power systems for new energy vehicles, hardware and software systems for internet-linked vehicles
Cloud Computing	Iteration and upgrading of cloud operating systems, technological innovation promotion and cloud service industries
Big Data	Big data collection, cleaning, storage, mining, analysis and visualization algorithms, data collection, labeling, storage, transmission, management and application
Virtual Reality and Augmented Reality	3D graphics generation, dynamic environment modelling, real-time motion capture and rapid rendering processing

Source: American Chamber of Commerce in Shanghai. Data as of 2021.

As we have seen over recent weeks, the risk of periodic market interventions by the Chinese authorities should persist as regulators enforce rules designed to preserve social stability. And these are likely to be periods of increased uncertainty. But we nonetheless still see an underlying trend of continuing expansion in technology-oriented markets, particularly in segments tied to strategic aims of the Chinese leadership. This underscores the potential for longer-term gains in China's growth sectors, as well as for shorter-term return enhancement from active management within China allocations.

THOUGHT OF THE WEEK

What is the Metaverse?

Chief Investment Office, Equity Analyst Team

A virtual replica of the real world. It's a virtual environment that you can "plug into" via virtual reality technology to hang out with friends, play games, work, create and more. The best way to think about the Metaverse is as "embodied internet," versus today's "mobile internet." "Embodied internet" means one will be embedded into the internet through various virtual reality (VR) and augmented reality (AR) devices.

People may experience the internet in a more natural way by providing content and interaction with a higher sense of reality, immersion and presence, thus breaking the physical constraints and realizing “teleportation” through holograms.

Why now?

"Metaverse" was mentioned multiple times during Q2 earnings by CEOs of the largest Mega-cap Tech companies. For context, one CEO mentioned "advertising," which is the bulk of their revenue, just once. "I expect people will transition from seeing us primarily as a social media company to seeing us as a Metaverse company.”

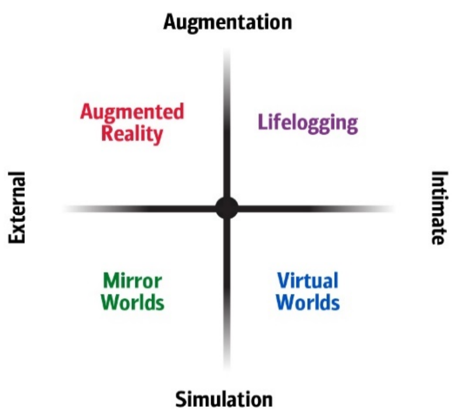
The Metaverse was actually born in Neal Stephenson’s 1992 dystopian novel *Snow Crash*, where it serves as the entertainment and economic underbelly to a poor, desperate nation that is literally governed by corporate franchises.

How to invest and monetize?

Mega-cap Tech have successfully created, AR-enabled hardware devices that will likely form the basis for connecting to the Metaverse. Game publishers are also building the software platforms that allow developers to create Metaverse experiences.

Gaming will look to fundamentally change, where players immerse themselves into a digital world and become their character. Advertising could come in various forms, from a virtual character trying to sell us a product to a pop-out movie ad like in “Back to the Future.” There will be high value on the digital objects we own, especially as the Metaverse integrates more completely with the blockchain[1] creating unique non-fungible tokens (NFTs)[2].

Exhibit 5: Metaverse Scenarios.



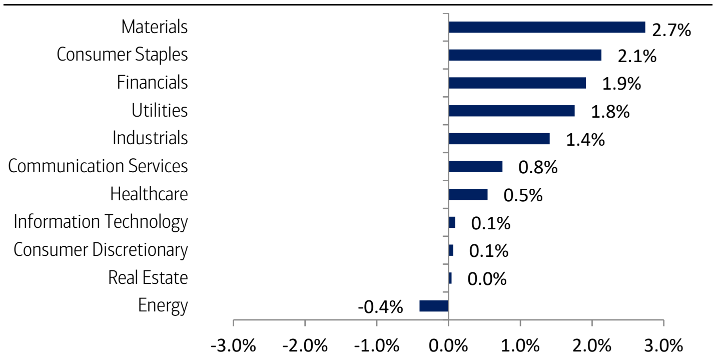
Source: Metaverse Roadmap: Pathways to the 3D Web. Data as of 2008.

[1]Blockchain is a system in which a record of transactions made in bitcoin or another cryptocurrency are maintained across several computers that are linked in a peer-to-peer network.
[2]Non-fungible tokens (NFT) is a unit of data stored on a digital ledger, called a blockchain that certifies a digital asset to be unique and therefore not interchangeable.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	35,515.38	0.9	1.7	17.3
NASDAQ	14,822.90	-0.1	1.1	15.5
S&P 500	4,468.00	0.8	1.7	20.0
S&P 400 Mid Cap	2,731.46	0.6	1.1	19.3
Russell 2000	2,223.11	-1.1	-0.1	13.2
MSCI World	3,125.12	0.9	1.9	17.2
MSCI EAFE	2,379.00	1.6	2.6	12.5
MSCI Emerging Markets	1,280.86	-0.9	0.3	0.5

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.33	0.13	-0.36	-1.03
Agencies	0.71	0.06	-0.16	-0.27
Municipals	0.94	-0.18	-0.31	1.58
U.S. Investment Grade Credit	1.43	0.11	-0.31	-0.82
International	2.00	0.18	-0.50	-0.42
High Yield	4.11	-0.16	-0.35	3.65
90 Day Yield	0.05	0.04	0.04	0.06
2 Year Yield	0.21	0.21	0.18	0.12
10 Year Yield	1.28	1.30	1.22	0.91
30 Year Yield	1.93	1.95	1.89	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	203.22	0.5	-1.1	22.0
WTI Crude $/Barrel††	68.44	0.2	-7.5	41.1
Gold Spot $/Ounce††	1779.74	0.9	-1.9	-6.2

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.18	1.18	1.19	1.22
USD/JPY	109.59	110.25	109.72	103.25
USD/CNH	6.48	6.48	6.46	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 8/9/2021 to 8/13/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 8/13/2021 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.**

Asset Class Weightings (as of 8/3/2021)

Asset Class	CIO View: Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large Cap Growth				●	
U.S. Large Cap Value				●	
U.S. Small Cap Growth				●	
U.S. Small Cap Value				●	
International Developed			●		
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments		●			
U.S. Mortgages			●		
U.S. Corporates				●	
High Yield		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
International Fixed Income	●				
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Economic Forecasts (as of 8/13/2021)

	2020A	Q1 2021A	Q2 2021E	Q3 2021E	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-3.2	-	-	-	-	5.9
Real U.S. GDP (% q/q annualized)	-3.4	6.3	6.5	7.0	6.0	6.2
CPI inflation (% y/y)	1.2	1.9	4.8	5.3	5.2	4.3
Core CPI inflation (% y/y)	1.7	1.4	3.7	4.1	4.1	3.3
Unemployment rate (%)	8.1	6.2	5.9	5.2	4.5	5.5
Fed funds rate, end period (%)	0.09	0.06	0.08	0.13	0.13	0.13

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

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

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of August 13, 2021.

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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 U.S. dollars.

S&P 500 Total Return Index is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

Consumer Price Index (CPI) measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.

IHS Markit Manufacturing Index are derived from surveys of senior executives at private sector companies and are available only via subscription. The PMI dataset features a headline number, which indicates the overall health of an economy, and sub-indices, which provide insights into other key economic drivers such as GDP, inflation, exports, capacity utilization, employment and inventories.

Chicago Board Options Exchange (CBOE) Volatility Index (VIX) a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Institute for Supply Management (ISM) Index measures the change in production levels across the U.S. economy from month to month.

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

Shanghai Composite Index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

NASDAQ Golden Dragon China Index is a modified market capitalization weighted index comprised of companies whose common stock is publicly traded in the United States and the majority of whose business is conducted within the People's Republic of China.

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