CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 9, 2021

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

IN THIS ISSUE

Macro Strategy—The U.S. economy is currently in the early stages of a transition from an unprecedented policy-induced boom to a private sector-fueled, stronger-for-longer economic expansion with both cyclical and secular tailwinds. Lingering concerns of eventual monetary tightening, an impending "fiscal cliff," and ongoing coronavirus waves are keeping investors cautious. However, these events are being overwhelmed by one of the best consumer financial situations in history and the growing willingness of banks to make loans both to businesses and consumers, as a potential private sector credit cycle takes the baton from a vastly overextended public sector.

Global Market View—Calls to increase infrastructure spending in the U.S. are as old as America's crumbling bridges, so the bipartisan agreement on a comprehensive infrastructure bill is not only a big deal—one of the largest in decades—but also comes not a moment too soon given the antiquated state of America's existing infrastructure.

Thought of the Week—As earnings season progresses, Q2 corporate earnings are historically strong, and future expectations continue to gather steam.

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

Robert T. McGee
Managing Director and Head of CIO Macro Strategy

GLOBAL MARKET VIEW

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

Mitchell Drossman
Managing Director and Head of CIO National Wealth Strategies

THOUGHT OF THE WEEK

Emily Avioli
Assistant Vice President and Investment Strategist

Data as of 8/9/2021, and subject to change

MACRO STRATEGY

Evidence of Successful Reflation Grows

Robert T. McGee, Managing Director and Head of CIO Macro Strategy

The Q2 gross domestic product (GDP) data provides strong evidence that inflation is here to stay. The conventional wisdom, best conveyed in Federal Reserve (Fed) Chair Powell's communication, is that it is "transitory" and will thus revert to the Fed's 2% target. This view was embodied in the consensus outlook for Q2 GDP growth, which assumed the highest inflation in decades was due to reopening bottlenecks and supply chains were being mended so that inventory restocking would add up to three percentage points to GDP growth, easing shortages. What happened instead was that producers were overwhelmed by demand and fell even further behind, backlogs of unfilled orders grew, and delivery wait times lengthened even more as companies' inventories fell to new lows, knocking a percentage point off GDP growth instead of adding three percentage points. As a result, real GDP growth was about the same as the Q1 pace of around 6.5%, well below the 8.5% expected.

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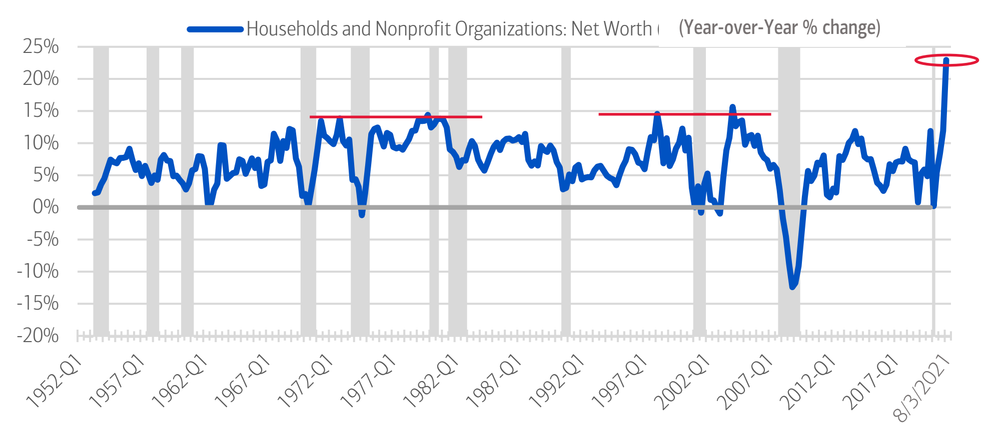
Instead of catching up with strong demand, businesses across the spectrum are currently falling further behind, and corporate comments about semiconductors, houses, cars and most everything else in Q2 earnings reports show expectations that these problems will likely persist. The result, as some CEOs noted, is that you can pay more to get it now, or you can wait. As a result, businesses are able to pass through price increases to the point that, contrary to expectations, Q2 profit margins expanded, helping create another season of gangbuster positive profit surprises.

For inflation to subside, aggregate demand growth needs to fall into line with potential output growth, which seems to have stalled below 7% despite high unemployment and excess capacity in pockets of the economy hurt by coronavirus restrictions. The fact that growth is transitioning from the goods sector to the service sector helps, although bottlenecks are evident across the board. In fact, the July Purchasing Managers' Index (PMI) for services shows soaring wait times and prices in those areas as well.

Housing is a good example of what is going on. New-home sales have been notably softer in recent months. A look at the composition of sales and the available supply illustrates why. More and more sales are of homes that are not built yet, and the supply of homes for sale also includes more homes that are not even started. That helps explain why home prices posted their biggest ever 12-month rise according to the Case-Shiller Home Price Index, which goes back to the mid-1970s. The previous record was set back in 1979 during the double-digit inflation of that era. Normally, high prices would discourage sales, but builders have lengthening lists of buyers who want homes and are having to wait. Those willing to pay more can move to the front of the line.

Obviously, this inflation dynamic is becoming more, not less, entrenched. The simple fact is demand is too strong for supply. Q2 consumer spending grew at an almost 20% nominal rate as transfer payments surged with more and more fiscal stimulus. Not coincidentally, household net worth and disposable personal income also grew about 20% in the year since the pandemic stimulus began (Exhibit 1). Interestingly, the mortgage lending that has financed this latest boom in home sales and prices is being extended to the best credit score contingent in at least the past two decades. Partly, this reflects careful lenders and partly it reflects higher overall credit quality in the U.S. household sector thanks to stronger income and net worth levels.

Exhibit 1: Unprecedented Surge in Household Net Worth.



Gray shaded bars represent recession periods. Source: Federal Reserve Board/Haver Analytics. Data as of August 3, 2021. Past performance is no guarantee of future results.

Commentary from banks during their Q2 earnings calls noted that loan demand began to pick up from lackluster levels late in the quarter. This anecdotal evidence of an incipient private sector credit revival is confirmed by the just-released Q2 Senior Loan Officers Survey from the Fed. After six months with very little loan growth on their books, the survey finds both demand for loans and willingness to lend are picking up. Demand for credit is increasing as a result of both consumer credit and commercial real estate loans picking up quite strongly. On the supply side, this has been a 180-degree turn by banks. When the shutdowns crippled the economy in March 2020, banks turned increasingly unwilling to extend credit, given high uncertainty. That reluctance has receded and, in the past few months, turned into more normal lending standards, with commercial and industrial loan standards now at the easier end of the historic range. This is especially important for banks' profit outlook, since they've piled up massive deposits without deploying this bonanza into higher-yielding loan assets. Haver Analytics latest data suggest the preconditions for a powerful private sector credit cycle are falling into place as banks are easing credit standards aggressively for commercial and industrial loans and consumer credit.

As fiscal stimulus fades, private sector job gains, balance-sheet health, and resolving demand backlogs are taking the baton to keep economic growth solid. This is the normal course of a new economic expansion, albeit one fueled by unprecedented fiscal and monetary tailwinds. Lost in the usual cyclical noise analysis of market moves is the new secular tailwind of higher nominal growth. For investors, this is a critical amplifier of those asset values that suffered during the secular stagnation period.

The secular stagnation era was characterized by the weakest nominal GDP growth in the U.S. since the 1930s. At its low point in 2016, the 10-year average annual growth rate of nominal GDP had fallen steadily to about 3% from a peak of just over 10% in 1981, according to the Bureau of Economic Analysis (BEA). This steady disinflation during the course of almost four decades is transitioning to a new, higher nominal-growth environment, with the Fed now committed to keeping 2% as the lower limit on inflation rather than the upper limit as was the case during the secular stagnation era.

Secular stagnation offered fundamental macro support for the unusually pronounced outperformance of Growth stocks during the pre-pandemic decade. Historically low nominal long-term growth put a premium on stocks with faster long-term growth rates. Lower interest rates discounted the wait time for their out-in-the-future profits, making them more valuable than if interest rates were higher. The new higher nominal-growth environment is pulling the rug out from under those macro tailwinds and, in our view, helps explain their relative underperformance in 2021. The Growth stocks that outperformed in 2020 were bolstered by the sharp drop in long-term interest rates to an all-time low of under 50 basis points on the 10-year Treasury note and the growth pessimism that lingered at the end of the secular-stagnation era, punctuated by apocalyptic pandemic fears.

Nominal growth is averaging over 10% in 2021 as both real growth and inflation have soared to levels not seen since the early 1980s, according to the BEA. Stimulus already in the pipeline suggests this is likely to persist. Growing backlogs of unfilled orders, lengthening wait times and soaring price pressures show excess demand is cumulating, making inventory normalization still impossible anytime soon. Detailed examination of supposed slowdown evidence shows problems remain on the supply side because demand is still excessive.

All this suggests that reflation beneficiaries are likely to outperform in the second half, in our opinion. Recent relative performance within the stock market shows underperformance by the beneficiaries of strong economic growth and higher interest rates at the expense of secular stagnation beneficiaries of low nominal growth and low interest rates because 10-year Treasury yields have fallen about 50 basis points from their spring peak. Still, 10-year rates remain double their 2020 low point, and interest rates work with lags of a year or more aside from short-term noise effects. The Fed's massive purchases of U.S. government debt (more than half the huge increase in government debt since late 2019) can hold down rates as long as they keep the funds rate at zero and dissuade markets of impending rate hikes. This is what happened after World War II, when nominal growth was similarly strong with high inflation and high real growth until the Fed normalized policy in the 1950s. Double-digit nominal growth with a zero interest-rate policy creates record negative real rates and higher inflation.

The longer-term outlook for better growth, higher inflation and higher interest rates than in the pre-pandemic era suggests the market's rotation driven by falling Treasury yields from recent highs is countertrend, with reflation beneficiaries correcting and consolidating their outsized early 2021 gains in uptrends, and low-rate, secular stagnation winners showing short-term outperformance in new long-term relative downtrends. This suggests the cyclical, Value-stock trade will likely come back in the second half, while long-duration Growth stocks will likely resume their relative underperformance in this new environment of rising nominal growth. Q2 earnings reports also support this view as cyclical, Value stocks continue to show the highest ratios of positive-to-negative earnings surprises.

GLOBAL MARKET VIEW

The U.S. Infrastructure Bill: The Why, the What and Considerations to Positioning Portfolios

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

Mitchell Drossman, Managing Direction and Head of CIO National Wealth Strategies

Calls to increase infrastructure spending in the U.S. are as old as America's crumbling bridges, so the bipartisan agreement on a comprehensive infrastructure bill is not only a big deal—one of the largest in decades—but also comes not a moment too soon given the antiquated state of America's existing infrastructure.

The Why

To the latter point, the American Society of Civil Engineers (ASCE) recent report card on the nation's infrastructure was an alarming C-. As the grade implies, a great deal of work needs to be done to improve the underlying condition of America's infrastructure. Think of the latter as the backbone of the U.S. economy—a critical input determining America's overarching ability to produce, consume and compete. The stronger a nation's infrastructure (backbone), the stronger the nation's potential output. Conversely, a deteriorating infrastructure undermines business productivity, boosts operating costs, crimps trade, and lowers employment and income for U.S. households.

As the latest report from the ASCE notes:

"When we fail to invest in our infrastructure, we pay the price. Poor roads and airports mean travel times increase. An aging electric grid and inadequate water distribution make utilities unreliable. Problems like these translate into higher costs for businesses to manufacture and distribute goods and provide services. These higher costs, in turn, get passed along to workers and families."[1]

Below are a few highlights on the state of America's infrastructure, while Exhibit 2 provides a snapshot on each category:

- 42% of all the bridges in the U.S. are at least 50 years old; 7.5% of the nation's bridges are considered structurally deficient.
- There is a water main break every two minutes in this country, and an estimated 6 billion gallons of treated water is lost each day in the U.S., enough to fill over 9,000 swimming pools.
- Owing to ever-increasing volumes of traffic, 43% of America's public roadways are considered in poor or mediocre condition. Deteriorating roads means American motorists spend $130 billion a year on extra vehicle repairs.
- The average American spends 54 hours each year in traffic, up from 42 hours in 2014.
- Broadband: When the pandemic closed the bulk of the nation's schools, an estimated one in five school-aged children lacked the high-speed internet connection needed to access lessons and other materials.

[1] "A Comprehensive Assessment of America's Infrastructure," ASCE, March 2021.

Exhibit 2: 2021 Report Card for America's Infrastructure.

2021 Report Card for America's Infrastructure

	Grade	Comments
Overall Grade	C-	Grades have been poor/mediocre since the survey began in 1998, due to delayed maintenance and underinvestment across most categories.
Aviation	D+	Since 2019, forecasts for airport needs to expand or rehabilitate terminal buildings ballooned by 62%, pavement reconstruction needs increased by 28%, and capacity-related development needs rose by 31%.
Bridges	C	There are more than 617,000 bridges across the U.S., 42% of which are at least 50 years old, and 46,154, or 7.5% of the nation's bridges, are considered structurally deficient.
Dams	D+	Unfortunately, due to the lack of investment, the Association of State Dam Safety Officials estimates the number of deficient high-hazard potential dams now exceeds 2,300.
Drinking Water	C-	There is a water main break every two minutes, and an estimated 6 billion gallons of treated water in the U.S. is lost each day.
Energy	C-	The majority of the nation's grid is aging, with some components over a century old — far past their 50-year life expectancy—and others, including 70% of transmission and distribution lines, are well into the second half of their lifespans.
Hazardous Waste	D+	The number of facilities where hazardous wastes are managed has decreased from over 2,100 to 964 between 2001 and 2019.
Inland Waterways	D+	The U.S. Department of Agriculture estimates waterway delays cost up to $739 per hour for an average tow, amounting to $44 million per year.
Ports	B-	Unmet waterside infrastructure needs at coastal ports will total $12.3 billion over the next 10 years.
Rails	B	The Department of Transportation's Federal Railroad Administration reported a total of 11,667 accidents/incidents, a slight increase from 11,247 incidents 10 years ago.
Roads	D	Our deteriorating roads are forcing the nation's motorists to spend nearly $130 billion each year in extra vehicle repairs and operating costs.
Transit	D-	41.7% of U.S. households have only one vehicle or less and could benefit from transit options—while 45% of Americans have no access to transit.

A=Exceptional; B=Good; C=Mediocre; D=Poor; F=Failing. Source: ASCE 2021 Infrastructure Report Card. Data as of March 3, 2021.

The What

Against this backdrop, enter the Infrastructure Investment Jobs Act. Here is what we know thus far:

A bipartisan agreement was reached on a comprehensive infrastructure bill last week. A formal bill is expected to be voted on and to pass the Senate with bipartisan support early this week. Its fate and timing in the House are less clear, since it will likely be intertwined with a $3.5 trillion budget resolution and resulting reconciliation bill, which will be the vehicle for increasing taxes on corporations and upper-income taxpayers.

The infrastructure bill—formally known as the Infrastructure Investment and Jobs Act—provides for $1 trillion in total spending, $541 billion of which is new infrastructure spending. Spanning more than 2,700 pages, the bill formalizes the deal reached by a core group of 10 Senators and is expected to get at least 10 Republican votes in the full Senate. The broad parameters and major categories of spending over the next decade are as follows:

Exhibit 3: Proposed Infrastructure Bill Spending.

Spending (in Billions)	
Roads, bridges, major projects	$110
Passenger and freight rail	$66
Power infrastructure	$65
Broadband infrastructure	$65
Water infrastructure	$59
Resilience	$46
Public transit	$39
Airports	$25
Environmental remediation	$21
Ports and waterways	$17
Road safety	$11
Electric Vehicle infrastructure	$8
Electric buses and transit	$8
Reconnecting communities	$1
Totals	$541

Source: White House. Data as of July 28, 2021.

There will be significant pressure for the House to pass the Senate's version of the infrastructure bill without any modifications. While the bill is expected to be approved in the Senate within early in the week of August 9, timing of passage in the House will likely be delayed a few months. This is because the House will likely condition passage of the infrastructure bill with the Senate's passage of a budget reconciliation bill, which could drag into October-November. It will also put pressure on moderate Senate Democrats to keep a budget reconciliation bill at or close to $3.5 trillion or otherwise risk losing votes from progressive Democrats in the House. The House can afford to lose only three Democrats and still pass legislation on a party-line vote.

Many Republicans thought the infrastructure bill will be fully paid for, but official scoring of offsets by the Congressional Budget Office come up short and the bill will likely add $256 billion to the deficit. In the final stages of negotiation, Republicans jettisoned several tax revenue-raising measures and turned their attention to digital transactions. As written, a provision in the bill would now require (i) cryptocurrency brokers and investors to disclosure information about their transactions to the IRS and (ii) businesses to report cash payments in excess of $10,000. The new reporting requirements are proposed to take effect beginning in 2024. Revenue from this provision is expected to be nearly $28 billion through 2031. This may be but a first step to more regulation on the crypto industry. However, there remains disagreement around the scope of the reporting requirement, which could result in a last minute amendment. Other sources of revenue range from repurposing unused coronavirus relief funds to the auction of 5G spectrum.

While a few details of the bill remain uncertain, more certain is this: Total public spending on infrastructure has been on the decline for years, with America's infrastructure gap (the money allocated for infrastructure versus spending needs) now in the range of $2.6 trillion based on the next 10 years. Exhibit 4 underscores the 10-year investment gap by sector—with every sector underfunded relative to the needs of the next decade.

Exhibit 4: Cumulative Investment Needs Based on Current Trends, 2020 to 2029 (in billions).

Cumulative Investment Needs by System Based on Current Trends, 2020 to 2029 (in billions)

Infrastructure System	Total Needs	Funded	Funding Gap
Surface Transportation	$2,834	$1,619	$1,215
Drinking Water / Wastewaste / Stormwater	$1,045	$611	$434
Electricity	$637	$440	$197
Airports	$237	$126	$111
Inland Waterways & Marine Ports	$42	$17	$25
Dams	$94	$13	$81
Hazardous & Solid Waste	$21	$14	$7
Levees	$80	$10	$70
Public Parks & Recreation	$78	$10	$68
Schools	$870	$490	$380
Totals	$5,937	$3,350	$2,588

Source: ASCE 2021 Infrastructure Report Card. Data as of March 3, 2021.

Considerations to Positioning Portfolios

Looking ahead, a supercycle in infrastructure spending could be on the horizon, owing to a number of factors. One, the pandemic of 2020 has exposed glaring infrastructure inequalities around internet readiness in the U.S., with inner city and rural areas lagging in terms of internet accessibility and affordability. A consensus is emerging around the idea that upgrading America's infrastructure is one plank in addressing income and social inequalities in the U.S. Second, climate change and the movement toward "green" investing have only gained momentum with the aftershocks of the pandemic and America's recommitment to the Paris Climate Accord. Both the public and private sectors have become stewards of the environment, portending more spending on smart cities, green grids and increased outlays to de-carbonizing the planet. Third, and finally, with China now viewed as a strategic competitor, rather than strategic partner, the U.S.-China Cold War pivots around advanced capabilities in 5G, smart grids and a connected/techdriven infrastructure. The latter will largely determine who sets the pace in winning the race for technological supremacy in the 21st century.

Given all of the above, having a modern infrastructure means more than just having more efficient ports, less congested roads, and secured levees and dams. It's also about addressing social inequalities, solving climate change challenges, meeting health care problems, and positioning via geopolitical considerations. All of these variables, and more, portend increased infrastructure spending in the U.S. over the next decade. We believe we could be on the cusp of a supercycle in infrastructure spending.

In terms of asset allocation, this may mean gaining more exposure to infrastructure-related industrial companies and leaders in renewables (solar, wind, electrical vehicles, biomass) and the required infrastructure behind each renewable energy source. Leaders in electricity distribution, charging stations and batteries, as well as in low-carbon hydrogen, biomethane and advanced biofuels should be included in portfolios. Ditto for leaders in low-carbon technologies (LED lighting, smart energy meters, and storage) and leaders in transmission technologies like high-voltage direct current (HVDC), which transfers wind and solar power from where it is created to where it is needed. Think commodities as well, like copper, cobalt, lithium and rare earth minerals, among others.

THOUGHT OF THE WEEK

An Update on Q2 Earnings Season

Emily Avioli, Assistant Vice President and Investment Strategist

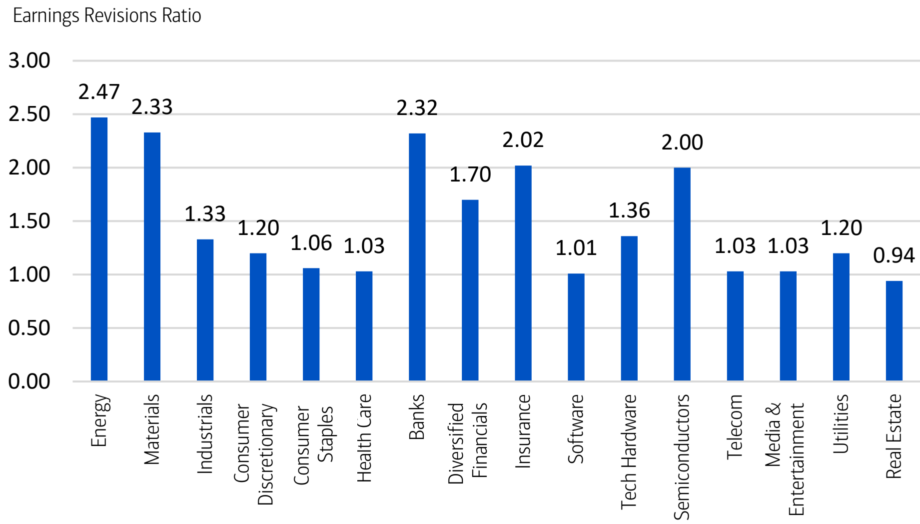
Corporate earnings have been historically strong, and future expectations are gathering steam at the halfway point of Q2 earnings season. With 89% of companies reporting, the S&P 500 Index is tracking earnings growth of 88.8%, the highest year-over-year (YoY) increase for the index since Q4 2009.[2] Companies are reporting earnings in aggregate that are 17.1% above estimates—well above the five-year average of 7.8%. Revenue growth is tracking 24.7% so far, according to FactSet.

Small-cap companies continue to beat earnings per share (EPS) expectations and consensus estimates 268.6% YoY earnings growth for Q2, driven by cyclical sectors. Profits are also shaping up to be strong overseas, with earnings revisions for Europe recently reaching the second-highest level on record, and consensus now estimating 51.9% earnings growth for the year. Earnings revisions remain the strongest for global cyclical sectors that should continue to benefit from a reflationary environment and rising commodity prices (Exhibit 5).

These above-average growth rates in Q2 are attributable to both higher nominal GDP growth and base effects from weaker earnings this time last year, when the economy was shut down. Still, earnings and revenue beats are indicating that analysts continue to underestimate the extent of the economic recovery. Revisions are signaling more strength ahead, as evidenced by the weekly BofA Global Earnings Revision Ratio improving to an all-time high of 1.63 in August. The strong earnings outlook is not without risk, and deterrents like coronavirus variants and increasing input and labor costs could still present headwinds. In fact, many companies are reporting higher input costs and are having to pay higher wages to retain and attract workers to enable them to meet the strong demand. Many have been able to pass on these higher costs to their customers or plan to do so, while some are experiencing margin pressures.

[2] Factset, August 2, 2021.

Exhibit 5: Three-Month Earnings Revision Ratio By Global Sector.



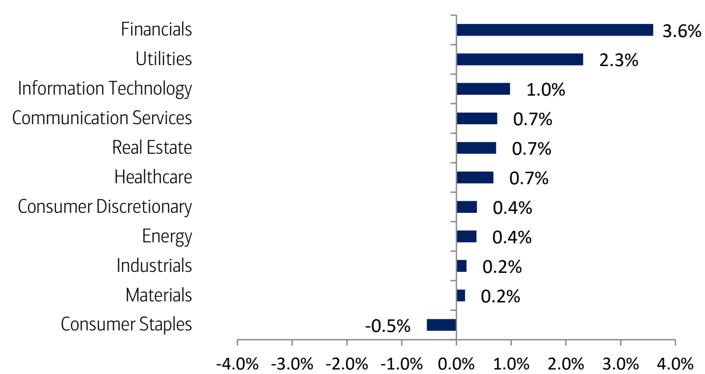
Sources: BofA Global Research; MSCI; Institutional Brokers' Estimate System. Data as of July 20, 2021. Past performance is no guarantee of future results.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	35,208.51	0.8	0.8	16.2
NASDAQ	14,835.76	1.1	1.1	15.6
S&P 500	4,436.52	1.0	1.0	19.1
S&P 400 Mid Cap	2,717.36	0.5	0.5	18.6
Russell 2000	2,247.76	1.0	1.0	14.4
MSCI World	3,098.06	1.0	1.0	16.2
MSCI EAFE	2,344.82	1.0	1.0	10.8
MSCI Emerging Markets	1,292.53	1.2	1.2	1.4

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.33	-0.49	-0.49	-1.16
Agencies	0.72	-0.22	-0.22	-0.32
Municipals	0.90	-0.13	-0.13	1.77
U.S. Investment Grade Credit	1.43	-0.42	-0.42	-0.92
International	2.01	-0.68	-0.68	-0.60
High Yield	4.02	-0.19	-0.19	3.81

	Current	WTD	MTD	YTD
90 Day Yield	0.04	0.04	0.04	0.06
2 Year Yield	0.21	0.18	0.18	0.12
10 Year Yield	1.30	1.22	1.22	0.91
30 Year Yield	1.95	1.89	1.89	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	202.18	-1.7	-1.7	21.3
WTI Crude $/Barrel††	68.28	-7.7	-7.7	40.7
Gold Spot $/Ounce††	1763.03	-2.8	-2.8	-7.1

Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.18	1.19	1.19	1.22
USD/JPY	110.25	109.72	109.72	103.25
USD/CNH	6.48	6.46	6.46	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 8/2/2021 to 8/6/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 8/6/2021 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	
Equities				●	
U.S. Large Cap				●	
U.S. Mid Cap			●		
U.S. Small Cap				●	
International Developed			●		
Emerging Markets			●		
Fixed Income		●			
U.S. Investment Grade Taxable		●			
International	●				
Global High Yield Taxable		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
Alternative Investment*					
Hedge Funds			●		
Private Equity			●		
Real Estate			●		
Tangible Assets / Commodities			●		
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 8/6/2021)

	2020A	Q1 2021A	Q2 2021E	Q3 2021E	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-	-3.2	-	-	-	-
Real U.S. GDP (% q/q annualized)	4.5	-3.4	6.3	6.5	7.0	6.0
CPI inflation (% y/y)	1.2	1.2	1.9	4.8	5.2	5.0
Core CPI inflation (% y/y)	1.6	1.7	1.4	3.7	4.1	4.1
Unemployment rate (%)	6.7	8.1	6.2	5.9	5.2	4.5
Fed funds rate, end period (%)	0.09	0.09	0.06	0.08	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 6, 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.

S&P Case Shiller Home Price Index measures the value of single-family housing within the United States. The index is a composite of single-family home price indices for the nine U.S. Census divisions and is calculated monthly.

Purchasing Managers' Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing.

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Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Bonds are subject to interest rate, inflation and credit risks Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates.

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