

Capital Market Outlook

March 10, 2025

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

IN THIS ISSUE

Macro Strategy—*Bond Vigilantes: The Loch Ness Monster of Fixed Income:* Higher U.S. debt levels and elevated budget deficits have spurred concerns of “bond vigilantes”—investors who may sell Treasuries to theoretically “punish” excessive government spending, thereby pushing up yields. However, for a huge market like U.S. Treasuries—\$28 trillion and growing—where investors are primarily “real money” (pension funds, insurers, central banks, commercial banks, asset managers), it’s implausible that short-term selling by a subset of investors could drive long-term valuations. We believe that inflation and inflation expectations, rather than technical factors, are the main drivers of the path of short-term rates, which in turn determine long-term rates. Short-term technical factors, including increased Treasury supply, can lead to short-term rate volatility, but the U.S. maintains a unique ability to sustain fiscal deficits given a robust growth backdrop relative to other developed markets, and the U.S. dollar’s status as global reserve currency. We continue to suggest staying invested in high-quality Fixed Income despite pockets of market volatility that may arise when fiscal issues come to the forefront.

Market View—*Might European Exceptionalism Sustain U.S. Exceptionalism?:* It has been a year of curveballs for investors, so here is one more: Flipping the script, might Europe not only outperform the U.S. this year but also emerge as a source of growth/earnings support for Corporate America? Europe is at war, near recession, rapidly aging, economically inefficient, energy dependent, and innovatively lagging. But the perennial transatlantic laggard is poised to emerge as a leader—while European growth/earnings figures are being upgraded, the same figures are being downgraded in the U.S.

Europe’s economic recovery—coupled with a stronger euro against the U.S. dollar—is good news for Corporate America given its extensive commercial linkages with Europe. U.S. sectors primed to benefit from Europe’s rebound include capital goods, food and beverages, financials, transportation and a host of service activities. Per Europe’s rebound, we think U.S. investors should consider deploying a barbell strategy—have exposure to U.S. Large-cap firms embedded in Europe, as well as own Europe itself, notably European defense and construction companies. That said, a key risk to U.S. firms is that at precisely the moment when Corporate America could use an earnings lift from Europe, U.S.-European relations are at or near all-time lows. Stay tuned.

Thought of the Week—*A U.S.-China Breakup Won’t be Painless: 10 Key Metrics to Know:* Tit-for-tat trade wars go both ways, as evidenced by last week’s barrage of tariff news. The U.S. levied an additional 10% tariff on all imports from China—which was met, unsurprisingly, with swift and targeted retaliation. While tariff policy remains in flux, we believe that further protectionism between the U.S. and China is unlikely to end anytime soon.

With China’s share of U.S. goods imports declining steadily from 21.6% in 2017 to 13.4% in 2024, some may be tempted to believe that the so-called “decoupling” between the U.S. and China may have already run its course. Yet the 10 key metrics below suggest that this is far from the truth. From ongoing import dependencies to company earnings to intellectual capital, the U.S. and China remain well entangled.

MACRO STRATEGY ►

Chief Investment Office
Fixed Income Team

MARKET VIEW ►

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

THOUGHT OF THE WEEK ►

Ariana Chiu
Wealth Management Analyst

MARKETS IN REVIEW ►

Data as of 3/10/2025,
and subject to change

Portfolio Considerations

This month, the Global Wealth & Investment Management Investment Strategy Committee adjusted our tactical asset allocation by increasing our allocation to Equities relative to Fixed Income and upgrading International Developed Equities to neutral from slight underweight.

Within Equities we also trimmed the magnitude of the overweight to U.S. Small-cap, with the proceeds going to U.S. Large-cap Equities.

Within Fixed Income, we are decreasing our rate risk and increasing our credit Risk.

Fundamentals and diversification matter and we see the market rotation continuing.

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Bond Vigilantes: The Loch Ness Monster of Fixed Income

Chief Investment Office, Fixed Income Team

New year, new administration, same debt concerns: the federal deficit is -7.2% of gross domestic product (GDP), fourth highest in U.S. history after World War II, pandemic, and the 2008/2009 Global Financial Crisis—when the Federal Reserve (Fed) is trying to slow the economy and reduce inflation.¹ The national debt's trajectory—especially with interest costs further pressuring deficits—has reignited concerns of “bond vigilantes”—a subset of investors who may sell Treasuries to send the U.S. government a warning about overspending, causing rates to spike.

This concern is overdone, in our opinion, reflecting a misunderstanding of what drives long-term rates.

The primary driver of long-term rates is the expected path of short-term rates. The Fed determines short-term rates based on actual and expected inflation, a function of economic growth. For a huge market like Treasuries—\$28 trillion and growing—where investors are primarily “real money” (pension funds, insurers, central banks, commercial banks, asset managers), it's implausible that short-term selling by a subset of investors could drive long-term valuations.

The surge in yields from September 2024 to January 2025 was due to reduced expectations for Fed rate cuts, and in anticipation of continued high deficits post-election maintaining economic resiliency and sticky inflation. Recent Treasury auctions have seen strong demand and few signs of investors lacking capacity. Nothing changed on the debt, deficit, or inflation picture—yet 10-year Treasuries are around 65 basis points (bps) below their recent peak.

We don't believe there are any “bond vigilantes” that have an outsized influence on Treasury yields long-term, yet markets can react negatively to signs of fiscal deterioration in the short term. For example, in Q3 2023, the U.S. Treasury's \$270 billion increase in quarterly borrowing and higher-than-expected bond issuance caused a 22 bps jump in 10-year yields over three days to the highest level since 2007. Short-term technicals—including buyer behavior causing supply to outstrip demand at current prices near-term—are a concern in all markets, Treasuries included. Yet that move was quite modest, and ephemeral.

A more concerning potential “bond vigilante” sighting occurred in the U.K., during Prime Minister Liz Truss's brief tenure. Truss's mini-budget included billions in unfunded tax cuts, bypassing customary review by the U.K.'s independent fiscal watchdog (Office for Budget Responsibility). 30-year Gilts (the U.K.'s “Treasuries”) rose by over 180 bps during Truss's premiership, the highest in 20 years. The volatility was shocking; certainly “vigilantes” were to blame? We think they are as likely as the Loch Ness monster to be the culprit; a simpler explanation exists that does not require Nessie shorting Gilts.

The market interpreted this imprudent fiscal policy and disregard for independent institutions as significantly more inflationary than expected, increasing expectations that the Bank of England would need to increase rates substantially. Furthermore, the U.K. bond market was extremely expensive at the time—and when valuations get extreme, extreme things can happen. Pre-volatility yields on inflation-linked Gilts (“linkers”) were exceedingly low—10-year linkers were more than 3% below inflation. Markets massively repricing odds that the U.K. central bank would need to hike short-term rates due to a surprise turn towards inflationary fiscal policy—that pushed up long-term rates, just as we would expect. (No vigilantes or Nessie required.)

We admit, however, that vigilantes—should they exist—have a better chance of influencing relatively smaller bond markets like the U.K.; like any technical factor, though, the price action would be more transitory than if driven by a fundamental change in economic activity and inflation. And a central bank can and will step in, if temporary

Investment Implications

Through any short-term periods of rate volatility, we continue to suggest staying invested in a diversified, multi-asset class portfolio, including an appreciable allocation to high-quality Fixed Income. We maintain a neutral tilt across Fixed Income and would look for opportunities to add to duration when 10-year yields are in the high 4% to 5% range, and real yields (i.e., Treasury Inflation-Protection Securities) are 2%+.

¹ U.S. Treasury, Bloomberg, CIO Calculations. Latest reading: January 2025.

support is required, overwhelming the firepower of any supposed vigilantes—as the Bank of England did with emergency purchases of long-term Gilts.

Turning back to the U.S., policymakers are rightly concerned about growing debt levels, especially as the economy does not need additional support. Those concerns may help rein in deficits in proposed policies like the upcoming tax bill. As fiscal policy takes shape, we do expect rate volatility as Treasury issuance expectations are confirmed—technical absolutely matter near term—leading to potential short-term yield swings. We hasten to add that this could also include temporary drops in yields, such as the 15 bps decline in 10-year Treasuries after President Trump named Scott Bessent, a proponent of fiscal discipline, as Treasury Secretary.

It's important to note that while current U.S. fiscal policies are criticized as “unsustainable,” that is hyperbolic—no one can specifically articulate an exact “sustainable” level. The current US debt-to-GDP is 98%.² That may be sub-optimal but is significantly below Japan's 251%.³ In fact, Japan has increased debt-to-GDP by 5x since 1980, when it was around 50%. Japan's pushed the boundaries of “unsustainable” fiscal policy for 45 years—and still hasn't found it. The U.S. is unlikely to as well, certainly near term. We also add that—all things equal—higher public sector debt levels can lead to slower economic growth, lower inflation, and lower long-term rates⁴—so-called debt deflation. The simplistic assumption that higher debt levels automatically cause rate spikes due to vigilantes is very dangerous for diversified investors.

The U.S. is the world's most dynamic economy. Our growth outlook remains strong absolutely and relative to other markets. The dollar's role as global reserve currency provides a deeply entrenched source of demand for Treasuries from foreign buyers. We are the biggest consumers on the planet; our trading partners who accept dollars have little choice but to reinvest those dollars back into U.S. assets—unless they want their currencies to appreciate, which would make their goods and services (priced in dollars) more expensive for us. In addition, the Liz Truss episode offers a reminder of central banks' power to backstop markets; the Fed is highly likely to support Treasury market functioning if needed, in our view.

Any technical selling forces—bond vigilantes or otherwise—will have a more muted, short-term effect versus a change in fundamentals, and are more likely to be a concern for smaller, less developed markets. We expect stories of bond vigilantes to resurface intermittently but remain steadfastly convinced they are not a major risk. We suggest staying invested amid temporary bouts of rate volatility, emphasizing broad diversification across multi-asset class portfolios, including an appreciable allocation to high-quality Fixed Income at these relatively higher nominal and real yields.

Exhibit 1: Inflation and Monetary Policy Expectations—Not Bond Vigilantes—Drive Long-Term Rates.

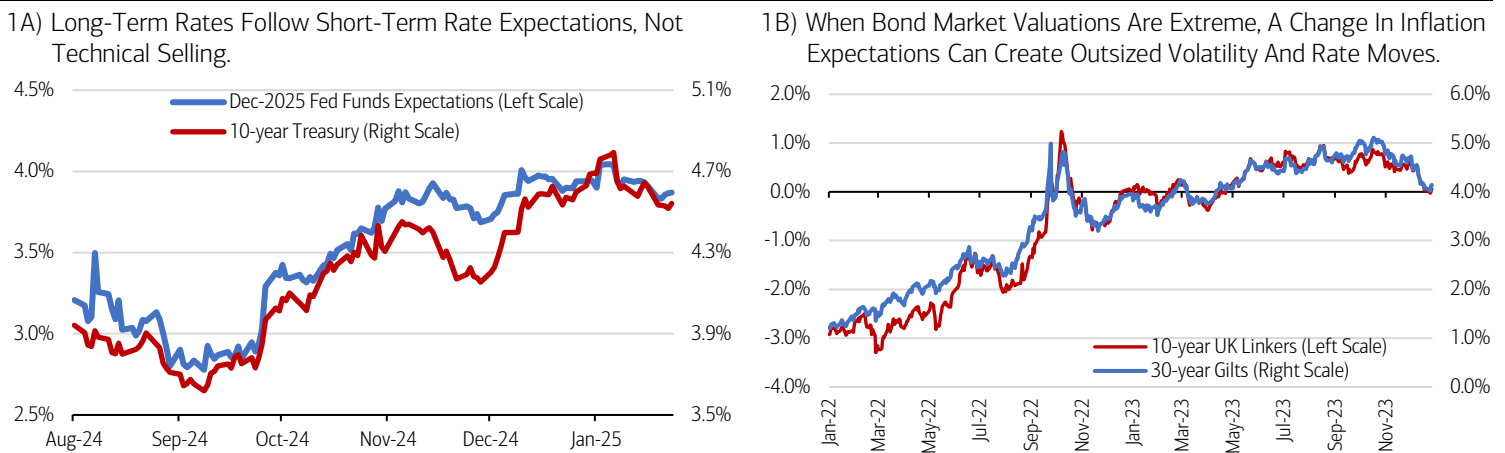


Exhibit 1A) Source: Bloomberg. Data as of January 31, 2025. Exhibit 1B) Source: Bloomberg. Data as of December 29, 2023. Past performance is no guarantee of future results.

² Penn Wharton Budget Model, January 27, 2025.

³ International Monetary Fund, 2025.

⁴ “This Time is Different,” Reinhart and Rogoff, 2009.

Might European Exceptionalism Sustain U.S. Exceptionalism?

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

For a region at war, near recession, rapidly aging, economically inefficient, energy dependent, and innovatively lagging, Europe has a spring in its step. Europe's benchmark Stoxx 600 Index is on course to outperform the S&P 500 this quarter by one of the widest margins in decades.

The markets are pricing in sunnier days ahead for Europe. So is the euro, which has rallied 4.2% against the U.S. dollar this year. Adding to the euro-optimism: Germany's extraordinary spending plans and calls for the European Union to reform its fiscal rules and unleash more spending on defense and infrastructure. Add in the prospects of the war ending in Ukraine and Europe's economic/earnings growth prospects are rapidly being upgraded. Meanwhile, across the Atlantic, the opposite is unfolding.

According to the GDPNow tracker from the Atlanta Fed, Q1 2025 real GDP growth is running at a -2.4% annualized rate. Yes, there's a great deal of noise in that number but owing to weaker-than-expected figures on consumer confidence and new manufacturing orders, as well as fears over the potential effects of rising tariffs, the U.S. economy has hit a soft patch. As The Wall Street Journal recently headlined, "The Recession Trade is Back on Wall Street." It's been a year of curve balls for investors, so here's one more: Might Europe emerge as a source of growth/earnings support for Corporate America this year? Barring, of course, a U.S.-Europe trade war.

Assessing Transatlantic Ties. Europe's economic recovery—coupled with a stronger euro against the U.S. dollar—is good news for Corporate America given its unappreciated but extensive commercial linkages with Europe. Here are some key figures to consider:

One, **Europe remains the number one destination for U.S. foreign direct investment (FDI) flows. The total stock of U.S. FDI in Europe** was \$4.0 trillion as of 2023, the last year of available data. That represents 59% of the total U.S. FDI stock abroad and is nearly seven times the combined U.S. investment in Mexico and Canada, according to figures from the Bureau of Economic Analysis.

Two, U.S. companies are bound to Europe primarily through the activities of their foreign affiliates. Sales delivered through U.S. affiliates in Europe were roughly \$3.8 trillion in 2023, well in excess of U.S. exports to Europe (\$946 billion). **Europe represents 46% of U.S. foreign affiliate sales, far more than the 30% share for the Asia-Pacific region which is home to some five billion people.** As highlighted by Exhibit 2A, the transatlantic commercial artery based on foreign affiliate sales is the largest in the world.

And three, as depicted in Exhibit 2B, **no region of the world accounts for more U.S. foreign affiliate income (a proxy for global earnings) than Europe, comprising nearly half of global affiliate income this decade.** In 2023, the last year of full data, U.S. affiliate income earned in Europe (\$318 billion in 2023) was more than three times that of Latin America (\$95 billion) and easily eclipsed that of the entire Asia-Pacific region (\$118 billion).

Why Europe Matters. In an era where U.S. exceptionalism has long reigned, investors have forgotten why Europe matters. To that point, it's worth recalling the following:

One, home to a population of more than 500 million, **the European Union (EU+UK) remains one of the largest economies in the world.** In fact, the EU lags only the U.S. when it comes to gross domestic output, measured in nominal U.S. dollars. EU GDP in aggregate (including the UK) totaled \$23 trillion in 2024,⁵ versus \$29.2 trillion in the U.S. and \$18.8 trillion in China.

Portfolio Considerations

In lieu of Europe's recovery, we suggest a barbell strategy, owning both U.S. Large-cap names with European exposure and Europe itself, notably defense and construction leaders.

⁵ Internal Monetary Fund 2024 estimate.

Two, wealth matters and on this score, Europe stands out: **fifteen of the twenty-five wealthiest nations in the world are European.** GDP per capita in the EU27⁶ (\$43,400 in 2024) is significantly higher than that in China (\$13,000) or India (\$2,700).⁶

Three, wealth equates to consumption, with **the EU+UK accounting for roughly 20% of global personal consumption expenditures in 2023.** That’s a lower share than that of the U.S. but well above that of China (12%), India (4%) and the BRICs⁷ combined (19%).

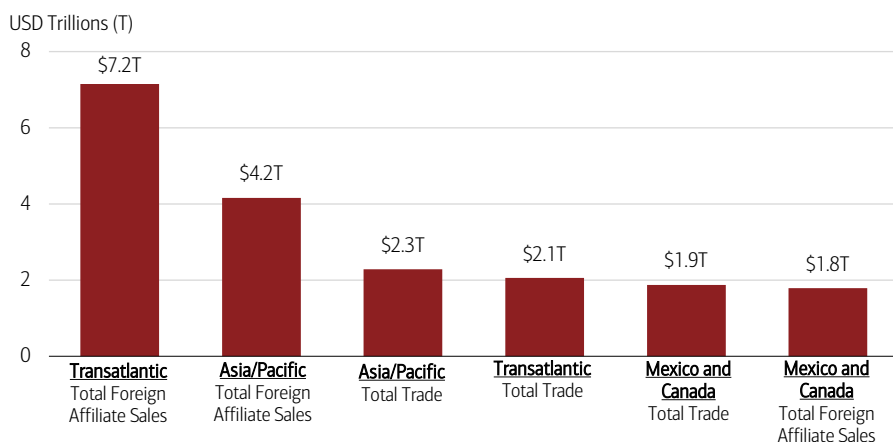
Four, wealth in Europe is also correlated with a highly skilled and productive workforce, advanced innovation capabilities, and a world-class research and development (R&D) infrastructure—all of which are present in Europe. While Europe lags the U.S. when it comes to technology startups, and incubating new businesses, **the innovation landscape in Europe is far more dynamic than realized.** To this point, according to Global Innovation Index 2024, seven out of the top 10 top nations listed in 2024 were European.

In the end, Europe is large, wealthy, skilled and innovative—and it’s on the move, goaded and galvanized by deteriorating relations with the U.S. The continent’s pro-growth fiscal and monetary policies have taken on a “Make Europe Great Again” mantra and the kindred spirit that a crisis (the widening transatlantic geopolitical divide on Ukraine) is a terrible thing to waste. The resurrection of Europe could be one of most promising investment themes of 2025.

That said, the risk to U.S. firms is that at precisely the moment when Corporate America could use an earnings lift from Europe, U.S.-European relations are at or near all-time lows. Assuming no further deterioration in bilateral relations (a big “if”), U.S. sectors primed to benefit from Europe’s rebound include capital goods, food and beverages, financials, transportation and a host of service activities. Against this backdrop, we think U.S. investors should consider deploying a barbell strategy: have exposure to U.S. Large-cap firms embedded in Europe, as well as Europe itself, notably European defense and construction companies.

Exhibit 2: Corporate America Has Extensive Commercial Linkages with Europe.

2A) America’s Major Commercial Arteries.



2B) U.S. Affiliate Income By Region: 2020–2024*.

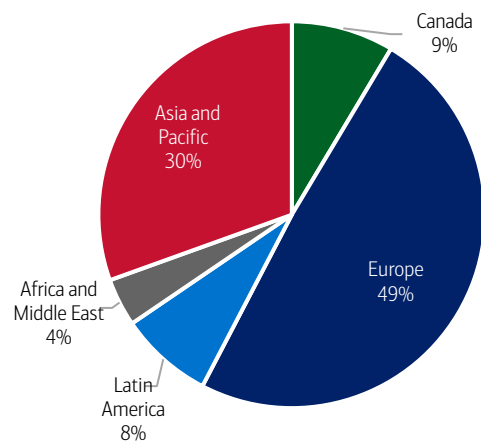


Exhibit 2A) Foreign Affiliate Sales: Chief Investment Office estimate for 2023. Total Trade: Data for goods & services, 2023. South/Central America and Caribbean includes Mexico. Source: Bureau of Economic Analysis. Data as of March 6, 2025. Exhibit 2B) *2024 includes data through Q3 2024, latest data available. Data excludes Ireland, Luxembourg, Switzerland, and Caribbean territories. Excluded nations report higher incomes due to favorable tax reasons/regimes. Source: Bureau of Economic Analysis. Data as of March 6, 2025.

⁶ European Union with its 27 member states, excluding the United Kingdom, which officially left the EU on January 31, 2020.

⁷ Brazil, Russia, India, and China.

A U.S.-China Breakup Won't be Painless: 10 Key Metrics to Know

Ariana Chiu, Wealth Management Analyst

The U.S. levied an additional 10% tariff on imports from China last week, and not surprisingly, China retaliated with a host of targeted measures of its own. As the markets digest the tit-for-tat tug-of-war between the world's two largest economies, here are some key metrics indicative of the entangled U.S.-Sino relationship:

- While China's share of U.S. goods imports has declined from 21.6% in 2017 to 13.4% in 2024, America's reliance on China has risen for strategic products like pharmaceuticals, batteries, and minerals. The U.S. imported nearly 70% of its lithium-ion batteries from China in 2024, up from 41% in 2017. In the same period, China's share of U.S. medication imports has grown nearly ten-fold.⁸
- China remains among the largest markets for U.S. goods exports (\$144 billion in 2024). However, U.S. exports don't even begin to capture how much business U.S. firms do each year in China. To wit, U.S. affiliate sales in China totaled \$491 billion in 2022—some 3.4 times the size of U.S. exports and greater than affiliate sales in France, Italy, and Spain combined.⁸
- U.S. affiliates earned \$18.2 billion in China in 2023 and 2024.⁹ For context, affiliate income in China exceeded that of countries like Germany (\$16.2 billion) and France (\$12.4 billion).
- Of the 50 minerals considered "critical" by the U.S. government, China is the leading producing country for 30 and remains true to its title as the refiner of the world. China is the globe's top refiner of graphite (91%), cobalt (77%), rare earths (92%), lithium (65%), and copper (44%), per the International Energy Agency. Gallium, manganese, aluminum, tin—you name it, China refines it.
- The S&P 500 derives more than 40% of its revenues internationally, including 7% from China. The Technology sector stands the most exposed (13%) to China, while Consumer Discretionary, Energy, and Materials each derive around 6% of sales from the region.
- When it comes to consumption and production, the U.S. and China are the world's odd couple: the U.S. accounts for just over 30% of global consumption while China accounts for nearly 30% of global production. A rebalancing may be ahead with the U.S. increasingly focused on domestic manufacturing, while China shifts its attention to chronic underconsumption.¹⁰
- Much has been made of China's holdings of U.S. Treasuries declining from a peak of \$1.3 trillion in late 2013 to \$759 billion in December 2024, the lowest level since 2009. Still, in the same period, Hong Kong's holdings of U.S. Treasury rose some 80% to \$255 billion. Less appreciated too is China's \$200+ billion stake in Agency bonds and \$375 billion stake in U.S. Equities, according to the U.S. Treasury.
- Nearly one-fourth of all international graduate students in the U.S. hail from China. Yet less are choosing to stay in the U.S.; departures of scientists from China nearly tripled between 2010 and 2021. Meanwhile, China produces more science, technology, engineering, and mathematics graduates each year than the rest of the world combined.¹¹
- While the U.S. continues to spend more on defense than China, the gap has narrowed. At the start of the century, U.S. military expenditure was more than 14 times that of China. In 2023, it was three times as much, according to the Stockholm International Peace Research Institute.
- The U.S. vs. China technology war is on—and it's not just about Artificial Intelligence. China continues to ascend the technological totem pole across strategic industries at the center of its Made in China 2025 agenda. Today, China accounts for 90% of the global consumer drone market, installs more robots than the rest of the world combined, and boasts shipbuilding capacity over 230 times larger than that of the U.S.¹²

⁸ Latest data available. Census Bureau, Bureau of Economic Analysis, March 2025.

⁹ Through Q3 2024. Source: Bureau of Economic Analysis. Data as of December 18, 2024. Latest data available.

¹⁰ 2023 data from the United Nations, World Bank. Latest data available.

¹¹ Gavekal Research, January 2025.

¹² Nikkei Asia Research, Center for Strategic and International Studies, March 2025.

Portfolio Considerations

Tariffs are likely to remain a blunt instrument of this administration, in our view, particularly when it comes to China. Tit-for-tat measures could lead to supply chain disruptions, lower earnings for companies faced with higher costs, and slower economic growth in the U.S. Investors should expect elevated market volatility ahead given fast-paced policy shifts.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,801.72	-2.3	-2.3	0.9
NASDAQ	18,196.22	-3.4	-3.4	-5.7
S&P 500	5,770.20	-3.1	-3.1	-1.7
S&P 400 Mid Cap	2,987.09	-3.4	-3.4	-4.1
Russell 2000	2,075.48	-4.0	-4.0	-6.8
MSCI World	3,740.37	-1.7	-1.7	1.1
MSCI EAFE	2,495.73	3.1	3.1	10.6
MSCI Emerging Markets	1,128.55	2.9	2.9	5.2

Fixed Income†

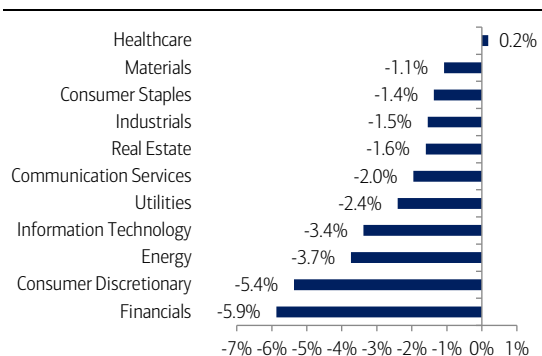
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.56	-0.58	-0.58	2.05
Agencies	4.41	-0.20	-0.20	1.62
Municipals	3.63	-0.52	-0.52	0.97
U.S. Investment Grade Credit	4.67	-0.58	-0.58	2.15
International	5.18	-0.65	-0.65	1.93
High Yield	7.30	-0.28	-0.28	1.76
90 Day Yield	4.30	4.29	4.29	4.31
2 Year Yield	4.00	3.99	3.99	4.24
10 Year Yield	4.30	4.21	4.21	4.57
30 Year Yield	4.60	4.49	4.49	4.78

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	255.17	2.1	2.1	6.9
WTI Crude \$/Barrel††	67.04	-3.9	-3.9	-6.5
Gold Spot \$/Ounce††	2909.1	1.8	1.8	10.8

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.08	1.04	1.04	1.04
USD/JPY	148.04	150.63	150.63	157.20
USD/CNH	7.25	7.29	7.29	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 03/3/2025 to 03/7/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 03/7/2025 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 3/7/2025)

	Q4 2024A	2024A	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.1*	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.3	2.8	2.5	2.3	2.2	2.2	2.5
CPI inflation (% y/y)	2.7	3.0	2.9	2.9	3.2	3.0	3.0
Core CPI inflation (% y/y)	3.3	3.4	3.2	3.2	3.4	3.4	3.3
Unemployment rate (%)	4.2	4.0	4.1	4.2	4.2	4.2	4.2
Fed funds rate, end period (%)	4.33	4.33	4.38	4.38	4.38	4.38	4.38

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 March 7, 2025.

Asset Class Weightings (as of 3/4/2025)

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	●	●	●
International Fixed Income	●	●	●
High Yield	●	▶	●
U.S. Investment-grade Tax Exempt	●	●	◀
U.S. High Yield Tax Exempt	●	●	●
Cash			

CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of March 4, 2025. 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.

CIO Equity Sector Views

Sector	CIO View		
	Underweight	Neutral	Overweight
Financials	●	●	●
Consumer Discretionary	●	●	●
Utilities	●	●	●
Information Technology	●	●	●
Communication Services	●	●	●
Healthcare	●	●	●
Industrials	●	●	●
Real Estate	●	●	●
Energy	●	●	●
Materials	●	●	●
Consumer Staples	●	●	●

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 is a market-capitalization-weighted index that is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Stoxx 600 Index is a stock index of European stocks designed by STOXX Ltd.

Global Innovation Index is an annual ranking of countries based on their innovation capabilities and performance, published by the World Intellectual Property Organization (WIPO) and co-published with Cornell University and INSEAD.

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