

CHIEF INVESTMENT OFFICE

Capital Market Outlook

March 16, 2026

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

IN THIS ISSUE

Macro Strategy—*Portfolio Construction in the Age of Industrial Geopolitics*: Current geopolitical tensions add support to our high-conviction theme of aerospace and defense. But it is time to reframe and widen the lens when it comes to investing in defense. Modern defense is no longer just missiles, tanks and large defense contractors. Rather, it is an entire industrial ecosystem—ranging from rare earth minerals to semiconductor fabs to satellites and undersea cables to Artificial Intelligence (AI) and digital infrastructure. Industrial geopolitics is about governments taking ownership in strategic mining and materials firms; export restrictions on advanced chip technologies and public sector incentives to increase domestic chip production; the militarization of space, with control of orbital infrastructure, an emerging component of geopolitical power; and protecting and monitoring undersea fiber optic cables given their fragile but crucial role in transmitting vital information. Industrial geopolitics also requires understanding the industrial battlefield and a rethink around risk, opportunity and portfolio construction. Think greater demand for digital infrastructure, logistics, AI, robotics, industrials and commodities. All of this speaks to the overlap between national security and industrial capacity. What is being forged is a new era of industrial geopolitics. Buckle up.

Market View—*The Stagflation Scenario*: The recent geopolitical flare-up has raised concerns about stagflation—a challenging situation that entails rising inflation and stagnant economic growth. Stagflation is not our base case, but the potential scenario bears monitoring as dynamics evolve. While the 1970s and early 1980s serve as a cautionary tale of stagflation's potential impact on markets and the economy, investors should keep in mind that the U.S. economy is far more resilient today. Structural improvements, strong fundamentals and a shift toward energy independence should help buffer against energy shocks. While a prolonged conflict could still elevate upside risks to inflation and downside risks to growth, the U.S. is entering this period of geopolitical uncertainty from a position of relative strength. From a portfolio positioning perspective, we believe investors should maintain well-diversified portfolios to weather uncertainty.

Thought of the Week—*One Key Lesson of the War: The World Still Runs on Fossil Fuels*: Much of the world's energy investment has been dominated by renewables in recent years, but if we've learned anything in the past few weeks it's this: The world still runs on fossil fuels. From shampoo and smartphones to tires and toothpaste—oil and its derivative chemicals ("petrochemicals") are the building blocks behind basically every material and product out there. Same with natural gas and agricultural fertilizer (and, thus, global food supplies). Perhaps less appreciated too is the relationship between fossil fuels and energy-intensive supply chains of a wide range of technological inputs and infrastructure (semiconductors, electric vehicles (EV) batteries, data centers, etc.). Markets in Europe and Asia tend to be more vulnerable, but the inconvenient truth is that oil and gas, and its many derivatives, fuel global growth. Growth estimates for this year have yet to be marked down, but the longer the conflict lasts, the greater the risk to global growth and earnings estimates.

AUTHORS

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

Emily Avioli
Vice President and Investment Strategist

Ariana Chiu
Assistant Vice President and Investment Strategist

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Portfolio Considerations

We see equity market pullbacks driven by headline noise as potential opportunities, supported by improving growth, clearer interest-rate visibility, favorable dollar dynamics, strong earnings prospects, and limited impact from geopolitical risks. Diversification beyond U.S. mega-caps is increasingly important as market leadership broadens, with added exposure to Small-caps, EMs, and selective sector shifts, including our recent move to neutral on Materials and a slight underweight to Communication Services.

We remain constructive on Fixed Income but underweight it to fund Equities, expecting tariffs to have a marginal economic impact and yields to stay range-bound amid sticky inflation and gross domestic product (GDP) near or above 2%.

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Portfolio Construction in the Age of Industrial Geopolitics

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

Current geopolitical tensions only add support to our high-conviction theme of aerospace and defense. In a world where might makes right, we continue to prefer Large-cap global defense leaders.

But that said, it is time to reframe and widen the lens when it comes to investing in defense. Modern defense is no longer about just missiles, tanks and large defense contractors. Rather, it's about an entire industrial ecosystem—ranging from rare earth minerals to semiconductor fabs to satellites and undersea cables to AI and the digital infrastructure.

Consider a single modern fighter aircraft. It contains thousands of semiconductors, advanced composite materials, rare-earth magnets, high-performance alloys, precision sensors and complex software systems, including AI. Each of those components depends on supply chains stretching across mining operations, chemical processing facilities, semiconductor fabs and data-analytics companies. In other words, modern weapons are only the visible tip of a far deeper industrial pyramid supporting defense spending.

Defense as Industrial Policy. We now live in a world where geopolitical strengths are dependent and determined by one's collective industrial capabilities. National security increasingly encompasses the entire industrial network of an economy.

In this network, **mining firms** provide critical minerals and metals like rare earth elements, lithium, cobalt, copper, titanium and nickel that are essential inputs for electronics and advanced military technologies. **Materials companies** produce basic materials like steel, aluminum, carbon composites and specialized alloys for armored vehicles, shipbuilding and missile systems. As the central nervous system of modern defense systems, **semiconductors** power AI, encryption, satellite guidance systems and precision weapons systems. **Satellite and space networks** provide global positions systems (GPS) navigation, secure communications and surveillance capabilities no modern military can live without. And **undersea fiber-optic cables**—that now transmit over 90% of global internet traffic—carry the information that modern warfare depends on.

You get the picture—defense spending now spills into almost every sector of the economy as governments around the world adjust to a number of geopolitical fault lines. These include Russia's invasion of Ukraine, the expanding war in the Middle East, and the great power rivalry between the world's two largest economies: the U.S. and China.

From a policy perspective, industrial geopolitics is about governments taking ownership in strategic mining and materials firms; it's about export restrictions on advanced chip technologies and the public sector incentives to increase domestic chip production; it's about the militarization of space, with the control of the orbital infrastructure a rapidly emerging key component of geopolitical power; and it's about protecting and monitoring undersea fiber-optic cables given their fragile but crucial nature in transmitting the globe's vital information on virtually everything.

In a nutshell, industrial geopolitics is about more government activism in the private sector, requiring investors to be acutely aware of what sectors/companies are tied or not to government incentives and spending when it comes to defense outlays. It also requires an understanding of the industrial battlefield.

Comparing Industrial Ecosystems. In the era of industrial geopolitics, the leaders by sector/function are concentrated among a few nations, with the U.S. and China at the forefront. As Exhibit 1 outlines, China dominates in the processing of critical metals and materials and holds a decisive lead in the global manufacturing of ships, heavy machinery and steel over the U.S., Japan and other industrialized nations.

Portfolio Considerations

We've long emphasized defense as one of our key themes. Beyond Large-cap defense leaders, key beneficiaries include semiconductors, critical minerals, cybersecurity, energy infrastructure, and robotics and automation. We remain overweight Industrials given a multi-year capital expenditures (capex) cycle, aerospace backlogs, higher power demand, and more defense spending in the U.S. and globally.

America’s strengths lie with semiconductors—advanced chips and chip designs, in addition to the digital infrastructure that includes cloud computing, data centers and telecommunication networks. The U.S. also leads in the space (satellites and GPS networks) and AI and software. China, however, is making rapid gains in both space technology and AI—and is hyper-focused on building out its military platform.

Other notable mentions when it comes to industrial ecosystems include Taiwan and South Korea, leaders in chip fabrication, and Japan (robotics). A semiconductor company in the Netherlands dominates in lithography equipment.

Investment implications. For investors, the emergence of industrial geopolitics requires a rethink about risk, opportunity and portfolio construction. Some key takeaways include the following:

- Defense spending—whether in the U.S. or overseas—no longer benefits only traditional weapons manufacturers. It also drives demand across various technology capabilities, industrial manufacturing and the digital infrastructure.
- National strategic objectives favor more government support, subsidies and regulatory protection in such sectors as semiconductors, critical minerals, advanced materials and manufacturing, satellites and space, cybersecurity, energy infrastructure, and AI.
- Industries that support supply-chain resilience—logistics, AI, robotics and industrial automation—should be main beneficiaries of industrial geopolitics.
- Industrials, in general, will likely be large beneficiaries on account of longer, multiyear capex cycles.
- Commodities and materials remain attractive and remain in long-term bull cycle.
- In the emerging markets, South Korea, Taiwan and China technology companies remain attractive.

All of the above speaks about the overlap between national security on the one hand and industrial capacity on the other. What is being forged is a new era of industrial geopolitics. Buckle up.

Exhibit 1: The Industrial Battlefield Map.

Layer of Industrial Power	Strategic Assets	Current Global Strength
Critical Minerals & Processing	Rare earths, lithium, cobalt refining, battery minerals	China dominant in processing and refining; U.S. and allies trying to diversify supply through Australia, Canada, Africa
Industrial Manufacturing Base	Steel, shipbuilding, heavy machinery, precision manufacturing	China largest manufacturing base in the world; U.S., Japan, and Germany strong in high-end manufacturing
Semiconductors	Advanced chips, chip design, lithography equipment	U.S. leads in design; Taiwan and South Korea lead in fabrication; Europe dominates lithography equipment
Digital Infrastructure	Cloud computing, data centers, telecom networks	U.S. leads in cloud, software platforms and digital ecosystems
Satellites & Space Launch	Launch vehicles, satellite constellations, GPS networks	U.S. leads in commercial space and satellite networks; China rapidly expanding
AI & Software	AI models, machine learning, cyber capabilities	U.S. currently leads though China investing heavily
Military Platforms	Naval fleets, aircraft, missiles, defense systems	U.S. dominant globally; China rapidly expanding naval and missile capacity

Source: Chief Investment Office. Data as of March 12, 2026.

The Stagflation Scenario

Emily Avioli, Vice President and Investment Strategist

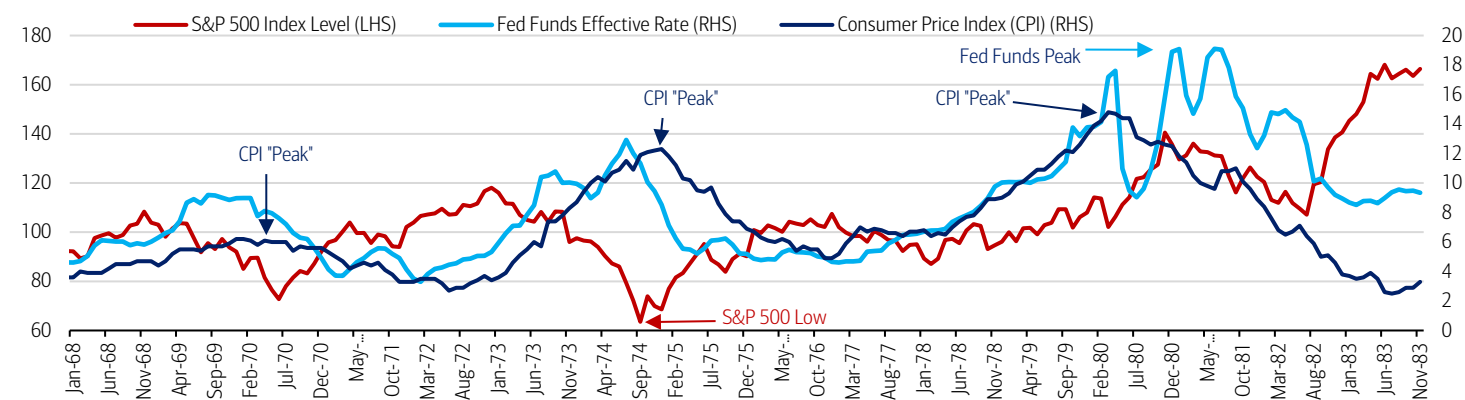
The latest geopolitical flare-up has introduced a new set of potential headwinds for markets. Chief among them is the risk that a sustained rise in energy prices could rekindle inflation while weighing on the economic expansion. Seasoned market observers have been quick to raise the specter of stagflation—the toxic duo of rising prices and stagnant growth. Such an environment presents a policy dilemma: easing monetary policy to support growth risks fueling inflation, while tightening policy to contain prices could further restrain economic activity. A challenging backdrop for investors, indeed.

Stagflation is not our base case. The medium-term growth outlook has not been materially altered by the conflict in the Middle East, consumer fundamentals are broadly healthy, productivity trends remain sound, and U.S. economy today is far more resilient to energy shocks than in past decades. Still, the widely dreaded stagflation scenario warrants a closer look as geopolitical dynamics evolve.

Back to the '70s. The 1970s and early 1980s offer a cautionary tale of stagflation's potential economic and market impact. That period was defined by a damaging mix of persistently high inflation and weak growth, compounded by repeated supply shocks and an initially inadequate policy response. The 1973 Organization of the Petroleum Exporting Countries oil embargo sharply raised energy costs and squeezed household purchasing power, contributing to slowing growth and rising unemployment. The shock was compounded several years later by the 1979 Iranian Revolution, which disrupted global oil supplies and pushed energy prices higher once again. Inflation soared at a time when economic momentum was already fragile. Policymakers struggled to contain rising prices without deepening the economic slowdown, and inflation expectations became entrenched.

Inflation ultimately peaked three separate times over the course of 10+ years before being brought under control in the early 1980s, creating a difficult backdrop for financial markets. Notably, the S&P 500 bottomed out in 1974, almost six years before the final peak in inflation and almost seven years before the peak in rates (Exhibit 2). Small-caps outperformed Large-caps on an annualized basis throughout the 1970s, and Value saw strong returns relative to Growth.¹ Persistent inflation generally eroded real returns on Fixed Income. Real Assets like gold and commodities enjoyed relatively strong performance, with the Bloomberg Commodity Index seeing an annualized gain of 24.0% over the course of the decade.²

Exhibit 2: Equity Performance Against the Stagflation Backdrop.



Source: Bloomberg. Analysis data includes through December 31, 1983, as of March 12, 2026. **Past performance is no guarantee of future results.** Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

Fast Forward to 2026. Today's economic landscape looks fundamentally different from that of the 1970s. Structurally, the U.S. economy is far less vulnerable to the type of self-reinforcing price pressures that defined that era. A shift toward energy independence is among the most notable improvements. Whereas the U.S. was once heavily reliant on

¹ BofA Global Research. March 3, 2026.

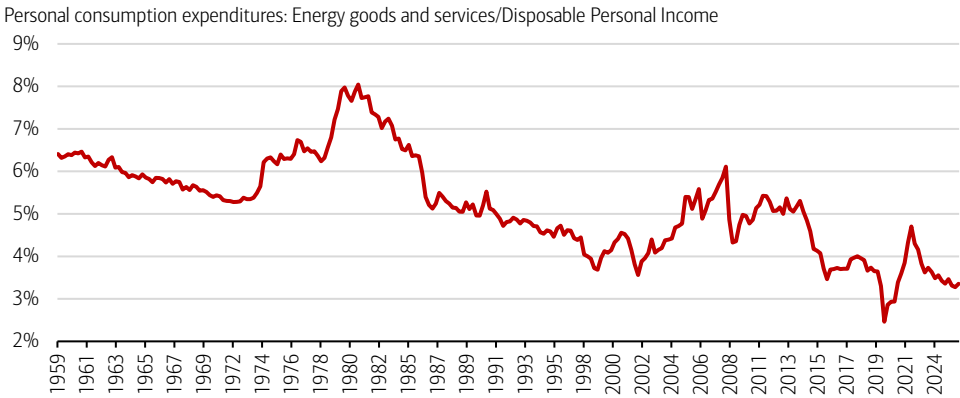
² Bloomberg. Annualized data from December 31, 1969 – December 31, 1979 referenced.

Investment Implications

The latest geopolitical conflict has introduced a number of potential headwinds for markets and the economy. During times of elevated uncertainty, staying well diversified and committed to a long-term financial plan can be a good course of action.

imported oil, it is now a net exporter of energy, providing an important buffer against global energy price shocks. Consumers may also be better positioned to withstand rising energy prices today—energy spending currently accounts for 3.0% of personal income, which is less than half of the average level observed in the 1970s (Exhibit 3). Inflation expectations today also remain relatively well anchored, helping to reduce the risk of the wage-price spiral that helped sustain the rapid pace of price increases during the stagflation era.

Exhibit 3: Energy Spending Is A Lower Percentage Of Disposable Income Compared To Decades Past.



Source: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis. Quarterly data as of December 31, 2025.

Importantly, the geopolitical conflict is unfolding at a time when inflation pressures have already eased considerably from the mid-2022 peak. The CPI advanced by 2.4% year-over-year (YoY) in February, in line with expectations and just above the Federal Reserve’s 2.0% inflation target.³ While a sustained rise in energy prices could slow progress on disinflation—particularly if the conflict proves prolonged—the structural backdrop suggests the U.S. economy is better positioned to absorb such shocks.

On the growth side of the equation, economic fundamentals remain supportive. In February, the labor market exhibited some signs of cooling following several months of stabilization, with nonfarm payrolls posting a weather-related decline, and the unemployment rate edging up to 4.4%.⁴ Nonetheless, the labor market remains well above recessionary territory. Consumers remain healthy in aggregate, with Bank of America Institute data showing credit and debit card spending rising by 3.2% YoY in February—the fastest pace in over three years.⁵ Recent Institute for Supply Management data suggests that manufacturing is entering a long awaited upswing in the U.S. S&P 500 earnings-per-share are advancing at a double-digit YoY pace and corporate margins remain resilient. Plus, a multi-year technology driven capex cycle is well underway and continued AI adoption and integration is expected to meaningfully boost productivity moving forward.

To be sure, a prolonged conflict that drives oil prices significantly higher for longer could still weigh on economic growth and present upside risks to inflation. However, the U.S. economy is entering this period of geopolitical uncertainty from a position of relative strength. For now, fundamentals remain supportive, and we continue to expect U.S. real GDP growth of approximately 2.8% in 2026.⁶

Conclusion. While the stagflation scenario is not our base case, the risk bears watching considering all the various crosscurrents in the global economic landscape. The upshot: The U.S. economy is structurally stronger and far better insulated from energy shocks than it was in decades past. For investors, the key takeaway is that worries about spillover effects from the latest geopolitical conflict should not derail a long-term financial plan. Maintaining diversification and staying invested during times of volatility remain reliable strategies for navigating periods of uncertainty.

³ Bureau of Labor Statistics. March 11, 2026.

⁴ Bureau of Labor Statistics. March 6, 2026.

⁵ Bank of America Institute. March 10, 2026.

⁶ BofA Global Research. March 13, 2026.

One Key Lesson of the War: The World Still Runs on Fossil Fuels

Ariana Chiu, Assistant Vice President and Investment Strategist

While much of the world’s energy investment has been dominated by renewables (solar, wind, etc.) in recent years, if we’ve learned anything in the past few weeks it’s this: the world still runs on fossil fuels. Per Exhibit 4A, oil, coal, and gas continue to account for 81% of energy consumption globally. That’s not too far off from 86% at the start of the century.

Importantly, the world’s dependency on fossil fuels goes well beyond crude oil itself. From shampoo and smartphones to tires and toothpaste—oil and its derivative chemicals (“petrochemicals”) are the building blocks behind basically every material and product out there. Same with natural gas and agricultural fertilizer (and, thus, global food supplies). Perhaps less appreciated too is the relationship between fossil fuels and high-technology manufacturing: everything from mining and refining strategic minerals to manufacturing plastics and insulation to powering global logistics and construction requires fossil fuels. In other words, not only are oil and gas not a thing of the past, they’re also integral to the energy-intensive supply chains of a wide range of technological inputs and infrastructure (semiconductors, EV batteries, data centers, etc.).

Markets in Europe and Asia tend to be more vulnerable than the U.S. given some combination of 1) their dependence on fossil fuels as net energy importers (Exhibit 4B), 2) a bias toward manufacturing/goods rather than services, and 3) concentrated exposure to specific industries (e.g., industrial manufacturing in Germany, semiconductors in Taiwan). Hence the divergence in market performance since the start of the war; whereas the S&P 500 had underperformed most international markets year-to-date through the end of February, the script has flipped since then with the S&P 500 leading Equities in Emerging Markets by 4%, Japan by 7%, and Europe by 5%.⁷ By the same token, eventual de-escalation in the Middle East would be good news for these markets, in our view.

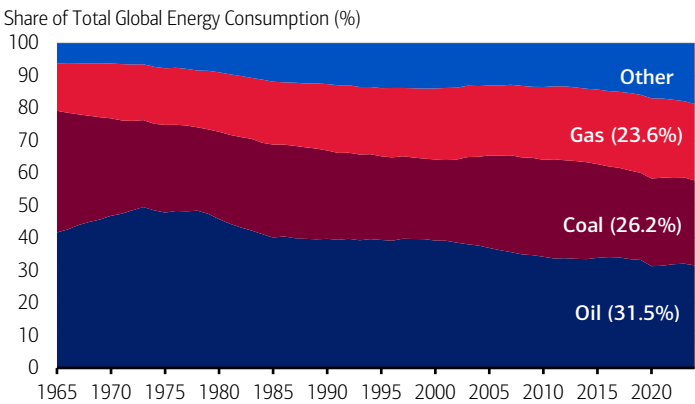
There’s no doubt that the global economy is trending toward a more renewable energy mix. China has been the primary driver there, adding more solar and wind capacity than the rest of the world combined.⁸ Yet even the world’s renewable superpower is vulnerable to higher energy prices. The inconvenient truth is that oil and gas, and its many derivatives, fuel global growth. While growth estimates for this year have yet to be marked down, the longer the conflict lasts and the more disruption to supply chains, the greater the risk to global growth and earnings estimates.

Investment Implications

We believe U.S. and global growth this year can prove resilient but will hinge in part on the length and breadth of the conflict in the Middle East. Volatility is likely to continue in the near-term and with the timing of stabilization still unclear, we emphasize a balanced and diversified approach in portfolios. Longer-term, corporate profits should still be attractive against a backdrop of higher capital investment and productivity.

Exhibit 4: Comparing Energy Dependency in a World Run on Fossil Fuels.

A) Global Economy Still Dependent on Fossil Fuels.



B) Economies in Europe and Asia Are Net Energy Importers.

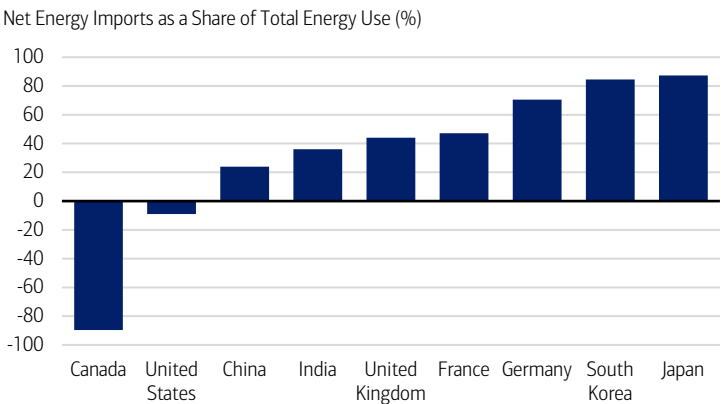


Exhibit 4A) Source: Energy Institute. Data as of March 2026. Exhibit 4B) Negative data indicates net energy exporter status. Source: International Energy Agency, World Bank. Data refers to 2023 or latest available year of data, as of March 2026.

⁷ Refers to MSCI Emerging Markets Index, Nikkei 225 Index, and Stoxx 600 Index. In dollar terms. Data as of March 11, 2026.

⁸ International Energy Agency as of October 2025.

Asset Class Weightings (as of 3/4/2026)

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 Equity Sector Views

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

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of March 4, 2026. 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.

Economic Forecasts (as of 3/13/2026)

	Q4 2025A	2025A	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Real global GDP (% y/y annualized)	-	3.5*	-	-	-	-	3.6
Real U.S. GDP (% q/q annualized)	1.4	2.2*	3.3	3.0	2.0	2.0	2.8
CPI inflation (% y/y)	2.7	2.7*	2.7	3.6	3.1	2.9	3.1
Core CPI inflation (% y/y)	2.7	2.9*	2.5	2.8	2.6	2.6	2.6
Unemployment rate (%)	4.5	4.3*	4.4	4.5	4.4	4.3	4.4
Fed funds rate, end period (%)	3.63	3.63	3.63	3.38	3.13	3.13	3.13

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.

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. Data as of March 13, 2026.

Sources: BofA Global Research; GWIM ISC as of March 13, 2026.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	46,558.47	-1.9	-4.8	-2.8
NASDAQ	22,105.36	-1.2	-2.4	-4.8
S&P 500	6,632.19	-1.6	-3.5	-2.9
S&P 400 Mid Cap	3,340.96	-2.0	-6.5	1.3
Russell 2000	2,480.05	-1.7	-5.7	0.1
MSCI World	4,329.54	-1.7	-4.9	-2.1
MSCI EAFE	2,901.06	-2.0	-8.6	0.6
MSCI Emerging Markets	1,469.47	-2.0	-8.7	4.8

Fixed Income[†]

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.45	-0.99	-1.93	-0.32
Agencies	4.13	-0.43	-0.95	0.26
Municipals	3.56	-0.68	-1.44	0.73
U.S. Investment-Grade Credit	4.53	-0.92	-1.88	-0.16
International	5.14	-1.44	-2.37	-0.94
High Yield	7.26	-0.77	-1.20	-0.51
90 Day Yield	3.68	3.66	3.66	3.63
2 Year Yield	3.72	3.56	3.37	3.47
10 Year Yield	4.28	4.14	3.94	4.17
30 Year Yield	4.90	4.76	4.61	4.84

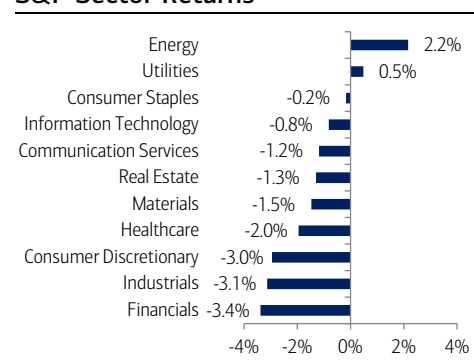
Sources: Bloomberg, Factset. Total Returns from the period of 3/9/2026 to 3/13/2026. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/13/2026 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Commodities & Currencies

Commodities	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Bloomberg Commodity	342.30	2.7	11.1	23.9
WTI Crude \$/Barrel ^{††}	98.71	8.6	47.3	71.9
Gold Spot \$/Ounce ^{††}	5019.49	-2.9	-4.9	16.2

Currencies	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2024 Year End
EUR/USD	1.14	1.16	1.18	1.17
USD/JPY	159.73	157.78	156.05	156.71
USD/CNH	6.91	6.90	6.86	6.98

S&P Sector Returns



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 stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

Consumer Price Index is a key economic indicator that measures the average change over time in prices paid by consumers for a representative "basket" of goods and services, such as food, housing, transportation, and medical care.

MSCI Emerging Markets Index is a leading benchmark that tracks the performance of large and mid-cap stocks across 24-27 developing nations.

Nikkei 225 Index is the leading price-weighted stock market index for the Tokyo Stock Exchange (TSE), representing 225 top-rated, blue-chip Japanese companies.

STOXX 600 Index is a broad measure of the European equity market. With a fixed number of 600 components, the index provides extensive and diversified coverage across 17 countries and 11 industries within Europe's developed economies, representing nearly 90% of the underlying investable market.

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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. 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. When interest rates go up, bond prices typically drop, and vice versa. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Income from investing in municipal bonds is generally exempt from Federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax (AMT). Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) 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, such as gold, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investing directly in Master Limited Partnerships, foreign equities, commodities or other investment strategies discussed in this document, may not be available to, or appropriate for, clients who receive this document. However, these investments may exist as part of an underlying investment strategy within exchange-traded funds and mutual funds.

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