MERRILL
A BANK OF AMERICA COMPANY

CHIEF INVESTMENT OFFICE

Capital Market Outlook

December 8, 2025

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

IN THIS ISSUE

Macro Strategy—*Emerging Markets: Surveying the Landscape in EM Equities:* This year has been among the strongest for EM returns since the 2008 financial crisis, both in absolute terms and relative to the rest of the world. A range of drivers have contributed to the outperformance in EM Equities including the de-escalation of trade tensions, rising metals prices and growth in the tech sector. At the regional level we continue to expect a few large Asian markets to drive returns, while the technology boom, natural resource prices and the outlook for China should be key themes for the market going into 2026.

Market View—*How "Affordability" Could Affect the Financial Markets in 2026:* Enter a wildcard metric that could affect U.S. asset prices next year: the challenge of "affordability," or the broad and sustained imbalance between the rising costs of essential goods and services on one hand juxtaposed against modest or stagnant real incomes on the other. Affordability is not just a topic for the kitchen table—it's also significant to the U.S. capital markets. Among the channels through which affordability could impact U.S. stocks next year: weaker-than-expected consumer spending with the economy increasingly dependent on wealthy Americans; increased credit stress; the continuing drag on the housing market, which accounts for 16% of U.S. gross domestic product (GDP); and greater public sector activism ahead of mid-term elections.

Buckle up, because the stresses of affordability have major implications not just for the U.S. economy but also the U.S. political backdrop. Mid-term election years tend to be more volatile for markets as investors digest the new political landscape. Add in the economic-cum-political nexus of affordability, and we'd expect more market volatility in 2026. Stay diversified to weather the storm.

Thought of the Week—*Putting the "Power" in the U.S.-China Great Power Rivalry*: The U.S. still leads the world in advanced AI chip technology. But when it comes to the infrastructure required to accommodate rising electricity demand, the U.S. is behind—and then some. And it's not just about the buildout of AI data centers. Simply put, U.S. economic growth is becoming increasingly electricity-intensive. Think reshoring, domestic prioritization of energy-intensive sectors and the broader electrification of the economy. Meanwhile, from flat generation to declining transmission construction to aging transformers, the U.S. infrastructure base is still woefully underprepared for what's to come. The good news: With this comes a range of potential investment opportunities, from companies specializing in electrical equipment or grid modernization to natural gas and other commodities. Power will continue to be a key theme of the economy and markets in 2026, in our view.

AUTHORS

Ehiwario Efeyini
Director and Senior Investment Strategist

Joseph Quinlan
Managing Director and Head of CIO Market Strategy

Ariana Chiu
Assistant Vice President and Wealth Management Analyst

MACRO STRATEGY ▶

MARKET VIEW ▶

THOUGHT OF THE WEEK ▶

MARKETS IN REVIEW ▶

Portfolio Considerations

The bull market is expected to continue in 2026, driven by strong earnings and economic growth, though its pace may moderate due to labor softness, Artificial Intelligence (AI) sector shakeouts, valuation concerns, and midterm election volatility.

The current investment strategy emphasizes disciplined diversification by balancing growth opportunities and stability, maintaining an overweight in Equities with a tilt toward Growth and International exposure, while shifting from excess cash and short-term Fixed Income to longer-dated bonds to capture higher yields.

Major market and economic growth themes for 2026 include digital infrastructure expansion, global industrialization, transition investing, advancements in power generation, experiential spending, automation and robotics, and a biotechnology renaissance.

MACRO STRATEGY

Emerging Markets: Surveying the Landscape in EM Equities

Ehiwario Efeyini, Director and Senior Investment Strategist

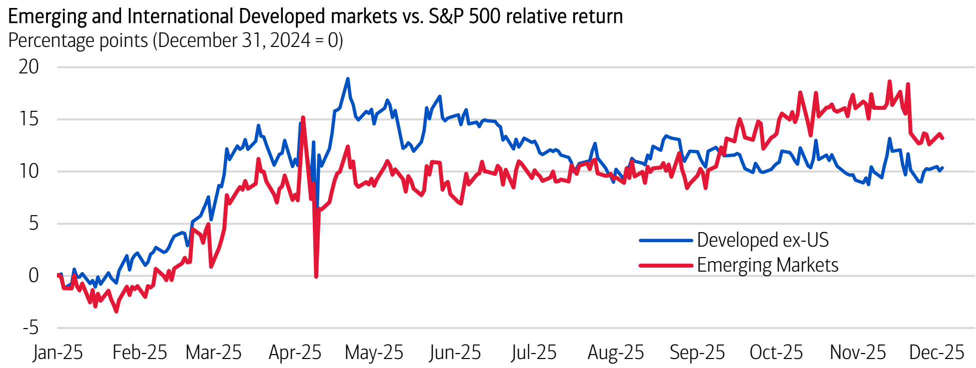
This year has been among the strongest for EM returns since the 2008 financial crisis, both in absolute terms and relative to the rest of the world. Gains for the MSCI Emerging Markets Index have exceeded those in the U.S., Europe and Japan in common currency terms. And they have been broad-based across the major regions of Asia, Latin America and EMEA (Europe, the Middle East and Africa). Every sector has delivered positive returns, led by Materials and Information Technology.

The EM rally partly reflects a recovery from the early-year tariff concerns that had depressed valuations. And though lower-than-expected tariff rates have contributed to the advance across equity markets globally since April, they have been particularly beneficial for EMs given their greater trade dependencies. The thawing of U.S. bilateral trade tensions with China (the single largest market in the emerging world at 29% of the equity index, and the largest trading partner for most other emerging economies) has been especially important. And in late November, the U.S. granted a one-year extension of prior tariff exclusions for a range of China industrial and medical equipment imports that were set to expire at the end of the month. EM valuation multiples now stand above their long-term averages but remain less extended than in other major markets. And while the return advantage for international developed markets over the U.S. has been narrowing since April, EM has regained its April price peak relative to the S&P 500 (Exhibit 1).

Investment Implications

EMs have been leaders across global Equities in 2025. Higher prices for precious metals and growth in AI infrastructure investment have been major market drivers and are likely to remain key themes into 2026. At the same time, growth in China is likely to remain under pressure and the impact of Federal Reserve (Fed) interest rate cuts should be limited. We remain neutral on a tactical basis in EM Equities.

Exhibit 1: EM Relative Returns Have Been Improving Throughout the Second Half of 2025.



Source: Bloomberg, Chief Investment Office. Data as of December 3, 2025. Developed ex-US is MSCI World ex-US Index. Emerging Markets is MSCI Emerging Markets Index. Total returns in USD. **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.

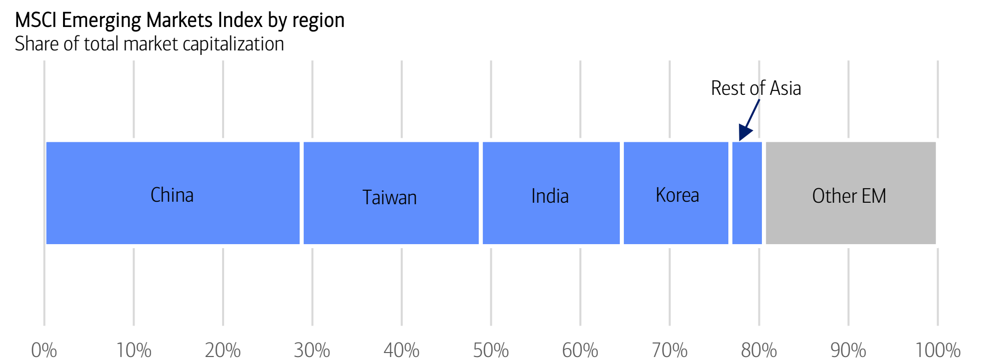
Sector-specific drivers have also contributed to the strength in EM Equities in 2025, particularly for the one-third of the index composed of Information Technology (27%) and Materials (7%). In contrast with the Materials sector in the U.S. (which is heavily geared toward chemicals and industrial gases), mining-exposed markets in the emerging world such as Peru and Indonesia have significant exposure to the underlying commodity price. As a result, higher prices across the metals and mining industry (particularly for precious metals) have been a direct tailwind. The pace of increase in precious metals prices is likely to moderate in 2026, but we still see a range of supports for the segment including Fed interest rate cuts, moderate dollar depreciation and central bank reserve diversification.

Information Technology (IT) has been the second-highest returning EM sector in 2025, alongside the continuing advancement in AI capability and large-scale investment in AI infrastructure. As key upstream suppliers in the AI infrastructure investment cycle, Taiwan and Korea (with respective exposure to the Technology sector of 84% and 49%) have been major beneficiaries this year, with each outpacing both the S&P 500 and the standalone U.S. IT sector. But relative to U.S technology, both markets have more concentrated exposure to the AI theme via semiconductors and electronic components, which would likely also make them more vulnerable in a sector downdraft as investors experienced in November.

China's Technology sector has also posted solid gains this year but has trailed behind those of Korea and Taiwan. Destabilizing price competition among China's leading internet retailers and hardware manufacturers has contributed to deflationary pressures from overcapacity and raised the specter of more regulatory intervention of the type seen earlier in the 2020s. Ongoing weakness in the real economy is an additional challenge for China. The traditional real estate investment growth engine remains in structural decline, with property prices still contracting on a year-on-year basis. This not only represents a persistent drag on the fixed investment portion of China's GDP, but also a weight on household balance sheets and consumer spending.

Official support nonetheless continues to be directed primarily toward new economy sectors like advanced manufacturing and clean energy, in addition to social spending in Healthcare, which has been China's top-performing sector outside of Materials in 2025. Though fast-growing, these areas have not been sufficient in size to offset weakness in real estate and consumption. The net effect is that GDP growth is expected to fall below the 5% threshold to 4.9% in 2025 and 4.4% in 2026 according to consensus across 79 private analyst forecasts. China's economic activity should therefore continue to have a declining impact on resource-dependent markets elsewhere in the emerging world. But China, Korea and Taiwan alone now constitute 61% of the EM benchmark (Exhibit 2) (up from 56% in April), and so are likely to be the key regional drivers of the asset class going into 2026.

Exhibit 2: On A Regional Basis, EM Equities Remain Highly Concentrated In A Few Large Asian Markets.



Source: MSCI. Data as of November 2025. **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.

As we have previously emphasized, we still expect Fed rate cuts to be less important for EMs than in past cycles. In the years since the global financial crisis, the association between Fed policy and EM returns appears to have weakened, with EM Equities proving less responsive to the direction of U.S. interest rates. Maximum Fed accommodation and successive rounds of quantitative easing in the period after the rate cutting cycle of 2007 to 2008 came alongside major underperformance for EM Equities during the first half of the 2010s. And in 2022 to 2023, EM returns were relatively resilient in the face of the most aggressive Fed rate hikes since the 1990s.

This resilience has been driven by a marked improvement in the fundamentals across much of the EM universe, alongside the increased market concentration in the Asia-Pacific region. Fixed exchange rates have largely been abandoned. EM foreign currency reserves have almost doubled as a share of GDP since the crisis years of the 1990s. And the share of EM debt denominated in U.S. dollars has roughly halved in the past decade, led by the private sector across households and corporates. The impact of Fed policy has been further dampened in the current cycle given more balanced current account positions across the emerging world. Current account deficits have shrunk or disappeared entirely for most countries, with around 85% of the MSCI Index market capitalization now represented by countries broadly in balance or in outright current account surplus. The upshot is that EM has become less reliant on external funding, which has also limited the need to compete for global capital flows.

Fed rate cuts are likely to be most beneficial for EM deficit countries, in addition to the Gulf states with exchange rates still pegged to the U.S. dollar and whose monetary authorities follow the Fed. These markets could receive a boost from easier domestic financial conditions, but together account for only around 10% of MSCI EM index market capitalization. At the index level, we continue to expect the technology boom, natural resource prices and the outlook for China to be the key themes for the market going into 2026.

MARKET VIEW

How "Affordability" Could Affect the Financial Markets in 2026

Joseph Quinlan, Managing Director and Head of CIO Market Strategy

Many variables influence asset prices and market returns—think interest rates, inflation expectations, earnings growth, valuation multiples, liquidity conditions and risk premiums, among other variables. That said, another metric that could affect U.S. asset prices next year pivots on the challenge of "affordability."

The affordability challenge in the U.S. refers to the broad and sustained imbalance between the rising costs of essential goods and services on the one hand juxtaposed against modest or stagnant real incomes on the other. Exhibit 3A highlights this gap, with the cost of basic staples or necessities all running well ahead of wages over the balance of this decade.

After spiking during the pandemic, and pushed higher by the war in Ukraine, U.S. inflation has moved sharply lower since hitting a peak of 9.1% in June 2022. However, many price levels remain elevated, or "sticky," with the cost of housing, food, energy, healthcare and services higher today when compared with prepandemic price levels.

Meanwhile, supply-side constraints, tariff-related price increases, rising interest rates, the structural shift higher in housing and healthcare costs—all of these factors have pushed up prices while colliding with more modest or stagnant wage and income gains. To this point, while headline prices have risen by nearly 25% since the start of 2021, average weekly earnings have not kept pace, rising by less than 20% over the same period.

Hence, the squeeze is on—"affordability" has become a hot topic at the kitchen table. But here's the rub: The topic isn't going to stay in the kitchen. It's coming to Wall Street as well.

The channels by which affordability could impact stocks next year. The hurdles of affordability are hardly insignificant to the U.S. capital markets, with the upshot potentially including the following:

One. Weaker-than-expected consumer spending and an economy increasingly dependent on wealthy Americans. Higher income households have been the primary drivers of consumption growth this year, although even wealthier consumers are adjusting to higher prices by shopping more at discount retailers, seeking better value and cost-savings not unlike lower- and middle-income households. The higher the cost of essentials (housing, utilities, food), the lower the amount of money left over for discretionary goods and services. To wit, the bottom 10% of households devote nearly three-quarters of their spending on basics compared to 56% for the top 10% of U.S. households. And as Exhibit 3B highlights, healthcare costs in America already take a sizable bite of household spending, with healthcare expenses as a share of total personal consumption expenditures currently in excess of 20%.

In the end, the more affordability challenges linger, the greater the level of income inequality in the U.S. and the greater the dependence of the U.S. economy on a sliver of the U.S. population for growth considering that the top 10% of U.S. households account for roughly half of total U.S. personal spending.

Two. Increased credit stress. While U.S. households, in general, remain in good financial shape, cracks in household finances are becoming more evident. According to VantageScore, even the most creditworthy borrowers are falling behind on debt repayments. In July, late repayments over 90 days rose 109% from the prior year among "superprime" borrowers (credit scores between 781 to 850) and 47% among prime borrowers (scores 661 to 780). Delinquencies on autos, mortgages, student loans and credit cards have all ticked higher in the past 12 months, while credit card balances in the U.S. now stand at the highest levels ever ($1.2 trillion).

Three. The continuing drag on the housing market, which, incidentally, accounts for 16% of U.S. GDP. The challenge of affordability is most evident in the housing market, where, according to government figures, the price of shelter—both rents and owners' rent equivalent—have increased almost 50% over the past decade, the steepest 10-year rise since the mid-1990s. Presently, roughly 75% of U.S. households cannot afford a median-priced new home, according to the National Association of Home Builders. As a footnote, the Atlanta Fed estimates that median home prices have increased more than a third since 2021, to just under $400,000. Meanwhile, the income needed to purchase a home has

Portfolio Considerations

The burdens of affordability represent not only a potential headwind to the U.S. economic outlook but also hot button social and political issues in an election year. Though we believe the bull market persists in 2026, investors should prepare for more volatility and prioritize diversification in portfolios.

doubled since 2019, with the average age of a first-time homebuyer in the U.S. now 40. And it's not just the cost of new home that bedevils the housing market: Rising home insurance premiums and property taxes have also piled on the costs of owning a home.

Four. Greater policy activism. A kitchen-table topic like affordability augurs for more public sector activism in 2026—notably since the mid-term elections are less than a year away. Think more public sector involvement in such sectors as housing and healthcare, and perhaps tariff relief/adjustments in food and agriculture, minerals and metals, and other sectors facing bottlenecks and therefore higher prices. All of the above will be accompanied by more volatility around earnings and corporate guidance.

And then there is the Fed and expectations, notably from the White House, that the Fed needs to cut interest rates to improve the affordability hurdles straining U.S. households. The Fed, however, will have to navigate the tricky shoals of lingering inflation risks juxtaposed against painful affordability challenges. What every investor fears—a more politized Fed—could become a market reality in 2026 owing to the challenges of affordability.

The Burdens of Affordability and Some Investment Implications

Buckle up.

The stresses of affordability not only represent potential headwinds to the U.S. economic outlook next year. They also represent hot button social and political issues in an election year. The upshot: The economic-cum-political nexus of affordability suggests more market volatility in 2026.

On the economic front, the risk is that consumer spending comes in weaker than expected next year, as higher prices for goods and services crimp the budgets of both lower- and higher-income households. The fact that affordability is impacting higher-income consumers is evident from the fact that Dollar Tree, after reporting that 3 million additional households shopped in their stores in Q3, noted that, of those, 60% had incomes over $100,000. Consumer credit stress, meanwhile, could cause some ripples of volatility among smaller regional banks next year. The outlooks for homebuilders, real estate investment trusts and building material firms all hinge on the affordability of housing. The Healthcare sector will increasingly beat to the tune of new government policies and initiatives.

In terms of politics, a mid-term election year tends to be more volatile than others as investors game-out the political landscape between now and 2028. New leadership at the Fed will also be market-moving and a source of volatility next year as well.

In the end, the wildcard next year could be the ripple effects from the affordability challenges to the U.S. Yes, we believe the bull market will carry on in 2026 but caution that investors prepare for more volatility and remain diversified across various asset classes, at home and abroad.

Exhibit 3: From Food to Shelter to Healthcare: The U.S. Has an Affordability Problem.

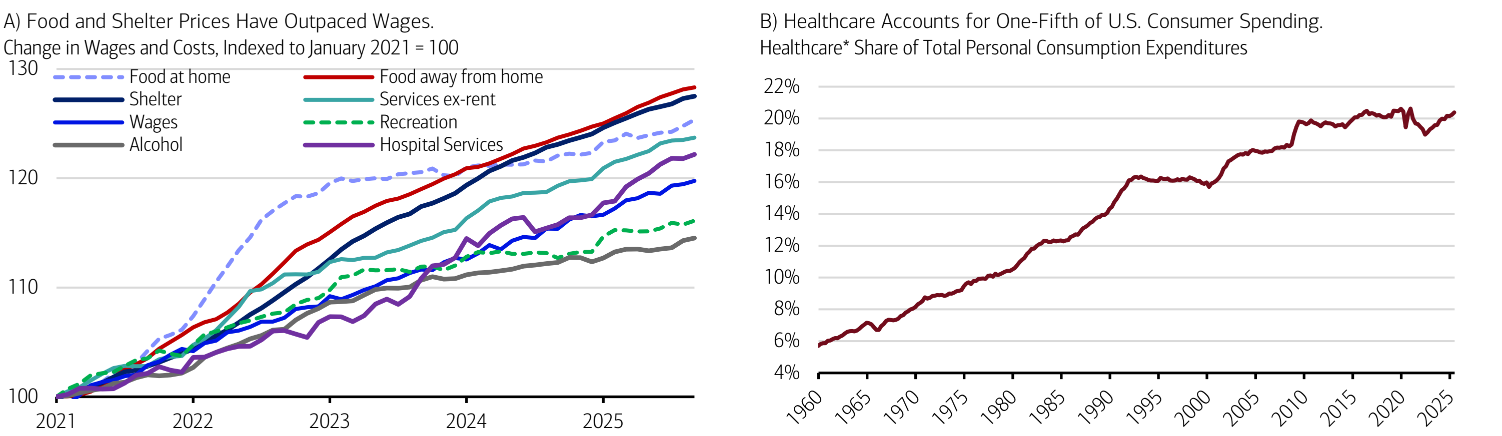


Exhibit 3A) Sources: Bureau of Labor Statistics, Haver Analytics. Data as of December 1, 2025. Exhibit 3B) *Includes healthcare services and pharmaceutical and other medical products. Sources: Bureau of Economic Analysis, Haver Analytics. Data as of December 1, 2025.

Putting the "Power" in the U.S.-China Great Power Rivalry

Ariana Chiu, Assistant Vice President and Wealth Management Analyst

"The biggest issue we are now having is not a compute glut, but it's power."
Satya Nadella, Microsoft CEO

The U.S. still leads the world in advanced AI chip technology. But when it comes to the infrastructure required to accommodate rising electricity demand, the U.S. is behind—and then some, as Exhibit 4A illustrates. Whereas the U.S.' electricity generation capacity has barely budged over the last 25 years, China has doubled its capacity to exceed that of the U.S., European Union and India combined in 2024.

Thus, while investors obsess over the capabilities of the latest AI models at home and abroad, they shouldn't lose sight of what America's ambitions ultimately depend on: the availability of power. And it's not just about the buildout of AI data centers. Simply put, U.S. economic growth is becoming increasingly electricity-intensive. Think ongoing reshoring, a renewed focus on Energy-heavy sectors like semiconductor fabrication and minerals processing, and the broader electrification of the U.S. industrial base. Given these drivers, it's our view that power will continue to be a defining theme for the economy and markets in 2026 and beyond.

The good news is that, thanks to the AI race, both the public and private sectors are increasingly attuned to the bottleneck in U.S. electricity supply. Hence technology companies' embracing of nuclear power and the government's recent attempts to accelerate permitting for large-scale data center infrastructure, among other examples.

The bad news—and source of potential opportunity for investors—is that the U.S. infrastructure base is still woefully underprepared for surging electricity demand. Beyond flat generation shown in Exhibit 4A, the grid is old, worn down and vulnerable to outages. Construction of electric transmission lines that carry power over long distances has been on the decline for the past decade, as Exhibit 4B shows. Fifty-five percent of in-service distribution transformers are over 33 years old and, per the Department of Energy, "can fail at any time." Meanwhile, the interconnection queue, or the waitlist for projects to connect to the grid, has swelled to twice the size of the current grid.

The infrastructure renaissance is just beginning, in other words. Even more so because the U.S.-China AI rivalry is increasingly centered on both chips (advance U.S.) and power (advantage China). Investors looking to position portfolios for this next inning of the AI capital expenditures cycle can gain exposure to the technologies and resources required to alleviate current supply constraints. Among the likely beneficiaries: companies specializing in grid modernization, power management, electrical equipment, energy storage, water management, and other industrial plays; natural gas and renewables; and commodities like copper and rare earths.

Investing Implications

Power will be a significant theme for the economy and markets in 2026, in our view. We remain overweight Utilities and Industrials as parts of these sectors should benefit from structural demand—not just from the data center buildout but also from reshoring, ongoing electrification of the broader economy, and much-needed grid upgrades and expansion.

Exhibit 4: America's Electricity Bottleneck in Charts.

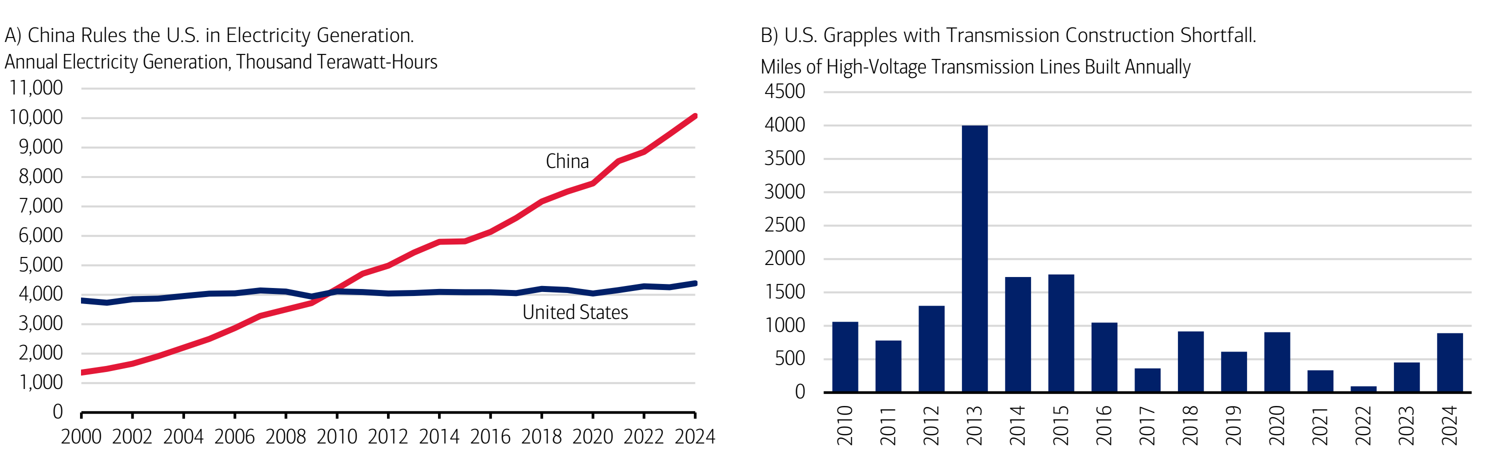


Exhibit 4A) Source: Energy Institute Statistical Review of World Energy. Data through 2024, as of December 2025. Exhibit 4B) High-voltage refers to 345 kV+ transmission lines. Source: Federal Energy Regulatory Commission. Data through 2024, as of December 2025.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	47,954.99	0.6	0.6	14.6
NASDAQ	23,578.13	0.9	0.9	22.8
S&P 500	6,870.40	0.4	0.4	18.2
S&P 400 Mid Cap	3,320.12	0.4	0.4	7.8
Russell 2000	2,521.48	0.9	0.9	14.5
MSCI World	4,418.63	0.5	0.5	20.7
MSCI EAFE	2,831.47	0.8	0.8	28.4
MSCI Emerging Markets	1,385.48	1.4	1.4	31.5

Fixed Income†

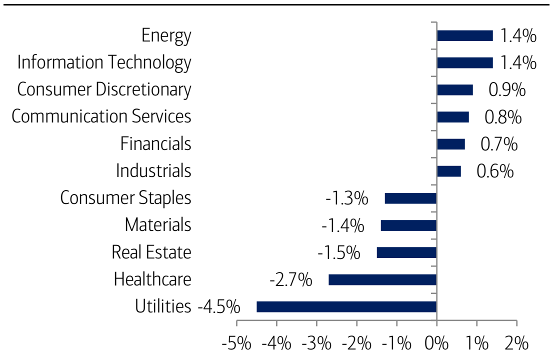
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.25	-0.55	-0.55	6.58
Agencies	4.00	-0.28	-0.28	5.76
Municipals	3.60	-0.12	-0.12	4.03
U.S. Investment-Grade Credit	4.35	-0.48	-0.48	6.94
International	4.84	-0.47	-0.47	7.48
High Yield	6.58	0.12	0.12	8.14
90 Day Yield	3.69	3.80	3.80	4.31
2 Year Yield	3.56	3.49	3.49	4.24
10 Year Yield	4.14	4.01	4.01	4.57
30 Year Yield	4.79	4.66	4.66	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	281.35	1.5	1.5	17.9
WTI Crude $/Barrel††	60.08	2.6	2.6	-16.2
Gold Spot $/Ounce††	4197.78	-1.0	-1.0	59.9

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2024 Year End
EUR/USD	1.16	1.16	1.16	1.04
USD/JPY	155.33	156.18	156.18	157.20
USD/CNH	7.07	7.07	7.07	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 12/1/2025 to 12/5/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/5/2025 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 12/5/2025)

	Q4 2025A	2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Real global GDP (% y/y annualized)	-	3.4	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	1.4	2.0	2.5	2.8	2.3	2.0	2.4
CPI inflation (% y/y)	3.1	2.8	3.0	3.1	3.0	2.6	2.9
Core CPI inflation (% y/y)	3.1	3.0	3.0	3.2	3.0	2.8	3.0
Unemployment rate (%)	4.5	4.3	4.5	4.5	4.4	4.3	4.5
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.

Sources: BofA Global Research; GWIM ISC as of December 5, 2025.

Asset Class Weightings (as of 12/2/2025)

	CIO View				
Asset Class	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		●			
Alternative Investments*					
Hedge Strategies			●		
Private Equity & Credit			●		
Real Assets			●		
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Financials					●
Utilities				●	
Consumer Discretionary				●	
Industrials				●	
Communication Services			●		
Information Technology			●		
Real Estate			●		
Healthcare		●			
Consumer Staples		●			
Materials		●			
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 December 2, 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.

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.

MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index Total Return captures large and mid cap representation across 24 Emerging Markets (EM) countries which captures capital gains and reinvested cash distributions, including dividends and interest, providing a more complete performance measure than a nominal price index.

MSCI World ex-US Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States.

MSCI Indexes are market cap-weighted indexes, which means stocks are weighted according to their market capitalization—calculated as stock price multiplied by the total number of shares outstanding.

Important Disclosures

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

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer, or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill financial advisor.

Bank of America, Merrill, their affiliates and advisors do not provide legal, tax or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC and wholly owned subsidiary of Bank of America Corporation.

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.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

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.

Alternative Investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

RETURN TO FIRST PAGE