BANK OF AMERICA

CHIEF INVESTMENT OFFICE

Capital Market Outlook

June 16, 2025

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

IN THIS ISSUE

Macro Strategy—*Europe's Economic Rebound + A Weak U.S. Dollar = Upside Earnings for U.S. Large-caps:* It has been a year of surprises, so here's one more: Large-cap U.S. multinationals could be in for an unexpected near-term earnings boost from the most unlikely of sources: arthritic and stodgy Europe. The cyclical rebound in Europe Union (EU) growth, coupled with the near 10% decline of the U.S. dollar against the euro, could be a fertile earnings combination for many U.S. multinationals in areas such as technology, pharmaceuticals, materials, industrials, and food and beverages. This will come as a surprise to many investors because many investors—indoctrinated by Wall Street and the media that the world pivots around the U.S. and China—have no clue as to the economic heft of Europe and are equally clueless that America's commercial relations with Europe are among the largest, deepest and most profitable in the world.

A key risk: Just as Corporate America stands on the cusp of an earnings boost from Europe, U.S.-European relations are at or near all-time lows owing to the risk of a 50% tariff on EU imports. The July 9 deadline is fast approaching but could be extended. Of all the parties discussing trade with the U.S., the negotiations with the EU are among the most important, in our opinion.

Market View—*International Exchange Rates: More Dollar Declines Ahead?:* Exchange rate strength has accounted for a significant portion of the leadership in international equity markets so far in 2025, with tariffs and relative growth expectations central to the direction of international currencies relative to the U.S. dollar over the course of the year. Given the likelihood of further shifts in global trade, fiscal and monetary policy over the months ahead, we would expect exchange rate movements to remain a key driver of investor returns with a continuing environment of international exchange rate strength and further dollar depreciation as the most probable market outcome. Over the longer term, we nonetheless see a low likelihood of a more disorderly decline for the dollar or any material change in its reserve status.

Thought of the Week—*Hydrating Portfolios In An AI-Driven World:* Water is the most precious resource on earth, with at least half of the global population living under highly water-stressed conditions for at least one month each year.[1] Demand already exceeds supply, and, by 2040, the gap could widen to 40%.[2] By 2050, $22.6 trillion will be needed to improve infrastructure, or up to $70 trillion of global gross domestic product (GDP) could be at risk.[1] Enter data centers. It is well known that data centers, the heart of our increasingly artificial intelligence (AI)-driven world, are power-hungry. But they are also thirsty for water as a commonly used coolant, and semiconductor manufacturing requires substantial amounts of ultra-pure water. AI stands to exacerbate an issue originally caused by weather disruptions, population growth and economic development, and poor infrastructure and management.

[1] World Resources Institute, "25 Countries, Housing One-Quarter of the Population, Face Extremely High Water Stress," August 16, 2023.
[2] Bloomberg Intelligence, "Water Risk: 2025 Global Outlook," February 25, 2025.

MACRO STRATEGY ▶

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

Ariana Chiu
Wealth Management Analyst

MARKET VIEW ▶

Ehiwario Efeyini
Director and Senior Investment Strategist

THOUGHT OF THE WEEK ▶

Anna Potts, CFA®
Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 6/16/2025, and subject to change

Portfolio Considerations

We maintain an overweight to Equities with a preference for U.S. Equities relative to the rest of the world, and still favor a significant allocation to bonds in a well-diversified portfolio. We would use any weakness in equity markets over the second half of the year as an opportunity to rebalance. We are neutral across Fixed Income in all-Fixed Income low-tax sensitivity portfolios, and, for qualified investors, we continue to emphasize potential long-term growth and income opportunities in Alternative Investments.

We believe there are four key catalysts for the remainder of the year:

1. Tariff and trade deals.
2. Solid corporate earnings to continue.
3. Economic and consumer resilience remains.
4. Weaker dollar and easier financial conditions support risk taking.

MACRO STRATEGY

Europe's Economic Rebound + A Weak U.S. Dollar = Upside Earnings for U.S. Large Caps

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

Ariana Chiu, Wealth Management Analyst

We believe many Large-cap U.S. multinationals could be in for an unexpected near-term earnings boost from the most unlikely of sources: arthritic and stodgy Europe. That's right. Owing to a cyclical economic rebound across the pond, combined with a U.S. dollar that has weakened some 10% versus the euro year-to-date, the Old World could provide some new blood to the earnings of U.S. firms across many areas—think technology, food and beverages, industrials, materials, and healthcare.

That will come as a surprise to many investors because many investors—indoctrinated by Wall Street and the media that the world pivots around the U.S. and China—have no clue as to the economic heft of Europe and are equally clueless that America's commercial relations with Europe are among the largest, deepest and most profitable in the world. Below is the "why" and "how" Europe matters to Corporate America.

Investment Implications

Rising U.S. affiliate income from Europe could prove to be an unexpected but welcomed profits boost to Corporate America this year.

Why Europe Matters

One, home to a population of more than 500 million, **the European Union (EU+U.K.) 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 U.K.) totaled $23 trillion in 2024,[3] versus $29.2 trillion in the U.S. and $18.7 trillion in China (Exhibit 1A).

Two, wealth matters, and, on this score, Europe stands out: **15 of the 25 wealthiest nations in the world are European.** GDP per capita in the EU27[4] ($43,000 in 2024) is significantly higher than that in China ($13,300) or India ($2,700) (Exhibit 1B).

Three, wealth equates to consumption, with **the EU 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 BRICs[5] combined (19%) (Exhibit 1C).

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 tech 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 nations listed in 2024 were European.

Adding it all up, **Europe is a large, wealthy, skilled and innovative behemoth—and this economic hulk is on the move, goaded and galvanized by deteriorating relations with the U.S., the competitive threat from China and the geopolitical risks presented by Russia.** The continent's pro-growth fiscal and monetary policies have taken on a "Make Europe Great Again" mantra and sparked, in the process, a massive rally in European Equities this year. The financial markets are betting that the economic fortunes of Europe are about to change for the better; if true, a main beneficiary will be none other than Corporate America since hundreds of U.S. foreign affiliates dot the landscape of Europe, a result of decades of deep economic integration via foreign direct investment (FDI).

How U.S. firms are positioned to benefit from a reinvigorated Europe. If the U.S. and China represent the most important commercial relationship in the world, then

[3] International Monetary Fund 2024 estimate.

[4] European Union includes 27 member states, excluding the United Kingdom, which officially left the EU on January 31, 2020.

[5] Includes Brazil, China, Russia, and India.

someone forgot to tell Corporate America because the latter has more eggs/greater stakes in Europe than in China—and by a wide margin.

To wit, Europe remains the number one destination for **U.S. FDI flows. The total stock of U.S. FDI in Europe[6] was $4 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, and 30 times larger than U.S. investment in China, according to figures from the Bureau of Economic Analysis.

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, the last year of available data, 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.** U.S. affiliate sales in Europe were some seven times larger than China's in 2023.

Finally, as depicted in Exhibit 1D, **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 2024, U.S. affiliate income earned in Europe ($312 billion) was more than three times that of Latin America ($94 billion) and easily eclipsed that of the entire Asia-Pacific region ($121 billion), in addition to China ($9 billion). We would not be surprised if the combination of greater demand-cum-weaker U.S. dollar boosts U.S. foreign affiliate income again this year.

But, but…it's not all smooth sailing. Just as Corporate America stands on the cusp of an earnings boost from Europe, U.S.-European relations are at or near all-time lows owing to the risk of a 50% tariff on EU imports. The July 9 deadline is fast approaching but could be extended. Meanwhile, trade talks are progressing despite many areas of contention (agriculture, pharma pricing, non-tariff barriers). Of all the parties discussing trade with the U.S., the negotiations with the EU are among the most important, in our opinion.

The stakes are high. With real U.S. economic growth slowing over the first half of this year, and with many U.S. companies scrambling to offset the knock-on effects of higher tariffs, Europe could potentially emerge as an earnings White Knight to Corporate America. That would prove to be a pleasant surprise to investors in a year full of surprises.

Exhibit 1: Why Europe Matters.

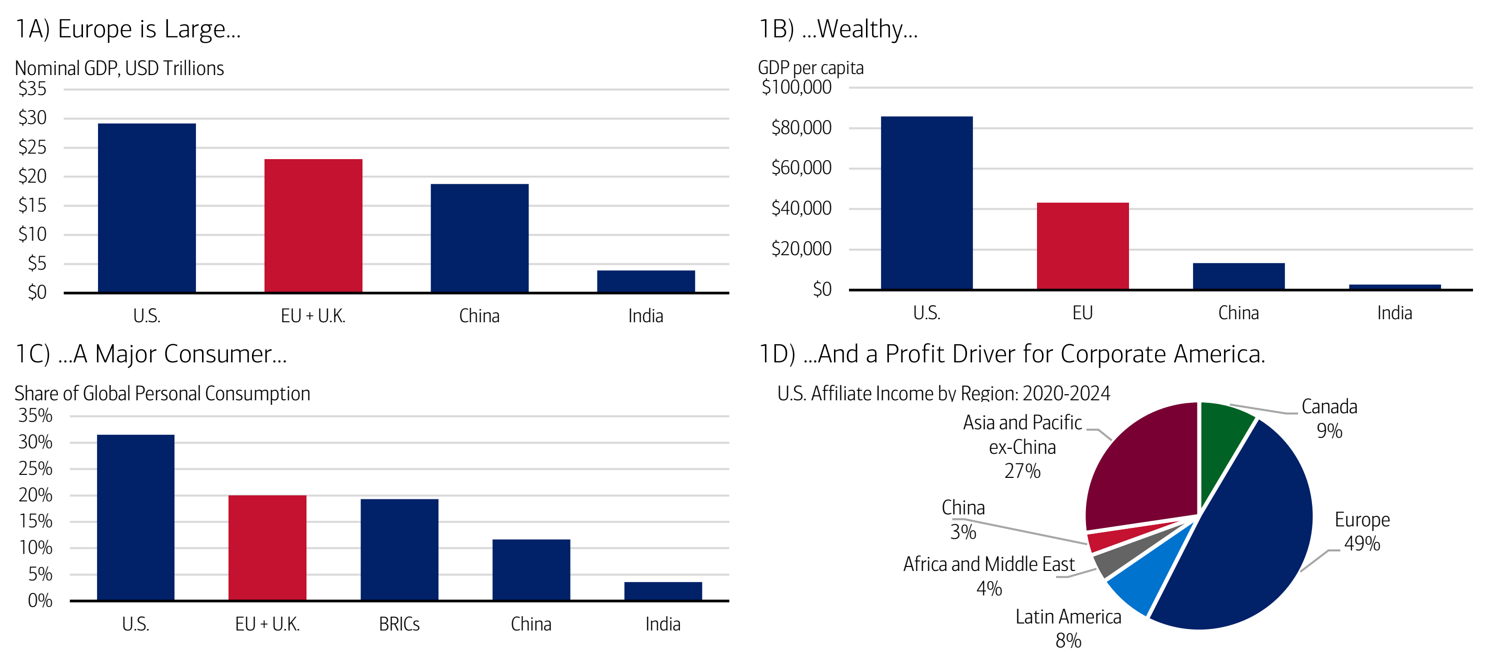


Exhibit 1A) Source: International Monetary Fund (IMF). Data as of 2024, latest available. Exhibit1B) Source: IMF. Data as of 2024, latest available. Exhibit 1C) BRICs. Source: United Nations. Data through 2023, latest available. Exhibit 1D) Data excludes Ireland, Luxembourg, Switzerland, and other Western Hemisphere. Source: Bureau of Economic Analysis. Data as of 2024.

[6] Includes European Union and non-EU countries.

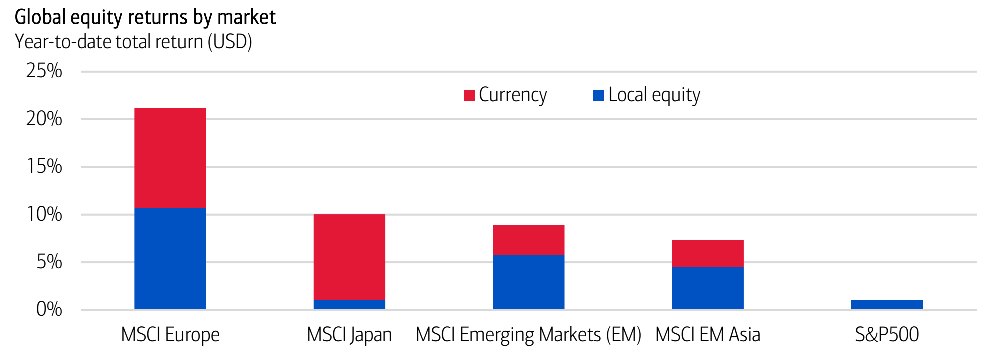
MARKET VIEW

International Exchange Rates: More Dollar Declines Ahead?

Ehiwario Efeyini, Director and Senior Investment Strategist

Exchange rates have accounted for a significant portion of the leadership in international equity markets this year, with the U.S. dollar (USD) falling by 5% to 10% against most major global currencies. As of the end of last month, currency appreciation had accounted for around 50% of the USD-denominated total return in Europe, close to 35% of the USD-denominated total return in emerging markets and almost the entire USD-denominated total return in Japan so far in 2025 (Exhibit 2). And given the likelihood of further shifts in global trade, fiscal and monetary policy over the months ahead, we would expect exchange rate movements to remain a key driver of investor returns.

Exhibit 2: Exchange Rates Have Driven A Large Portion Of International Equity Market Returns In 2025.



Source: Bloomberg. Data as of May 30, 2025. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. **Past performance is no guarantee of future results.**

Tariffs and relative growth expectations have been central to the direction of international currencies relative to the U.S. dollar over the course of the year. Even after the May reduction in tariff levels on China and the U.K., the average effective rate on U.S. goods imports across countries and specific sectors remains at its highest level since 1937 at 16.4% according to the Yale Budget Lab. And though imports are only a relatively small (14%) share of U.S. GDP, the negative impact on U.S. growth of close to a full percentage point on most estimates is still expected to exceed that (just a few tenths of a point) on the rest of the world—the levies apply to virtually all goods imports coming into the U.S. but only to a fraction of the goods exports leaving from other countries. This divergence in the growth outlook has been a source of support for international exchange rates, alongside a narrowing of the 10-year yield differential between the U.S. and other major markets such as Europe and Japan since the start of the year.

On top of stretched multiples in the underlying U.S. equity market, we also still view the U.S. dollar as overvalued on a trade-weighted basis at current levels of close to 1.5 standard deviations above its 20-year average. On the flip side, emerging Asian currencies in particular appear among the most undervalued globally. Exchange rate undervaluation in Asia is largely structural, with central banks across the region persistently intervening to limit currency appreciation and stay export competitive. This has been reflected in significant reserve accumulation over the 25 years-plus since the Asian financial crisis of the late 1990s, since which foreign exchange reserve levels have increased roughly tenfold on average for the regional constituents within the emerging market index. It has also of course been reflected in large regional trade surpluses across the major Asian economies.

The tariff war is, however, likely to force at least a partial reversal of this process given the U.S. focus on reducing its bilateral deficits with markets in Asia and elsewhere—perhaps even by calling on them to revalue their currencies in exchange for lower tariffs. Indeed investor speculation that this might be an explicit condition of the current trade talks contributed to the April–May surge in the Taiwan dollar and other Asian currencies. For the

Portfolio Considerations

On top of stretched multiples in the underlying U.S. equity market, we still view the U.S. dollar as overvalued on a trade-weighted basis at current levels despite the price depreciation so far in 2025. With the likelihood of a bigger relative U.S. growth slowdown ahead, further rebalancing away from highly valued U.S. assets, and a consolidation of the U.S. balance of payments position, we would not be surprised to see further gains for international currencies from current levels.

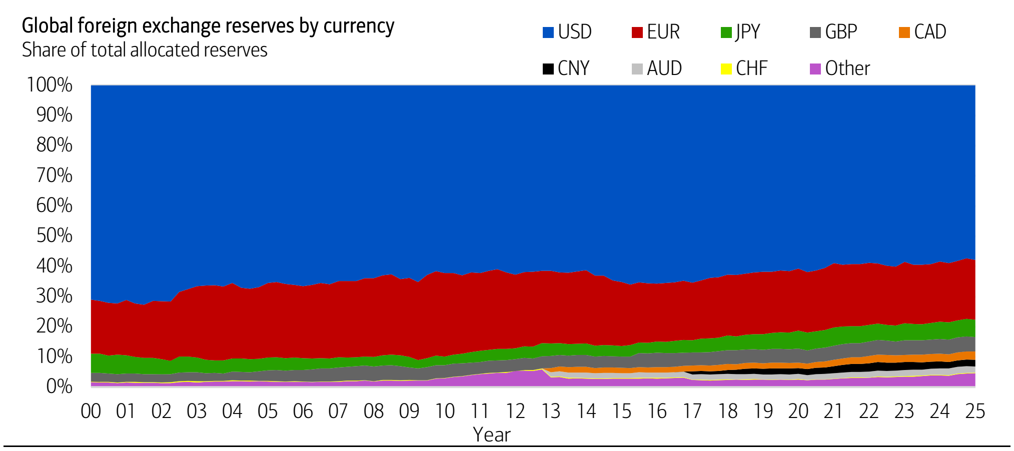
U.S., a smaller trade and current account deficit would also imply fewer dollars in the hands of foreign investors for asset purchases (i.e. a smaller capital account surplus) and therefore less support for the U.S. dollar. We would therefore expect to see a degree of mean reversion to the upside in Asian currencies as the dollar weakens.

And with China and other countries in emerging Asia looking to rebalance their economies toward more domestic consumption (and become less reliant on external demand), a greater degree of currency appreciation is likely to be tolerated. This would boost dollar-based returns for U.S. investors in emerging markets. And in this regard, it will also be important to watch for any new exchange rate policy as part of the prospective trade deals to be announced over the coming weeks ahead of the expiration of the 90-day negotiation periods with China and the rest of the world. With the likelihood of a bigger relative U.S. growth slowdown ahead, further rebalancing away from highly valued U.S. assets, and a consolidation of the U.S. balance of payments position, we would therefore not be surprised to see further gains for international currencies from current levels.

Looking over the longer term, investors have also voiced more structural concerns on the outlook for the U.S. dollar in light of the higher deficits projected to fund the budget bill currently making its way through Congress. We nonetheless see a low likelihood of a more disorderly decline for the dollar or any material change in its reserve status given its fundamental advantages over other major currencies.

In contrast with China, the U.S. provides strong institutional protections for investors such as rule of law, independence of judiciary and capital market openness. In contrast with individual eurozone member countries, the U.S. controls its own monetary policy, making it less prone to the type of credit crisis experienced by the eurozone in the 2010s. In contrast with both China and the eurozone, the U.S. offers capital market depth and liquidity, comprising the majority (around 65%) of listed global equities and a plurality (around 40%) of outstanding global government bonds, which should be in greater demand as ageing populations create a structural need for pension fund fixed income assets. The U.S. dollar also continues to dominate global trade and foreign exchange reserve holdings, with over 80% of global trade finance and close to 60% of global central bank reserves still denominated in dollars (well ahead of the second-placed euro on 20%) and declining only gradually (Exhibit 3).

Exhibit 3: USD Remains The Dominant Currency In Global Foreign Exchange Reserves.



Source: IMF. Data as of 2024.

These fundamental strengths may not necessarily immunize the U.S. dollar from further weakness in the current cycle, but they should make any additional price declines more orderly and limit the extent to which it could be displaced as a reserve currency. And though we do not expect any large-scale shift in manufacturing operations from multinational companies into the U.S. in response to tariffs (particularly given the uncertainty over how long they might remain in place), any eventual reshoring wave could also be outright dollar positive. In the nearer term however, we see a continuing environment of international exchange rate strength and further dollar depreciation back toward more normal levels as the most likely market outcome.

THOUGHT OF THE WEEK

Hydrating Portfolios In An AI-Driven World

Anna Potts, CFA®, Vice President and Investment Strategist

Water is the most precious resource on earth, with at least half of the global population living under highly water-stressed conditions for at least one month each year.[7] Demand already exceeds supply, and, by 2040, the gap could widen to 40%.[8] By 2050, $22.6 trillion will be needed to improve infrastructure (Exhibit 4A) or up to $70 trillion of global GDP could be at risk.[7] Enter data centers, the heart of our increasingly AI-driven world. Known to be power-hungry, they are also thirsty for water to cool their systems (Exhibit 4B), and semiconductor manufacturing requires substantial amounts of ultra-pure water. AI stands to exacerbate an issue originally caused by weather disruptions, population growth and economic development, and poor infrastructure and management.

- Two-thirds of data centers built or in development since 2022 are in places with high water stress.[9] A 100-megawatt data center can consume about 2.5 billion liters of water yearly, equivalent to the water needs of around 80,000 people.[10]
- An average chip manufacturing facility today can use approximately 10 million gallons, equivalent to the water usage of around 33,000 U.S. households.[11]

Several hyperscalers, or large technology companies investing in AI infrastructure, have recognized the business risk, evaluated their water needs and impact, and set water goals. Investors can also participate in the solution set. Those seeking to invest in this theme should look for investments providing solutions to the problem, such as:

- Supply: engineering and design; resource management; wastewater management; pumping stations and pipelines; desalination equipment.[12]
- Quality: monitoring and testing; filtration and treatment technology; disinfection chemicals; contaminant detection and remediation.[12]
- Efficiency: irrigation equipment and technology; remote monitoring and automation; residential and commercial systems; circular economy and water reuse; smart meters and leak detection.[12]

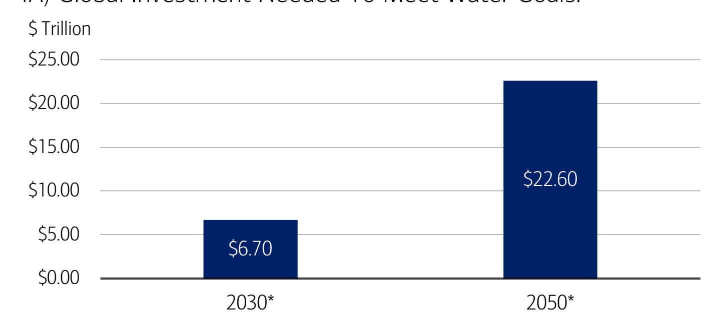
Investors can find exposure to water via dedicated, active water strategies, focused on exploiting secular tailwinds; passive strategies, which tend to track an index of companies in water-related business activities; or environmental markets strategies, where it may be one of many themes or part of a resource efficiency play. Water strategies are often diversified across geographies yet may be concentrated in just a few sectors and can skew toward mid cap.

Investment Implications

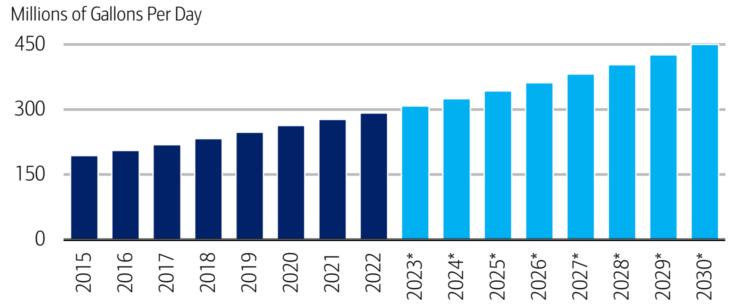
Water scarcity is a growing issue made more pressing as AI adds to global demand. This presents potentially compelling opportunities for investors to participate in the secular growth story of water solutions—or in other words, hydrate their portfolios. Investors looking to add thematic exposure to their portfolios can participate in several areas of our Thematic Framework: Generative AI, Water Management, and Resource Protectionism.

Exhibit 4: Massive Investment Is Needed In Order To Meet Resource Needs Of The Future.

4A) Global Investment Needed To Meet Water Goals.



4B) Global Data Center Water Consumption.



*Estimates. Exhibit 4A) Source: World Water Council; Organisation for Economic Co-operation and Development. Data as of April 2015, latest available. Exhibit 4B) Sources: Bloomberg; Bluefield Research. Data as of 2023.

[7] World Resources Institute, "25 Countries, Housing One-Quarter of the Population, Face Extremely High Water Stress," August 16, 2023.
[8] Bloomberg Intelligence, "Water Risk: 2025 Global Outlook," February 25, 2025.
[9] Bloomberg, "AI Is Draining Water from Areas That Need It Most," May 8, 2025.
[10] Impax Asset Management analysis, based on figures from World Economic Forum, November 2024: "Why circular water solutions are key to sustainable data centers."
[11] World Economic Forum, "The water challenge for semiconductor manufacturing: What needs to be done?" July 19, 2024.
[12] Duff & Phelps Investment Management Co.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,197.79	-1.3	-0.1	0.0
NASDAQ	19,406.83	-0.6	1.6	0.8
S&P 500	5,976.97	-0.4	1.2	2.2
S&P 400 Mid Cap	3,006.70	-1.4	0.3	-3.0
Russell 2000	2,100.51	-1.5	1.7	-5.2
MSCI World	3,900.90	-0.3	1.0	6.0
MSCI EAFE	2,613.86	-0.2	0.6	17.5
MSCI Emerging Markets	1,190.03	0.7	3.0	12.0

Fixed Income†

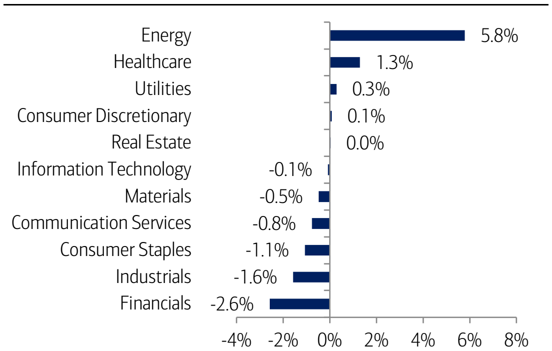
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.57	0.61	0.19	2.64
Agencies	4.41	0.38	0.04	2.56
Municipals	4.02	0.25	0.16	-0.80
U.S. Investment Grade Credit	4.71	0.67	0.23	2.69
International	5.20	0.66	0.42	2.70
High Yield	7.42	0.15	0.47	3.17
90 Day Yield	4.35	4.34	4.33	4.31
2 Year Yield	3.95	4.04	3.90	4.24
10 Year Yield	4.40	4.51	4.40	4.57
30 Year Yield	4.89	4.97	4.93	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	259.40	2.0	5.5	8.7
WTI Crude $/Barrel††	72.98	13.0	20.1	1.8
Gold Spot $/Ounce††	3432.34	3.7	4.4	30.8

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.15	1.14	1.13	1.04
USD/JPY	144.07	144.85	144.02	157.20
USD/CNH	7.19	7.19	7.21	7.34

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 6/9/2025 to 6/13/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 6/13/2025 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 6/13/2025)

	Q1 2025A	Q2 2025E	Q3 2025E	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	2.8	3.0
Real U.S. GDP (% q/q annualized)	-0.2	2.0	0.6	1.6	1.5	1.5
CPI inflation (% y/y)	2.7	2.6	3.1	3.1	2.9	2.6
Core CPI inflation (% y/y)	3.1	2.9	3.4	3.5	3.2	3.0
Unemployment rate (%)	4.1	4.2	4.3	4.5	4.3	4.6
Fed funds rate, end period (%)	4.38	4.38	4.38	4.38	4.38	3.38

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 June 13, 2025.

Asset Class Weightings (as of 6/3/2025)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Equities				●	
U.S. Large-cap				●	
U.S. Mid-cap				●	
U.S. Small-cap				●	
International Developed			●		
Emerging Markets			●		
Fixed Income		●			
U.S. Investment-grade Taxable		●			
International		●			
Global High Yield Taxable			●		
U.S. Investment-grade Tax Exempt		●			
U.S. High Yield Tax Exempt		●			
Alternative Investments*					
Hedge Strategies			●		
Private Equity & Credit			●		
Private Real Estate			●		
Tangible Assets			●		
Cash					

CIO Equity Sector Views

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

* 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 June 3, 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.

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.

Global Innovation Index is an annual publication that ranks economies based on their innovation capabilities and results.

MSCI Europe Index is a broad equity benchmark that measures the performance of large and mid-cap companies across developed markets in Europe.

MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI Emerging Markets Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

MSCI Emerging Markets Asia Index is a broad benchmark that tracks the performance of large and mid-cap companies in emerging markets within Asia.

Important Disclosures

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

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.

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, 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