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Capital Market Outlook

May 28, 2019

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- **Macro Strategy**—It's shaping up to be a year of historic milestones with the equity bull market having passed ten years, and the economy poised to join it in July, marking the longest economic expansion in U.S. history. Investors might wonder just how long each run-up can continue, and to what degree.

- **Global Market View**—Emerging market (EM) equities are now much more heavily exposed to information technology than in past years, particularly in consumer-facing industries, and we view this as a key support for future EM returns.

- **Thought of the Week**—Weaker foreign demand for Treasuries is a key risk which, over the long run, could put upward pressure on Treasury yields and cause interest payments on the government's debt to accelerate more rapidly than anticipated.

- **Portfolio Considerations**—We believe that opportunities to re-balance portfolios should unfold in the coming weeks and as equity markets re-set, we would view weakness as buying opportunities, particularly for investors that are below their target equity policy percentages.

THE LATEST FROM THE CHIEF INVESTMENT OFFICER

The recent uptick in equity volatility and sharp move lower in bond yields based primarily on rising "trade war" concerns is creating new worries over economic and profits growth for the remainder of this year and for full-year 2020.

What type of scenarios could investors think about as the "trade war" rolls on and geopolitical risk remains at high levels?

We believe there are 4 scenarios to analyze and ones that could develop in the next 12 months.

1. **Expansion**—Global growth turns higher (lifted by the U.S.) and heads above trend as a "surprise trade deal" develops which helps lift business confidence globally while the Federal Reserve (Fed) stays on hold and financial conditions remain easy.

2. **Moderation**—Growth stays on trend in a tight range as geopolitical risk weighs on growth but financial conditions remain attractive, which balances out an aggressive slowdown (the service economy still outweighs a hard manufacturing slowdown). This scenario would likely include an agreement to meet on a trade deal but still no deal.

THE LATEST

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MACRO STRATEGY

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GLOBAL MARKET VIEW

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THOUGHT OF THE WEEK

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Data as of 5/28/2019 and subject to change.

3. **Contraction**—Geopolitical concerns rise thereby pressuring global trade further and business confidence heads south creating a below-trend growth environment. The Contraction scenario would include, in our view, a "no agreement to meet" and another round of tariffs on the remaining $325bn in goods.

4. **Recessionary Episode**—Falling business confidence leads to a major decline in consumer confidence as evidence of a job growth slowdown rises aggressively. In addition to a further major decline in trade, consumer spending drops and the Fed acts too slowly to provide liquidity through lower rates. In the Recessionary scenario a "full blown trade war" that includes tariffs on all goods, further boycotts and blacklist items, and an escalation of national security interests, may also lead to a full blown "Tech War." This scenario would also include a Fed that stays on hold and does not cut rates, which hurts confidence further.

These scenarios are not difficult to lay out individually and many market pundits will try to assign probabilities to each individual event. However, we believe combinations of scenarios ultimately develop rather than any one scenario in particular. The reason is due to our belief that the concerns and events that surround them are fluid and evolve over time. They are not static events. Therefore, probability analysis on individual events may not be optimal. It is more important to assess combinations, in our opinion.

We ultimately expect a combination of scenario 1 (Expansion) and 2 (Moderation). Both China and U.S. need a rising "growth story" as the U.S. election cycle gets closer and China's domestic economy needs support. A further drawdown in the equity markets mixed with visible evidence of the "trade war" negatively impacting growth in the U.S. and China could prompt both sides to agree to meet and re-work a trade deal. This should support business and consumer confidence while financial conditions remain easy. However, initially—in the next few months—the combination of scenarios 2 (Moderation) and 3 (Contraction) are more than likely to remain the dominant combination.

In this case, a delay to a trade deal and final Brexit conclusion weigh on sentiment and business confidence. In addition, according to BofA Merrill Lynch Global Research, the "trade war" is not just about economics—it is about technology dominance—which has implications for capital investment, supply chain management, and a significant rise in on-shoring more likely in the years ahead. Non U.S. economies continue to struggle while the U.S. economy is still growing around trend, powered by the consumer and an "easy" Fed. This leads to an environment that oscillates between moderation and contraction, in our view.

We believe that opportunities to re-balance portfolios should unfold in the coming weeks and as equity markets re-set, we would view weakness as buying opportunities, particularly for investors that are below their target equity policy percentages. For the time being, we are waiting this "unclear period" out until the daily or weekly noise begins to subside and more constructive dialogue develops.

MACRO STRATEGY

Far From the End?

Nick Giorgi, CFA®, Vice President and Investment Strategist

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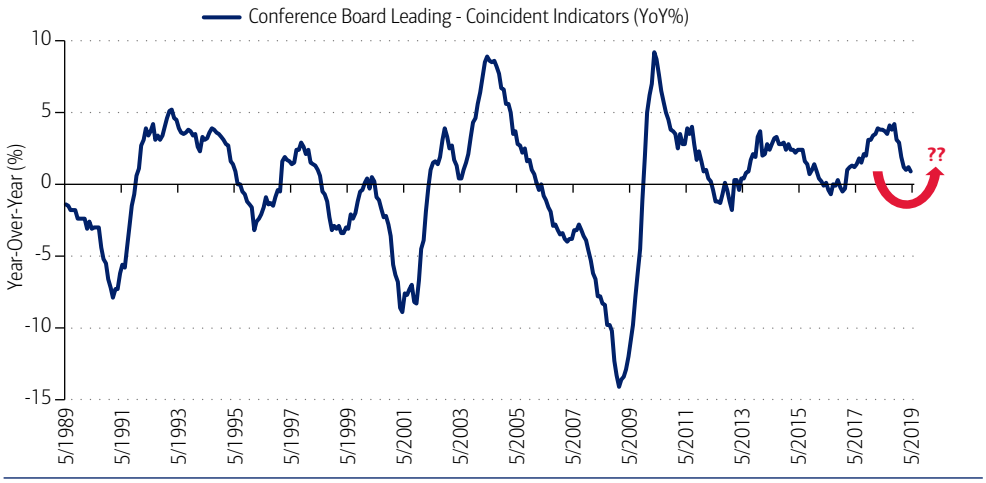
Put the champagne on ice as 2019 is set up to be a year of historic milestones with the equity bull market having reached ten years in March (narrowly escaping the bear in December), and the economy poised to join it by July, eclipsing the 1990s to lay claim as the longest economic expansion in U.S. history. Investors and pundits can be forgiven for wondering just how long each run-up can continue, and to what degree, however, we find reason to suggest that this business cycle may still have more runway after economic

activity went through a corrective phase late last year. If the economic expansion does indeed enjoy a renaissance, it should provide additional kindling for the bull market and help power equities further to new heights.

The longevity of the post-Global Financial Crisis (GFC) expansion should not imply that growth has been on a linear upswing in the near-decade since. Rather, it appears that business cycle contractions have been shorter and less pronounced than in years past. The underlying causes of this are varied, from technological improvements in inventory management to more adaptive policy controls, to structural shifts in consumer behavior, and much more. The implications are that slowdowns may occur but do so at a depth more shallow than would traditionally be defined as recessionary by the National Bureau of Economic Research.

Since the GFC, three such slowdowns or "mini-recessions" can be identified. In each case, real gross domestic product (GDP) growth remained positive but slowed to a certain degree, while a composite of coincidental indicators troughed relative to leading indicators (Exhibit 1). The U.S. appears to be emerging from a similar slowdown at the moment, with dampening growth and mixed economic data of concern, but less threat of outright recession looming. We find reason for optimism based on these factors and believe that conditions are in place to jolt output higher and extend the expansion further.

Exhibit 1: Has Momentum Troughed and Coiled for a Rebound?



Sources: The Conference Board; Chief Investment Office. Data as of May 20, 2019.
Past performance is no guarantee of future results.

The pessimistic outlook is set: A global trade contraction, disappointing retail sales, moderating industrial production and inverted portions of the yield curve seem to portend difficulties ahead. To be fair, we acknowledge a slowdown in growth from last year's 2.9% annual year-over-year gain in the U.S. to a pace a bit closer to what is perceived to be the long-term potential growth rate. We do not, however, envision an imminent recession or a more pronounced slowdown. In fact, the alternative case has been made that a confluence of positive factors is actually raising the potential growth rate of the economy and elongating the expansion (Capital Market Outlook "Bring it on Home" May 20, 2019).

Many typical indicators of the late cycle are notably missing or are trending closer to levels more indicative of the earlier cycle including capacity utilization, housing starts, and spending on consumer durables and business goods. In fact, according to Fundstrat Global Advisors, private investment-to-GDP is relatively low at 24%, and a reversion to its historical average of 27% could represent $560 billion upside in capital expenditures (capex). Other measures appear to have made recent bottoms and are once again pointing up, including confidence measures amongst small businesses and consumers. For example, the Conference Board's Survey of Consumer Expectations has recently jumped relative to their Survey of Consumers' Present Situations, indicating a belief of better times ahead. Loan surveys appear to indicate a modest reduction of tightening lending standards and credit spreads have unwound most of the widening experienced in the later portion of 2018.

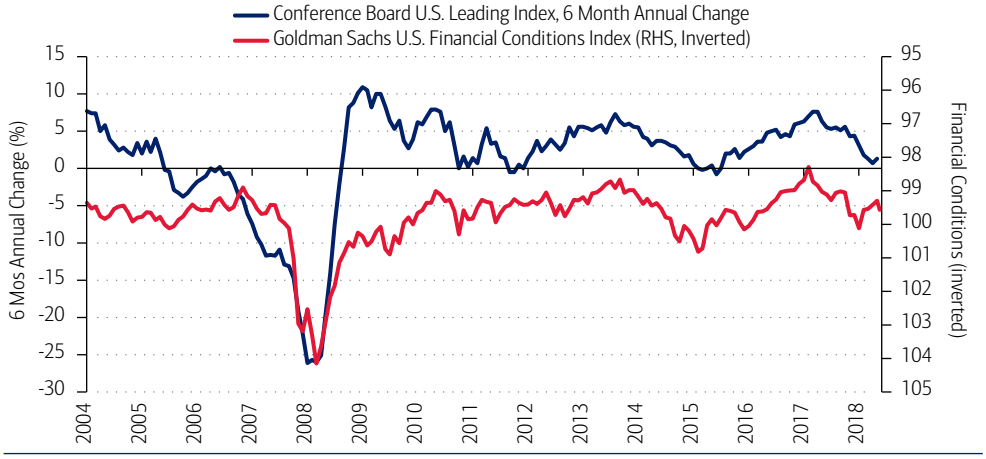
Importantly, realized inflation and inflation expectations appear well anchored and have helped stop the monetary tightening cycle in its tracks. Supply-side policy reforms supported a boom in capex last year with the effects demonstrating themselves via increased productivity and lower unit labor costs. With pricing pressures well contained, the monetary bias appears to have shifted further away from tightening. In early June, the Fed will convene a "framework" conference in Chicago, headlined by public analysis of the Fed's approach to inflation and full employment. Some discussion amongst members has pointed toward the potential outcome focused on a periodic symmetrical approach to inflation, which would suggest monetary easing as a response to a decade of inflation-undershoot. For its part, the market now prices an approximate 70% chance of a rate cut by the end of the year as illustrated by Fed Fund futures, while an inversion in the shorter end of the yield curve shows a similar reflection.

If the Expansion Continues This Bull Could Run

The current S&P bull market was spared from the voracious jaws of the bear on Christmas Eve, just tenths of a percent away from ending its historic run (bear markets are generally characterized by 20% declines). The pullback coincided with higher credit spreads, deteriorating trade activity and a statement from Fed President Powell indicating that the neutral policy rate was a long way from neutral. In December, the Goldman Sachs Financial Conditions Index hit its tightest level since early 2016, indicating elevated stress.

Since the depths of December, many policymakers have turned decidedly more dovish, prompting rallies and respite for capital markets. High yield credit spreads have tightened (approximately 135 basis points (bps) from December lows), equity multiples have normalized (from 13.6x to 16.4x on a forward twelve-month basis), and financial conditions have moderated a bit (Exhibit 2). What has been absent is notable excesses: Equity multiples are still not overly extended, stock inflows are curiously weak, cyclical sectors are relatively cheap, and we've yet to experience a blow-off top. Not to mention that there remains plenty of room for financial conditions to ease up more, especially if the Fed adopts an explicitly dovish path. The typical signposts of a late-stage bull market simply have not appeared.

Exhibit 2: Looser Financial Conditions have Coincided with Better Leading Indicators



Sources: The Conference Board; Goldman Sachs; Chief Investment Office. Data as of May 20, 2019. **Past performance is no guarantee of future results.**

We believe that the backdrop remains conducive and tilted in favor of the Fed attempting to loosen financial conditions further. As detailed earlier, there are some concerning points of data lingering relating to industrial production, retail sales and the yield curve. In addition, concern is mounting that trade tensions with China could move into or even beyond just a short-term simmer as national security points of interest and future technology dominance seem to have become tangled alongside the trade deficit. This will add to fears that growth is slowing, leading policymakers to favor further easing. Subdued inflation removes a barrier toward accommodation, and in fact the stubborn tendency of

inflation to remain below its target rate in recent years has actually been cited by some Fed members—such as Neel Kashkari—as reason in and of itself to ease.

Some parallels could be drawn to the rate-hiking cycle of 1994. At the time, Fed Chairman Alan Greenspan tightened policy rates faster and by more than expected to get ahead of inflation that had yet to materialize. Volatility gripped the financial markets, real GDP growth was nearly cut by half, and the Fed ultimately reversed course in July of 1995, which set the stage for a new multi-year rally for markets and growth.

Conclusion

If macro data indeed has troughed and the business cycle gets its second wind, we would expect equities, including those in cyclical sectors such as financials and technology, to benefit. Earnings should be expected to take the lead and power gains ahead, but multiples could also be supported by easier financial conditions, strong relative value, and the return of institutional and retail fund flows into equities.

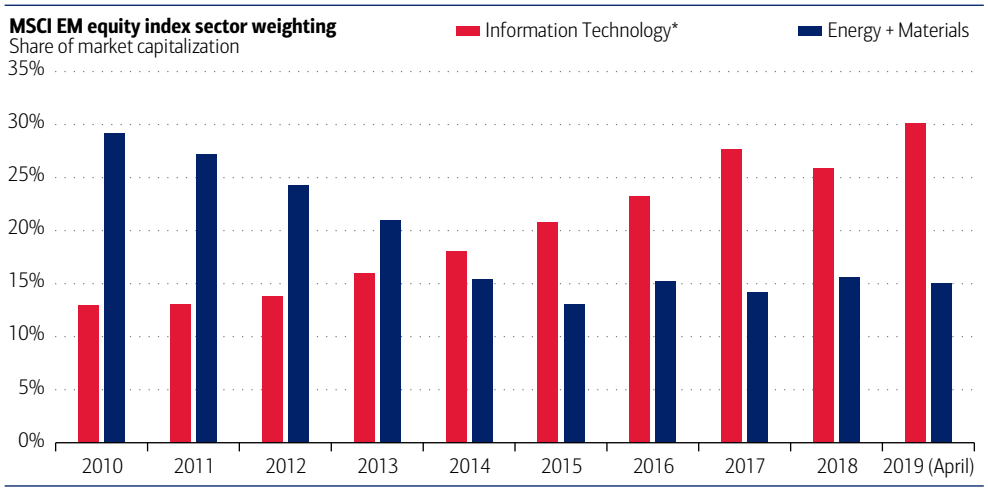
GLOBAL MARKET VIEW

Digital Consumption: A Tailwind for Emerging Markets

Ehiwario Efeyini, Senior Vice President and Senior Market Strategy Analyst

The emerging equity market of today looks very different from that of a decade ago. In 2010, materials and energy accounted for a combined 29% of the MSCI index compared to 13% for information technology (IT). But over the course of the post-crisis economic expansion, IT has overtaken the commodity sectors in market capitalization terms to become the single largest group within the EM equity benchmark. Energy and materials today stand at a combined 15%, with technology accounting for twice their market cap weight at 30% (Exhibit 3). As a result, returns in EM equities are now much less dependent on trends in natural resource prices and much more dependent on trends in the tech sector than they were in the past. The new uncertainties around trade and technology hardware supply chains have therefore raised concern that emerging markets could be more vulnerable in the current policy environment. But even though technology-related industries have led EM equities lower over recent weeks, we still see fundamental supports for the sector over the long run.

Exhibit 3: Information Technology has Become the Largest Sector within Emerging Equities.

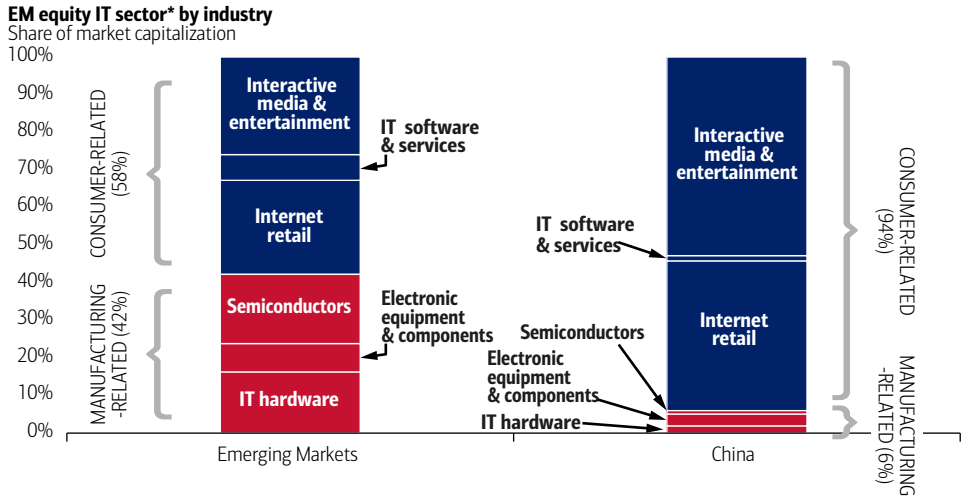


*Weighting for 2018 and 2019 based on reclassified information technology, internet retail and interactive media & entertainment. Source: MSCI. Data as of April 2019. **Past performance is no guarantee of future results.** Performance would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend.

We should first note that the underlying drivers of the EM information technology sector vary across its constituent industries. Broadly defined, we would divide the IT sector into two main industry groups. On the one hand, interactive media and entertainment, internet

retail (now included respectively under communications services and consumer discretionary by the major index providers) and IT software and services capture consumer activity such as e-commerce, digital media and online gaming. While on the other hand, IT hardware, semiconductors and electronic equipment and components are more closely tied to manufacturing and global supply chains. There are clearly interdependencies between each group—the devices and servers that enable online consumer activity in the first group rely on embedded hardware and components from the second group. But the industries with more direct consumer exposure are nonetheless larger, accounting for 58% of IT market capitalization across EM in total and 94% of IT market cap in China (Exhibit 4).

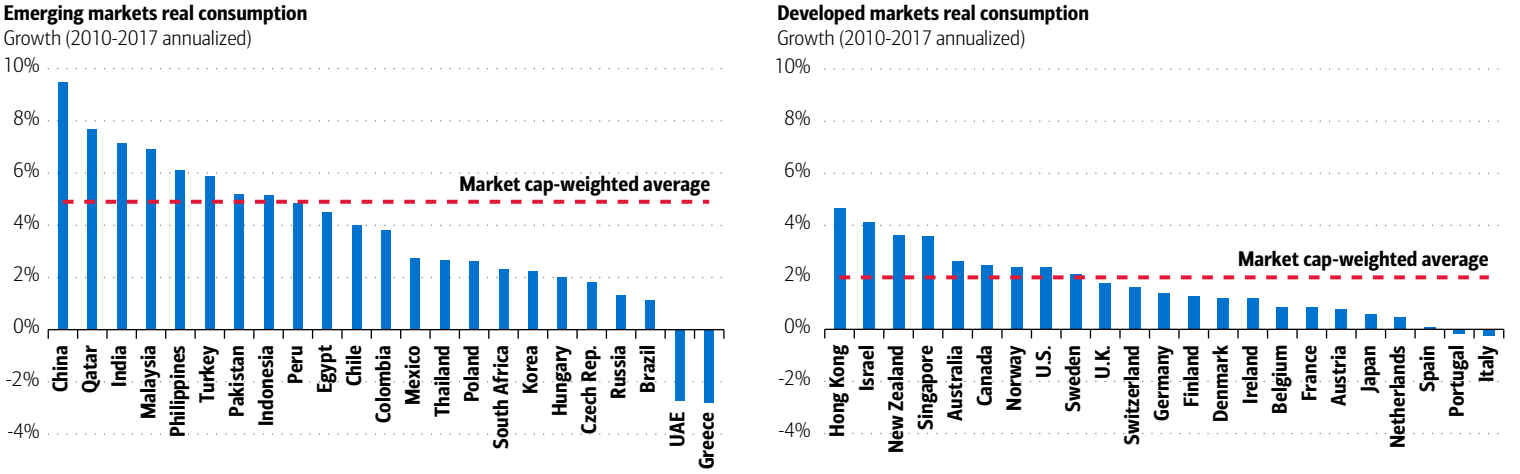
Exhibit 4: Consumption-related IT Industries in EM Outweigh Manufacturing-related Segments.



*IT sector based on reclassified information technology, internet retail and interactive media & entertainment.
Source: MSCI. Data as of April 2019.

The rise of the consumer class in emerging economies has been one of our long-standing investment themes, and the rate of household consumption growth across the MSCI index markets remains high. On a cap-weighted average basis, real household spending across the countries included in the equity benchmark has grown at an annualized 4.9% since 2010—well in excess of the 2.0% for countries in the developed markets index—with much of the growth concentrated in large, lower-income economies in Asia such as China, India, Indonesia and Philippines (Exhibit 5). This is a trend that is expected to persist. Of the 2.4 billion-person increase in the global middle class projected by the Brookings Institution between 2015 and 2030, close to 90% are expected to come from the Asia-Pacific region.

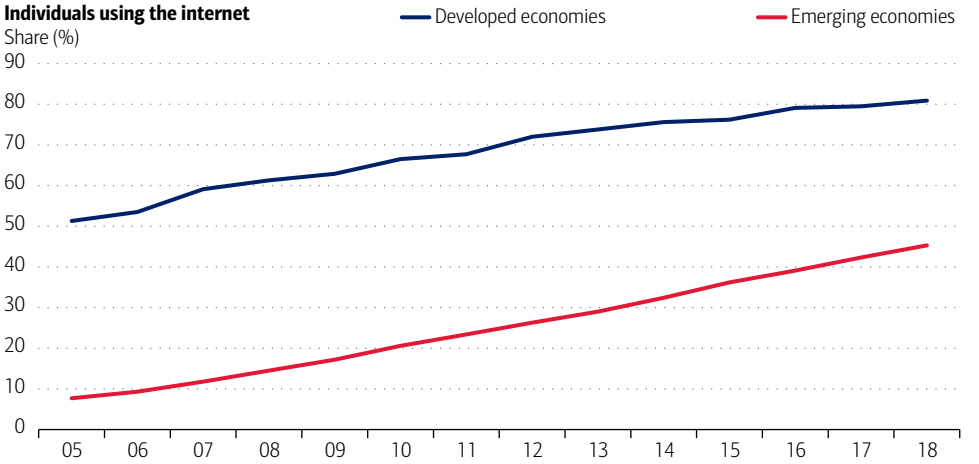
Exhibit 5: Household Consumption in Emerging Markets Continues to Grow Rapidly.



MSCI index country-weighted. Sources: World Bank; MSCI. Data as of 2017.

The underlying pace of household spending therefore provides a strong baseline for EM consumer activity in general. But online spending in particular should benefit from rising internet penetration in the emerging world. Since 2009, the number of internet users in developing economies has tripled from 950 million to 2.9 billion, but still more than 50% of people in EMs remain offline (Exhibit 6), with over 60% still offline in the fast-growing consumer markets of India and Indonesia. This digital divide is nonetheless closing. Over 200 million internet users have been added across the emerging world in each of the past five years, and the large youth population (more than half of all EM inhabitants are under 30 years of age) should support continuing expansion of the user base. We would expect this combination of fast consumer spending growth, still low internet penetration and broadening internet usage to drive future revenue expansion in the EM IT sector.

Exhibit 6: Internet Penetration in Emerging Economies Still Below 50% and Expanding.



Source: International Telecommunication Union. Data as of 2018.

Smartphone subscriptions for example across Southeast Asia, Latin America, Central and Eastern Europe, India, the Middle East and Africa are expected to grow at an annualized rate of 9% between 2019 and 2022 according to Ericsson forecasts. This would represent a major tailwind for device makers in emerging Asia, particularly in China, which are taking market share in emerging economies from leading U.S. and Korean suppliers.

Demand for online services such as video content, digital advertising, social networking and online gaming is also expected to grow rapidly over the next few years, boosted not only by more device subscriptions but also by faster internet speeds. In 2018 for example, just 20% of total mobile subscriptions in Southeast Asia and India were on high-speed 4G networks (compared to 70% across North America and Western Europe), but the share is projected by Ericsson to rise to more than 60% by 2022. Over the same period, Cisco projections show a 34% annualized increase in consumer internet traffic for the Asia-Pacific region, well in excess of the 23%–25% for developed markets. To increase consumer usage, the dominant internet services firms in China also combine several features in their main mobile applications, such as instant messaging, maps and reservations for offline services such as restaurants, movie theaters or airline tickets. And the addition of online payment services has been another gain for sector revenues, both through transaction fees and higher-value advertising.

Internet retail should be a further source of growth for the sector. Outside of China, emerging world e-commerce sales remain extremely low compared with developed markets. And on top of a growing base of internet users, we would expect additional support to come from complementary infrastructure such as digital payment systems and more efficient ground transportation for last-mile physical delivery. In India for example, recent government reforms have made for improvements in each of these areas. The 2016 demonetization initiative has encouraged more widespread use of

mobile wallets and online electronic payments. The introduction of the national goods and services tax in 2017 has reduced the time taken to move goods across internal state borders by eliminating tax enforcement checkpoints for delivery vehicles. Both are expected to boost online retail activity over the coming years.

We are still in the early stages of expansion for digital consumer spending in the emerging world and expect the progress of recent years to continue. Rising internet penetration, more smartphone subscriptions, faster mobile network speeds, improving payment and delivery infrastructure and the rapid pace of underlying household consumption growth all represent fundamental tailwinds for online consumer activity. And with EM equities now much more heavily exposed to information technology than in past years, particularly in consumer-facing industries, we view this as a key support for future EM returns.

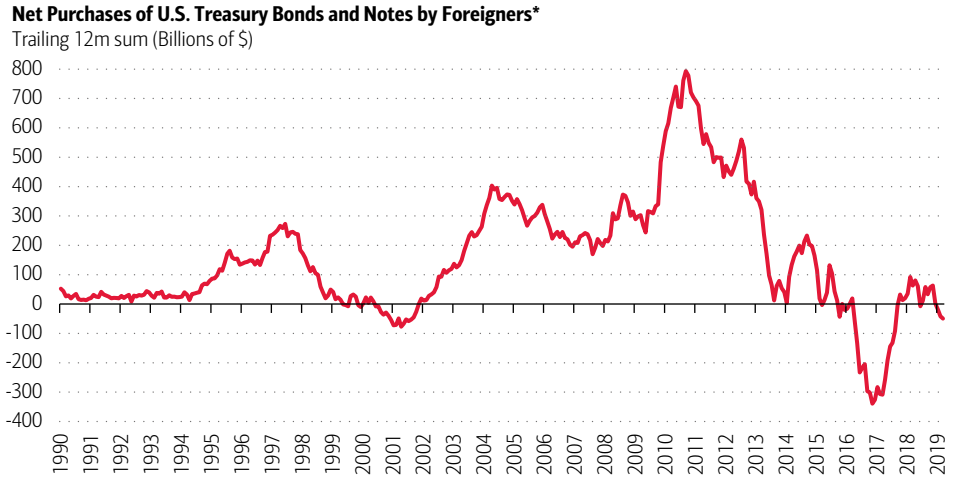
THOUGHT OF THE WEEK

Watching Foreign Flows of U.S. Treasuries

Kathryn A. Cassavell, CFA®, Vice President and Market Strategy Analyst

For years, ultra-accommodative monetary policy and strong foreign demand for U.S. Treasuries helped keep interest rates low and U.S. debt service costs manageable. However, just as the U.S. needs to issue more debt to finance growing budget deficits, foreign purchases of U.S. Treasury bonds and notes has slowed (Exhibit 7). After rebounding briefly in 2017–2018, foreign appetite for U.S. government debt appears to be deteriorating once again.

Exhibit 7: Slowing Foreign Demand for U.S. Treasuries



*Foreign purchases of U.S. Treasuries minus foreign sales of U.S. Treasuries. Data represents long-term Treasury notes and bonds. Source: U.S. Treasury Department, Treasury International Capital (TIC) System. Data as of May 2019.

Here are a few forces behind the recent change:

- China, the largest holder of U.S. Treasuries, is currently reducing its holdings. As the U.S. dollar strengthens versus the yuan, China could be spending its foreign reserves (U.S. Treasuries) to defend its currency. Additionally, over the longer term, China's declining current account surplus means it will have less capital savings to send to the U.S.

- American firms' record repatriation of funds last year ($665 billion returned to the U.S.) also had an impact. Most of these funds had been stockpiled abroad by their foreign subsidiaries in the form of U.S. assets, such as Treasury and corporate bonds. After U.S. tax reform, key tax havens such as Ireland, Switzerland and the Cayman Islands have reported sizable declines in their Treasury holdings.[1]

[1] Foreign subsidiaries of U.S. firms count as foreign entities in the Treasury Department data.

- As dollar hedging costs rise, the relative attractiveness of U.S. yields has diminished for foreign investors. For Japanese investors, the yield received from buying a 10-year treasury bond and hedging the USD risk back into yen has fallen below the yield of a 10-year Japanese bond. Similar market dynamics are occurring in the eurozone as well, which could weigh on U.S. Treasuries demand.

- Foreign private investors have been reallocating funds toward higher-yielding U.S. debt such as U.S. agency securities and corporate bonds. In 2017, U.S. equities overtook treasuries as the largest U.S. asset class held by foreigners, though recently demand has stalled.

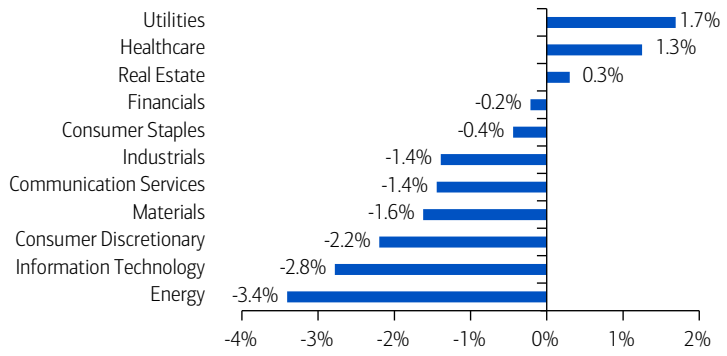
In the end, weaker foreign demand for Treasuries is a key risk we are watching which, over the long run, could put upward pressure on Treasury yields and cause interest payments on the government's debt to accelerate more rapidly than anticipated.

MARKETS IN REVIEW

Equities

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
DJIA	25,585.69	-0.6	-3.5	10.8
NASDAQ	7,637.01	-2.3	-5.5	15.6
S&P 500	2,826.06	-1.1	-3.9	13.7
S&P 400 Mid Cap	1,862.83	-1.4	-5.4	12.7
Russell 2000	1,514.11	-1.4	-4.7	12.9
MSCI World	2,096.43	-0.9	-3.6	12.3
MSCI EAFE	1,855.29	-0.5	-3.0	9.7
MSCI Emerging Markets	989.15	-0.9	-8.4	2.8

S&P 500 Sector Returns



Fixed Income[1]

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
Corporate & Government	2.79	0.3	0.9	4.2
Agencies	2.41	0.2	0.8	2.6
Municipals	2.14	0.1	1.0	4.3
U.S. Investment Grade Credit	2.85	0.3	0.8	3.8
International	3.57	0.1	0.5	6.2
High Yield	6.36	-0.1	-0.7	8.1

	Current	Prior Week End	Prior Month End	2018 Year End
90 Day Yield	2.28	2.33	2.37	2.36
2 Year Yield	2.16	2.20	2.27	2.49
10 Year Yield	2.32	2.39	2.50	2.68
30 Year Yield	2.75	2.83	2.93	3.01

Commodities & Currencies

		Total Return in USD (%)		
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	165.45	-1.2	-2.2	3.6
WTI Crude $/Barrel[2]	58.63	-6.6	-8.3	29.1
Gold Spot $/Ounce[2]	1,284.75	0.6	0.1	0.2

Currencies	Current	Prior Week End	Prior Month End	2018 Year End
EUR/USD	1.12	1.12	1.12	1.15
USD/JPY	109.31	110.08	111.42	109.69
USD/CNH	6.92	6.95	6.74	6.87

Source: Bloomberg, Factset.Total Returns from the period of 5/20/19 to 5/24/19. Bloomberg Barclays Indices.[1] Spot price returns.[2] All data as of the 5/24/19 close.
Past performance is no guarantee of future results. Please see the Index Definitions at the back of the document.

Asset Class Weightings (as of 3/6/19)

	Under-weight		Neutral		Over-weight
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	•	•	●	•	•
High Yield	•	●	•	•	•
U.S. Investment Grade Tax Exempt	•	•	●	•	•
U.S. High Yield Tax Exempt	•	●	•	•	•
International Fixed Income	●	•	•	•	•
Alternative Investments*	see CIO Asset Class Views				
Hedge Funds					
Private Equity					
Real Assets					
Cash					

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

Economic and Market Forecasts (as of 5/24/19)

	Q3 2018A	Q4 2018A	Q1 2019A	Q2 2019E	2018A	2019E
Real global GDP (% y/y annualized)	–	–	–	–	3.6	3.4
Real U.S. GDP (% q/q annualized)	3.4	2.2	3.2	1.8	2.9	2.5
CPI inflation (% y/y)	2.6	2.2	1.6	1.9	2.4	1.8
Core CPI inflation (% y/y)	2.2	2.2	2.1	2.1	2.1	2.1
Unemployment rate (%)	3.8	3.8	3.9	3.6	3.9	3.7
Fed funds rate, end period (%)	2.18	2.40	2.43	2.38	2.40	2.38
10-year Treasury, end period (%)	3.06	2.68	2.41	2.40	2.68	2.60
S&P 500 end period	2914	2507	2834	–	2507	2900
S&P earnings ($/share)	43	41	38*	42.5	161.5	168
Euro/U.S. dollar, end period	1.16	1.15	1.12	1.10	1.15	1.17
U.S. dollar/Japanese yen, end period	114	110	111	109	110	101
Oil ($/barrel, avg. of period, WTI**)	69	59	55	62	65	59

The forecasts in the table above are the base line view from BofAML Global Research team. 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.

Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

A = Actual. E/* = Estimate. S&P 500 represents a fair value estimate for 2019. **West Texas Intermediate

Sources: BofA Merrill Lynch Global Research; GWIM ISC as of May 24, 2019.

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 dollars.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

Goldman Sachs U.S. Financial Conditions Index defined as a weighted average of riskless interest rates, the exchange rate, equity valuations, and credit spreads, with weights that correspond to the direct impact of each variable on GDP.

MSCI EM equity index is a measurement of stock market performance in a particular area. MSCI stands for Morgan Stanley Capital International, the first global market indexes

Conference Board U.S. leading economic indicator is an American economic leading indicator intended to forecast future economic activity.

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