

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Initiations & Reinstatements

[Smith Douglas Homes](#) | NEUTRAL | SDHC US | Mkt Cap:USD1,375mn | Rafe Jadrosich

Impressive returns and growth priced into premium valuation, Initiate at Neutral

- We initiate coverage of Smith Douglas with Neutral rating and \$28 PO. SDHC has impressive track record of ROI and growth.
- We are constructive on SDHC's asset-light model. Devon Street acquisition supports expansion into attractive Houston market.
- Valuation premium is warranted, but we expect some ROE headwind to absorbing an acquisition and expanding into new markets.

Rating Changes

[Portland General](#) | NEUTRAL | POR US | Mkt Cap:USD4,010mn | Julien Dumoulin-Smith

Recalibrating the EPS growth outlook to 5%: Downgrade to Neutral

- Downgrade to Neutral after reducing EPS growth to 5% CAGR with estimates more in-line with Consensus. Balanced risk/reward.
- Above average variability with power cost (lower than before) and equity issuance exposure (6% of market cap annual average).
- See capex shift ahead towards transmission over gen. See some risks to '24 EPS from Winter storm costs: downside bias.

PO Raised

[AbbVie](#) | NEUTRAL | ABBV US | Mkt Cap:USD297,793mn | Geoff Meacham
4Q23 Earnings Tracker – Weeks 1&2

- We provide a recap of the first two weeks of 4Q23 earnings / 2024 guidance outlooks within our Biopharma coverage universe
- See pages 2 - 4 for recaps of 4Q calls from the last 2 weeks

05 February 2024

Equity
United States

Investor Support
BofAS

Today's Events: Economic Indicators

1. 9:45 S&P Global US services PMI
2. 10:00 ISM Services
3. 14:00 SLOOS results

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QuickNotes is a list of today's Global Research activities. Please use the links to read the full Research report before making investment decisions. The reports also contain important disclosures.

[America Movil](#) | BUY | AMX US | Mkt Cap:USD56mn | Fred Mendes
4Q23 Preview: Bullish on AMX, but broadband market remains challenging

- We are bullish on AMX as we expect a solid FCF generation in 2024, with its declining capex, 4Q should be in line with 3Q
- TV: Soft results, still pressured from its undergoing turnaround
- We reiterate our Buy rating and preference in the MX TMT space for AMX and raise our PO to MXN21 from MXN20

[Arista Networks](#) | BUY | ANET US | Mkt Cap:USD80,838mn | Tal Liani
Peer results signal a weak environment, Yet hyperscaler demand remains strong

- 2024 outlook seems more robust after recent capex commentary from Microsoft and Meta, reit. Buy and increase PO to \$305
- We expect Cloud and AI Titans to grow in 2024, albeit at a more moderate rate vs. our estimated 2023 growth rate range..
- ..of 16%-33% YoY, we model total revenue to grow 12.1% in 2024, which we think is achievable vs. the 33.6% we model for 2023

[Chevron](#) | BUY | CVX US | Mkt Cap:USD281,921mn | Doug Leggate
4Q23 recap: answering back with a strong Q: HES by mid-year resets CVX, PO \$196

- We see yearend results as operationally solid putting CVX back on track after a disappointing prior quarter
- HES deal expected to close mid-year which we see as resetting CVX investment case with greater dividend visibility
- Given this potential rate of change, we reiterate our BUY rating on CVX and lift our PO to \$196 from \$190

[Eaton Corp PLC](#) | BUY | ETN US | Mkt Cap:USD116,791mn | Andrew Obin
DEM #562: 4Q Week 2: EPS beats, organic growth mixed

- We recap week 2 of earnings. HON, ETN, ITW, PH, TT, JCI, ROK, FTV, DOV, and PNR reported.
- 9 out of 12 multi-industrials beat on EPS, 5 beat on revenue, and 5 beat on operating profit.
- Average organic growth was 2.5% y/y slightly below our 2.6% forecast and decelerating from 4.4% last quarter

[Edwards Lifesciences](#) | NEUTRAL | EW US | Mkt Cap:USD52,214mn | Travis Steed

EW +17.5% last week... does the move make sense?

- We estimate US Evoque worth \$1.5bn in EW market cap (3-4%), no BSX TAVR worth at most 8% in EW's EPS.
- At most last week news worth 12% vs EW's 17.5% move, but peers were also up last week too (SYK 10% and BSX 5%).
- EW can now grow DD (bear thesis gone) but now 2-3 turn premium. Move holds but EW likely needs to digest it. EW PO to \$90.

Equity Residential | BUY | EQR US | Mkt Cap:USD23,514mn | Jeffrey Spector
Residential earnings recap week 1: AVB, CPT, ELS, EQR

- Apartment's FY24 guidance ranges from conservative to optimistic: AVB most conservative, EQR balanced & CPT most optimistic.
- Our view on Sunbelt is more downbeat than CPT. There is a risk that pricing pressure lingers well into 2025.
- ELS's core business remains very healthy. We believe this is fully reflected in ELS's valuation. Reiterate Neutral.

Leslie's | BUY | LESL US | Mkt Cap:USD1,292mn | Shaun Calnan
A path to sales/margin recovery, despite industry headwinds, Reiterate Buy

- LESL reported F1Q24 adj. earnings above consensus estimates on better than expected sales. FY guidance unchanged.
- Sales and gross margin continued to decline in the quarter, but we expect both to improve on easier comps in 2H.
- We slightly raise our F2024 adj. EPS estimate to \$0.32 on better gross margin. We raise our PO to \$8 and reiterate our Buy.

Teledyne Tech. Inc. | BUY | TDY US | Mkt Cap:USD20,419mn | Ronald J. Epstein
Robust order book offsetting slowing DI concerns, maintain Buy, raise PO to \$490

- We continue to see TDY's long-cycle end-market exposure in A&D, Space, & Medical, offsetting near term headwinds
- We remain positive on TDY's liquidity position, low interest rate on debt, and appetite for M&A
- We continue to see TDY as uniquely talented at finding and acquiring niche product-driven companies

Tempur Sealy | BUY | TPX US | Mkt Cap:USD8,664mn | Jason Haas
4Q Preview: Our top pick on industry recovery, share gains, & margin recapture

- TPX is scheduled to report 4Q earnings on Thursday, February 8th. We're modeling \$0.53 EPS and flat revenue YoY.
- We expect 4Q gross margin to expand 328bp YoY (vs. consensus 271bp) and opex deleverage of 306bp (vs. consensus 218bp).
- We're raising our PO from \$57.5 to \$65 as we roll forward our valuation basis from 2024 to 2025 (still based on 19x P/E).

The Cigna Group | BUY | CI US | Mkt Cap:USD95,392mn | Kevin Fischbeck
Fischbeck Focus: Trying to frame CI's Medicare exit

- 2023 MLR was better vs expectations. 2024 MLR is higher, driven is normalization in stop loss, mix, conservatism.
- We explore CI's Medicare exit including implications for CI's M&A strategy and what it signals about the MA market.
- We maintain our 2024 adj EPS ests, raise 2025 and roll out 2026 ests. Raising PO. Reiterate Buy.



PO Lowered

[Autohome](#) | NEUTRAL | ATHM US | Mkt Cap:USD2,962mn | Miranda Zhuang
Preview: ICEV headwind persists, stock with rich cash and good dividend yield

- We lower 4Qe/1Qe topline to RMB1.9bn (0.4% YoY)/RMB1.57bn (2% YoY), 4Qe/1Qe adjusted NP to RMB507mn/RMB421mn (10% YoY drop).
- For 2024, we expect: scale up of NEV new retail store, stronger cooperation with Ping An's auto ecosystem, application of AI
- USD25 cash per share > USD24 stock price. >4% dividend yield (2023) and probably high-single-digit dividend yield (2024-26).

[Becton Dickinson](#) | BUY | BDX US | Mkt Cap:USD68,525mn | Travis Steed
New model & PO post FQ1 – it's all about hitting the ramps

- BDX at 16x 2025 EPS still trying to find its landing place between value medtech at 15x EPS or closer to medtech avg at 18x.
- FQ2 will be a pivotal quarter for BDX, all about the revenue/margin ramp. FQ1 pricing 200bps closer to sustainable levels.
- More upside than downside in stock, BDX has most visibility and they remain confident. Our PO goes to \$265 (18x cal 2025 EPS)

[Charter Communicatio](#) | NEUTRAL | CHTR US | Mkt Cap:USD47,218mn | Jessica Reif Ehrlich
Managing through a difficult environment

- CHTR's 4Q results were characterized by higher than forecast broadband net losses w/ financial results below our projections.
- Charter also updated its capex guidance for 2024 (in-line w/ est.), and issued capex guidance for 2025-2027 (above ests.).
- We are reducing our '24E broadband subs and now project -55k. We note that with 5mn ACP subs there is risk of higher losses.

[Eastman Chemical](#) | BUY | EMN US | Mkt Cap:USD9,793mn | Salvator Tiano
Moving to the next stage with multiple growth levers, reiterate Buy

- While Eastman's 2024 guide was below our estimate, we continue to expect a multi-year earnings recovery not priced into EMN
- Our EPS estimate for EMN for 2025 would be a new record, supported by a 20 % reduced share count in the last decade

- The methanolysis plant in Kingsport is now mechanically complete with additional facilities in development. Reiterate Buy

Imperial Oil | BUY | IMO US | Mkt Cap:USD30,197mn | Doug Leggate
4Q23 earnings recap: dividends matter to recognition of value: IMO has room to run

- IMO raised the div 20% to \$0.60 but we still see room to run as the company has FCF covering its div burden 4X at \$72.5 WTI
- Record production at Kearl adds upside risk to 2024 guidance with implications for future growth plans beyond 300 kbd
- 4Q23 earnings beat was split between upstream & downstream helping to fund full year cash returns of \$4.9bn

ING | NEUTRAL | ING US | Mkt Cap:USD49,767mn | Tarik El Mejjad
Work needed on several fronts

- Stay cautious on ING, reiterate Neutral, cut PO to EUR14.4 from EUR16.4. We cut 2024/25E net profit by 7% from 4% lower NII
- Challenging NII dynamics, imbalanced NII/fee mix, poor jaws and subpar WB division profitability. Work needed on many fronts
- EUR4-4.5bn pa SBB in 2024-25E c.EUR2.7bn pa cash dividend (18% yield) is a good support to shares but well anticipated

LyondellBasell | NEUTRAL | LYB US | Mkt Cap:USD30,272mn | Steve Byrne
Limited traction outside of PE in 2024, reiterate Neutral

- We model 5% and 8% EBITDA growth for LYB in '24 and '25, vs '23, respectively, as PE recovers, but other businesses struggle
- LYB has 3 forms of recycled plastic, with 2mnt volumes targeted by 2030, generating \$1bn of incremental EBITDA, or 20c/lb
- LYB is investing in its core PE and PP businesses, with a recent acquisition in Saudi PP. Ethylene oxide is being divested

PennyMac Mortgage | NEUTRAL | PMT US | Mkt Cap:USD1,211mn | Derek Hewett
BVPS up ~0.8%, run-rate earnings lower but investment outlook improving

- Reported 4Q EPS of \$0.44, beating ests of \$0.34, credit strategy strong partially offset by weakness in interest rate segment
- Run-rate quarterly EPS outlook reduced 11% q/q to \$0.31 which represents a 7.9% annualized ROE
- Reduce '24/'25 ests to \$1.29/\$1.38 from \$1.48/\$1.59 & introduce '26 ests of \$1.43, Reduce PO to \$14 (\$14.50 prior)



Significant EPS Change

[Boeing](#) | NEUTRAL | BA US | Mkt Cap:USD127,750mn | Ronald J. Epstein

Intervention: all-hands-on Boeing's flight deck

- The announced FAA freeze of 737 production puts significant pressure on Boeing's 2025/2026 production and FCF targets.
- However, we think the forced slowdown will ultimately benefit Boeing in the long term.
- Additionally, strong demand & duopoly support mid-term market share. Reiterate Neutral rating and \$225 PO.

[Bristol-Myers Squibb](#) | NEUTRAL | BMY US | Mkt Cap:USD99,113mn | Geoff Meacham

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[Rogers](#) | BUY | RCI US | Mkt Cap:USD24,337mn | David Barden

4Q23 Wrap: Synergies ahead of schedule and lifting growth

- RCI reported in-line 4Q results and slightly better than expected 2024 guidance.
- Synergy realization is running ahead of plan and will help lift growth in 2024.
- RCI continues to target C\$1.0bn in non-core asset sales, mainly from real estate, in 2024.

Buy Reiterations

Consumer Discretionary

[Ferrari](#) | BUY | RACE US | Mkt Cap:USD68,764mn | John Murphy

Automotive Industry

- The accompanying valuation framework is one of the most important fundamental factors when buying or selling Auto stocks.
- This report also includes a snapshot of current US Auto industry metrics, including sales, inventory, pricing and Econ data.

- • • BofA Global Auto Summit on March 26-27, and will include fireside chats w/OEMs, suppliers & dealers and key topic panels. • •

[Vail Resorts](#) | BUY | MTN US | Mkt Cap:USD8,443mn | Shaun Kelley

Snow Tracker: Dry January on the mountains, too

- Total (cumulative) snowfall across Vail's 16 resorts we track is -38% Y/Y and -33% below long-term average
- Fortunately there is more snow in the forecast with Vail expecting more than a foot and Park City and Tahoe as much as 3 feet

Communication Services

[Alphabet A](#) | BUY | GOOGL US | Mkt Cap:USD1,778,020mn | Justin Post

Internet/e-Commerce

- 4Q industry update: Big-3 grew 21%E y/y, 1pt accel vs. 3Q, as optimization headwinds fade and AI-demand ramps.
- Amazon's strong backlog growth, Azure's 6pt AI growth contribution, and Google's q/q acceleration were 4Q highlights.
- Cloud industry remains a top play on AI adoption, in our view, and we expect y/y growth to accelerate in 1Q'24.

[Meta Platforms](#) | BUY | META US | Mkt Cap:USD1,249,224mn | Justin Post

Solid 4Q, even better outlook, AI capabilities driving ad improvements

- Solid 4Q Rev/EPS beat, 1Q outlook above Street and suggests continued acceleration in ad revenues despite tougher comps.
- Raising estimates reflecting healthy user engagement and improving ad products. Raising '25 EPS 18% to \$24.06 & PO to \$510.
- Reiterate Buy given strong ad growth drivers in 2024, with potential for multiple expansion on evolving AI capabilities.

Consumer Staples

[Procter & Gamble](#) | BUY | PG US | Mkt Cap:USD411,196mn | Bryan Spillane

Household & Personal Care

- PL share of total household & personal care sales was 16.6% for the trailing 12mo period ending 12/30/23, up only 10bps YoY.
- Notable gains in certain categories included: bath & shower wipes, plastic wraps, facial tissue, baby wipes, and bleach.
- We see Buy-rated PG, CL, and KVUE as best positioned, while we are cautious on Underperform-rated KMB.

Energy

[Cheniere Energy Inc](#) | BUY | LNG US | Mkt Cap:USD38,552mn | Julien

Dumoulin-Smith

Cash generation remains compelling, regulatory turbulence aside – Reiterate Buy



- Reiterate Buy ahead of 4Q23 earnings - expect focus on the call to be capital allocation optionality
- DOE permitting pause a potential headwind for the US market - still, see Cheniere as well equipped to handle
- Estimate revisions, commodity market to market, and discount rate changes all net to a slight reduction in PO

[ExxonMobil](#) | BUY | XOM US | Mkt Cap:USD425,011mn | Doug Leggate
4Q23 earnings recap: inflection in free cashflow to accelerate in 2024

- Strong 4Q23 reaffirms the pending inflection in XOM free cashflow, halfway towards 2x cashflow between 2019-27
- Project contributions to free c/flow to accelerate over the next 18 months, moving post dividend breakeven towards \$40/bbl
- With rangebound oil we see XOM differentiated vs Int'l peers w/ capacity to accelerate div growth per sh beyond only b/back

Financials

[Mastercard Inc](#) | BUY | MA US | Mkt Cap:USD426,958mn | Jason Kupferberg
Payments, Processors & IT Services

- We are hosting an expert call on 2/5 at 10AM with a former Adyen exec to discuss the eCommerce payments market
- Neutral-rated PYPL reports on 2/7, focus will likely be on the '24 guide from new mgmt
- On 2/6, Buy-rated FI, U/P rated CTSH, Buy-rated JKHY, and U/P-rated WU report earnings

[Raymond James](#) | BUY | RJF US | Mkt Cap:USD23,464mn | Mark McLaughlin
Maintain Buy, Counter-rate qualities, cap-lite business model + attractive valuation

- Maintain Buy - buyside seem to underappreciate downside protection to Fed cuts, robust organic growth & high FCF conversion
- Combination of 5-7% NNA growth and high free cash flow conversions in tandem to lead to long-term shareholder appreciation
- RJF is trading at attractive valuations as investors focus on rate-sensitivity and don't give enough credit for offsets

Industrials

[Honeywell](#) | BUY | HON US | Mkt Cap:USD145,886mn | Andrew Obin
Industrials/Multi-Industry

- We recap week 2 of earnings. HON, ETN, ITW, PH, TT, JCI, ROK, FTV, DOV, and PNR reported.
- 9 out of 12 multi-industrials beat on EPS, 5 beat on revenue, and 5 beat on operating profit.
- Average organic growth was 2.5% y/y slightly below our 2.6% forecast and decelerating from 4.4% last quarter



Information Technology

[Apple Inc.](#) | BUY | AAPL US | Mkt Cap:USD2,873,593mn | Wamsi Mohan
Apple Vision Pro: Our review and path to monetization

- We expect Vision Pro to add 68-89 cents per share to EPS over the next 5 years. Maintain Buy. PO stays at \$225
- Despite some concerns, we think Vision Pro could be a significant new category for Apple.
- Vision Pro will offer a differentiated experience for sports & entertainment, productivity, health & fitness, and retail.

[Microsoft](#) | BUY | MSFT US | Mkt Cap:USD3,197,236mn | Brad Sills
Internet/e-Commerce

- 4Q industry update: Big-3 grew 21%E y/y, 1pt accel vs. 3Q, as optimization headwinds fade and AI-demand ramps.
- Amazon's strong backlog growth, Azure's 6pt AI growth contribution, and Google's q/q acceleration were 4Q highlights.
- Cloud industry remains a top play on AI adoption, in our view, and we expect y/y growth to accelerate in 1Q'24.

[TE Connectivity Ltd.](#) | BUY | TEL US | Mkt Cap:USD44,385mn | Wamsi Mohan

Thoughts from investor call with CEO Terrence Curtin

- We hosted TEL CEO Terrence Curtin as part of our View From The Top CEO call series
- We walked away confident on the positive LT opportunity including content growth upside in EV, secular oppty in end mkt
- Expect solid margins to persist over time, As destocking ends the company should drive better growth

Macro & Strategy

[US Rates Watch](#) | US Rates Research
Long positions built in volatile week

- In the days leading up to Friday's blowout payrolls print, futures data showed longs added and shorts destroyed
- CFTC data suggests investors are long & CTAs may have been adding given further extension of momentum
- On the other hand, foreign official investors continue to reduce UST holdings and US fixed income fund inflows cooled

[FX Alpha](#) | G10 FX Strategy
Buy USD/SEK

- We went long USDSEK after the blowout NFP, joining our Technical Strategy.
- Trade specs - entry spot: 10.49, target 10.65/10.90, stop: 10.30, current spot: 10.55)
- Main reasons: near-term/tactical USD upside, dovish Riksbank, technicals

[FX-Alpha](#) | Kamal Sharma**Tactical Trade: Buy GBP/CHF**

- We add tactical long GBP/CHF to our portfolio: 3mth 1x1 GBP/CHF 1.0950/1.1100 c/s. The trade costs 0.47% GBP.
- US NFP should encourage clean break above 50DMA; risk backdrop still benign despite yield back-up. BoE sends strong message
- SNB put should limit CHF upside; April seasonality ve for GBP/CHF upside. CHF data this week should confirm slowing FX sales

[High Frequency Monitor](#) | Nigel Tupper**Equity market support**

- Global equities rallied last week on stronger PMI data globally, and positive surprises in the US reporting season.
- The global sectors with the strongest Triple Momentum characteristics are now Software, Tech Hardware, and Insurance.
- Despite the ongoing equity market rally, narrow breadth is a challenge for stock pickers.

[US Equity Strategy & US Derivatives Research](#) | Savita Subramanian**Navigating Earnings with Options**

- Ahead of this week's US earnings reports, we provide screens to help navigate the announcements with options
- The screens rank stocks reporting this week by how cheap or expensive it is to position for an earnings surprise with options

[Canada Equity Strategy](#) | Ohsung Kwon**Own dividends, own inflation, own Canada**

- Inflation in 2022: TSX>SPX. Disinflation in 2023: TSX<SPX. Inflation is among the biggest risks in 2024. Own TSX at 15x PE.
- Focus on dividends as rate pressure eases. A global recovery cycle is a big tailwind for cyclicals. TSX yields over 2x SPX.
- Risk: Canada Cycle Indicator remains depressed. For meaningful outperformance vs. SPX, TSX needs higher commodity prices.

[Liquid Insight](#) | Global Rates & Currencies Research**Ghosts of cutting cycles past**

- Historical cutting cycles show lower rates / steeper curve result from transitioning from pricing hikes to pricing cuts.
- Today's cycle is unique in how early cuts were priced. Bond bulls will need more than the 200bp of cuts currently priced.
- Conditions that give Fed confidence to cut could imply lower 10y rates because of a lower terminal rate vs current market.



[Global Fund Performance Monitor](#) | Nigel Tupper**Active outperformance**

- In January, 56% of Active funds outperformed benchmark. Value funds outperformed benchmark by the most.
- Value funds' largest overweight positions with strong Triple Momentum include Insight Enter, Vipshop-ADR and Centene Corp.
- Growth funds' largest overweight positions with strong Triple Momentum include NU, Intermediate Capital, Guidewire Software.

[What's priced in](#) | Claudio Irigoyen**BCRP and CNB will likely cut this week; BANXICO, BOT and NBP on hold**

- We expect Thailand's BOT to keep the monetary policy unchanged at 2.50% on February 7.
- Poland's NBP will likely remain on hold at 5.75% on February 7. Czechia's CNB will likely cut 50bp on February 8.
- We forecast Mexico's BANXICO to hold on February 8. Peru's BCP will likely cut 25bp on February 8.

[Earnings Tracker](#) | Savita Subramanian**Week 3: 6% beat, debunking three bears and one red herring**

- 2/3 of 4Q earnings are in and reported EPS came in 6% above consensus, with 70% beating on EPS so far. Misses were punished.
- We debunk three bear cases (weak demand, pickup in layoffs, rate hit to capex/div cuts) plus a red herring (Red Sea/Panama).
- Guidance is in line with typical seasonal trends; sentiment jumped to record highs and other leading indicators surged.

[Global Macro Watch](#) | Global Economics Rates & FX**Known Unknowns Feb 3 – Feb 9**

- Fed (incl. Powell), ECB, BoE, and Riksbank speakers. RBA meeting. SLOOS. Riksbank minutes.
- US ISM Services. German factory orders & IP. JP labour cash earnings. CA & NZ labour market data. Norway CPI.
- Monetary policy meetings in India, Mexico, Poland, Peru, Thailand, Czechia, Serbia. CPI in Brazil, China Mexico and Türkiye.

[Systematic Flows Monitor](#) | Global Equity Derivatives Rsch**CTAs could have more USD to buy; systematic equity leverage stretched**

- After unwinding their longs, CTAs could turn short EUR, AUD, and CAD next week potentially adding continued support to USD
- Trend followers could be adding to SX5E longs while unwinding SX7E next week
- S&P 500 vol control strategies could have leverage unwinds to start the week

[Growth 10 & Value 10](#) | Savita Subramanian Screen for February 2024

- Growth 10: TMUS and URI are replaced by PGR and UHS. Full screen: AMZN, CMG, GOOGL, LLY, META, NFLX, PGR, PODD, UHS, WBD.
- Value 10: TMUS and URI are replaced by ETR and AMP. Full screen: ACGL, AFL, AMP, DRI, ETR, GEN, GM, HD, NUE, RL.
- The screens are quantitatively generated and are based on our BofA vs. Consensus Model and three other screening criteria.

[Global Research Highlights](#) | Derek Harris Moving on from March

- Global Research Highlights features key macro and industry reports published by BofA Global Research this week.
- This week's reports highlight recent Fed moves, conflict on the Red Sea, potential impact of China tariffs, and more.

Credit

[Credit Market Strategist](#) | Yuri Seliger No cut, no problem

- A more hawkish Fed could be negative for stocks, but it was positive for IG spreads in Jan. We expect that to continue.
- Longer term, higher rates create downside risks to growth and potential for faster rate cuts down the road.
- We see weaker growth combined with lower rates as the biggest risk to IG spreads in 2024.



Disclosures

Important Disclosures

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Other Important Disclosures

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