

Investor Sentiment: Risk-Love

Bull markets and euphoria: a twisted tale

Sentiment stays in euphoria, but...

[Global Equity Risk-Love](#), our contrarian sentiment indicator for equities, continues to reside in euphoria as global equity markets race towards new highs. The barometer has been relatively unmoved since our last update a month ago, staying put at the 83rd percentile of history since 1987. Investor surveys, put-call ratios, positioning/flows, and volatility and spreads lean on the optimistic end of the scale, especially in the developed world, with the [Japan Risk-Love](#) also stationed at the 83rd percentile of history.

...curb your contrarian instincts

Sentiment is a tricky concept that calls for interpretation in the context of the market/economic cycle. For instance, euphoric sentiment amidst a bull market isn't exactly an unpleasant combination. While the buoyancy does open up the potential for a pullback, forward point-to-point returns at the end of an extended period of euphoria are not unpalatable in a market upcycle. See [Exhibit 1](#).

Extended euphoria, by definition, is typically a bull market phenomenon. Of the 23 times that Risk-Love was in *euphoria* for at least four consecutive weeks, 22 were in bull regimes and only one was during a bear run. In the bull market episodes, the average returns for global equities over the next 6-months was a healthy 3.7%, 0.4-ppt higher than the base average of 3.3%, with a win ratio of 77%. Noticeably, 40% i.e. 9 out of the 22 episodes saw a drawdown of less than 2% since extended euphoria kicks in.

Positive offsets

Aside sentiment, the other drivers of equity markets – growth, inflation, policy, and liquidity – are all lining up in investors' favor. See [BofA GPS: Anatomy of a bull market 30 January 2024](#). Following a cluster of inflections, the breadth of *Bullish/Neutral* signals from our proprietary growth indicators has risen to a 22-month high of 62%, pointing to potential upside surprises. Meanwhile persistent and pervasive disinflation should allow for policy support in the form of synchronized monetary easing as well as an end to QT.

The weight of the evidence calls for a **bullish stance** so long as we do not see a breakdown in the market breadth, which is better than what many investors perceive to be, as attested to by the new highs in the world ex-China/HK advance-decline line.

Asia/EM sentiment: spanning across the spectrum

[Asia ex-Japan](#) and [Emerging Markets](#) Risk-Love rose further within the neutral zone. Interestingly, even with the 19% plunge in the last six months, [China Risk-Love](#) has rebounded to low neutral levels in a seeming internalization of acute investor apathy. On the other hand, despite being an [investor favorite \(see note\)](#), [India Risk-Love](#) is squarely neutral. Risk-Love for [Korea](#) and [Taiwan](#) are also neutral, while [Hong Kong](#), [Singapore](#), and [Thailand](#) are still languishing in panic.

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Refer to important disclosures on page 18 to 20.

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Predictive Analytics
Global

BofA

Data
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Bull markets and euphoria: a twisted tale

Exhibit 1: Forward returns at extended euphoria are decent in a bull market. Buy any potential dips

Global Risk-Love has to be in euphoria for at least four consecutive weeks to qualify for extended euphoria. We define bull/bear markets based on the 200-day moving averages of the S&P 500 Index

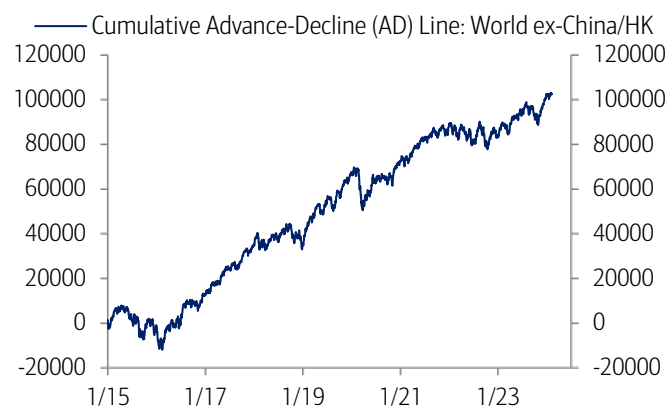
#	Extended Euphoria Trigger Date	Market Trend at Start	Weeks in Euphoria	Forward Returns			Maximum Drawdown Since Trigger Date		
				1M	3M	6M	1M	3M	6M
1	1/27/1989	Bull	7	0.2%	0.7%	5.6%	-0.6%	-4.0%	-5.9%
2	6/8/1990	Bull	5	0.9%	-10.7%	-9.0%	-2.0%	-13.8%	-18.5%
3	3/29/1991	Bull	8	0.9%	-3.2%	2.3%	0.0%	-3.2%	-5.6%
4	12/25/1992	Bull	4	-2.2%	5.1%	11.4%	-3.0%	-3.0%	-3.0%
5	9/3/1993	Bull	4	-1.3%	-1.7%	3.9%	-2.3%	-4.8%	-4.8%
6	12/15/1995	Bull	7	0.7%	2.9%	7.0%	-0.8%	-0.8%	-0.8%
7	6/13/1997	Bull	5	3.0%	-1.2%	-3.2%	-0.4%	-3.1%	-6.2%
8	12/3/1999	Bull	5	5.4%	3.1%	2.8%	-0.2%	-1.2%	-4.3%
9	9/8/2000	Bull	4	-5.0%	-8.5%	-16.3%	-5.0%	-11.9%	-16.6%
10	3/29/2002	Bear	5	-3.5%	-9.7%	-25.1%	-3.5%	-12.0%	-26.7%
11	8/1/2003	Bull	4	2.9%	9.6%	19.9%	-1.3%	-1.3%	-1.3%
12	1/30/2004	Bull	10	1.7%	-1.7%	-2.6%	-0.4%	-2.3%	-5.6%
13	11/26/2004	Bull	12	2.4%	4.4%	1.6%	-0.5%	-0.5%	-1.3%
14	8/5/2005	Bull	6	1.6%	1.7%	10.1%	-0.7%	-1.7%	-1.7%
15	1/5/2007	Bull	6	3.1%	5.1%	12.1%	-0.5%	-1.8%	-1.8%
16	2/1/2013	Bull	7	-1.2%	3.7%	5.8%	-2.2%	-2.2%	-3.2%
17	1/17/2014	Bull	4	-0.5%	1.1%	5.7%	-5.3%	-5.3%	-5.3%
18	3/10/2017	Bull	7	0.4%	4.8%	7.7%	0.0%	-0.3%	-0.3%
19	10/6/2017	Bull	21	1.6%	7.3%	2.3%	-0.1%	-0.1%	-0.1%
20	4/26/2019	Bull	5	-4.2%	1.4%	1.5%	-4.5%	-6.0%	-6.0%
21	1/10/2020	Bull	6	0.5%	-17.7%	-5.0%	-2.1%	-32.7%	-32.7%
22	12/4/2020	Bull	11	2.1%	3.9%	13.1%	-0.7%	-0.7%	-0.7%
23	6/18/2021	Bull	8	1.9%	3.4%	4.1%	0.7%	0.2%	-0.1%
24	1/5/2024	Bull	5	3.5%			-0.5%	-0.5%	-0.5%
Bull Market Episodes:									
Average				7	0.7%	0.6%	3.7%	-1.4%	-4.6%
Median				6	0.9%	2.3%	4.0%	-0.7%	-2.3%
Win Ratio					73%	68%	77%	9%	5%

Source: BofA Predictive Analytics, MSCI, Bloomberg, FactSet

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Exhibit 2: Market breadth is better than popular perception

World ex-China/HK Advance-Decline Line: scaling new highs

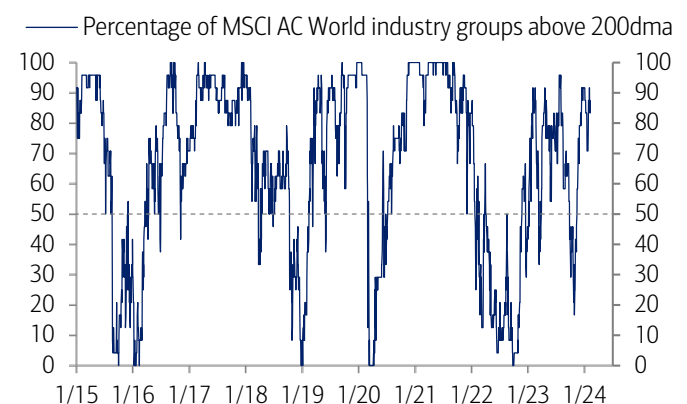


Source: BofA Predictive Analytics, MSCI, Bloomberg

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Exhibit 3: Market breadth is better than popular perception

Breadth of global sectors trading above 200-day moving average: at 88%



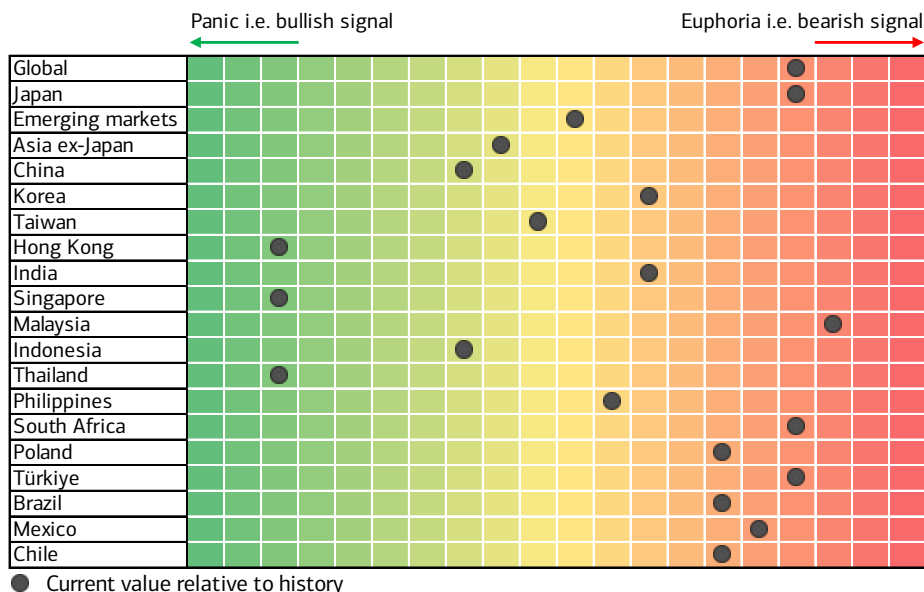
Source: BofA Predictive Analytics, MSCI, FactSet

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Risk-Love Summary

Exhibit 4: Risk-Love Indicator (Equity sentiment) Summary

Where do Risk-Love indicators for individual countries/regions stand today vis-à-vis history?



Source: BofA Predictive Analytics

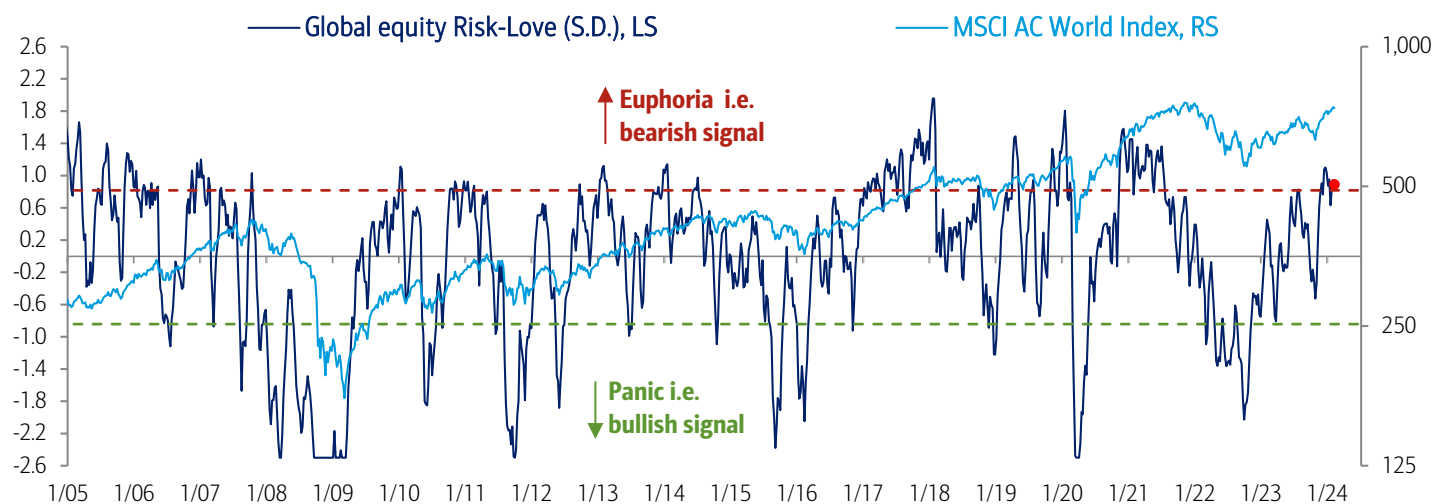
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Global Equity Risk-Love

Exhibit 5 shows our global equity Risk-Love indicator and Exhibits 6-9 show its components. This indicator tracks positioning, put-call ratios, investor surveys, price technicals and volatility, spreads, and correlations measures (see glossary for further details).

Exhibit 5: Global Equity Risk-Love

Global Risk-Love is at the 83rd percentile of its history since 1987



Source: BofA Predictive Analytics, Bloomberg

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Exhibit 6: Global Equity Risk-Love indicator components heatmap

Where do input factors for Global Equity Risk-Love stand today vs. one month ago?

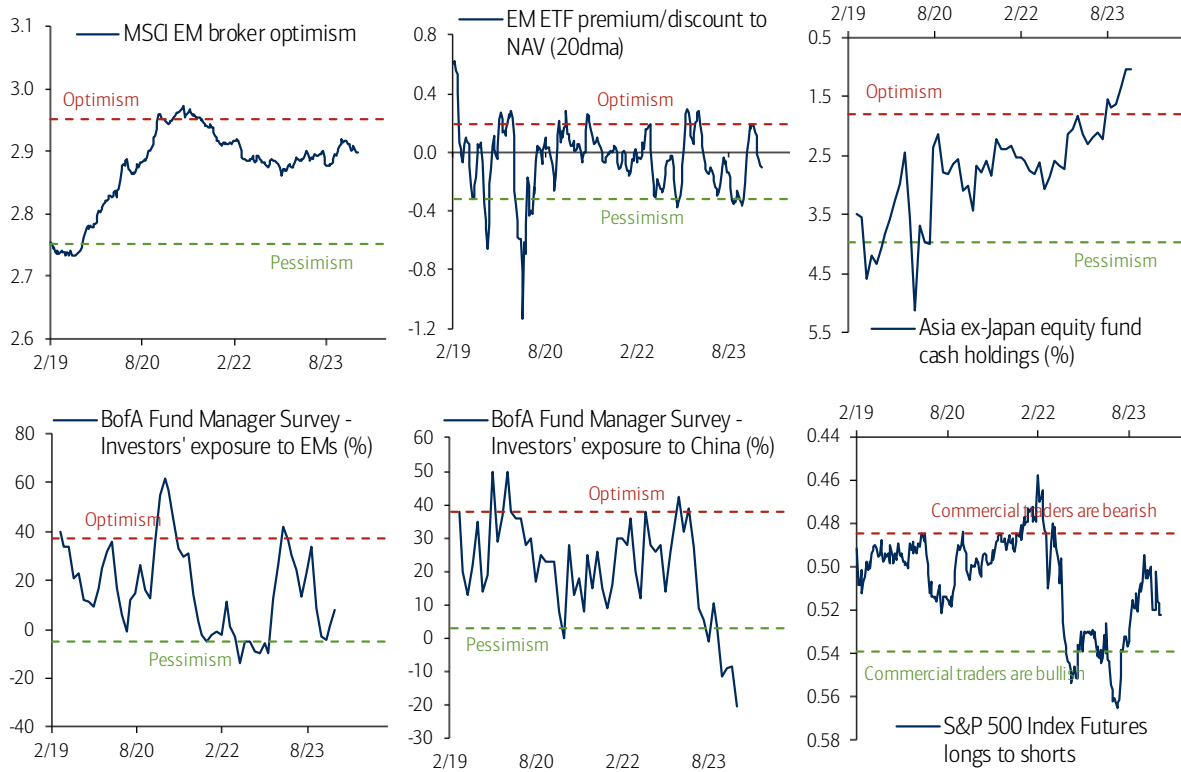
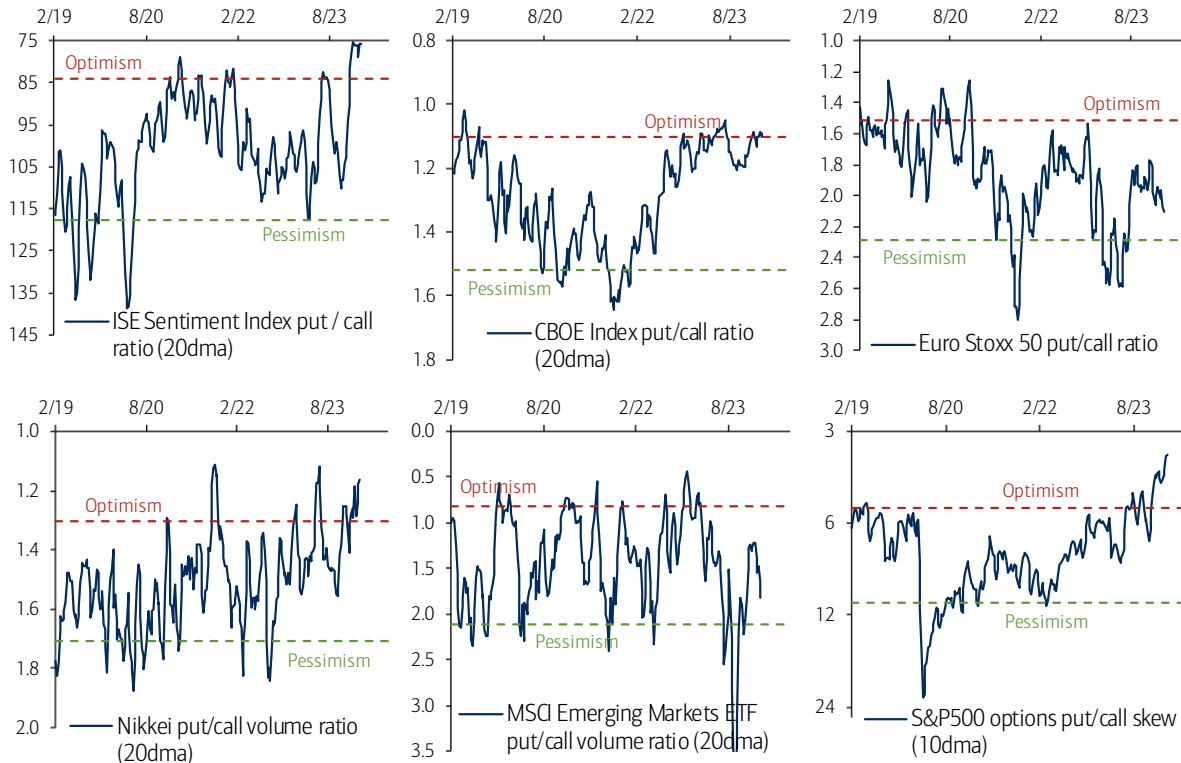


Source: BofA Predictive Analytics, Eikon Refinitiv, Bloomberg, CEIC, Factset, BofA Asia Pac Quantitative Strategy, Trade Futures, Consensus Inc. See Appendix for details. Note: D denotes daily data, W denotes weekly data and M denotes monthly data.

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Exhibit 7: Global Equity Risk-Love indicator components trends

Recent trends in positioning and put-call ratios factors

Positioning**Put call ratios**

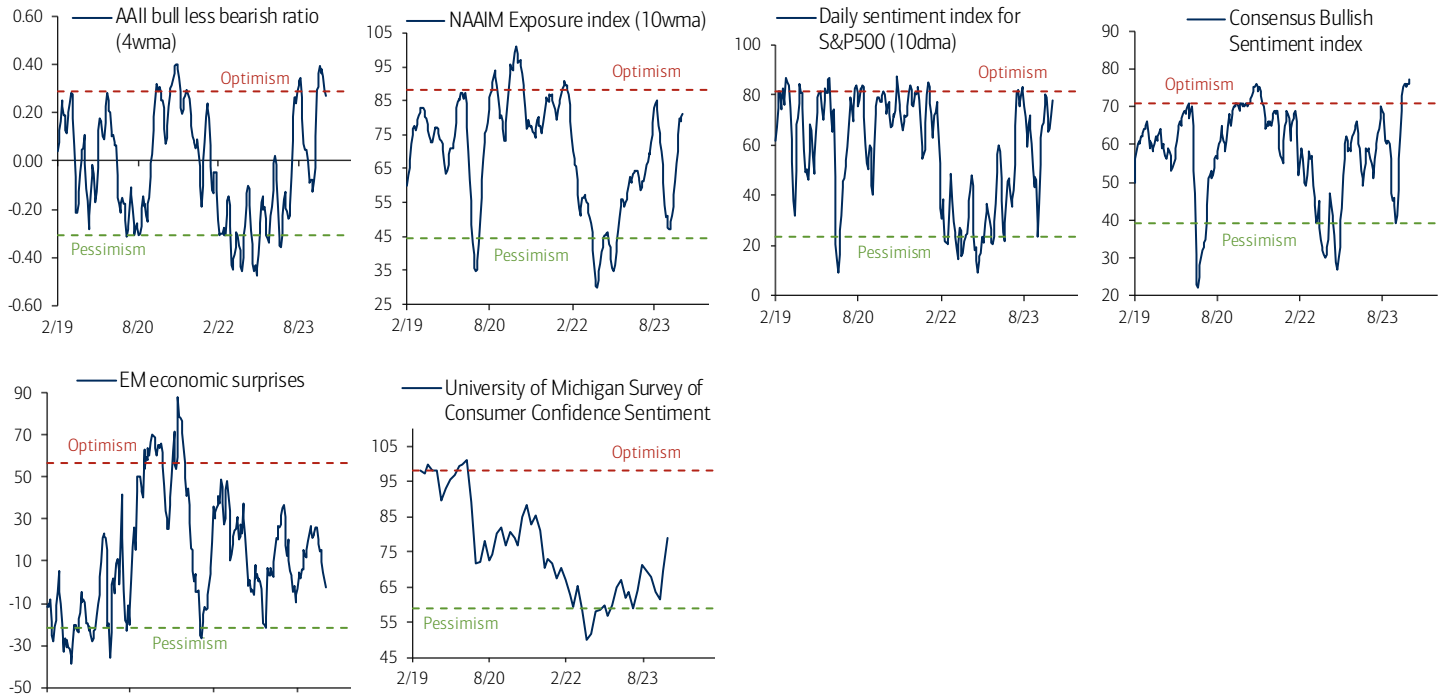
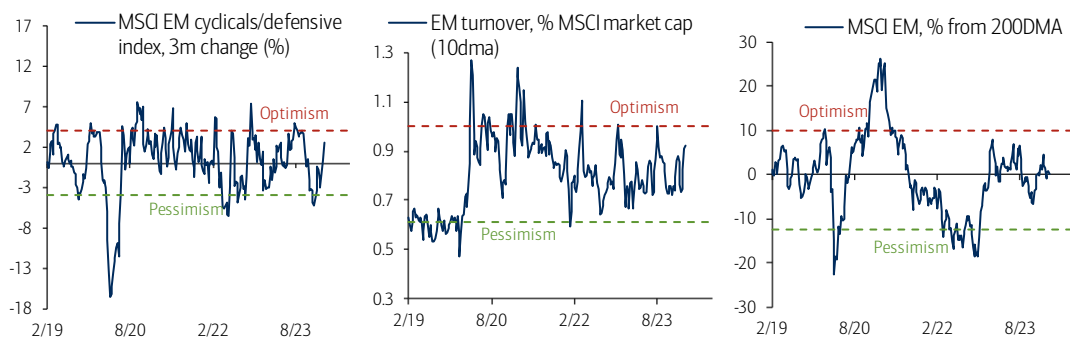
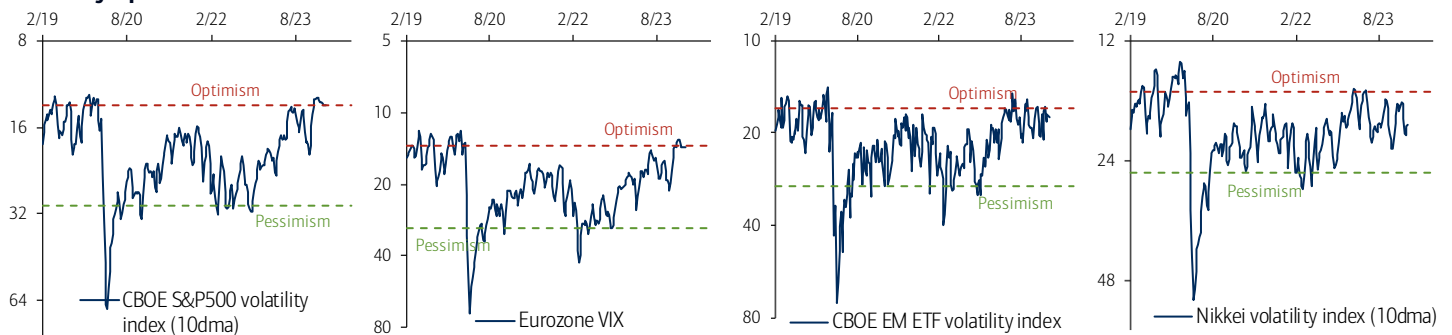
Source: BofA Predictive Analytics, Eikon Refinitiv, Bloomberg, CEIC, Factset, Trade Futures, Consensus Inc

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Exhibit 8: Global Equity Risk-Love indicator components trends cont'd

Recent trends in surveys, technical, and volatility/spreads/correlations factors

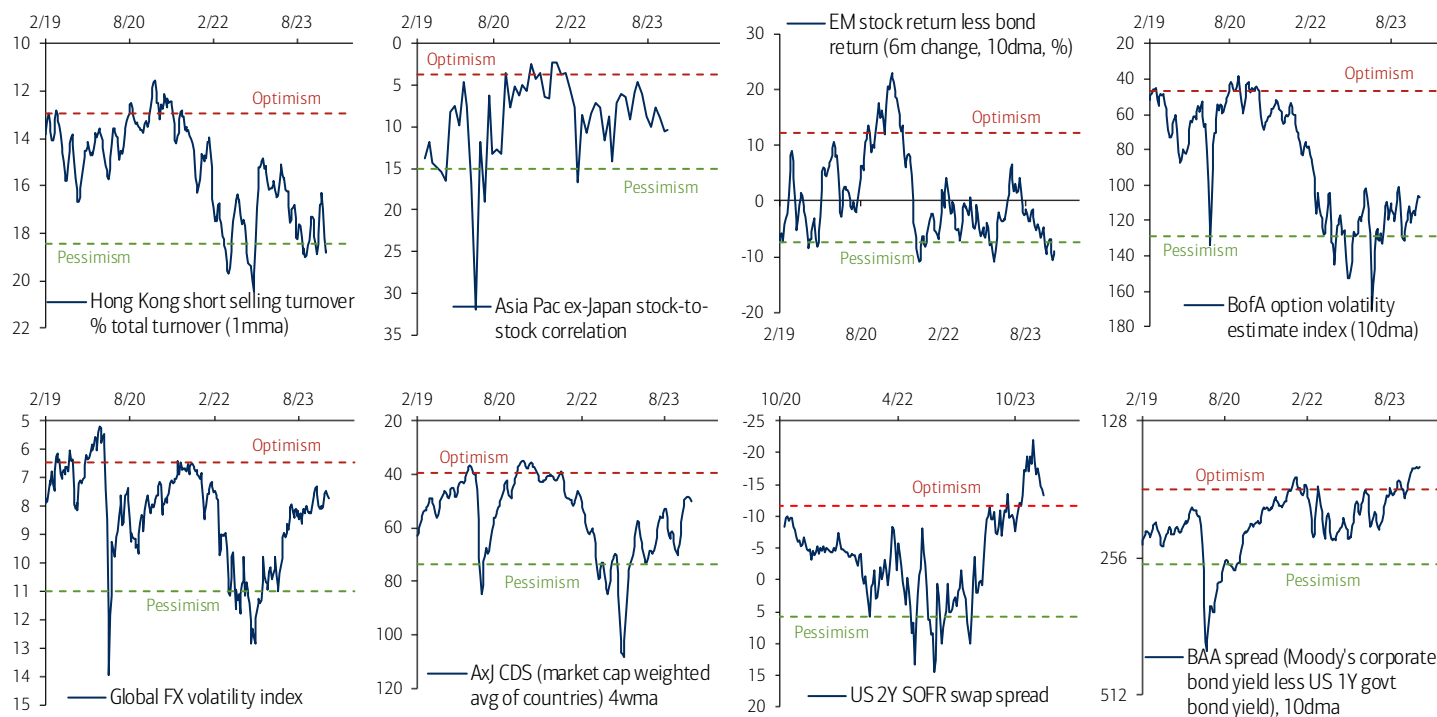
Surveys**Technical****Volatility/spreads/correlations**

Source: BofA Predictive Analytics, Eikon Refinitiv, Bloomberg, CEIC, Factset, Trade Futures, Consensus Inc

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Exhibit 9: Global Equity Risk-Love indicator components trends cont'd

Recent trends in volatility/spreads/correlations factors

Volatility/spreads/correlations contd...

Source: BofA Predictive Analytics, Eikon Refinitiv, Bloomberg, CEIC, Factset, Trade Futures, Consensus In, BofA Asia Pac Quantitative Strategy

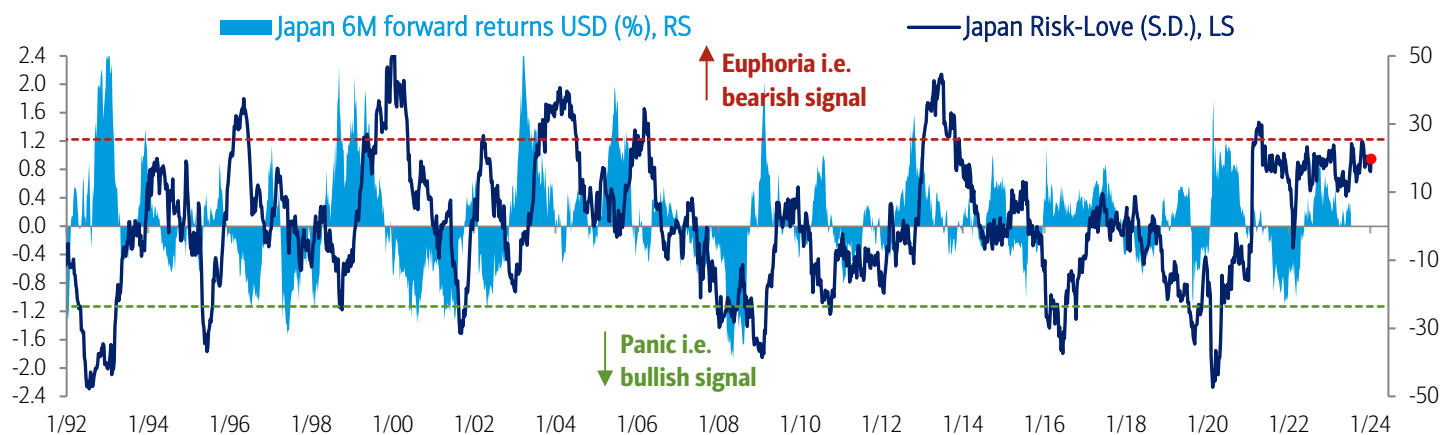
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Risk-Love by market

Exhibits 10-28 show Risk-Love measures for Asia and emerging markets.

Exhibit 10: Japan Risk-Love is in the neutral zone

Japan Risk-Love

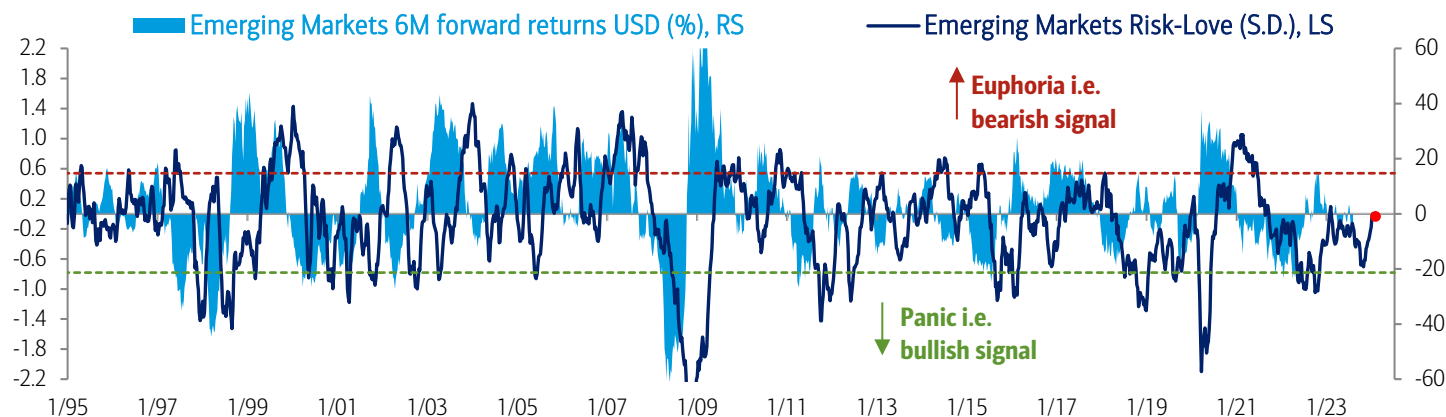


Source: BofA Predictive Analytics, FactSet

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Exhibit 11: Emerging Markets Risk-Love is in the neutral zone

Emerging Markets Risk-Love



Source: BofA Predictive Analytics, FactSet

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Exhibit 12: Asia ex-Japan Risk-Love is in the neutral zone

Asia ex-Japan Risk-Love



Source: BofA Predictive Analytics, FactSet

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Exhibit 13: China Risk-Love is in the neutral zone

China Risk-Love

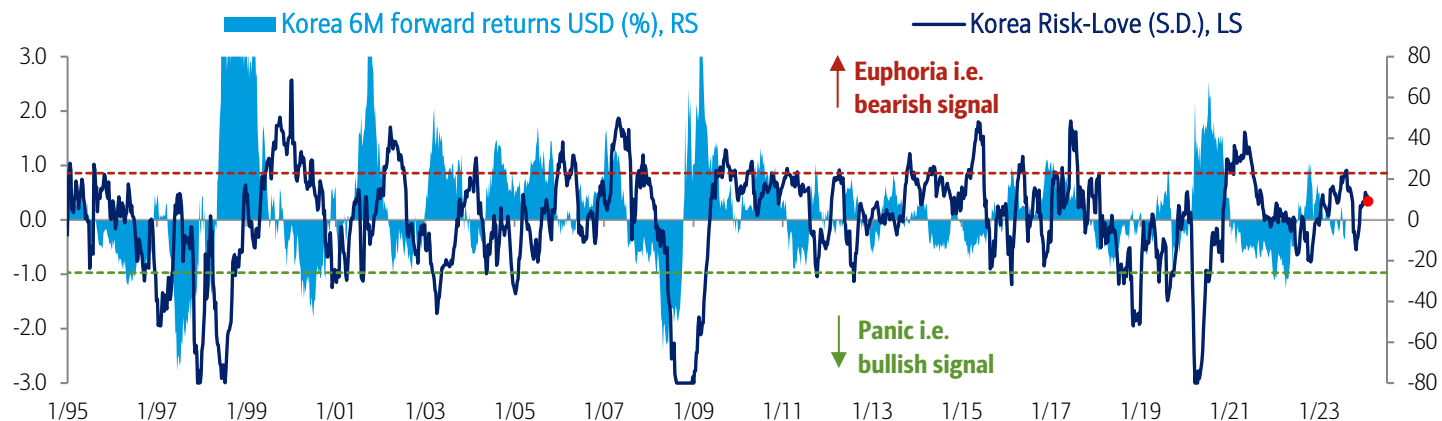


Source: BofA Predictive Analytics, FactSet

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Exhibit 14: Korea Risk-Love is in the neutral zone

Korea Risk-Love

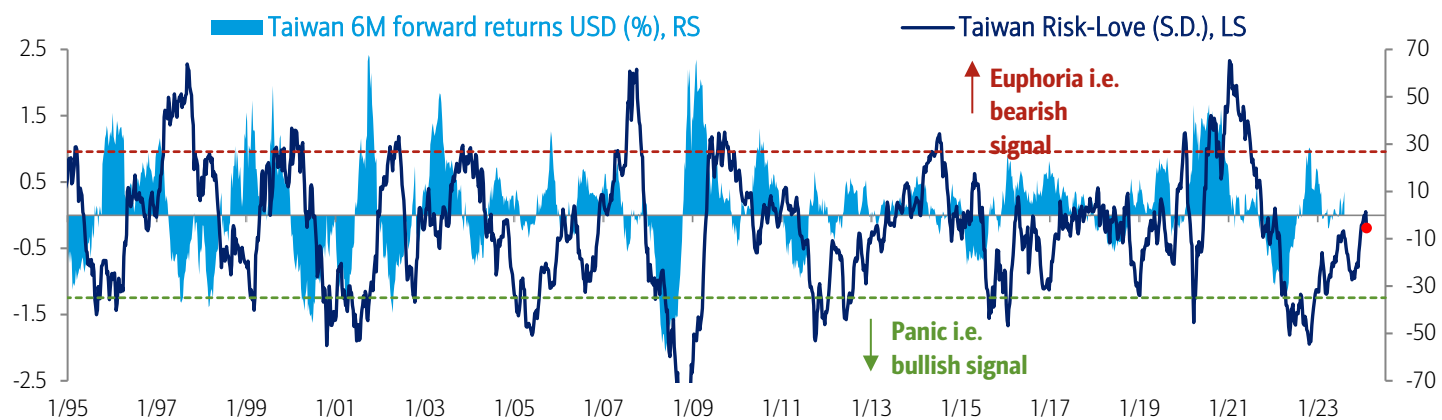


Source: BofA Predictive Analytics, FactSet

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Exhibit 15: Taiwan Risk-Love is in the neutral zone

Taiwan Risk-Love



Source: BofA Predictive Analytics, FactSet

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Exhibit 16: Hong Kong Risk-Love has snapped back to the panic zone

Hong Kong Risk-Love

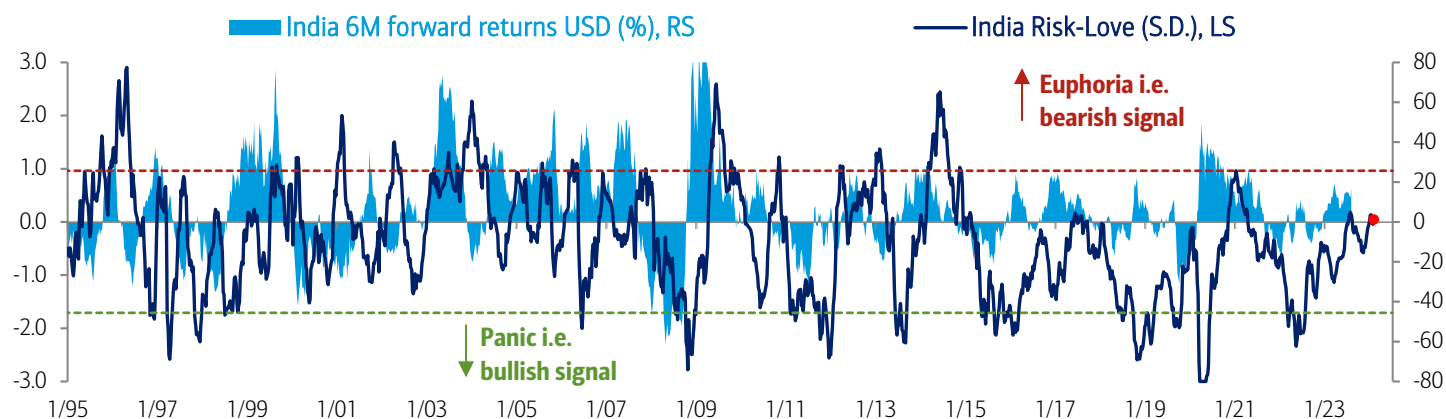


Source: BofA Predictive Analytics, FactSet

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Exhibit 17: India Risk-Love is in the neutral zone

India Risk-Love



Source: BofA Predictive Analytics, FactSet

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Exhibit 18: Singapore Risk-Love is still in panic

Singapore Risk-Love

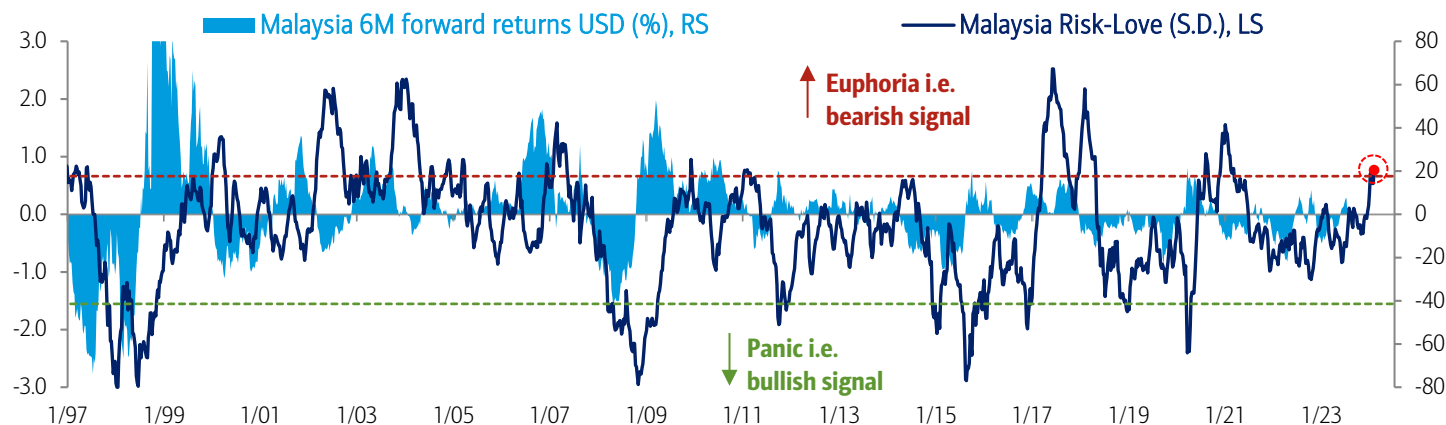


Source: BofA Predictive Analytics, FactSet

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Exhibit 19: Malaysia Risk-Love has rushed into euphoria

Malaysia Risk-Love



Source: BofA Predictive Analytics, FactSet

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Exhibit 20: Indonesia Risk-Love is in the neutral zone

Indonesia Risk-Love

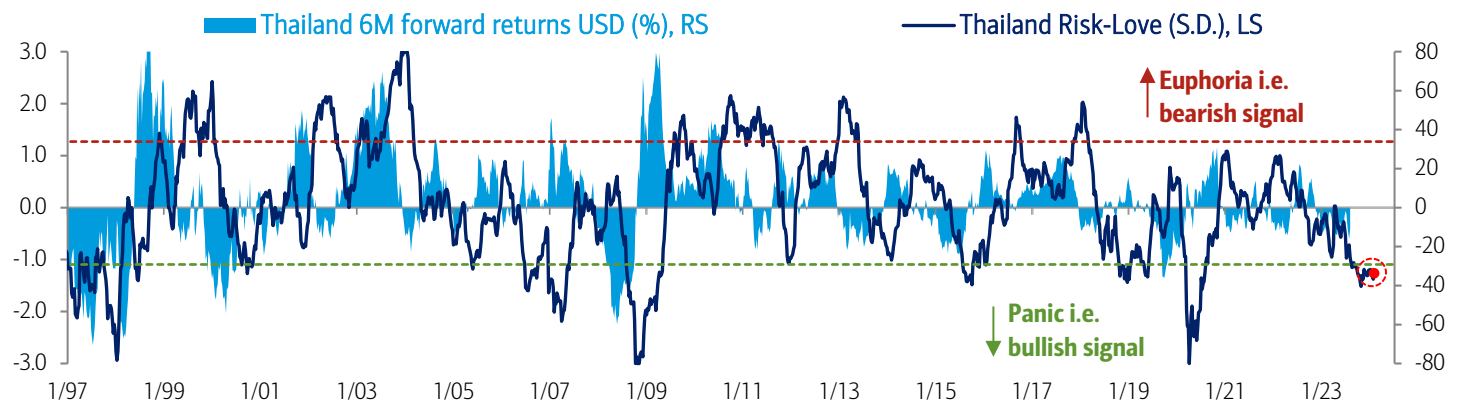


Source: BofA Predictive Analytics, FactSet

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Exhibit 21: Thailand Risk-Love is in the panic zone

Thailand Risk-Love

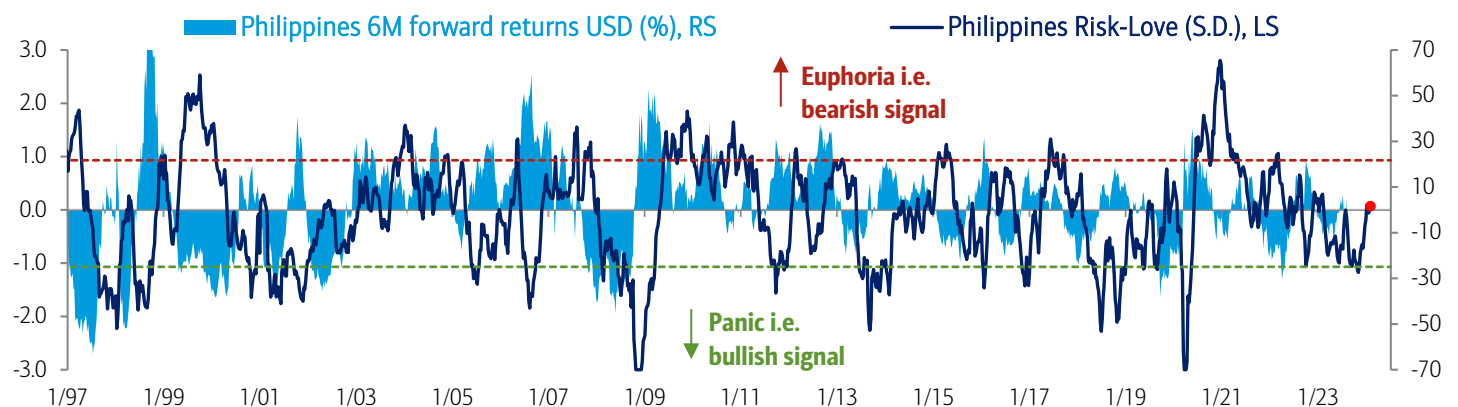


Source: BofA Predictive Analytics, FactSet

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Exhibit 22: The Philippines Risk-Love is in the neutral zone

The Philippines Risk-Love

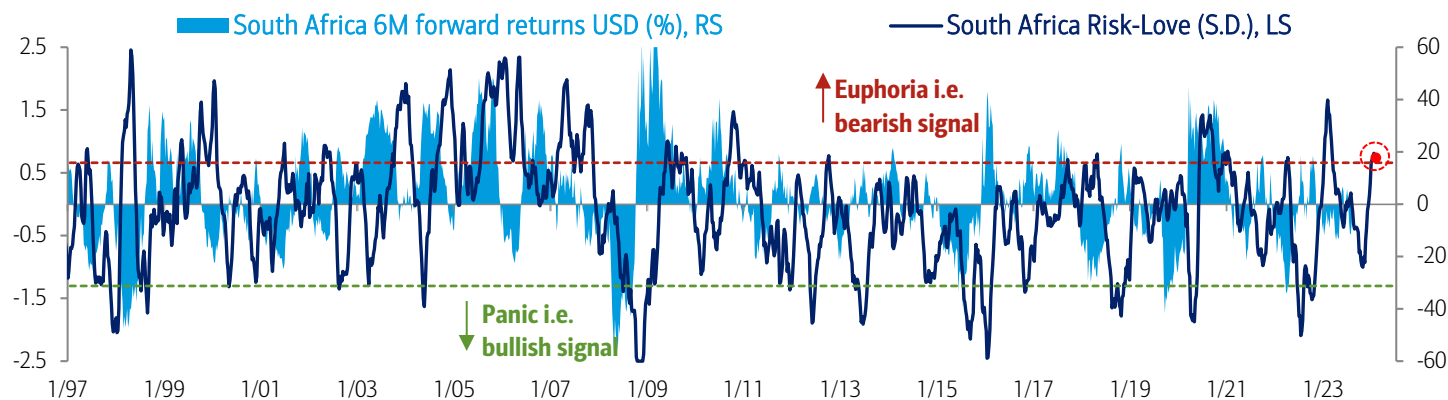


Source: BofA Predictive Analytics, FactSet

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Exhibit 23: South Africa Risk-Love is in euphoria

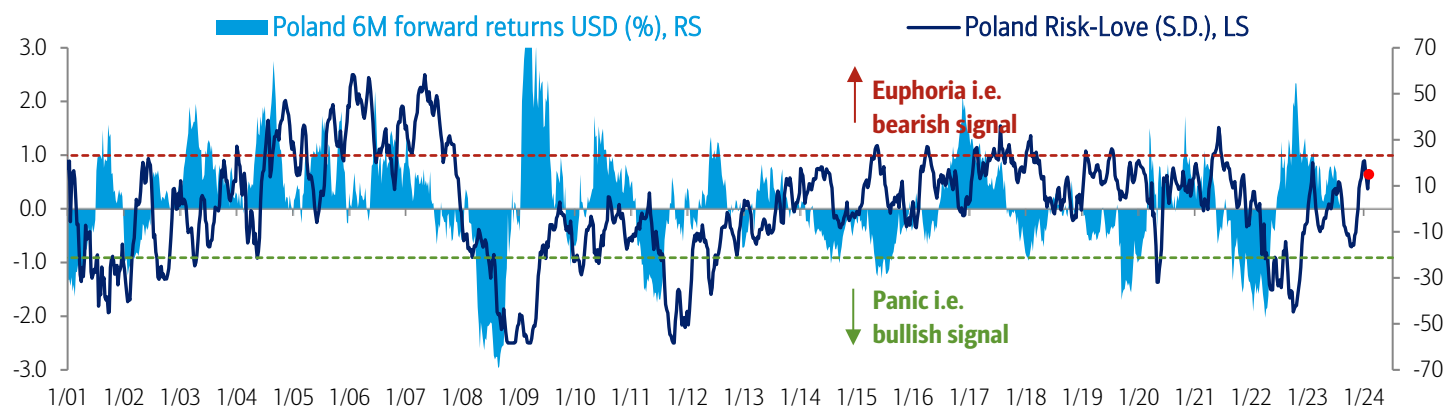
South Africa Risk-Love



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Exhibit 24: Poland Risk-Love is in the neutral zone

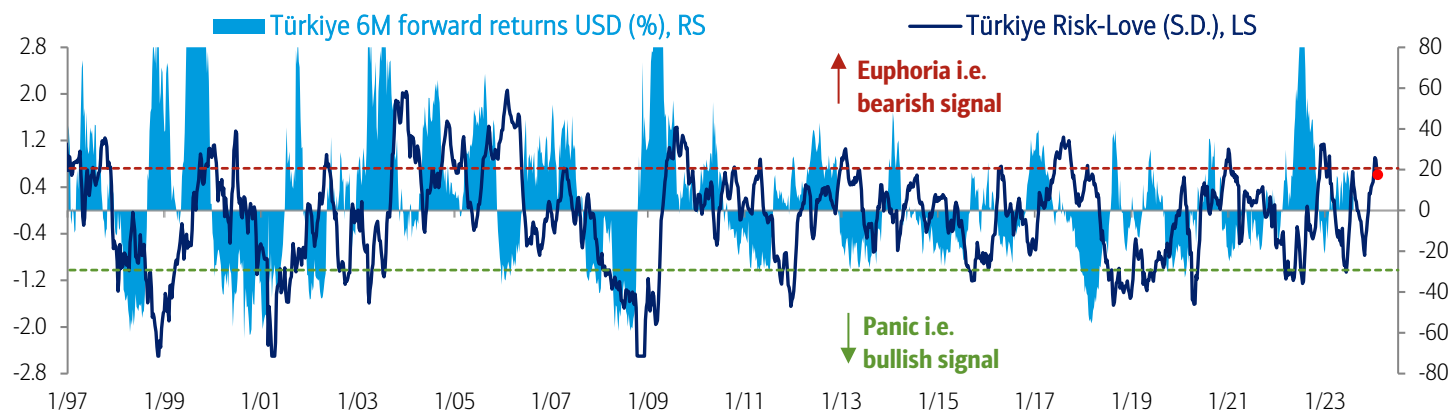
Poland Risk-Love



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Exhibit 25: Türkiye Risk-Love is in borderline euphoria

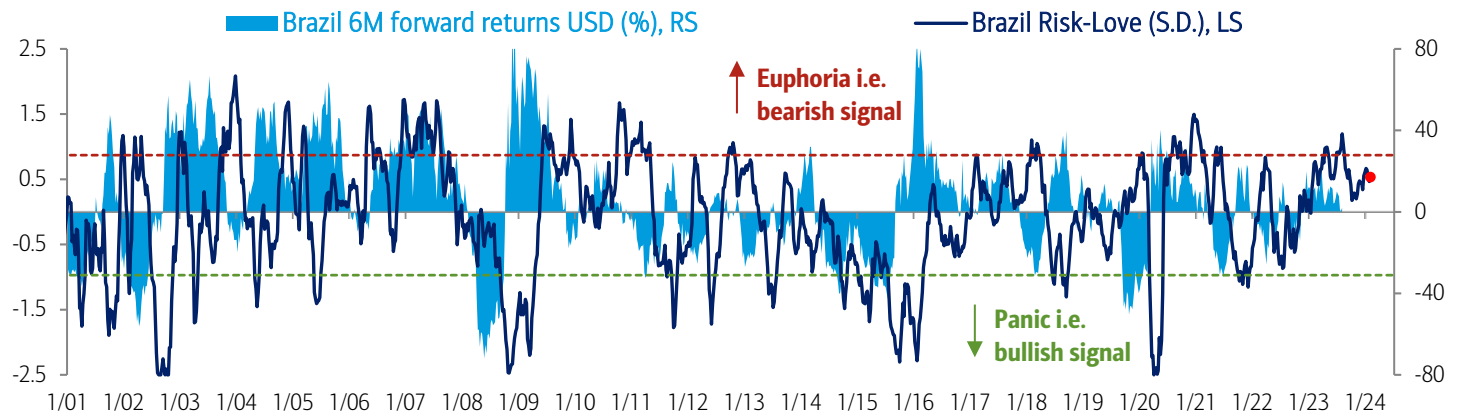
Türkiye Risk-Love



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Exhibit 26: Brazil Risk-Love is in the neutral zone

Brazil Risk-Love

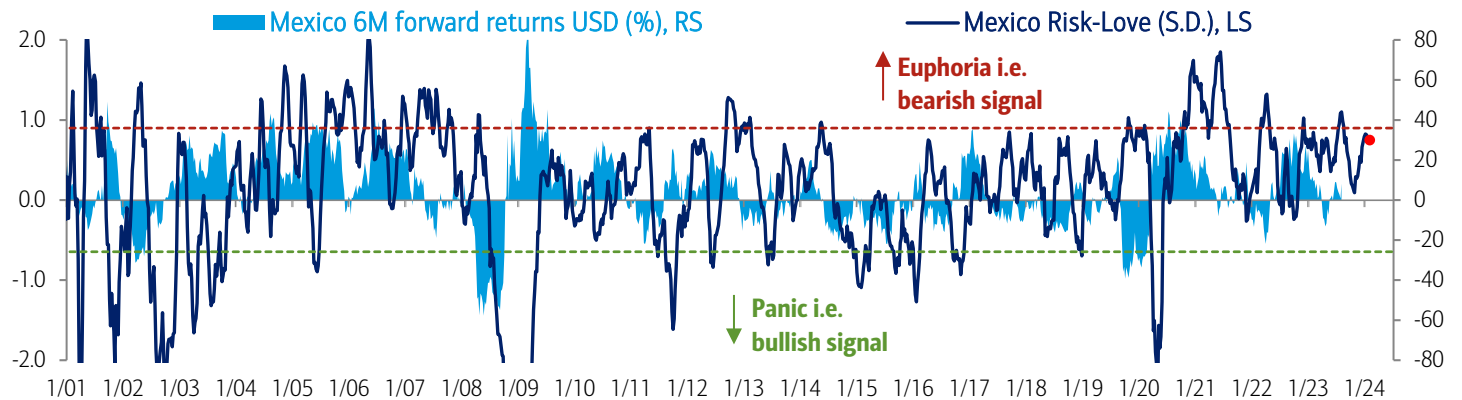


Source: BofA Predictive Analytics, FactSet

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Exhibit 27: Mexico Risk-Love is in the neutral zone

Mexico Risk-Love

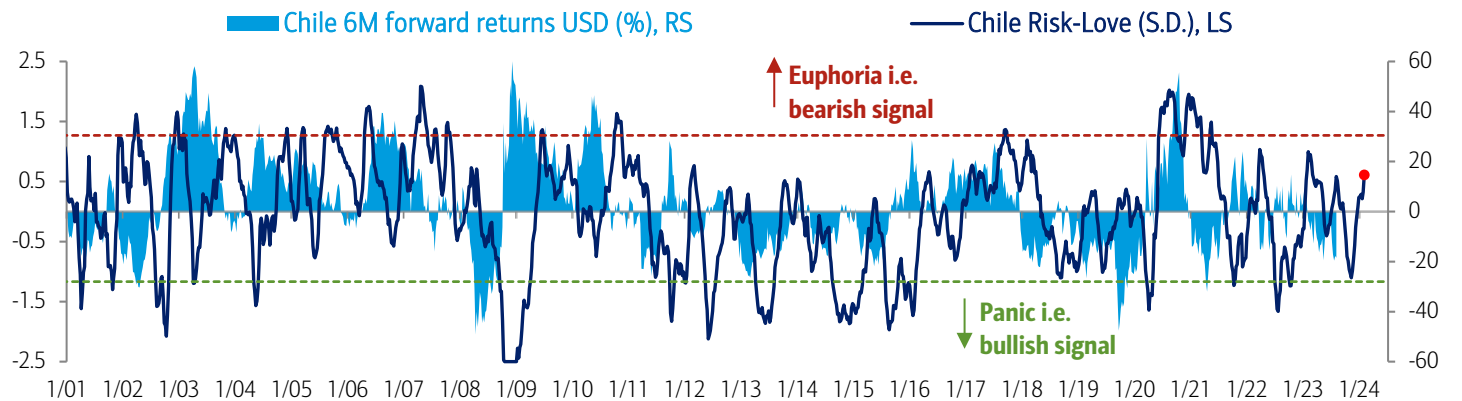


Source: BofA Predictive Analytics, FactSet

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Exhibit 28: Chile Risk-Love is in the neutral zone

Chile Risk-Love



Source: BofA Predictive Analytics, FactSet

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Exhibit 29: Market intelligence as of 6 February 2024

Performance, valuation and growth information by country/region

6-Feb-2024		USD perf (%)			12m forward								EPS growth^ (%)		
Region/Country (# Co)	Mkt cap* (U\$bn)	2023	YTD	1m	PE (x)	% dev 10Y avg	PB (x)	% dev 10Y avg	PB at 2008-09-lows	Div yld (%)#	% dev 10Y avg	ROE (%)	10Y avg	CY2023	CY2024
North America (697)	45,559	24.5	3.5	5.2	20.3	13.6	3.9	28.6	1.4	1.5	21.2	19.2	16.9	1.1	9.8
Canada (88)	1,885	12.6	-2.5	-1.5	13.9	-4.9	1.7	-0.7	1.1	3.4	-6.7	12.3	11.9	-8.8	5.6
US (609)	43,674	25.0	3.7	5.5	20.8	14.5	4.1	29.6	1.4	1.5	22.6	19.7	17.4	1.9	10.1
Europe (424)	10,488	16.7	-1.0	0.1	13.1	-8.2	1.8	6.3	1.0	3.6	1.4	14.0	12.2	-3.2	4.4
Austria (4)	30	12.8	-2.4	-3.2	7.1	-29.0	0.8	-12.9	0.5	6.7	-57.9	11.4	9.7	-11.1	-7.9
Belgium (13)	149	4.1	-3.1	-3.3	16.2	-7.8	1.5	-14.7	0.6	2.9	9.1	9.4	10.2	30.5	4.3
Denmark (15)	580	29.7	7.2	4.7	28.8	42.8	5.8	52.7	1.2	1.6	26.6	20.2	19.0	-33.4	19.5
Finland (13)	167	-8.2	-4.4	-6.2	14.0	-15.3	1.7	-16.9	1.2	4.6	-9.2	12.3	12.6	-27.2	14.1
France (61)	1,919	18.8	-1.4	0.8	13.7	-4.8	1.8	16.6	0.9	3.2	6.2	13.1	10.8	-1.3	3.5
Germany (58)	1,370	19.9	-1.4	0.4	11.5	-10.9	1.4	-8.4	0.9	3.5	-7.4	11.8	11.6	2.0	4.8
Ireland (5)	51	22.9	1.0	2.6	13.4	-19.9	1.6	-8.3	0.5	2.8	-34.1	11.9	10.5	41.9	1.6
Italy (24)	427	31.7	0.2	-0.1	8.5	-27.4	1.2	7.8	0.6	5.7	-22.8	14.4	10.1	9.9	-1.1
Netherlands (26)	804	23.7	7.2	11.2	19.2	10.7	2.9	30.9	1.1	2.0	22.7	15.0	12.8	23.6	4.9
Norway (12)	101	-0.4	-7.0	-7.7	10.2	-19.6	1.6	-1.7	0.9	6.4	-30.1	15.6	13.2	-39.1	8.0
Portugal (4)	32	5.1	-11.3	-10.6	14.3	-12.8	1.9	1.2	1.2	4.0	3.4	13.0	11.2	31.8	6.0
Spain (19)	417	28.2	-3.4	-3.7	10.1	-20.0	1.2	-0.2	1.0	5.2	-13.2	11.7	9.5	11.9	2.8
Sweden (42)	489	21.0	-5.8	-1.7	14.6	-7.9	2.3	6.5	1.1	3.7	2.0	15.5	13.5	20.3	-1.4
Switzerland (45)	1,577	13.3	-2.4	-2.0	17.3	-0.2	3.1	17.5	1.4	3.2	-0.1	18.0	15.3	0.6	8.7
UK (83)	2,376	9.5	-1.9	-1.5	10.9	-16.5	1.6	-3.9	1.1	4.3	0.6	14.6	12.9	-13.9	4.0
Israel (14)	114.8	9.3	2.9	3.9	10.9	0.7	2.3	62.4	1.0	1.9	17.8	20.8	13.0	-7.8	1.2
Asia Pac (1537)	10,844	8.8	-1.2	0.8	13.4	-0.6	1.4	2.7	0.9	2.7	1.8	10.6	10.3	2.0	14.2
Japan (225)	3,731	17.8	2.7	3.8	15.0	6.9	1.4	14.1	0.8	2.3	2.3	9.4	8.8	9.8	8.5
Australia (58)	1,180	9.9	-4.3	-1.9	16.2	3.4	2.1	10.2	1.3	4.1	10.3	13.1	12.3	-3.9	-1.7
New Zealand (6)	32	3.4	-2.2	-1.0	31.9	19.7	2.8	7.0	1.3	2.9	18.1	8.8	10.0	14.5	12.8
Asia ex-Japan (1248)	5,901	3.6	-2.9	-0.4	12.1	-4.8	1.4	-5.9	1.0	2.8	-1.2	11.1	11.3	-0.4	20.5
ASEAN (127)	600	-3.1	-3.2	-2.1	13.0	-10.5	1.4	-10.1	1.1	4.2	-24.0	10.9	10.9	19.1	6.4
China (765)	1,756	-13.3	-6.3	-3.8	8.6	-24.8	1.0	-31.2	1.1	2.9	-15.7	11.4	12.5	12.8	14.7
Hong Kong (33)	326	-17.8	-7.5	-3.8	11.0	-25.7	0.8	-29.3	0.8	4.6	-38.7	7.3	7.7	1.4	12.1
India (131)	1,227	19.6	3.7	3.1	22.4	18.6	3.5	27.0	1.4	1.3	16.5	15.8	14.8	24.9	13.2
Indonesia (22)	133	3.3	-0.7	-1.1	13.9	-5.7	2.1	-11.7	1.4	4.2	-38.6	15.2	16.3	36.3	7.8
Korea (102)	859	21.6	-6.3	-1.6	10.9	4.9	1.0	-0.9	0.9	2.2	-4.7	8.9	9.6	-35.9	73.2
Malaysia (31)	93	-7.2	-0.9	-1.3	13.7	-9.8	1.3	-18.8	1.3	4.2	-18.7	9.2	10.2	7.9	8.7
Philippines (14)	45	1.7	2.6	0.4	12.3	-26.2	1.6	-21.1	1.3	2.6	-34.8	12.9	12.0	26.8	8.4
Singapore (22)	213	0.4	-5.1	-2.4	11.5	-13.5	1.2	-1.5	0.9	5.1	-21.8	10.3	9.1	39.0	1.3
Taiwan (90)	1,134	26.9	0.1	4.2	16.0	14.0	2.3	21.3	1.0	3.1	21.7	14.2	13.4	-19.2	18.5
Thailand (38)	116	-12.6	-6.0	-4.3	16.0	3.9	1.6	-12.8	0.9	3.1	-1.5	9.8	11.9	-21.6	15.9
EMEA (157)	890	4.6	-0.7	-0.1	10.5	5.6	1.6	23.0	0.7	4.2	2.8	14.7	12.6	3.3	6.2
Czech Republic (3)	10	22.4	-7.3	-8.7	11.8	-10.0	1.7	19.9	1.3	7.0	-10.0	14.1	10.9	-40.7	-4.1
Egypt (3)	8	37.7	3.5	-0.3	6.8	-23.4	2.0	15.2	1.1	4.1	-14.4	30.1	20.3	85.2	21.4
Greece (10)	37	44.2	8.5	7.5	10.0	-21.1	1.9	11.9	0.7	5.2	-11.5	18.7	13.6	7.1	-2.8
Hungary (3)	19	45.5	2.9	1.1	5.5	-40.0	0.9	-14.2	0.6	4.9	-46.6	17.2	12.4	2.0	-4.5
Kuwait (7)	57	-10.4	6.9	4.5	10.4	-36.9	1.8	-6.4	na	4.7	-28.5	17.6	12.8	15.4	10.0
Poland (15)	67	45.0	-2.7	0.6	9.2	-17.9	1.1	0.0	0.8	4.8	-27.7	12.1	10.1	7.0	-10.4
Qatar (13)	59	-2.9	-6.5	-5.5	10.3	-17.8	1.4	-21.9	na	5.1	-20.9	13.3	13.9	0.4	7.7
Saudi Arabia (42)	297	7.2	1.3	-1.1	17.5	2.3	2.1	1.1	na	3.5	5.6	12.0	12.3	-14.9	15.4
South Africa (32)	202	-1.6	-6.6	-1.2	9.3	-25.9	1.4	-25.8	0.9	4.4	-17.0	15.1	15.3	4.0	9.2
Türkiye (18)	49	-8.9	13.4	12.2	5.0	-27.4	1.3	20.5	0.7	4.4	8.1	25.2	15.9	17.3	17.6
UAE (11)	86	-3.0	-2.7	-1.9	9.7	-15.2	1.3	-6.4	na	4.5	-2.2	13.4	12.2	25.3	-6.7
Latin America (90)	651	25.1	-2.8	-1.1	9.1	-22.7	1.5	-6.7	1.2	5.6	-32.8	16.6	14.2	-21.1	6.5
Brazil (48)	394	23.4	-4.1	-2.6	7.9	-24.4	1.3	-13.1	1.1	6.1	-24.8	16.7	15.1	-24.6	7.7
Chile (12)	32	-1.2	-12.0	-7.1	7.8	-43.6	1.1	-20.0	1.1	8.4	-76.5	13.9	10.0	-50.7	4.8
Colombia (3)	8	2.3	3.1	-6.4	5.7	-47.8	0.8	-34.9	na	6.9	-74.6	13.3	11.4	-7.4	-0.1
Mexico (24)	197	36.2	1.3	3.2	13.0	-13.9	2.3	8.0	1.5	4.4	-45.0	17.4	14.0	10.5	2.9
Peru (3)	21	30.2	-0.3	2.4	12.0	-4.4	1.7	-2.7	0.5	4.1	-38.3	14.5	14.3	-20.0	14.7
Developed Markets (1479)	61,644	21.8	2.4	4.0	18.1	8.9	2.9	25.3	1.2	2.0	17.2	16.0	14.0	0.6	8.1
Emerging Markets (1440)	6,903	7.0	-2.3	-0.2	11.6	-3.2	1.4	-1.4	1.0	3.0	-2.1	12.4	12.2	-4.3	17.5
World (2919)	68,547	20.1	1.9	3.5	17.1	7.7	2.6	21.4	1.1	2.1	15.1	15.4	13.7	-0.1	9.4

Source: BofA Predictive Analytics, MSCI, IBES estimates. Note: numbers in red text indicate that the valuation metric is 2 standard deviations above its 10-year average. Numbers in green indicate the valuation metric is 2 standard deviations below its 10-year average. #Positive deviation for dividend yield implies current dividend is LOWER than the 10yr average and vice-versa. *Market caps shown are free float. ^Currency for EPS growth estimates: (a) UK: GBP; (b) Eurozone country and regional indices: EUR; (c) Other regional indices, Russia, Peru: USD; (d) Other individual countries: Local currency.



Glossary

Global Equity Risk-Love factors

Positioning

1. Commitment of traders - S&P 500 Index futures: longs to shorts

Measures open interest for all traded S&P500 commercial futures, broken down into long and short positions.

2. MSCI EM broker optimism

Market cap-weighted consensus (IBES) stock rating for the MSCI EM universe.

3. MSCI Emerging Markets ETF premium/discount to NAV

The difference between the closing price of the fund/ETF and that day's NAV.

4. Asia ex-Japan fund cash holdings

The fund-weighted average of percentage of cash relative to total asset held by active funds that have dedicated geographic exposure to Asia ex-Japan.

5. Investors' exposure to EMs - Global FMS - asset allocation

Based on the BofA Global Fund Manager Survey, this measures the net percentage of global asset allocators saying they are overweight Emerging Market equities.

6. Investors' exposure to China - Global FMS - asset allocation

Based on the BofA Global Fund Manager Survey, this measures the net percentage of global asset allocators saying they would overweight China equities.

Put/call ratios

The Put/Call ratio shows put option volume relative to call option volume. Sentiment is deemed excessively bearish when the ratio is at relatively high levels, and excessively bullish when at relatively low levels.

Indicators used include:

1. Put/Call ratio at market open (ISE Sentiment Index)

2. CBOE Put/Call ratio

3. Euro Stoxx 50 put/call ratio

4. Nikkei put/call volume ratio

5. MSCI Emerging Markets ETF put/call volume ratio

6. S&P 500 options put/call skew (delta 25, 3-month)

Surveys

1. American Association of Individual Investors - bull less bearish ratio

This ratio reflects the sentiment of individual investors towards the stock market over the next six months – either bullishness or bearishness in the stock market. The question asked is "I feel that the direction of the stock market over the next six months will be". High bullish readings in the poll usually are signs of market tops; lows ones, market bottoms.

2. National Association of Active Investment Managers Exposure index

The index represents the average exposure to US equity markets reported by members of the Association of Active Investment Managers. It provides insight into the actual adjustments active risk managers have made to client accounts over the past two weeks.



3. Small retail trader sentiment (Daily sentiment index) for S&P 500

This is a contrary opinion indicator. High % bullish readings suggest that a short-term top is developing or has been made. Low % bullish readings suggest that a short term bottom is developing or has been made.

4. Major professional brokerage firms and advisors sentiment (Consensus Bullish Sentiment Index)

A gauge of positions and attitudes of major professional brokers and advisors, which provides an indication of potential market directions. When a predominant number of market analysts are bearish, it is quite likely that the market is approaching an oversold condition, and that a reversal in trend may be forthcoming.

5. Emerging markets economic surprises Index

The Citi Economic Surprise Index measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

6. University of Michigan Survey of Consumer Confidence Sentiment

This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices.

7. Small retail trader sentiment (Daily sentiment index) for commodities

This is a contrary opinion indicator. High % bullish readings suggest that a short-term top is developing or has been made. Low % bullish readings suggest that a short term bottom is developing or has been made.

Technical**1. Emerging Markets cyclicals/defensives (3m change)**

The 3-month change in the MSCI EM cyclicals/defensives index, where cyclicals comprise energy, materials, consumer discretionary and industrials sectors and defensives comprise consumer staples, healthcare, utilities and telecom sectors.

2. Emerging Market turnover, % MSCI market cap

Turnover of MSCI Emerging markets as a percentage of MSCI market cap.

3. MSCI Emerging Markets - distance from 200D moving average

The higher the index is from its 200-day moving average, the more bullish the market is becoming.

Volatility/spreads/correlations**Volatility indices**

Measures the implied volatility of options on the underlying index or ETF. Lower readings indicate complacency in the market and higher readings represent greater uncertainty/fear.

1. CBOE S&P500 VIX Index**2. Eurozone volatility index VSTOXX****3. CBOE Emerging Markets ETF volatility index****4. Nikkei stock average volatility index****5. Hong Kong short interest, % total turnover**

Hong Kong Main Board short selling turnover value as a percentage of total turnover

6. Asia Pac ex-Japan stock-to-stock correlations

This is calculated as the 3-month rolling stock-to-stock correlation of daily price returns of all the stocks in the region. The lower the correlation, the higher the opportunities for investors to add alpha from stock selection.

7. EM stock less bond returns

Calculated as the difference between 6-month total returns of the MSCI EM index and BofA Global EM sovereign and credit index.

8. BofA option volatility estimate (MOVE) index

This is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options.

9. Global FX volatility index**10. Asia ex-Japan CDS spread**

Market cap-weighted CDS spread of 8 Asia ex-Japan markets.

11. US 2Y swap spread

The spread between the rate on a two-year interest-rate swap and U.S. Treasury yields.

12. BAA spread

This is calculated as Moody's corporate (BAA) bond yield less the US 10Y government bond yield.

Options Risk Statement**Potential Risk at Expiry & Options Limited Duration Risk**

Unlike owning or shorting a stock, employing any listed options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk... all of which can occur in a short period.

Investor suitability

The use of standardized options and other related derivatives instruments are considered unsuitable for many investors. Investors considering such strategies are encouraged to become familiar with the "Characteristics and Risks of Standardized Options" (an OCC authored white paper on options risks). U.S. investors should consult with a FINRA Registered Options Principal.

For detailed information regarding the risks involved with investing in listed options:
<http://www.theocc.com/about/publications/character-risks.jsp>



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Important Disclosures

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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.

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