

Global Fund Manager Survey

Contrarian Cs: Commodities, China & Cash

BofA December Global Fund Manager Survey

Bottom Line: BofA Global FMS sentiment most upbeat since Jan'22 on "Goldilocks '24" ...investors cut cash to 4.5% from 4.7% (2-year low), increase equity OW, enter '24 most bearish commodities relative to bonds since Mar'09 (Chart 1); BofA Bull & Bear Indicator at 4.7... policy, not positioning, the new tactical driver of asset prices.

On Macro: net 50% of FMS investors expect weaker global growth but more than 7/10 predict "soft" or "no" landing & EPS optimism now highest since Feb'22; investors see "hard landing" as #1 tail risk in '24 (just 2/10 see it as base case).

On Policy: 91% say Fed hikes over; expectation of lower rates (89%) & bond yields (62%) at record highs this century as most investors since Nov'08 say monetary policy "too restrictive"; bonds & tech seen as biggest winners from Fed cuts in H1'24.

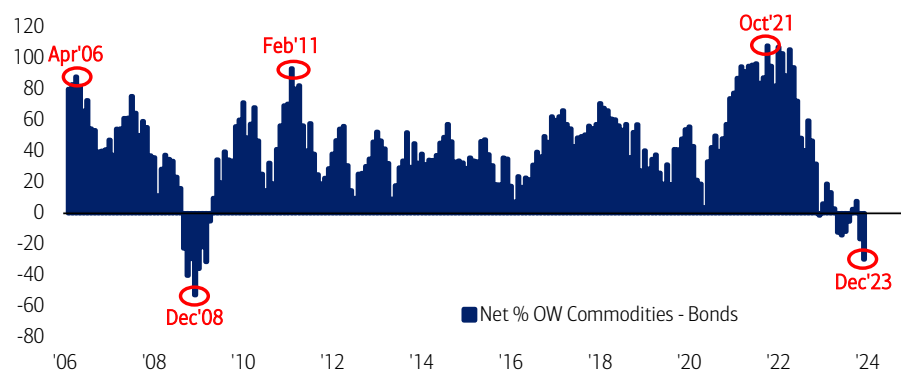
On Crowds: most crowded trades...long Magnificent Seven (49%) & short China stocks (22%...China real estate #1 credit risk); record 73% notably say Japan yen undervalued.

On AA: lowest cash OW since Apr'21, highest commodity UW since Jun'17, highest stock OW since Feb'22, highest bond OW in 15-years; investors rotating to banks (1st OW since Feb'23), Eurozone, small cap, and out of REITs & energy (most UW since Dec'20).

FMS Contrarian Trades: best hard landing contrarian trade..."long cash & short Magnificent Seven"; for no landing..."long commodities, China, REITs & short bonds".

Chart 1: Most UW Commodities vs Bonds since Mar'09

Net % overweight commodities – net % overweight bonds



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

>> Employed by a non-US affiliate of BofAS and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 25 to 26.

12638624

Timestamp: 19 December 2023 12:30AM EST

19 December 2023

Investment Strategy
Global

BofA

Data
Analytics



Michael Hartnett
Investment Strategist
BofAS
+1 646 855 1508
michael.hartnett@bofa.com

Elyas Galou >>
Investment Strategist
BofASE (France)
+33 1 8770 0087
elyas.galou@bofa.com

Anya Shelekhin
Investment Strategist
BofAS
+1 646 855 3753
anya.shelekhin@bofa.com

Myung-Jee Jung
Investment Strategist
BofAS
+1 646 855 0389
myung-jee.jung@bofa.com

Notes to Readers

Source for all tables and charts:
BofA Fund Manager Survey,
DataStream

Survey period 8th to 14th Dec 2023

254 panellists with \$691bn AUM participated in the December survey. 219 participants with \$611 bn AUM responded to the Global FMS questions and 140 participants with \$310bn AUM responded to the Regional FMS questions.

How to join the FMS panel

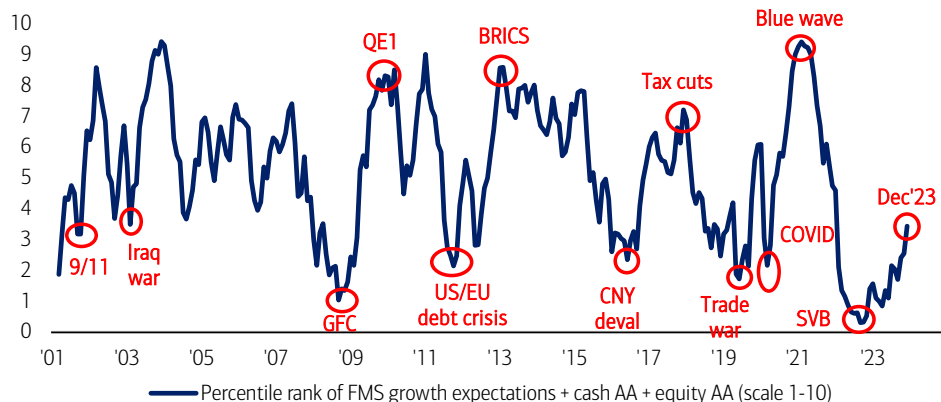
Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](mailto:michael.hartnett@bofa.com) or your BofA sales representative.

Participants in the survey will continue to receive the full set of monthly results but only for the relevant month in which they participate.

Charts of the Month

Chart 2: FMS sentiment improved to highest since Jan'22

Percentile rank of FMS growth expectations + cash level + equity allocation (scale 0-10)



Source: BofA Global Fund Manager Survey; (0=bearish, 10 = bullish)

BofA GLOBAL RESEARCH

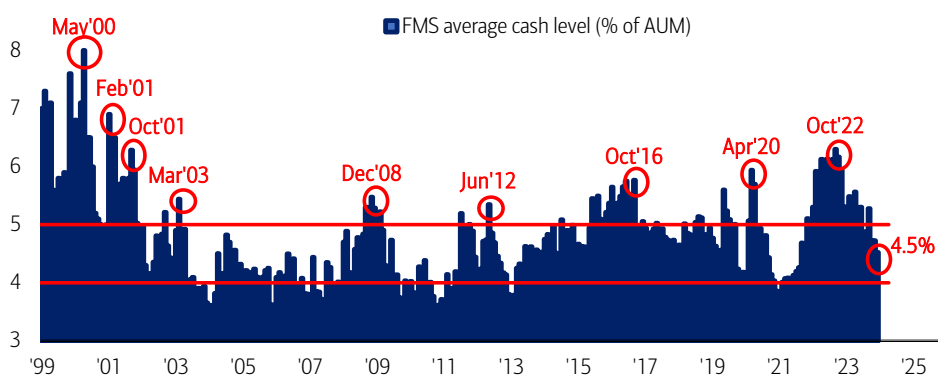
December FMS investor sentiment improved to its least bearish level since Jan'22.

Our broadest measure of FMS sentiment, based on cash positions, equity allocation & economic growth expectations, rose to 3.4 from 2.5.

On back of the December FMS the BofA Bull & Bear Indicator stays at 4.7.

Chart 3: BofA Global FMS Cash level drops to 4.5% from 4.7%

FMS average cash level % AUM



Source: BofA Global Fund Manager Survey

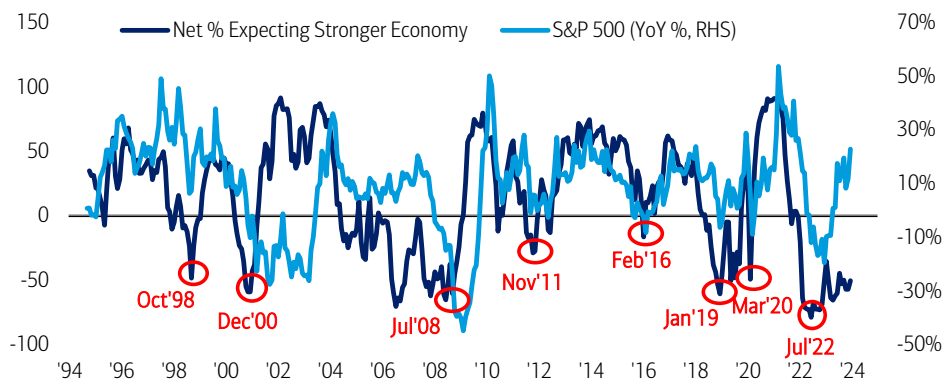
BofA GLOBAL RESEARCH

FMS average cash level drops to 4.5% in Dec from 4.7% in Nov & 5.3% in Oct (largest 2-month drop since Feb'23).

BofA Global FMS Cash Rule triggers a "sell" signal for equities when cash 4% or lower, "buy" signal when cash balance 5% or higher.

Chart 4: Global growth expectations improve, but remain weak

Net % expecting stronger economy vs S&P 500 (YoY %)



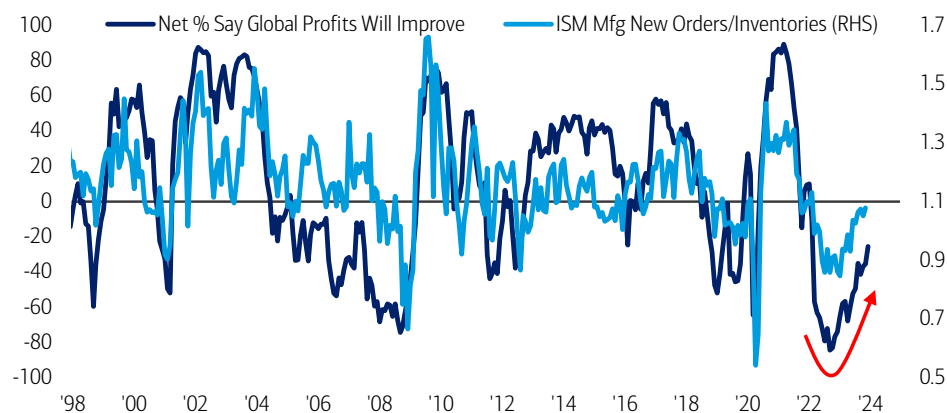
Source: BofA Global Fund Manager Survey, Bloomberg

BofA GLOBAL RESEARCH

Growth expectations remain pessimistic but improved in the December FMS from net 57% to net 50% expecting a weaker economy.

Chart 5: Profit outlook improving

Net % say global profits will improve vs ISM manufacturing new orders/inventories



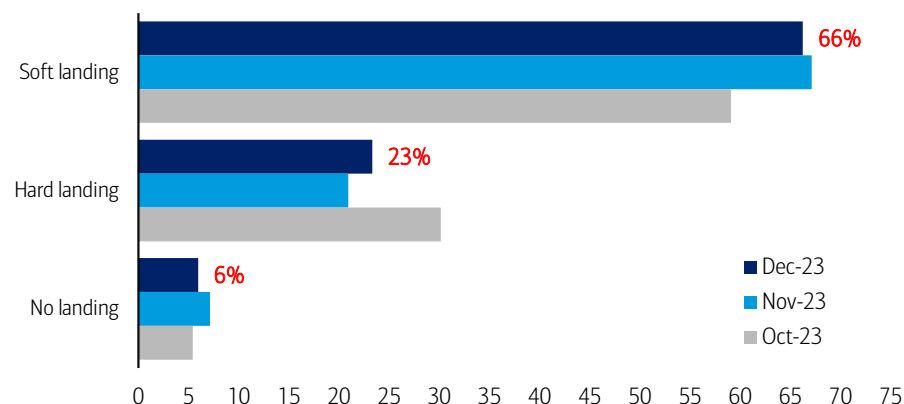
BofA GLOBAL RESEARCH

Profit outlook improved from net 36% to net 26% expecting global profits to deteriorate...

...profit outlook tracking in-line with that of lead indicator...ISM manufacturing new orders to inventories.

Chart 6: "Soft landing" the consensus for 2024

What is the most likely outcome for the global economy in the next 12 months?



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

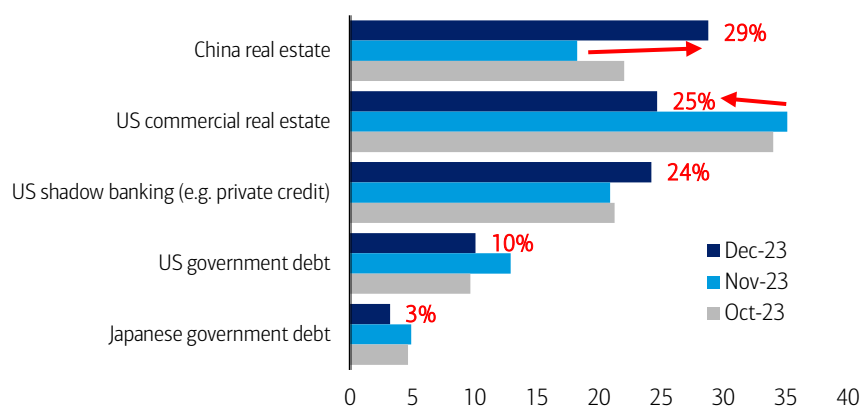
66% of FMS investors expect a "soft landing" for the global economy in the next 12 months.

Expectations for "hard landing" 23%.

When asked about the timing of recession for the US economy, 36% said they expect no recession at all in the next 12 months while 32% expect the US to fall into recession in Q2'24.

Chart 7: China real estate viewed as most likely source for a credit event

What is the most likely source for a systemic credit event?



Source: BofA Global Fund Manager Survey

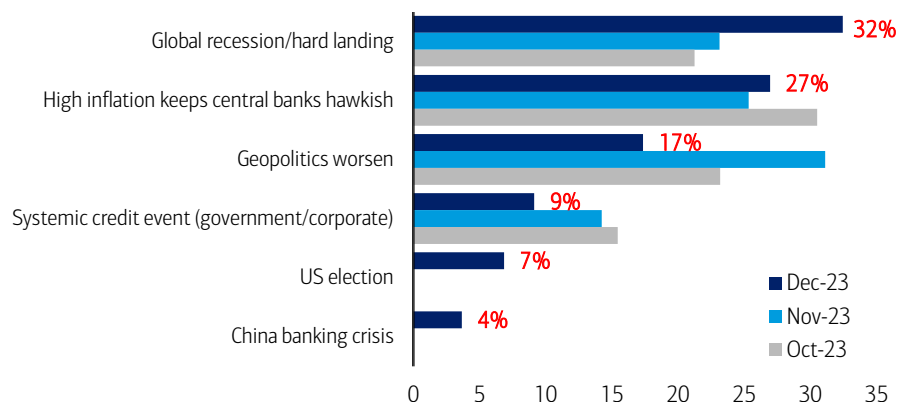
BofA GLOBAL RESEARCH

China real estate now most likely source for systemic credit event at 29% (up from 18%), replacing US commercial real estate (fades to 25% from 35%).

Rising % of investors view US shadow banking (e.g. private credit) as the most likely source for a credit event (up to 24% from 21%).

Chart 8: Global recession/hard landing the #1 tail risk

What do you consider the biggest "tail risk"?



Source: BofA Global Fund Manager Survey

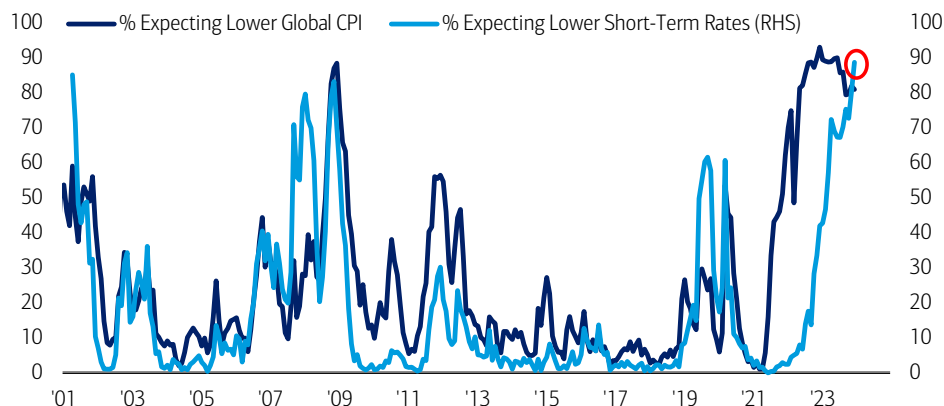
BofA GLOBAL RESEARCH

Dec'23 biggest "tail risk":

1. Global recession/hard landing 32%
2. High inflation keeps central banks hawkish 27%
3. Geopolitics worsen 17%
4. Systemic credit event (government/corporate) 9%
5. US election 7%
6. China banking crisis 4%

Chart 9: Record 89% of FMS expect lower short-term rates

% expecting lower global CPI vs % expecting lower short-term rates



Source: BofA Global Fund Manager Survey, Bloomberg

BofA GLOBAL RESEARCH

8 out of 10 expect lower inflation.

89% say short-term rates to be lower next 12 months, most on record.

Also note 91% of FMS investors think the Fed has finished its rate hiking cycle.

Chart 10: 62% expect bond yields to fall

Net % saying recession likely vs % wanting companies to improve balance sheets



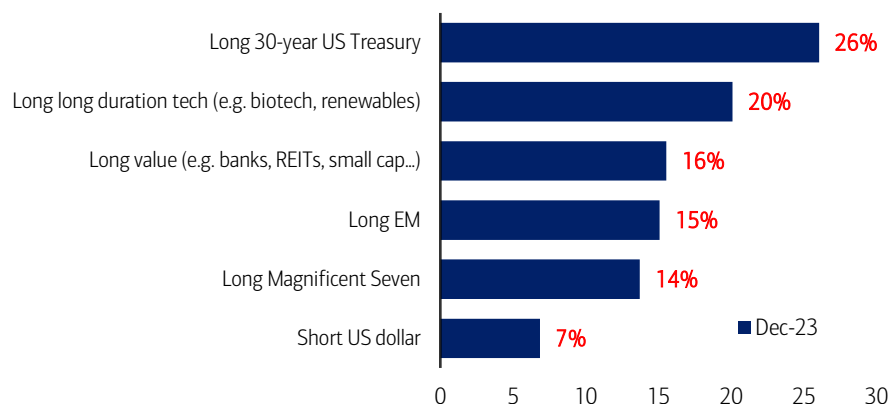
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Record 62% of FMS investors in Dec expect bond yields to be lower in 12 months' time.

Chart 11: Bonds & Tech biggest winners if Fed cuts in H1'24

If the Fed cuts rates in H1'24, which of the following assets do you expect to perform best?



Source: BofA Global Fund Manager Survey

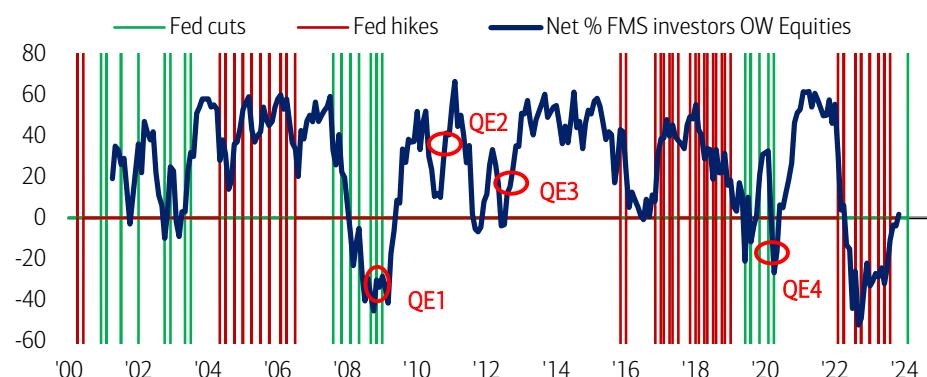
BofA GLOBAL RESEARCH

When asked which would be the best performing asset if the Fed cuts rates in H1'24...

...26% say "Long 30-year US Treasury", 20% "long long duration tech (e.g. biotech, renewables)", 16% "long value (e.g. banks, REITs, small cap...)".

Chart 12: Fed rate cuts & FMS equity allocation

Net % FMS OW equities vs Fed cuts & hikes



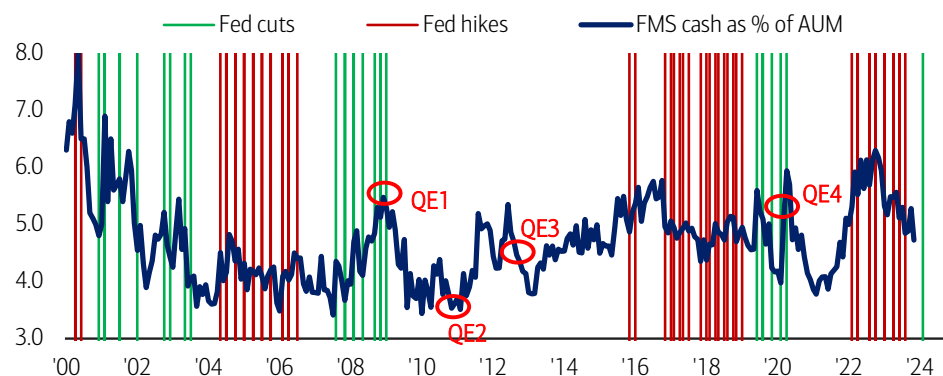
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Analysing how the beginning of rate cutting cycles impact investor sentiment...the BofA FMS covers 3 rate cutting cycles ('01 to '03, '07 to '09, '19 to '20) and reveals the following reactions of investor equity allocations & cash levels (see Chart 13 text)...

Chart 13: Fed rate cuts & FMS cash levels

FMS average cash level % of AUM vs Fed cuts & hikes



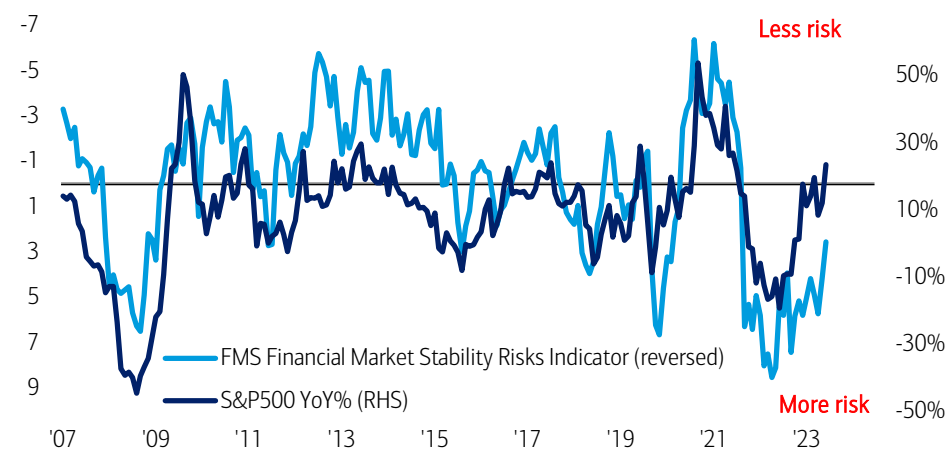
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

- Y2K: rate cuts after tech bubble burst did not boost equity allocations...cash levels fell and investors rotated to bonds;
- GFC: rate cuts during GFC caused higher cash levels and lower equity allocations; this reversed only after introduction of QE1 in '09;
- 2019 'soft landing' pivot: Fed cuts caused lower cash levels and higher equity allocations until Covid struck in Q1'20.

Chart 14: FMS Financial Market Stability Risks Indicator rises falls to 2.6 from 4.1

FMS Financial Market Stability Risks Indicator (reversed) vs S&P 500 YoY %



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

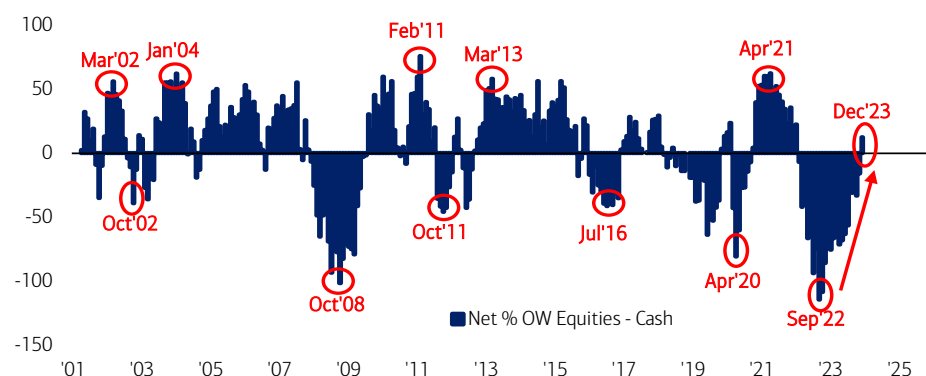
FMS Financial Market Stability Risks Indicator drops to 2.6 from 4.1 as 6 out of 7 risk components ease ("Emerging Market risk" the only component to stay flat MoM).

The FMS Financial Market Stability Risks Indicator is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. The FMS Financial Market Stability Risks Indicator was not created to act as a benchmark.

More info and methodology on the FMS Financial Market Stability Risks Indicator can be found in the [Nov'22 Global FMS](#).

Chart 15: Up in Equities, down in Cash

Net % overweight equities – net % overweight cash



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

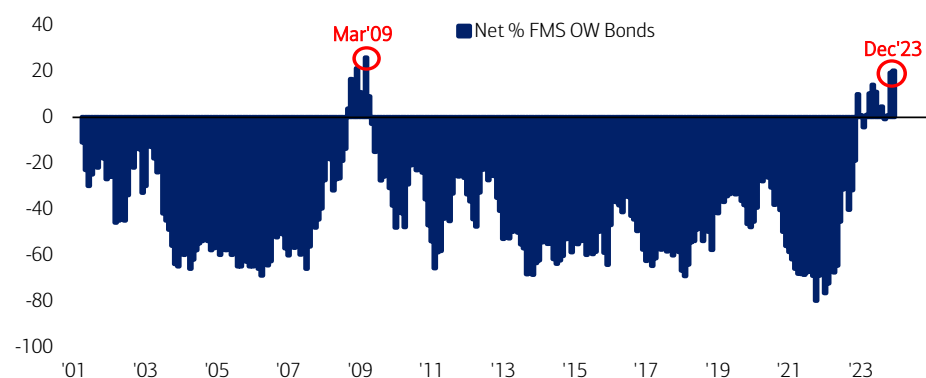
FMS investors most overweight equities relative to cash since Jan'22.

Cash allocation falls to net 3% OW (least OW since Apr'21), down 15ppt MoM (largest monthly decline in cash allocation since US election in Nov'20).

Equity allocation rises to net 15% OW (most OW since Feb'22), up 13ppt MoM (biggest monthly jump since Nov'22).

Chart 16: Most bullish Bonds in 15 years

Net % overweight bonds



Source: BofA Global Fund Manager Survey

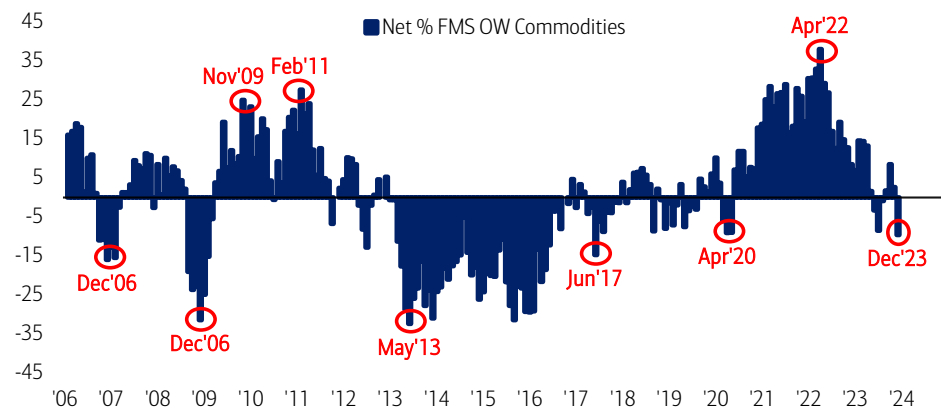
BofA GLOBAL RESEARCH

FMS investors remain bullish on bonds with allocation up 1ppt MoM to net 20% OW, the biggest overweight in bonds since Mar'09.

Note that when asked "which asset class do you expect to perform best in 2024?", 45% said "bonds".

Chart 17: Biggest UW in Commodities since Jun'17

Net % overweight commodities



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

December saw FMS investors reduce their allocation to commodities by 12ppt MoM (largest MoM decline since Aug'21) from net 3% OW to net 10% UW, the biggest UW since Jun'17.

Note when asked “which asset class do you expect to perform worst in 2024?”, the 2nd ranked answer was “commodities” at 28% (cash was #1 at 32%).

Chart 18: Expectations Large Caps will outperform Small Caps lowest since Jun'21

Net % think large caps will outperform small caps



Source: BofA Global Fund Manager Survey

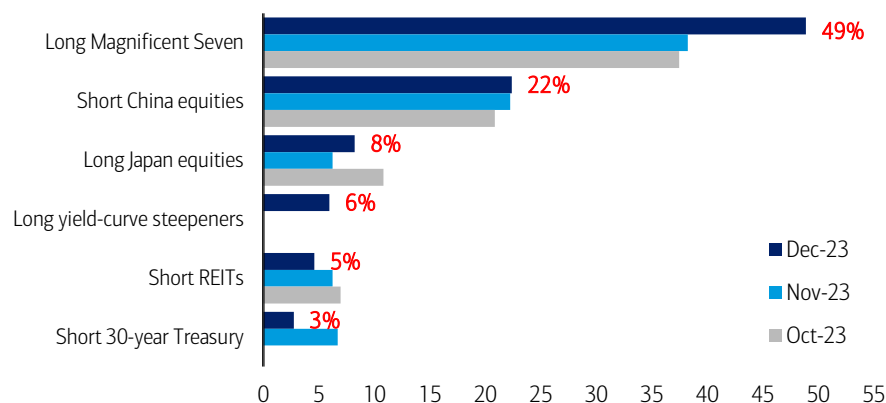
BofA GLOBAL RESEARCH

Net 5% of FMS investors expect large cap stocks will outperform small cap stocks, least since Jun'21.

Investors are split on likelihood of large caps outperforming small caps...53% think large caps likely to outperform, 47% think it's unlikely.

Chart 19: “Long Magnificent Seven” seen as the most crowded trade

What do you think is currently the most crowded trade?



Source: BofA Global Fund Manager Survey

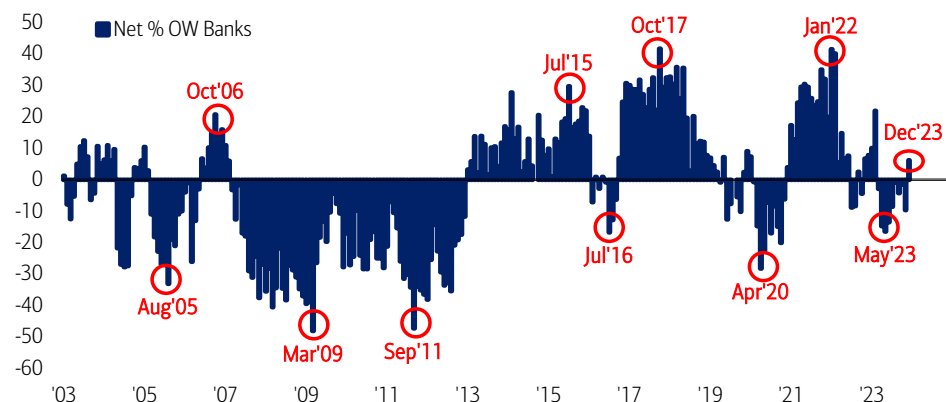
BofA GLOBAL RESEARCH

Dec'23 most crowded trade:

1. Long Magnificent Seven 49%
2. Short China equities 22%
3. Long Japan equities 8%
4. Long yield-curve steepeners 6%
5. Short REITs 5%
6. Short 30-year Treasury 3%

Chart 20: Investors OW Banks for the 1st time since Feb'23

Net % overweight banks

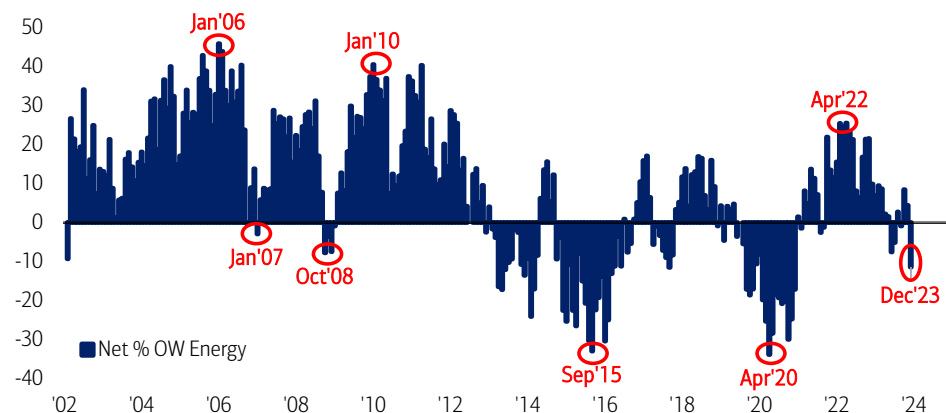


FMS investors turned OW on banks for the 1st time since Feb'23, with allocation rising from net 10% UW to net 6% OW (largest MoM increase since Jan'22).

BofA GLOBAL RESEARCH

Chart 21: Energy allocation falls to a 3-year low

Net % overweight energy

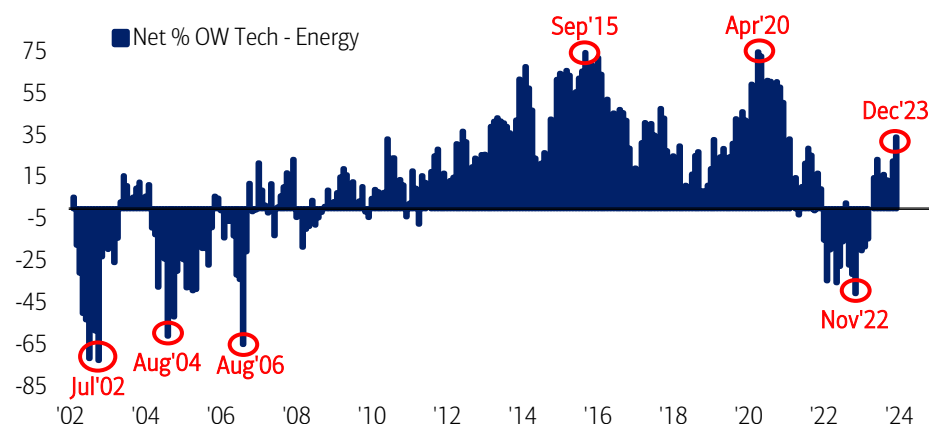


Investors now most UW energy since Dec'20 as allocation dropped from net 4% OW to net 11% UW (largest MoM decline since Jan'16).

BofA GLOBAL RESEARCH

Chart 22: Investors are overweight Tech vs Energy

Net % overweight tech – net % overweight energy

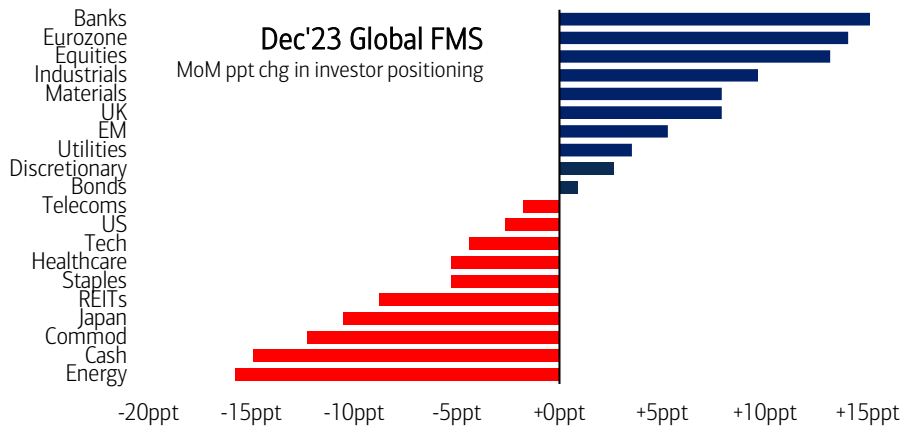


In December, investors reduced their tech allocation modestly from net 27% OW to net 23% OW...

...but on a relative basis are most OW tech vs energy since Dec'20.

BofA GLOBAL RESEARCH

Chart 23: Investors rotate into Banks, Eurozone & Stocks vs out of Energy, Cash & Commodities
MoM ppt change in FMS investor positioning



Source: BofA Global Fund Manager Survey

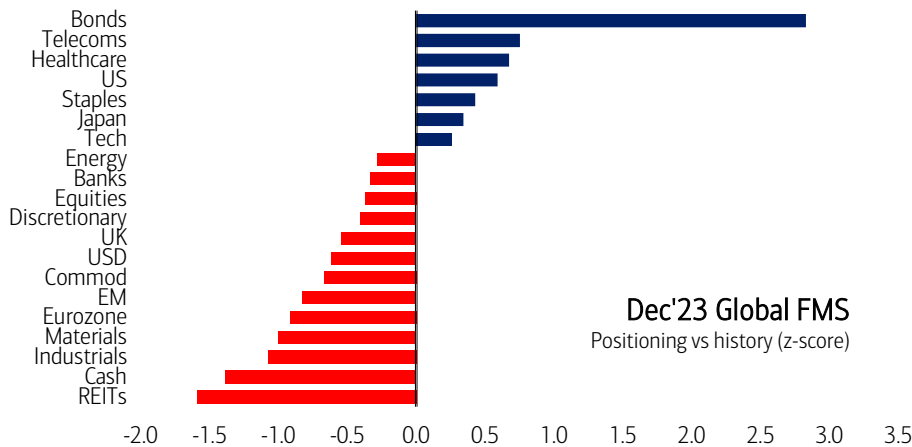
BofA GLOBAL RESEARCH

This chart shows FMS investor changes MoM in allocation.

In December, FMS investors rotated into stocks, banks, Eurozone, industrials & materials...

...and out of cash, commodities, energy, Japan & REITs.

Chart 24: FMS OW Bonds, Telecoms, Healthcare & US relative to history
FMS positioning vs history (z-score)



Source: BofA Global Fund Manager Survey

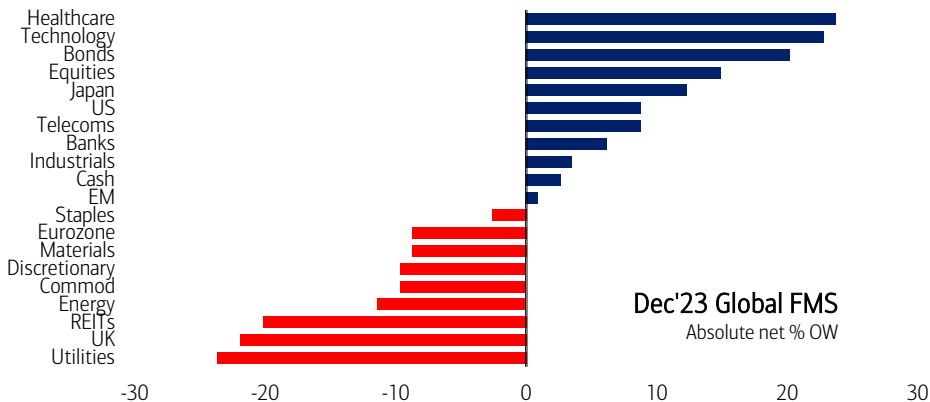
BofA GLOBAL RESEARCH

This chart shows FMS investor positioning relative to the average positioning of the past 20 years.

Relative to history, investors are long bonds, telecoms, healthcare, & US...

...and are underweight REITs, cash, industrials, materials & Eurozone.

Chart 25: In absolute terms, FMS OW Healthcare, Tech & Bonds vs UW Utilities, UK, & REITs
FMS absolute net % overweight



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

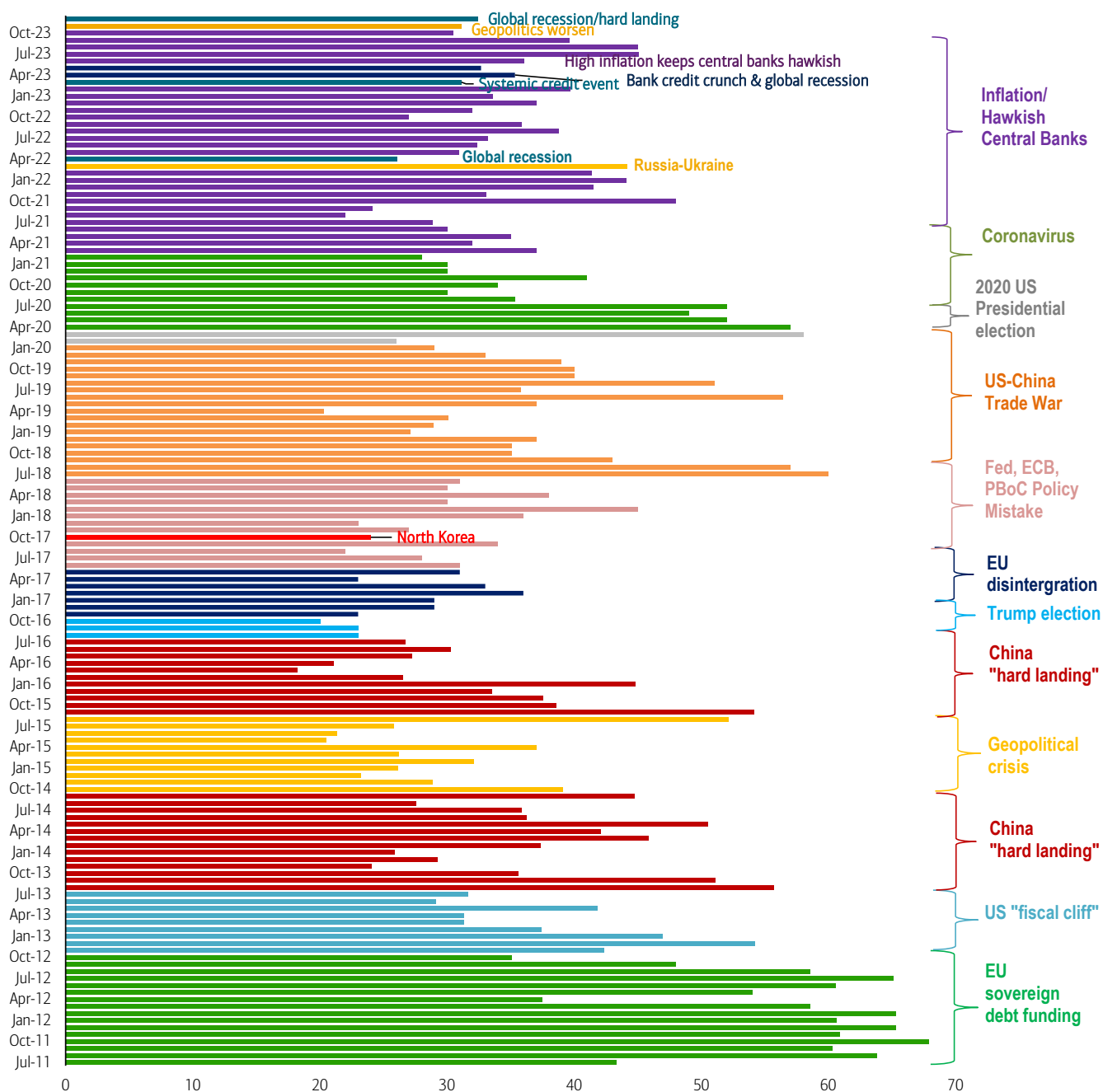
This chart shows absolute FMS investor positioning (net %)...

Bullish: healthcare, tech, bonds, stocks, Japan & US;

Bearish: utilities, UK, REITs, energy & commodities.

Chart 26: Evolution of Global FMS “biggest tail risk”

History of Global FMS “biggest tail risk” answers



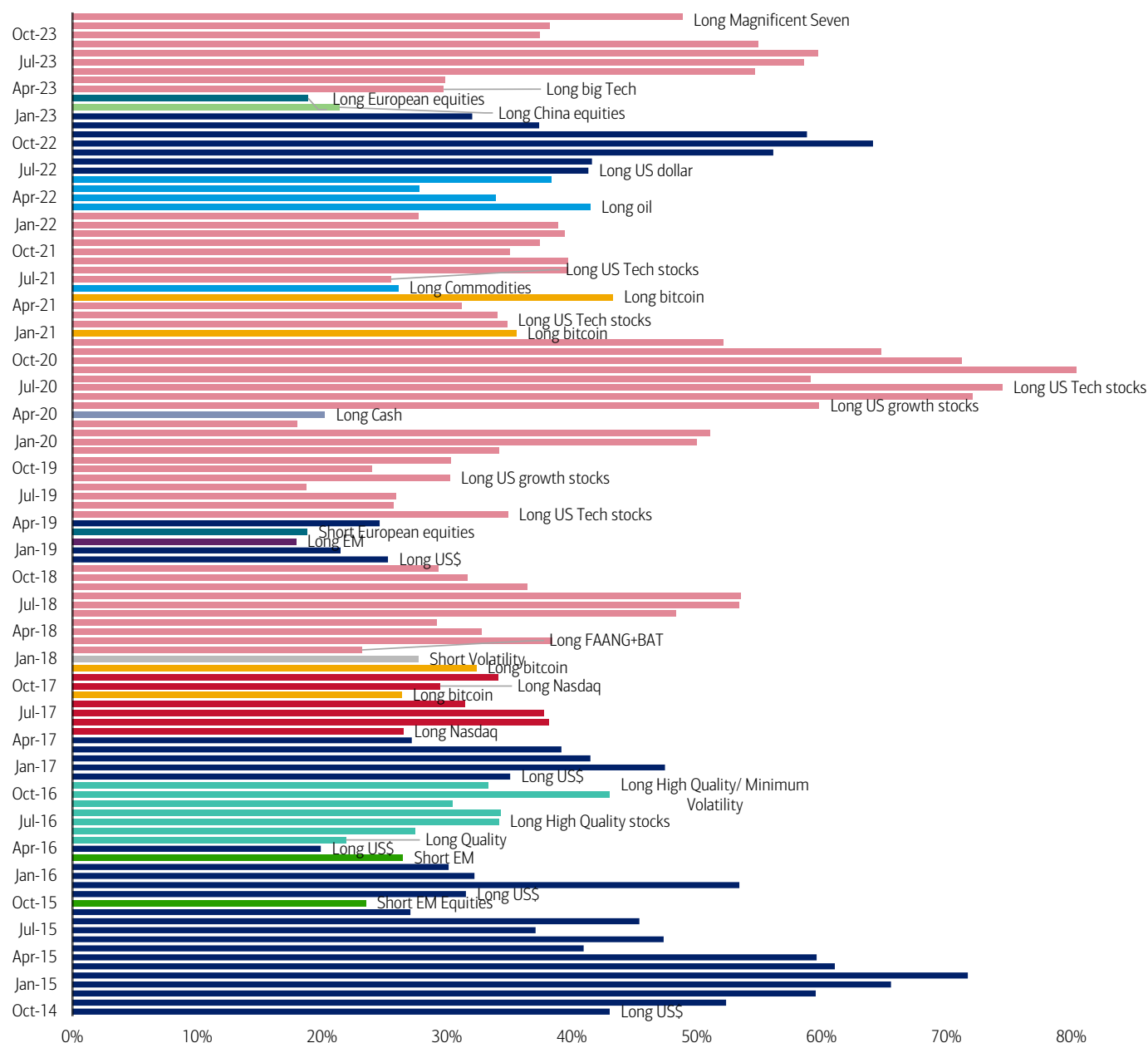
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

- This chart shows the full history of the biggest “tail risk” for markets from BofA’s monthly Global Fund Manager Survey.
- The dominant concerns of investors since 2011 have been Eurozone debt & potential breakdown; Chinese growth; populism, quantitative tightening & trade wars, global coronavirus; now inflation/bond tantrum and central bank rate hikes.
- Global recession/hard landing the top “tail risk” at 32% of FMS investors; #2 High inflation keeps central banks hawkish, #3 Geopolitics worsen.

Chart 27: Evolution of Global FMS “most crowded trade”

History of Global FMS “most crowded trade” answers



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

- This chart shows the full history of the most “crowded trade” according to BofA’s monthly Global Fund Manager Survey.
- The market leadership has been relatively narrow since 2013, shifting from high yielding debt; long US\$; long Quality; long Tech; long Emerging Markets; long US Treasuries, long US tech & growth stocks, long Bitcoin, long commodities, long tech, long commodities, long US dollar.
- Long Magnificent Seven is the most crowded trade (49%) followed by #2 Short China equities, #3 Long Japan equities, #4 Long yield-curve steepeners.

BofA Global FMS Rules & Tools

The Global FMS Rules & Tools are designed to help investors determine risk appetite, rotation opportunities, and tactical entry points.

Table 1: BofA Global FMS Cash Rule and Bull & Bear Indicator

Current reading of BofA Global FMS Cash Rule and Bull & Bear Indicator

	Category	Current reading	Current signal
BofA Global FMS Cash Rule	Contrarian	4.5%	Neutral
Buy global equities when cash at or above 5.0%; sell when cash at or below 4.0%			
BofA Bull & Bear Indicator	Contrarian	4.7	Neutral
Buy global equities when the indicator falls below 2.0; sell when it rises above 8.0			

Source: BofA Global Investment Strategy

BofA GLOBAL RESEARCH

Disclaimer: The indicators identified as BofA Global FMS Cash Rule and BofA Bull & Bear Indicator above are intended to be indicative metrics only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. These indicators were not created to act as a benchmark.

For full details please see: Global Investment Strategy: [The BofA Global FMS Rules & Tools, 12 November 2020](#).

Investors on the Macro

Chart 28: Net % of FMS investors who see a stronger global economy in next 12 months

Net % of FMS investors expecting stronger economy



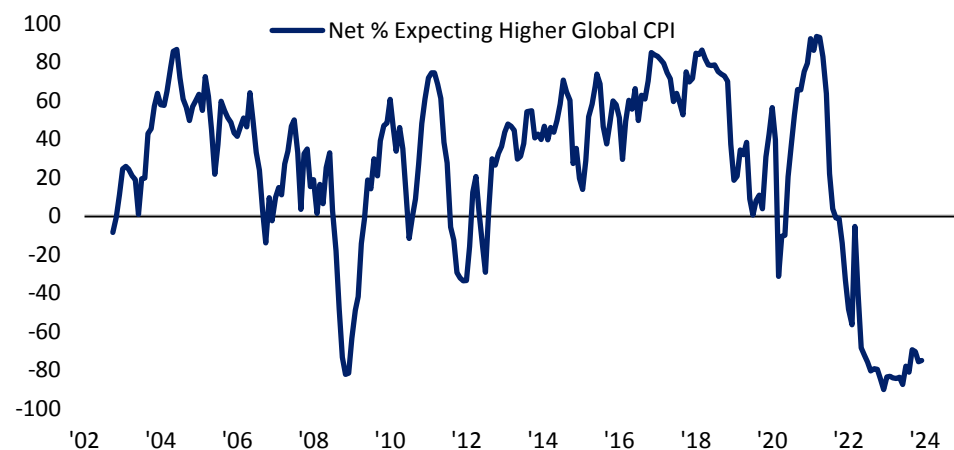
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

December FMS showed net 50% of investors expect a weaker economy in next 12 months, down 7ppt MoM.

Chart 29: Net % of FMS investors that think global CPI (in YoY terms) will be higher

Net % of FMS investors expecting higher inflation



Source: BofA Global Fund Manager Survey.

BofA GLOBAL RESEARCH

Net 75% of FMS investors expect lower global CPI in the next 12 months, down 1ppt MoM.

Investor Risk Appetite

Chart 30: Level of risk that investors are currently taking in their investments

Net% of FMS investors taking higher than normal risk levels



Source: BofA Global Fund Manager Survey

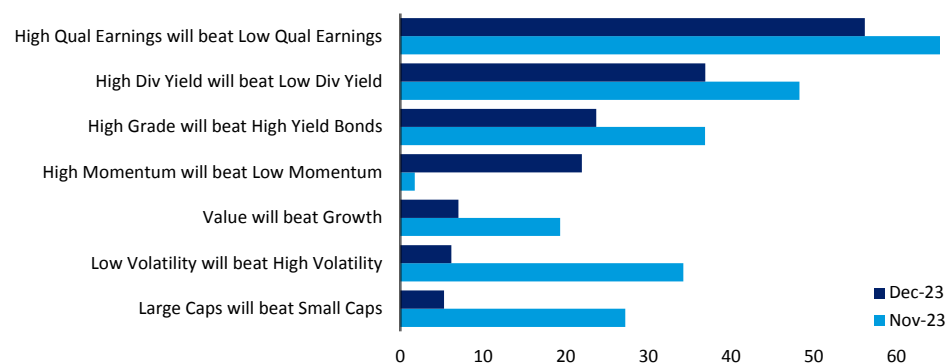
BofA GLOBAL RESEARCH

Net 13% of FMS investors say they are currently taking lower-than-normal risk levels, down 8ppt MoM to the lowest since Jan'22.

This the greatest 2-month improvement in risk tolerance (+21ppt) since Dec'20.

Chart 31: Expectations for investment performance over the next 12 months

Over the next 12 months, net % FMS investors think...



Source: BofA Global Fund Manager Survey

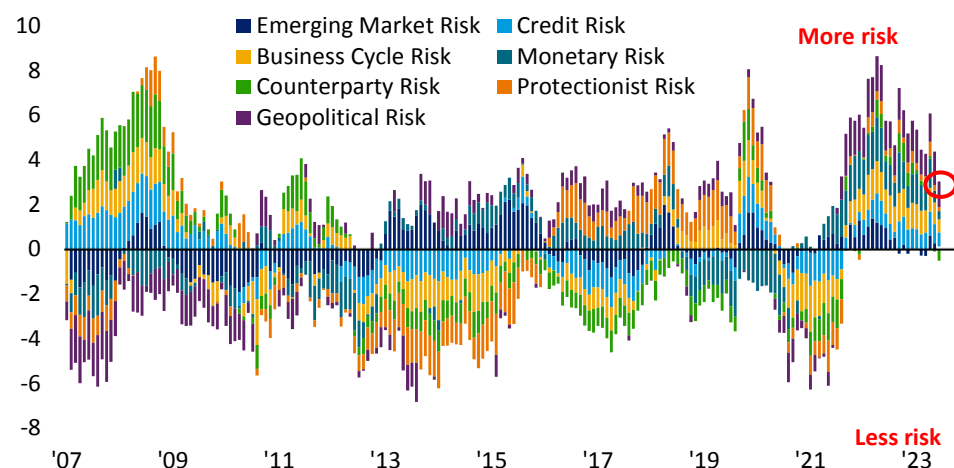
BofA GLOBAL RESEARCH

FMS investors continue to favor high quality, although they are increasingly more willing to take on risk: net 56% say high-quality > low-quality (-22ppt MoM), net 24% say high-grade > high-yield bonds (-13ppt), and net 37% say high div yield > low yield (-11ppt)..

While investors still say large > small, they increasingly favor small caps: net 5% say large > small, -22ppt MoM to the lowest level since Jun'21.

Chart 32: FMS Financial Market Stability Risks Indicator drops to 2.6

FMS Financial Market Stability Risks Indicator vs S&P 500 YoY %



Source: BofA Global Fund Manager Survey, Bloomberg

BofA GLOBAL RESEARCH

FMS Financial Market Stability Risks Indicator drops to 2.6 from 4.1.

The FMS Financial Market Stability Risks Indicator is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. The FMS Financial Market Stability Risks Indicator was not created to act as a benchmark.

More info and methodology on the FMS Financial Market Stability Risks Indicator can be found in the [Nov'22 Global FMS](#).

Investors on EPS & Leverage

Chart 33: Net % of FMS investors that think global corporate profit growth will improve

Net % of FMS investors saying global profits will improve



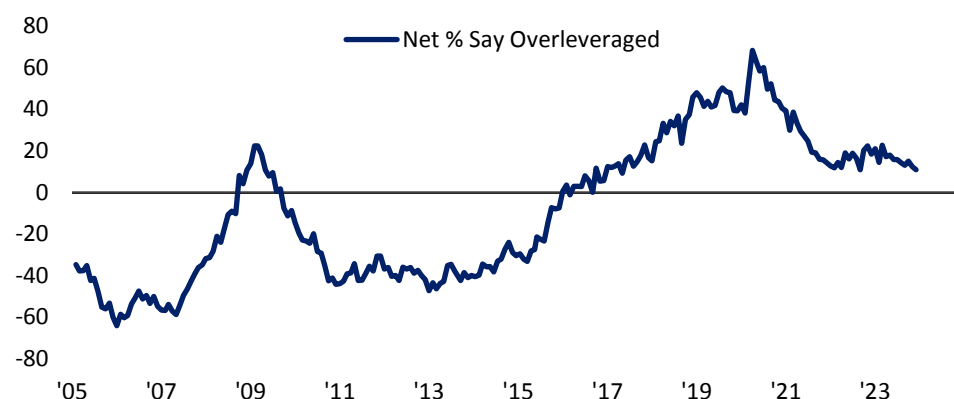
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Net 26% of investors think profits will worsen in next 12 months, down 10ppt MoM to the most optimistic profit outlook since Feb'22.

Chart 34: Net % of FMS investors that think corporate balance sheets are overleveraged

Net% of FMS investors saying companies are overleveraged



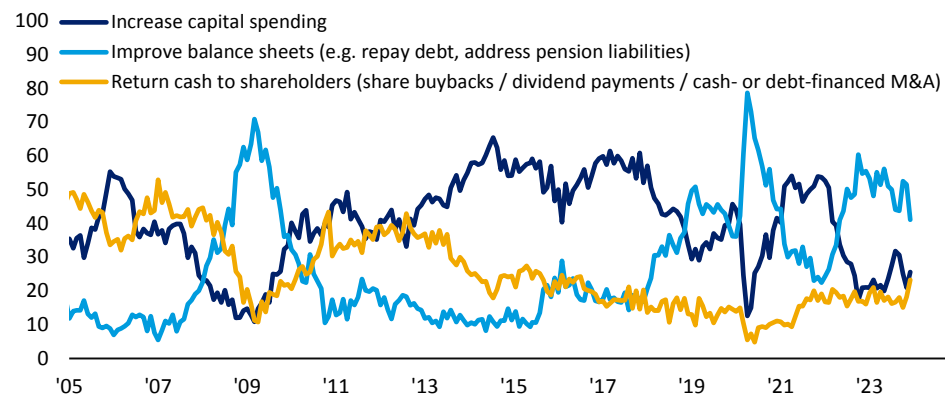
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

The net percentage of FMS investors saying companies are overleveraged was down 1ppt MoM to net 11%.

Chart 35: What would you most like to see companies do with cash flow?

What FMS investors would most like to see companies do with cash flow



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

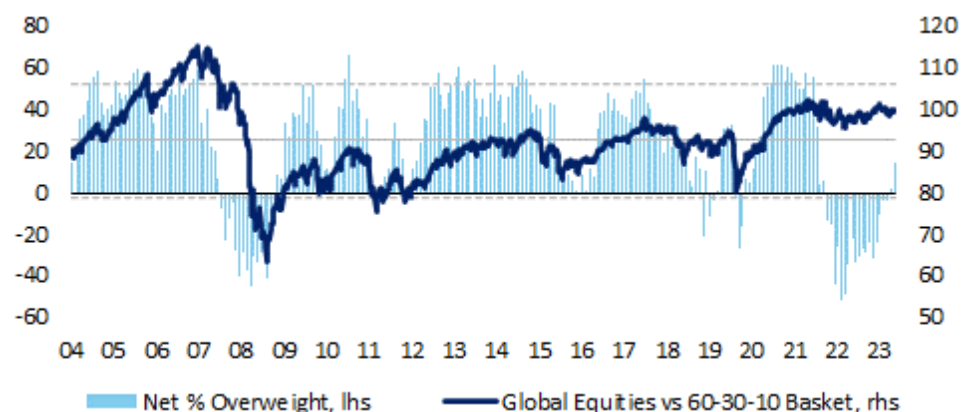
41% of FMS investors want corporates to improve balance sheets (down 11ppt MoM) over increasing capital spending (26%, up 5ppt MoM) or returning cash to shareholders (23%, up 5ppt MoM).

Investors are becoming less cautious and slightly more focused on growth...investors' desire for companies to improve balance sheets has dropped to the lowest since May'22.

FMS Asset Allocation

Chart 36: Net % AA Say they are overweight Equities

Net% of FMS investors overweight equities



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

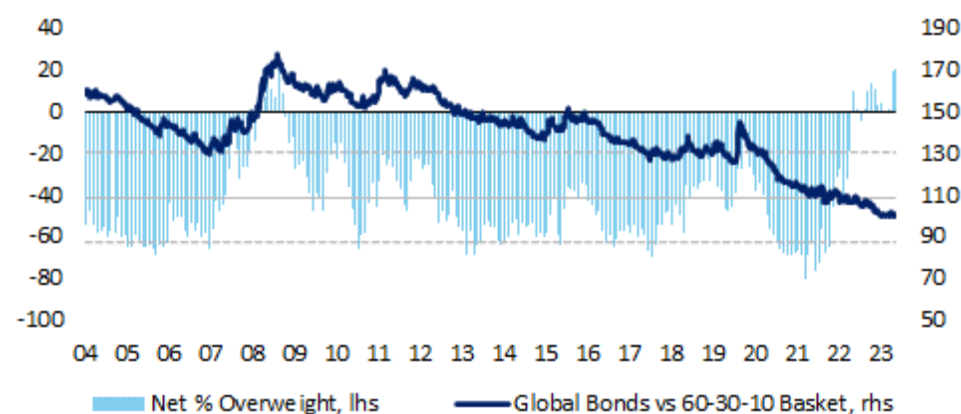
FMS equity allocation jumped 13ppt MoM to net 15% overweight, the highest allocation to equities since Feb'22.

Note that FMS investors have been OW equities for two months now, for the first time since Apr'22 after a period of UW allocation.

Current allocation is 0.4 stdev below its long-term average.

Chart 37: Net % AA Say they are overweight Bonds

Net% of FMS investors overweight bonds



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

FMS investors' bond allocation was up 1ppt MoM to net 20% overweight.

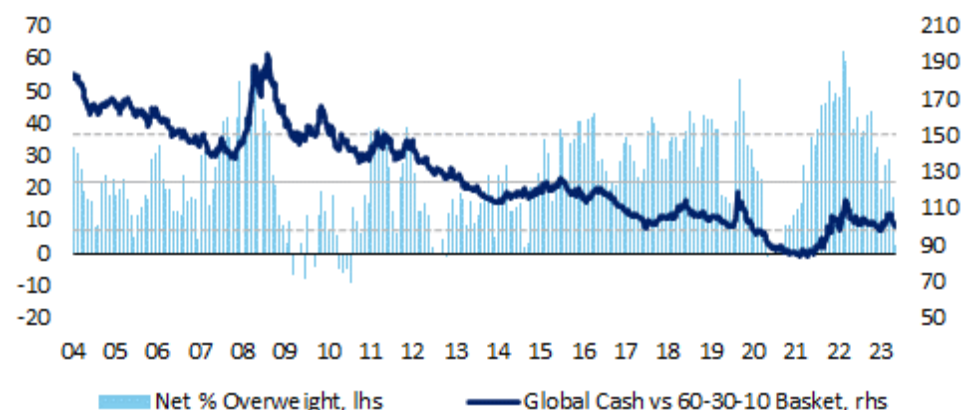
This is the highest allocation to bonds since Mar'09.

Investors have been overweight bonds for all but two months this year.

Current allocation is 2.8 stdev above its long-term average.

Chart 38: Net % AA Say they are overweight Cash

Net% of FMS investors overweight cash



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

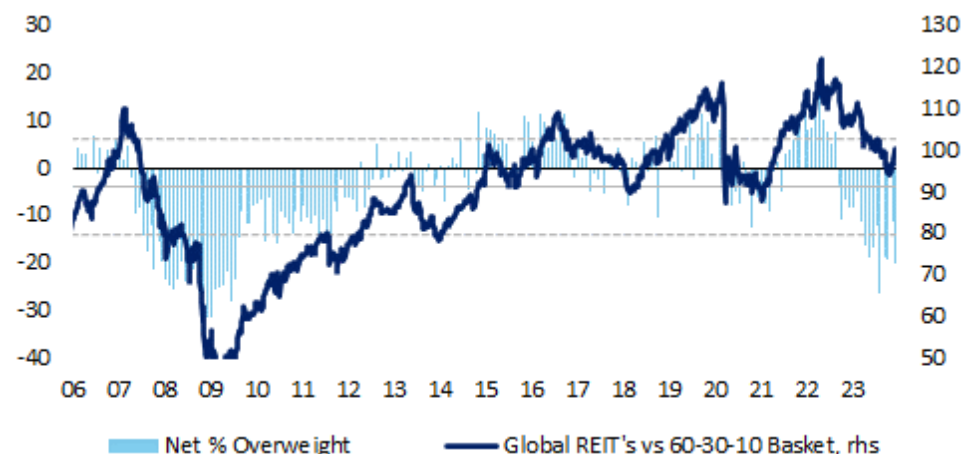
FMS cash allocation collapsed 15ppt MoM to net 3% overweight.

This is the lowest allocation to cash since Apr'21.

Current allocation is 1.4 stdev below its long-term average.

Chart 39: Net % AA Say they are overweight Real Estate

Net% of FMS investors overweight Real Estate



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

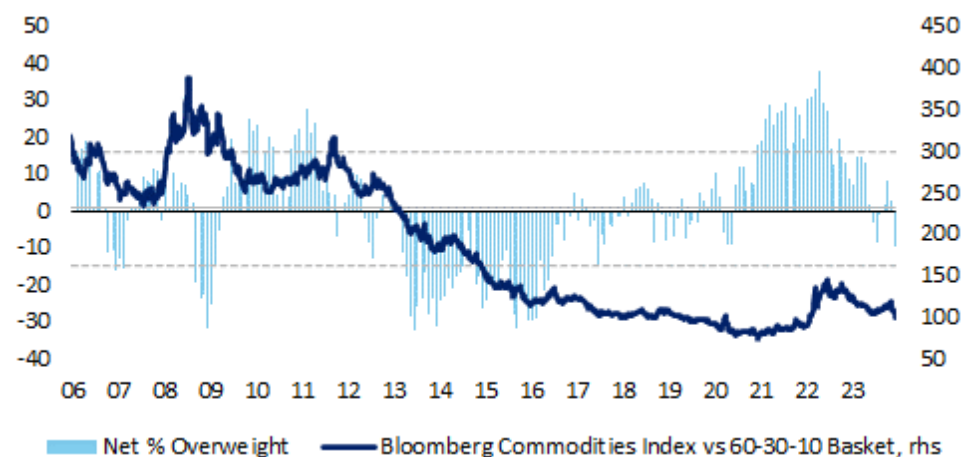
Allocation to real estate fell 9ppt to net 20% underweight, lowest allocation since Aug'23.

Investors have been UW real estate consistently since Aug'22.

Current allocation is 1.6 stdev below its long term average.

Chart 40: Net % AA Say they are overweight Commodities

Net% of FMS investors overweight commodities



Source: BofA Global Fund Manager Survey, Datastream.

BofA GLOBAL RESEARCH

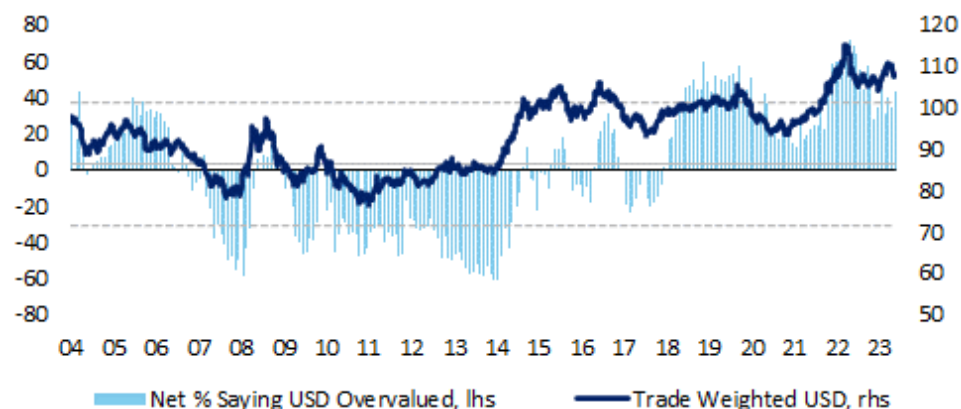
Allocation to commodities dropped 13ppt MoM to net 10% underweight, the lowest since Jun'17.

Current allocation is 0.7 stdev below its long-term average.

Currencies extremes

Chart 41: USD Valuation and Trade weighted index

Net% of FMS investors saying USD overvalued



Source: BofA Global Fund Manager Survey, Datastream

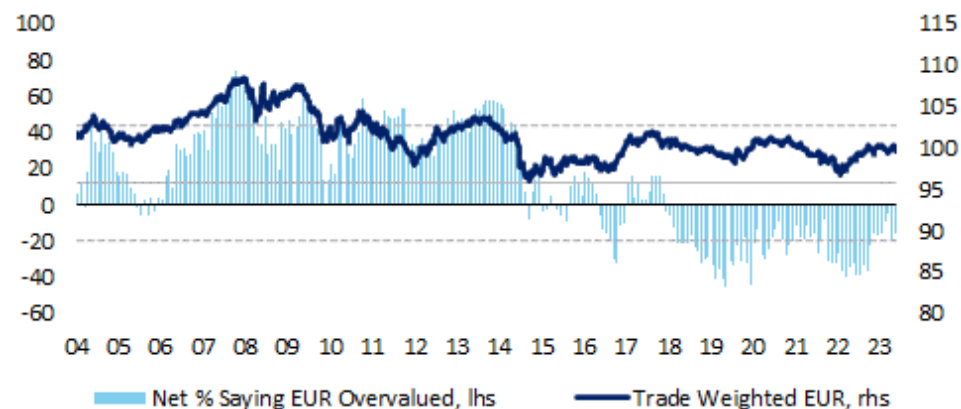
BofA GLOBAL RESEARCH

FMS investors saying the US\$ is overvalued was up 9ppt MoM to net 44%.

Current valuations are 1.2 stdev above the long-term average.

Chart 42: EUR valuation and Trade weighted index

Net% of FMS investors saying EUR overvalued



Source: BofA Global Fund Manager Survey, Datastream

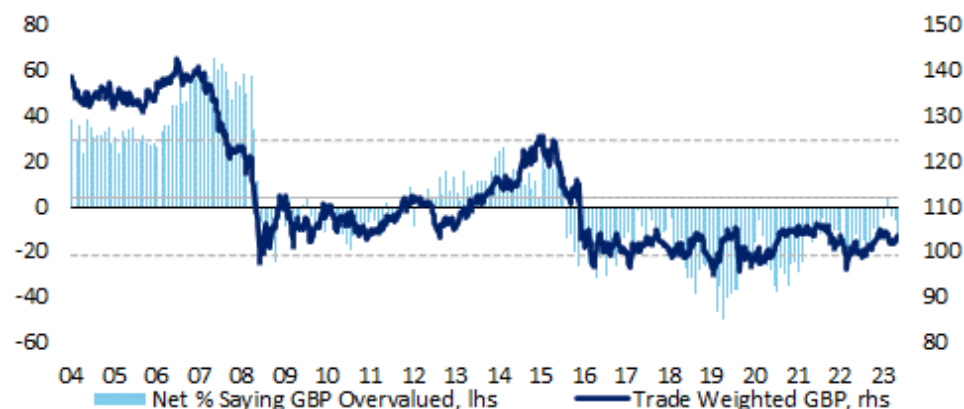
BofA GLOBAL RESEARCH

Net 15% of FMS investors saying EUR is undervalued, down 4ppt MoM.

Current valuations are 0.9 stdev below the long-term average.

Chart 43: GBP valuation and Trade weighted index

Net % of FMS investors saying GBP overvalued



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

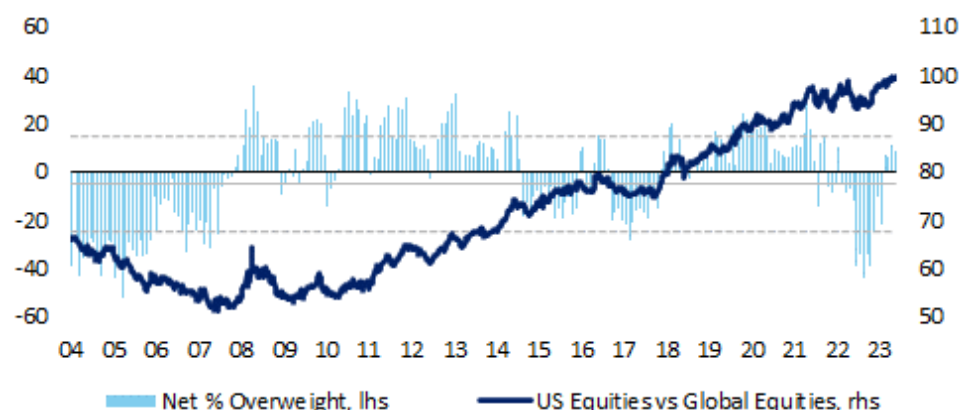
Net 14% of FMS investors think GBP is undervalued, up 8ppt MoM.

Current valuations are 0.7 stdev below the long-term average.

Investor Regional Equity Allocation

Chart 44: Net % AA Say they are overweight US Equities

Net% of FMS investors overweight US equities



Source: BofA Global Fund Manager Survey, Datastream

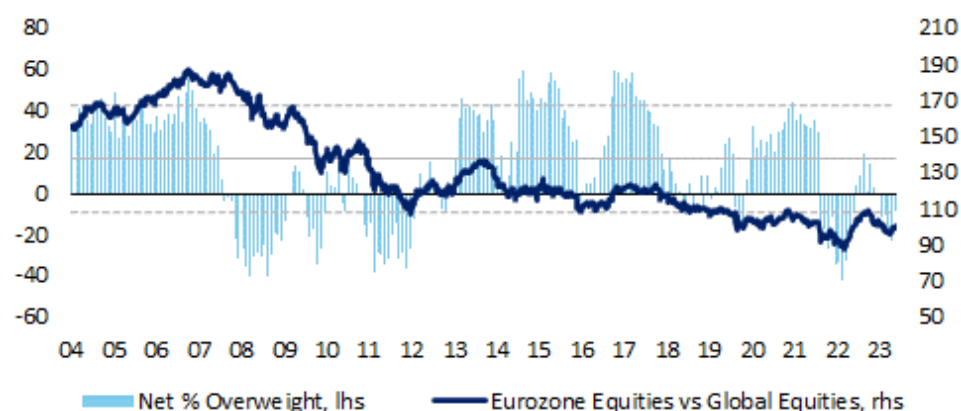
BofA GLOBAL RESEARCH

Allocation to US equities ticked down 2ppt MoM to net 9% overweight.

Current allocation is 0.6 stdev above its long-term average.

Chart 45: Net % AA Say they are overweight Eurozone Equities

Net% of FMS investors overweight EU equities



Source: BofA Global Fund Manager Survey, Datastream

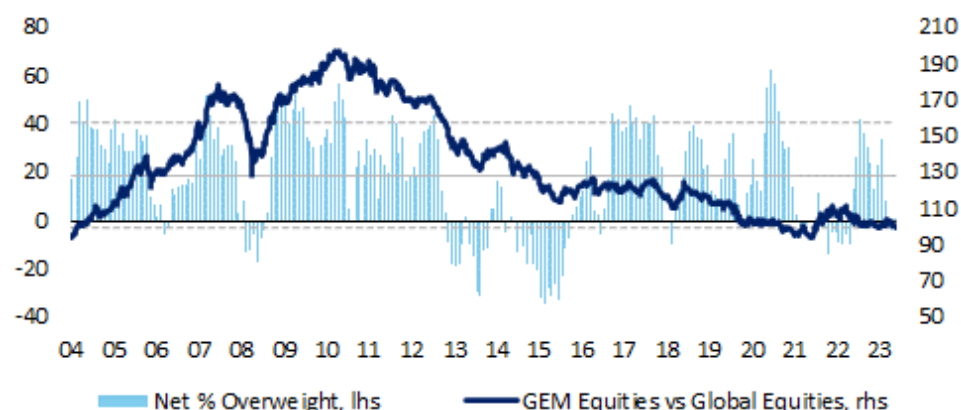
BofA GLOBAL RESEARCH

Allocation to Eurozone equities jumped 14ppt MoM to net 9% UW, highest since Jul'23, in a sharp reversal from the downward trend of the past two months.

Current allocation is 0.9 stdev below its long-term average.

Chart 46: Net % AA Say they are overweight GEM Equities

Net% of FMS investors overweight EM equities



Source: BofA Global Fund Manager Survey, Datastream

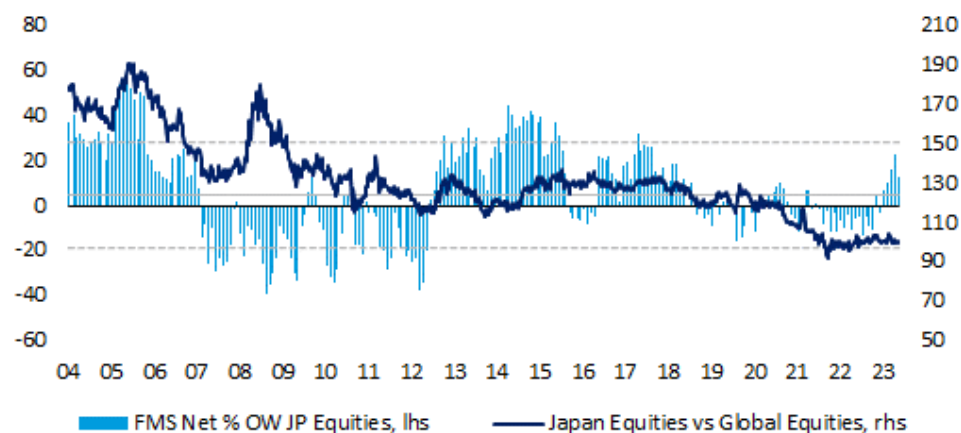
BofA GLOBAL RESEARCH

Allocation to EM equities was up 5ppt MoM to net 1% overweight, reversing the sharp 38ppt decline of the prior three months.

Current allocation is 0.8 stdev below its long-term average.

Chart 47: Net % AA Say they are overweight Japanese Equities

Net% of FMS investors overweight Japanese equities



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

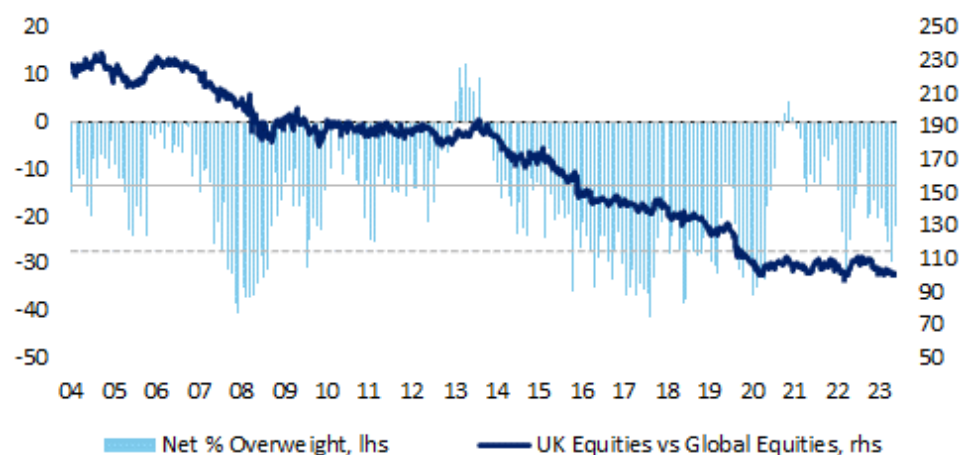
FMS allocation to Japanese equities declined by 11ppt MoM to net 12% overweight.

This was the greatest monthly decline since Mar'20.

Current allocation is 0.3 stdev above its long-term average.

Chart 48: Net % AA Say they are overweight UK Equities

Net% of FMS investors overweight UK equities



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

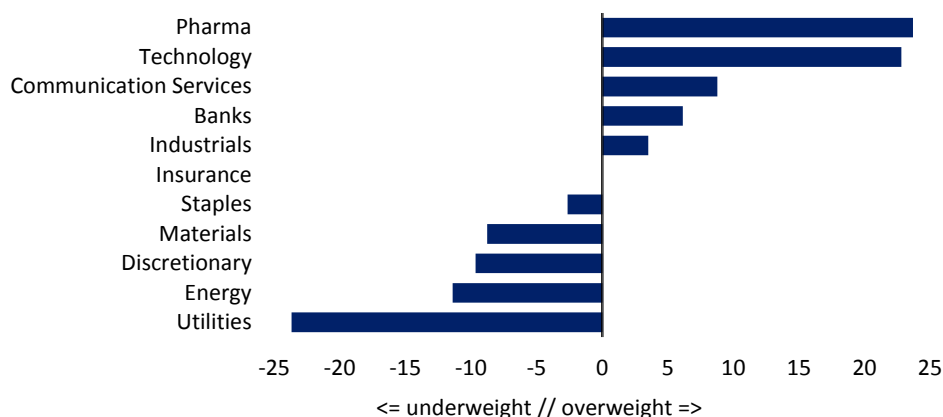
FMS allocation to UK equities increased 8ppt MoM to net 22% underweight.

Current allocation is 0.5 stdev below its long-term average.

Investor Sector Allocation

Chart 49: Global Sector Sentiment

% saying overweight - % saying underweight



Source: BofA Global Fund Manager Survey

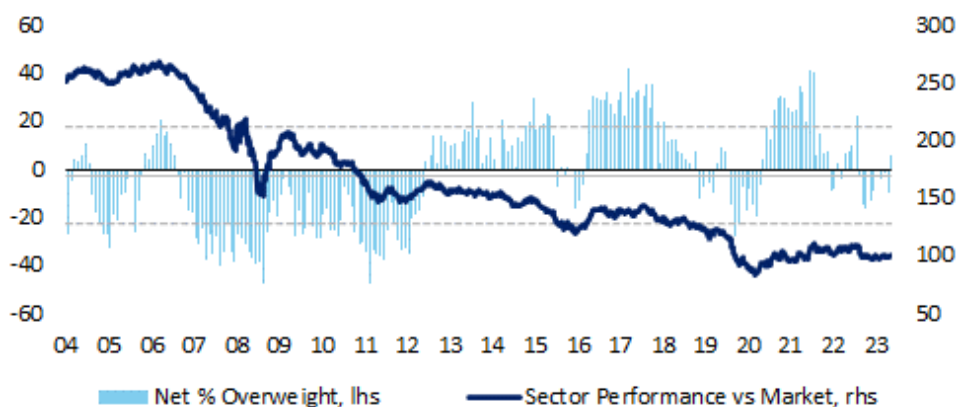
BofA GLOBAL RESEARCH

December saw FMS investors buying into banks, industrials, and materials, and selling out of energy, staples, and pharma.

FMS investors are the most (net) overweight pharma, tech, and telecom, and the most (net) underweight utilities, energy, and discretionary.

Chart 50: Global Banks

Net % of FMS investors overweight banks



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

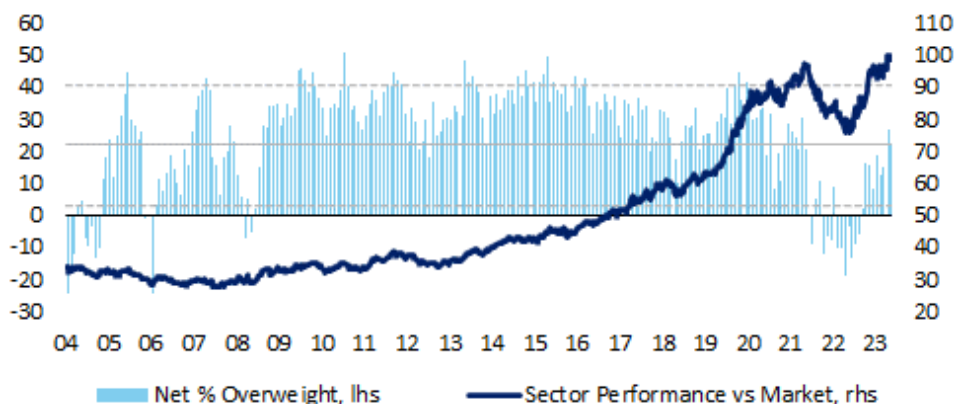
Allocation to banks spiked 16ppt MoM to net 6% overweight, highest since Feb'23.

Allocation to banks in recent months has been volatile. This was the largest monthly increase since Jan'22, while last month was the largest monthly decline since the regional banking crisis.

Current reading is 0.4 stdev above its long-term average.

Chart 51: Global Technology

Net % of FMS investors overweight technology



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

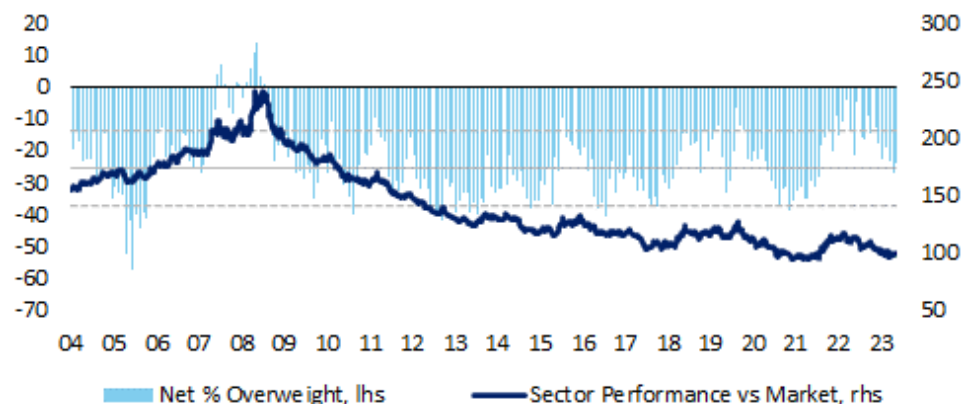
Allocation to technology was down 4ppt MoM to net 23% overweight.

FMS investors have been OW tech for the past 9 months.

Current reading is in line with its long-term average.

Chart 52: Global Utilities

Net % of FMS investors overweight utilities



Source: BofA Global Fund Manager Survey, Datastream

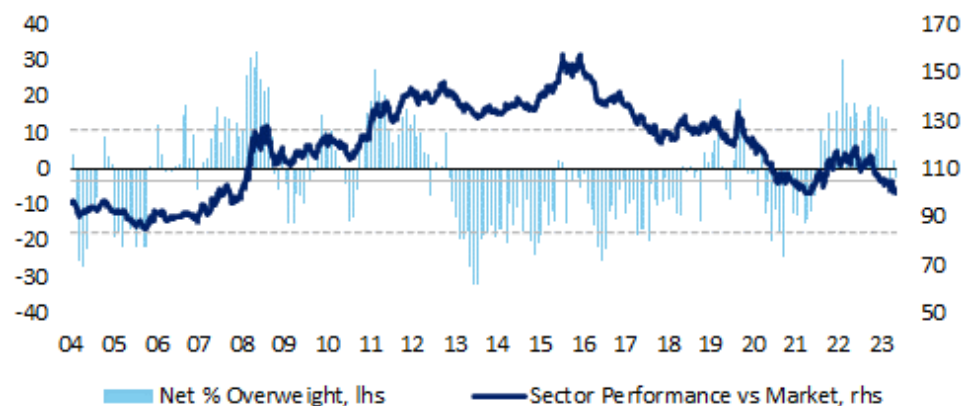
BofA GLOBAL RESEARCH

Allocation to utilities was up 4ppt MoM to net 24% underweight.

Current reading is 0.1 stdev above its long-term average.

Chart 53: Global Consumer Staples

Net % of FMS investors overweight consumer staples



Source: BofA Global Fund Manager Survey, Datastream

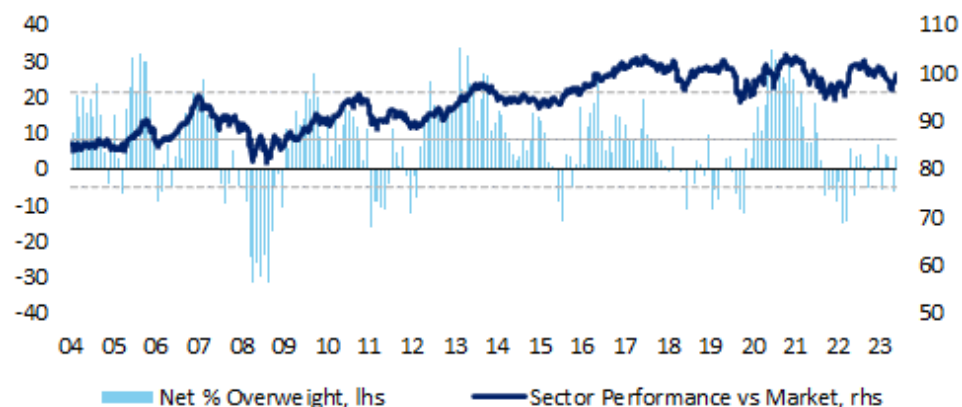
BofA GLOBAL RESEARCH

Allocation to staples was down 6ppt MoM to net 3% underweight.

Current reading is 0.1 stdev above its long-term average.

Chart 54: Global Industrials

Net % of FMS investors overweight industrials



Source: BofA Global Fund Manager Survey, Datastream

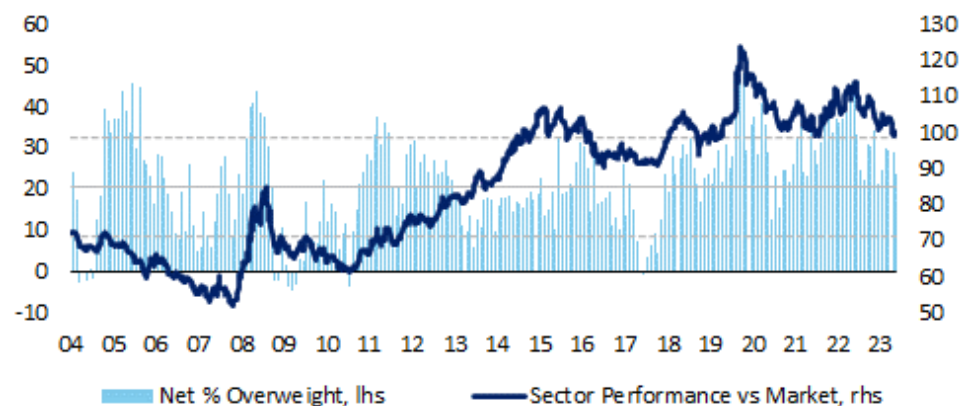
BofA GLOBAL RESEARCH

Allocation to industrials increased 10ppt MoM to net 4% overweight.

Current reading is 0.3 stdev below its long-term average.

Chart 55: Global Healthcare

Net% of FMS investors overweight healthcare



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

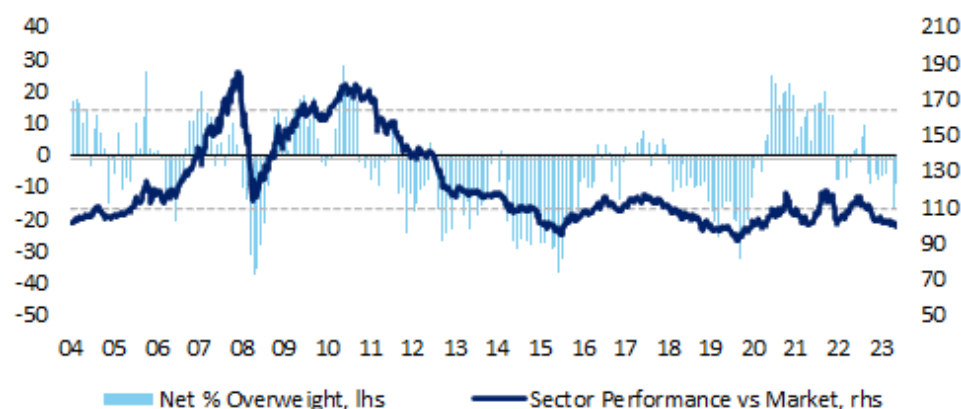
Allocation to healthcare was down 5ppt MoM to net 24% overweight.

FMS investors have kept their net overweight on healthcare continuously since Jan'18.

Current reading is 0.2 stdev above its long-term average.

Chart 56: Global Materials

Net% of FMS investors overweight materials



Source: BofA Global Fund Manager Survey, Datastream

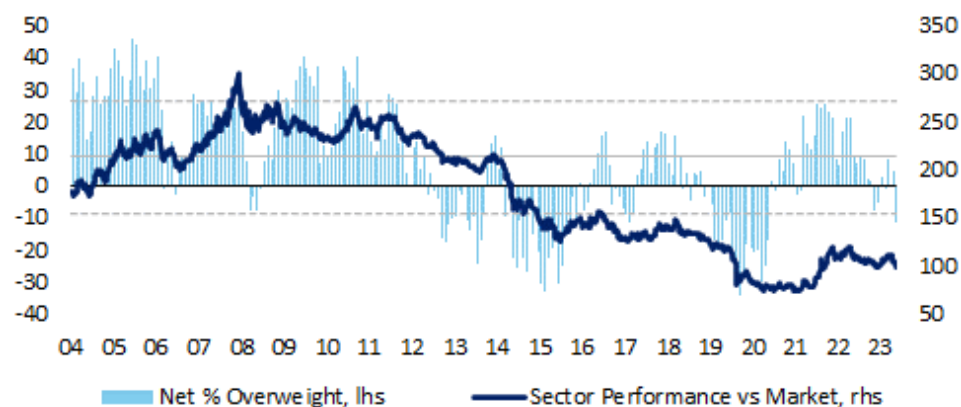
BofA GLOBAL RESEARCH

Allocation to materials increased 8ppt MoM to net 9% underweight.

Current reading is 0.5 stdev below its long-term average.

Chart 57: Global Energy

Net% of FMS investors overweight energy



Source: BofA Global Fund Manager Survey, Datastream

BofA GLOBAL RESEARCH

Allocation to energy collapsed 16ppt MoM to net 11% underweight, to the lowest since Dec'20.

This the largest monthly decline since Jan'16.

Current reading is 1.2 stdev below its long-term average.

Global survey demographics data

Table 2: Position / Institution / Approach to Global Equity Strategy

Position / Institution / Approach to Global Equity Strategy

	Dec-23	Nov-23	Oct-23
Structure of the panel - by position			
Chief Investment Officer	36	39	41
Asset Allocator / Strategist / Economist	66	64	73
Portfolio Manager	108	108	133
Other	9	14	12
Structure of the Panel - by expertise			
Global Specialists Only	114	114	130
Regional Specialists with a Global View	105	111	129
Total # of Respondents to Global Questions	219	225	259

Which of the Following Best Describes the Type of Money You are Running?

Institutional funds (e.g. pension funds / insurance companies)	62	69	82
Hedge funds / proprietary trading desks	26	33	38
Mutual funds / unit trusts / investment trusts	93	85	99
None of the above	38	38	40

What Do You Estimate to be the Total Current Value of Assets Under Your Direct Control?

Up to \$250mn	43	44	42
Around \$500mn	28	32	42
Around \$1bn	31	38	42
Around \$2.5bn	30	26	37
Around \$5bn	16	19	18
Around \$7.5bn	4	5	5
Around \$10bn or more	37	29	37
No funds under my direct control	30	32	36
Total (USD bn)	611	553	664

What best describes your investment time horizon at this moment?

3 months or less	60	73	83
6 months	52	59	71
9 months	27	22	22
12 months or more	77	67	78
Weighted average	7.7	7.1	7.1
Don't know	3	4	5

Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Disclosures

Important Disclosures

Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BofA Securities representative or Merrill Lynch Global Wealth Management financial advisor for information relating to such instruments. Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofA") and its affiliates. Investors should contact their BofA Securities representative or Merrill Lynch Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofA and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofA Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofA India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofA Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofA India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofA and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofA and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofA and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofA and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.



This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Copyright 2023 Bank of America Corporation. All rights reserved. IQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.