

US Watch

July CPI Inflation: Disinflation on autopilot but be mindful of turbulence

Another step in the right direction

The July Consumer Price Index (CPI) report was another step in the right direction. Headline inflation rose by 0.2% m/m, in line with consensus expectations. That said, it was a soft 0.2% as the unrounded number was 0.17% m/m. As a result, the y/y rate, at 3.2%, was below expectations by a tenth. Similarly, core inflation also rose by a soft 0.2% m/m (0.16% unrounded), which was slightly above our expectations for a 0.14% print. This led to a one-tenth decline in the y/y rate to 4.7%, while the 3-month annualized rate fell by 1ppt to 3.1%. In short, the recent inflation data show a meaningful step towards the Fed's two percent target.

Upside risks to noncore components

Noncore components were somewhat mixed. Food prices rose by 0.2% m/m owing to a 0.3% m/m increase in food at home, its first increase in five months, and a 0.2% m/m advance in food away from home. Looking ahead we think risks are tilted to the upside for food inflation owing to rising transportation costs, inclement weather, and potential effects from El Nino, though these risks are more of a medium-term story. Food away from home inflation, however, may continue to moderate given cooling wage inflation. Meanwhile, energy inflation was softer than we expected owing largely to a drop in energy services that partially offset an increase in energy goods. Given the recent increases in oil and gas prices we see upside risks to this category in the near-term.

Core goods deflation and another plunge in airfares

As expected, the core CPI print was driven by a 0.3% m/m decline in core goods inflation, which was led by a 1.3% drop in used car prices. Moreover, we saw broad-based deflation again in core goods as most major goods expenditure categories recorded a price decline on the month (Exhibit 3). Indeed, core goods ex used cars fell by 0.2% m/m and is down 0.7% annualized over the last three months. Meanwhile, core services rose by 0.4% m/m owing largely to shelter inflation of 0.4% m/m. Additionally, core services ex rent, and owners' equivalent inflation picked up from 0.0% m/m in June to 0.2% m/m. This is the CPI equivalent of Chair Powell's oft-cited core PCE ex housing services measure. While this was soft relative to recent history, it was once again held down by an 8.1% drop in airfares that we would be surprised to see continue for a third straight month. Moreover, the PCE price index uses the PPI measure for airfares so there's a risk that core PCE ex housing services prints stronger than its CPI equivalent.

One small step for inflation

In sum, the report was encouraging. Sequential growth in core inflation continues to trend lower, and we wouldn't be surprised to see another soft August print given declines in wholesale used car prices. While m/m inflation is still likely to be bumpy, we believe that the current disinflation is not a "head fake".

(Continued on next page)

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.

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 6 to 7.

12592066

Timestamp: 10 August 2023 10:34AM EDT

10 August 2023

Macro

United States

US Economics
BofAS

Stephen Juneau
US Economist
BofAS
+1 202 442 7429
stephen.juneau@bofa.com

Aditya Bhawe
US Economist
BofAS
+1 646 855 9929
aditya.bhawe@bofa.com

Michael Gapen
US Economist
BofAS
+1 646 855 3270
michael.gapen@bofa.com

US Rates Research
BofAS

Meghan Swiber, CFA
Rates Strategist
BofAS
+1 646 855 9877
meghan.swiber@bofa.com

G10 FX Strategy
MLI (UK)

Alex Cohen
FX Strategist
BofAS
alex.cohen2@bofa.com

[See Team Page for List of Analysts](#)

Glossary

CPI = Consumer Price Index

PPI = Producer Price Index

PCE = Personal Consumption Expenditures (Price Index)

OER = Owners' Equivalent Rent

NSA = Not Seasonally Adjusted

OIS- Overnight Indexed Swap

Fed implications: Heading towards a contentious debate

We retain our call for a 25bp hike in September on the premise that the Fed will still feel inclined to deliver on the dot plot and err on the side of overtightening. But we acknowledge that the risks are skewed towards a pause, particularly with the markets pricing just 4bp of hikes in September at the time of this writing. A few of the doves on the FOMC have suggested that the Fed is done hiking. We should get more clarity on this question at the August 24-26 Jackson Hole symposium. Additionally, there is still more data as the Fed will have another employment and CPI report to consider before its next meeting.

GDP implications: 2Q unchanged at 2.3% q/q saar

The July CPI print was slightly higher than expectations for core. We use the CPI data as deflators in our personal consumption expenditure tracking estimate which got pushed down slightly after today's data. Overall, this print left our 2Q US GDP tracking estimate unchanged at 2.3% q/q saar.

Market reaction

Following the CPI release, the real rate curve bull steepened, while breakevens on net are little changed to modestly lower across the curve. Market pricing for an additional rate hike by the November meeting is also little changed after declining modestly immediately following the print. FOMC OIS expiring in mid '24 declined only a few bps. In general today's print confirms the broader disinflation picture the market has largely been expecting. This should support a bid for duration as the market is more confident that the Fed hiking cycle is at or near the end. However, confidence in cuts and longer run levels will likely be a function of how the economy unfolds alongside rate levels that the Fed believes to be restrictive.

In the FX markets, the USD was on-net little changed on the CPI report vs the G10, with some post-release volatility, mainly tracking moves in US rates. The USD has mostly traded within a tight range in August, after fully retracing the post- June CPI selloff. While disinflationary sings continue, the USD has been supported in recent weeks by broader resilient US growth data (amid ongoing soft data out of Europe and China) as well as the backup in longer-end US yields and moderate turn lower in equities. The USD is likely to range trade throughout the remainder of the summer, as the market awaits further clarity on the reaction functions of the "data-dependent" Fed and ECB.

Exhibit 2: CPI Forecast vs. Actual (SA % m/m unless specified otherwise)

Below is a table that compares our bottom-up CPI forecasts to actuals

	July Forecast		
	Actual	Forecast	Error
NSA Index (level)	305.691	305.722	-0.031
Headline CPI (All Items)	0.17%	0.20%	-0.03%
Food	0.2%	0.2%	0.1%
Energy	0.1%	0.9%	-0.8%
Core CPI	0.16%	0.14%	0.02%
Core goods	-0.33%	-0.37%	0.04%
Household furnishings and supplies	-0.4%	-0.3%	0.0%
Apparel	0.0%	0.3%	-0.3%
Transportation commodities less motor fuel	-0.5%	-1.0%	0.4%
<i>Of which:</i>			
New vehicles	-0.1%	-0.1%	0.0%
Used cars and trucks	-1.3%	-2.3%	1.0%
Medical care commodities	0.5%	0.4%	0.1%
Recreation commodities	-0.8%	-0.4%	-0.3%
Other recreational goods	-2.4%	0.0%	-2.4%
Education and communication commodities	-1.2%	-0.1%	-1.1%
Alcoholic beverages	0.1%	0.3%	-0.2%
Other goods	0.3%	0.3%	0.0%
Core Services	0.35%	0.33%	0.02%
Shelter	0.4%	0.4%	0.0%
<i>Of which:</i>			
Rent	0.4%	0.4%	0.0%
Lodging away from home	-0.3%	0.0%	-0.3%
OER	0.5%	0.4%	0.1%
Water and sewer	0.5%	0.4%	0.0%
Medical care services	-0.4%	-0.2%	-0.2%
<i>Of which:</i>			
Health insurance	-4.1%	-3.9%	-0.2%
Transportation services	0.3%	0.7%	-0.3%
<i>Of which:</i>			
Airfares	-8.1%	-2.0%	-6.1%
Recreation services	0.8%	0.4%	0.4%
Education and communication	0.3%	0.1%	0.2%
Other personal services	-0.1%	0.5%	-0.6%

Source: BofA Global Research, Bureau of Labor Statistics, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 3: CPI heatmap (%m/m)

Headline and Core CPI rose by 0.2% m/m in July

Jun-23 weight	Component	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22
100.0	Headline CPI	0.167%	0.18%	0.12%	0.37%	0.05%	0.37%	0.52%	0.13%	0.21%	0.49%	0.41%	0.23%
13.4	Food	0.24%	0.11%	0.20%	0.02%	0.01%	0.39%	0.51%	0.45%	0.55%	0.68%	0.78%	0.83%
7.0	Energy	0.11%	0.60%	-3.59%	0.56%	-3.52%	-0.56%	1.97%	-3.06%	-1.41%	1.68%	-1.74%	-3.89%
79.6	Core CPI	0.160%	0.16%	0.44%	0.41%	0.38%	0.45%	0.41%	0.40%	0.31%	0.33%	0.57%	0.58%
4.3	Household Furnishings and Supplies	-0.35%	-0.27%	-0.41%	-0.40%	0.37%	0.76%	0.51%	0.25%	0.36%	0.04%	0.48%	0.88%
2.5	Apparel	-0.03%	0.31%	0.29%	0.27%	0.26%	0.81%	0.83%	0.21%	0.10%	-0.25%	0.04%	0.28%
7.8	Motor Vehicles & parts	-0.54%	-0.17%	1.49%	1.45%	-0.04%	-0.90%	-0.71%	-0.62%	-0.66%	-0.50%	-0.16%	0.37%
4.3	New Vehicles	-0.08%	-0.03%	-0.12%	-0.22%	0.38%	0.18%	0.23%	0.58%	0.47%	0.56%	0.67%	0.84%
2.8	Used Cars and Trucks	-1.34%	-0.45%	4.42%	4.45%	-0.88%	-2.77%	-1.94%	-1.99%	-1.99%	-1.71%	-1.10%	-0.18%
1.5	Medical Care Commodities	0.51%	0.19%	0.65%	0.46%	0.59%	0.15%	1.06%	0.11%	0.19%	-0.02%	-0.09%	0.24%
2.3	Recreation Commodities	-0.78%	-0.36%	-0.05%	0.29%	0.24%	0.44%	0.12%	0.09%	-0.34%	0.78%	-0.05%	0.64%
0.9	Education and Communication Commodities	-1.25%	-0.07%	-0.20%	-0.18%	-0.50%	-0.77%	-0.09%	-0.92%	-1.69%	-1.53%	-0.53%	-0.40%
0.8	Alcoholic Beverages	0.12%	0.01%	0.51%	0.47%	0.14%	-0.28%	0.41%	0.65%	0.64%	0.69%	0.31%	0.36%
1.2	Other Goods	0.30%	0.08%	0.59%	0.24%	0.53%	0.74%	0.77%	-0.07%	0.62%	0.58%	0.39%	1.15%
34.7	Shelter	0.44%	0.37%	0.56%	0.42%	0.56%	0.76%	0.74%	0.79%	0.64%	0.72%	0.74%	0.67%
25.5	Owners' Equivalent Rent of Residences	0.49%	0.45%	0.52%	0.54%	0.48%	0.70%	0.67%	0.79%	0.65%	0.62%	0.79%	0.69%
7.6	Rent of Primary Residence	0.42%	0.46%	0.49%	0.56%	0.49%	0.76%	0.74%	0.79%	0.77%	0.72%	0.81%	0.74%
1.2	Lodging Away From Home	-0.34%	-2.01%	1.80%	-2.96%	2.70%	2.26%	1.20%	1.10%	-0.52%	3.49%	-0.51%	-0.09%
1.1	Water & Sewer & Trash Collection Services	0.46%	0.40%	0.58%	0.33%	0.27%	0.79%	0.85%	0.25%	0.31%	0.17%	0.79%	0.49%
0.9	Household Operations	1.79%	0.78%	-1.19%	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
6.4	Medical Care Services	-0.40%	-0.02%	-0.05%	-0.14%	-0.50%	-0.70%	-0.68%	0.30%	-0.49%	-0.38%	0.83%	0.68%
5.9	Transportation Services	0.34%	0.13%	0.84%	-0.18%	1.38%	1.14%	0.85%	0.63%	0.33%	0.60%	1.91%	0.99%
0.6	Airline Fares	-8.09%	-8.11%	-2.95%	-2.55%	3.96%	6.38%	-2.15%	-2.05%	-1.63%	-1.16%	0.44%	-1.53%
3.1	Recreation Services	0.77%	0.46%	-0.09%	0.74%	0.01%	1.19%	0.73%	0.29%	0.94%	0.78%	0.19%	0.03%
4.8	Education and Communication Services	0.29%	-0.27%	-0.15%	0.07%	0.29%	0.21%	0.45%	0.26%	0.98%	0.17%	0.17%	0.21%
1.5	Other Personal Services	-0.07%	0.23%	0.47%	1.52%	0.47%	1.06%	0.54%	-0.15%	0.82%	0.36%	0.27%	0.30%

Source: BofA Global Research, Bureau of Labor Statistics

BofA GLOBAL RESEARCH

Exhibit 4: CPI heatmap (%y/y)

Headline CPI rose by 3.2% y/y in July and core rose by 4.7% y/y

Jun-23 weight	Component	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22
100.0	Headline CPI	3.18%	2.97%	4.05%	4.93%	4.98%	6.04%	6.41%	6.45%	7.11%	7.75%	8.20%	8.26%
13.4	Food	4.86%	5.74%	6.69%	7.65%	8.50%	9.49%	10.13%	10.41%	10.63%	10.95%	11.24%	11.37%
7.0	Energy	-12.47%	-16.74%	-11.66%	-5.06%	-6.42%	5.19%	8.70%	7.31%	13.07%	17.63%	19.79%	23.81%
79.6	Core CPI	4.65%	4.83%	5.33%	5.52%	5.59%	5.54%	5.58%	5.71%	5.96%	6.28%	6.63%	6.32%
4.3	Household Furnishings and Supplies	2.24%	3.24%	4.08%	4.77%	5.79%	6.33%	6.37%	7.28%	8.28%	8.81%	9.90%	10.60%
2.5	Apparel	3.18%	3.07%	3.47%	3.65%	3.25%	3.26%	3.06%	2.91%	3.55%	4.09%	5.46%	5.06%
7.8	Motor Vehicles & Parts	-1.27%	-0.75%	0.12%	-0.30%	-1.82%	-3.18%	-2.26%	-0.95%	2.37%	5.48%	8.40%	9.10%
4.3	New Vehicles	3.50%	4.07%	4.66%	5.42%	6.12%	5.83%	5.78%	5.89%	7.20%	8.39%	9.40%	10.05%
2.8	Used Cars and Trucks	-5.64%	-5.15%	-4.22%	-6.56%	-11.15%	-13.58%	-11.62%	-8.83%	-3.34%	2.03%	7.18%	7.78%
1.5	Medical Care Commodities	4.13%	4.21%	4.42%	4.01%	3.59%	3.19%	3.39%	3.21%	3.13%	3.06%	3.67%	4.09%
2.3	Recreation Commodities	1.02%	1.96%	2.73%	2.90%	3.16%	2.85%	3.27%	4.11%	3.63%	4.31%	4.05%	3.84%
0.9	Education and Communication Commodities	-7.84%	-7.10%	-6.88%	-8.29%	-10.17%	-10.47%	-10.26%	-10.08%	-9.68%	-9.08%	-8.32%	-7.33%
0.8	Alcoholic Beverages	4.10%	4.42%	4.77%	4.64%	4.53%	4.92%	5.82%	5.78%	5.54%	5.01%	4.09%	4.28%
1.2	Other Goods	6.09%	6.13%	6.58%	6.80%	6.91%	6.96%	7.15%	7.17%	7.51%	7.21%	7.90%	7.57%
34.7	Shelter	7.69%	7.83%	8.04%	8.11%	8.18%	8.10%	7.88%	7.51%	7.12%	6.92%	6.59%	6.24%
25.5	Owners' Equivalent Rent of Residences	7.66%	7.81%	8.05%	8.12%	8.04%	8.01%	7.76%	7.53%	7.13%	6.89%	6.68%	6.29%
7.6	Rent of Primary Residence	8.03%	8.33%	8.66%	8.80%	8.81%	8.76%	8.56%	8.35%	7.91%	7.52%	7.21%	6.74%
1.2	Lodging Away From Home	6.04%	4.54%	3.41%	3.31%	7.26%	6.73%	7.69%	3.18%	3.24%	5.86%	2.91%	4.03%
1.1	Water & Sewer & Trash Collection Services	5.83%	5.71%	5.71%	5.41%	5.39%	5.25%	4.97%	4.94%	5.01%	4.77%	4.93%	4.63%
0.9	Household Operations	#N/A	5.21%	4.55%	8.01%	#N/A	#N/A	#N/A	#N/A	#N/A	6.57%	#N/A	6.61%
6.4	Medical Care Services	-1.53%	-0.76%	-0.08%	0.41%	1.03%	2.15%	2.99%	4.12%	4.38%	5.45%	6.51%	5.65%
5.9	Transportation Services	9.03%	8.23%	10.18%	11.03%	13.88%	14.64%	14.63%	14.58%	14.19%	15.19%	14.60%	11.32%
0.6	Airline Fares	-18.59%	-18.85%	-13.44%	-0.87%	17.70%	26.54%	25.56%	29.14%	35.90%	43.02%	42.64%	33.70%
3.1	Recreation Services	6.21%	5.92%	5.76%	6.39%	5.94%	6.34%	5.75%	5.71%	5.38%	3.94%	4.06%	4.24%
4.8	Education and Communication Services	2.72%	2.38%	2.79%	3.13%	3.25%	2.86%	2.77%	2.41%	2.24%	1.32%	1.36%	1.53%
1.5	Other Personal Services	5.95%	6.46%	6.67%	6.30%	5.25%	5.21%	5.34%	5.55%	6.49%	5.76%	5.93%	5.77%

Source: BofA Global Research, Bureau of Labor Statistics

BofA GLOBAL RESEARCH

Disclosures

Important Disclosures

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. BofA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

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 Global Wealth Management financial advisor for information relating to such instruments. Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended. SECURITIES OR OTHER FINANCIAL INSTRUMENTS DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.

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.

The securities or other financial instruments discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these instruments are exempt from registration or have been qualified for sale.

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.

This report, and the securities or other financial instruments discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors, including retail investors.

Individuals identified as economists do not function as research analysts under U.S. law and reports prepared by them are not research reports under applicable U.S. rules and regulations.

Macroeconomic analysis is considered investment research for purposes of distribution in the U.K. under the rules of the Financial Conduct Authority.

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 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 (HKSCF); 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 Investment Industry Regulatory Organization of Canada; 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 HKSCF; 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 BofAS 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.

Futures and options are not appropriate for all investors. Such financial instruments may expire worthless. Before investing in futures or options, clients must receive the appropriate risk disclosure documents. Investment strategies explained in this report may not be appropriate at all times. Costs of such strategies do not include commission or margin expenses.

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 in this report. Investors in such securities and instruments 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.

Research Analysts

US Economics

Michael Gapen

US Economist
BofA
+1 646 855 3270
michael.gapen@bofa.com

Aditya Bhawe

US Economist
BofA
+1 646 855 9929
aditya.bhawe@bofa.com

Stephen Juneau

US Economist
BofA
+1 202 442 7429
stephen.juneau@bofa.com

Shruti Mishra

US and Global Economist
BofA
+1 646 855 1040
smishra44@bofa.com

Jeseo Park

US Economist
BofA
+1 646 855 8688
jeseo.park@bofa.com

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.