Global Investment Strategy

The Biggest Pictures

09 February 2020

Investment Strategy
Global

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Liquidity to Diversity

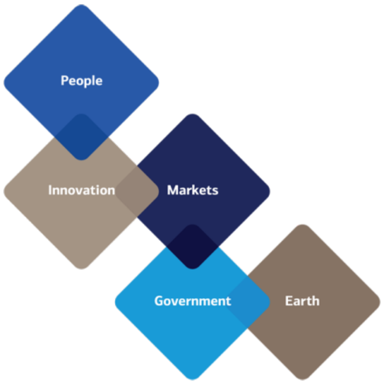
- **666 to 3333**: since Lehman central banks have cut rates 799 times (1 cut every 3 ½ trading days), bought >$12tn of financial assets; "liquidity supernova" neutered impact of tech disruption, excess debt, aging demographics, caused asset prices to soar, incited twin bubbles in scarce "yield" & "growth" assets (credit, PE, tech).
- **3498**: S&P500 >3498 = greatest bull market of all-time; we stay "irrationally bullish" in Q1; Fed in "liquidity trap"…end QE and risk market crash/recession, so Fed won't end QE and asset bubbles inflate.
- **Q2**: when "only reason to be bearish is there is no reason to be bearish" probability of "Minsky moment" rises; in Q2 we expect peak positioning & peak liquidity to cause big top in risk assets; sell S&P500 when PE >20X, go short credit & stocks when new lows in bond yields & spike in US$ spark recession/default fear.
- **25/25/25/25 in 2020s**: Wall Street era of excess liquidity to give way to higher inflation, policy impotence, war on inequality, national insecurity (Chart 1); portfolio diversity (asset allocation of 25/25/25/25 bonds/stocks/cash/gold) to outperform today's concentrated longs in QE winners (credit, private equity, tech).

Chart 1: 2020 vision

2010s	2020s
Deflation	Inflation
Humans	Robots
Men	Women
1%	99%
Wall Street	Main Street
Monetary excess	Fiscal excess
QE	MMT
EPS	ESG
Globalization	Protectionism
Occupy Wall Street	Occupy Silicon Valley
Tech disruption	Tech wars
Bonds	Commodities
Private equity	Hedge funds
Growth stocks	Value stocks
US dollar	Gold
Era of liquidity	Era of diversity

Source: BofA Global Investment Strategy

A Transforming World



Refer to important disclosures on page 43 to 44.
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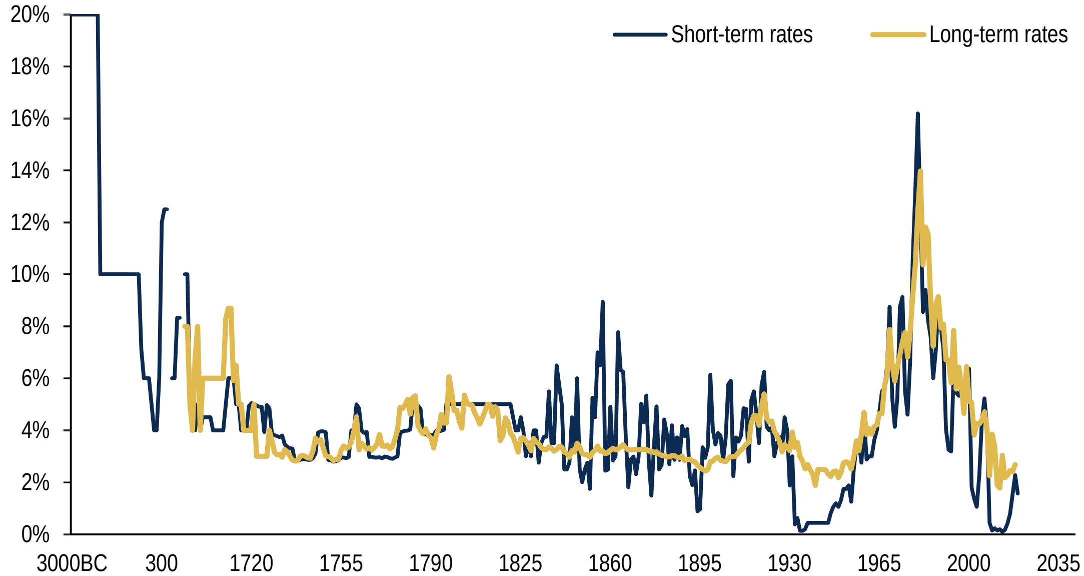
The long view in numbers

- 5,000 years: in the 2010s both short-term & long-term interest rates (the price of money) fell to their lowest levels in 5,000 years
- 799: central banks cut interest rates 799 times since Lehman (1 rate cut every 3½ trading days)
- 512,000: decline in the Japanese population in 2019
- 1991: commodities in 2020 off to their worst start since 1991
- 1951: last time the rolling 10yr annualized monthly returns from T-Bills was as low as today (0.6%)
- 3498: longest bull market of all time, just 4.5% away from largest bull market of all time (3498)
- $58tn: global stock market capitalization rose from $31.3tn to $89.2tn
- $2tn: market cap of European financial sector in 2010; market cap in 2020…still $2tn
- $1tn: four US companies now >$1tn market cap (Microsoft, Apple, Google, Amazon) in 2020
- $1tn: US budget deficit in 2019; US government spending $4.4tn or $35,500 per income tax payer in 2019
- $918tn: inflows to bond funds annualizing $918bn YTD (vs. record $481bn in 2019)
- 42bps: credit default swap (i.e. risk of default) on European IG corporate bonds falls to all-time low in Feb'2020
- 1%, 2%, 6%: US averaged 2% GDP growth, Europe & Japan 1% growth while China slowed to lowest rate of growth 6% past 10 years
- $381,000: 20 US companies spent $975bn on stock buybacks past 5 years, equivalent to $381,000 for every employee
- 5.5X: value of US financial assets (Wall Street) 5.5 times the size of GDP (Main Street), all-time high
- $12 trillion: Fed, ECB, BoJ, BoE, SNB have bought $12tn of financial assets since Lehman ($14,000 for every human in those 5 countries)
- $17 trillion: value of negatively yielding bonds rose from zero in 2010 to $17.0 trillion in 2019 (it's now $12.7tn)
- $19511: peak Bitcoin price in 2018 (largest bubble of all-time); now $9744
- 0.86%: current yield on Austria's 100-year government bond
- 99.4%: peak-to-trough decline in Cyprus equity index, greatest market bust of all-time between 1999 and 2018

The lowest interest rates in 5000 years

Chart 2: Interest rates since 3000BC



Source: Bank of England, Global Financial Data, Homer and Sylla "A History of Interest Rates" (2005)

- Global interest rates at or close to their lowest level in 5,000 years.
- Since Lehman central banks have cut rates 799 times (1 cut every 3 ½ trading days), bought over $12tn of financial assets; the "liquidity supernova" has caused asset prices to soar.
- Central banks have been and continue to be the #1 driver of asset prices.

I'm so bearish, I'm bullish

Chart 3: BofA Asset Allocation & Cross Asset Returns

Asset Allocation Returns

Total Returns (%)	2000s	2010s	QE-to-date*	2019	YTD
Global Equities	0.9	9.4	14.6	27.3	2.1
US	-1.3	13.5	18.2	31.6	3.9
Europe	2.4	5.8	11.6	24.6	0.0
UK	1.4	5.1	10.5	21.1	-3.0
Emerging Markets	10.1	4.0	10.8	18.9	-1.1
Financials	-1.9	4.0	11.6	19.7	-0.4
Energy	7.2	-1.5	1.9	8.8	-7.9
Info Tech	-8.0	13.7	19.7	45.1	8.0
Global Fixed Income	6.7	2.8	3.8	7.0	0.4
Government	6.7	2.0	2.8	5.5	0.2
Investment Grade	6.5	4.1	6.2	11.5	0.9
High Yield	6.9	7.2	11.7	13.7	0.5
EM Sovereign	10.7	5.9	8.0	12.7	1.2
Commodities	14.1	-3.4	-1.1	20.1	-10.3
Energy	16.4	-5.2	-3.2	32.1	-14.8
Industrial Metals	13.5	-2.9	2.7	3.4	-5.7
Precious Metals	13.6	2.4	4.2	17.7	2.5
Cash	2.8	0.5	0.5	2.2	0.1
Dollar	-2.6	2.2	0.9	0.2	2.2

Source: BofA Global Investment Strategy, Bloomberg, as of 2/06/2020; *2010s refers to annualized returns since December 31st 2009

- Minimal economic growth & inflation…maximum central bank liquidity…maximum QE-era returns on Wall St on the past decade.
- QE winners: US equities, tech stocks, HY bonds…assets that win when economic growth and bond yields are "scarce".
- QE losers: commodities, cash…assets that lose when inflation is "scarce".

The best of times, the worst of times

Chart 4: US asset returns by decade, annualized

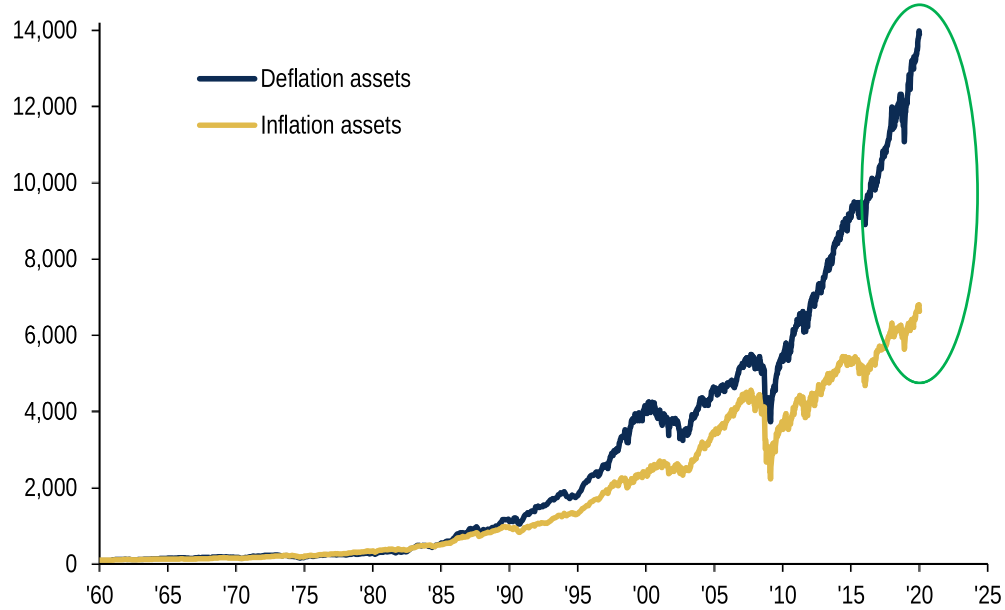
	1920s*	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	1926-2019
Stocks	19.2%	-0.1%	9.2%	19.4%	7.8%	5.9%	17.6%	18.2%	-0.9%	15.8%	*11.2%*
Corporate Bonds	5.2%	6.9%	2.7%	1.0%	1.7%	6.2%	13.0%	8.4%	7.6%	9.5%	*6.2%*
Government Bonds	5.0%	4.9%	3.2%	-0.1%	1.4%	5.5%	12.6%	8.8%	7.7%	8.0%	*5.7%*
Treasury Bills	3.7%	0.6%	0.4%	1.9%	3.9%	6.3%	8.9%	5.0%	2.8%	0.7%	*3.4%*
Inflation	-1.1%	-2.0%	5.4%	2.2%	2.5%	7.4%	5.1%	2.9%	2.5%	2.1%	*2.7%*

*Based on period 1926-1929
Source: BofA Global Equity Strategy, Ibboston, Datastream, Global Financial Data, Bloomberg

- In the past decade, stock markets recovered following their worst decade of returns ever,
- ...corporate bonds notched up their 2nd best decade ever,
- ...government bonds recorded their 4th consecutive decade of strong real returns,
- ...but the 2010s were worst decade of T-bill returns since the 1930s.

The bubble in deflation, the bear market in inflation

Chart 5: The performance of "deflation assets" vs. "inflation assets" since 1960

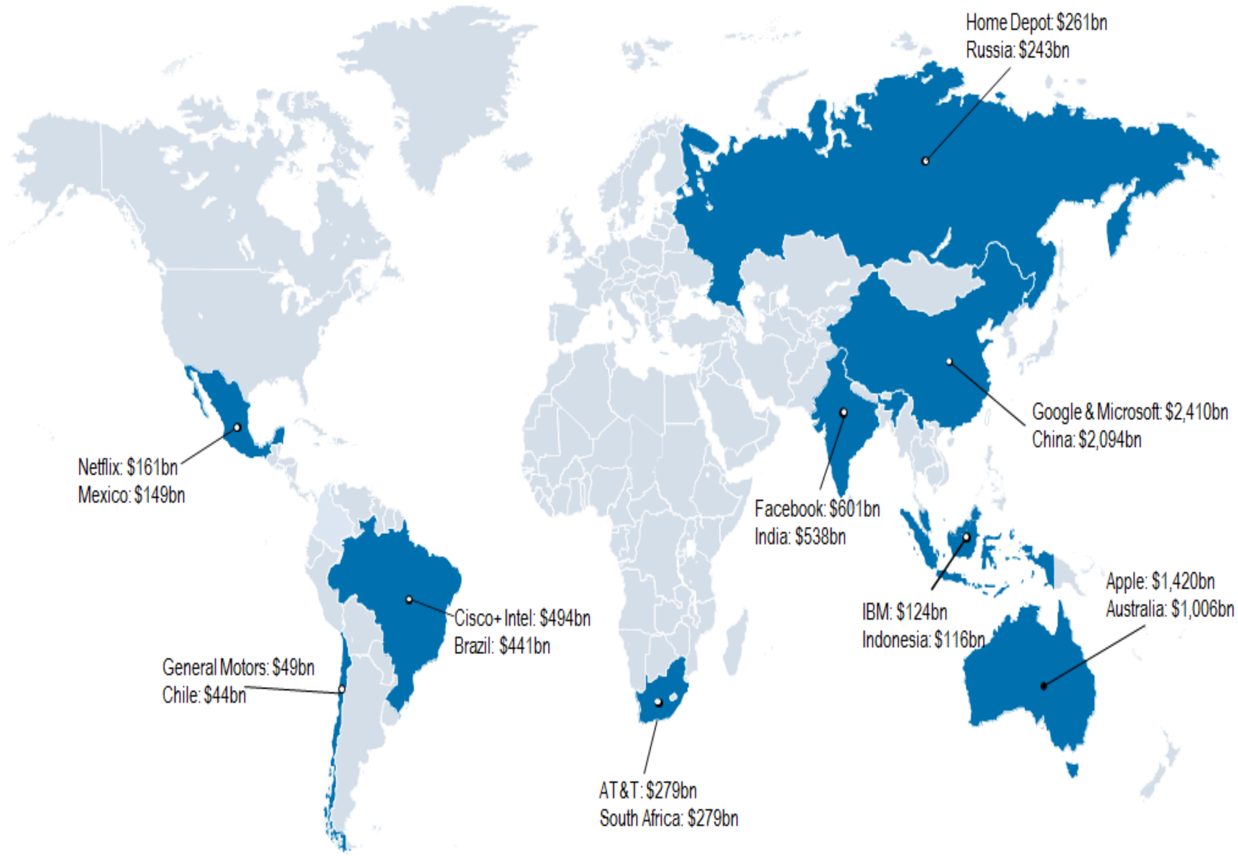


Source: BofA Global Investment Strategy, Bloomberg; Note: Inflation assets: Commodities, TIPS, EAFE, US Banks, Value and Cash; Deflation assets = Govt bonds, US IG, S&P 500, US Cons. Disc, Growth and US HY.

- In 2020 investors are pouring money into "deflation assets" such as bonds, credit, tech stocks, growth stocks.
- Meanwhile "inflation assets" such as commodities, cash, cyclicals, value stocks are shunned.
- The "Minsky moment" arrives when an increase in recession, default, inflation risk causes liquidation of long positions in "deflation assets".
- Eleven years on from GFC consensus is finally that lower bond yields = higher asset prices; but we increasingly think new lows in bond yields in 2020 trigger economic and/or financial system instability.

The map of hubris & humiliation

Chart 6: A map of Hubris & Humiliation

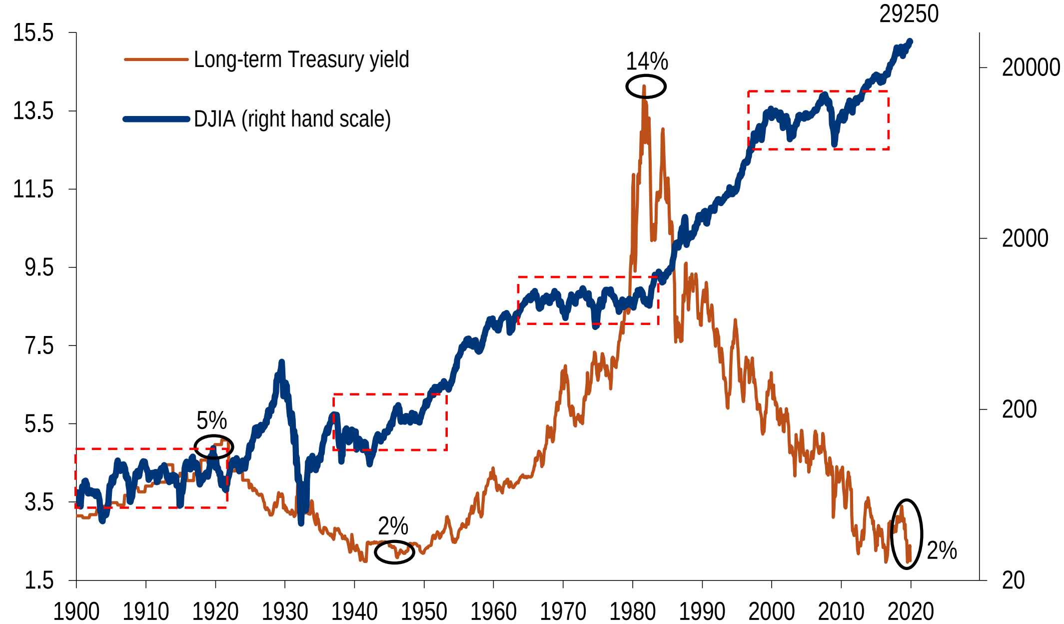


Source: BofA Global Investment Strategy, Bloomberg, MSCI. Note exhibit shows market cap for MSCI equity country indices and companies, as of February 6, 2020

- $1tn: four US companies now >$1tn market cap (Microsoft, Apple, Google, Amazon) in 2020.
- $2tn: market cap of European financial sector in 2010; market cap in 2020…still $2tn.
- 1.4 billion: population of India…Facebook has a larger market cap than MSCI India.

All-time low bond yields, all-time high stocks…

Chart 7: Long-term US Treasury bond yields & the Dow Jones since 1900



Source: BofA Global Investment Strategy, Global Financial Data

- In the 1920s, 1950s, 1980s a secular inflection point in bond yields & inflation expectations coincided with a major breakout in equity prices.
- In the 2010s this did not occur; there has been no inflection point in bond yields, yet equity prices have decisively broken-out of their secular trading range.
- The US equity index is a "growth" index with big weightings in tech, communications, and discretionary sectors (44% of S&P500); excluding the US, the global equity index is 7% below its Jan'18 high and 17% below its Oct'07 high.

...the worst commodity bear market since the 1930s

Chart 8: Commodity returns since 1925

Source: BofA Global Investment Strategy, Ibbotson, Bloomberg, Datastream

- In 2018 the 10-year rolling return from commodities fell to -7.7%, the worst since 1933.
- In 2020 YTD commodity returns are down 10%, their worst start to a year since 1991, as capitulation out of the asset class accelerates.

The 3 deflationary Ds: excess Debt…

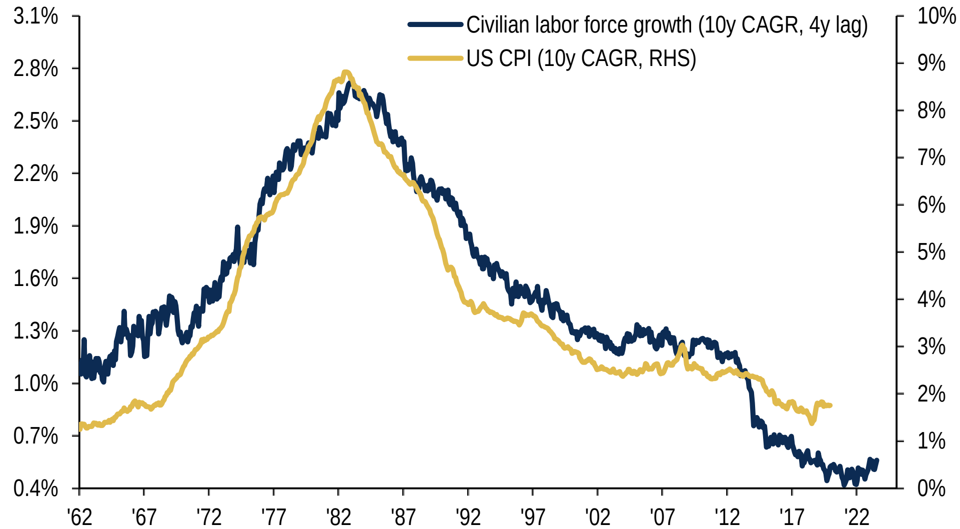
Chart 9: Federal debt as % GDP

Source: BofA Global Investment Strategy, Reinhart, Camen M. and Kenneth S. Rogoff, "From Financial Crash to Debt Crisis," NBER Working Paper 15795, March 2010, Haver.

- The 3 deflationary "D's" of excess Debt, aging Demographics, technological Disruption, continue to subdue consumer and corporate "animal spirits" and cap global interest rates.
- Global debt = $253tn = 322% of global GDP; excess debt encourages savings on Main Street.
- But the high level of debt/low level of rates/willingness to discount MMT (Modern Monetary Theory) simply encourages asset buying on Wall Street.

…aging Demographics…

Chart 10: Labor force growth vs. inflation

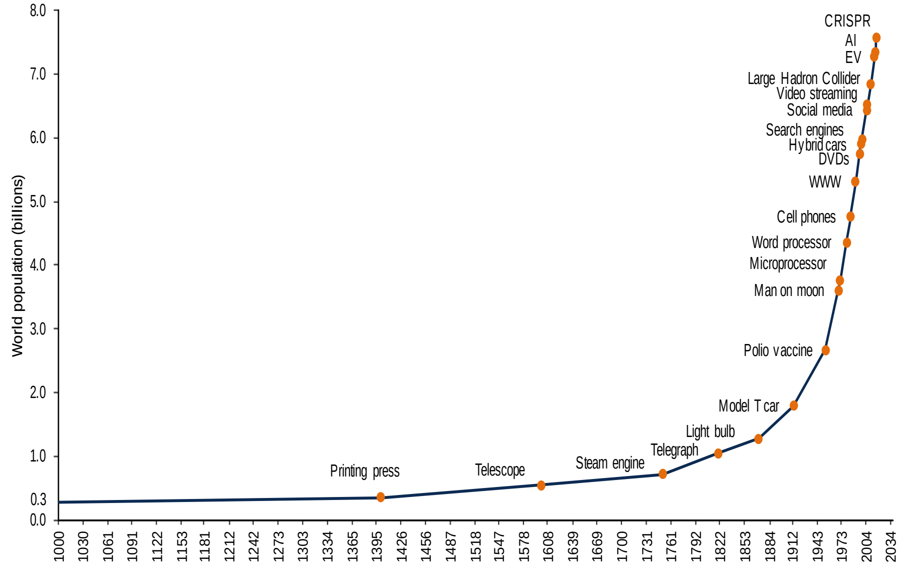


Source: BofA Global Investment Strategy, Bloomberg, EPFR Global, Haver

- US labor force growth leads US inflation by four years and is set to remain very low in coming years.
- Meanwhile aging is a deflationary global theme: in Japan/Russia/Southern Europe the working population will contract by 20mn by 2025 vs. 2015 (Russia by 9mn, Japan by 6mn, southern Europe by 5mn).

…technological Disruption

Chart 11: Tech change & world population since 1000AD



Source: BofA Global Investment Strategy, Global Financial Data, Reinhart, Camen M. and Kenneth S. Rogoff, "From Financial Crash to Debt Crisis," NBER Working Paper 15795, March 2010. Forthcoming in American Economic Review.

- The greatest disruption of all comes via "technology", the ability of AI, VR, CRISPR, EV to increase the supply of labor (robots), reduce price of labor (human wages).
- Unemployment rates in the US, Japan, UK, German have fallen to their lowest level in decades in recent years, yet there is no sign anywhere of wage growth.

Investor positioning is bullish, but not yet dangerously euphoric

Chart 12: BofA Bull & Bear Indicator

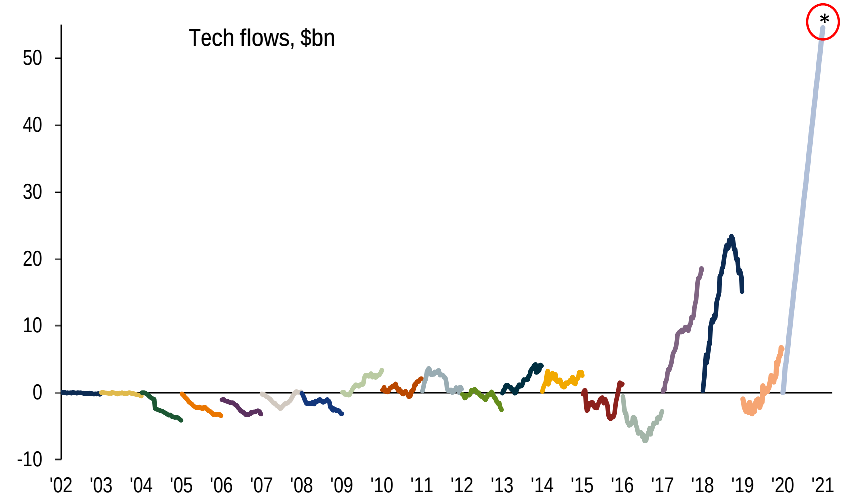
Source: BofA Global Investment Strategy

The indicator identified above as the BofA Bull & Bear 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. This indicator was not created to act as a benchmark

- We predict "Big Top" in asset prices in next 3-6 months max liquidity/max profits ends & bond bubble pops.
- BofA Bull & Bear indicator does not currently signal "excess bullishness" and an imminent Q1 drawdown in asset prices; but by Q2 we expect investor greed and "peak positioning" to become more visible.
- There have been 12 "sell" signals from the BofA Bull & Bear indicator since 2002; hit ratio = 12/12; median global equity peak-to-trough drop following 3 months = 9.0%.

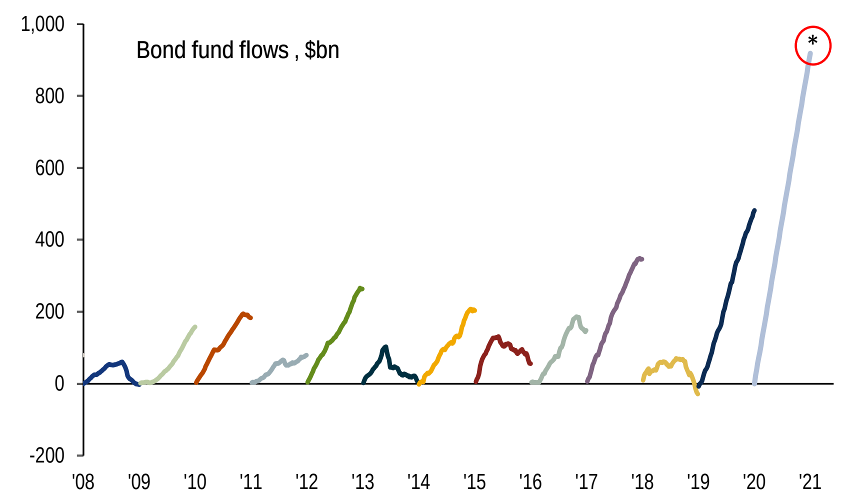
Greed is visible in tech & bonds

Chart 13: Technology fund flows



Source: BofA Global Investment Strategy, EPFR Global, *2020 annualized

Chart 14: Bond fund flows

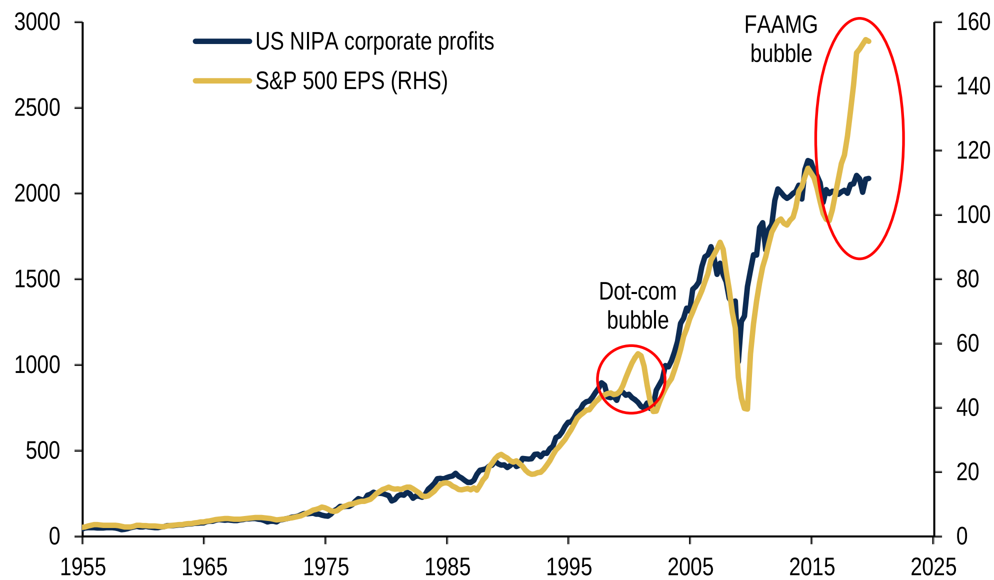


Source: BofA Global Investment Strategy, EPFR Global, *2020 annualized

- Global tech fund flows on pace for an annualized $54bn of inflows in 2020, previous peak was $23bn in 2018.
- Global bond fund flows on pace for an annualized $918bn of inflow in 2020, previous peak was $481 in 2019.

S&P500 bubbling upward…NIPA profits flat

Chart 15: S&P 500 EPS and US NIPA corporate profits



Source: BofA Global Research, Global Financial Data; US corporate profits from NIPA (before tax with IVA & CCAdj), S&P 500 EPS (as-reported until 1980, thereafter diluted operating)

- The lust for yield, the bubble in bonds, the relentless decline in interest rates is causing credit spreads to undershoot, equity prices to overshoot.
- But underlying price action in 2020 is decidedly deflationary…
- …SPW/SPX, HY/IG, Europe/US, value/growth, cyclicals/defensives, small/large all say new lows coming in bond yields; inversion of yield curve & disorderly rise in US dollar both harbingers of Minsky moment, the reality of "pushing-on-a-string".
- And the unstable equilibrium shown by absolute level of US equities overshooting NIPA profits…

S&P500 bubbling upward…capex flat

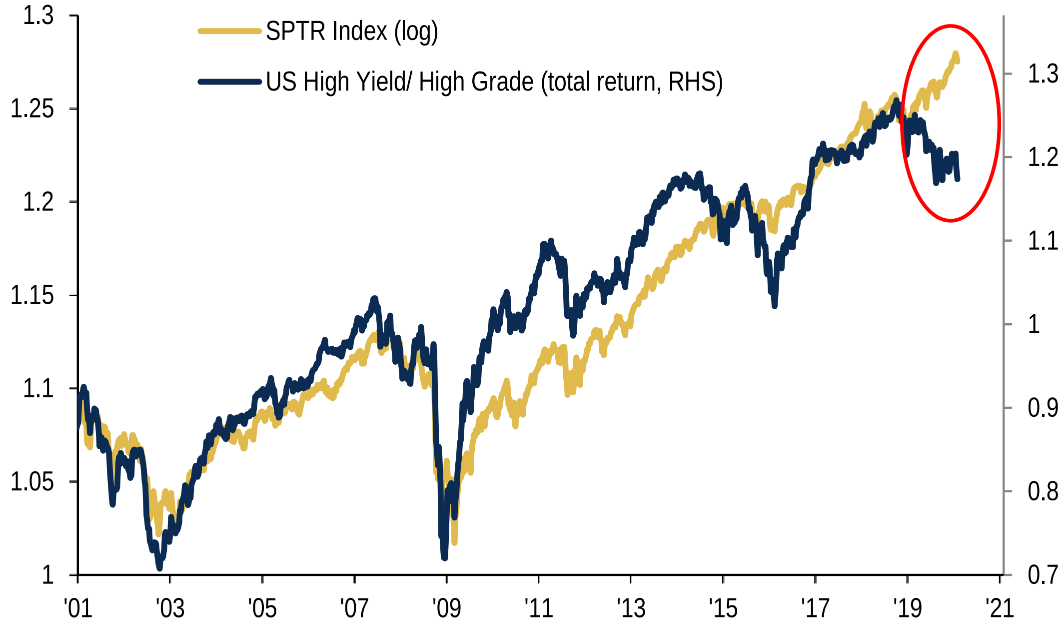
Chart 16: S&P 500 and US capital goods new orders

Source: BofA Global Investment Strategy, Bloomberg

- …by absolute level of US equities overshooting capital goods orders…

S&P500 bubbling upward…HY bonds underperforming IG

Chart 17: US HY bonds relative to IG vs. the S&P 500

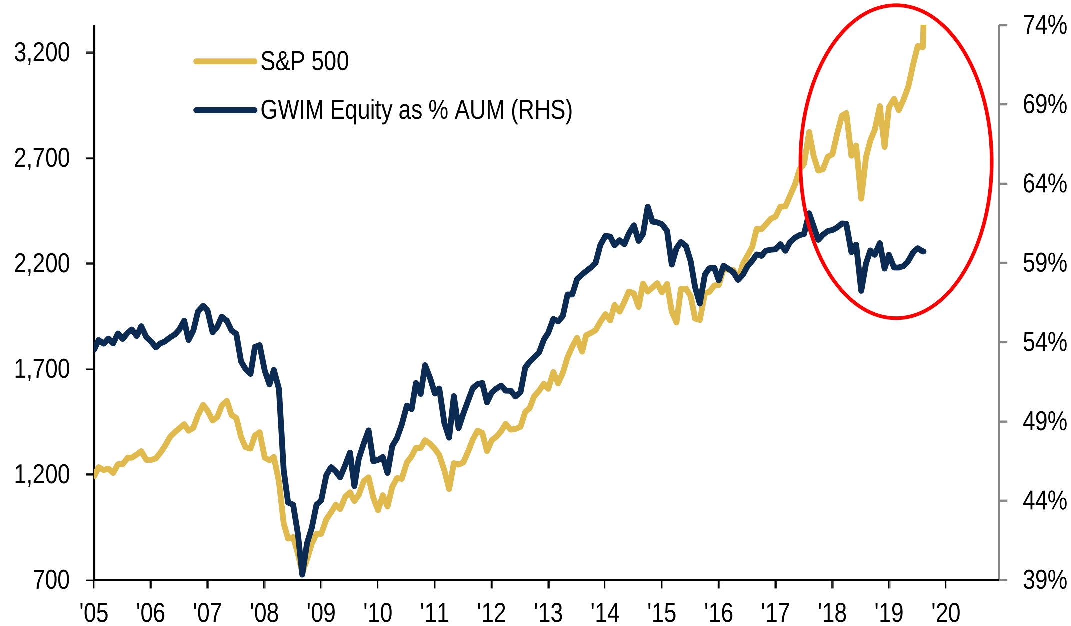


Source: BofA Global Investment Strategy, Bloomberg, ICE

- …by absolute level of US equities overshooting the relative performance of high yield bonds vs investment grade bonds…

S&P500 bubbling upward...GWIM equity allocation flat

Chart 18: BofA private client equity allocation and S&P 500

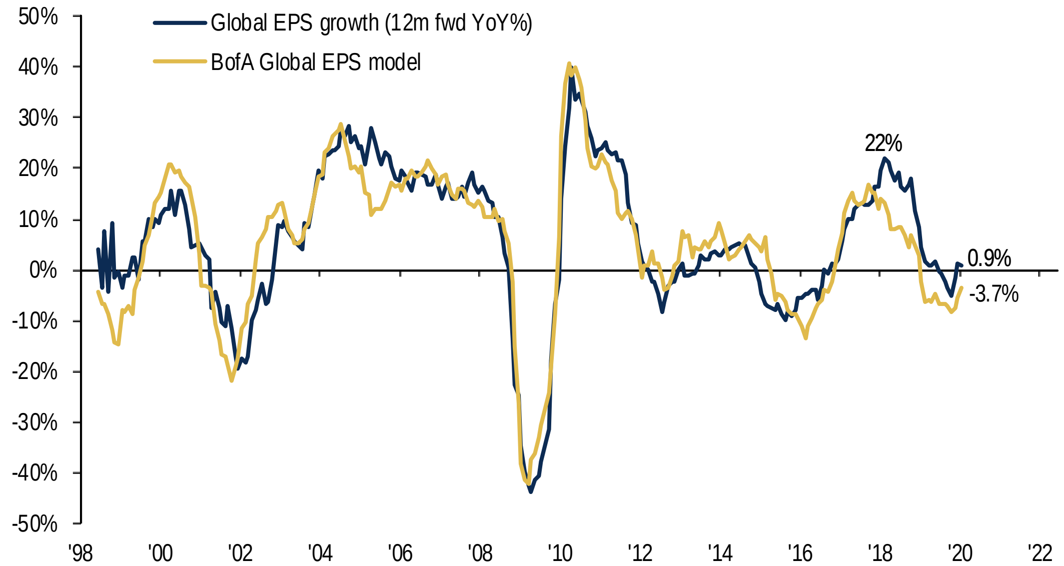


Source: BofA Global Investment Strategy, BAC data, Bloomberg

- ...by absolute level of US equities overshooting equity allocation of BofA private client equity allocation as % AUM.
- BofA private client have bought bonds past 5 years, sold equities past 3 of 4 years; adjusting flows for price changes shows private clients bought equivalent to 4.8% of bond AUM and sold equivalent to 1.2% of equity AUM in 2019.

Macro not strong enough to burst bond bubble

Chart 19: BofA Global EPS model

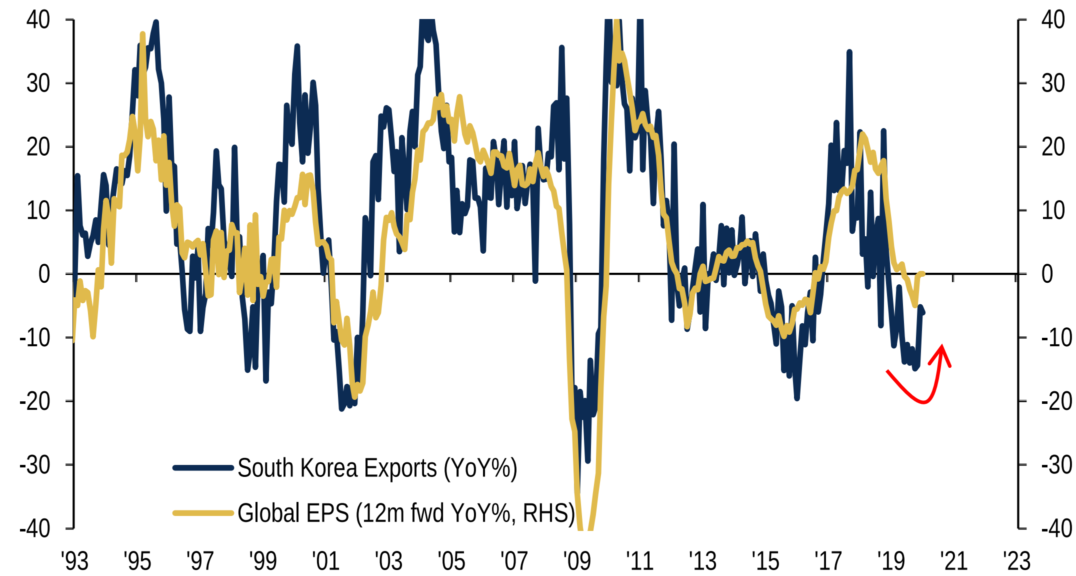


Source: BofA Global Investment Strategy, Bloomberg, Haver, Datastream; model composed of Asian export growth, global PMI, US Treasury yield curve & Chinese financial conditions

- In recent months a clear inflection point in the global economic cycle has been recorded.
- BofA Global EPS Growth Model (function of global PMIs, Asian exports, Chinese financial conditions, and UST 2s10s yield curve) forecasts EPS growth of -3.7% in the next 12 months, below consensus of 0.9%; but both measures are on the rise.
- And yet in stark contrast to the last global synchronized upswing in 2017 & 2018, bond yields are falling and the US dollar is appreciating in 2020.

Asian export cycle turning up

Chart 20: South Korean exports and Global profits

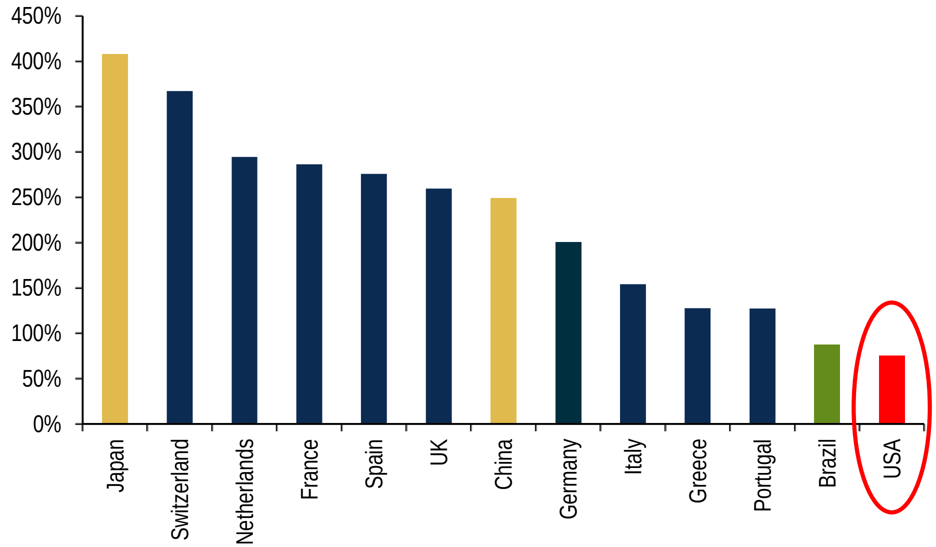


Source: BofA Global Investment Strategy, Bloomberg, Datastream, IBES

- Asian exports, an excellent coincident indicator of global corporate profits, have inflected higher.
- Yet even before the Chinese coronavirus set-back recovery expectations, cyclicals were having a tough time outperforming tech & defensives.

“Escape velocity” missing link: global bank lending cycle

Chart 21: Bank assets as a % of GDP

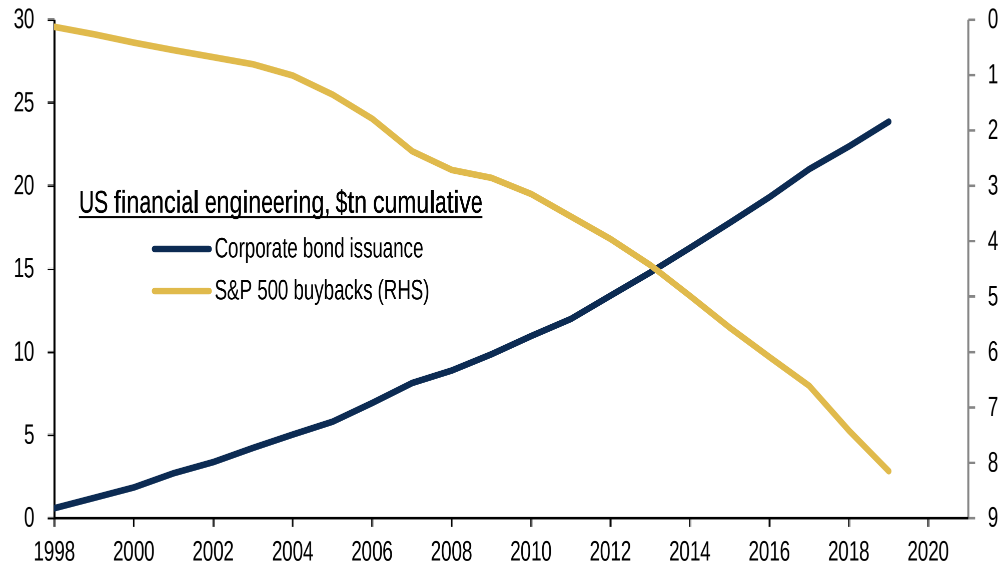


Source: BofA Global Investment Strategy, IMF, World Bank, Haver; includes financial and nonfinancial assets of deposit-taking institutions

- Current bank lending growth: Japan 1.8% YoY, China 12.3%, Eurozone 3.5%, 4.8% in US.
- Banks are crucial to economic activity in Japan, Europe & China; they have been deleveraging in the past decade.
- Relative to Europe & Japan, the US economy is far less reliant on banks (which have anyway been replaced by shadow banking system).

"Escape velocity" missing link: capex cycle

Chart 22: S&P 500 corporate buybacks vs. bond issuance

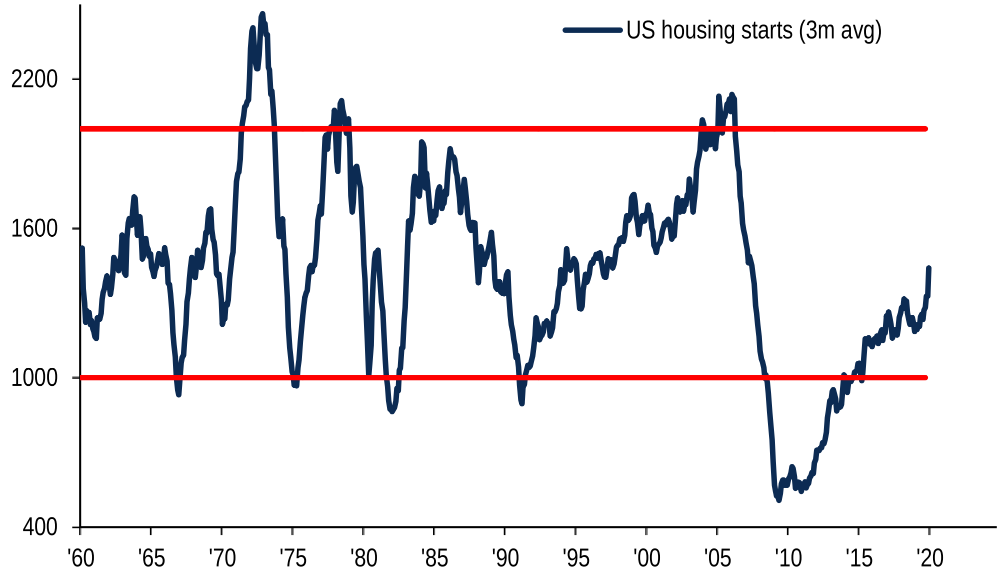


Source: BofA Global Investment Strategy, SIFMA, Standard & Poor's; note: current year annualized

- Since 2009, US corporations have issued $14.9tn in bonds.
- Since 2009, US companies have bought back $5.4tn of stock; just 20 US companies spent $975bn on stock buybacks past 5 years, equivalent to $381,000 for every employee.
- Big tax cuts have not led to a big recovery in economic growth, nor capital expenditure, in the US or rest-of-world.

“Escape velocity” missing link: housing

Chart 23: US privately owned housing unit starts (000s)

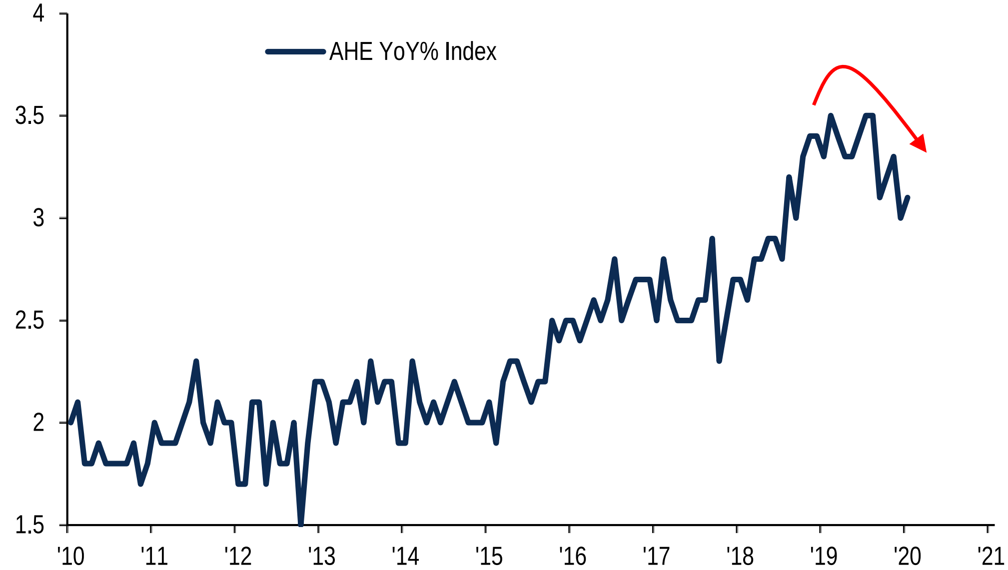


Source: BofA Global Investment Strategy, Bloomberg,

- 1960-2007…peak US boom = >2 million housing starts, trough US bust = <1 million housing starts.
- Past 10 years: US housing starts range ½ to 1½ million at best…now breaking out of that range…first & only sign of “escape velocity”.

"Escape velocity" missing link: wages

Chart 24: US average hourly earnings YoY%

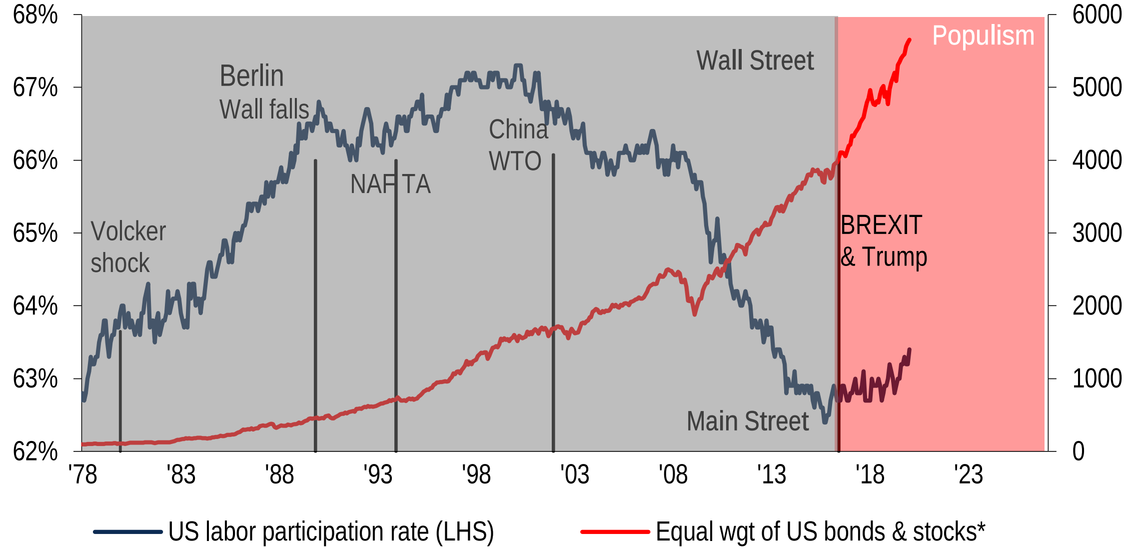


Source: BofA Global Investment Strategy, Bloomberg

- 2018: wage growth accelerated…Wall Street bear market.
- 2019/20: wage growth decelerated…Wall Street bull market.
- Bottom line: bank lending, capex, housing, wages continue to illustrate a global economy that is in secular stagnation rather than in "escape velocity"; central banks desire for normalization, escape velocity, inflation targets to be reached keep monetary policy easy…and asset prices on Wall Street continue to appreciate.

Wall Street winning, Main Street losing

Chart 25: Asset prices vs. US participation rate

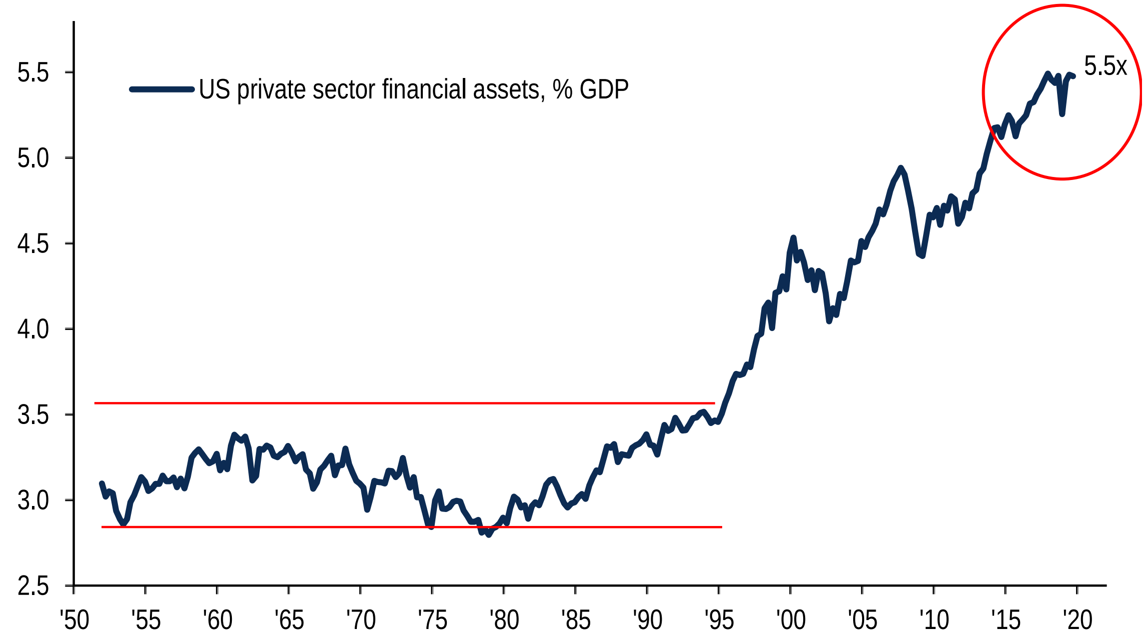


Source: BofA Global Investment Strategy, Bloomberg, Haver. *Equal weighted total return index of US equities (DJIA) and US government & corporate bonds (B0A0)

- Global economy remains too weak to induce higher inflation, higher interest rates, and lower asset prices.
- Until the economy delivers higher inflation & interest rates, asset price bubble will grow.
- While the rising probability (71% according to poll aggregator Oddschecker.com, vs. 42% Nov'19) that 2020 election results in a pro-business, low tax/regulation President is adding to the raging bull (Trump 60%, Bloomberg 11%), such an outcome could also mark a moment of maximum Wall Street bullishness, maximum wealth inequality, and spark expectations that Fed and other central banks start to withdraw liquidity from asset markets.

The Fed's "liquidity trap"

Chart 26: US private sector financial assets as % GDP

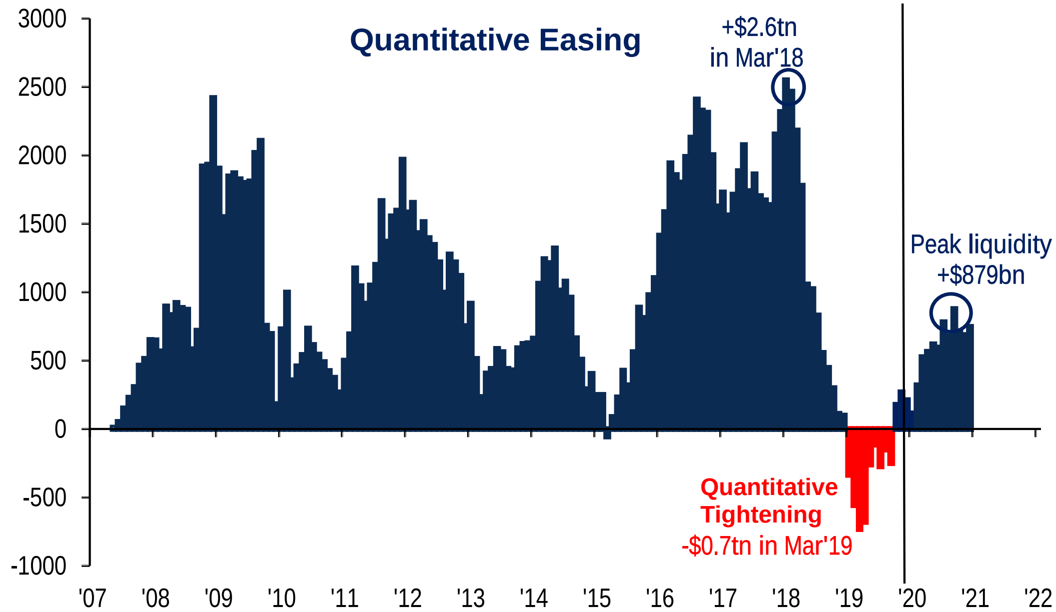


Source: BofA Global Investment Strategy, Haver; note private sector financial assets includes currency, deposits, equity shares, and other securities and does not include real estate.

- 10 years on from the Global Financial Crisis, Wall Street remains too big to fail; Wall Street is 5.5x the size of Main Street, in other words the easiest way to recession is via a sharp fall in asset prices.
- For the time being the Fed is in a "Liquidity Trap" of its own making…it can't end QE and risk a market crash/recession, so it doesn't end QE and the bubbles grow.
- Since policymakers conquered inflation in the early-90s, global expansions all about capital flow/financial boom-bust cycles; in '90s…equities; in 2000s…debt; 2010s/20s…corporate stocks and bonds.

Liquidity to peak in Sept'2020

Chart 27: Global central bank balance sheet growth (YoY, $bn)



Source: BofA Global Investment Strategy, Bloomberg. Chart shows YoY change in Fed, ECB, BoJ, BoE, SNB balance sheets in US$

- We calculate global central banks set to expand balance sheets by $715bn in 2020, with liquidity growth set to peak at 5.5% YoY ($879bn) in Sept'20.
- Fed liquidity will trail off from H2'19 $360bn, to H1'20 $133bn, and H2'20 $93bn.

2020 vision

Chart 28: Themes for 2010s & 2020s

2010s	2020s
Deflation	Inflation
Humans	Robots
Men	Women
1%	99%
Wall Street	Main Street
Monetary excess	Fiscal excess
QE	MMT
EPS	ESG
Globalization	Protectionism
Occupy Wall Street	Occupy Silicon Valley
Tech disruption	Tech wars
Bonds	Commodities
Private equity	Hedge funds
Growth stocks	Value stocks
US dollar	Gold
Era of liquidity	Era of diversity

Source: BofA Global Investment Strategy

- 25/25/25/25 in 2020s: Wall Street era of excess liquidity to give way to higher inflation, policy impotence, war on inequality, national insecurity; portfolio diversity.
- Asset allocation of 25/25/25/25 bonds/stocks/cash/gold to outperform today's concentrated longs in QE winners (credit, private equity, tech).

Themes for the War on Inequality

Chart 29: Themes for the war on inequality

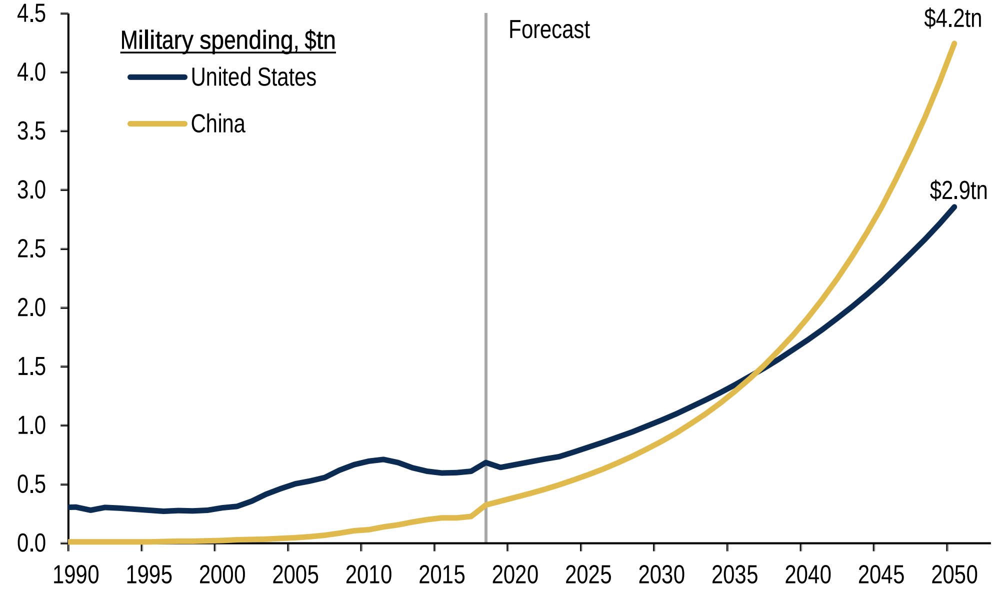
Populist policy	Keynesianism	Redistribution	Protectionism
Description	Pro-cyclical fiscal stimulus via government spending on infrastructure, climate change/New Green Deal, healthcare; QE to finance rising govt budget deficits	Higher minimum wages, wealth taxation, student debt forgiveness, banning corporate buybacks, Occupy Silicon Valley policies…funded by Modern Monetary Theory	Higher trade tariffs, capital controls, market access embargoes, end of free flow of labor, captial, goods & services, lower immgration
Macro Outcome	Reflation	Stagflation	Deflation
Portfolio Trades	Long MSCI World ex-US (MXWDU)	Long Gold (XAU)	Long T-Bills (G0BA)
	Long MSCI World Banks (MXWD0BK)	Short US dollar (DXY)	Long US dollar (DXY)
	Long Value (MXWD000V)	Short Treasuries (GT30)	Long S&P 500 Volatility (SPVXSTR)
	Short IG bonds (C0A0)	Short Tech (CCMP)	Short EM debt (EGOV)
	Short Breakevens (USGGBE10)	Short Private Equity (PSP)	Short MSCI EAFE (MXEA)

Source: BofA Global Investment Strategy, Bloomberg

- Electorates are voting for a "War on Inequality" which will be fought via Keynesianism, Redistribution, and Protectionism.
- 2020 US election likely framed as Protectionist (Trump) vs. Keynesian (Bloomberg/Biden) vs. Redistributionists (Sanders).
- Keynesianism…portfolio skewed toward "reflation".
- Redistribution…portfolio skewed toward "stagflation".
- Protectionism…portfolio skewed toward "deflation".

Keynesianism…reflation

Chart 30: The Military War

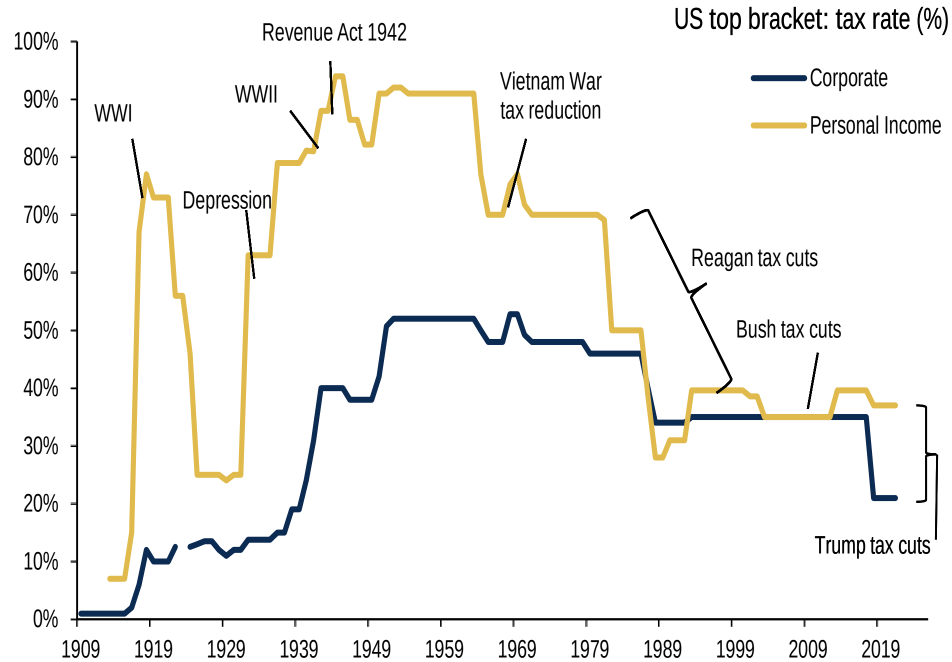


Source: BofA Global Investment Strategy, U.S. International Trade Commission, RAND Corporation, IMF, SIPRI, World Bank

- Keynesianism: pro-cyclical fiscal stimulus via government spending on defense, infrastructure, climate change/New Green Deal, healthcare; QE to finance rising govt budget deficits.
- Military spending by the US and China is forecast to rise substantially in coming decades, to $4tn in China and $3tn in the US.

Taxation...stagflation

Chart 31: US corporate & personal income tax rate

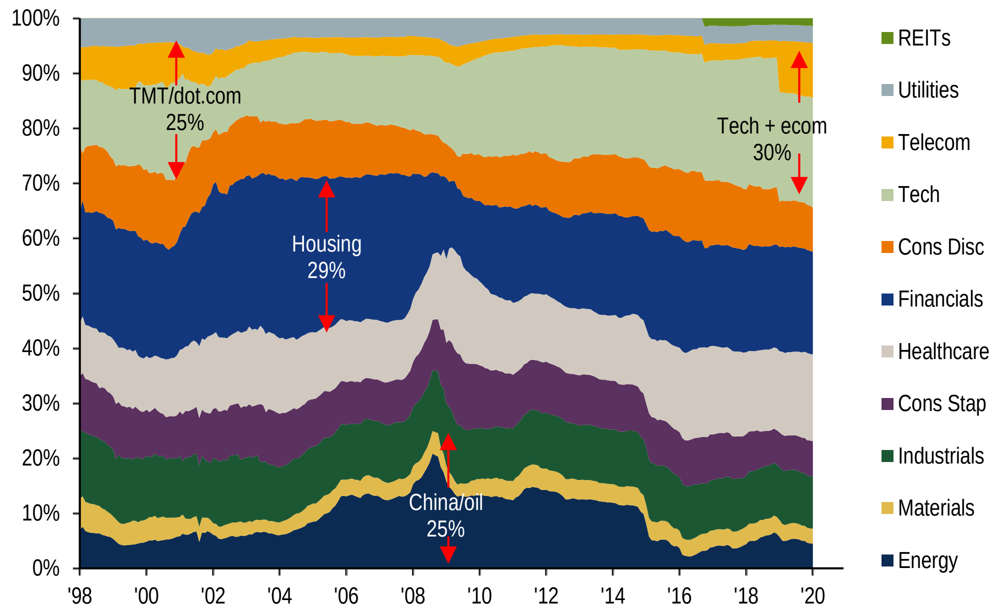


Source: BofA Global Investment Strategy, World Tax Database, Office of Tax Policy Research, IRS, Datastream

- Redistribution: higher minimum wages, wealth taxation, student debt forgiveness, banning corporate buybacks, Occupy Silicon Valley policies...funded by Modern Monetary Theory.
- US corporate tax down from 46% to 21% & US personal tax (top rate) from 70% to 37% since 1980....almost certain US taxes will rise in the 2020s.
- Rental price controls, living wages, student debt forgiveness, regulation of stock buybacks are other likely redistribution policies, financed by wealth taxation.

Regulation…stagflation

Chart 32: Tech as share of profits vs. prior bubbles

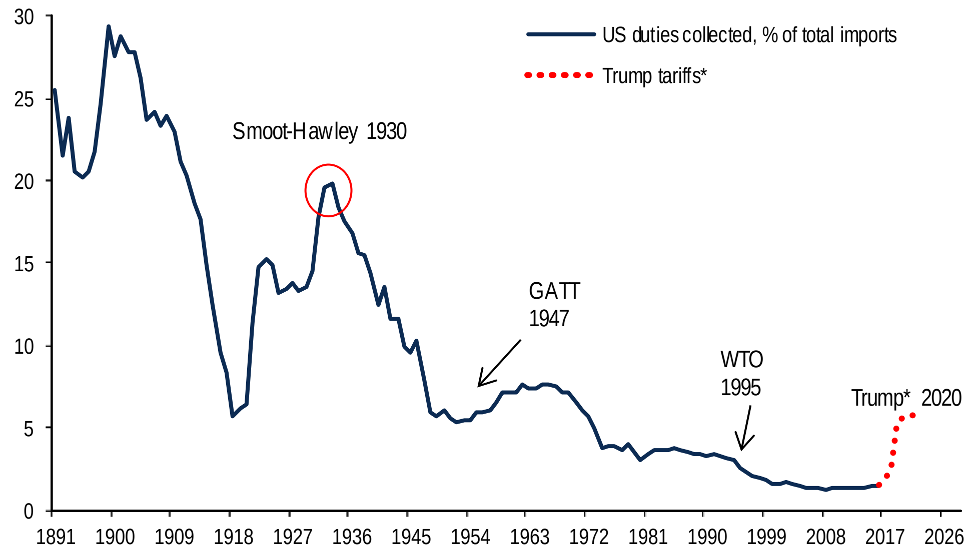


Source: BofA Global Investment Strategy, Datastream, IBES, MSCI

- "Occupy Silicon Valley" policies are likely to target tech profits as a means of redistribution: tech & e-commerce represent 28% of all US profits, a level typically associated with major market peaks; in addition, tech & e-commerce are the least regulated sectors in the US.

Protectionism...deflation

Chart 33: US duties collected as a % of total imports

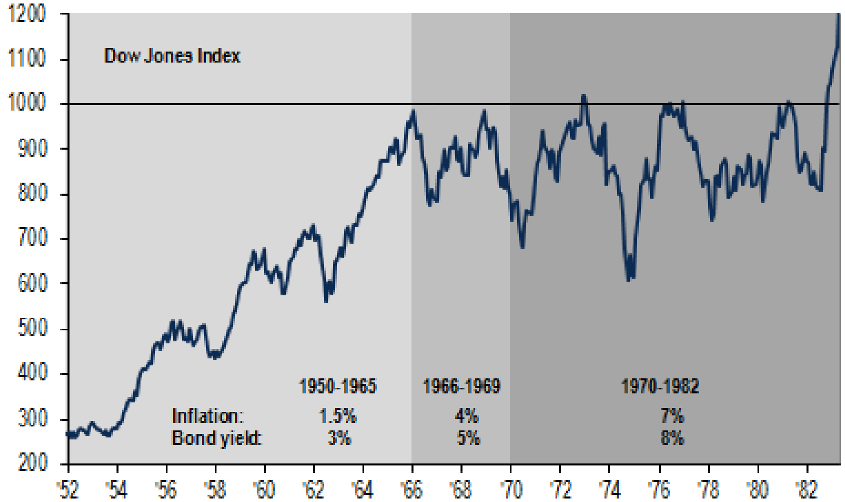


Source: BofA Global Investment Strategy, Bloomberg, ICE

- Protectionism: higher trade tariffs, capital controls, market access embargoes, end of free flow of labor, capital, goods & services, lower immigration.
- Globalization to localization, US-China trade wars, US financial warfare, Brexit are all protectionist reactions to rising inequality.
- We estimate US tariffs on dutiable imports were 5.3% in 2019, the highest level since 1972 (US tariffs averaged just 1.7% in 2010s vs. 10.5% average since 1890s).

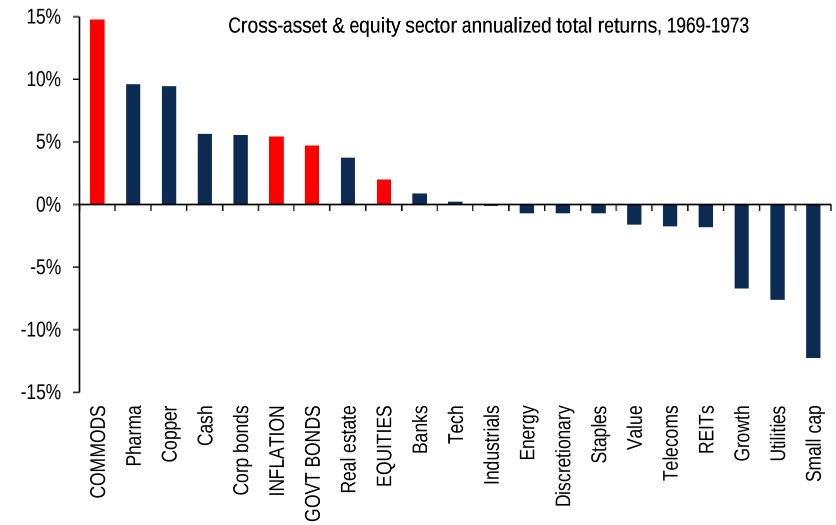
The stagflation shock of the early-70s

Chart 34: US equities, inflation, & bond yields 1952-1984



Source: BofA Global Investment Strategy, Bloomberg, Ibbotson, Global Financial Data, Homer and Sylla "A History of Interest Rates", (2005)

Chart 35: US cross asset returns 1969-1973



Source: BofA Global Investment Strategy, Bloomberg, Ibbotson, Global Financial Data, Homer and Sylla "A History of Interest Rates", (2005)

- We think the most likely course of events in financial markets runs as follows: a bubble in 2020 is pricked by an unexpected tightening of monetary policy or a credit event; a deflationary recession is threatened or occurs; this engenders an aggressive fiscal response and inflation/stagflation finally arrive.
- 1966 & 1976…3 major bear markets in US equities: 1. Feb'66 to Oct'66, 2. Dec'68 to May'70, 3. Jan'73 to Dec'74…a 60-40 investor would have lost 12%, 22%, 28% in each episode respectively.
- Note how cash & commodities outperformed in the initial stagflation of 1969-73.

S&P500 matrix

Chart 36: S&P 500 EPS & PE scenarios

P/E multiple \ S&P 500 12m fwd EPS ($)	159	168	176	185	194
16.0	2541	2683	2824	2965	3106
17.0	2700	2850	3000	3150	3300
18.9	2997	3163	3329	3496	3662
19.0	3018	3186	3353	3521	3688
20.0	3177	3353	3530	3706	3883

Source: BofA Global Investment Strategy, Bloomberg, Datastream, IBES

2020 returns

Chart 37: 2020 YTD returns

Ranked Returns, USD-terms (2020)

Assets

1	US Equities	3.9%
2	Gold	2.8%
3	US Dollar	2.2%
4	EM Sovereign Bonds	1.2%
5	Investment Grade Bonds	0.9%
6	High Yield Bonds	0.5%
7	Government Bonds	0.2%
8	Japan Equities	0.2%
9	Europe Equities	0.0%
10	Pacific Rim x Japan	-0.1%
11	EM Equities	-1.1%
12	UK Equities	-3.0%
13	Industrial Metals	-5.7%
14	Oil	-16.6%

Equities

1	Portugal Equities	4.4%
2	Turkey Equities	4.2%
3	US Equities	3.9%
4	Mexico Equities	3.8%
5	Switzerland Equities	3.1%
6	Italy Equities	2.1%
7	Canada Equities	1.6%
8	India Equities	1.4%
9	Korea Equities	1.3%
10	Australia Equities	1.1%
11	Spain Equities	1.0%
12	Japan Equities	0.2%
13	China Equities	0.2%
14	Germany Equities	0.0%
15	France Equities	-0.6%
16	Hong Kong Equities	-1.0%
17	Taiwan Equities	-1.4%
18	Russia Equities	-2.1%
19	UK Equities	-3.0%
20	Singapore Equities	-3.1%
21	Greece Equities	-5.0%
22	S. Africa Equities	-5.2%
23	Brazil Equities	-6.2%

Sectors

1	ACWI Info Tech	8.0%
2	ACWI Utilities	5.0%
3	ACWI Telecoms	2.8%
4	ACWI BioTechnology	2.7%
5	ACWI Healthcare	2.6%
6	ACWI Cons. Discretionary	2.0%
7	ACWI Industrials	1.8%
8	ACWI Consumer Staples	1.2%
9	ACWI Real Estate	1.0%
10	ACWI Financials	-0.4%
11	ACWI Materials	-2.4%
12	ACWI Banks	-2.9%
13	ACWI Energy	-7.9%

Fixed Income

1	30-year Treasury	6.0%
2	BBB IG	2.0%
3	US Corp IG	2.0%
4	Treasury Master	1.8%
5	EM Corporate	1.8%
6	TIPS	1.5%
7	EM Sovereign	1.2%
8	CCC HY	0.9%
9	US Mortgage Master	0.7%
10	US Corp HY	0.7%
11	UK Govt	0.4%
12	2-year Treasury	0.3%
13	3-Month Treasury Bills	0.1%
14	Non-US IG Government	-0.7%
15	German Govt	-0.9%
16	Japan Govt	-1.2%
17	European HY	-1.4%

FX vs. USD

1	Mexican peso	1.5%
2	Indonesian rupiah	1.3%
3	Indian rupee	0.0%
4	Chinese renminbi	-0.1%
5	Taiwanese dollar	-0.5%
6	Swiss franc	-0.7%
7	Turkish lira	-0.8%
8	Japanese yen	-1.3%
9	Euro	-2.1%
10	Russian ruble	-2.2%
11	Canadian dollar	-2.2%
12	Korean won	-2.3%
13	British pound	-2.5%
14	Swedish krona	-2.7%
15	Singapore dollar	-2.9%
16	NZ dollar	-4.0%
17	Australian dollar	-4.0%
18	Norwegian krone	-4.7%
19	South African rand	-6.1%
20	Brazilian real	-6.1%

Commodities

1	Gold	2.8%
2	Platinum	-0.4%
3	Silver	-0.6%
4	Iron Ore	-0.8%
5	Copper	-7.1%
6	Natural Gas	-14.9%
7	WTI Crude Oil	-16.6%
8	Brent Crude Oil	-16.8%

Source: BofA Global Investment Strategy, Bloomberg, as of 2/6/2020

Oversold & Overbought

Chart 38: Oversold & Overbought (deviation from 200dma)

Ranked Deviation from 200-Day Moving Average, USD-terms (as at 06 Feb '20)

Assets

1	US Equities	11.5%
2	Gold	7.5%
3	Japan Equities	7.2%
4	Europe Equities	6.9%
5	EM Equities	6.8%
6	UK Equities	4.5%
7	High Yield Bonds	3.5%
8	EM Sov Bonds	3.4%
9	Investment Grade Bonds	3.0%
10	Pacific Rim x Japan	2.9%
11	US Dollar	0.8%
12	Government Bonds	0.5%
13	Industrial Metals	-3.9%
14	Oil	-10.4%

Equities

1	Taiwan Equities	13.1%
2	Korea Equities	12.2%
3	Portugal Equities	12.0%
4	US Equities	11.5%
5	Turkey Equities	11.4%
6	Russia Equities	10.3%
7	Switzerland Equities	10.2%
8	China Equities	9.1%
9	Italy Equities	8.9%
10	Mexico Equities	7.9%
11	Japan Equities	7.2%
12	Canada Equities	6.7%
13	France Equities	6.3%
14	Germany Equities	6.3%
15	Greece Equities	5.9%
16	Spain Equities	5.4%
17	Australia Equities	4.7%
18	India Equities	4.5%
19	UK Equities	4.5%
20	Brazil Equities	3.4%
21	Singapore Equities	0.8%
22	S. Africa Equities	-0.2%
23	Hong Kong Equities	-0.3%

Sectors

1	ACWI Info Tech	19.4%
2	ACWI BioTechnology	14.4%
3	ACWI Healthcare	11.8%
4	ACWI Utilities	9.1%
5	ACWI Telecoms	8.0%
6	ACWI Cons. Discretionary	8.0%
7	ACWI Industrials	7.2%
8	ACWI Financials	5.9%
9	ACWI Consumer Staples	4.2%
10	ACWI Materials	3.9%
11	ACWI Banks	3.8%
12	ACWI Real Estate	3.5%
13	ACWI Energy	-5.0%

Fixed Income

1	30-year Treasury	5.5%
2	BBB IG	4.7%
3	US Corp IG	4.2%
4	EM Corporate	4.2%
5	US Corp HY	3.4%
6	EM Sovereign	3.4%
7	European HY	3.0%
8	CCC HY	2.6%
9	TIPS	2.5%
10	Treasury Master	2.2%
11	UK Govt	2.1%
12	US Mortgage Master	1.8%
13	2-year Treasury	1.0%
14	3-Month Treasury Bills	0.7%
15	German Govt	-0.1%
16	Non-US IG Government	-0.5%
17	Japan Govt	-0.6%

FX vs. USD

1	Indonesian rupiah	3.3%
2	Mexican peso	3.1%
3	Taiwanese dollar	2.6%
4	British pound	1.9%
5	Swiss franc	1.3%
6	Russian ruble	1.0%
7	Chinese renminbi	0.2%
8	Korean won	0.2%
9	Canadian dollar	-0.4%
10	Swedish krona	-0.5%
11	NZ dollar	-0.7%
12	Indian rupee	-0.8%
13	Euro	-1.3%
14	Singapore dollar	-1.4%
15	Japanese yen	-1.4%
16	Australian dollar	-1.9%
17	South African rand	-1.9%
18	Turkish lira	-3.1%
19	Norwegian krone	-3.2%
20	Brazilian real	-5.7%
21	Argentine peso	-12.0%

Commodities

1	Platinum	8.3%
2	Gold	7.4%
3	Silver	6.3%
4	Copper	-2.9%
5	WTI Crude Oil	-10.4%
6	Iron Ore	-10.6%
7	Brent Crude Oil	-13.1%
8	Natural Gas	-20.4%

Source: BofA Global Investment Strategy, Bloomberg as of 2/6/2020

Market capitalization

Chart 39: Market cap ($bn)

	Total	Energy	Materials	Industrials	Cons. Disc.	Staples	Healthcare	Financials	IT	Telecom	Utilities	REITs
ACWI	**51,178**	**2,412**	**2,329**	**5,235**	**5,560**	**4,110**	**6,010**	**8,325**	**9,279**	**4,513**	**1,765**	**1,640**
DEVELOPED	**45,115**	**1,985**	**1,890**	**4,925**	**4,668**	**3,724**	**5,831**	**6,907**	**8,299**	**3,810**	**1,605**	**1,470**
N. America	**30,474**	**1,324**	**879**	**2,723**	**3,014**	**2,046**	**3,989**	**4,221**	**7,238**	**3,059**	**1,028**	**954**
US	28,961	1,043	731	2,579	2,955	1,979	3,973	3,644	7,133	3,012	973	942
Canada	1,513	281	149	144	59	67	17	577	105	47	55	12
Europe	**9,265**	**576**	**656**	**1,290**	**903**	**1,312**	**1,322**	**1,641**	**591**	**397**	**442**	**134**
UK	2,374	334	202	257	163	412	269	472	29	119	89	28
Switzerland	1,413	-	89	112	53	357	532	235	11	14	-	9
Eurozone	**4,713**	**216**	**328**	**710**	**656**	**477**	**375**	**787**	**510**	**225**	**332**	**96**
France	1,665	119	86	377	311	175	129	181	100	83	61	43
Germany	1,267	-	113	178	214	42	161	214	179	60	53	53
Netherlands	588	4	44	36	37	167	43	69	173	15	-	4
Spain	417	21	1	41	38	-	10	128	35	44	99	3
Italy	346	41	-	33	44	6	5	117	-	8	93	2
Asia Pacific	**5,287**	**84**	**352**	**909**	**751**	**366**	**507**	**1,016**	**433**	**354**	**136**	**379**
Japan	3,560	28	184	749	646	277	365	379	418	302	56	157
Australia	1,006	56	165	65	61	59	123	355	8	16	20	77
Hong Kong	499	-	0	65	38	18	6	195	4	8	54	111
Singapore	182	0	-	24	6	6	1	87	3	22	-	34
EMERGING	**6,063**	**427**	**439**	**310**	**892**	**387**	**179**	**1,418**	**979**	**703**	**159**	**170**
EM Asia	**4,471**	**192**	**216**	**244**	**748**	**239**	**155**	**869**	**973**	**597**	**103**	**136**
China	2,094	67	46	114	590	75	87	400	94	460	54	108
Korea	709	11	43	52	69	36	29	68	348	47	6	-
Taiwan	702	4	55	12	22	18	1	117	448	23	-	2
India	538	76	42	20	44	55	21	160	82	25	12	2
Malaysia	108	5	5	11	5	16	7	35	-	10	13	1
Indonesia	116	4	10	1	10	16	2	57	-	14	1	1
EMEA	**905**	**168**	**132**	**18**	**101**	**44**	**9**	**337**	**3**	**59**	**15**	**23**
South Africa	279	2	46	4	86	22	5	84	1	18	-	12
Russia	243	136	40	0	0	9	1	49	-	5	3	1
Turkey	32	2	2	6	2	4	0	12	0	3	0	1
LATAM	**687**	**67**	**91**	**47**	**44**	**103**	**15**	**213**	**6**	**47**	**41**	**11**
Brazil	441	57	56	30	38	51	15	152	2	10	23	6
Mexico	149	0	21	15	2	48	1	19	-	35	3	5
Chile	44	4	6	2	3	4	0	11	-	1	13	0

Source: BofA Global Investment Strategy, Datastream, MSCI as of 2/4/2020

Sector weight by country

Chart 40: Sector Weight by Country

	Total	Energy	Materials	Industrials	Cons. Disc.	Staples	Healthcare	Financials	IT	Telecom	Utilities	REITs
ACWI	**100**	**4.7**	**4.6**	**10.2**	**10.9**	**8.0**	**11.7**	**16.3**	**18.1**	**8.8**	**3.4**	**3.2**
DEVELOPED	**100**	**4.4**	**4.2**	**10.9**	**10.3**	**8.3**	**12.9**	**15.3**	**18.4**	**8.4**	**3.6**	**3.3**
N. America	**100**	**4.3**	**2.9**	**8.9**	**9.9**	**6.7**	**13.1**	**13.8**	**23.8**	**10.0**	**3.4**	**3.1**
US	100	3.6	2.5	8.9	10.2	6.8	13.7	12.6	24.6	10.4	3.4	3.3
Canada	100	18.6	9.8	9.5	3.9	4.4	1.1	38.1	6.9	3.1	3.7	0.8
Europe	**100**	**6.2**	**7.1**	**13.9**	**9.8**	**14.2**	**14.3**	**17.7**	**6.4**	**4.3**	**4.8**	**1.4**
UK	100	14.0	8.5	10.8	6.9	17.3	11.4	19.9	1.2	5.0	3.8	1.2
Switzerland	100	-	6.3	7.9	3.8	25.3	37.6	16.6	0.8	1.0	-	0.7
Eurozone	**100**	**4.6**	**7.0**	**15.1**	**13.9**	**10.1**	**8.0**	**16.7**	**10.8**	**4.8**	**7.1**	**2.0**
France	100	7.1	5.2	22.7	18.7	10.5	7.7	10.9	6.0	5.0	3.6	2.6
Germany	100	-	8.9	14.1	16.9	3.3	12.7	16.9	14.1	4.7	4.2	4.2
Netherlands	100	0.6	7.5	6.1	6.3	28.4	7.3	11.7	29.4	2.5	-	0.6
Spain	100	4.9	0.2	9.8	9.0	-	2.4	30.8	8.5	10.7	23.8	0.6
Italy	100	11.8	-	9.6	12.8	1.7	1.3	33.6	-	2.4	26.8	0.6
Asia Pacific	**100**	**1.6**	**6.7**	**17.2**	**14.2**	**6.9**	**9.6**	**19.2**	**8.2**	**6.7**	**2.6**	**7.2**
Japan	100	0.8	5.2	21.0	18.1	7.8	10.3	10.6	11.7	8.5	1.6	4.4
Australia	100	5.6	16.4	6.5	6.0	5.8	12.2	35.3	0.8	1.6	2.0	7.7
Hong Kong	100	-	0.0	13.1	7.6	3.6	1.2	39.0	0.8	1.7	10.7	22.2
Singapore	100	0.3	-	13.1	3.2	3.1	0.5	47.9	1.8	12.0	-	18.8
EMERGING	**100**	**7.0**	**7.2**	**5.1**	**14.7**	**6.4**	**3.0**	**23.4**	**16.2**	**11.6**	**2.6**	**2.8**
EM Asia	**100**	**4.3**	**4.8**	**5.5**	**16.7**	**5.4**	**3.5**	**19.4**	**21.8**	**13.3**	**2.3**	**3.0**
China	100	3.2	2.2	5.4	28.2	3.6	4.2	19.1	4.5	22.0	2.6	5.1
Korea	100	1.5	6.0	7.4	9.7	5.1	4.0	9.6	49.1	6.6	0.9	-
Taiwan	100	0.5	7.8	1.8	3.1	2.6	0.1	16.7	63.9	3.3	-	0.3
India	100	14.1	7.9	3.8	8.1	10.2	3.8	29.7	15.3	4.6	2.3	0.4
Malaysia	100	4.2	5.1	10.5	4.6	14.4	6.8	32.3	-	9.7	12.5	0.9
Indonesia	100	3.6	8.2	0.6	8.8	13.4	2.0	49.0	-	12.3	1.0	1.1
EMEA	**100**	**18.5**	**14.6**	**2.0**	**11.1**	**4.9**	**0.9**	**37.2**	**0.3**	**6.5**	**1.7**	**2.6**
South Africa	100	0.7	16.4	1.5	30.9	7.9	2.0	29.9	0.5	6.5	-	4.1
Russia	100	56.1	16.4	0.0	0.1	3.9	0.6	20.1	-	2.1	1.4	0.3
Turkey	100	7.5	6.9	19.1	5.1	13.8	0.2	39.1	0.2	8.4	0.5	1.7
LATAM	**100**	**9.8**	**13.3**	**6.9**	**6.4**	**15.0**	**2.2**	**31.0**	**0.9**	**6.9**	**6.0**	**1.7**
Brazil	100	13.0	12.8	6.8	8.7	11.5	3.4	34.5	0.5	2.2	5.3	1.3
Mexico	100	0.2	13.9	10.2	1.6	32.5	0.6	12.7	-	23.7	1.7	3.7
Chile	100	8.2	14.2	4.8	6.9	9.5	0.9	25.4	-	2.3	28.6	0.4

Source: BofA Global Investment Strategy, Datastream, MSCI as of 2/4/2020

Price/ Book ratios

Chart 41: Price to Book

	Total	Energy	Materials	Industrials	Cons. Disc.	Staples	Healthcare	Financials	IT	Telecom	Utilities	REITs
ACWI	**2.5**	**1.2**	**1.8**	**3.0**	**3.4**	**4.2**	**4.3**	**1.2**	**5.5**	**3.0**	**1.9**	**1.7**
DEVELOPED	**2.6**	**1.3**	**1.9**	**3.2**	**3.5**	**4.3**	**4.3**	**1.2**	**6.8**	**3.0**	**2.1**	**1.8**
N. America	**3.6**	**1.4**	**2.2**	**5.2**	**8.5**	**6.0**	**4.6**	**1.6**	**8.3**	**3.6**	**2.4**	**3.5**
US	3.7	1.4	2.5	5.2	8.9	6.2	4.6	1.6	8.3	3.6	2.4	3.6
Canada	1.9	1.5	1.5	6.3	2.9	2.9	2.1	1.6	7.5	3.2	1.7	1.1
Europe	**1.9**	**1.1**	**1.8**	**3.5**	**2.1**	**3.4**	**4.3**	**0.9**	**4.3**	**1.6**	**2.1**	**1.1**
UK	1.7	1.1	1.7	5.3	3.0	2.4	10.9	1.0	3.0	1.1	2.3	0.9
Switzerland	3.1	-	2.8	5.2	1.8	6.1	5.1	1.2	32.3	3.4	-	1.7
Eurozone	**1.7**	**1.1**	**1.7**	**3.1**	**1.9**	**3.3**	**2.2**	**0.8**	**4.5**	**1.9**	**1.9**	**1.1**
France	1.8	1.1	1.7	3.8	2.6	3.2	2.2	0.7	3.2	1.6	1.4	0.9
Germany	1.6	-	1.5	2.2	1.2	2.4	1.9	1.0	4.5	2.1	2.2	1.3
Netherlands	2.5	2.4	2.5	2.5	4.3	4.3	3.1	0.6	7.4	14.5	-	-
Spain	1.2	0.6	-	3.3	6.9	-	4.4	0.6	8.3	2.2	1.9	-
Italy	1.2	0.9	-	1.9	2.2	4.6	7.0	0.8	-	0.5	2.7	-
Asia Pacific	**1.4**	**0.9**	**1.4**	**1.4**	**1.4**	**2.6**	**3.3**	**1.0**	**2.0**	**1.9**	**1.0**	**0.9**
Japan	1.3	0.6	1.0	1.4	1.2	2.4	2.6	0.6	2.0	1.8	0.6	1.5
Australia	2.2	1.4	2.3	4.4	3.7	4.9	12.1	1.7	5.2	3.7	2.2	1.2
Hong Kong	1.2	-	-	0.9	3.9	2.6	3.0	2.7	3.7	2.4	2.1	0.5
Singapore	1.2	-	-	1.3	1.3	1.1	-	1.2	1.9	1.7	-	1.0
EMERGING	**1.7**	**1.0**	**1.4**	**1.3**	**2.9**	**3.7**	**3.7**	**1.2**	**2.2**	**3.1**	**1.2**	**1.2**
EM Asia	**1.7**	**1.1**	**1.1**	**1.1**	**2.8**	**3.9**	**3.9**	**1.0**	**2.2**	**3.2**	**1.1**	**1.3**
China	1.8	0.7	1.2	1.1	4.8	4.6	4.0	0.8	3.2	3.2	1.4	1.2
Korea	1.0	0.7	0.6	0.7	0.6	1.7	6.0	0.5	1.5	2.6	0.2	-
Taiwan	2.0	2.6	1.4	1.4	2.1	4.7	-	1.1	2.6	2.8	-	0.9
India	2.9	1.9	1.9	3.6	3.1	13.3	2.4	2.9	5.5	3.5	1.2	1.7
Malaysia	1.5	4.3	2.2	1.2	0.7	2.8	3.7	1.2	-	4.5	1.4	-
Indonesia	2.5	1.0	1.9	1.9	1.9	4.5	4.5	2.7	-	3.5	1.0	1.1
EMEA	**1.4**	**0.8**	**2.1**	**1.5**	**4.0**	**3.7**	**1.4**	**1.5**	**-**	**2.5**	**0.8**	**0.8**
South Africa	2.1	1.0	1.9	2.8	4.0	4.2	1.3	1.5	-	2.0	-	0.9
Russia	1.0	0.7	5.1	-	-	3.0	-	1.3	-	13.6	0.8	-
Turkey	1.2	2.2	1.1	1.1	2.7	3.7	-	0.9	-	1.8	-	-
LATAM	**2.1**	**1.3**	**1.5**	**3.2**	**4.1**	**3.2**	**5.2**	**2.2**	**4.7**	**2.7**	**1.7**	**1.2**
Brazil	2.3	1.4	1.7	3.9	5.0	3.9	5.2	2.5	2.0	1.6	1.8	2.0
Mexico	2.1	-	1.1	2.5	2.2	3.2	-	1.7	-	3.7	1.4	0.8
Chile	1.5	1.2	1.5	2.1	1.6	1.1	-	1.8	-	1.1	1.6	-

Source: BofA Global Investment Strategy, Datastream, MSCI, IBES. P as of 2/4/2020, B as of 1/31/2020

2020 EPS growth

Chart 42: 2020 consensus EPS growth

	Total	Energy	Materials	Industrials	Cons. Disc.	Staples	Healthcare	Financials	IT	Telecom	Utilities	REITs
ACWI	**9.7**	**14.0**	**16.0**	**11.5**	**12.1**	**8.0**	**9.4**	**5.3**	**14.3**	**10.5**	**3.6**	**2.6**
DEVELOPED	**8.6**	**18.7**	**9.6**	**11.0**	**10.6**	**7.2**	**9.2**	**4.9**	**11.4**	**9.3**	**1.5**	**(3.1)**
N. America	**8.8**	**16.6**	**11.8**	**11.9**	**11.7**	**6.6**	**8.8**	**5.1**	**10.0**	**10.6**	**4.7**	**(9.6)**
US	8.9	23.8	9.3	11.3	11.7	6.6	8.7	5.1	10.0	10.7	4.7	(9.8)
Canada	6.3	(5.0)	28.0	24.6	11.2	6.2	27.1	5.1	16.5	1.8	4.5	(3.7)
Europe	**8.7**	**21.1**	**7.1**	**8.5**	**10.3**	**6.0**	**6.3**	**6.1**	**13.6**	**11.4**	**8.4**	**1.7**
UK	7.2	23.5	1.1	8.5	4.0	4.1	6.1	2.4	6.4	9.7	7.0	2.3
Switzerland	8.6	-	8.9	11.5	10.2	7.1	3.8	18.4	15.0	(4.6)	-	(19.7)
Eurozone	**10.1**	**18.2**	**12.1**	**10.3**	**11.3**	**6.3**	**8.5**	**8.1**	**14.2**	**12.9**	**7.8**	**3.2**
France	12.2	16.6	60.3	11.5	12.2	10.5	7.4	7.3	13.9	13.7	12.2	1.0
Germany	9.7	-	0.3	12.1	13.1	(6.8)	12.8	11.5	6.9	9.6	2.9	6.5
Netherlands	8.0	7.3	20.6	0.8	27.8	8.0	3.8	(4.3)	24.3	27.2	-	-
Spain	14.9	28.0	-	3.7	7.5	-	15.9	18.6	8.0	20.2	5.1	-
Italy	6.2	23.1	-	6.8	0.8	12.5	9.3	0.8	-	(0.4)	10.2	-
Asia Pacific	**8.0**	**25.9**	**9.6**	**11.9**	**8.8**	**16.9**	**35.6**	**1.9**	**28.1**	**(0.5)**	**(26.5)**	**2.2**
Japan	8.9	11.8	13.5	9.1	9.5	10.9	29.8	3.3	14.0	6.0	(3.8)	4.5
Australia	3.4	10.4	(5.5)	14.6	5.7	8.1	12.8	4.2	10.9	(2.7)	1.7	3.8
Hong Kong	5.8	-	-	7.5	9.0	15.5	-	8.1	-	6.4	8.0	(1.7)
Singapore	4.1	-	-	13.1	1.8	12.0	-	(0.1)	5.1	14.4	-	8.2
EMERGING	**15.6**	**2.0**	**41.0**	**16.8**	**21.0**	**17.8**	**19.7**	**6.8**	**33.9**	**17.9**	**18.7**	**-**
EM Asia	**16.7**	**14.1**	**18.0**	**16.0**	**22.5**	**18.7**	**21.1**	**5.8**	**34.0**	**18.1**	**24.6**	**19.1**
China	12.4	3.3	7.2	9.8	26.8	30.6	21.7	4.7	28.3	16.7	13.0	19.7
Korea	32.7	81.7	34.8	39.6	17.4	14.9	58.2	(1.9)	54.1	50.0	-	-
Taiwan	15.4	34.2	13.3	15.2	(1.0)	5.4	-	1.7	23.8	(2.5)	-	36.1
India	25.0	23.5	25.5	20.7	26.0	14.7	17.8	38.7	10.3	-	13.2	-
Malaysia	6.2	6.4	12.5	12.2	(1.5)	25.0	20.4	3.7	-	4.5	2.5	-
Indonesia	11.2	(8.2)	49.1	(1.1)	9.3	5.6	8.1	15.2	-	12.5	24.0	(6.6)
EMEA	**10.8**	**(4.5)**	**49.8**	**18.6**	**13.7**	**10.5**	**10.9**	**9.6**	**-**	**22.2**	**3.2**	**23.9**
South Africa	23.4	3.5	88.0	4.4	13.2	6.2	6.3	8.2	-	19.9	-	47.7
Russia	(0.1)	(7.4)	20.5	-	-	-	-	9.5	-	0.9	4.9	-
Turkey	41.7	196.1	11.9	32.1	23.2	20.8	-	45.0	-	27.1	-	-
LATAM	**16.9**	**(8.9)**	**96.7**	**24.1**	**6.8**	**18.7**	**19.1**	**7.2**	**3.6**	**9.5**	**10.6**	**(10.5)**
Brazil	20.5	(13.0)	155.0	33.4	4.7	27.1	19.1	6.8	(5.3)	10.5	8.1	(2.1)
Mexico	9.4	-	13.8	11.3	16.3	14.1	-	6.3	-	9.6	5.8	(14.1)
Chile	11.1	5.3	40.0	71.8	12.7	(5.2)	-	11.1	-	(44.5)	14.1	-

Source: BofA Global Investment Strategy, Datastream, MSCI, IBES as of 1/31/2020

The Asset Class Quilt of Total Returns

Chart 43: Asset Class Quilt of Total Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Commodities 31.8%	US Treasuries 6.7%	Commodities 25.9%	MSCI EM 56.3%	REITS 32.0%	MSCI EM 34.5%	REITS 37.5%	MSCI EM 39.8%	US Treasuries 14.0%	MSCI EM 79.0%	Gold 29.2%	US Treasuries 9.8%	REITS 23.8%	S&P 500 32.4%	S&P 500 13.7%	S&P 500 1.4%	Global HY 14.8%	MSCI EM 37.8%	Cash 1.8%	S&P 500 31.5%	S&P 500 3.6%
US Treasuries 13.4%	Global IG 4.6%	Gold 25.6%	MSCI EAFE 39.2%	MSCI EM 26.0%	Commodities 21.4%	MSCI EM 32.6%	Gold 31.9%	Gold 4.3%	Global HY 62.0%	MSCI EM 19.2%	Gold 8.9%	Global HY 19.3%	MSCI EAFE 23.3%	REITS 11.7%	US Treasuries 0.8%	S&P 500 12.0%	MSCI EAFE 25.9%	US Treasuries 0.8%	REITS 27.4%	Gold 3.1%
REITS 8.5%	Cash 4.4%	Global IG 14.9%	REITS 33.5%	MSCI EAFE 20.7%	Gold 17.8%	MSCI EAFE 26.9%	Commodities 16.2%	Cash 2.1%	MSCI EAFE 32.5%	Commodities 16.8%	Global IG 4.5%	MSCI EM 18.6%	Global HY 8.0%	US Treasuries 6.0%	Cash 0.1%	Commodities 11.8%	S&P 500 22.0%	Gold -1.9%	MSCI EAFE 22.8%	REITS 2.4%
Cash 6.2%	Global HY 3.1%	US Treasuries 11.6%	Global HY 30.7%	Global HY 12.4%	MSCI EAFE 14.0%	Gold 23.2%	MSCI EAFE 11.6%	Global IG -8.3%	REITS 31.7%	REITS 15.9%	Global HY 2.6%	MSCI EAFE 17.9%	REITS 0.7%	Global IG 3.2%	MSCI EAFE -0.8%	MSCI EM 11.2%	Gold 12.9%	Global HY -3.3%	Commodities 20.1%	US Treasuries 1.8%
Global IG 3.1%	Gold -0.7%	Cash 1.8%	S&P 500 28.7%	S&P 500 10.9%	REITS 10.7%	S&P 500 15.8%	US Treasuries 9.1%	Global HY -27.9%	S&P 500 26.5%	S&P 500 15.1%	S&P 500 2.1%	S&P 500 16.0%	Global IG 0.1%	Gold 0.1%	REITS -3.4%	Gold 8.6%	REITS 11.5%	Global IG -3.4%	MSCI EM 18.6%	Global IG 0.9%
Gold -5.4%	MSCI EM -2.4%	Global HY -1.1%	Commodities 23.9%	Global IG 9.4%	S&P 500 4.9%	Global HY 13.5%	Global IG 7.3%	Commodities -35.6%	Gold 25.0%	Global HY 13.9%	Cash 0.1%	Global IG 11.1%	Cash 0.1%	Cash 0.0%	Global IG -3.8%	Global IG 4.3%	Global HY 10.2%	REITS -3.9%	Gold 17.9%	Global HY 0.5%
Global HY -5.8%	REITS -7.8%	REITS -2.4%	Gold 19.9%	Commodities 9.1%	Cash 3.1%	Global IG 7.2%	S&P 500 5.5%	S&P 500 -37.0%	Global IG 19.2%	MSCI EAFE 8.2%	REITS -9.4%	Gold 8.3%	MSCI EM -2.3%	Global HY -0.1%	Global HY -4.2%	REITS 1.3%	Global IG 9.3%	S&P 500 -4.3%	Global HY 13.7%	Cash 0.1%
S&P 500 -9.1%	S&P 500 -11.9%	MSCI EM -6.0%	Global IG 14.5%	Gold 4.6%	US Treasuries 2.8%	Cash 4.9%	Cash 5.0%	MSCI EAFE -43.1%	Commodities 18.9%	Global IG 6.0%	MSCI EAFE -11.7%	US Treasuries 2.2%	US Treasuries -3.3%	MSCI EM -1.8%	Gold -10.4%	US Treasuries 1.1%	Commodities 7.6%	Commodities -12.9%	Global IG 11.4%	MSCI EAFE 0.0%
MSCI EAFE -14.0%	Commodities -19.5%	MSCI EAFE -15.7%	US Treasuries 2.3%	US Treasuries 3.5%	Global HY 1.5%	US Treasuries 3.1%	Global HY 3.0%	REITS -50.2%	Cash 0.2%	US Treasuries 5.9%	Commodities -13.3%	Cash 0.1%	Commodities -9.5%	MSCI EAFE -4.5%	MSCI EM -14.9%	MSCI EAFE 1.0%	US Treasuries 2.4%	MSCI EAFE -13.2%	US Treasuries 7.0%	MSCI EM -1.1%
MSCI EM -30.6%	MSCI EAFE -21.2%	S&P 500 -22.1%	Cash 1.1%	Cash 1.3%	Global IG -3.0%	Commodities 2.1%	REITS -10.0%	MSCI EM -53.2%	US Treasuries -3.7%	Cash 0.1%	MSCI EM -18.2%	Commodities -1.1%	Gold -27.3%	Commodities -17.0%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	MSCI EM -14.3%	Cash 2.2%	Commodities -10.3%

Source: BofA Global Investment Strategy, Datastream, as of 2/6/2020 *YTD

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