FAR Presentation

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Confidence is Running Hot

Investor and corporate sentiment measures hit record highs, as consumers ramp up spending

Net Percent of Fund Managers Say Profits will Improve

Sentiment Scores during Earnings Calls Hit Record High

BAC Aggregated Credit Card Spending Data
Total Card Spending 7-day MA (ex-auto, ex-gas)

Source: FactSet, BofA US Equity & Quant Strategy
Source: BofA Internal Data, BofA Global Economics Research
Price Divergence or Changing Fundamentals?

FAIT, fiscal stimulus, and easy monetary policy have altered fundamentals

Central Bank Liquidity and Big Tech
Market Cap

- Central Bank Liquidity
- Market cap of Apple, Amazon, Facebook, Google, Microsoft, Netflix, Tesla (RHS)

Source: BofA Global Investment Strategy, Bloomberg

Total Government Spending as Percent of GDP

Source: Federal Reserve

Negatively Yielding Debt Hits Record Levels

Source: Bloomberg

Pension Fund Asset Allocations

Note: liquid assets= equity, fixed income, cash; illiquid assets = private equity, real estate, other alternative investments
Source: Pensions & Investments Research Center, aggregated by BofA US Equity & Quant Strategy
New Investors and Products

And new investors and products are changing market dynamics

**Retail Trading Flow as % of Total US Market Volume**

- Source: FINRA, BofA Trading Desk

**Mutual Fund, Closed Fund & ETF Ownership of US Corporate Bond Market (IG+HY)**

- Source: Federal Reserve Flow of Funds

**BofA Private Client ETF Holdings as % AUM**

- Source: BofA Securities

**SPAC Deals Hit Record Highs**

- Source: Dealogic
What Could Cause Prices to Revert?
Optimism about reopening is already priced into markets, with little room for exogenous shocks.

What is the biggest risk to the risk-asset rally in 2021?

- Higher rates / less dovish central banks: 50% in April 2021, 40% in March 2021
- Worsening of global / US COVID situation: 20% in April 2021, 10% in March 2021
- US fiscal policy disappointment: 10% in April 2021, 5% in March 2021
- Vaccinelogistic issues: 5% in April 2021, 2.5% in March 2021
- Other: 0% in April 2021, 0% in March 2021

Source: BofA Global Research FX and Rates Sentiment Survey

Over 50% of market participants believe the largest risk to markets is higher rates / less dovish central banks.
Markets to Watch
Corporate Bonds

Despite massive increases in supply, bond spreads continue towards record tights and duration.

Corporate Bond Ownership Continues to Increase

US IG Corporate Bond Market Duration Continues to Extend

IG Spreads Near Record Tights

Cumulative 10-Year Default Loss, Annualized (bps)

Source: Federal Reserve Flow of Funds

Source: ICE Data Indices, LLC, BofA Global Research

Source: Bloomberg, ICE Data Indices, LLC, BofA Global Research

Source: BofA Global Research, Moody’s
Housing prices are seeing record growth and will continue to rise due to limited supply.

**YoY House Price Growth Hits Record Levels**

Feb: 12.2%

Source: FHFA House Price Index

**While Monthly Housing Supply is at Record Lows**

Mar: 3.6

Source: US Census Bureau, HUD, retrieved from FRED

**NAR Housing Affordability Index for Fixed Rate Mortgages**

(100+ = More Affordable)

Mar: 173

Avg = 129

Source: National Association of Realtors
Equities performance has been buoyed by strong earnings performance and low Treasury yields.

Record High: S&P 500 EPS Beat vs. Consensus Estimate at Start of Quarter

Record Flows: BofA Private Client Equity Holdings as % of AUM

Source: FactSet, BofA US Equity & Quant Strategy

Record High: S&P 500 Quarterly Net Margins ex-Financials

Source: FactSet, BofA US Equity & Quant Strategy

Elevated: S&P EPS vs. 12m Forward Expectations

Source: BofA Global Research, Bloomberg