The Thundering Word

Fiscal Flip...Get Real

29 July 2016

Investment Strategy
Global

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Short View

Pain trade for risk assets remains up until positioning more bullish (Bull & Bear index >5.0; GFSI <0), policy makers & growth expectations more complacent. A bout of bank stock outperformance versus bonds on back of EPS/GDP upward revisions should mark end of furious rally from Feb lows. Successful defense of $40/bbl by oil required to prevent profit-taking in resources/EM (note Yellen likely dovish at Jackson Hole).

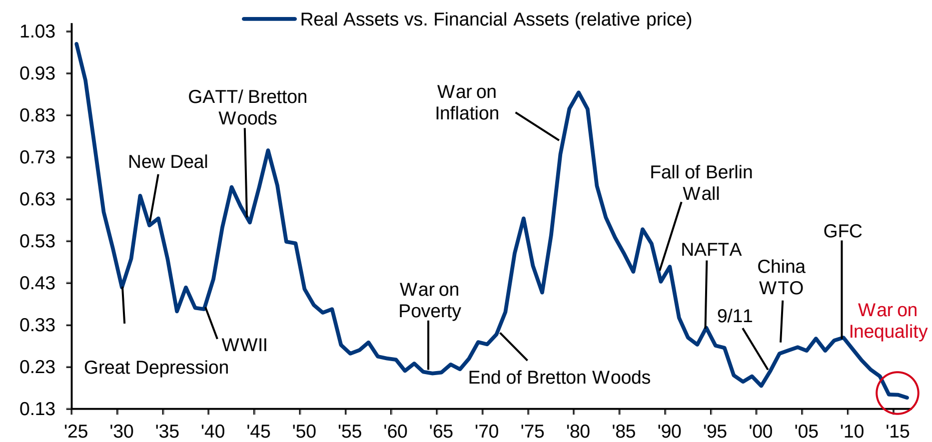
Long View

The policy baton is passing from Monetary to Fiscal stimulus in 2016/17. Central bank rate cuts ending. New policies to address populist desire for "War on Inequality" emerging. Policy response will be combination of:

1. **Redistribution**...stagflationary: winners...TIPS, munis, low-end consumption (retail, payments, tax services); losers...brokers, luxury, growth stocks; yield curve bear flattens.
2. **Protectionism**...deflationary: winners...government bonds, gold, volatility, high quality defensive stocks; losers...banks, multinational companies; yield curve bull flattens.
3. **Keynesianism...**reflationary (with "helicopter money): winners TIPS, commodities, banks, value; losers...bond substitutes; yield curve bear steepens.

Fiscal flip reflects policy intent to reduce deflation, wealth inequality and wage insecurity. Success means rotation from "deflation" to "inflation" assets; note real assets (commodities, collectables & real estate) now at all-time lows relative to financial assets (stocks & bonds) – Chart 1.

Chart 1: Real Assets at all-time lows versus Financial Assets

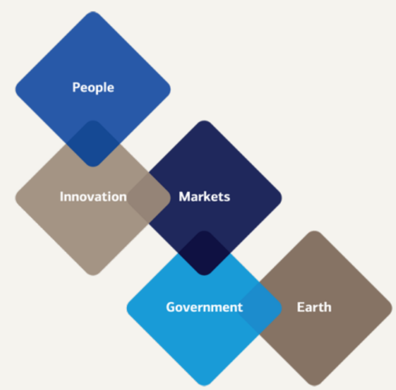


Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Bloomberg, USDA, Savills, Shiller, ONS, Spaenjers, Historic Auto Group. Note: Real Assets (Commodities, Real Estate, Collectibles) vs. Financial Assets (Large Cap Stocks, Long-term Govt Bonds)

A Transforming World:

Investment Themes

A Transforming World



Refer to important disclosures on page 10 to 11.

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This report is an extract of a report of the same name published 31 July 2016.

The Short View

Pain trade for risk assets still up

- Pain trade for risk assets remains up until positioning more bullish (Bull & Bear index >5.0; GFSI <0), policy makers & growth expectations more complacent.

Risk has rallied hard from the February 11th low: equities +18.7%, HY +15.3%, energy +25.1%. In contrast, the US dollar has struggled.

Feb 11th marked the second day of Janet Yellen's Humphrey-Hawkins testimony at which the Fed admitted to "financial strain" caused by oil & credit markets, and tacitly encouraged a "one & done" policy stance to arrest the ascent of the US dollar.

The US dollar had been in a strong bull market between the end of QE3 in Oct'14 and the HH-testimony of Feb'16; it has gone nowhere since; risk has rallied and the laggards have been the "strong dollar plays" of 2014/15: Japan, Europe, the banks.

Table 1: Powerful rally from the February 2016 low

Asset Class	2016 YTD	Since Feb 11th low
Global Equities	5.2	18.7
US	7.3	20.3
Europe	-2.2	12.5
UK	-1.5	12.9
Japan	-2.7	11.0
Pacific Rim ex-Japan	9.3	24.1
Emerging Markets	12.3	24.9
Global Fixed Income	8.8	4.6
Government	10.7	4.4
Quasi-government	6.8	3.2
Investment Grade	8.0	6.4
High Yield	11.1	15.3
EM Sovereign	11.0	10.6
Securitized products	3.6	1.3
Commodities	2.2	17.1
Energy	-2.0	25.1
Industrial Metals	9.7	14.2
Precious Metals	28.1	9.3
Agriculture	-0.5	2.6
Cash	0.1	0.1
Dollar	-1.9	1.2

Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg
* Total returns in USD. Feb'16 low = S&P 500 low on 11 Feb '16

A combination of a "one & done" Fed, and European & Chinese credit stimulus in H1 with pessimistic investor positioning has caused markets to rally.

Our positioning data shows markets are becoming less pessimistic. For example, the BofAML Bull & Bear index dropped into "extreme bear" territory on February 16th and again on June 28th (1.6), triggering "buy signals" for risk assets. It has now recovered to 3.7 (scale: 0-10). Similarly the BofAML Global Financial Stress Index™ peaked at 0.85 on Feb 11th and 0.76 on June 24th. It is no longer "max-stressed", having dropped to 0.23. But positioning metrics (corroborated by very high FMS cash levels at 5.8%) still indicate investors are bearish. Complacency will be signaled only once the Bull & Bear index rises above 5.0 and the GFSI drops below 0. Then we will turn tactically cautious.

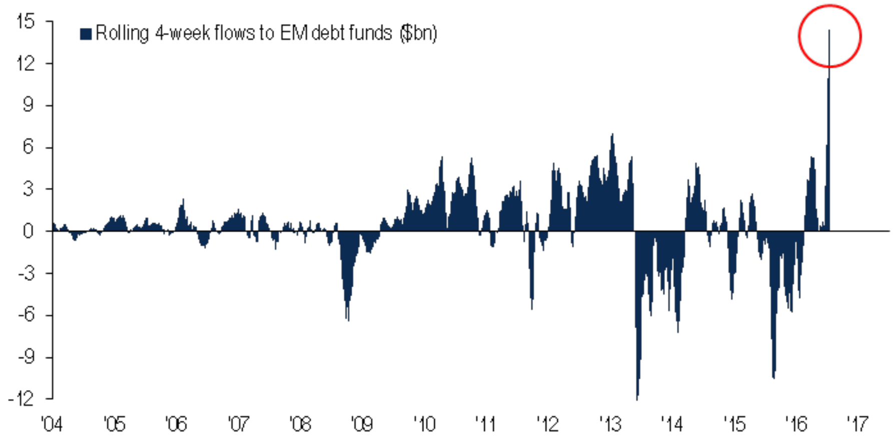
In addition, policy makers continue to be fairly dovish (although neither the Bank of Japan nor the Bank of England cut rates). Politically one would expect the Fed to signal a very dovish stance at the Jackson Hole event. And we continue to believe the post-BREXIT rally is being encouraged by the prospect of governments/corporates activating fiscal stimulus to appease voters via minimum wages, tax cuts and infrastructure expenditure to stem the rising electoral success of populists.

Profit-taking in resources/EM if oil cannot defend $40/bbl

- Successful defense of $40/b by oil required to prevent profit-taking in resources/EM (note Yellen likely dovish @ Jackson Hole).

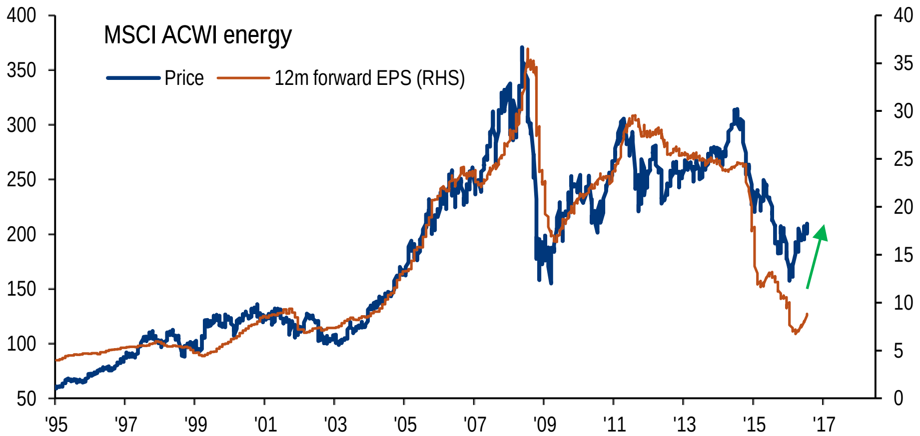
Traders should nonetheless wait to see if oil can hold $40/bbl before adding risk here. Should oil slice through $40/bbl, attention will quickly switch to weak oil, weak Chinese renminbi and weak credit in a repeat of last summer. EM debt could also be pressured given the massive recent inflows into the asset class (Chart 2). Note that energy stocks have jumped far higher than EPS expectations would justify (Chart 3).

Chart 2: Largest 4-week inflows to EM debt funds on record



Source: BofAML Global Investment Strategy, EPFR Global

Chart 3: Energy stocks have jumped far higher than EPS expectations would justify



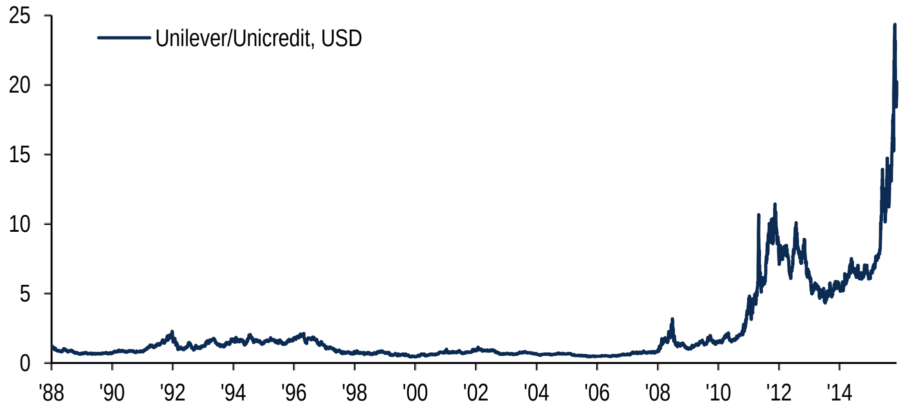
Source: BofA Merrill Lynch Global Investment Strategy, MSCI, IBES

The big pain trade: bank stocks outperforming government bonds

- A bout of bank stock outperformance versus bonds on the back of EPS/GDP upward revisions should mark the end of the furious rally from Feb lows.

The successful long bonds, short banks trade is summed up by the outrageous outperformance of (bond substitute) Unilever versus (bank) Unicredit (Chart 4).

Chart 4: Outrageous outperformance of (bond substitute) Unilever versus (bank) Unicredit

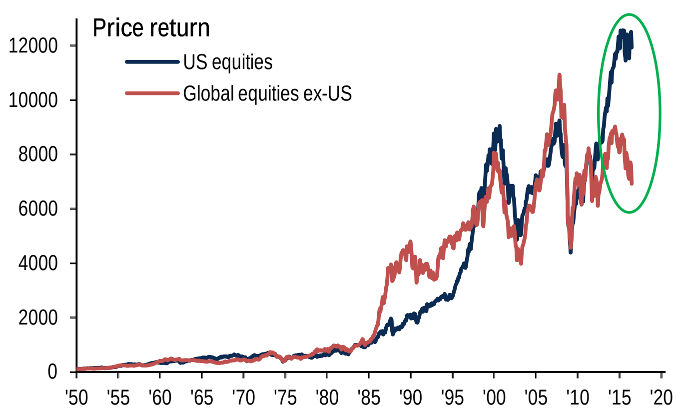


Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

The cyclical contrarian would argue 2016 outperformance reflects the culmination of the multi-year QE & NIRP trade, the epoch of the "maximum liquidity, minimum growth" trade. The winners under this regime have been: growth, yield, quality, bonds, US assets, passive. The losers: value, financials, non-US assets, active.

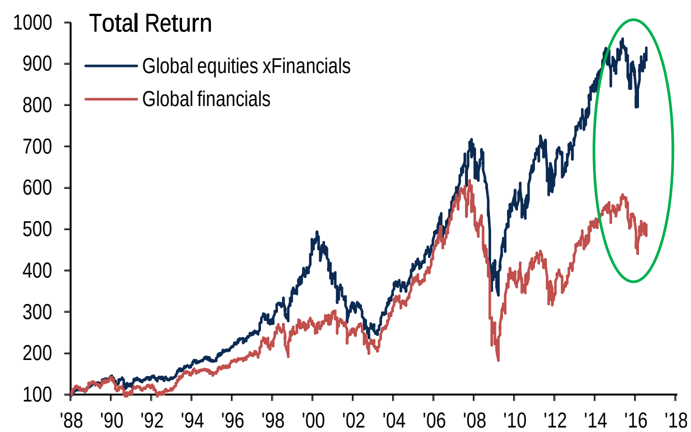
The following two charts also illustrate how extended outperformance of deflation versus inflation has become. The first shows how (high quality & high growth) US equities have outperformed non-US equities; the second illustrates how badly global financial stocks have lagged the rest of the stock market.

Chart 5: US equities (quality/growth) have outperformed non-US equities



Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

Chart 6: Global financials stocks have lagged broad market returns

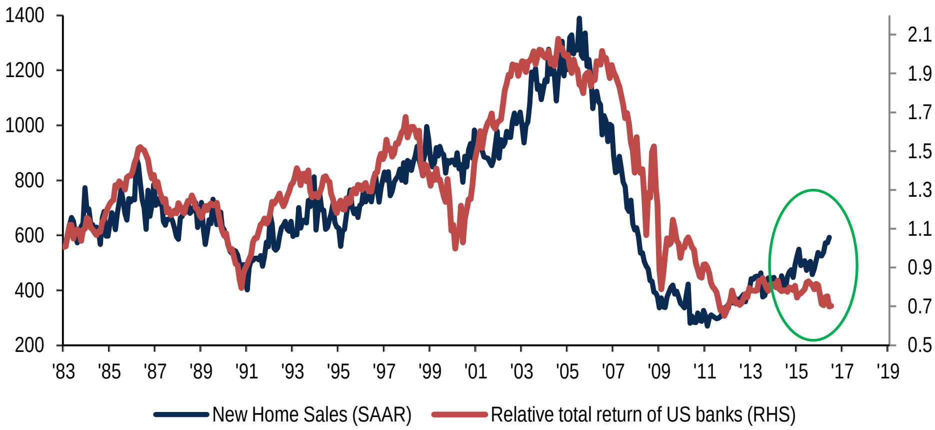


Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

The summer 2016 case for banks over bonds rests on:

- Extreme positioning in favor of bonds & bond-substitutes over banks;
- The BoJ & ECB hinting that they are no longer willing to put rates further into NIRP territory;
- And most importantly, at a time of widespread doubt that interest rates are working, there are signs in the most interest rate-sensitive area of the economy, housing, that low rates are stirring animal spirits (for example US new home sales are trending higher, a very good sign for US bank stocks - Chart 7).

Chart 7: Strong new home sales...positive for US banks stocks



Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

The Long View: the coming "War on Inequality"

The bigger picture narrative is the policy baton is passing from Monetary to Fiscal stimulus in 2016/17. Central bank rate cuts ending. New policies to address populist desire for "War on Inequality" are emerging. Table 2 shows specific winners and losers contingent on each policy theme. Broadly, this new policy response is likely to be a combination of:

- **Redistribution**...stagflationary: winners...TIPS, munis, low-end consumption (retail, payments, tax services); losers...brokers, luxury, growth stocks; yield curve bear flattens;

- **Protectionism**...deflationary: winners...government bonds, gold, volatility, high quality defensive stocks; losers...banks, multinational companies; yield curve bull flattens;

- **Keynesianism...**reflationary (with "helicopter money): winners TIPS, commodities, banks, value; losers...bond substitutes; yield curve bear steepens.

Table 2: Themes for the "War on Inequality"

Theme	Redistribution	Protectionism	Keynesianism
Description	The Redistribution theme seeks to benefit from policies designed to raise minimum wages, raise capital buffers for banks, tax the rich, expropriate profits, and reduce income & wealth inequality.	The Protectionism theme seeks to benefit from policies designed to increase trade tariffs and capital controls, reduce the free movement of people, and adopt more isolationist foreign policies.	The Keynesian theme (helicopter money) seeks to benefit from broad fiscal stimulus, funded by central bank printing, including infrastructure spending, tax rebates and potentially living wages.
Regime	Stagflation	Deflation	Reflation
Trades	Long Gold (XAU) Long US TIPS (G0Q1) Long Real Estate (MXWO0RE) Long Munis (U0A0) Long DJ Retail Titans 30 (DJTRET) Long S&P Cons Svcs (S15DCON) Bear Flatteners Short S&P Global Lux (SPGLGUP) Short Brokers (XBD) vs Payments	Long Cash Long Government bonds (W0G1) Long Gold (XAU) Long S&P 500 Volatility (SPVXSTR) Long Best-of-Breed stocks Long Defensives (Utilities, Telcos) Bull Flatteners Short Mutli-Nationals Short Banks (S5BANKX)	Long MSCI World ex-US (MXWDU) Long Commodities (CRY) Long US TIPS (G0Q1) Long Materials (S5MATR) Long Banks (S5BANKX) Long Value (MVUDUS) Bear Steepeners Short Staples (S5CONS) Short Quality (M1USQU)

Source: BofA Merrill Lynch Global Investment Strategy

Happily, the fiscal flip this summer has thus far been more biased toward redistribution & Keynesianism rather than protectionism. For example:

- In Japan Abe has hinted at an economic package at the upper end of the ¥20-30tn range with ¥13tn in fiscal measures, possibly to include 3% min. wage hike and ¥15,000 cash to low income earners;

- In Europe the growth of government spending has accelerated back to its pre-Global Financial Crisis pace, adding >1% to GDP growth in 2016 (note a newly permissive ECB cancelled Spanish & Portuguese fiscal rule-breach fines in the past month);

- And in the US both presidential candidates are touting infrastructure spending packages (Clinton proposes $275 billion in infrastructure spending over five years; Trump has also proposed tax cuts, infrastructure & health spending. Note Ethan Harris argues that in coming years fiscal policy is likely to become more effective than monetary policy.

We are convinced that the flip from monetary to fiscal policy will drive asset allocation & asset prices in coming quarters. Fiscal flip reflects policy intent to reduce deflation, wealth inequality, wage insecurity. Success means rotation from “deflation” to “inflation” assets; note real assets (commodities, collectables & real estate) now at all-time lows relative to financial assets (stocks & bonds) – Chart 1.

Asset allocation and positioning

Table 3: Asset allocation recommendations

Asset class	Ticker	Core view (3-6 months)	Rationale
Equities	MXWD	Bullish	
North America	MXNA	Bullish	BofAML S&P 500 target for YE 2016 is 2000, based on 2016E EPS of $117. 10-year S&P 500 target is 3500. Savita Subramanian's cautious near-term view sees the probability of re-testing recent lows as significant, and her term prefers "yield at a reasonable price" from stocks in secular growth trends, with overweights in health care, telecom, real estate and technology and underweights in materials, discretionary, and financials.
Eurozone	MXEM	Bullish	Ronan Carr has reduced the growth outlook post-Brexit and finds European EPS growth forecasts vulnerable. He prefers defensive stocks and yield with a shift toward QE beneficiaries. He recommends OW positions in defensives (health, telecoms, utilities) and industrials (on better global macro fundamentals), with UW in banks and UK/Euro cyclicals (media & retail).
UK	MXGB	Bearish	James Barty sees the UK heading for recession and article 50 triggered by the next PM, with markets waiting for softer data to react fully. He likes defensive yield positions as the cost of equity rises, with OW recommendations for utilities & health care and UW for financials and retail.
Japan	MXJP	Neutral	Abe's electoral win puts new economic measures in play, but Shusuke Yamada sees any USD/JPY rally as likely unsustainable. The domestic asset shortage has kept demand for foreign assets high, and we expect Japanese equity to follow USD/JPY as the macro-driven market persists.
Pacific Rim	MXPCJ	Bullish	Ajay Kapur remains structurally bullish on Emerging Markets. His bullish view is predicated on cheap valuations, peaking US$, prospective EPS growth, and easing Chinese monetary policy, with bouts of panic among DM investors seen as occasions to buy. OW: Taiwan, Australia, China; UW: Philippines, Hong Kong, India.
EM Equities	MXEF	Bullish	Ajay Kapur recommends buying EM/Asia xJ to benefit from too-low expectations favorable global flows. OW: Russia, Turkey, Taiwan, China, Indo, Chile. UW: Philippines, Mexico, S. Africa, Malaysia, India.
Fixed Income	GFIM	Bullish	
Government	W0G1	Bullish	*US*: Fed funds to end 2016 at 0.50-0.75% (one more hike). We remain long duration, with more downside possible in nominal rates and breakevens. Bull flatteners remain a core theme given attractive forwards, Japanese investor flows, and potential for pension capitulation. *Europe*: ECB has shifted focus from negative rates to forward guidance and bond buying. Ralf Preusser likes curve flattening trades in EUR, citing the NIRP-induced yield grab, Brexit uncertainty, and investor duration underweight positioning.
Quasi Sovereign	G0LQ	Neutral	
Investment Grade	G0LC	Bullish	High-grade credit should continue to perform well as sector spreads compress and corporate balance sheets stabilize, according to Hans Mikkelsen. Brexit-tainted UK and European HG bonds deserve less attention as only the US market offers the yield and capacity to slake investor thirst. To capture spread compression, overweight energy, US banks, media, and telecoms and underweight already-tight sectors like health care, industrials, and technology.
High Yield	HW00	Bearish	Our high-yield positioning remains defensive as Michael Contopoulos maintains a 0% to -1% HY total return target for the year, given weak fundamentals and pervasive risk aversion. We are overweight energy, health care, real estate, telecoms, and cash and underweight capital goods, commercial and consumer services, financials, hotels & leisure, materials, tech, and utilities.
EM debt	IM00	Bullish	Favorable growth prospects and the diminishing strong USD threat boost our outlook. OW Indonesia; UW Hungary, Lebanon, Philippines
Securitized Products	G0LL	Bullish	OW non-agency MBS & senior CMBS; turning more positive as recent bond rally creates relative value opportunities
Commodities	MLCXTR	Neutral	
Energy	MLCXENTR	Neutral	Francisco Blanch sees 2016 averages of $52/bbl and $51/bbl for Brent and WTI, respectively. While macro trends (low growth, low inflation) remain a headwind for all commodities, supply deficits and recovering global demand could push the curve into backwardation above $60/bbl. Assuming a neutral US$ ahead, he sees long-term crude in a $55-75/bbl range.
Industrial Metals	MLCXIMTR	Bearish	Michael Widmer remains bullish zinc but notes lower Chinese imports; neutral nickel and aluminum; bearish copper, iron ore.
Precious Metals	MLCXPMTR	Bullish	Michael Widmer is bullish on gold and silver given subdued global growth and risk of a populist or redistributionist shift. 2017E of $1,475/oz and $20.98/oz for gold and silver, respectively.
Agriculture	MLCXAGTR	Neutral	
Cash	G0B1	Neutral	

Source: BofA Merrill Lynch Global Investment Strategy

How to implement our Asset Allocation

We rank our core views as Bullish (OW), Neutral (N) or Bearish (UW). Our recommendations are benchmark independent. Absolute return investors may wish to treat OW recommendations as longs and UW recommendations as shorts. Meanwhile those with a benchmark may wish to treat our recommendations as tilts against their own strategic benchmark, and according to any single asset class limits they may have. For most benchmarked investors, an UW is unlikely to translate to a zero, or negative weight in an asset class, and an OW is unlikely to imply any leverage.

The Prop Desk: Rules & Tools

Table 4: BofA Merrill Lynch Rules and Tools

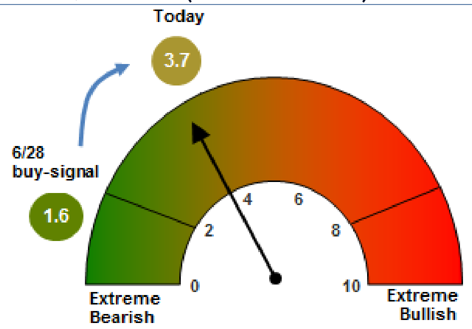
Proprietary indicators	Current signal	Current reading	Duration of signal
Short-term			
BofAML Global FMS Cash Indicator	Buy	5.8%	4 weeks
Buy when cash at or above 4.5%; Sell when cash at or below 3.5%			
BofAML Global Flow Trading Rule	Close to Sell	0.9%	4 weeks
Buy when outflows from global equities & HY > 1.0% AUM over 4wks; Sell when inflows > 1.0% AUM over 4wks			
BofAML EM Flow Trading Rule	Neutral	0.8%	4 weeks
Buy when outflows from EM equities > 3.0% of AUM over 4 wks; Sell when inflows > 1.5% of AUM over 4 wks			
BofAML Global Breadth Rule	Neutral	-44%	4-5 weeks
Buy when net 88% of markets in MSCI ACWI trading below 200-day moving & 50-day moving averages			
BofAML Bull & Bear Index (B&B)	Buy	3.7	1-3 months
Sell when investor sentiment > 8.0; Buy when investor sentiment < 2.0			
BofAML GFSI™ Critical Stress Signal	Risk-On	0.23	1-3 months
A binary "Risk-Off" / "Risk-On" signal that tells us when risk of contagion is high and it's prudent to hedge			
BofAML MVP Model	Longs: Germany, Spain & Switzerland		1 month
Tactical long/short equity market-neutral	Shorts: Brazil, Australia & UK		
Long-term			
BofAML Sell-Side Indicator	Bullish	50.7	12 months
Contrarian bullish signal when indicator >53			
BofAML Global Wave	Bullish	Rising	12 months
Bullish when indicator troughs			

Source: BofA Merrill Lynch Global Investment Strategy

BofAML Bull & Bear Indicator (B&B)

BofAML Bull & Bear Indicator is up from "buy signal" low of 1.6 (June 28th) to 3.7 today. Positioning means policy makers can cause further summer upside; when B&B >5.0 & GFSI <0, we will get tactically cautious.

Chart 8: BofAML B&B Indicator (scale from 0 to 10)



Source: BofA Merrill Lynch Global Investment Strategy

Table 5: Components of BofAML Bull/Bear Indicator

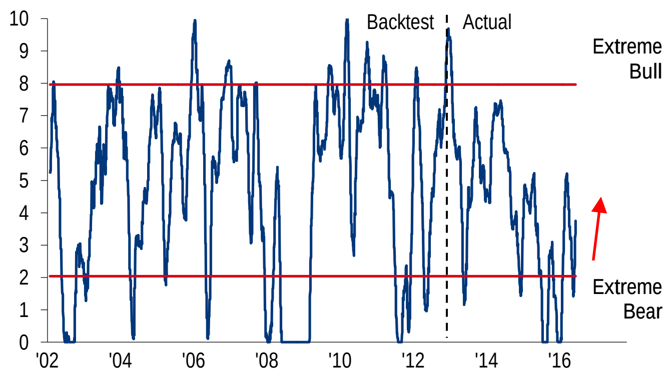
Component	Percentile	Sentiment
Bond flows	77%	Bullish
Equity flows	56%	Neutral
HF positioning	53%	Neutral
Equity market breadth	49%	Neutral
Credit market technicals	21%	Bearish
LO positioning	6%	V Bearish

Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg, EPFR Global, Lipper FMI, Global FMS, CFTC, MSCI

Chart 9: BofAML Global Financial Stress Index

Source: BofA Merrill Lynch Global Research

Chart 10: BofAML Bull & Bear Indicator history



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global, FMS, CFTC, MSCI

Winners & losers

Table 6: Ranked Total Returns (USD terms), Global Equity and Bond Markets

Past week		Past month		Past three months		Year to date		Past year	
1 Turkey Equities	6.6%	1 S. Africa Equities	15.5%	1 Taiwan Equities	15.4%	1 Brazil Equities	57.2%	1 Greece Govt Bonds	45.1%
2 Turkey Govt Bonds	3.8%	2 Brazil Equities	14.5%	2 Indonesia Equities	12.9%	2 Brazil Govt Bonds	45.8%	2 Japan Govt Bonds	28.7%
3 India Equities	2.5%	3 Hong Kong Equities	11.7%	3 Brazil Equities	10.8%	3 S. Africa Equities	24.4%	3 Indonesia Equities	22.0%
4 France Equities	2.0%	4 Taiwan Equities	11.3%	4 Brazil Govt Bonds	9.5%	4 Indonesia Equities	24.4%	4 Indonesia Govt Bonds	21.8%
5 Germany Equities	1.9%	5 Australia Equities	11.2%	5 India Equities	9.2%	5 Russia Equities	23.0%	5 Brazil Govt Bonds	21.2%
6 Japan Govt Bonds	1.8%	6 Indonesia Equities	10.5%	6 Hong Kong Equities	8.0%	6 Indonesia Govt Bonds	22.6%	6 Japan IG Corp Bonds	20.7%
7 Portugal Govt Bonds	1.6%	7 Korea Equities	9.7%	7 Indonesia Govt Bonds	6.0%	7 Japan Govt Bonds	22.5%	7 Brazil Equities	16.2%
8 Korea Govt Bonds	1.6%	8 Spain Equities	9.1%	8 US Equities	5.8%	8 S. Africa Govt Bonds	21.9%	8 Korea Govt Bonds	13.8%
9 Indonesia Equities	1.6%	9 Portugal Equities	9.0%	9 China Equities	5.6%	9 Russia Govt Bonds	19.9%	9 Global Govt Bond Index	11.8%
10 Germany Govt Bonds	1.6%	10 S. Africa Govt Bonds	9.0%	10 Korea Equities	4.9%	10 Canada Equities	18.0%	10 Australia Govt Bonds	11.6%
11 Japan IG Corp Bonds	1.5%	11 China Equities	9.0%	11 Korea Govt Bonds	4.9%	11 Taiwan Equities	17.7%	11 Korea Equities	11.4%
12 France Govt Bonds	1.5%	12 Germany Equities	9.0%	12 S. Africa Equities	4.7%	12 Japan IG Corp Bonds	16.4%	12 Spain Govt Bonds	9.4%
13 Korea Equities	1.4%	13 Israel Equities	8.9%	13 Australia Equities	4.5%	13 US HY Corp Bonds	12.2%	13 Singapore Govt Bonds	9.3%
14 Hong Kong Equities	1.4%	14 India Equities	8.6%	14 US HY Corp Bonds	4.5%	14 Singapore Govt Bonds	11.4%	14 France Govt Bonds	9.2%
15 Taiwan Equities	1.2%	15 France Equities	8.5%	15 S. Africa Govt Bonds	3.7%	15 Korea Govt Bonds	10.8%	15 Germany Govt Bonds	8.4%
16 Switzerland Govt Bonds	1.1%	16 UK Equities	8.0%	16 Japan Govt Bonds	3.5%	16 Global Govt Bond Index	10.7%	16 US IG Corp Bonds	8.3%
17 Italy Govt Bonds	1.1%	17 Global Equity Index	7.2%	17 India Govt Bonds	3.4%	17 Australia Govt Bonds	10.5%	17 Italy Govt Bonds	8.2%
18 Ireland Govt Bonds	1.1%	18 US Equities	6.8%	18 US IG Corp Bonds	3.3%	18 Korea Equities	9.9%	18 India Govt Bonds	7.9%
19 Portugal Equities	1.1%	19 Italy Equities	6.1%	19 Global Equity Index	3.2%	19 Australia Equities	9.8%	19 Ireland Govt Bonds	7.4%
20 Spain Govt Bonds	1.1%	20 Ireland Equities	6.0%	20 Australia Govt Bonds	2.7%	20 France Govt Bonds	9.7%	20 Taiwan Equities	7.2%
21 Australia Equities	1.1%	21 Indonesia Govt Bonds	5.9%	21 Japan IG Corp Bonds	2.6%	21 Greece Govt Bonds	9.5%	21 Russia Equities	6.6%
22 Global Govt Bond Index	1.0%	22 Russia Equities	5.5%	22 US Govt Bonds	2.5%	22 Germany Govt Bonds	8.9%	22 Russia Govt Bonds	6.2%
23 India Govt Bonds	1.0%	23 Singapore Equities	5.5%	23 Global Govt Bond Index	1.9%	23 US IG Corp Bonds	8.8%	23 US Govt Bonds	6.1%
24 Greece Govt Bonds	0.8%	24 Korea Govt Bonds	5.3%	24 Greece Govt Bonds	1.7%	24 Canada Govt Bonds	8.7%	24 Switzerland Govt Bonds	5.3%
25 UK Govt Bonds	0.8%	25 Poland Equities	5.1%	25 Singapore Govt Bonds	1.6%	25 Switzerland Govt Bonds	8.5%	25 US HY Corp Bonds	5.0%
26 Singapore Govt Bonds	0.7%	26 Japan Equities	5.0%	26 Hong Kong Govt Bonds	1.5%	26 Hong Kong Equities	8.4%	26 US Equities	4.6%
27 S. Africa Equities	0.6%	27 Mexico Equities	4.9%	27 France Govt Bonds	1.2%	27 Spain Govt Bonds	8.1%	27 Australia Equities	4.1%
28 Poland Govt Bonds	0.6%	28 Canada Equities	4.6%	28 Singapore Equities	1.1%	28 India Govt Bonds	7.4%	28 Hong Kong Govt Bonds	3.6%
29 China IG Corp Bonds	0.5%	29 Switzerland Equities	4.3%	29 Switzerland Govt Bonds	0.6%	29 US Equities	7.3%	29 Canada Govt Bonds	2.7%
30 Australia Govt Bonds	0.5%	30 Greece Govt Bonds	4.3%	30 Spain Govt Bonds	0.5%	30 Ireland Govt Bonds	7.0%	30 Turkey Govt Bonds	2.0%
31 China Govt Bonds	0.5%	31 India Govt Bonds	4.2%	31 Germany Govt Bonds	0.4%	31 India Equities	7.0%	31 Portugal Govt Bonds	1.5%
32 Indonesia Govt Bonds	0.4%	32 US HY Corp Bonds	3.7%	32 Russia Govt Bonds	0.1%	32 Singapore Equities	6.8%	32 Canada Equities	0.8%
33 US Govt Bonds	0.4%	33 Australia Govt Bonds	3.0%	33 Ireland Govt Bonds	-0.1%	33 Turkey Govt Bonds	6.5%	33 China IG Corp Bonds	0.6%
34 China Equities	0.3%	34 Brazil Govt Bonds	2.6%	34 China IG Corp Bonds	-0.2%	34 Italy Govt Bonds	6.1%	34 China Govt Bonds	0.1%
35 US Equities	0.3%	35 Poland Govt Bonds	2.4%	35 Switzerland Equities	-0.2%	35 US Govt Bonds	5.8%	35 Global Equity Index	-0.2%
36 US IG Corp Bonds	0.3%	36 Portugal Govt Bonds	1.9%	36 Italy Govt Bonds	-0.5%	36 Global Equity Index	5.2%	36 Poland Govt Bonds	-0.3%
37 Hong Kong Govt Bonds	0.3%	37 Spain Govt Bonds	1.7%	37 Japan Equities	-0.7%	37 Turkey Equities	4.8%	37 Hong Kong Equities	-1.1%
38 Global Equity Index	0.2%	38 Ireland Govt Bonds	1.7%	38 Israel Equities	-0.7%	38 Portugal Equities	4.4%	38 India Equities	-1.7%
39 S. Africa Govt Bonds	-0.1%	39 Greece Equities	1.6%	39 Germany Equities	-0.7%	39 Hong Kong Govt Bonds	2.6%	39 S. Africa Equities	-1.9%
40 Switzerland Equities	-0.2%	40 Italy Govt Bonds	1.6%	40 Canada Equities	-0.9%	40 Poland Govt Bonds	2.3%	40 UK Govt Bonds	-3.4%
41 Poland Equities	-0.2%	41 US IG Corp Bonds	1.3%	41 China Govt Bonds	-1.1%	41 Portugal Govt Bonds	1.5%	41 Portugal Equities	-3.8%
42 US HY Corp Bonds	-0.3%	42 China Govt Bonds	1.2%	42 Portugal Govt Bonds	-1.3%	42 UK Govt Bonds	1.3%	42 Japan Equities	-5.4%
43 UK Equities	-0.4%	43 China IG Corp Bonds	1.1%	43 Russia Equities	-1.4%	43 France Equities	0.7%	43 S. Africa Govt Bonds	-5.5%
44 Ireland Equities	-0.6%	44 Mexico Govt Bonds	1.1%	44 France Equities	-1.4%	44 China Govt Bonds	0.4%	44 Mexico Govt Bonds	-6.7%
45 Singapore Equities	-0.6%	45 France Govt Bonds	1.0%	45 UK Govt Bonds	-1.8%	45 China Equities	0.4%	45 Singapore Equities	-6.8%
46 Spain Equities	-0.6%	46 Singapore Govt Bonds	1.0%	46 Portugal Equities	-2.1%	46 Mexico Equities	0.3%	46 Germany Equities	-6.9%
47 Brazil Equities	-0.7%	47 UK Govt Bonds	0.8%	47 Poland Govt Bonds	-2.2%	47 China IG Corp Bonds	0.1%	47 France Equities	-6.9%
48 Brazil Govt Bonds	-0.7%	48 Germany Govt Bonds	0.4%	48 Canada Govt Bonds	-2.3%	48 UK Equities	-1.5%	48 Mexico Equities	-6.9%
49 Canada Govt Bonds	-0.8%	49 Switzerland Govt Bonds	0.4%	49 UK Equities	-2.6%	49 Germany Equities	-1.9%	49 Turkey Equities	-7.9%
50 Israel Equities	-0.9%	50 Hong Kong Govt Bonds	0.1%	50 Turkey Govt Bonds	-6.7%	50 Switzerland Equities	-2.3%	50 China Equities	-9.2%
51 Italy Equities	-1.1%	51 US Govt Bonds	0.0%	51 Poland Equities	-7.2%	51 Poland Equities	-2.5%	51 Switzerland Equities	-10.1%
52 Japan Equities	-1.1%	52 Global Govt Bond Index	-0.4%	52 Mexico Equities	-7.4%	52 Japan Equities	-2.7%	52 Ireland Equities	-11.0%
53 Canada Equities	-1.2%	53 Canada Govt Bonds	-0.7%	53 Ireland Equities	-8.2%	53 Mexico Govt Bonds	-4.1%	53 UK Equities	-11.9%
54 Mexico Govt Bonds	-1.6%	54 Japan IG Corp Bonds	-1.9%	54 Spain Equities	-8.6%	54 Spain Equities	-7.6%	54 Israel Equities	-15.9%
55 Greece Equities	-2.1%	55 Russia Govt Bonds	-2.5%	55 Mexico Govt Bonds	-8.7%	55 Israel Equities	-8.4%	55 Poland Equities	-19.1%
56 Russia Equities	-3.0%	56 Japan Govt Bonds	-2.6%	56 Italy Equities	-11.2%	56 Ireland Equities	-12.1%	56 Spain Equities	-21.8%
57 Mexico Equities	-3.1%	57 Turkey Govt Bonds	-4.5%	57 Greece Equities	-15.0%	57 Italy Equities	-19.3%	57 Italy Equities	-26.2%
58 Russia Govt Bonds	-3.9%	58 Turkey Equities	-6.0%	58 Turkey Equities	-17.6%	58 Greece Equities	-23.0%	58 Greece Equities	-59.1%

Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

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