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The Flow Show

Poor man's LTCM, rich man's YCC

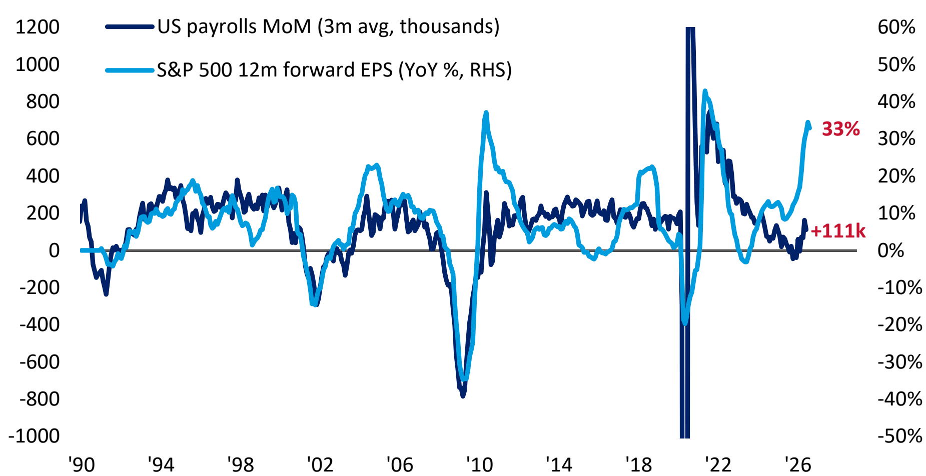
Scores on the Doors: oil 34.6%, international stocks 14.4%, US stocks 12.6%, HY 2.2%, cash 2.2%, US$ 1.7%, IG 0.0%, govt bonds -1.0%, gold -2.3%, bitcoin -26.5% YTD.

Tale of the Tape: EPS the bull engine, but FCI the bull gearbox, and $4/gallon gas, 160 dollar-yen, 5% UST bond yields…thou shalt not pass; past week of coordinated FX intervention to end fund deleveraging event ("poor man's LTCM") confirms belief US admin will always prevent tighter financial conditions from ending boom/bull/bubble (Yield Curve Control card there if needed); why bond guys the most directionally risk bulls right now.

The Price is Right: up-in-banks, up-in-yields is bullish; outperformance of long duration small cap, REITs, regional banks, biotech at time of rising yields more bullish (stock market saying next move up in yields is lurch higher); in contrast, bearish price action still rising spreads/CDS of AI hyperscalers (Chart 3) as magnificent buybacks, cash flows vanish… MAGS >$70 needed to slay threat that cheap China compute ends AI capex boom.

The Biggest Picture: EPS optimism soaring (12-month forward estimates up 33%), bolstered by big $35bn tariff refund past 3 months reversing $75bn EPS tariff hit May-Jul '25 (Chart 4); payrolls & profits positively correlated (Chart 2)…why bonds trading jobs not CPI in '26 (AI ≠ job losses = macro surprise); strong July payrolls (NFP>125k, U-rate <4.1%) = Warsh flip back to "I'm a hawk" Aug 28th Jackson Hole; bigger surprise is weak July payrolls (<50k NFP & U-rate >4.3%)…contrarian duration & defensive bullish.

Chart 2: When profits surge, no one cuts payrolls
US nonfarm payrolls MoM (3-month average) and S&P 500 12-month forward EPS (YoY %)



Source: BofA Global Investment Strategy, Bloomberg

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Investment Strategy
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BofA
Data Analytics

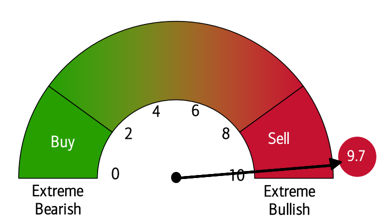
Michael Hartnett
Investment Strategist
BofAS
+1 646 855 1508
michael.hartnett@bofa.com

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

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

Jessica Guo
Investment Strategist
BofAS
+1 646 855 0033
jessica.guo@bofa.com

Chart 1: BofA Bull & Bear Indicator
Up to 9.7 from 9.4



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.

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FCI = financial conditions index

LTCM = Long Term Capital Management

MAGS = Roundhill Magnificent Seven ETF

NFP = Non-Farm Payrolls

YCC = yield curve control

Weekly Flows: $53.7bn to cash, $32.9bn to stocks, $23.1bn to bonds, $0.9bn to gold, $0.6bn to crypto.

Flows to Know:

- IG bonds: $10.2bn inflow, annualizing record $527bn inflow YTD (Chart 8),
- HY bonds: $4.1bn inflow, biggest since Jul'24,
- Bank loans: $1.4bn inflow, annualizing $27bn inflow YTD (best year since '21 – Chart 9),
- US equities: $9.6bn inflow, annualizing record $652bn inflow YTD,
- EM equities: $8.6bn inflow, but annualizing $55bn outflow YTD (worst since '15),
- Tech: $0.7bn outflow (1st in 6 weeks), but annualizing record $217bn inflow YTD (Chart 10),
- Semiconductor ETFs[1]: $2.4bn outflow, 1st in 6 weeks ($50bn YTD inflow),
- Infrastructure: $0.3bn outflow, biggest since Mar'25.

BofA Private Clients: $4.5tn AUM…65.7% stocks, 17.4% bonds, 9.6% cash; private clients back into T-bills (biggest inflow since Apr'26) and out of T-notes; still adding to stocks…equity ETF share count up 6.4% YTD, 0.7% past 4 weeks, and 0.2% in past week; in ETFs past 4 weeks, private clients buying muni bonds, Japan, staples and selling low-volatility, utilities, and EM debt.

BofA Bull & Bear Indicator: rises to 9.7 from 9.4, highest since 2021, on strong HY inflows, tighter global HY and AT1 risky bond spreads, and stronger global stock index breadth; note "old" Bull & Bear Indicator at 7.8 (see BofA Bull & Bear Indicator).

Tactics: we remain in summer Retreat/Rotate not Reload camp; we recommend investors retreat from risk assets and/or rotate into some defensives (e.g. staples), duration (e.g. REITs, small cap, biotech) and US dollar, all protected from ongoing tightening of financial conditions, less cyclically vulnerable than banks, industrials, semis to bull consensus "no macro landing, no Fed hike, no AI capex cut, no DEM midterm sweep" disappointment.

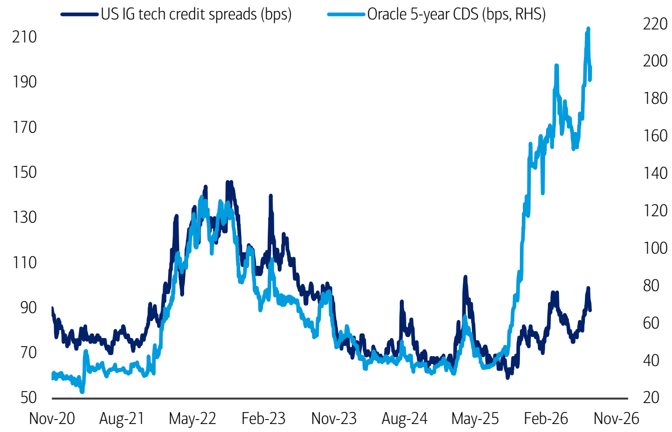
Strategy: asset allocation remains "long stocks, short bonds" as clear policymakers see equity market is "too big to fail"…economy dependent on wealth effect (household equity holdings up $7tn YTD, following $9tn gains in '25 & '24 – Chart 5) and AI data-center capex boom; bonds end booms and bubbles, and this one ends once "higher yields-lower dollar" vigilante event forcing fiscal policy U-turn, and asset allocation from stocks to bonds rise; "up-in-yields, down-in-banks" will be the canary in the coalmine.

Politics: 2020s political populism = fiscal excess = nominal GDP boom (up 63% past 6 years from $20tn in '20 to $32tn in '26 in US – Chart 6); Tea Party spawned MAGA (Reform party in UK), Occupy Wall Street genesis of Democratic Socialists of America (Greens in UK)…populists on right and left spend ("Anything But Bonds" allocation of 2020s); but midterms = referendum on populist capitalism (growth = lower deficits) vs. populist socialism (wealth taxes = lower deficits); GOP keeps Senate majority bullish; long consumer stocks best play for Trump needed pivot to affordability (see social media policy priorities YTD – Chart 7 & Table 1), and we long gold to hedge a K-shape electorate delivering "it's the economy, stupid" midterms verdict triggering a big down in yields/dollar/stocks into year-end.

[1]Fund flows for 8 largest semiconductor ETFs: SMH, SOXX, USD, XSD, FTXL, PSI, SOXQ, DRAM.

Chart 3: Spreads/CDS of AI hyperscalers still elevated

US IG tech credit spreads vs Oracle 5-year CDS



Source: BofA Global Investment Strategy, Bloomberg

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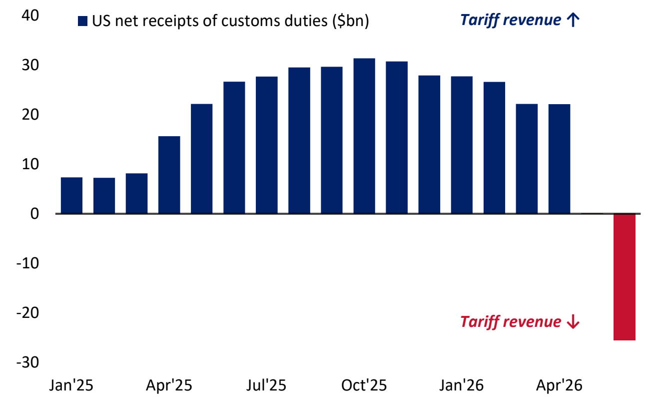
Chart 4: The Supreme Court Easing

US net receipts of customs duties ($bn)



Source: BofA Global Investment Strategy, Bloomberg

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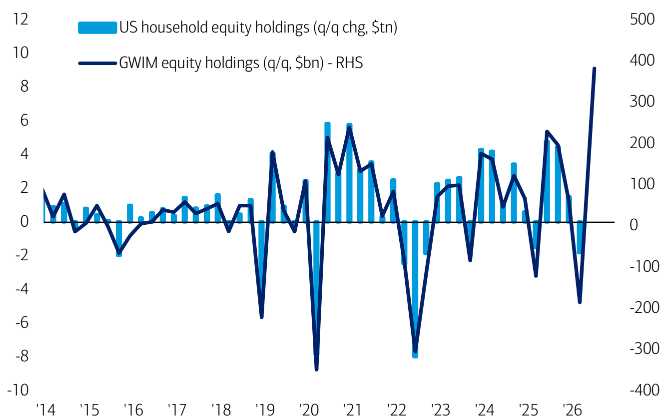
Chart 5: Massive K-shape wealth effect

US household and BofA Private Client equity holdings (q/q change)



Source: BofA Global Investment Strategy, Bloomberg, Federal Reserve

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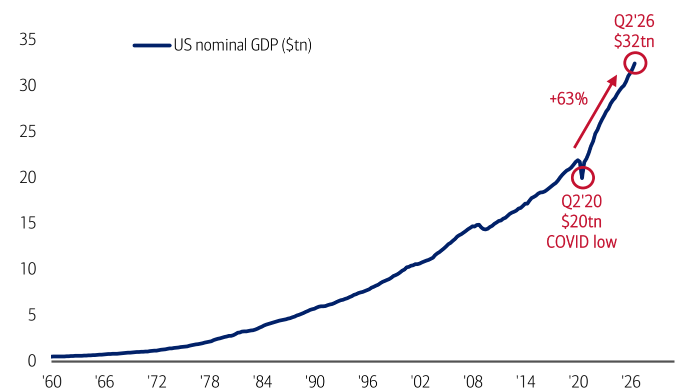
Chart 6: US nominal GDP +$12tn in 6 years

US nominal GDP ($tn)



Source: BofA Global Investment Strategy, Bloomberg

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Chart 7: Trump's social media word cloud in 2026

Top policy word mentions from Trump Truth Social in 2026

Source: BofA Global Investment Strategy

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Table 1: Iran and taxes up; border, economy and energy down

Top policy word mentions from Trump Truth Social: 2025 vs 2026

Rank	2025	2026
1	election	election
2	border	military
3	energy	Iran
4	tariffs	taxes
5	military	border
6	taxes	law
7	crime	veterans
8	economy	energy
9	law	crime
10	vote	economy

Source: BofA Global Investment Strategy

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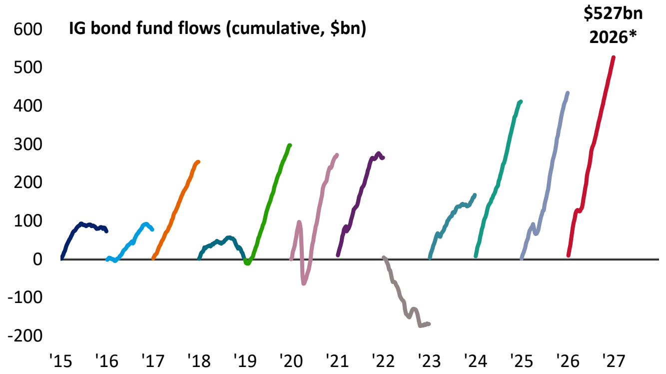
Chart 8: IG bond fund inflows annualizing record year
IG bond fund flows (annual cumulative, $bn)



Source: BofA Global Investment Strategy, EPFR. *2026 YTD annualized
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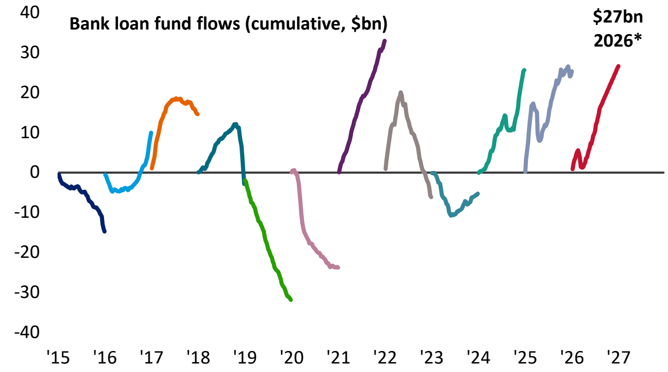
Chart 9: Inflows to bank loans annualizing best year since '15
Bank loan fund flows (annual cumulative, $bn)



Source: BofA Global Investment Strategy, EPFR. *2026 YTD annualized
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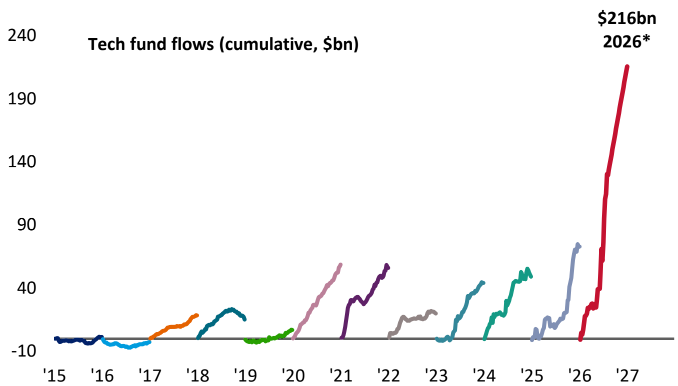
Chart 10: Inflows to tech funds on pace for record year
Tech fund flows (annual cumulative, $bn)



Source: BofA Global Investment Strategy, EPFR. *2026 YTD annualized
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Asset Class Flows (Table 2)

Equities: $32.9bn inflow ($40.1bn to ETFs, $7.2bn from mutual funds)

Bonds: inflows past 67 weeks ($23.1bn)

Precious metals: inflows past 5 weeks ($0.9bn)

Table 2: Cumulative YTD flows by asset class
Global flows by asset class, $mn

	Wk % AUM	YTD	YTD %AUM
Equities	0.1%	755,261	2.6%
ETFs	0.2%	1,098,154	6.6%
LO	-0.1%	-342,471	-2.7%
Bonds	0.2%	581,764	6.1%
Commodities	0.2%	16,250	1.7%
Money-market	0.5%	386,689	3.5%

*week ended 8/5/2026: **Source:** EPFR Global

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Fixed Income Flows (Chart 11)

IG Bond inflows past 18 weeks ($10.2bn)

HY Bond inflows past 3 weeks ($4.1bn)

EM Debt inflows resume ($0.1bn)

Munis inflows past 16 weeks ($1.5bn)

Govt/Tsy inflows past 6 weeks ($4.1bn)

TIPS inflows past 27 weeks ($0.8bn)

Bank loan inflows past 8 weeks ($1.4bn)

Equity Flows (Table 3)

US: inflows past 2 weeks ($9.6bn)

Japan: inflows past 9 weeks ($2.6bn)

Europe: 1st inflow in 3 weeks ($55mn)

EM: inflows past 5 weeks ($8.6bn)

By style: inflow **US large cap** ($11.1bn); outflows **US small cap** ($0.2bn), **US growth** ($0.6bn), **US value** ($2.8bn).

By sector: inflows **materials** ($0.7bn), **consumer** ($0.6bn), **hcare** ($0.4bn), **utils** ($0.1bn), **real estate** ($24mn); outflows **financials** ($0.1bn), **energy** ($0.1bn), **tech** ($0.7bn), **com svs** ($0.9bn).

Table 3: Big YTD inflows to DM stocks
Global equity flows by region, $mn

	Wk % AUM	YTD
Total Equities	0.1%	755,261
long-only funds	-0.1%	-342,471
ETFs	0.2%	1,098,154
Total EM	0.3%	-33,072
Brazil	0.2%	4,010
India	-0.2%	-10,049
China	-0.4%	-186,229
Total DM	0.1%	788,333
US	0.1%	389,078
Europe	0.0%	-17,772
Japan	0.2%	23,047
International	0.1%	365,580

Total Equities = Total EM + Total DM. **Source:** EPFR Global

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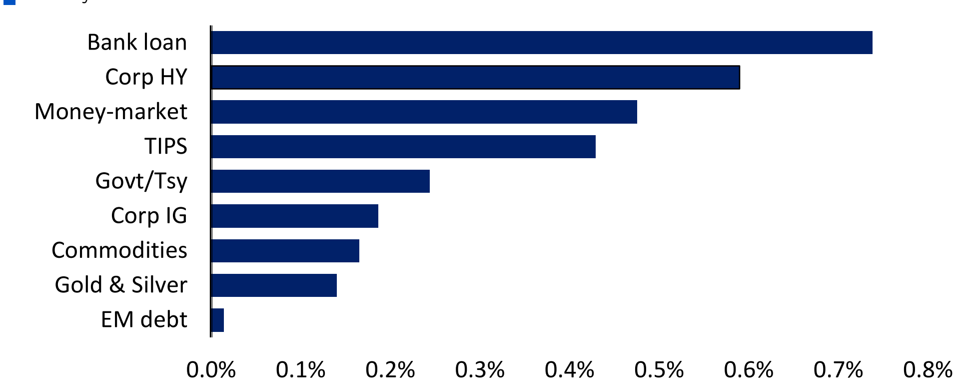
Chart 11: FICC inflows to bank loan, HY bonds, and cash
Weekly FICC flows as a % AUM



Source: BofA Global Investment Strategy, EPFR Global

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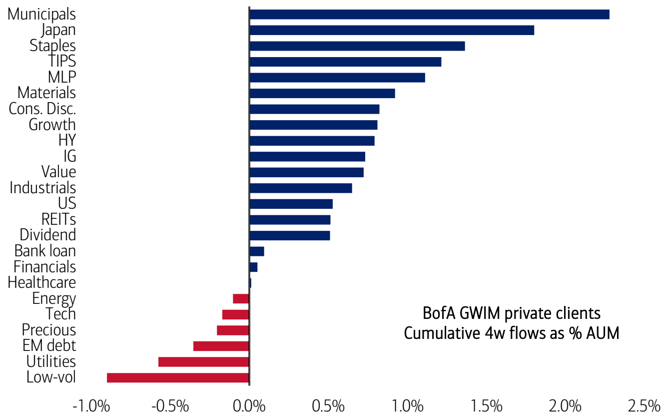
BofA private client flows & allocations

Chart 12: Private clients bought munis, Japan, staples
BofA private clients 4-week ETF flows as % of AUM



Source: BofA Global investment Strategy

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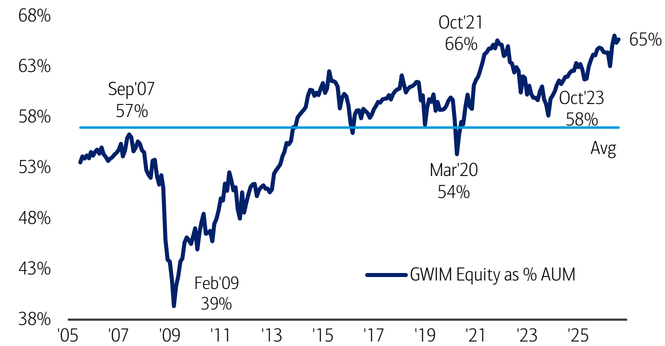
Chart 13: GWIM equity allocation at 65%
BofA private client equity holdings as % of AUM



Source: BofA Global investment Strategy

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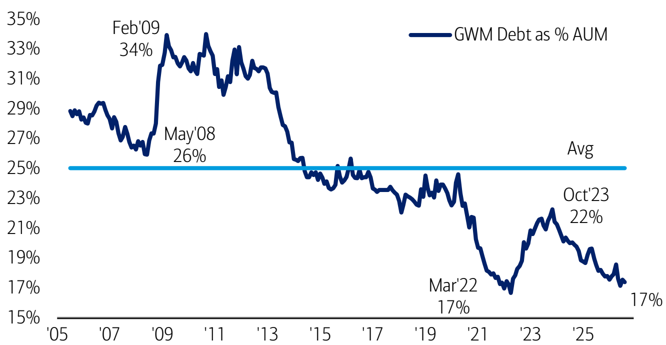
Chart 14: GWIM debt allocation at 17%
BofA private client debt holdings as % of AUM



Source: BofA Global investment Strategy

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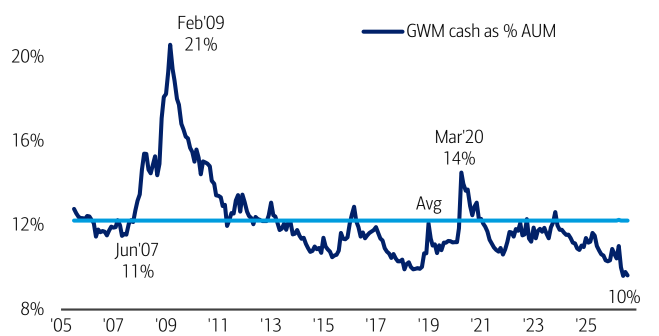
Chart 15: GWIM cash allocation at 10%
BofA private client cash holdings as % of AUM



Source: BofA Global investment Strategy

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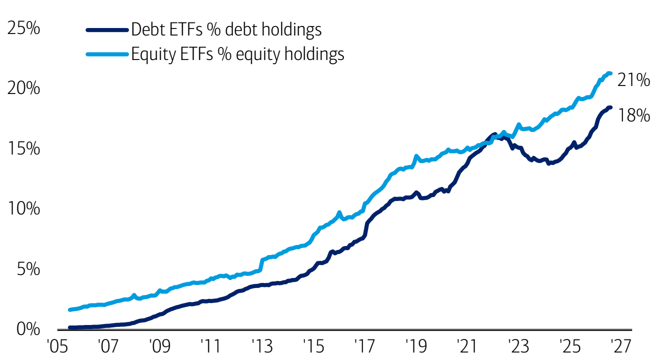
Chart 16: GWIM equity ETFs 21%, debt ETFs 18% of AUM
BofA private client ETF holdings as % of AUM



Source: BofA Global investment Strategy

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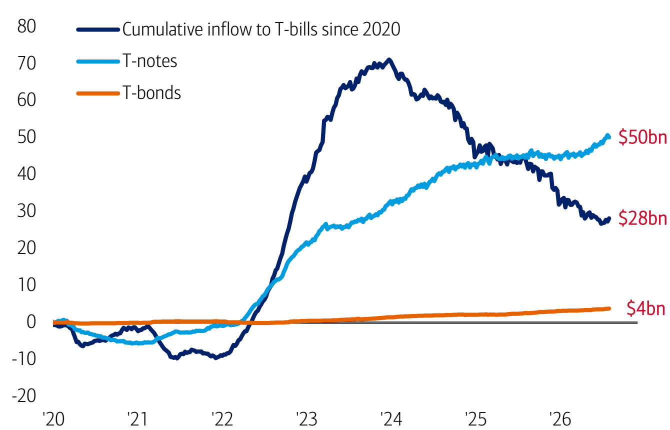
Chart 17: $50bn to T-notes vs $28bn to T-bills since 2020
BofA private client cumulative inflow to Treasuries since 2020 ($bn)



Source: BofA Global investment Strategy

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The Asset Class Quilt of Total Returns

Chart 18: Historical asset class performance by year

Ranked cross asset returns by year

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026*
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%	Commodities 17.5%	MSCI EM 37.8%	Cash 1.8%	S&P 500 31.5%	Gold 24.8%	Commodities 46.3%	Commodities 31.1%	S&P 500 26.3%	Gold 26.7%	Gold 60.7%	Commodities 46.8%
Commodities 33.0%	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%	Global HY 14.8%	MSCI EAFE 25.9%	US Treasuries 0.8%	REITS 27.4%	MSCI EM 18.8%	REITS 37.1%	Cash 1.5%	MSCI EAFE 18.9%	S&P 500 25.0%	MSCI EM 32.0%	MSCI EM 21.8%
Gold 31.9%	Cash 2.1%	MSCI EAFE 32.5%	REITS 15.9%	Global IG 4.5%	MSCI EM 18.6%	Global HY 8.0%	US Treasuries 6.0%	Cash 0.1%	S&P 500 12.0%	S&P 500 22.0%	Gold -1.9%	MSCI EAFE 22.8%	S&P 500 18.4%	S&P 500 28.7%	Gold -0.8%	Global HY 13.4%	MSCI EM 8.0%	MSCI EAFE 29.0%	REITS 15.3%
MSCI EAFE 11.6%	Global IG -8.3%	REITS 31.7%	S&P 500 15.1%	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%	Global IG 10.3%	MSCI EAFE 11.9%	US Treasuries -12.9%	Gold 12.7%	Global HY 7.5%	S&P 500 18.5%	MSCI EAFE 14.1%
US Treasuries 9.1%	Global HY -27.9%	S&P 500 26.5%	Global HY 13.9%	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%	MSCI EAFE 8.4%	Global HY 1.4%	Global HY -13.2%	REITS 11.3%	Commodities 5.5%	Global HY 9.9%	S&P 500 13.6%
Global IG 7.3%	S&P 500 -37.0%	Commodities 26.1%	Commodities 13.3%	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%	US Treasuries 8.2%	Cash 0.0%	MSCI EAFE -13.9%	MSCI EM 10.1%	Cash 5.3%	Global IG 9.8%	Global HY 2.2%
S&P 500 5.5%	Commodities -42.6%	Gold 25.0%	MSCI EAFE 8.2%	Commodities -2.6%	Gold 8.3%	Commodities -2.1%	Global HY -0.1%	Global HY -4.2%	REITS 1.3%	Global IG 9.3%	S&P 500 -4.3%	Global HY 13.7%	Global HY 8.0%	MSCI EM -2.3%	Global IG -16.7%	Global IG 9.5%	MSCI EAFE 4.4%	US Treasuries 6.1%	Cash 2.2%
Cash 5.0%	MSCI EAFE -43.1%	Global IG 19.2%	Global IG 6.0%	REITS -9.4%	US Treasuries 2.2%	MSCI EM -2.3%	MSCI EM -1.8%	Gold -10.4%	US Treasuries 1.1%	Commodities 7.6%	Commodities -13.1%	Global IG 11.4%	Cash 0.5%	US Treasuries -2.4%	S&P 500 -18.1%	Cash 5.1%	REITS 3.2%	Commodities 5.9%	Global IG 0.0%
Global HY 3.0%	REITS -50.2%	Cash 0.2%	US Treasuries 5.9%	MSCI EAFE -11.7%	Cash 0.1%	US Treasuries -3.3%	MSCI EAFE -4.5%	MSCI EM -14.9%	MSCI EAFE 1.0%	US Treasuries 2.4%	MSCI EAFE -13.2%	US Treasuries 7.0%	REITS -4.4%	Global IG -3.0%	MSCI EM -19.8%	US Treasuries 3.9%	Global IG 1.2%	Cash 4.0%	US Treasuries -0.2%
REITS -10.0%	MSCI EM -53.2%	US Treasuries -3.7%	Cash 0.1%	MSCI EM -18.2%	Commodities -0.3%	Gold -27.3%	Commodities -29.3%	Commodities -29.4%	Cash 0.3%	Cash 0.8%	MSCI EM -14.3%	Cash 2.2%	Commodities -15.0%	Gold -4.1%	REITS -25.2%	Commodities -3.5%	US Treasuries 0.5%	REITS 3.5%	Gold -1.7%

Source: BofA Global Investment Strategy, Bloomberg. *2026 YTD

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BofA Rules & Tools

Table 4: Table 6: BofA Global Investment Strategy Proprietary Indicators
Current reading of all BofA Global Investment Strategy Proprietary Indicators

Proprietary Indicators	Category	Current reading	Current signal	Duration of signal
Contrarian				
BofA Bull & Bear Indicator (B&B)	Contrarian	9.7	Sell	1-3 months
Sell when investor sentiment > 8.0; Buy when investor sentiment < 2.0				
BofA Global FMS Cash Indicator	Contrarian	3.6%	Sell	4 weeks
Buy when cash at or above 5.0%; Sell when cash at or below 4.0%				
BofA Global Breadth Rule	Contrarian	70.5%	Neutral	3 months
Buy when net 88% of markets in MSCI ACWI trading below 200-day moving & 50-day moving averages				
BofA Global Flow Trading Rule	Contrarian	0.8%	Neutral	8 weeks
Buy when outflows from global equities & HY > 1.0% AUM over 4wks; Sell when inflows > 1.0% AUM over 4wks				
BofA EM Flow Trading Rule	Contrarian	3.0%	Sell	8 weeks
Buy when outflows from EM equities > 3.0% of AUM; Sell when inflows > 1.5% of AUM over 4 wks				
Macro				
BofA Global EPS Growth Model	Macro	9%	EPS growth rising	6-12 months
Model indicates trend in year-on-year change in 12-month forward global EPS growth.				

Source: BofA Global Investment Strategy. See *Global Investment Strategy: Rules & Tools, 12 November 2020* and BofA Bull & Bear Indicator revamp reports

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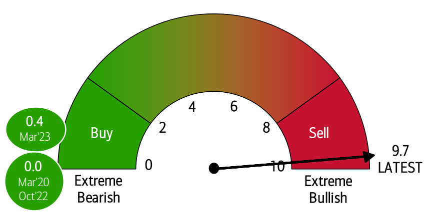
BofA Bull & Bear Indicator (B&B)

Our BofA Bull & Bear Indicator is at 9.7... signal is Sell.

Chart 19: BofA Bull & Bear at 9.7
Up to 9.7 from 9.4



Source: BofA Global Investment Strategy

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Table 5: Table 7: BofA B&B Indicator
BofA Bull & Bear current component readings

Components	Percentile	Sentiment
Hedge Fund Positioning	80%	Bullish
Equity Flow	97%	V Bullish
Bond Flow	74%	Bullish
Credit Market Technicals	77%	Bullish
Global Stock Index Breadth	61%	Neutral
FMS Positioning	99%	V Bullish

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

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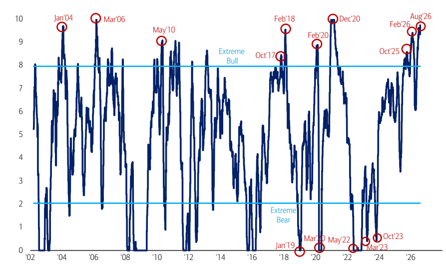
Chart 20: BofA Bull & Bear Indicator at 9.7
BofA Bull & Bear Indicator since 2002



Source: BofA Global Investment Strategy, EPFR Global, FMS, CFTC, MSCI.

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Acronyms

FMS – Fund Manager Survey

GWIM – Global Wealth and Investment Management

MA – Moving average

AUM – Assets Under Management

Disclosures

Important Disclosures

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R1]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R1]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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