

Seizing Opportunities in 2011 and Beyond



Merrill Lynch
Wealth Management

Bank of America Corporation



Why We're Here Today




- Markets displayed lower volatility in 2010.
- But serious questions remain:
 - Are interest rates headed higher?
 - Where can investors find yield?
 - What about large government budget deficits?
- Investors are uncertain about how to position their portfolios.
- 10 key recommendations for 2011.

An advertisement for Merrill Lynch Wealth Management. The top part shows a man in a light-colored shirt and glasses sitting on a porch, reading a newspaper. The text "help2know" is overlaid in large white letters. The bottom part is a blue banner with white text and the Merrill Lynch logo.

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2010: The Year in Review



- Asset prices returned to more normal patterns.
- Low growth and inflation contributed to stability.
- Fed easings drove markets in 2010.
- Several asset classes reached new all-time highs.

The new normal is surprisingly normal

Annual total returns of U.S. assets (%)

Mean annual return	1926–2009*	2010
Large-Cap Stocks	11.8	11.9
Small-Cap Stocks	16.6	22.3
Government Bonds	5.8	6.9
Corporate Bonds	6.2	9.5
U.S. equities volatility*	20.0	23.0
U.S. Treasuries volatility**	103.0	98.0

Source: BofA Merrill Lynch Global Equity Strategy, Ibbotson, Bloomberg, Datastream. *The RIC Report*, December 7, 2010.

Notes: Arithmetic mean; corp bonds high grade; U.S. equities volatility is VIX Index; Treasuries volatility is MOVE Index.

*Average volatility: VIX Index, since 01/1990.

**Average volatility: MOVE Index, since 04/1988.

2011: The Year Ahead



- Forecast is for higher equity prices in 2011.
- Fixed income will likely offer mediocre returns.
- A good year ahead for the U.S. dollar and commodity prices.
- The global economy is on pace to grow at about 4%.
- Central banks will need to maintain higher-than-normal liquidity.

BofA ML Global Research 2011 forecasts

	2011
Global GDP	4.2%
U.S. GDP	3.0%
Global CPI	3.3%
U.S. CPI	1.0%
10-yr Treasury Yield	4.0%
Fed Funds	0–0.25%
MSCI ACWI	375
S&P 500	1400
USD-EUR	1.30
WTI Crude Oil	\$87/bbl
Gold	\$1425/oz

Notes: EUR and 10-year Treasury yield forecasts are year-end 2011 forecasts; gold and oil are projected average.

Source: BofA Merrill Lynch Global Research, *The RIC Report*, December 7, 2010.

BofA Merrill Lynch, *World at a Glance: G10 Update*, January 11, 2011.

BofA Merrill Lynch *Global Economic Weekly: And now for something completely different*, 21 January 2011.

10 Key Ideas for 2011



Expectations for the following developments this year

The U.S. economy will improve modestly.

Global economic growth will slow modestly from 2010.

Fixed income returns will be slightly negative, led by Treasuries.

High-quality munis will provide decent fixed income returns in 2011.

Investment-grade and high-yield debt credit spreads tighten further.

10 Key Ideas for 2011 (continued)



The firm's research expects the following developments this year

Global equity prices will rise 15% or more in 2011.

The S&P 500 will reach 1400.

Large over small and growth over value.

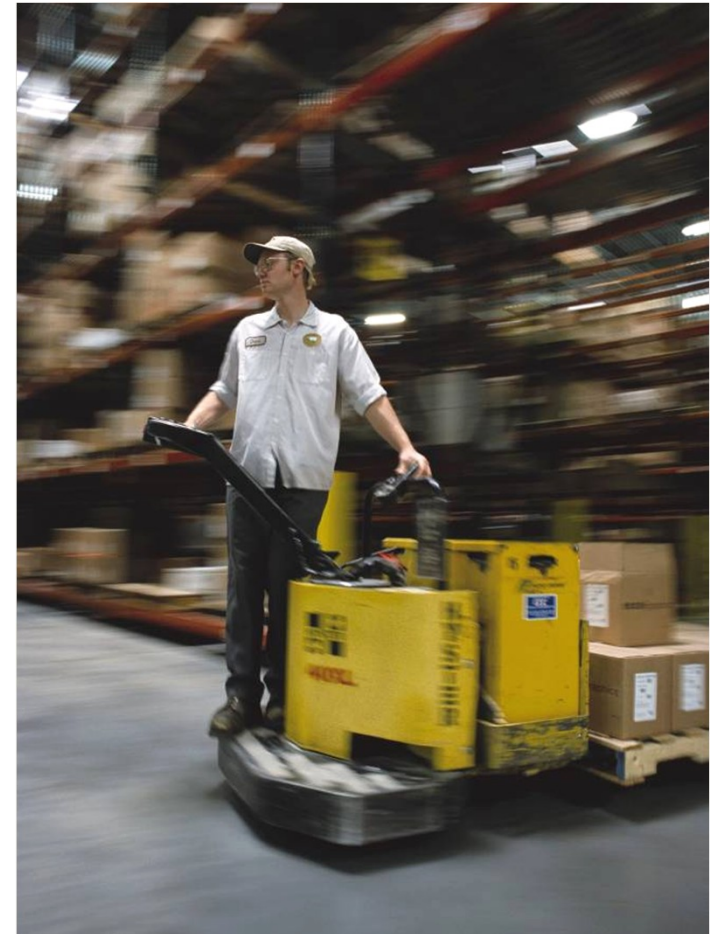
The U.S. dollar will strengthen against major DM trading partners.

Commodity prices will rise, led by oil, copper and coal.

1. The U.S. Economy Will Slowly Improve



- The U.S. economy will likely grow 3% in 2011.
- The U.S. economy will continue to improve at a slow pace.
- Expect to see continued high unemployment.
- Core inflation projected at about 1.0%.



Source: BofA Merrill Lynch Global Research, *The RIC Report*, December 7, 2010.

BofA Merrill Lynch Global Research, *The RIC Report: Asset Allocation for 2011*, January 11, 2011.

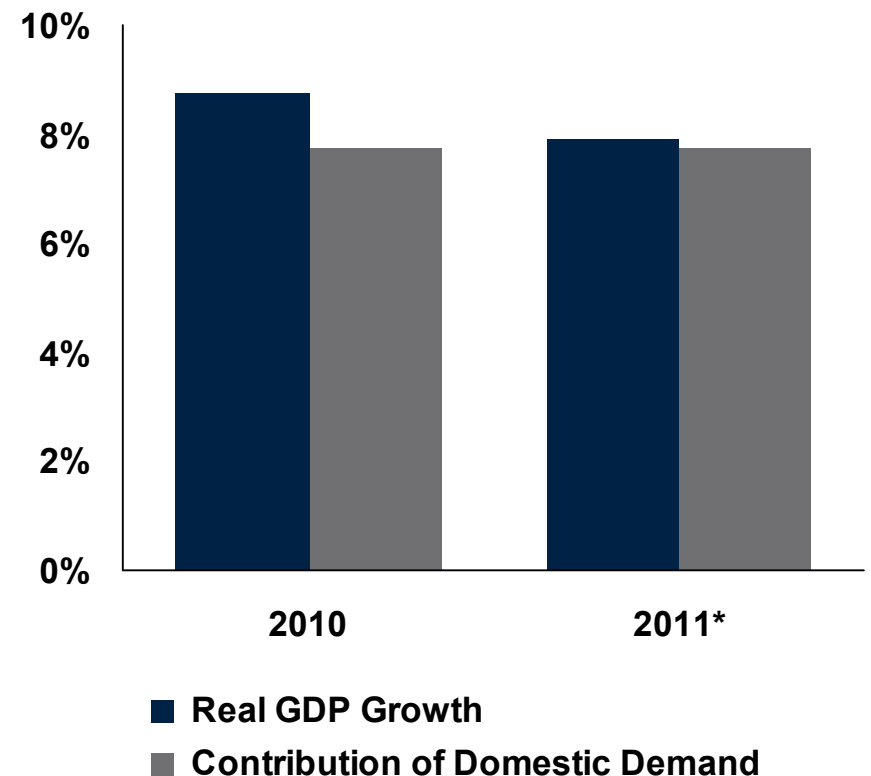
BofA Merrill Lynch *Global Economic Weekly: And now for something completely different*, 21 January 2011.

2. Global Economic Growth Will Slow Modestly



- Global GDP growth likely to be 4.3%.
- Our firm expects robust emerging market growth of 6.4%.
- EM growth should be led by domestic demand.
- Growth in Europe and Japan projected to be sluggish.

Strong GDP growth led by domestic demand



Source: BofA Merrill Lynch Global Emerging Markets Research, *The RIC Report*, December 7, 2010.

BofA Merrill Lynch *Global Economic Weekly: And now for something completely different*, January 21, 2011.

* 2011 data is a forecast as of 12/31/10.

3. Fixed Income Returns Will Be Slightly Negative



- Evaluating credit risk versus duration risk in 2011.
- Expect municipal and corporate bonds to post positive returns.
- Returns from Treasuries could be negative.
- Research projects the 10-year Treasury yield to reach 4% by year-end.

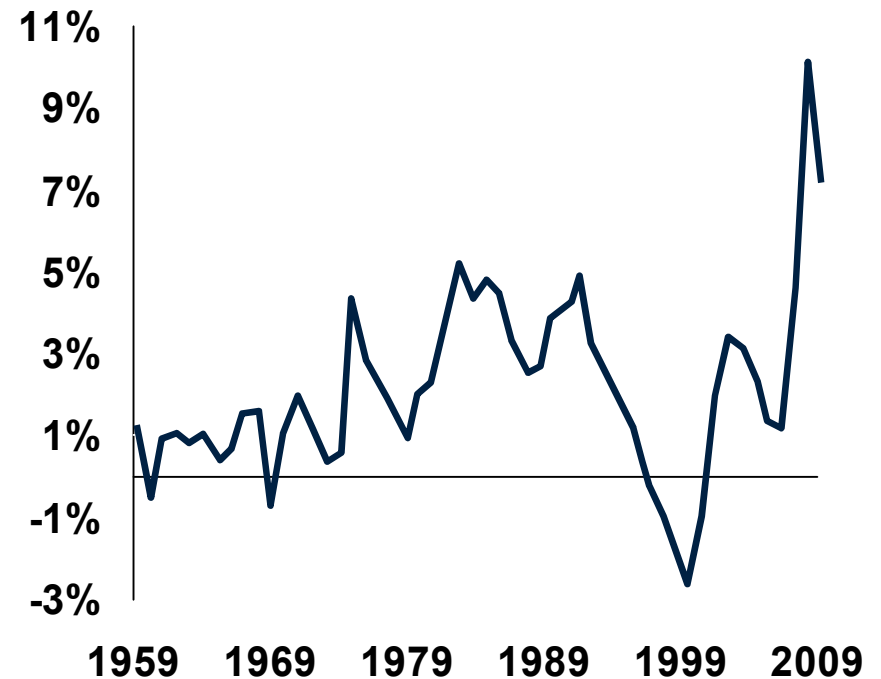




4. High-Quality Munis Will Provide Decent Fixed Income Returns in 2011

- Municipal bonds may face headwinds due to state budget woes.
- But fiscal retrenchment should ultimately benefit this sector.
- Defaults are highly unlikely, though a risk of downgrades exists.
- Munis are very attractively valued at present.

U.S. federal budget deficit as percentage of GDP



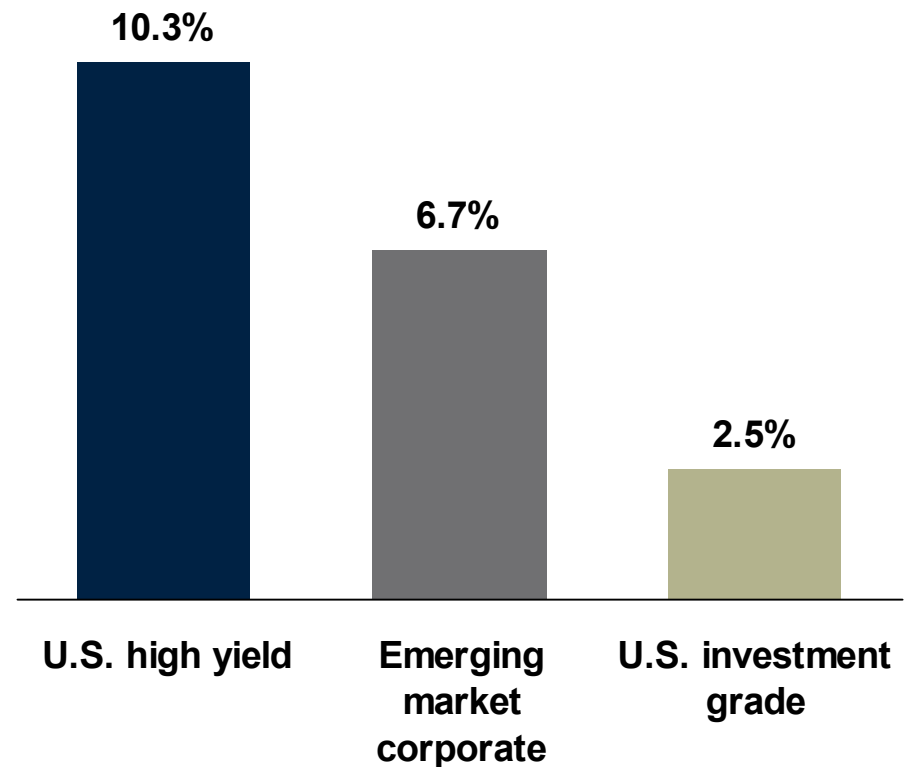
Note: Annual data except for 2010, which is for August 2010.
Source: BofA Merrill Lynch Investment Strategy, Haver.

5. Investment-Grade and High-Yield Spreads to Tighten Further



- Liquidity in the credit markets will likely continue to drive returns.
- Expect high-yield and emerging market corporate bonds to outperform investment grade.
- Investment-grade bond returns are forecast to be much lower than in recent years.

BofA ML Global Research 2011 Forecasts

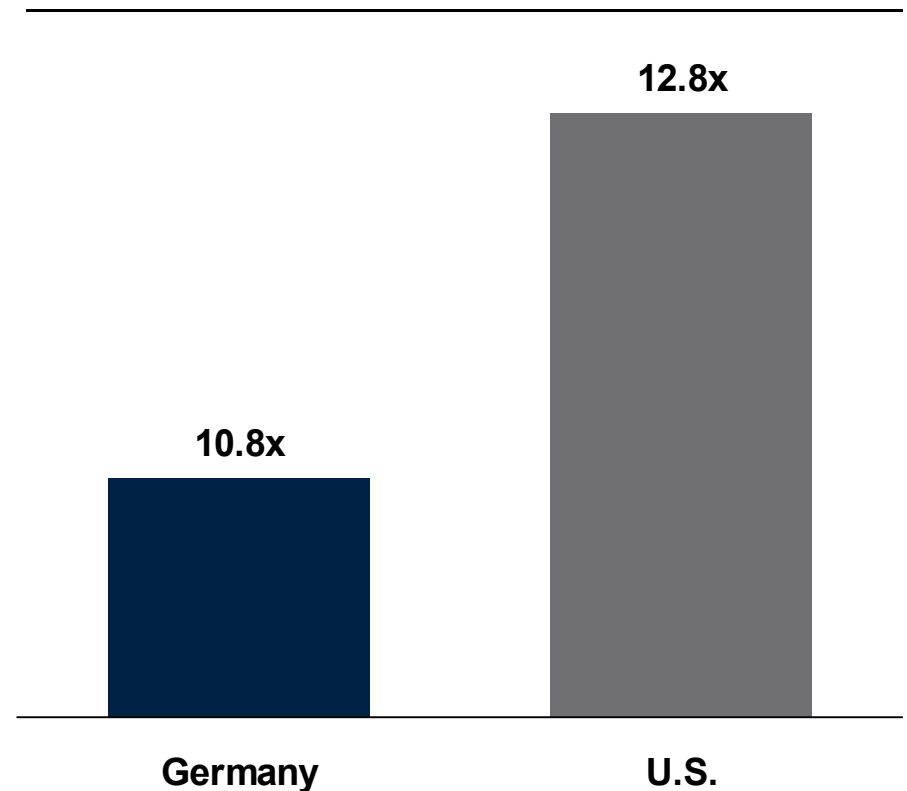


6. Global Equity Prices Will Rise 15% or More



- The target for the MSCI All Country World Index is raised to 375 from 350.
- U.S. and emerging markets are forecast to outperform.
- Core European equities, led by Germany, likely have another 15% upside.
- Our research expects low double-digit gains in Asia.

Average price/earnings ratio

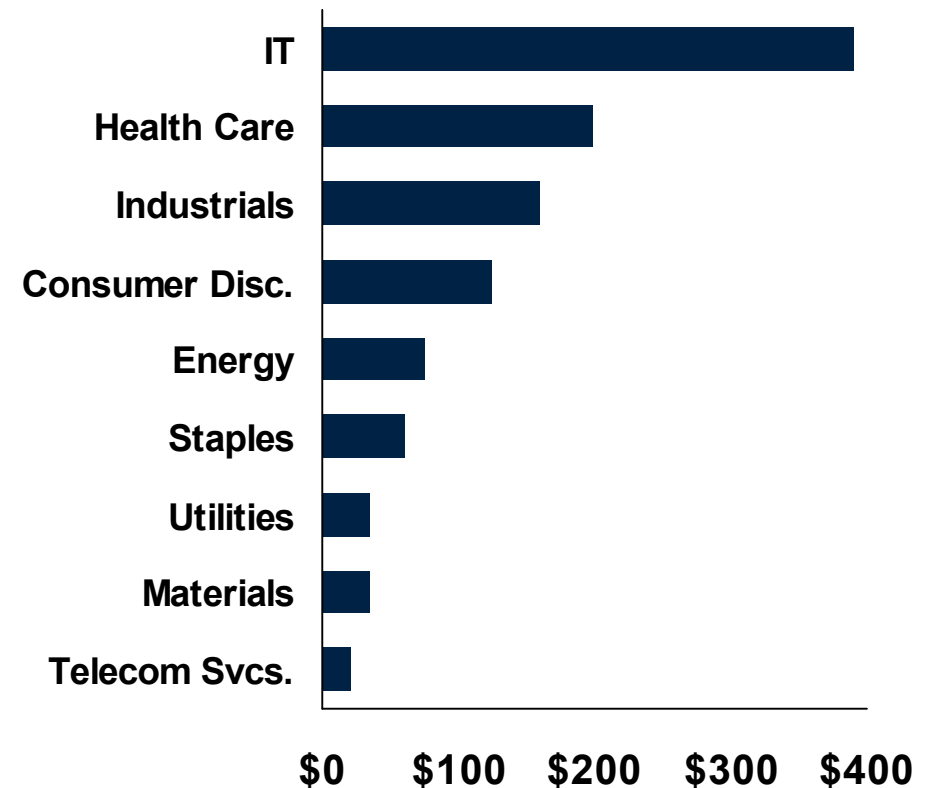


7. The S&P 500 Will Reach 1400



- The target for the S&P 500 Index is 1400 in 2011.
- This assumes estimated earnings per share of \$93.
- The third year of the presidential cycle has average returns of 14%.
- Big international growth sectors are the most likely outperformers.

Cash on the balance sheet by sector
(Dollars in billions)



8. Large Over Small and Growth Over Value



- The research forecast is that large-cap equities will outperform small caps.
- The exception is the technology sector.
- Small caps face headwinds including high valuations.
- Growth stocks are likely to outpace value due to high dividend yields and cheaper valuations.



9. The U.S. Dollar Will Strengthen Against Major DM Trading Partners



- Europe continues to struggle with persistent sovereign debt issues.
- The euro will come under pressure in the first half of 2011
- Fiscal worries in the U.S. may help the euro rebound in the second half of the year.
- The firm expects the Japanese yen to depreciate gradually to 88 by year-end.



10. Commodity Prices Will Rise, Led by Oil, Copper and Coal



- The firm's research anticipates oil reaching \$100 per barrel.
- Coal faces supply constraints, and demand is fueled by emerging markets.
- Precious metals should continue to benefit from inflation and sovereign debt fears.
- Agricultural commodity prices, in contrast, are likely to fall in 2011.

Crude oil price
(Dollars per barrel)



Applying Research Forecasts to Your Portfolio



Investors today are navigating an uncertain and ever-changing environment.

BofA Merrill Lynch Global Research seeks to identify key investment opportunities.

All investment ideas should be viewed in the context of each investor's circumstances, goals and risk tolerance.

Depending on your personal situation, one or more of the firm's forecasts may be an appropriate investment for you.

Next Steps



Talk to us about investment ideas for your portfolio

- The experts at Merrill Lynch have identified a number of investments with the potential for strong returns in 2011.
- Let us help you determine whether any of these ideas may be right for you.
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