

BANK OF AMERICA MERRILL LYNCH GLOBAL WEALTH & INVESTMENT MANAGEMENT

Merrill Lynch Outlook 2013 Savita Subramanian

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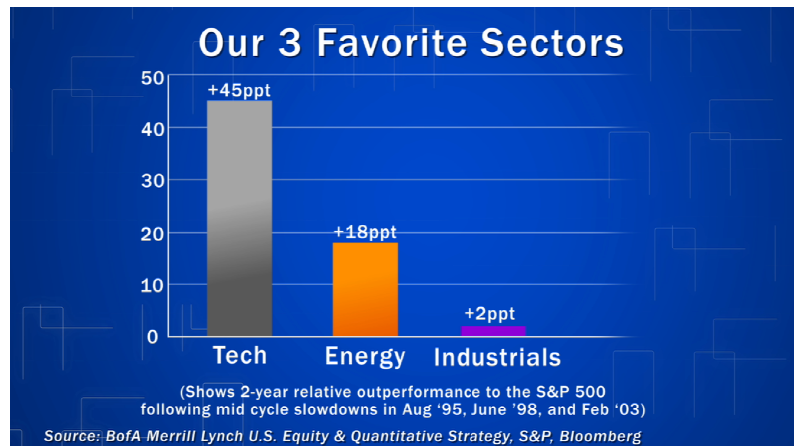
“What sectors look most promising for 2013?”

Savita Subramanian

Head of U.S. Equity Strategy

BofA Merrill Lynch Global Research

Clients are asking us what sectors do we think are best positioned this year, and my general sense is that sectors that have the most exposure to a broader economic recovery could actually do quite well as we progress into the year.



As you can see from the table, sectors that generally outperform following mid-cycle slowdowns are technology, industrials and energy, and these are actually our three favorite sectors for the full year. They generally tend to do quite well in periods like what we think we're heading into, which is potentially a slower economy in the first half and then a rebound in the second half.

Here technology is an interesting sector in that not only is it economically sensitive so it participates in a recovery,

Why We Like Technology

- ***Lots of cash on balance sheets***

- ***Only sector with more cash than debt***
- ***Could offer cash return advantages to investors in 2013***

...but it also has a lot of cash on its balance sheets. In fact, tech is the only sector with more cash than debt out of all ten sectors. So we think that technology could actually pose some interesting cash return advantages to investors as we progress throughout the year.

Utilities & Telecom

- ***Currently expensive relative to other sectors***
- ***Tend to be better for “defensive” positioning***

In terms of sectors that we think are risky and might be worth avoiding, utilities and telecom show up as generally expensive and lacking real economic sensitivity. They tend to be better defensive positioning, but they don't necessarily participate as much in broad economic recovery.

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