BANK OF AMERICA MERRILL LYNCH
GLOBAL WEALTH & INVESTMENT MANAGEMENT

Merrill Lynch Outlook 2013
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Please read Important Information at the end of this program.

"Where can we find higher yields?"

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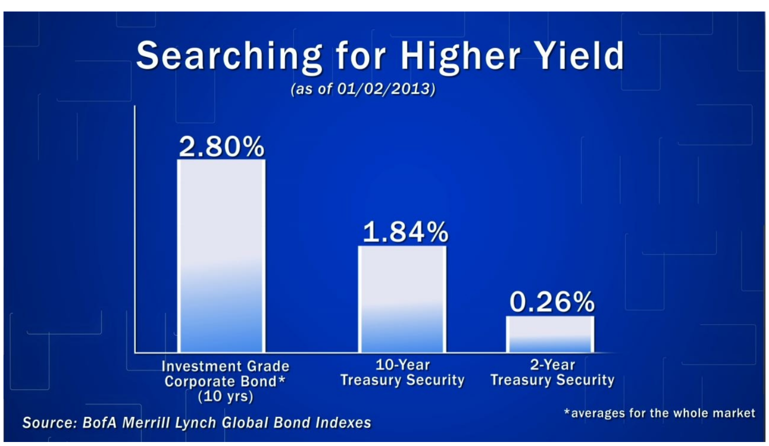
There are really two ways to get higher yields. One is to extend maturity from say, a two-year maturity to a ten-year maturity or thirty year maturity. And the other is to move down in credit quality.

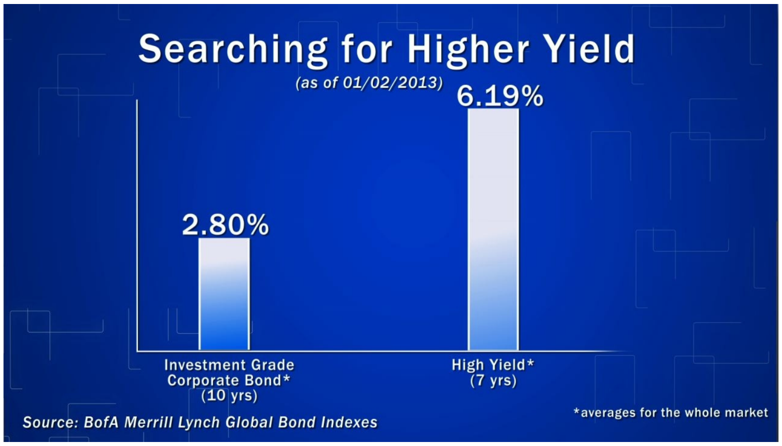
Finding Higher Yields

- **Extending maturity:**
  Prices *decrease* as yields *rise*

The problem with extending maturity is that the price decrease for a given rise in yields will be greater. So, we are expecting yields to rise. And what that means is that the price decline for a thirty-year bond will be greater than the price decline for a ten year bond. So, what we're recommending is that people stay in fairly short maturities. We like the five to ten year maturity range best. As for credit quality, the lower you go in credit quality, the higher the yields are.



The yields that you get on an investment grade corporate bond are higher than the yields that you would get for a treasury security.



The yields that you get on a below investment grade corporate bond are higher than for an investment grade corporate bond. For most conservative investors, we're recommending that you stay towards investment grade corporate bonds.

But, if you are willing to take some credit risk, you can look at high yield bonds for a portion of your portfolio as well.

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