

A better market entry point unlikely

Japan poses near-term EPS risk, but no change to EPS est.

Provided the situation in Japan remains a natural disaster rather than a nuclear disaster, we expect supply and demand disruptions to prove short-lived and the impact to S&P 500 EPS to be minimal. About 3% of S&P 500 sales and 5% of S&P 500 profits are directly exposed to Japan. We expect Japan to lower S&P EPS by less than \$0.25 in 1Q and \$0.50 in 2Q, some of which should be offset by better than expected US manufacturing activity and higher euro and oil prices than currently assumed in our EPS estimates. Also, rebuilding should likely lead to higher EPS in 2H11. Hence, we make no changes to our [EPS estimates](#) and believe that our 1Q EPS estimate of \$22.50 (analysts of \$22.39) is more likely to be beat than missed. See pg 2 for S&P companies' direct exposure to Japan.

Extended US and global capex cycle to drive EPS growth

Business spending rebounded strongly in 2010 as confidence in growth improved and companies returned to investing in maintenance capex, after under-investing during the recession. We expect a strong multi-year capex cycle as companies use more of their free cash flow to expand and/or upgrade existing infrastructure. YTD BofA Merrill Lynch analysts have raised their capex estimate for S&P 500 companies by 7%. Japan, in addition to Middle East situation, adds to the need for higher investment in energy production and energy efficiency longer term. This should lead to higher energy capex and investment spending.

"QE3" from Japan should keep interest rates low

Prior to Japan, the two key risks to the S&P 500 were from a [severe oil shock](#) or an [interest rate shock](#). On the margin, Japan lowers both these risks for the near-term. The situation in the Middle East still remains very fluid, but the concern to global growth from Japan makes it less likely for oil prices to surge to record highs (\$150/bbl or higher). [BoJ's](#) asset buying program and the G7 intervention in the FX market to help weaken the Yen reduce the risk of a spike in US interest rates on repatriation flows to Japan. A global flight-to-safety also benefits Treasuries.

S&P 500 1H11 range 1250-1400; we advise buying the dip

Despite grim headlines, the S&P has only fallen 6.5% from its February high. Pullbacks of 5% or more are common and happen about five times per year on average. Provided shocks from natural (or otherwise) disasters are short lived, the impact to markets is generally minimal. The latest events are likely to stress the lower end of our trading range, but at 1250 we would expect to find strong buying.

37 Buy-rated S&P 500 companies down 10% or more

With the S&P trading at 13.5x our 2011E EPS, we believe investors are unlikely to find a better market entry point. We advise [using the dips](#) to add to sectors and stocks with strong fundamentals. We find Tech, Energy and Industrials most attractive. We also provide a list of S&P 500 companies which are Buy-rated by BofA Merrill Lynch, in our OW or EW industries, and have direct Japan exposure of 5% or less yet are down 10% or more from their recent high (pg 4).

Bank of America Merrill Lynch



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S&P 500 data

Price	1,279
12-Month Target	1,400
Date Established	2-Dec-2010
52-Week Range	1,011 - 1,344
Market Value (\$tn)	11.67

Estimates & P/E (Current Constituents)

	Pro-Forma EPS	P/E
2007A	86.20	14.8
2008A	68.14	18.8
2009A	63.52	20.1
2010E	85.45	15.0
2011E	95.00	13.5
2012E	102.00	12.5
Normalized 2011E	95.00	13.5

Source: BofA Merrill Lynch US Equity Strategy

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Recent Strategy Reports

- [Japan's crisis: S&P 500 target stands, but EPS risk now exists](#)
- [A dip to buy, not sell](#)

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Weekly topic: Japan exposure

We looked at ten significant disasters (natural, industrial and terrorist) over the last 40 years and found that the impact to the S&P 500 and EPS is commonly short-lived. Markets do react negatively at the time of the event, but most of the losses are commonly recovered within the week following the event. If the sell-off extends beyond the first week, it is generally because of some other coinciding event such as - in the case of the BP oil spill - the flare-up of peripheral Europe's sovereign debt crisis.

Table 1: 10 Global Disasters over last 40 years (natural, industrial, or terrorist) and impact to S&P 500

Disaster	Country	Date	S&P 500 Return			S&P 500 EPS	
			3 mos prior	Week after	3mos after	Prior qtr	Qtr of
Hurricane Katrina	US	8/29/2005	1%	1%	5%	19.11	18.86
Kobe Earthquake	Japan	1/17/1995	0%	-1%	8%	8.61	8.67
Chilean Earthquake	Chile	2/27/2010	1%	3%	-1%	16.80	19.71
Hurricane Andrew	US	8/24/1992	1%	0%	3%	5.71	5.14
Northridge (Los Angeles) Earthquake	US	1/17/1994	2%	-1%	-6%	7.29	7.05
BP Oil Spill	US	4/20/10 (to 7/15/10)	5%	-1%	-11%	19.71	21.48
September 11th Terror Attacks	US	9/11/2001	-12%	-5%	4%	11.61	10.78
Chernobyl	Ukraine (USSR)	4/26/1986	17%	-3%	-1%	4.28	4.28
Three Mile Island	US	3/28/1979	6%	0%	-1%	3.59	3.52
SARS Epidemic	Global	3/12/03*	-11%	9%	23%	12.06	12.57
Current (Japan earthquake)	Japan	3/11/2011	4%	-1%	N/A	22.59	22.50*

*Note: based on BofAML US Equity Strategy EPS estimate for 1Q11

Source: BofA Merrill Lynch US Equity Strategy

In aggregate, about 3% of S&P 500 sales and 5% of S&P 500 profits are directly exposed to Japan.

S&P companies with direct Japan exposure

Table 2: S&P 500 companies with disclosed or estimated direct Japan exposure*

Ticker	Company Name	Sector	Industry	% Foreign Sales	% Japan Sales
GT	Goodyear Tire & Rubber Co.	Consumer Discretionary	Auto Components	62%	3%
JCI	Johnson Controls Inc.	Consumer Discretionary	Auto Components	61%	4%
F	Ford Motor Co.	Consumer Discretionary	Automobiles	51%	<1%
HOG	Harley-Davidson Inc.	Consumer Discretionary	Automobiles	29%	5%
DRI	Darden Restaurants Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	2%	<1%
MAR	Marriott International Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	11%	<1%
MCD	McDonald's Corp.	Consumer Discretionary	Hotels Restaurants & Leisure	66%	2-3%
SBUX	Starbucks Corp.	Consumer Discretionary	Hotels Restaurants & Leisure	20%	1%
HOT	Starwood Hotels & Resorts Worldwide Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	35%	<1%
YUM	Yum! Brands Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	64%	<2%
FO	Fortune Brands Inc.	Consumer Discretionary	Household Durables	33%	3%
AMZN	Amazon.com Inc.	Consumer Discretionary	Internet & Catalog Retail	45%	13%
EXPE	Expedia Inc.	Consumer Discretionary	Internet & Catalog Retail	38%	5%
PCLN	Priceline.com Inc.	Consumer Discretionary	Internet & Catalog Retail	47%	<5%
TWX	Time Warner Inc.	Consumer Discretionary	Media	29%	2%
DIS	Walt Disney Co.	Consumer Discretionary	Media	26%	small
ANF	Abercrombie & Fitch Co. (CI A)	Consumer Discretionary	Specialty Retail	12%	minimal
GPS	Gap Inc.	Consumer Discretionary	Specialty Retail	18%	5-7%
TIF	Tiffany & Co.	Consumer Discretionary	Specialty Retail	51%	19%
COH	Coach Inc.	Consumer Discretionary	Textiles Apparel & Luxury Goods	28%	20%
NKE	Nike Inc. (CI B)	Consumer Discretionary	Textiles Apparel & Luxury Goods	66%	5%
RL	Polo Ralph Lauren Corp.	Consumer Discretionary	Textiles Apparel & Luxury Goods	30%	9%
KO	Coca-Cola Co.	Consumer Staples	Beverages	68%	9%
STZ	Constellation Brands Inc. (CI A)	Consumer Staples	Beverages	40%	<1%

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Table 2: S&P 500 companies with disclosed or estimated direct Japan exposure*

Ticker	Company Name	Sector	Industry	% Foreign Sales	% Japan Sales
TAP	Molson Coors Brewing Co. (CI B)	Consumer Staples	Beverages	99%	<1%
PEP	PepsiCo Inc.	Consumer Staples	Beverages	47%	<1%
COST	Costco Wholesale Corp.	Consumer Staples	Food & Staples Retailing	21%	2%
WMT	Wal-Mart Stores Inc.	Consumer Staples	Food & Staples Retailing	25%	2%
CPB	Campbell Soup Co.	Consumer Staples	Food Products	27%	1%
GIS	General Mills Inc.	Consumer Staples	Food Products	21%	1%
HNZ	H.J. Heinz Co.	Consumer Staples	Food Products	53%	2%
KFT	Kraft Foods Inc.	Consumer Staples	Food Products	51%	<1%
CL	Colgate-Palmolive Co.	Consumer Staples	Household Products	70%	2%
KMB	Kimberly-Clark Corp.	Consumer Staples	Household Products	47%	1%
PG	Procter & Gamble Co.	Consumer Staples	Household Products	61%	4%
EL	Estee Lauder Cos. (CI A)	Consumer Staples	Personal Products	53%	4%
PM	Philip Morris International Inc.	Consumer Staples	Tobacco	100%	8%
XOM	Exxon Mobil Corp.	Energy	Oil Gas & Consumable Fuels	74%	8%
IVZ	INVESCO Ltd.	Financials	Capital Markets	51%	1%
JNS	Janus Capital Group Inc.	Financials	Capital Markets	11%	1%
LM	Legg Mason Inc.	Financials	Capital Markets	32%	3%
TROW	T. Rowe Price Group Inc.	Financials	Capital Markets	0%	1%
AXP	American Express Co.	Financials	Consumer Finance	25%	10%
ACE	ACE Ltd.	Financials	Insurance	0%	some
AFL	AFLAC Inc.	Financials	Insurance	75%	74%
AIG	American International Group Inc.	Financials	Insurance	46%	some
HIG	Hartford Financial Services Group Inc.	Financials	Insurance	0%	15%
MET	MetLife Inc.	Financials	Insurance	14%	20% of profits
PRU	Prudential Financial Inc.	Financials	Insurance	32%	40% of profits
PLD	ProLogis	Financials	Real Estate Investment Trusts (REITs)	30%	7%
SPG	Simon Property Group Inc.	Financials	Real Estate Investment Trusts (REITs)	0%	2% of NOI
AMGN	Amgen Inc.	Health Care	Biotechnology	23%	<1%
CELG	Celgene Corp.	Health Care	Biotechnology	40%	2%
BAX	Baxter International Inc.	Health Care	Health Care Equipment & Supplies	58%	4%
BDX	Becton Dickinson & Co.	Health Care	Health Care Equipment & Supplies	56%	5%
BSX	Boston Scientific Corp.	Health Care	Health Care Equipment & Supplies	44%	12%
BCR	C.R. Bard Inc.	Health Care	Health Care Equipment & Supplies	31%	5%
CFN	CareFusion Corp.	Health Care	Health Care Equipment & Supplies	24%	1%
HSP	Hospira Inc.	Health Care	Health Care Equipment & Supplies	20%	<7%
MDT	Medtronic Inc.	Health Care	Health Care Equipment & Supplies	38%	5-6%
STJ	St. Jude Medical Inc.	Health Care	Health Care Equipment & Supplies	49%	11%
SYK	Stryker Corp.	Health Care	Health Care Equipment & Supplies	35%	5-10%
ZMH	Zimmer Holdings Inc.	Health Care	Health Care Equipment & Supplies	42%	9%
PKI	PerkinElmer Inc.	Health Care	Life Sciences Tools & Services	61%	5%
WAT	Waters Corp.	Health Care	Life Sciences Tools & Services	70%	12%
ABT	Abbott Laboratories	Health Care	Pharmaceuticals	57%	5-6%
AGN	Allergan Inc.	Health Care	Pharmaceuticals	37%	<6%
BMJ	Bristol-Myers Squibb Co.	Health Care	Pharmaceuticals	35%	<7%
LLY	Eli Lilly & Co.	Health Care	Pharmaceuticals	44%	<6%
MRK	Merck & Co. Inc.	Health Care	Pharmaceuticals	56%	9%
MYL	Mylan Inc.	Health Care	Pharmaceuticals	51%	<13%
PFE	Pfizer Inc.	Health Care	Pharmaceuticals	57%	8-16%
HON	Honeywell International Inc.	Industrials	Aerospace & Defense	41%	2-3%
UTX	United Technologies Corp.	Industrials	Aerospace & Defense	47%	2%
FDX	FedEx Corp.	Industrials	Air Freight & Logistics	27%	5%
UPS	United Parcel Service Inc. (CI B)	Industrials	Air Freight & Logistics	26%	1-2%
EMR	Emerson Electric Co.	Industrials	Electrical Equipment	55%	1%
ROK	Rockwell Automation Inc.	Industrials	Electrical Equipment	49%	<1%
MMM	3M Co.	Industrials	Industrial Conglomerates	65%	9%
GE	General Electric Co.	Industrials	Industrial Conglomerates	53%	3%
TYC	Tyco International Ltd.	Industrials	Industrial Conglomerates	52%	<1%
CAT	Caterpillar Inc.	Industrials	Machinery	68%	3%
DHR	Danaher Corp.	Industrials	Machinery	50%	<5%
DE	Deere & Co.	Industrials	Machinery	34%	1%
DOV	Dover Corp.	Industrials	Machinery	46%	1%
ETN	Eaton Corp.	Industrials	Machinery	44%	3%
ITW	Illinois Tool Works Inc.	Industrials	Machinery	58%	1%
IR	Ingersoll-Rand Plc	Industrials	Machinery	38%	1-2%
RHI	Robert Half International Inc.	Industrials	Professional Services	29%	<1%

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Table 2: S&P 500 companies with disclosed or estimated direct Japan exposure*

Ticker	Company Name	Sector	Industry	% Foreign Sales	% Japan Sales
GWW	W.W. Grainger Inc.	Industrials	Trading Companies & Distributors	18%	2%
CSCO	Cisco Systems Inc.	Information Technology	Communications Equipment	46%	4%
FFIV	F5 Networks Inc.	Information Technology	Communications Equipment	45%	7%
JNPR	Juniper Networks Inc.	Information Technology	Communications Equipment	54%	10-11%
MMI	Motorola Mobility Holdings Inc.	Information Technology	Communications Equipment	35%	1-2%
MSI	Motorola Solutions Inc.	Information Technology	Communications Equipment	42%	4%
QCOM	QUALCOMM Inc.	Information Technology	Communications Equipment	94%	8%
AAPL	Apple Inc.	Information Technology	Computers & Peripherals	56%	5%
DELL	Dell Inc.	Information Technology	Computers & Peripherals	47%	5%
HPQ	Hewlett-Packard Co.	Information Technology	Computers & Peripherals	64%	5%
IBM	International Business Machines Corp.	Information Technology	Computers & Peripherals	64%	11%
NTAP	NetApp Inc.	Information Technology	Computers & Peripherals	47%	low single digits
TDC	Teradata Corp.	Information Technology	Computers & Peripherals	45%	9%
A	Agilent Technologies Inc.	Information Technology	Electronic Equipment Instruments & Components	67%	11%
APH	Amphenol Corp. (CI A)	Information Technology	Electronic Equipment Instruments & Components	65%	1%
GLW	Corning Inc.	Information Technology	Electronic Equipment Instruments & Components	74%	11%
JBL	Jabil Circuit Inc.	Information Technology	Electronic Equipment Instruments & Components	84%	1%
MOLX	Molex Inc.	Information Technology	Electronic Equipment Instruments & Components	62%	16%
EBAY	eBay Inc.	Information Technology	Internet Software & Services	54%	<5%
GOOG	Google Inc. (CI A)	Information Technology	Internet Software & Services	52%	3-5%
VRSN	VeriSign Inc.	Information Technology	Internet Software & Services	38%	1%
YHOO	Yahoo! Inc.	Information Technology	Internet Software & Services	30%	7%
TSS	Total System Services Inc.	Information Technology	IT Services	30%	3%
XRXX	Xerox Corp.	Information Technology	Office Electronics	36%	6%
AMD	Advanced Micro Devices Inc.	Information Technology	Semiconductors & Semiconductor Equipment	88%	9%
ALTR	Altera Corp.	Information Technology	Semiconductors & Semiconductor Equipment	83%	16%
ADI	Analog Devices Inc.	Information Technology	Semiconductors & Semiconductor Equipment	80%	17%
AMAT	Applied Materials Inc.	Information Technology	Semiconductors & Semiconductor Equipment	81%	8%
BRCM	Broadcom Corp.	Information Technology	Semiconductors & Semiconductor Equipment	97%	5%
INTC	Intel Corp.	Information Technology	Semiconductors & Semiconductor Equipment	85%	10%
KLAC	KLA-Tencor Corp.	Information Technology	Semiconductors & Semiconductor Equipment	75%	9%
LLTC	Linear Technology Corp.	Information Technology	Semiconductors & Semiconductor Equipment	70%	13%
LSI	LSI Corp.	Information Technology	Semiconductors & Semiconductor Equipment	73%	8%
WFR	MEMC Electronic Materials Inc.	Information Technology	Semiconductors & Semiconductor Equipment	89%	4%
MCHP	Microchip Technology Inc.	Information Technology	Semiconductors & Semiconductor Equipment	75%	8%
MU	Micron Technology Inc.	Information Technology	Semiconductors & Semiconductor Equipment	81%	8%
NSM	National Semiconductor Corp.	Information Technology	Semiconductors & Semiconductor Equipment	77%	9%
NVLS	Novellus Systems Inc.	Information Technology	Semiconductors & Semiconductor Equipment	77%	4%
NVDA	NVIDIA Corp.	Information Technology	Semiconductors & Semiconductor Equipment	93%	5%
TER	Teradyne Inc.	Information Technology	Semiconductors & Semiconductor Equipment	85%	5%
TXN	Texas Instruments Inc.	Information Technology	Semiconductors & Semiconductor Equipment	89%	10%
XLNX	Xilinx Inc.	Information Technology	Semiconductors & Semiconductor Equipment	68%	9%
ADBE	Adobe Systems Inc.	Information Technology	Software	58%	13%
ADSK	Autodesk Inc.	Information Technology	Software	69%	10%
CTXS	Citrix Systems Inc.	Information Technology	Software	36%	3-4%
MFE	McAfee Inc.	Information Technology	Software	42%	7%
MSFT	Microsoft Corp.	Information Technology	Software	44%	8-10%
ORCL	Oracle Corp.	Information Technology	Software	56%	5-7%
RHT	Red Hat Inc.	Information Technology	Software	35%	8-10%
CRM	Salesforce.com Inc.	Information Technology	Software	29%	7-10%
SYMC	Symantec Corp.	Information Technology	Software	51%	7%
DD	E.I. DuPont de Nemours & Co.	Materials	Chemicals	64%	4%
SIAM	Sigma-Aldrich Corp.	Materials	Chemicals	63%	8%
AKS	AK Steel Holding Corp.	Materials	Metals & Mining	14%	9%
ATI	Allegheny Technologies Inc.	Materials	Metals & Mining	32%	1%
CLF	Cliffs Natural Resources Inc.	Materials	Metals & Mining	58%	7%
FCX	Freeport-McMoRan Copper & Gold Inc.	Materials	Metals & Mining	72%	21%
WY	Weyerhaeuser Co.	Materials	Paper & Forest Products	32%	10%

*Note: We recognize this list is not all-inclusive. Many companies do not break out sales by geographic region.

Source: Company reports, Bloomberg, BofA Merrill Lynch Global Research

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Buy-rated S&P 500 companies down >10% and Japanese exposure <5%

Table 3: S&P 500 Buy-rated companies down more than 10% from 2011 highs with 5% or less direct Japan exposure (OW & EW industries)

Ticker	Company	Sector	Industry	% Foreign		Mkt. value	BofAML		Div. Yield	BofAML		% down
				Sales	% Japan sales		2011 EPS	2011 PE		Weight	Strategy from YTD	
IGT	International Game Technology	Consumer Discretionary	Hotels Restaurants & Leisure	23%	0%	4,646	0.92	17.0	1.5%	OW		-18%
MAR	Marriott International Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	11%	<1%	10,684	1.42	26.1	0.9%	OW		-13%
HOT	Starwood Hotels & Resorts	Consumer Discretionary	Hotels Restaurants & Leisure	35%	<1%	10,892	1.70	33.6	0.5%	OW		-13%
WYNN	Wynn Resorts Ltd.	Consumer Discretionary	Hotels Restaurants & Leisure	69%	0%	8,935	3.00	39.4	0.8%	OW		-11%
DISCA	Discovery Communications (A)	Consumer Discretionary	Media	34%	0%	11,037	2.33	16.7	N/A	OW		-12%
NWSA	News Corp. (CI A)	Consumer Discretionary	Media	46%	small	37,190	1.23	13.2	0.9%	OW		-10%
NFLX	Netflix Inc.	Consumer Discretionary	Internet & Catalog Retail	0%	0%	9,278	4.91	43.6	N/A	EW		-14%
ANF	Abercrombie & Fitch Co. (CI A)	Consumer Discretionary	Specialty Retail	12%	minimal	4,681	2.86	18.6	1.3%	EW		-11%
KMX	CarMax Inc.	Consumer Discretionary	Specialty Retail	0%	0%	7,384	1.73	19.0	N/A	EW		-11%
URBN	Urban Outfitters Inc.	Consumer Discretionary	Specialty Retail	10%	0%	4,011	1.78	17.5	N/A	EW		-21%
WAG	Walgreen Co.	Consumer Staples	Food & Staples Retailing	0%	0%	38,114	2.78	14.8	1.7%	EW		-13%
WMT	Wal-Mart Stores Inc.	Consumer Staples	Food & Staples Retailing	25%	2%	100,639	4.37	11.7	2.8%	EW		-11%
AVP	Avon Products Inc.	Consumer Staples	Personal Products	84%	0%	11,266	2.05	12.8	3.5%	EW		-13%
FHN	First Horizon National Corp.	Financials	Commercial Banks	0%	0%	2,898	0.52	21.3	0.4%	EW		-12%
SCHW	Charles Schwab Corp.	Financials	Capital Markets	0%	0%	17,355	0.86	20.3	1.4%	OW		-11%
ETFC	E*TRADE Financial Corp.	Financials	Capital Markets	2%	0%	3,281	0.73	20.5	N/A	OW		-18%
FII	Federated Investors Inc.	Financials	Capital Markets	0%	0%	2,327	1.91	13.3	3.8%	OW		-11%
TROW	T. Rowe Price Group Inc.	Financials	Capital Markets	0%	1%	15,896	3.28	18.9	2.0%	OW		-13%
LNC	Lincoln National Corp.	Financials	Insurance	0%	0%	9,227	3.90	7.5	0.7%	OW		-11%
XL	XL Group PLC	Financials	Insurance	49%	0%	7,085	2.02	10.9	2.0%	OW		-11%
JEC	Jacobs Engineering Group Inc.	Industrials	Construction & Engineering	36%	<2% Asia	6,057	2.82	17.0	N/A	EW		-14%
EMR	Emerson Electric Co.	Industrials	Electrical Equipment	55%	1%	43,075	3.33	17.2	2.4%	OW		-11%
TXT	Textron Inc.	Industrials	Industrial Conglomerates	36%	<7% Australia/Asia	6,955	1.10	23.0	0.3%	EW		-12%
PCAR	Paccar Inc.	Industrials	Machinery	59%	0%	17,582	3.14	15.4	1.0%	OW		-18%
FDX	FedEx Corp.	Industrials	Air Freight & Logistics	27%	5%	27,654	6.10	14.4	0.5%	OW		-11%
BRCM	Broadcom Corp.	Information Technology	Semiconductors & Semiconductor Eqpt	97%	5%	17,939	2.83	13.9	0.9%	OW		-17%
FSLR	First Solar Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	88%	0%	8,317	9.65	16.0	N/A	OW		-12%
NVLS	Novellus Systems Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	77%	4%	3,206	4.36	8.2	N/A	OW		-15%
NVDA	NVIDIA Corp.	Information Technology	Semiconductors & Semiconductor Eqpt	93%	5%	10,377	0.99	18.1	N/A	OW		-32%
GOOG	Google Inc. (CI A)	Information Technology	Internet Software & Services	52%	3-5%	140,017	34.50	16.3	N/A	EW		-13%
INTU	Intuit Inc.	Information Technology	Software	0%	0%	13,539	2.64	18.4	N/A	OW		-11%
CSCO	Cisco Systems Inc.	Information Technology	Communications Equipment	46%	4%	94,227	1.66	10.3	1.4%	OW		-24%
MMI	Motorola Mobility Holdings Inc.	Information Technology	Communications Equipment	35%	1-2%	7,348	0.70	35.7	N/A	OW		-32%
DELL	Dell Inc.	Information Technology	Computers & Peripherals	47%	5%	23,696	1.76	8.0	N/A	OW		-11%
HPQ	Hewlett-Packard Co.	Information Technology	Computers & Peripherals	64%	5%	93,953	5.43	7.6	1.2%	OW		-16%
JBL	Jabil Circuit Inc.	Information Technology	Electronic Eqpt Instruments & Compon.	84%	1%	3,686	2.39	7.9	1.5%	EW		-19%
IP	International Paper Co.	Materials	Paper & Forest Products	23%	<5% Asia	11,505	2.60	10.1	2.9%	EW		-14%

*As of market close 3/17/11

Note: Not all companies break out regional exposure. Some exposures estimated by BofAML fundamental analysts.

Source: Company reports, Bloomberg, BofA Merrill Lynch Global Research

Safety Checklist

Our Safety Checklist assesses what the other asset classes are signaling on the macro environment.

For more details, see our latest [Seven Signs](#) (20 Jan 2010)

Our safety checklist remains supportive of the market

Below is a checklist of cross asset class signals we have chosen to indicate when systemic risk is elevated or the S&P 500's valuation is overly demanding.

Oil prices (WTI) were flat at \$100/bbl this week after initially dropping on concerns of weaker demand from the Japanese earthquake but then recovering on increased tensions in Bahrain. Until WTI rises above \$120/bbl, high oil prices are a net positive for S&P EPS. 10yr Treasury yields declined to 3.25% from 3.46% last week on a global flight to safety. A surge in interest rates remains the key risk to our outlook. We expect rates to gradually drift higher but still stay benign. Our economists forecast the 10yr Tsy yield will gradually increase to 4% by the end of 2011 and 5% by the end of 2012. Higher US household savings, strong FCF generation by companies, and lower mortgage and loan demand should keep long term interest rates below historical averages.

The 10yr TIPS yield declined 13bp to 0.85%, and implied inflation expectations declined 8bp this week to 2.4%. Corporate spreads, which had been narrowing since July, ticked up 6bp to 157. TED spreads are unchanged at 23, above 20 for the first time since August but remain well below the 400+ levels of late 2008. The VIX increased to 24 from 20, above its long-term (1990-on) average of 20. Hence, we move this indicator to "Neutral." We continue to watch the USD/EUR, which depreciated to \$1.41 from \$1.39.

We caution against using trailing EPS in valuing the S&P 500 as it doesn't reflect the 2010 earnings recovery. We instead advise using current qtr annualized EPS (#8 below).

Table 4: S&P 500 Safety Checklist

	Indicator	Significance	Last week (3/11/11)	Now (3/18/11)	Status
1	Treasury Yield Curve	An upward sloping yield curve is generally positive for the economic outlook and bullish for equities, while a flat/inverted yield curve signals caution amongst bond investors.	281 bp	265 bp	✓
2	10yr TIPS yield under 3%	Low real interest rates are supportive of the PE and economic growth.	0.98%	0.85%	✓
3	10yr Treasury yield under 5%	Low real interest rates and low inflation are supportive of the PE and economic growth.	3.46%	3.25%	✓
4	TIPS spread of 1-3%	Stable inflation expectations are good for the real economy and financial asset values.	2.48%	2.40%	✓
5	Low TED spreads	Low TED spreads suggest financial market stability. TED spreads have remained low during rising sovereign credit risk from southern Europe. During 2008 TED spreads were 150bp on average.	23bp	23bp	✓
6	Low Corporate Spreads	Corporate credit spreads are up slightly, but considerably lower than the peaks in 4Q08 and 1Q09. Most of the widening has been from Financials.	151bp	157bp	✓
7	Oil and CRB	Commodity prices in the sweet spot, such as oil at \$70 - \$90/bbl, suggests healthy global growth and continued spending on energy infrastructure.	\$100.93/bbl	\$100.62/bbl	⚠
8	PE and EPS yield on current quarter annualized EPS	Valuation based on the most recent quarter EPS annualized. The PE being lower than the long-term trailing PE of 16x and the EPS yield less 10yr TIPS yield being greater than 360bp suggests that investors are very skeptical about any further EPS recovery.	PE = 14.4x; EPS yield - 10 yr TIPS = 595bp	PE = 14.2x; EPS yield - 10 yr TIPS = 615bp	✓
9	Cyclically adjusted PE multiple	PE based on an average of historical EPS through a full economic cycle. Historical EPS should be equity time value adjusted (ETVA) rather than just inflation adjusted. S&P currently trading at 14.5x 10yr ETVA trailing EPS, vs. 1960-2009 10yr ETVA trailing EPS PE of 15.5x, suggests that the market is very attractive vs. history on this method.	10yr avg ETVA EPS = \$89 CAPE = 14.7x	10yr avg ETVA EPS = \$89 CAPE = 14.5x	✓
10	EPS yield on normalized EPS	Valuation based on our fundamentally assessed 2011 normalized EPS estimate of \$93. Normalized EPS represents mid-cycle EPS from which earnings can grow at the trend rate of 5-6%. At current levels the S&P is offering an earnings yield less a normalized 10yr TIPS yield (2.5%) of 490bp, significantly higher than 1960-2008 average of 360bp.	EPS yield - 2.5% = 480bp	EPS yield - 2.5% = 490bp	✓
11	Earnings revision ratio (ERR): Ratio of companies with rising estimates to falling estimates	Positive upward revision trends are supportive of higher equity prices as they signal improving earnings. A ratio higher than 1 reflects estimates are rising for more companies. Current ERR is at 1.8 vs. a low of 0.15 in 2008 and 1986-09 average of 0.8	1.7	1.8	✓
12	Volatility / VIX	Lower volatility suggests lower risk/uncertainty. With the VIX at 24, volatility is slightly above its long-term average of 20.	20	24	⚠

Key: Check = Safe, Bell = Neutral, X = Dangerous

Source: BofA Merrill Lynch US Equity Strategy

BofAML US Equity Strategy Overview

S&P 500 12-month target: 1400

Our positive stance rests on two key outlooks: 1) S&P 500 EPS growth outpaces US GDP growth, bringing 2011E EPS to \$95 and 2) long-term Treasury yields remaining low through 2011 making EPS yields very attractive relative to interest rates. Our current preference is for global beta over domestic beta, and we believe Tech offers the best reward vs. risk opportunity. We also prefer dividend growth over high dividend yield.

S&P 500 EPS Outlook

- 2010P Pro-forma EPS: \$85.43
- 2011E Pro-forma EPS: \$95.00
- 2012E Pro-forma EPS: \$102.00
- **Normalized 2011E EPS: \$95.00**

Table 5: US Equity Themes

Theme	Thesis	Investment Idea
Global growth led by emerging economies	■ S&P 500 continues to outgrow US economy ■ BofAML forecasts 2011 global GDP growth of 4.3%, EM growth of 6.5%. ■ Asia EM is now bigger than the US and is expected to grow at 7.9% in 2011. ■ US has rapidly growing EM export markets. ■ BofAML expects the dollar to strengthen versus Euro and weaken versus EM ■ Chinese GDP growth to broaden to include more consumption will benefit select S&P 500 consumer names.	<u>Sector Ideas:</u> ■ Overweight Global Cyclical: Tech, Energy, Industrials, Materials <u>Sub-Sector Ideas:</u> ■ "Big International Growth (BIG)" ■ "Black Gold" ■ "Picks, Shovels and Wings" ■ "Emerging Market Pioneers" ■ "Emerging Market Consumption & Health Care Plays"
Slow US GDP but no double-dip, inflation and interest rates remain low	■ BofAML forecasts US GDP growth of 2.8% in 2011; 10-yr Treasury yields to gradually climb to 4% by the end of 2011. ■ Banks EPS to rise in 2011 from 2010 on declining credit costs, but EPS uncertainty to remain high due to impact from financial regulation ■ Banking is now big business. Barriers to entry are now higher and competition more rational.	<u>Sector Ideas:</u> ■ Equal weight Domestic Cyclical: Financials & Consumer Discretionary <u>Sub-Sector Ideas:</u> ■ "Venti Financials" ■ Overweight Insurance, Equalweight but bullish on Banks ■ Overweight Media, Branded Apparel, Fast Food
Business spending and exports to lead developed economies (DM) GDP growth	■ BofAML forecasts worldwide DM business spending and exports to be strong on higher commodity demand and tight manufacturing capacity utilization in EM. ■ S&P 500 EPS is very sensitive to business investment and commodity prices. ■ Disciplined investment over the past cycle and underinvestment during the current recession has left many companies with outdated equipment. ■ Half of US non-construction capex is Technology (productivity) related and a third is on heavy equipment with strong linkages to international end demand.	<u>Sector Ideas:</u> ■ Overweight Information Technology, Industrials, Materials <u>Sub-Sector Ideas:</u> ■ "Tech Titans" (Top 10 Tech sector earnings contributors) ■ "Picks, Shovels & Wings"
Europe will survive, but Euro will weaken	■ EU/IMF/ECB facilities mitigate risk of peripheral Europe crisis spreading. ■ Core Europe is experiencing healthy industrial and export-led growth; gets further boost from weaker Euro ■ S&P EPS risk from peripheral Europe is mostly via FX. Our 2011E S&P EPS of \$95 assumes avg. EUR/USD of ~1.30 for 2011.	<u>Sector Ideas:</u> ■ Overweight Tech Titans ■ Underweight Pharmaceuticals (w/ high Euro FX risk)
2011: Year of more debt and more dividends	■ Strong demand for corporate bonds and record low borrowing costs will prompt companies to issue debt and repurchase shares, recycling fixed income dollars into stocks. ■ Companies' dividend policy is out of sync for a slow growth, low interest rate environment. We forecast S&P DPS to rise from to \$30 in 2011 and to \$38 in 2012.	<u>Sector Ideas:</u> ■ Overweight Technology; Equal weight Consumer Staples <u>Sub-Sector Ideas:</u> ■ "Leveraged Recaps" ■ "Dividend growth"

Source: BofA Merrill Lynch US Equity Strategy

S&P 500 EPS Outlook

Table 6: S&P 500 Annual EPS Outlook

All earnings based on current constituents unless specified							Bottom-up Consensus		BofAML US Strategy Estimate					
							2011	2012	2011	y/y	2012	y/y	Normalized 2011	
	2005A	2006A	2007A	2008A	2009A	2010P							(\$)	% of 2011
S&P 500 Pro-forma EPS (Historical Index)	\$76.28	\$88.18	\$85.12	\$61.85	\$60.80	\$85.43								
S&P 500 Pro-forma EPS (Current Constituents)	\$74.15	\$86.38	\$86.20	\$68.14	\$63.52	\$85.02	\$98.06	\$111.48	\$95.00	12%	\$102.00	7%	\$95.00	100%
Sector (\$ billions)														
Consumer Discretionary	59.4	59.0	57.8	44.4	49.4	72.0	82.5	95.5	81.0	12%	87.0	7%	81.3	100%
Consumer Staples	59.2	62.1	66.4	75.1	74.8	80.0	85.4	93.9	84.5	6%	88.5	5%	84.5	100%
Energy	95.6	116.3	120.7	142.6	61.7	95.7	119.5	136.0	114.5	20%	123.0	7%	115.2	101%
Financials	137.2	182.0	151.0	(15.6)	59.2	123.8	156.4	187.2	145.5	18%	163.5	12%	150.6	104%
Health Care	70.9	76.7	86.4	92.9	95.0	109.5	113.2	120.4	110.5	1%	114.0	3%	105.5	95%
Industrials	69.0	77.0	86.3	82.8	57.8	73.6	86.5	102.1	84.5	15%	91.5	8%	84.6	100%
Information Technology	79.0	86.2	98.9	102.2	102.6	147.5	166.5	185.2	163.0	11%	174.5	7%	163.0	100%
Materials	18.5	23.0	26.8	24.5	12.5	20.8	31.2	35.6	28.5	37%	31.0	9%	28.5	100%
Telecommunication Services	16.1	21.8	23.3	19.3	18.8	19.3	21.0	24.0	21.5	11%	23.5	9%	21.5	100%
Utilities	22.8	24.6	27.4	28.3	28.2	29.6	30.0	29.7	30.0	1%	31.0	3%	30.0	100%
S&P 500	627.7	728.8	744.9	596.4	560.0	771.9	892.2	1,009.5	863.5	12%	927.5	7%	864.8	100%
S&P 500 ex. Financials	490.6	546.8	593.9	612.1	500.8	648.0	735.8	822.4	718.0	11%	764.0	6%	714.2	99%
S&P 500 ex. Energy and Financials	395.0	430.5	473.2	469.4	439.1	552.3	616.2	686.4	603.5	9%	641.0	6%	598.9	99%
Financial Asset Write-downs pre-tax (\$bn)			81	220	25	0			0		0			
Loan Loss provisions pre-tax (\$bn)	25	25	52	135	191	119			75.0		65.0			
Average loan loss provisioning (% of loans)	0.9%	0.8%	1.4%	3.1%	4.1%	2.5%			1.61%		1.35%		1.25%	
Abnormal LLP pre-tax (LLP > 1%, \$bn)			15.6	90.5	144.0	72.2			28.4		17.0			
Total Abnormal Credit Costs pre-tax			96.1	310.5	169	72.2			28.4		17.0			
Abnormal Credit Cost impact to S&P EPS (\$)			\$7.23	\$23.06	\$12.46	\$5.17			\$2.03		\$1.21			
S&P 500 pro-forma EPS ex. Credit Costs (\$)	\$74.15	\$86.38	\$93.43	\$91.20	\$75.98	\$90.19			\$97.03	8%	\$103.21	6%		
Financial Sector Earnings (\$bn)	137.2	182.0	151.0	(15.6)	59.2	123.8	156.4	187.2	145.5		163.5			
Financial Sector Net Inc ex. Abnormal Credit Costs (\$bn)	137.2	182.0	213.5	186.2	169.1	170.8			164.0		174.6			
Energy Sector (\$bn)	95.6	116.3	120.7	142.6	61.7	95.7	119.5	136.0	114.5		123.0		115.2	
Avg. Oil Price (\$/bbl)	\$56/bbl	\$66/bbl	\$72/bbl	\$100/bbl	\$62/bbl	~\$79/bbl			\$85 -90/bbl		\$85-90/bbl		\$85/bbl	
S&P 500 Dividends (Current Constituents, \$)	\$21.41	\$24.43	\$27.21	\$26.61	\$22.58	\$23.69			\$30.00	27%	\$38.00	27%	\$34.00	13%
Key Macro Economic Forecast									BofAML Economic Forecast					
Global GDP growth (real)	4.6%	5.2%	5.3%	2.8%	-0.7%	5.0%			4.3%		4.8%			
US GDP growth (real)	3.05%	2.67%	2.14%	0.44%	-2.60%	2.9%			2.8%		3.0%			
US Civilian Unemployment Rate	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%			8.8%		8.0%			
FX Rate: US\$/Euro (average/year-end)	1.24/1.19	1.26/1.32	1.37/1.46	1.47/1.40	1.39/1.50	1.33/1.32			~1.30		~1.30		1.30	
Source: FactSet/First Call, BofA Merrill Lynch US Equity Strategy														

Source: FactSet/First Call, BofA Merrill Lynch US Equity Strategy

For more details, see our [S&P 500 EPS Outlook](#)

[Why commodity prices boost EPS](#)

Quarterly EPS Outlook

Table 7: S&P 500 Quarterly EPS Outlook

	S&P 500 Quarterly EPS including and excluding Credit Costs (\$/sh)						Bottom-Up Consensus Pro-forma EPS (\$/sh)	S&P 500 Quarterly Earnings (\$ bn)					
	GAAP EPS	Write-offs	Pro-forma EPS	Financial Write-downs	Abnormal LLP	Pro-forma EPS ex. Credit Costs		S&P 500	Financials	Ex- Financials	y/y % chg	y/y % chg	y/y % chg
2005 Q1	16.72	0.99	17.71					148.7	38.4	110.3			
Q2	18.07	0.73	18.79					157.8	37.4	120.4			
Q3	17.15	1.12	18.27					152.9	29.4	123.5			
Q4	17.39	2.45	19.84					167.4	31.7	135.7			
Year	69.33	5.28	74.61					626.7	136.9	489.9			
2006 Q1	19.09	1.21	20.30					170.9	43.7	127.3	15%		15%
Q2	19.88	2.03	21.91					185.0	45.8	139.2	17%	22%	16%
Q3	21.06	1.23	22.29					187.2	45.2	142.0	22%	54%	15%
Q4	20.12	1.87	21.99					184.7	47.5	137.2	10%	50%	1%
Year	80.15	6.34	86.50					727.8	182.2	545.6			
2007 Q1	21.24	0.73	21.97					187.1	49.6	137.4	9%	14%	8%
Q2	21.67	2.00	23.68					200.0	51.3	148.7	8%	12%	7%
Q3	21.11	1.33	22.44	\$1.30	\$0.25	\$23.99		190.4	41.9	148.5	2%	-7%	5%
Q4	11.99	7.25	19.24	\$4.15	\$1.00	\$24.39		164.8	8.1	156.7	-11%	-83%	14%
Year	76.01	11.31	87.33	\$6.15	\$1.25	\$94.73		742.3	151.0	591.3			
2008 Q1	17.60	2.36	19.97	\$4.60	\$1.10	\$25.67		171.4	20.5	150.9	-8%	-59%	10%
Q2	17.98	3.90	21.88	\$2.10	\$1.30	\$25.28		188.6	23.6	165.0	-6%	-54%	11%
Q3	14.57	5.38	19.95	\$3.90	\$1.60	\$25.45		173.4	6.0	167.4	-9%	-86%	13%
Q4	(18.70)	25.45	6.75	\$5.75	\$3.00	\$15.50		58.8	(68.1)	127.0	-64%	NM	-19%
Year	\$31.46	\$37.09	\$68.54	\$16.35	\$7.00	\$91.89		592.2	(18.1)	610.2			
2009 Q1A	8.43	4.80	13.23	\$2.25	\$2.80	\$18.28		115.2	9.5	105.7	-33%	-54%	-30%
Q2A	14.02	1.72	15.73	\$0.50	\$3.00	\$19.23		138.5	22.5	116.0	-26.5%	-5%	-30%
Q3A	14.89	1.96	16.86	-\$1.00	\$2.65	\$18.51		150.0	17.8	132.3	-13%	198%	-21%
Q4A	15.48	1.36	16.84		\$2.30	\$19.14		151.8	3.2	148.6	158%	NM	17%
Year	\$52.82	\$9.84	\$62.65	\$1.75	\$10.75	\$75.15		555.6	53.0	502.6			
2010 Q1	17.58	2.11	19.69		\$2.15	\$21.84	\$19.71	178.5	30.3	148.2	55%	218%	40%
Q2	19.74	1.66	21.40		\$1.33	\$22.73	\$21.48	194.9	31.2	163.7	41%	39%	41%
Q3	19.45	2.30	21.76		\$1.00	\$22.76	\$21.75	198.1	32.6	165.5	32%	84%	25%
Q4P	20.51	2.07	22.58		\$0.74	\$23.32	\$22.58	205.8	30.1	175.8	36%	NM	18%
Year E	\$77.29	\$8.14	\$85.43		\$5.22	\$90.65	\$85.52	777.4	124.2	653.1			
2011 Q1E	21.00	1.50	22.50		\$0.64	\$23.14	\$22.39	204.0	34.0	170.0	14%	12%	15%
Q2E	21.50	2.00	23.50		\$0.54	\$24.04	\$24.35	214.0	37.0	177.0	10%	19%	8%
Q3E	22.00	2.00	24.00		\$0.50	\$24.50	\$25.18	217.0	36.0	181.0	10%	10%	9%
Q4E	22.50	2.50	25.00		\$0.35	\$25.35	\$26.37	228.5	38.5	190.0	11%	28%	8%
Year E	\$87.00	\$8.00	\$95.00		\$2.03	\$97.03	\$98.29	863.5	145.5	718.00			
2012 Year E	\$94.00	\$8.00	\$102.00		\$1.22	\$103.22	\$111.48	927.5	163.5	764.0			

Source: FactSet/First Call, BofA Merrill Lynch US Equity Strategy

Bottom-up earnings trends & revision ratio

(2010-2011 First Call consensus estimates)

For 2011, the bottom-up analyst estimate has climbed \$3.00 since late 2009 to \$98. Our 2011E EPS of \$95 is lower mostly at Financials which accounts for half of difference between ours and the analyst estimate. Currently, revision trends and revision ratios are greatest at Energy.

Chart 1: Consumer Discretionary (\$bn)

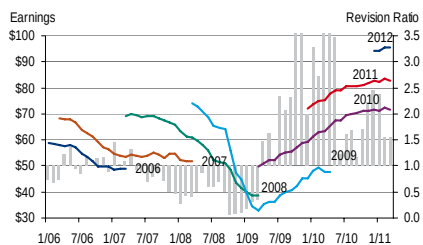


Chart 2: Consumer Staples (\$bn)

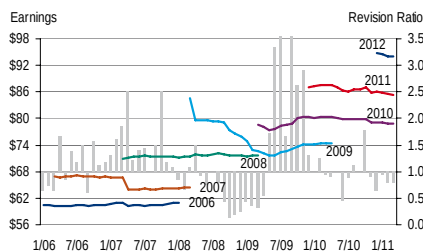


Chart 3: Energy (\$bn)

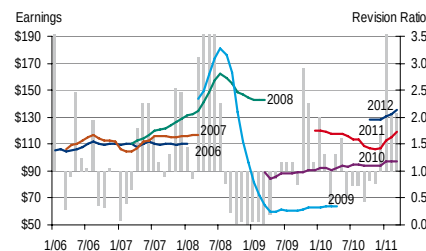


Chart 4: Financials (\$bn)

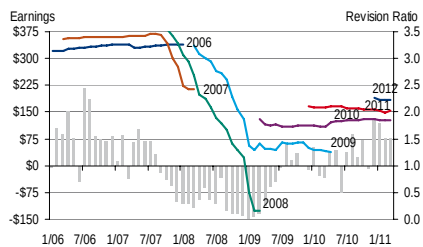


Chart 5: Health Care (\$bn)

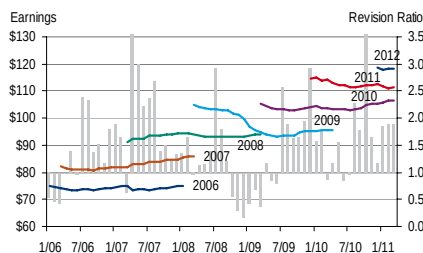


Chart 6: Industrials (\$bn)

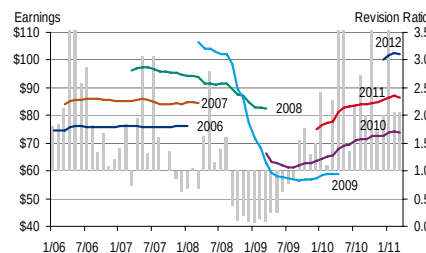


Chart 7: Information Technology (\$bn)

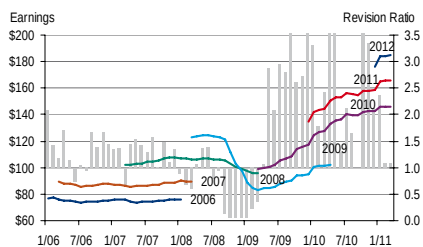


Chart 8: Materials (\$bn)

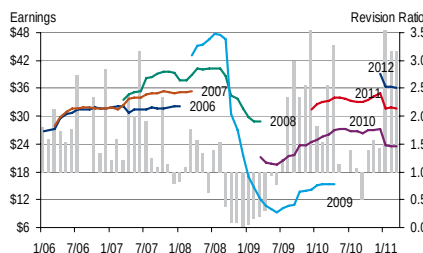


Chart 9: Telecom (\$bn)

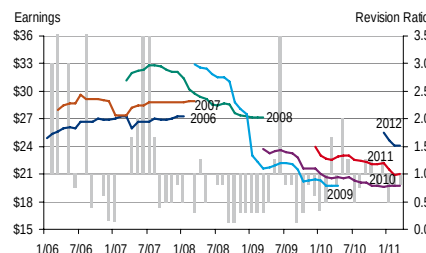


Chart 10: Utilities (\$bn)

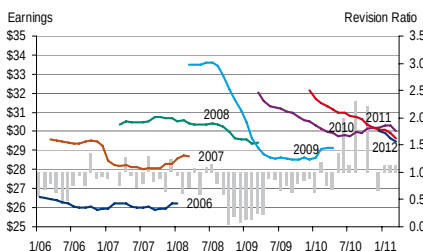


Chart 11: S&P 500 ex. Financials (\$bn)

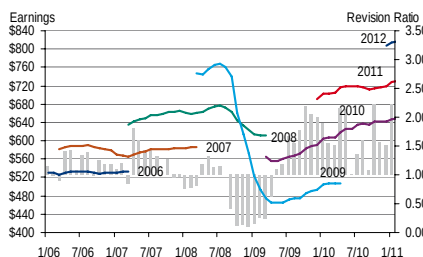
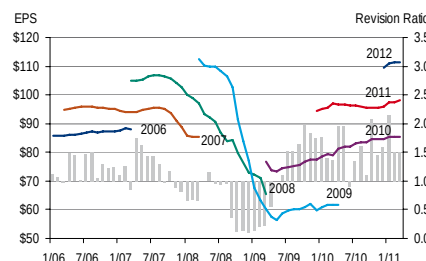


Chart 12: S&P 500 EPS (\$/share)



Note: Revision ratio is number of EPS estimates revised up vs. number revised down from previous month.

Source: First Call, BofA Merrill Lynch US Equity Strategy

Sector and Industry Allocation

Table 8: S&P 500 Sector & Industry Allocation

	Market Value (%)	Target (%)	Sector	Sector 2011 BofAML Strategy P/E	Overweight	2011 BofAML Strategy P/E	Equal Weight	2011 BofAML Strategy P/E	Underweight	2011 BofAML Strategy P/E
Overweight	18.7%	21.7%	Information Technology	13.0x	Communications Equipment Computers & Peripherals IT Services Semiconductors & Semiconductor Equipment Software	13.8x 12.7x 13.6x 11.6x 12.3x	Electronic Equipment Instruments & Components Internet Software & Services Office Electronics	12.5x 16.8x 9.4x		
	13.1%	13.6%	Energy	13.4x	Energy Equipment & Services Oil Gas & Consumable Fuels	19.6x 12.5x				
	3.6%	3.7%	Materials	14.7x	Chemicals Containers & Packaging	16.3x 12.1x	Construction Materials Metals & Mining Paper & Forest Products	NM 12.7x 10.4x		
	11.1%	11.4%	Industrials	15.3x	Aerospace & Defense Air Freight & Logistics Electrical Equipment Machinery Road & Rail	13.4x 17.6x 16.9x 16.7x 14.4x	Commercial Services & Supplies Construction & Engineering Industrial Conglomerates	15.6x 20.0x 15.0x	Airlines Building Products Professional Services Trading Companies & Distributors	14.8x 32.5x 16.8x 22.3x
Equal Weight	16.0%	16.0%	Financials	12.7x	Capital Markets Consumer Finance Insurance	11.9x 10.9x 11.9x	Commercial Banks Diversified Financial Services	14.1x 11.7x	Real Estate Investment Trusts (REITs) Real Estate Management & Development Thriffs & Mortgage Finance	20.3x 30.4x 16.1x
	10.6%	10.6%	Consumer Discretionary	15.1x	Hotels Restaurants & Leisure Media Textiles Apparel & Luxury Goods	17.0x 14.7x 17.0x	Distributors Internet & Catalog Retail Leisure Equipment & Products Specialty Retail	15.4x 33.8x 13.1x 14.2x	Auto Components Automobiles Diversified Consumer Services Household Durables Multiline Retail	16.4x 8.4x 9.6x 21.3x 13.1x
	10.1%	10.1%	Consumer Staples	14.1x	Household Products	14.2x	Beverages Food & Staples Retailing Personal Products	15.1x 13.4x 15.2x	Food Products Tobacco	14.2x 13.5x
Underweight	10.7%	9.0%	Health Care	11.5x	Health Care Equipment & Supplies Life Sciences Tools & Services	15.8x 13.6x			Biotechnology Health Care Providers & Services Health Care Technology Pharmaceuticals	11.7x 12.6x 29.3x 10.0x
	2.9%	2.0%	Telecomm	15.9x					Diversified Telecommunication Services Wireless Telecommunication Services	13.4x NM
	3.2%	1.9%	Utilities	12.3x					Electric Utilities Gas Utilities Independent Power Producers & Energy Traders Multi-Utilities	11.9x 20.4x 12.2x 12.7x
S&P 500				13.4x	S&P 500 12 Month Target	1400	2011 Top-Down BofAML / Consensus EPS 2012 Top-Down BofAML / Consensus EPS	\$98.06 / 95.00 \$111.48 / 102.00	2011 Top-Down BofAML / Consensus P/E 2012 Top-Down BofAML / Consensus P/E	13.0x / 13.4x 11.4x / 12.5x

Source: BofA Merrill Lynch US Equity Strategy

2011 Sector and Industry P/E is based on BofA Merrill Lynch US Equity Strategy earnings estimates

Note: Target and market weights based on float-adjusted share count as of 2/28/11

For more details, see our most recent and our [Sector Strategy Snapshot](#)

Sector Weightings and Themes

Table 9: S&P 500 Sector Weightings and Themes

Sector	S&P 500 Weight	+/-	Target Weight	Comments	Favored Industries/Themes	Sector Allocation Changes
Information Technology	18.7%	+	21.7%	S&P Tech trading at 13x 2011 EPS provides an opportunity to acquire S&P's best large-cap growth businesses at value prices. S&P Tech companies are global leaders and gaining share as global companies prefer to deal with one tech provider globally. Improving profits of multinationals globally and underinvestment during the recession is driving business spending; half of US non-construction capex is technology (productivity) related.	Computers & Peripherals; Software; IT Services; Communications Equipment; Semiconductors "Tech Titans", "Dividend Growth" and "Leveraged Recaps"	OW since May/10, EW Dec/09 - May/10
Energy	13.1%	+	13.6%	BoFA ML believes most of the increase in oil prices up to \$100/bbl (Brent) is due to strong demand in Asia and recovering demand in DM. China is now the largest car market in the world. Tensions in the MENA region amidst rising global oil demand has exposed the tightness in the oil market. This should make the sustainability of higher oil prices credible and drive Energy PE and Energy capex higher.	Energy Equipment & Services; Oil Gas & Consumable Fuels "Black Gold"	OW since Sep/09
Industrials	11.1%	+	11.4%	Benefits from global growth, urbanization, strong commodity prices, US exports, infrastructure and business spending. US Capital Goods firms are leading US exporters. EM infrastructure spend is still rising; EM adds over one million people to its cities each week. Apart from infrastructure, Asia also has rising demand from trucks, aircrafts, climate control, power generation and transmission equipment, water treatment equipment, etc. The US exports more Capital Goods to Asia than Europe.	Aerospace & Defense; Air Freight & Logistics; Electrical Equipment; Machinery; Road & Rails "Picks, Shovels and Wings"	OW since Sep/10, EW May/10 - Sep/10
Materials	3.6%	+	3.7%	Rapidly urbanizing EM supports higher commodity prices. S&P Chemicals also benefit from recovering industrial production and growing global agriculture and specialty gas demand.	Chemicals; Containers & Packaging	OW since Aug/10, EW Sep/09 - Aug/10
Financials	16.0%	=	16.0%	Financials EPS should rise in 2011 from 2010 as Banks continue to lower loan loss provisioning (LLP). Higher profits from lower LLP more than offsets higher mortgage put-back losses and lower consumer fees. \$1.1 trillion held by Banks as deposits at the Federal Reserve suggests considerable earnings power waiting to be deployed, but financial regulation has increased EPS uncertainty. We are EW, but bullish on the sector including the large banks.	Capital Markets, Consumer Finance; Insurance "Venti Financials"	EW since Sep/10, OW Sep/09 - Sep/10
Consumer Discretionary	10.6%	=	10.6%	Consumer Discretionary benefits from rebounding US retail sales as those with jobs reopen their wallets and S&P companies gained market share. Margins are improving on better inventory management and impressive growth in international operations. We prefer companies with exposure to the growing EM consumer - Media, Branded Apparel and Fast Food.	Hotels, Restaurants & Leisure; Media; Textile Apparel & Luxury Goods "EM Consumption Plays"	EW since Sep/10, UW Sep/09 - Sep/10
Consumer Staples	10.1%	=	10.1%	Consumer Staples is our preferred defensive sector. Strong demand for corporate bonds, low borrowing costs and low leverage will prompt consumer staples companies to issue debt to raise dividends and repurchase shares. Household products and Beverages have sizeable exposure to the growing EM consumer. Certain consumer staple companies face input cost pressures.	Household Products "EM Consumption Plays"; "Leveraged Recaps" and "Dividend Growth"	EW since Aug/10, OW May/10 - Aug/10
Health Care	10.7%	-	9.0%	We prefer a barbell strategy within Health Care; positive on companies growing their EM operations, negative on large-cap pharma and HMO's. EPS at large-cap pharma is at risk from looming patent expirations mostly in 2012 and beyond, from continued fiscal consolidation in Europe, and from a weaker Euro. EPS at HMO's is at risk from US healthcare reform implementation.	Healthcare Equipment & Supplies; Life Sciences Tools and Services "EM Healthcare Plays"	UW since Sep/09
Telecom	2.9%	-	2.0%	Telecom companies need to make heavy investment capex to maintain steady prices at best. High dividend payout ratio limits dividend growth potential.	Bond Substitute Plays	UW since Sep/09
Utilities	3.2%	-	1.9%	Utilities offer high tax advantaged dividend yield income. If interest rates stay low, Utilities and Telecom stocks make for a decent equity holding as bond substitutes.	Bond Substitute Plays	UW since May/10, EW Dec/09-May/10

Source: BofA Merrill Lynch US Equity Strategy
Note: Weights in S&P 500 as of 2/28/11

We capitalize our accounting quality adjusted normalized S&P 500 EPS estimate at the real cost of equity.

Fair PE = 1/ real cost of equity

We deduct \$8.00 from our 2011 normalized EPS estimate of \$95.00 to adjust for accounting quality.

Table 10: S&P 500 EPS Discount Model

2011 Normalized EPS	\$95.00
Less Accounting Quality Adjustment	(\$8.00)
2011 Normalized Acc. Quality Adj. EPS	\$87.00
Nominal Cost of Equity	8.0%
Less LT Inflation Expectation	2.0%
Real Cost of Equity	6.0%
S&P 500 Intrinsic Value at 2011 Start	1450
S&P 500 Intrinsic Value at 2011 End	1532
S&P 500 year-end target	1400

Source: BofA Merrill Lynch US Equity Strategy

We retain our target at 1400 until we get more clarity on interest rates.

S&P 500 intrinsic valuation model

We capitalize our normalized 2010E EPS at a rate that represents an estimate of the fair long-term real return (before inflation) on S&P 500 ownership within a diversified asset portfolio. This fair return estimate is known as the cost of equity.

Normal EPS / Fair Real Cost of Equity = Fair Value (Year Start)

Normalized S&P 500 pro forma EPS

The most important element of our model is the normalized EPS estimate. Our normalized EPS estimates are intended to represent what EPS would be in the current year if the current year were more in the middle of the economic cycle. Our 2011E EPS of \$95 is normal EPS, i.e. representing mid-cycle EPS.

Perception of normal EPS and confidence in such drives short-term performance. Actual EPS through the full cycle drives most of long-term market performance.

Accounting quality adjusted normalized pro forma EPS

We adjust our normalized EPS estimate, which is based on pro forma EPS, for accounting quality. In our view, the best EPS measure for valuation generally lies between pro forma and GAAP EPS. Our accounting quality adjustment is made to ensure that EPS represents cash flow available for distribution or reinvestment. Our adjustment is based upon historical GAAP versus pro forma EPS differences and comparing pro forma EPS to adjusted cash flow measures.

Accounting Quality Adj. Normal EPS / Fair Real Cost of Equity = Fair Value

Fair cost of equity estimate = Fair ERP + US Treasury bond yields

Our method of estimating a fair return on long-term S&P 500 investment, which is known as the S&P 500's cost of equity, is to add an Equity Risk Premium (ERP) to US Treasury bond yields. Our fair ERP estimate is based upon the history of S&P 500 returns relative to Treasury bond returns. Using history as a guide, we assume a fair future ERP on S&P 500 investment of 3.50%. History supports a fair ERP in the range of 300-400bp for long-term S&P 500 investment. Because our fair ERP estimate aims to capture normal conditions, which should prevail over time, we add our fair ERP estimate to current Treasury bond yields which we attempt to normalize for cyclical influences. The goal is to estimate a normal Treasury bond yield and a normal S&P 500 ERP on a prospective basis.

S&P 500 Fair Cost of Equity = Normal Treasury Bond Yield + Normal ERP
8.0% = 4.5% + 3.5%

Subtracting long-term expected inflation gives the fair real S&P 500 cost of equity.

S&P 500 Real Cost of Equity = 6.0% (8% - 2%)

Fair Acc. Quality Adj. PE = 16.5 = 1/6%

Although our S&P 500 intrinsic valuation model puts 2011 year end fair value at 1532, we set our 12-month target at 1400. **Our 1400 target is a probability weighted target that acknowledges both upside and downside risks.** We believe most of the tail risks that still remain are interest rate related and will stay dormant if interest rates stay low.

S&P 500 Intrinsic Valuation Model

S&P 500 12 month target = 1400

Table 11: S&P 500 Intrinsic Valuation Model

S&P 500 EPS Discount Model		S&P 500 Dividend Discount Model		S&P 500 EPS & DPS Long-term Growth Model		S&P 500 Nominal and Real Cost of Equity Model	
BofAML 2011E S&P 500 EPS	\$95.00	BofAML 2011E S&P 500 DPS	\$30.00	BofAML 2011E S&P 500 ROE	15.0%	Investor Demanded Return on S&P 500	8.00%
		Current Dividend Payout Ratio	32%	2010E S&P 500 Book Value Per Share	\$580	Long-term Real Risk Free Interest Rate	2.50%
BofAML "Normal 2011E" S&P 500 EPS	\$95.00	BofAML Normal S&P 500 DPS Est.	\$34.00			+ Long-term Equity Risk Premium	3.50%
Normal 2011E EPS / 2011E EPS	100%	Normal Dividend Payout Ratio	39%	BofAML Normal S&P 500 ROE	15.0%	Long-term Real S&P 500 Cost of Equity	6.00%
Pro Forma EPS Accounting Quality Adj.	-\$8.00	Sustained Net Share Repurchases	\$20.00	BofAML ROE on True Reinvestment	8.00%	+ Long-term Inflation Forecast	2.00%
		Sustained Repurchase Payout Ratio	23%	Earning Retained for True Reinvestment	38%	= S&P 500 Nominal Cost of Equity	8.00%
Adj. S&P 500 Normal 2011E EPS Fair to Capitalize	\$87.00	S&P 500 Normal True Dividend	\$54.00	Net Income Growth from Inflation	2.00%		
		Earning Retained for True Reinvestment	38%	Fair Real Growth from True Reinvestment	2.28%	Fair Book Multiple:	
				Value Add Growth from True Reinvestment	0.00%	2010E End S&P 500 Book Value Per Share	\$580
EPS Discount Model:		DPS Discount Model:		Sustainable Net Income Growth	4.28%	Fair Book Value Per Share Multiple =	2.50
Adj. Normal EPS / (Real COE - Value Added EPS Growth)		Normal DPS / (Nominal COE - DPS Growth)		+ Growth from Net Share Repurchases	1.38%	Implied S&P 500 Intrinsic Value 2011 Start	1450
S&P 500 Intrinsic Value at 2011 Start	1450	S&P 500 Intrinsic Value at 2010 Start	1450	= Sustainable EPS/DPS growth	5.66%	2011E End S&P 500 Book Value Per Share	\$613
S&P 500 Intrinsic Value at 2011 End	1532	S&P 500 Intrinsic Value at 2010 End	1532	+ Fair Dividend Yield	2.34%	Fair Book Value Per Share Multiple =	2.50
						Implied S&P 500 Intrinsic Value 2011 End	1532
Confirmed as: Fair Forward PE on Normal EPS = (ROE - g) / (Real ROE * (Real COE - Real g)) =				Fair Forward PE * Normal S&P 500 ROE =			
Real ROE = ROE on True Reinvestment less Long-term Inflation				Fair Book Value Per Share Multiple			

Source: BofA Merrill Lynch US Equity Strategy

Target sensitivity to normalized EPS and real cost of equity

Mechanics of the EPS Discount Model

- 1) Estimate normalized EPS:
Normalized EPS are essentially mid-cycle EPS.
- 2) Adjust for accounting quality
- 3) Estimate the fair real long-term return (before inflation) for the S&P 500. This is the real cost of equity
- 4) Capitalize normalized and accounting quality adjusted EPS at the real cost of equity.
- 5) Real cost of equity = Real 10yr Treasury bond yields + fair equity risk premium.

This steady-state EPS discount model assumes S&P 500 has no value added growth potential and equates to the dividend discount model.

Fair value:

Acctg. Qual. Adj. Normal EPS / Fair Real Cost of Equity

- Accounting Quality Adjusted EPS = \$87 (\$95 - \$8)
- Fair Real Cost of Equity = 6% (8% - 2%)
- 1450 = 87.00/0.06 at 2011 start

Table 12: 2011 Start S&P 500 Intrinsic Value

		Normalized 2011 S&P 500 EPS					
		\$80	\$85	\$90	\$95	\$100	\$105
Real Cost of Equity	5.0%	1440	1540	1640	1740	1840	1940
	5.5%	1309	1400	1491	1582	1673	1764
	6.0%	1200	1283	1367	1450	1533	1617
	6.5%	1108	1185	1262	1338	1415	1492
	7.0%	1029	1100	1171	1243	1314	1386

Source: BofA Merrill Lynch US Equity Strategy

Table 13: 2011 End S&P 500 Intrinsic Value

		Normalized 2011 S&P 500 EPS					
		\$80	\$85	\$90	\$95	\$100	\$105
Real Cost of Equity	5.0%	1507	1614	1721	1828	1935	2042
	5.5%	1373	1471	1569	1666	1764	1862
	6.0%	1262	1352	1442	1532	1622	1712
	6.5%	1168	1251	1335	1418	1502	1585
	7.0%	1087	1165	1243	1321	1399	1476

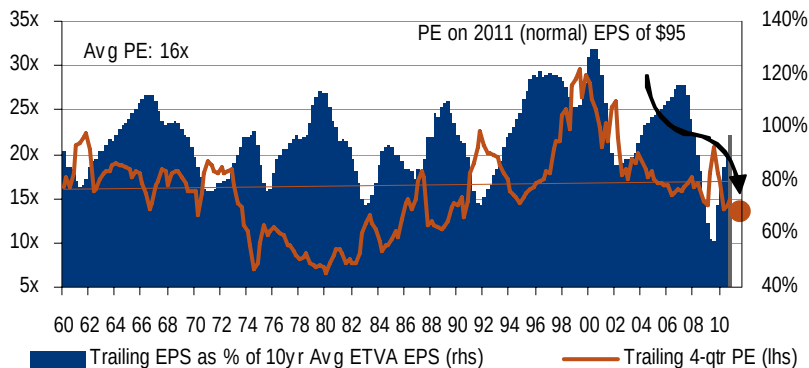
Source: BofA Merrill Lynch US Equity Strategy

PE tends to be higher than average on depressed EPS and lower than average on peaked EPS. One should not just look at historical PE charts – look at historical EPS charts.

At 1280 the S&P is trading at 13.5x our 2011E EPS of \$95.

This suggests investors fear a surge in interest rates.

Chart 13: S&P 500 Trailing 4-qr. P/E and current EPS as a % of avg. 10 yr. ETV adj. EPS



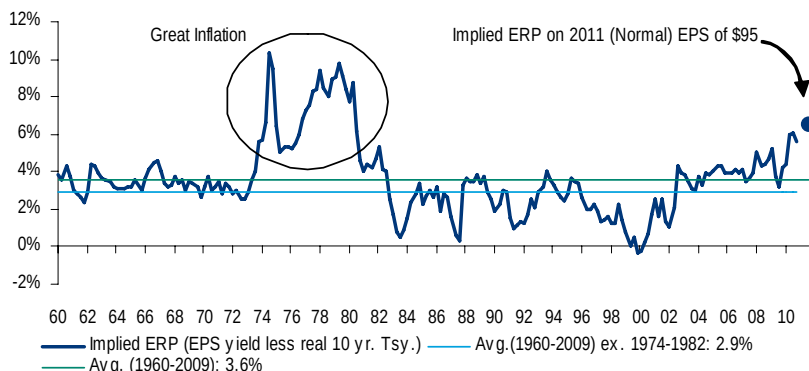
Note: ETV refers to Equity Time Value Adjusted EPS
Source: BofA Merrill Lynch US Equity Strategy

The implied ERP is nearly double the long-term average. On our 2011E (normalized) EPS of \$95, the current offered ERP is over 600bp.

From 1960-2009, the EPS yield has been on average 3.6% above the 10 yr treasury yield less long term inflation, or 2.9% on average excluding the 1974-1982 period.

The high ERP during the “great inflation” was because earnings were significantly overstated from prolonged high inflation. (See our [Stock investor’s inflation guide](#).)

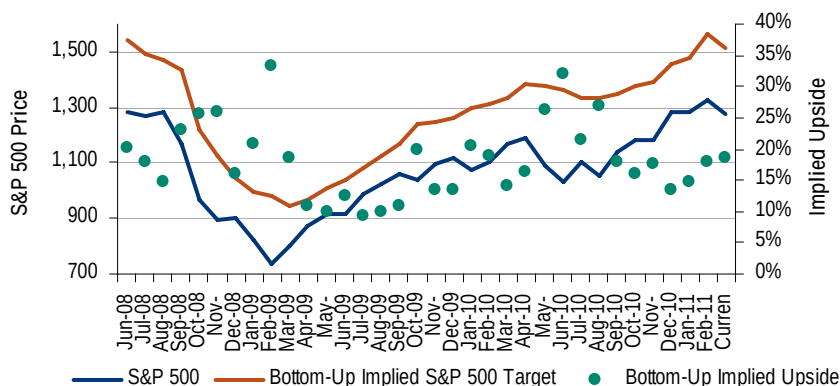
Chart 14: Implied ERP based on trailing 4-qr. EPS



Note: Real 10 yr. Treasury is Nominal 10 yr. Treasury less expected long-term inflation until 2002 (based on the Philly Fed Livingston Survey) and 10 yr. TIPS from 2003 onwards
Source: BofA Merrill Lynch US Equity Strategy

As recently as June, the implied bottom-up upside on the S&P 500 was near peak financial crisis levels. The current bottom-up upside is 18%, above that implied by our 12-month target.

Chart 15: Bottom-up implied S&P 500 Target

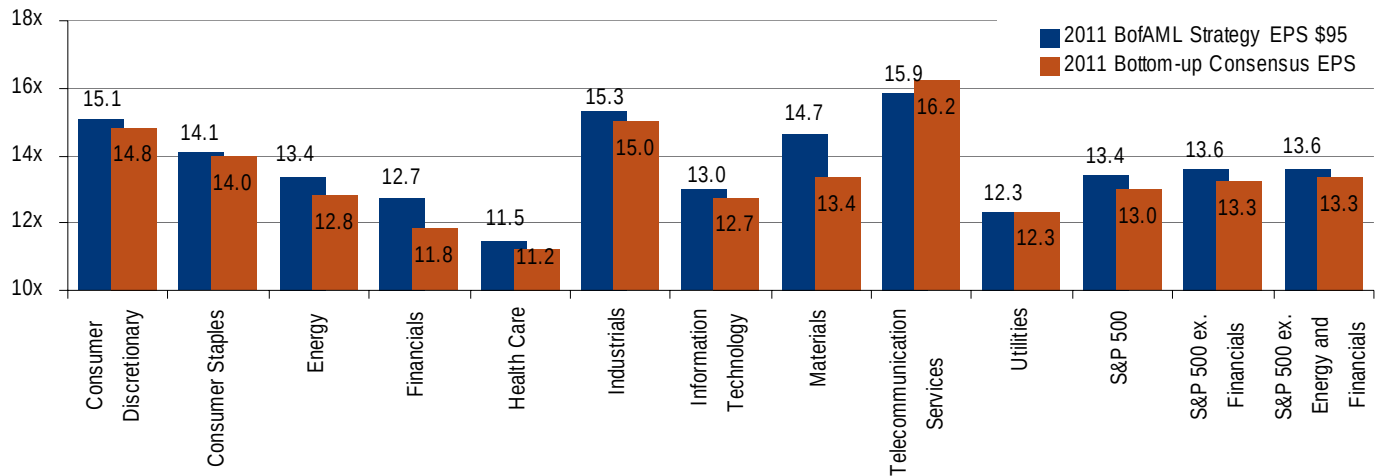


Source: Bloomberg, BofA Merrill Lynch US Equity Strategy

18 March 2011

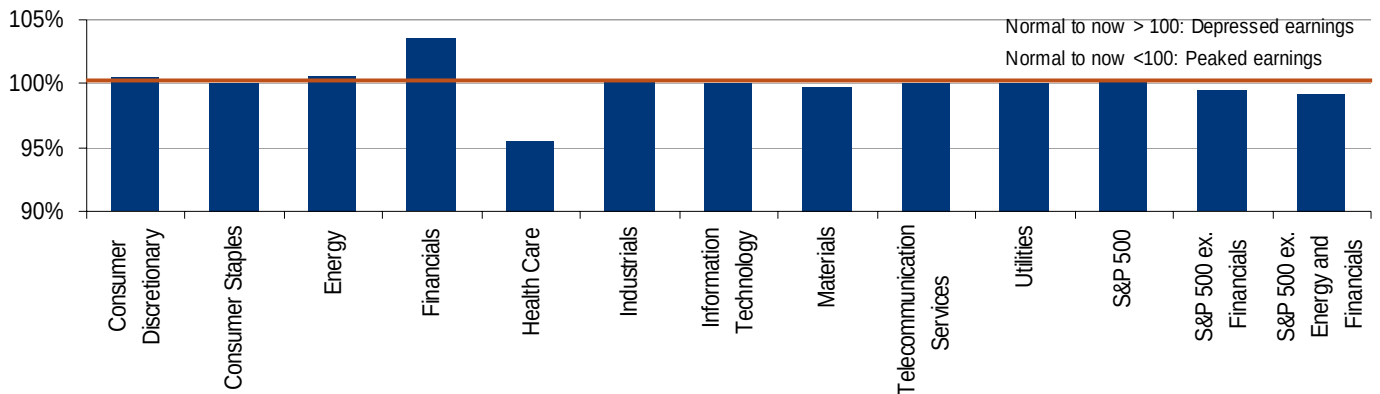
PEs by Sector

Chart 16: Sector PEs on BofAML 2011E EPS of \$95 and Bottom-up Cons 2011E EPS of \$98



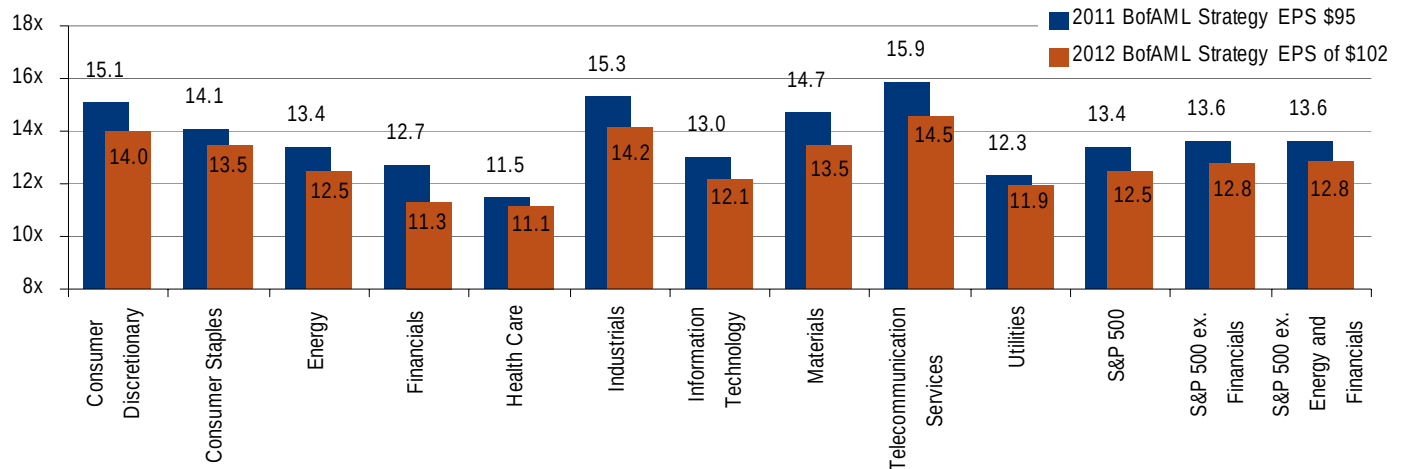
Source: FactSet/First Call, BofA Merrill Lynch US Equity Strategy

Chart 17: Sector Normal to now ratios on 2011E EPS



Source: BofA Merrill Lynch US Equity Strategy

Chart 18: Sector PEs on BofAML US Equity Strategy 2011/2012 EPS Estimates of \$95/\$102



Source: BofA Merrill Lynch US Equity Strategy

2011E Normalized EPS P/E

Table 14: S&P 500 2011E Normalized EPS P/E

	Market Value (%)	Target (%)	Sector	Sector Normalized EPS P/E	Overweight	Normalized EPS P/E	Equal Weight	Normalized EPS P/E	Underweight	Normalized EPS P/E
Overweight	18.7%	21.7%	Information Technology	13.0x	Communications Equipment Computers & Peripherals IT Services Semiconductors & Semiconductor Equipment Software	13.8x 12.7x 13.6x 11.6x 12.3x	Electronic Equipment Instruments & Components Internet Software & Services Office Electronics	12.5x 16.8x 9.4x		
	13.1%	13.6%	Energy	13.3x	Energy Equipment & Services Oil Gas & Consumable Fuels	18.6x 12.5x				
	3.6%	3.7%	Materials	14.7x	Chemicals Containers & Packaging	16.3x 12.1x	Construction Materials Metals & Mining Paper & Forest Products	NM 12.7x 10.4x		
	11.1%	11.4%	Industrials	15.3x	Aerospace & Defense Air Freight & Logistics Electrical Equipment Machinery Road & Rail	13.4x 17.6x 16.9x 16.7x 14.4x	Commercial Services & Supplies Construction & Engineering Industrial Conglomerates	15.6x 19.1x 15.0x	Airlines Building Products Professional Services Trading Companies & Distributors	14.8x 21.7x 16.8x 22.3x
Equal Weight	16.0%	16.0%	Financials	12.3x	Capital Markets Consumer Finance Insurance	11.9x 10.9x 11.9x	Commercial Banks Diversified Financial Services	13.1x 10.9x	Real Estate Investment Trusts (REITs) Real Estate Management & Development Thriffs & Mortgage Finance	20.3x 24.3x 14.6x
	10.6%	10.6%	Consumer Discretionary	15.0x	Hotels Restaurants & Leisure Media Textiles Apparel & Luxury Goods	17.0x 14.7x 17.0x	Distributors Internet & Catalog Retail Leisure Equipment & Products Specialty Retail	15.4x 33.8x 13.1x 14.2x	Auto Components Automobiles Diversified Consumer Services Household Durables Multiline Retail	16.4x 8.4x 9.6x 18.5x 13.1x
	10.1%	10.1%	Consumer Staples	14.1x	Household Products	14.2x	Beverages Food & Staples Retailing Personal Products	15.1x 13.4x 15.2x	Food Products Tobacco	14.2x 13.5x
Underweight	10.7%	9.0%	Health Care	12.0x	Health Care Equipment & Supplies Life Sciences Tools & Services	15.8x 13.6x			Biotechnology Health Care Providers & Services Health Care Technology Pharmaceuticals	11.7x 14.0x 29.3x 10.5x
	2.9%	2.0%	Telecomm	15.9x					Diversified Telecommunication Services Wireless Telecommunication Services	13.4x NM
	3.2%	1.9%	Utilities	12.3x					Electric Utilities Gas Utilities Independent Power Producers & Energy Traders Multi-Utilities	11.9x 20.4x 12.2x 12.7x
S&P 500				13.4x	S&P 500 12 Month Target	1400	2011 Top-Down BofAML / Consensus EPS 2012 Top-Down BofAML / Consensus EPS	\$98.06 / 95.00 \$111.48 / 102.00	2011 Top-Down BofAML / Consensus P/E 2012 Top-Down BofAML / Consensus P/E	13.0x / 13.4x 11.4x / 12.5x

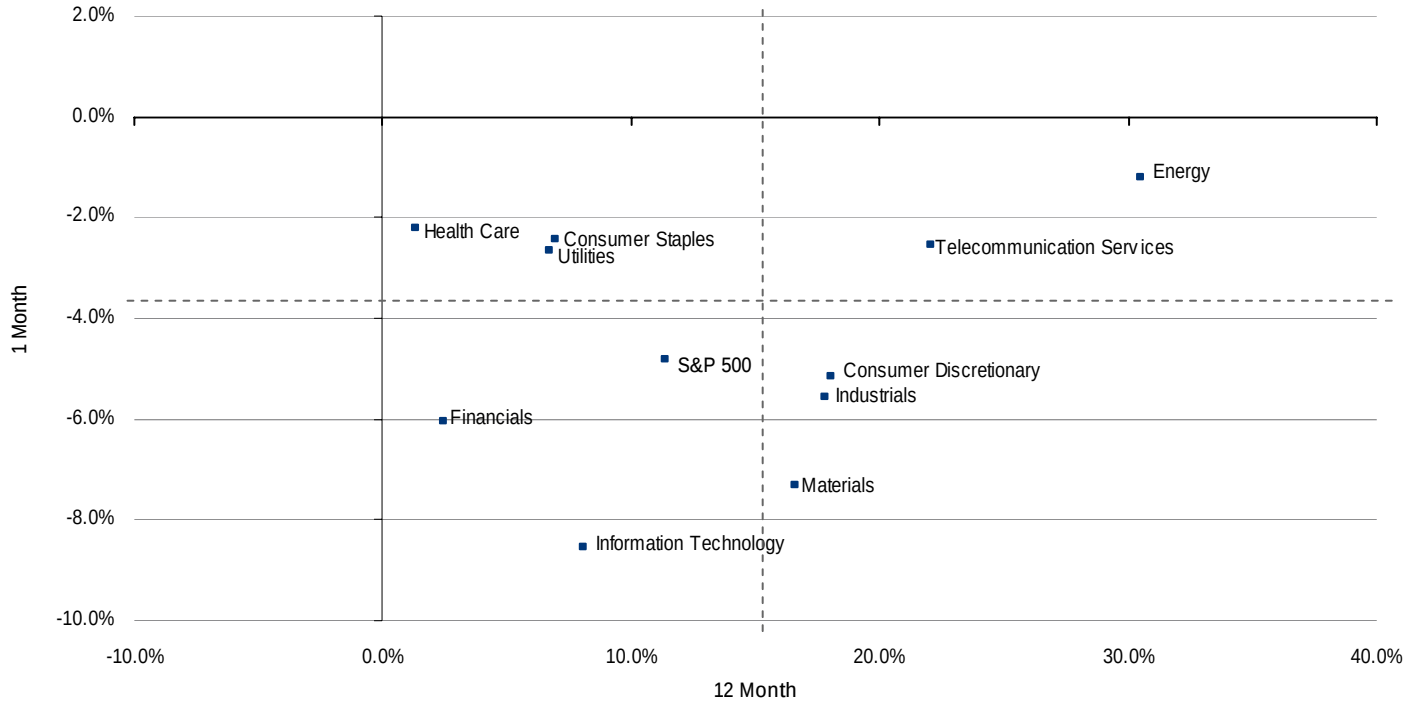
Source: BofA Merrill Lynch US Equity Strategy

Normalized EPS: Represents what EPS would be in the current year if the current year were more in the middle of the economic cycle. We forecast the year when EPS returns to normal and use an equity time value discount rate (nominal cost of equity less the dividend yield) to discount that future EPS back to the year for which we are estimating normalized EPS

Normalized EPS PE: PE currently observed on normalized EPS

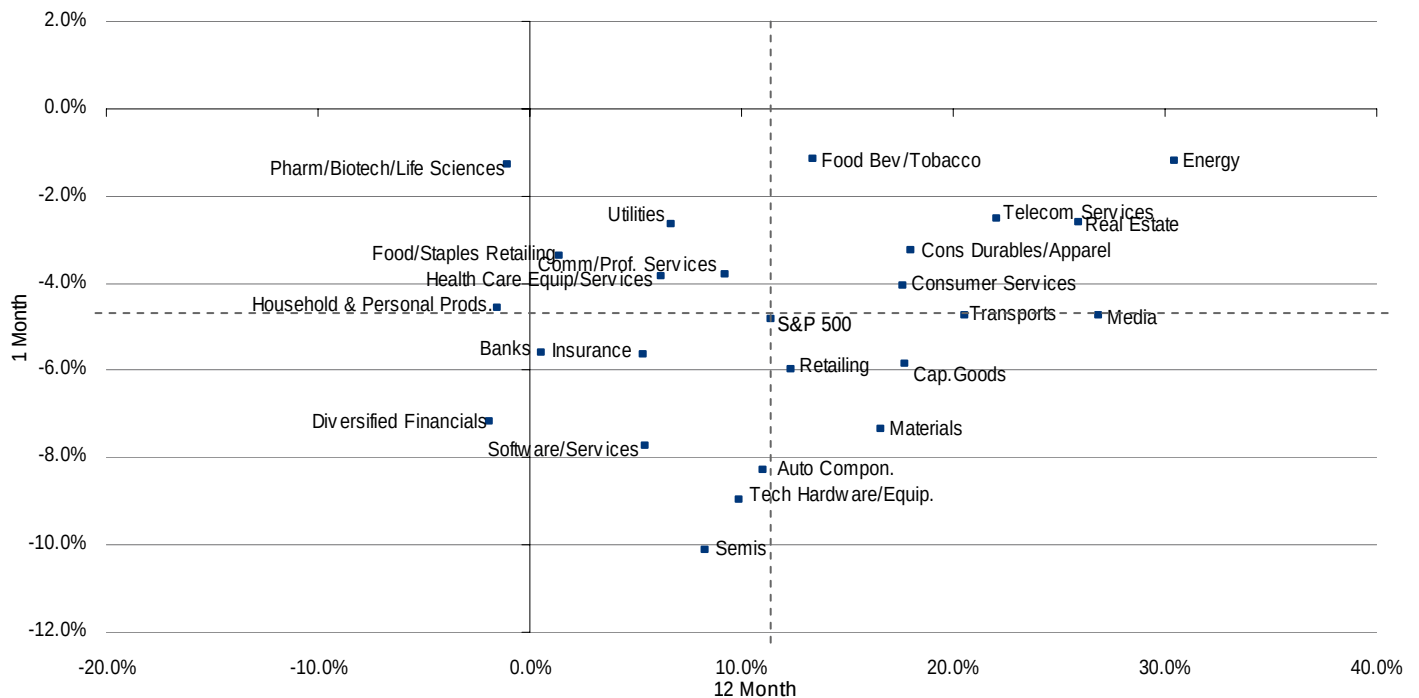
S&P 500 Sector and Industry Group Performance

Chart 19: S&P 500 Sector Performance



Source: Bloomberg, BofA Merrill Lynch US Equity Strategy

Chart 20: S&P 500 Industry Group Performance



Source: Bloomberg, BofA Merrill Lynch US Equity Strategy

Buy and Neutral Rated Stocks in Overweight Industries Screen

Table 15: Buy & Neutral rated S&P 500 companies in Overweight industries (Neutrals with >15% implied upside)

Ticker	Company Name	Sector	Industry	Foreign Sales	Market Value	2011E	2012E	2011E	2012E	Dividend Yield	Rating	Current Price	Beta	60M Vol
						BofAML EPS	BofAML EPS	BofAML P/E	BofAML P/E					
COH	Coach Inc.	Consumer Discretionary	Textiles Apparel & Luxury Goods	29.8%	15,068	3.02	3.47	16.9	14.7	1.18%	Buy	50.84	1.57	42.00
NKE	Nike Inc. (CI B)	Consumer Discretionary	Textiles Apparel & Luxury Goods	66.2%	32,652	4.59		18.6		1.45%	Buy	85.41	0.91	23.80
DRI	Darden Restaurants Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	1.7%	6,375	3.61	4.04	12.8	11.4	2.78%	Buy	46.06	0.88	39.57
IGT	International Game Technology	Consumer Discretionary	Hotels Restaurants & Leisure	22.8%	4,646	0.92		17.0		1.54%	Buy	15.58	1.57	41.77
MAR	Marriott International Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	10.6%	10,684	1.42	1.75	26.1	21.2	0.94%	Buy	37.13	1.47	36.57
MCD	McDonald's Corp.	Consumer Discretionary	Hotels Restaurants & Leisure	66.3%	77,548	5.00	5.50	14.7	13.3	3.32%	Buy	73.40	0.51	16.21
HOT	Starwood Hotels & Resorts	Consumer Discretionary	Hotels Restaurants & Leisure	34.7%	10,892	1.70	2.13	33.6	26.8	0.53%	Buy	57.13	1.97	48.63
WYNN	Wynn Resorts Ltd.	Consumer Discretionary	Hotels Restaurants & Leisure	69.0%	8,935	3.00	4.00	39.4	29.5	0.85%	Buy	118.18	2.53	69.33
YUM	Yum! Brands Inc.	Consumer Discretionary	Hotels Restaurants & Leisure	63.7%	23,893	2.80	3.13	18.2	16.3	1.96%	Buy	50.99	1.00	25.86
CVC	Cablevision Systems Corp.	Consumer Discretionary	Media	0.0%	8,363	2.01	2.29	17.3	15.2	1.44%	Buy	34.84	1.49	42.72
CBS	CBS Corp (CI B)	Consumer Discretionary	Media	14.8%	15,831	1.65	2.12	14.1	11.0	0.86%	Buy	23.25	2.21	55.56
CMCSA	Comcast Corp. (CI A)	Consumer Discretionary	Media	0.0%	67,172	1.48	1.64	16.3	14.7	1.87%	Buy	24.08	1.02	30.18
DTV	DIRECTV	Consumer Discretionary	Media	15.1%	37,476	2.95	3.90	15.2	11.5	N/A	Buy	44.95	0.84	25.88
DISCA	Discovery Communications Inc. (A)	Consumer Discretionary	Media	33.6%	11,037	2.33	2.74	16.7	14.2	N/A	Buy	38.82	1.23	33.22
NWSA	News Corp. (CI A)	Consumer Discretionary	Media	45.7%	37,190	1.23	1.44	13.2	11.3	0.92%	Buy	16.29	1.51	35.39
TWC	Time Warner Cable Inc.	Consumer Discretionary	Media	0.0%	24,001	4.47	5.94	15.1	11.4	2.85%	Buy	67.47	0.69	41.95
DIS	Walt Disney Co.	Consumer Discretionary	Media	25.7%	77,182	2.89	3.50	14.1	11.6	0.98%	Buy	40.76	1.11	24.41
KMB	Kimberly-Clark Corp.	Consumer Staples	Household Products	46.9%	26,013	5.04	5.41	12.7	11.8	4.39%	Buy	63.79	0.42	13.80
PG	Procter & Gamble Co.	Consumer Staples	Household Products	60.7%	169,155	4.12	4.48	14.7	13.5	3.19%	Buy	60.43	0.51	16.70
BHI	Baker Hughes Inc.	Energy	Energy Equipment & Services	58.1%	29,982	3.84	5.03	18.1	13.8	0.86%	Buy	69.52	1.50	42.78
CAM	Cameron International Corp.	Energy	Energy Equipment & Services	46.5%	14,489	2.82	3.50	21.2	17.1	N/A	Buy	59.73	1.53	38.34
HAL	Halliburton Co.	Energy	Energy Equipment & Services	54.3%	40,347	2.80	3.49	15.8	12.7	0.81%	Buy	44.36	1.43	40.20
NOV	National Oilwell Varco Inc.	Energy	Energy Equipment & Services	66.2%	32,849	4.56	5.46	17.2	14.3	0.56%	Buy	78.28	1.44	44.32
NE	Noble Corp.	Energy	Energy Equipment & Services	80.4%	11,159	1.90	3.95	23.0	11.0	N/A	Buy	43.61	1.06	37.95
SLB	Schlumberger Ltd.	Energy	Energy Equipment & Services	74.9%	118,769	4.03	5.44	21.6	16.0	1.15%	Buy	87.05	1.25	35.45
APC	Anadarko Petroleum Corp.	Energy	Oil Gas & Consumable Fuels	18.8%	38,190	4.19	4.77	18.4	16.2	0.47%	Buy	77.06	1.43	40.90
APA	Apache Corp.	Energy	Oil Gas & Consumable Fuels	66.1%	45,138	13.40	13.51	8.8	8.7	0.51%	Buy	118.11	1.16	32.51
COG	Cabot Oil & Gas Corp.	Energy	Oil Gas & Consumable Fuels	0.0%	5,008	1.07	1.47	45.0	32.8	0.25%	Buy	48.17	1.11	42.55
CVX	Chevron Corp.	Energy	Oil Gas & Consumable Fuels	57.9%	205,751	13.19	11.96	7.8	8.5	2.82%	Buy	102.24	0.76	21.61
EQT	EQT Corp.	Energy	Oil Gas & Consumable Fuels	0.0%	6,873	1.92	2.20	24.0	20.9	1.91%	Buy	46.08	0.83	27.68
XOM	Exxon Mobil Corp.	Energy	Oil Gas & Consumable Fuels	74.4%	409,254	8.46	8.48	9.6	9.6	2.17%	Buy	81.16	0.49	17.81
HES	Hess Corp.	Energy	Oil Gas & Consumable Fuels	17.1%	24,095	11.13	10.42	7.2	7.7	0.50%	Neutral	80.31	1.02	38.22
MRO	Marathon Oil Corp.	Energy	Oil Gas & Consumable Fuels	12.1%	35,169	7.76	7.63	6.4	6.5	2.02%	Buy	49.54	1.19	33.25
NFX	Newfield Exploration Co.	Energy	Oil Gas & Consumable Fuels	24.2%	9,480	5.15	5.81	13.7	12.2	N/A	Buy	70.81	1.43	42.84
OXY	Occidental Petroleum Corp.	Energy	Oil Gas & Consumable Fuels	36.2%	79,520	8.66	8.33	11.3	11.7	1.88%	Buy	97.86	0.94	26.55
PXD	Pioneer Natural Resources Co.	Energy	Oil Gas & Consumable Fuels	4.7%	11,574	3.57	2.94	27.9	33.9	0.08%	Buy	99.69	1.77	49.98
RRC	Range Resources Corp.	Energy	Oil Gas & Consumable Fuels	0.0%	8,613	1.23	1.09	43.7	49.4	0.30%	Buy	53.81	0.50	33.56
SE	Spectra Energy Corp.	Energy	Oil Gas & Consumable Fuels	65.9%	16,854	1.70	1.80	15.3	14.4	4.00%	Buy	26.00	0.91	23.81
TSO	Tesoro Corp.	Energy	Oil Gas & Consumable Fuels	0.0%	3,566	2.55	3.37	9.8	7.4	N/A	Buy	24.91	1.35	54.80
VLO	Valero Energy Corp.	Energy	Oil Gas & Consumable Fuels	18.0%	15,803	4.15	4.01	6.7	7.0	0.72%	Buy	27.91	1.17	38.27
SCHW	Charles Schwab Corp.	Financials	Capital Markets	0.0%	17,355	0.86	1.19	20.3	14.7	1.37%	Buy	17.50	1.29	31.71
ETFC	E*TRADE Financial Corp.	Financials	Capital Markets	1.6%	3,281	0.73	1.10	20.5	13.5	N/A	Buy	14.86	2.06	58.58
FII	Federated Investors Inc.	Financials	Capital Markets	0.0%	2,327	1.91	2.09	13.3	12.2	3.78%	Buy	25.40	0.80	26.08
BEN	Franklin Resources Inc.	Financials	Capital Markets	30.4%	16,826	8.22		14.1		0.87%	Neutral	115.57	1.45	31.35
IVZ	INVESCO Ltd.	Financials	Capital Markets	51.4%	11,404	1.75	2.06	14.1	12.0	1.78%	Neutral	24.68	1.72	38.04
LM	Legg Mason Inc.	Financials	Capital Markets	31.8%	5,098	2.01	2.63	16.6	12.7	0.72%	Neutral	33.32	1.92	44.67
TROW	T. Rowe Price Group Inc.	Financials	Capital Markets	0.0%	15,896	3.28	3.80	18.9	16.3	2.00%	Buy	61.99	1.68	35.71
AXP	American Express Co.	Financials	Consumer Finance	25.0%	45,473	3.75	4.05	11.6	10.7	1.66%	Buy	43.42	1.92	50.57
COF	Capital One Financial Corp.	Financials	Consumer Finance	7.1%	23,203	5.85	6.35	8.7	8.0	0.39%	Buy	50.78	1.72	50.84

Table 15: Buy & Neutral rated S&P 500 companies in Overweight industries (Neutrals with >15% implied upside)

Ticker	Company Name	Sector	Industry	Foreign Sales	Market Value	2011E	2012E	2011E	2012E	Dividend Yield	Rating	Current Price	Beta	60M Vol
						BofAML EPS	BofAML EPS	BofAML P/E	BofAML P/E					
DFS	Discover Financial Services	Financials	Consumer Finance	0.0%	11,774	2.04	2.52	10.6	8.6	0.37%	Buy	21.62	1.58	45.04
ACE	ACE Ltd.	Financials	Insurance	0.0%	20,638	6.10	7.25	10.0	8.4	2.17%	Buy	60.81	0.70	20.98
AFL	AFLAC Inc.	Financials	Insurance	75.4%	23,775	6.25	7.00	8.1	7.2	2.38%	Buy	50.45	1.73	43.06
ALL	Allstate Corp.	Financials	Insurance	0.0%	16,732	3.20	4.05	9.7	7.7	2.70%	Buy	31.09	1.49	36.42
AON	AON Corp.	Financials	Insurance	60.0%	17,093	3.40	3.90	15.2	13.3	1.16%	Buy	51.81	0.58	23.26
AIZ	Assurant Inc.	Financials	Insurance	11.6%	3,838	5.10	5.65	7.5	6.8	1.67%	Buy	38.40	1.44	38.53
HIG	Hartford Financial Services Group Inc.	Financials	Insurance	0.0%	11,198	3.80	3.90	6.6	6.5	1.59%	Buy	25.19	3.03	76.48
LNC	Lincoln National Corp.	Financials	Insurance	0.0%	9,227	3.90	4.25	7.5	6.9	0.69%	Buy	29.13	2.54	65.00
MET	MetLife Inc.	Financials	Insurance	13.9%	45,293	5.20	5.85	8.3	7.3	1.72%	Buy	42.98	1.82	39.16
PFG	Principal Financial Group Inc.	Financials	Insurance	8.4%	10,062	3.00	3.45	10.5	9.1	1.75%	Buy	31.41	2.87	73.27
PGR	Progressive Corp.	Financials	Insurance	0.0%	13,602	1.55	1.60	13.2	12.8	1.94%	Buy	20.50	0.83	24.06
PRU	Prudential Financial Inc.	Financials	Insurance	31.8%	28,878	6.70	7.95	8.9	7.5	1.93%	Buy	59.50	2.39	54.49
TMK	Torchmark Corp.	Financials	Insurance	0.0%	5,107	6.90	7.70	9.2	8.3	1.00%	Neutral	63.80	1.60	37.78
TRV	Travelers Cos. Inc.	Financials	Insurance	5.7%	25,502	6.30	6.75	9.3	8.7	2.45%	Buy	58.68	0.59	18.43
UNM	Unum Group	Financials	Insurance	0.0%	8,068	2.95	3.30	8.6	7.7	1.45%	Buy	25.44	1.73	40.59
XL	XL Group PLC	Financials	Insurance	49.4%	7,085	2.02	2.35	10.9	9.3	2.01%	Buy	21.92	2.63	66.79
BAX	Baxter International Inc.	Health Care	Health Care Equipment & Supplies	58.0%	29,748	4.17	4.52	12.2	11.3	2.43%	Buy	51.05	0.52	21.33
BSX	Boston Scientific Corp.	Health Care	Health Care Equipment & Supplies	44.5%	10,823	0.55	0.69	12.9	10.3	N/A	Neutral	7.12	1.15	38.05
BCR	C.R. Bard Inc.	Health Care	Health Care Equipment & Supplies	30.6%	8,068	6.38	6.97	14.9	13.6	0.76%	Buy	94.87	0.33	16.43
CFN	CareFusion Corp.	Health Care	Health Care Equipment & Supplies	24.4%	6,026	1.73	1.96	15.7	13.8	N/A	Buy	27.03	0.95	27.25
COV	Covidien PLC	Health Care	Health Care Equipment & Supplies	45.1%	25,920	3.82	4.21	13.5	12.3	1.55%	Buy	51.68	0.79	25.71
XRAY	Dentsply International Inc.	Health Care	Health Care Equipment & Supplies	62.1%	4,972	2.07	2.22	16.9	15.8	0.57%	Buy	34.99	1.03	23.69
MDT	Medtronic Inc.	Health Care	Health Care Equipment & Supplies	38.4%	40,021	3.54	3.84	10.5	9.7	2.43%	Neutral	37.06	0.88	26.03
STJ	St. Jude Medical Inc.	Health Care	Health Care Equipment & Supplies	48.6%	16,127	3.26	3.67	14.4	12.8	1.79%	Buy	47.04	0.67	30.20
ZMH	Zimmer Holdings Inc.	Health Care	Health Care Equipment & Supplies	42.4%	11,789	4.69	5.16	12.7	11.6	N/A	Buy	59.71	1.07	29.41
BA	Boeing Co.	Industrials	Aerospace & Defense	40.7%	50,104	3.95	5.70	17.3	12.0	2.46%	Buy	68.30	1.26	31.17
GD	General Dynamics Corp.	Industrials	Aerospace & Defense	18.4%	27,938	7.05	7.60	10.5	9.7	2.54%	Buy	73.96	1.26	27.81
GR	Goodrich Corp.	Industrials	Aerospace & Defense	49.6%	10,202	5.51	6.15	14.8	13.2	1.43%	Neutral	81.37	1.21	28.05
HON	Honeywell International Inc.	Industrials	Aerospace & Defense	41.2%	43,073	3.80	4.45	14.5	12.4	2.41%	Buy	55.21	1.35	28.25
PCP	Precision Castparts Corp.	Industrials	Aerospace & Defense	18.9%	19,845	8.04	8.99	17.3	15.5	0.09%	Buy	139.15	1.48	35.34
COL	Rockwell Collins Inc.	Industrials	Aerospace & Defense	31.1%	9,696	4.15	4.53	14.9	13.7	1.55%	Buy	61.82	1.31	28.11
UTX	United Technologies Corp.	Industrials	Aerospace & Defense	46.6%	73,402	5.40	6.05	14.7	13.1	2.14%	Buy	79.49	1.01	21.29
EMR	Emerson Electric Co.	Industrials	Electrical Equipment	55.2%	43,075	3.33		17.2		2.41%	Buy	57.23	1.18	26.75
ROK	Rockwell Automation Inc.	Industrials	Electrical Equipment	49.1%	12,331	4.74	5.69	18.4	15.3	1.61%	Buy	86.97	1.70	40.86
DHR	Danaher Corp.	Industrials	Machinery	50.4%	26,721	2.70	3.05	18.5	16.3	0.16%	Buy	49.83	0.87	19.35
DE	Deere & Co.	Industrials	Machinery	34.4%	37,885	6.47	7.15	13.8	12.5	1.57%	Buy	89.38	1.52	34.95
DOV	Dover Corp.	Industrials	Machinery	45.8%	11,833	4.15	4.95	15.3	12.8	1.74%	Buy	63.35	1.26	27.96
ETN	Eaton Corp.	Industrials	Machinery	44.0%	17,284	3.94	4.50	13.0	11.4	2.65%	Buy	51.35	1.41	32.13
ITW	Illinois Tool Works Inc.	Industrials	Machinery	58.0%	26,656	3.70	4.25	14.5	12.6	2.53%	Buy	53.75	1.08	25.26
PCAR	Paccar Inc.	Industrials	Machinery	59.2%	17,582	3.14	4.06	15.4	11.9	1.00%	Buy	48.21	1.32	34.00
CHRW	C.H. Robinson Worldwide Inc.	Industrials	Air Freight & Logistics	10.5%	11,918	2.73	3.19	26.3	22.5	1.62%	Neutral	71.79	0.76	30.77
FDX	FedEx Corp.	Industrials	Air Freight & Logistics	27.3%	27,654	6.10	7.53	14.4	11.7	0.55%	Buy	87.89	1.17	30.29
UPS	United Parcel Service Inc. (CI B)	Industrials	Air Freight & Logistics	25.8%	70,818	4.22	4.95	17.0	14.5	2.90%	Buy	71.61	0.82	23.47
CSX	CSX Corp.	Industrials	Road & Rail	0.0%	28,333	5.06	5.64	15.0	13.4	1.37%	Buy	75.72	1.21	30.87
NSC	Norfolk Southern Corp.	Industrials	Road & Rail	0.0%	23,924	4.71	5.20	14.0	12.7	2.43%	Buy	65.84	1.03	28.39
UNP	Union Pacific Corp.	Industrials	Road & Rail	0.0%	46,257	6.50	7.55	14.4	12.4	1.62%	Buy	93.80	1.12	27.81
AMAT	Applied Materials Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	80.7%	19,814	1.55	1.47	9.6	10.1	2.16%	Neutral	14.83	1.03	29.68
BRCM	Broadcom Corp.	Information Technology	Semiconductors & Semiconductor Eqpt	97.2%	17,939	2.83	3.11	13.9	12.7	0.91%	Buy	39.39	1.30	40.39
FSLR	First Solar Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	87.9%	8,317	9.65	12.80	16.0	12.0	N/A	Buy	154.00	1.46	66.66
INTC	Intel Corp.	Information Technology	Semiconductors & Semiconductor Eqpt	85.0%	111,002	1.98	2.12	10.1	9.4	3.64%	Neutral	19.90	1.12	26.87
KLAC	KLA-Tencor Corp.	Information Technology	Semiconductors & Semiconductor Eqpt	75.5%	7,543	4.86	4.58	9.3	9.9	2.21%	Buy	45.15	1.80	41.18

Table 15: Buy & Neutral rated S&P 500 companies in Overweight industries (Neutrals with >15% implied upside)

Ticker	Company Name	Sector	Industry	Foreign Sales	Market Value	2011E	2012E	2011E	2012E	Dividend Yield	Rating	Current Price	Beta	60M Vol
						BofAML EPS	BofAML EPS	BofAML P/E	BofAML P/E					
WFR	MEMC Electronic Materials Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	89.2%	2,804	1.20	1.07	10.3	11.5	N/A	Neutral	12.33	1.31	51.49
MU	Micron Technology Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	80.7%	8,748	0.97	1.41	10.5	7.2	N/A	Buy	10.21	1.07	54.67
NVLS	Novellus Systems Inc.	Information Technology	Semiconductors & Semiconductor Eqpt	76.8%	3,206	4.36	4.40	8.2	8.1	N/A	Buy	35.55	1.24	33.21
NVDA	NVIDIA Corp.	Information Technology	Semiconductors & Semiconductor Eqpt	92.5%	10,377	0.99	1.28	18.1	14.0	N/A	Buy	17.86	1.66	58.28
TXN	Texas Instruments Incorporated	Information Technology	Semiconductors & Semiconductor Eqpt	89.0%	38,829	2.68	3.00	12.3	11.0	1.57%	Buy	33.07	1.08	28.03
ADP	Automatic Data Processing Inc.	Information Technology	IT Services	18.5%	24,054	2.64	2.93	18.5	16.6	2.95%	Buy	48.77	0.63	19.93
IBM	International Business Machines Corp.	Information Technology	IT Services	64.4%	191,547	13.15	14.39	11.7	10.7	1.69%	Buy	154.18	0.73	20.16
PAYX	Paychex Inc.	Information Technology	IT Services	0.0%	10,139	1.49	1.67	21.1	18.9	3.94%	Buy	31.50	0.85	22.85
TDC	Teradata Corp.	Information Technology	IT Services	45.3%	8,174	2.25	2.60	21.7	18.8	N/A	Buy	48.80	0.93	38.58
ADBE	Adobe Systems Inc.	Information Technology	Software	57.7%	16,195	2.33		13.7		N/A	Buy	31.84	1.60	38.18
ADSK	Autodesk Inc.	Information Technology	Software	69.2%	8,768	1.61	1.90	24.0	20.3	N/A	Buy	38.56	2.12	45.04
INTU	Intuit Inc.	Information Technology	Software	0.0%	13,539	2.64	3.00	18.4	16.2	N/A	Buy	48.43	0.75	27.38
MSFT	Microsoft Corp.	Information Technology	Software	44.1%	186,565	2.65	2.89	9.4	8.6	2.58%	Buy	24.78	1.05	27.61
ORCL	Oracle Corp.	Information Technology	Software	56.2%	118,255	2.19	2.43	14.0	12.6	0.65%	Buy	30.55	1.11	26.79
RHT	Red Hat Inc.	Information Technology	Software	35.3%	7,488	0.88	1.04	44.6	37.7	N/A	Buy	39.29	1.23	45.06
CRM	Salesforce.com Inc.	Information Technology	Software	29.2%	14,467	1.37	1.66	89.5	73.9	N/A	Buy	122.33	1.43	44.76
CSCO	Cisco Systems Inc.	Information Technology	Communications Equipment	46.4%	94,227	1.66	1.88	10.3	9.0	1.41%	Buy	17.00	1.22	30.29
FFIV	F5 Networks Inc.	Information Technology	Communications Equipment	44.7%	8,357	3.04	3.89	34.1	26.6	N/A	Neutral	103.36	1.25	46.88
JNPR	Juniper Networks Inc.	Information Technology	Communications Equipment	53.8%	21,388	1.54	1.90	26.5	21.5	N/A	Buy	40.88	1.53	42.72
MMI	Motorola Mobility Holdings Inc.	Information Technology	Communications Equipment	35.2%	7,348	0.70	1.95	35.7	12.8	N/A	Buy	25.02	N/A	30.83
QCOM	QUALCOMM Inc.	Information Technology	Communications Equipment	93.9%	84,639	2.75	3.03	19.0	17.3	1.64%	Buy	52.32	0.97	29.54
AAPL	Apple Inc.	Information Technology	Computers & Peripherals	56.2%	306,968	24.95	29.57	13.4	11.3	N/A	Buy	334.64	1.37	39.14
DELL	Dell Inc.	Information Technology	Computers & Peripherals	47.0%	23,696	1.76	1.87	8.0	7.5	N/A	Buy	14.11	1.40	37.83
HPQ	Hewlett-Packard Co.	Information Technology	Computers & Peripherals	63.9%	93,953	5.43	6.02	7.6	6.9	1.16%	Buy	41.43	1.01	24.67
NTAP	NetApp Inc.	Information Technology	Computers & Peripherals	46.8%	16,980	1.76	2.01	26.7	23.3	N/A	Neutral	46.98	1.41	38.74
SNDK	SanDisk Corp.	Information Technology	Computers & Peripherals	83.2%	10,093	4.02	4.28	10.7	10.1	N/A	Buy	43.04	1.75	62.67
APD	Air Products & Chemicals Inc.	Materials	Chemicals	54.2%	18,481	5.81	6.48	14.8	13.3	2.69%	Buy	86.25	1.14	26.62
CF	CF Industries Holdings Inc.	Materials	Chemicals	15.0%	9,213	11.00	8.00	11.8	16.2	0.31%	Buy	129.53	0.94	49.86
DD	E.I. DuPont de Nemours & Co.	Materials	Chemicals	63.7%	47,772	3.65	4.00	14.3	13.1	3.13%	Buy	52.33	1.41	29.58
EMN	Eastman Chemical Co.	Materials	Chemicals	52.0%	6,805	8.10	8.90	11.6	10.6	1.99%	Buy	94.34	1.88	42.01
ECL	Ecolab Inc.	Materials	Chemicals	47.9%	11,101	2.51	2.82	19.1	17.0	1.46%	Buy	47.82	0.69	20.33
FMC	FMC Corp.	Materials	Chemicals	65.4%	5,513	5.60	6.15	13.6	12.4	0.79%	Buy	76.00	1.01	28.31
PX	Praxair Inc.	Materials	Chemicals	60.7%	29,560	5.35	5.90	18.0	16.4	2.07%	Buy	96.48	0.86	21.79
BLL	Ball Corp.	Materials	Containers & Packaging	31.5%	5,967	2.67	3.05	12.7	11.1	0.83%	Buy	33.78	0.61	23.19
SEE	Sealed Air Corp.	Materials	Containers & Packaging	53.6%	4,059	1.75	2.00	14.5	12.7	2.05%	Buy	25.42	1.37	33.90

Key: Bold typeface denotes companies newly appearing in screen this week

Companies from last week's screen no longer appearing this week: Owens-Illinois Inc. (OI)

Source: First Call, Bloomberg, BofA Merrill Lynch US Equity Strategy

Underperform and Neutral Rated Stocks in Underweight Industries Screen

Table 16: Underperform and Neutral rated S&P 500 Companies in Underweight industries (Neutrals with <15% implied upside)

Ticker	Company Name	Sector	Industry	Foreign Sales	Market Value	2011E BofAML EPS	2012E BofAML EPS	2011E BofAML P/E	2012E BofAML P/E	Div. Yield	Rating	Current Price	Beta	60M Vol
JCP	J.C. Penney Co. Inc.	Consumer Discretionary	Multiline Retail	0.0%	8,498	1.93	2.41	18.6	14.9	2.23%	Underperform	35.94	1.82	49.89
CPB	Campbell Soup Co.	Consumer Staples	Food Products	26.9%	6,404	2.46	2.59	13.6	12.9	3.47%	Neutral	33.44	0.25	16.99
DF	Dean Foods Co.	Consumer Staples	Food Products	2.9%	1,787	0.58	0.70	16.9	14.0	N/A	Neutral	9.81	0.72	42.02
HNZ	H.J. Heinz Co.	Consumer Staples	Food Products	53.0%	15,592	3.23	3.43	15.0	14.2	3.70%	Neutral	48.61	0.56	16.27
HSY	Hershey Co.	Consumer Staples	Food Products	15.2%	8,201	2.75	2.89	19.3	18.3	2.60%	Neutral	53.02	0.31	19.14
MJN	Mead Johnson Nutrition Co.	Consumer Staples	Food Products	100.0%	11,325	2.65	2.93	20.9	18.9	1.88%	Neutral	55.36	0.65	20.03
RAI	Reynolds American Inc.	Consumer Staples	Tobacco	0.0%	11,109	2.62	2.76	12.5	11.9	6.45%	Neutral	32.85	0.65	22.94
HCBK	Hudson City Bancorp Inc.	Financials	Thriffs & Mortgage Finance	0.0%	5,103	0.92	1.06	10.5	9.2	6.19%	Underperform	9.69	0.62	24.13
PBCT	People's United Financial Inc.	Financials	Thriffs & Mortgage Finance	0.0%	4,555	0.61	0.74	20.1	16.7	5.02%	Neutral	12.35	0.25	20.34
EQR	Equity Residential	Financials	Real Estate Investment Trusts (REITs)	0.0%	15,445	2.41	2.76	22.5	19.7	2.49%	Neutral	54.30	1.25	31.97
HCP	HCP Inc.	Financials	Real Estate Investment Trusts (REITs)	0.0%	13,502	2.57	2.88	14.4	12.9	5.18%	Neutral	37.06	1.29	38.14
PCL	Plum Creek Timber Company Inc.	Financials	Real Estate Investment Trusts (REITs)	0.0%	6,796	1.35	1.60	31.1	26.3	4.00%	Neutral	42.05	1.04	25.53
PSA	Public Storage	Financials	Real Estate Investment Trusts (REITs)	0.0%	15,071	5.50	5.74	19.6	18.8	2.97%	Neutral	107.91	0.92	27.72
CBG	CB Richard Ellis Group Inc. (CI A)	Financials	Real Estate Management & Development	39.7%	7,599	1.05	1.47	24.9	17.8	N/A	Neutral	26.15	2.50	63.42
CI	CIGNA Corp.	Health Care	Health Care Providers & Services	0.0%	11,303	4.65	4.95	9.0	8.4	0.10%	Underperform	41.72	1.52	43.31
LH	Laboratory Corp. of America	Health Care	Health Care Providers & Services	0.0%	8,879	5.80	6.65	15.1	13.1	N/A	Neutral	87.31	0.49	18.28
CERN	Cerner Corp.	Health Care	Health Care Technology	15.5%	7,316	3.30	4.00	31.1	25.7	N/A	Underperform	102.68	0.99	32.03
AMGN	Amgen Inc.	Health Care	Biotechnology	22.7%	50,604	5.18	5.88	10.3	9.1	N/A	Neutral	53.56	0.45	27.59
BIIB	Biogen Idec Inc.	Health Care	Biotechnology	40.9%	16,502	6.09	6.49	11.4	10.7	N/A	Neutral	69.25	0.69	32.43
GILD	Gilead Sciences Inc.	Health Care	Biotechnology	46.9%	32,726	4.23	4.72	9.5	8.5	N/A	Neutral	40.31	0.41	23.20
BMJ	Bristol-Myers Squibb Co.	Health Care	Pharmaceuticals	35.3%	43,528	2.18	2.16	11.7	11.8	5.19%	Neutral	25.43	0.62	24.27
JNJ	Johnson & Johnson	Health Care	Pharmaceuticals	52.1%	159,640	4.87	5.13	11.9	11.3	3.72%	Neutral	58.13	0.58	14.94
WPI	Watson Pharmaceuticals Inc.	Health Care	Pharmaceuticals	16.2%	6,844	4.21	5.08	13.0	10.8	N/A	Neutral	54.62	0.47	21.68
GWV	W.W. Grainger Inc.	Industrials	Trading Companies & Distributors	17.5%	7,806	7.75	8.60	17.4	15.6	1.61%	Underperform	134.55	0.96	24.65
EFX	Equifax Inc.	Industrials	Professional Services	27.3%	4,377	2.51	2.78	14.1	12.8	1.81%	Neutral	35.47	1.09	25.98
T	AT&T Inc.	Telecommunication Services	Diversified Telecommunication Services	0.0%	163,943	2.36	2.63	11.8	10.5	6.20%	Neutral	27.74	0.66	20.60
FTR	Frontier Communications Corp.	Telecommunication Services	Diversified Telecommunication Services	0.0%	7,991	0.26	0.38	30.9	21.2	9.33%	Underperform	8.04	0.77	24.23
VZ	Verizon Communications Inc.	Telecommunication Services	Diversified Telecommunication Services	0.0%	99,870	2.20	2.49	16.1	14.2	5.52%	Neutral	35.33	0.64	20.40
S	Sprint Nextel Corp.	Telecommunication Services	Wireless Telecommunication Services	0.0%	15,114	(0.33)	(0.28)			N/A	Neutral	5.06	1.13	55.14
DUK	Duke Energy Corp.	Utilities	Electric Utilities	8.4%	23,312	1.35	1.41	13.0	12.5	5.57%	Neutral	17.60	0.42	13.50
EIX	Edison International	Utilities	Electric Utilities	0.0%	11,602	2.79	3.01	12.8	11.8	3.59%	Neutral	35.61	0.70	18.68
ETR	Entergy Corp.	Utilities	Electric Utilities	0.0%	11,845	6.57	6.16	10.0	10.6	5.07%	Underperform	65.47	0.62	21.06
EXC	Exelon Corp.	Utilities	Electric Utilities	0.0%	26,576	4.00	3.05	10.0	13.2	5.23%	Underperform	40.18	0.61	20.46
FE	FirstEnergy Corp.	Utilities	Electric Utilities	0.0%	15,289	3.14	3.04	11.6	12.0	6.02%	Underperform	36.56	0.53	23.49
NU	Northeast Utilities	Utilities	Electric Utilities	0.0%	5,907	2.33	2.44	14.4	13.7	3.28%	Neutral	33.50	0.52	18.00
PNW	Pinnacle West Capital Corp.	Utilities	Electric Utilities	0.0%	4,512	3.06	3.45	13.6	12.0	5.06%	Neutral	41.50	0.57	19.94
PPL	PPL Corp.	Utilities	Electric Utilities	8.5%	11,802	2.55	2.38	9.6	10.3	5.73%	Neutral	24.42	0.45	21.05
CEG	Constellation Energy Group Inc.	Utilities	Independent Power Producers & Energy Traders	0.0%	6,032	3.16	2.46	9.6	12.3	3.18%	Neutral	30.19	1.03	38.22
NRG	NRG Energy Inc.	Utilities	Independent Power Producers & Energy Traders	1.4%	5,068	0.43	0.38	47.7	53.9	N/A	Neutral	20.50	0.80	33.82
AEE	Ameren Corp.	Utilities	Multi-Utilities	0.0%	6,466	2.40	2.35	11.2	11.5	5.71%	Underperform	26.96	0.66	22.03
CMS	CMS Energy Corp.	Utilities	Multi-Utilities	0.0%	4,578	1.44	1.52	13.0	12.3	4.49%	Neutral	18.72	0.58	20.90
ED	Consolidated Edison Inc.	Utilities	Multi-Utilities	0.0%	14,321	3.56	3.68	13.8	13.4	4.87%	Neutral	49.29	0.31	15.10
D	Dominion Resources Inc. (Virginia)	Utilities	Multi-Utilities	0.0%	25,316	3.10	3.37	14.1	12.9	4.52%	Neutral	43.61	0.57	17.71
DTE	DTE Energy Co.	Utilities	Multi-Utilities	0.0%	7,991	3.62	3.79	13.1	12.5	4.74%	Underperform	47.25	0.66	19.58
SCG	SCANA Corp.	Utilities	Multi-Utilities	0.0%	4,334	3.11	3.19	12.3	12.0	5.07%	Underperform	38.28	0.57	17.40
TE	TECO Energy Inc.	Utilities	Multi-Utilities	3.6%	3,805	1.34	1.42	13.2	12.5	4.63%	Neutral	17.72	0.84	27.67

Key: Bold typeface denotes companies newly appearing in screen this week

Companies from last week's screen no longer appearing this week: Nordstrom Inc. (JWN), Hospira Inc. (HSP), American Electric Power Co. Inc. (AEP)

Source: First Call, Bloomberg, BofA Merrill Lynch US Equity Strategy

BofA Merrill Lynch Analyst Aggregate Outlook

Table 17: BofA Merrill Lynch US Equity Strategy

	Market Value (%)	Target (%)	Sector	Sector BofAML Analyst Rating	Overweight	BofAML Analyst Rating	Equal Weight	BofAML Analyst Rating	Underweight	BofAML Analyst Rating
Overweight	18.7%	21.7%	Information Technology	68.4%	Communications Equipment	85.0%	Electronic Equipment Instruments & Components	78.1%		
					Computers & Peripherals	83.9%	Internet Software & Services	76.6%		
					IT Services	45.5%	Office Electronics	0.0%		
					Semiconductors & Semiconductor Equipment	32.8%				
	13.1%	13.6%	Energy	71.6%	Software	80.9%				
					Energy Equipment & Services	79.8%				
	3.6%	3.7%	Materials	25.2%	Oil Gas & Consumable Fuels	69.8%				
					Chemicals	35.6%	Construction Materials	0.0%		
	11.1%	11.4%	Industrials	50.8%	Containers & Packaging	36.5%	Metals & Mining	0.0%		
							Paper & Forest Products	71.1%		
					Aerospace & Defense	68.6%	Commercial Services & Supplies	41.8%	Airlines	100.0%
Air Freight & Logistics					81.8%	Construction & Engineering	79.9%	Building Products	0.0%	
Electrical Equipment					87.6%	Industrial Conglomerates	0.0%	Professional Services	34.7%	
Machinery					49.6%			Trading Companies & Distributors	-46.7%	
Equal Weight	16.0%	16.0%	Financials	34.8%	Road & Rail	97.6%				
					Capital Markets	13.1%	Commercial Banks	-0.3%	Real Estate Investment Trusts (REITs)	66.6%
					Consumer Finance	91.4%	Diversified Financial Services	36.8%	Real Estate Management & Development	0.0%
	10.6%	10.6%	Consumer Discretionary	62.6%	Insurance	51.9%			Thriffs & Mortgage Finance	-52.8%
					Hotels Restaurants & Leisure	74.8%	Distributors	100.0%	Auto Components	100.0%
					Media	72.3%	Internet & Catalog Retail	95.3%	Automobiles	84.9%
					Textiles Apparel & Luxury Goods	74.8%	Leisure Equipment & Products	0.0%	Diversified Consumer Services	62.8%
							Specialty Retail	14.8%	Household Durables	43.7%
									Multiline Retail	58.6%
	10.1%	10.1%	Consumer Staples	76.6%	Household Products	76.8%	Beverages	92.7%	Food Products	63.9%
						Food & Staples Retailing	58.6%	Tobacco	94.0%	
Underweight	10.7%	9.0%	Health Care	50.2%	Personal Products	53.0%				
					Health Care Equipment & Supplies	48.4%			Biotechnology	19.6%
					Life Sciences Tools & Services	0.0%			Health Care Providers & Services	79.6%
							Health Care Technology	-100.0%		
	2.9%	2.0%	Telecomm	10.2%					Pharmaceuticals	53.1%
									Diversified Telecommunication Services	3.5%
									Wireless Telecommunication Services	61.6%
	3.2%	1.9%	Utilities	9.9%					Electric Utilities	-0.4%
									Gas Utilities	0.0%
									Independent Power Producers & Energy Traders	0.0%
	S&P 500				54.6%	S&P 500 12 Month Target	1400	2011 Top-Down BofAML / Consensus EPS \$98.06 / 95.00	\$98.06 / 95.00	2011 Top-Down BofAML / Consensus P/E 13.0x / 13.4x
							2012 Top-Down BofAML / Consensus EPS \$111.48 / 102.00	\$111.48 / 102.00	2012 Top-Down BofAML / Consensus P/E 11.4x / 12.5x	11.4x / 12.5x

Source: BofA Merrill Lynch US Equity Strategy

Key: Green: >50% Net buy-rated stocks, Red: Net underperform rated stocks.

% Net buy rated stocks = (Market cap of BofAML Buy rated stocks – Market cap of BofAML Underperform rated stocks) / Total Market cap of sector or industry

Table 18: Recent BofAML US Equity Strategy Publications

Category / Title	Date
Weekly Strategy Insights	
A dip to buy, not sell	14-Mar-2011
High oil prices are a net positive to S&P 500 EPS	7-Mar-2011
Stay focused on rates, not oil	25-Feb-2011
Have we peaked yet?	18-Feb-2011
Ignore the Shiller PE sell-siren	14-Feb-2011
U.S. Strategy Update	
Japan's crisis: S&P 500 target stands, but EPS risk now exists	15-Mar-2011
US corporate tax reform likely: Key issues for EPS, FCF and PE	24-Feb-2011
Going with the grain: US farm sector plays	24-Feb-2011
Dividends: if you raise them, they will come	11-Feb-2011
A little inflation is good for stocks and muni bonds	03-Feb-2011
Monthly US Strategy Update: What We Advise & Why	
Stocks should pause, not correct, as investors watch interest rates; Buy big-cap Tech	22-Feb-2011
S&P 500 EPS Outlook	
Higher S&P EPS, same target	14-Feb-2011
S&P 500 Sector Strategy Snapshot	
Time for an extra Tech boost	16-Feb-2011
Seven Signs	
Signs Say: Interest rates must stay benign for a new S&P high	20-Jan-2011
Intrinsic Valuation Principles	
Calculating and interpreting PEG ratios: Is 1.0x a fair PEG?	9-Feb-2011
Are stocks overvalued by 40%? 5 pitfalls of S&P Mkt Cap/GDP	12-Jan-2011
Is this a range bound market?	08-Jun-2010
A typical bank valuation error	
3 pitfalls in the Shiller 10yr PE	23-Apr-2010
Sell Side Indicator	
Equity sentiment takes a small dip	01-Mar-2011
BofAML Equity Client Flow Trends	
Weekly flows: Buying the dip	15-Mar-2011
S&P 500 Investment Strategy Overview	
2011 – The Year Ahead: Bumpy ride, but worth the trip	6-Dec-2010
Source: BofA Merrill Lynch US Equity Strategy	

Link to Definitions

Macro

Click [here](#) for definitions of commonly used terms.

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

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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