



Top stock picks for 2014

Investment Strategy
MLPF&S

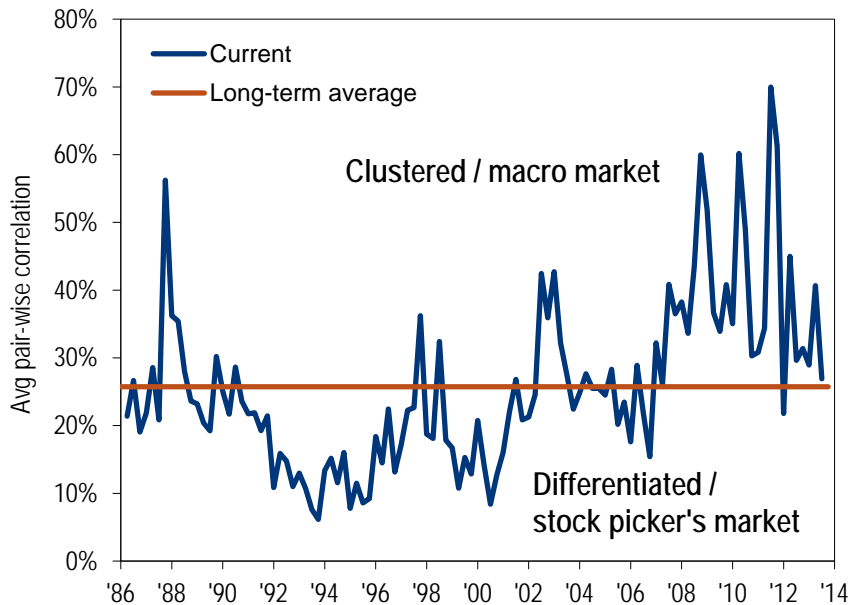
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50 stocks for 2014

The proliferation of ETFs and other index-linked instruments has made it easy for investors to achieve returns that replicate those of an entire market. When intra-market return correlations are high, even stocks with varying business profiles tend to move in tandem. But when correlations fall, as they are doing now (Chart 1), performance among different stocks diverges. It appears that US equities are entering a stock picker's phase, making the case for individual stock selection over indexing.

In this report we highlight the top stock picks for 2014 by BofA Merrill Lynch analysts by US industry group. Our analysts expect that these stocks will outperform their peers over the next 12 months.

Chart 1: Pair-wise correlations have been falling, making the case for a stock picker's market



Source: BofA Merrill Lynch US Equity & US Quant Strategy

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Refer to important disclosures on page 5 to 7. Analyst Certification on Page 4. Link to Definitions on page 4.

Top stock picks for 2014

The following 50 stocks represent the best ideas from BofA Merrill Lynch analysts for the year ahead.

Table 1: BofA Merrill Lynch top picks by analyst

	Industry	Analyst	Company Name	Ticker	Mkt Cap USD (mln)	Opinion	USD Price 14 Jan 2014	2014e P/E	Company Description	Footnote
Basic Materials and Industrials	Airlines	Engel, Glenn	Southwest	LUV	14,931	BUY	21.43	16.5	Southwest is the fourth largest US airline.	BObjopsv
	Aerospace & Defense	Epstein, Ronald J.	Precision Cast	PCP	39,337	BUY	270.81	22.4	Precision Castparts is the leading manufacturer of complex metal castings.	Bbjopsvw
	Transportation	Hoexter, Ken	CSX Corporation	CSX	29,275	BUY	28.88	14.6	CSX provides rail freight transportation across the Eastern half of the US.	Bbjopvw
	Chemicals	McCarthy, Kevin	Eastman Chemical	EMN	12,204	BUY	79.29	11.6	Eastman Chemical is a global, mid-cap, hybrid chemical company.	Bbjopsvw
	Autos	Murphy, John	Ford Motor	F	64,689	BUY	16.40	11.3	Ford Motor is one of the world's largest vehicle producers.	BObjopsvw
	Multi-Industry	Obin, Andrew	Eaton Corp PLC	ETN	35,874	BUY	75.70	15.1	Eaton Corp. is a leading diversified industrial manufacturer.	Bbjopsvw
	Engineering & Construction	Obin, Andrew	Fluor Corp	FLR	12,983	BUY	79.48	17.1	Fluor is the largest publicly traded E&C company in the US.	Bbjopsvw
	Machinery	Gilardi, Ross	United Rentals	URI	7,349	BUY	78.82	14.0	United Rentals is the largest equipment rental chain in the world.	Bbjopsvw
	Paper & Packaging	Staphos, George	Avery Dennison	AVY	4,953	BUY	51.27	16.8	Avery Dennison is a global leader in pressure-sensitive labeling and retail ticketing.	Bbgjopsv
	Metals & Mining	Tanners, Timna	Nucor	NUE	16,410	BUY	51.57	16.6	Nucor is one of North America's largest steel producers.	BObgjopsv
Consumer	Homebuilders	Roxland, Michael	Toll Brothers	TOL	6,430	BUY	36.27	22.7	Toll Brothers is a leading US homebuilder.	Bbjops
	Restaurants	Buckley, Joseph	McDonald's Corp	MCD	94,747	BUY	95.22	16.1	McDonald's is the largest quick service restaurant company in the world.	Bbgjopsvw
	Retailing-Hardlines	Chai, Denise	Whirlpool	WHR	12,186	BUY	155.25	12.8	Whirlpool is the leading global appliance manufacturer.	Bbgjopsvw
	Cons./Household Prod.	Tong, Olivia	Newell	NWL	9,144	BUY	31.84	15.8	Newell Rubbermaid is a manufacturer and marketer of consumer products.	Bbjopsvw
	Education/Bus. Svcs.	Gubins, Sara	Robert Half	RHI	5,688	BUY	41.04	18.7	Robert Half provides temporary workers and permanent placement services.	Bbjopsv
	Specialty Retail	Hutchinson, Lorraine	Urban Outfitter	URBN	5,470	BUY	37.13	20.2	Urban Outfitters is a specialty retailer and wholesaler.	Bbjop
	Footwear	Ohmes, Robert	Dick's	DKS	6,950	BUY	55.25	20.8	Dick's Sporting Goods, Inc is a full-line sporting goods retailer.	Bbjopsvw
	Packaged Food	Oksenhendler, Ryan	Archer Daniels	ADM	27,852	BUY	42.33	11.8	Archer Daniels Midland is a large agricultural services company.	Bbjopsvw
	Beverages	Spillane, Bryan	Constellation	STZ	15,359	BUY	80.93	25.3	Constellation Brands is a leading global producer of alcoholic beverages.	Bbgjopsvw
	Tobacco	Oksenhendler, Ryan	Philip Morris Intl	PM	132,099	BUY	82.45	14.6	Philip Morris International is one of the largest intl. cigarette producers.	#Bbjpw
Energy	Oil Services	Becker, Douglas	Halliburton	HAL	42,751	BUY	50.40	12.0	Halliburton is the second largest provider of oil services worldwide.	Bbgjopsvw
	Oils/Refining/E&P	Leggate, Doug	Hess	HES	26,847	BUY	79.53	13.9	Hess Corp is an integrated oil and gas company.	Bbjopsvw
	MLPs	Moreen, Gabe	Markwest	MWE	11,508	BUY	67.22	37.1	Markwest is an MLP engaged in the gathering, transporting and processing of energy.	Bbjopsvw
	Alternative Energy	Sankar, Krish	Sun Edison	SUNE	3,842	BUY	14.41	24.8	SunEdison develops solar projects and supplies wafers to the semiconductor industry.	Bbgjopsvw
	Utilities	Chin, Brian	NextEra Energy	NEE	37,739	BUY	86.72	16.4	NextEra Energy is an electricity generator.	BObjopsvw

Note the share price, market cap, investment opinion, and forward P/E are as of January 14, 2014

* Please see Footnote Key on page 4

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Source: BofA Merrill Lynch Global Research

Table 2: BofA Merrill Lynch top picks by analyst (cont.)

	Industry	Analyst	Company Name	Ticker	Mkt Cap USD (mln)	Opinion	USD Price 14 Jan 2014	2014e P/E	Company Description	Footnote
Financials	Specialty Finance	Bruce,Kenneth	Ocwen Financial	OCN	7,169	BUY	52.78	9.0	Ocwen is the only publically-traded pure play mortgage servicer.	Bbijopsw
	Asset Management	Carrier,Michael	T. Rowe Price	TROW	21,702	BUY	83.19	18.5	T. Rowe Price is one of the largest mutual fund managers in the US.	Bbjopw
	P&C Insurance	Cohen,Jay A.	AIG	AIG	76,209	BUY	51.76	12.5	AIG is a multi-line insurer.	BObijopsv
	Banks	Najarian,Erika	Citigroup	C	163,630	BUY	53.95	9.6	Citigroup is a leading global diversified financial service company.	ABObgjopsw
	REITs	Schmidt,Craig	General Growth Prop	GGP	18,679	BUY	20.50	16.0	General Growth Properties is a mall REIT.	Bbijopsv
	Life Insurance	Weiss,Seth	MetLife Inc.	MET	60,077	BUY	53.59	9.6	MetLife is one of the largest US life insurers.	BObijopsw
Healthcare	Biotech-Small Cap	Byrne,Steve	Karyopharm	KPTI	685	BUY	23.01	-17.7	Karyopharm Therapeutics is a clinical stage biopharmaceutical company.	Bbgjopsv
	Biotech-Large Cap	McMinn,Rachel	Gilead	GILD	114,986	BUY	74.99	18.2	Gilead is a biotech company focused on HIV therapeutics.	BObijopsw
	Life Sciences	De Bruin,Derik	PerkinElmer	PKI	4,805	BUY	42.75	17.8	PerkinElmer is a diversified provider of scientific instruments.	Bbijopsw
	Healthcare Facilities	Fischbeck,Kevin	Community Health	CYH	3,851	BUY	40.55	8.7	Community Health Systems operates acute care hospitals.	Bbijopsv
	Managed Care	Fischbeck,Kevin	CIGNA Corp	CI	24,736	BUY	89.49	12.5	CIGNA is one of the largest providers of managed care services in the US.	Bbijopsv
	Pharmaceuticals	Gilbert,Gregg	Eli Lilly & Co.	LLY	59,082	BUY	52.44	18.3	Eli Lilly is a global pharmaceutical company.	Bbijopsw
	Specialty Pharma	Gilbert,Gregg	Allergan	AGN	36,022	BUY	121.22	21.1	Allergan is a fully-integrated specialty pharmaceutical company.	Bbgjopsw
	Medical Technology	Hopkins,Bob	St Jude Medical	STJ	19,303	BUY	66.15	16.9	St. Jude is a medical device company focused on the cardiovascular markets.	Bbgjopsv
	Pharma Services	Willoughby,Robert	Catamaran	CTRX	10,321	BUY	50.03	20.0	Catamaran is a middle-market pharmacy benefit manager.	Bbijopv
Tech, Media, & Telecom	Semiconductors	Arya,Vivek	NXP	NXPI	11,107	BUY	44.12	11.3	NXP is a leading vendor of high-performance mixed-signal semiconductors.	Bbgjopsv
	Telecom Services	Barden,David	Equinix	EQIX	8,897	BUY	178.74	43.3	Equinix, Inc. is the premier global data center operator.	Bbgjopsw
	IT Hardware	Craig,Scott	EMC Corp	EMC	52,969	BUY	25.74	13.2	EMC Corporation provides enterprise storage systems, software, and networks.	Bbgjopsw
	IT Services	Gubins,Sara	Cognizant	CTSH	30,350	BUY	100.33	21.4	Cognizant provides IT consulting and outsourcing services.	Bbijopsw
	Tech./Telecom Equip.	Liani,Tal	Cisco Systems	CSCO	119,818	BUY	22.41	11.3	Cisco Systems is a provider of data networking products.	Bbijopsw
	Electrical Equipment	Mohan,Wamsi	Corning	GLW	26,759	BUY	18.49	13.9	Corning manufactures LCD glass, optical fiber, and cable & telecom equipment.	Bbgjopsw
	Internet/e-Commerce	Post,Justin	Facebook	FB	146,672	BUY	57.74	51.1	Facebook is the largest social network.	Bbgjopsw
	Cable/Satellite	Reif Cohen,Jessica	Comcast Corp	CMCSA	137,162	BUY	52.81	18.1	Comcast is the largest US provider of cable services.	#BObijopsv
	Entertainment	Reif Cohen,Jessica	Disney Walt	DIS	130,829	BUY	74.45	19.0	Disney is one of the largest diversified media companies.	BObijopsw
	Semi Cap Equip.	Sankar,Krish	KLA-Tencor	KLAC	10,642	BUY	63.86	16.8	KLA-Tencor is a leading provider of solutions for semiconductor manufacturers.	Bbijopsw

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Source: BofA Merrill Lynch Global Research

15 January 2014

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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