

Student of the Market

September 2022



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**So goes July,
so goes the
rest of the
year?**

**Long-term
U.S. stock
returns and
elections**

**Mid-term
elections and
the stock
market**

**U.S. GDP and
recessions**

**Recession
asset class
performance**

**High stock
and bond
correlation**

**Percent of
asset classes
that lost
money**

**Investing can
feel turbulent**

Source: Morningstar as of 8/31/22. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

SO GOES JULY, SO GOES THE REST OF THE YEAR?

Stocks give some back after a big July

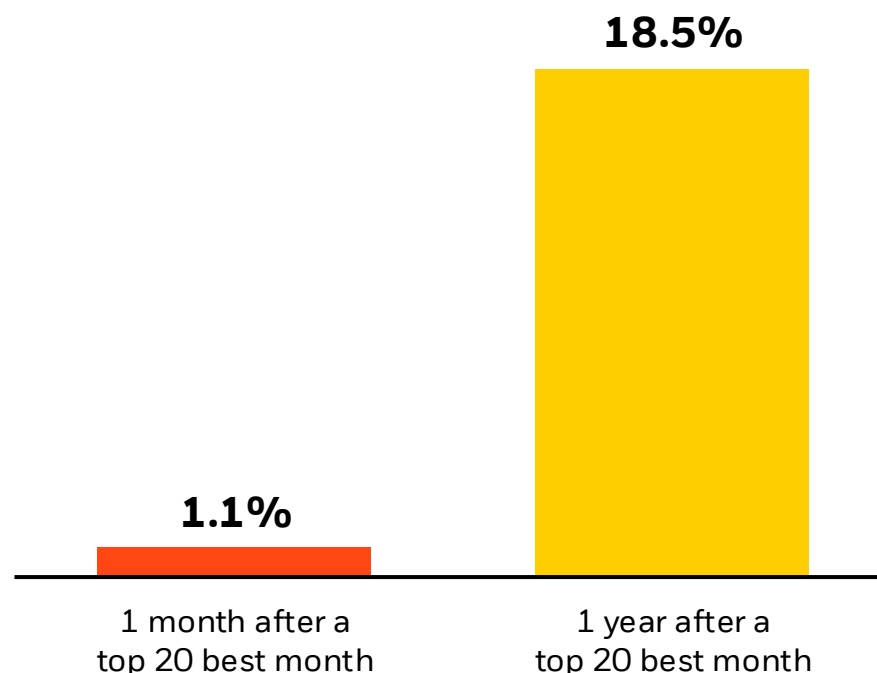
U.S. stocks were -4.1% in August after being +9.2% in July (17th best month since 1950)

20 best months for U.S. stocks since 1950

20 best months		The following month	12 months later (after best month)
Oct-74	16.8	-4.9	26.0
Jan-87	13.5	4.0	-3.3
Apr-20	12.8	4.8	46.0
Jan-75	12.7	6.4	36.6
Jan-76	12.2	-0.8	5.3
Aug-82	12.1	1.3	44.2
Oct-82	11.5	4.0	28.0
Dec-91	11.4	-1.9	7.6
Aug-84	11.0	0.0	18.2
Nov-20	11.0	3.8	27.9
Oct-11	10.9	-0.2	15.2
Nov-62	10.9	1.5	21.5
Nov-80	10.7	-3.0	-5.4
Mar-00	9.8	-3.0	-21.7
May-90	9.8	-0.7	11.8
Apr-09	9.6	5.6	38.8
Jul-22	9.2	-4.1	?
Nov-54	9.1	5.3	38.4
Jul-89	9.0	2.0	6.5
Apr-78	9.0	0.9	10.8
Avg.	11.2	1.1	18.5

Average return following the 20 best months

Since 1950



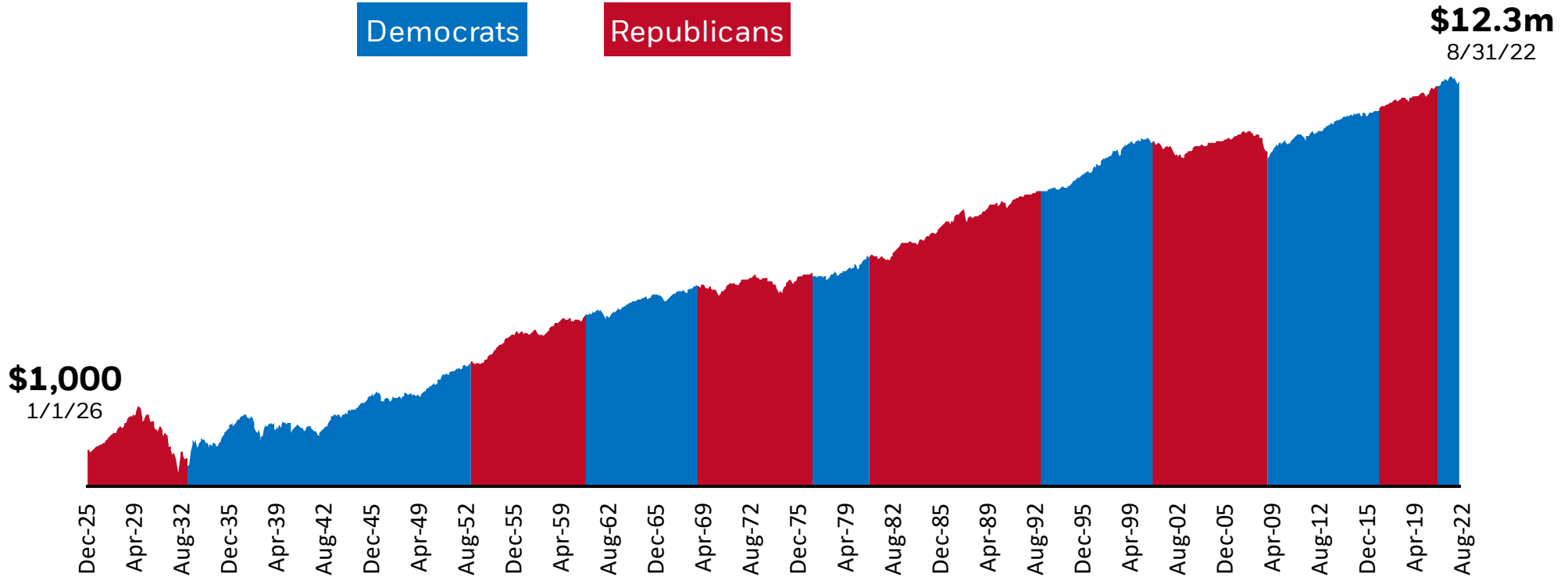
Source: Morningstar as of 8/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 8/31/22 and the IASBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

Election season reminder : Stocks have continued higher regardless of party

Standing president's party affiliation

Democrats

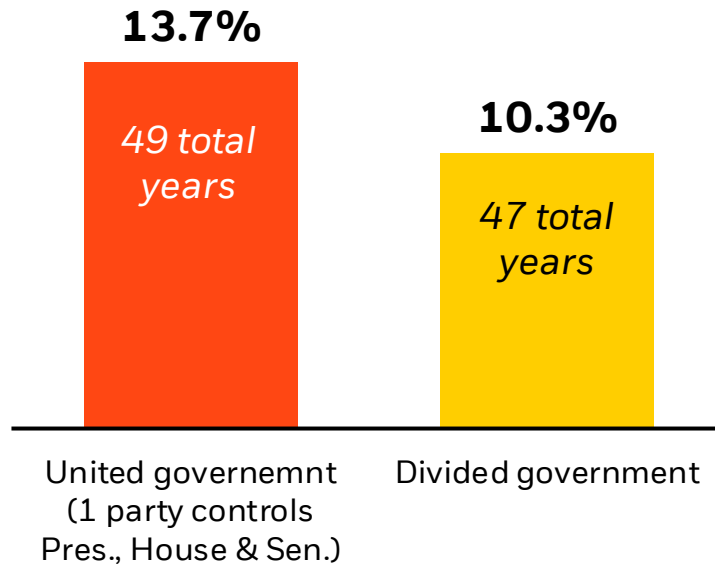
Republicans



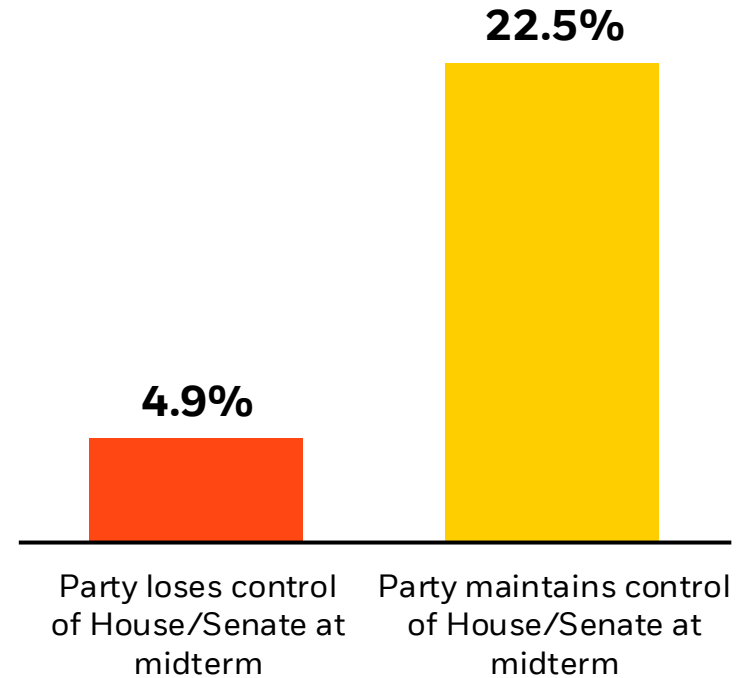
Morningstar as of 8/31/22. Stock market represented by the S&P 500 Index from 3/4/57 to 8/31/22 and the IASBBI U.S.Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Mid-term election: United vs. divided government

Years of united or divided government
Since 1927



Performance during united or divided governments
Average annual return percentage

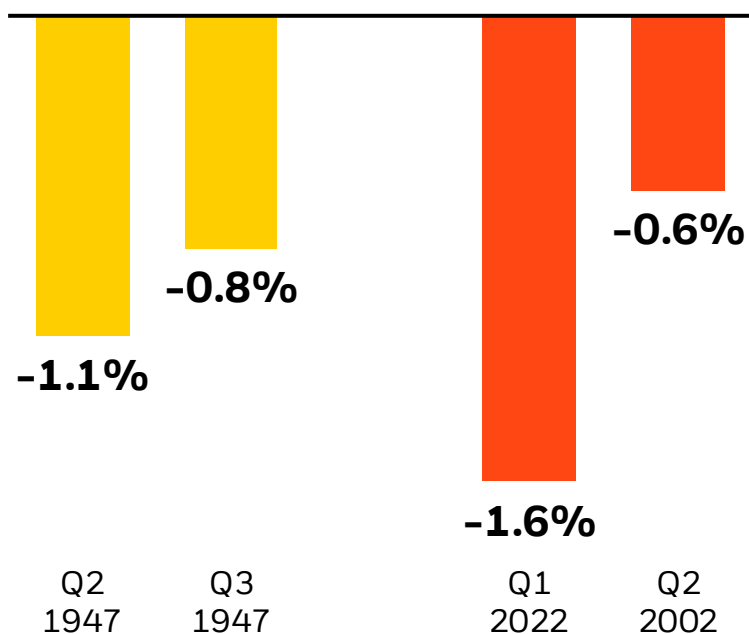


Source: Morningstar as of 8/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 8/31/22 and the IASBBI US. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

U.S. GDP and recessions

Not all consecutive quarters of negative GDP are recessions and not all recessions have consecutive quarters of negative GDP

1947 and 2022 U.S. GDP



U.S. recessions and back to back quarters of negative GDP

Since 1947

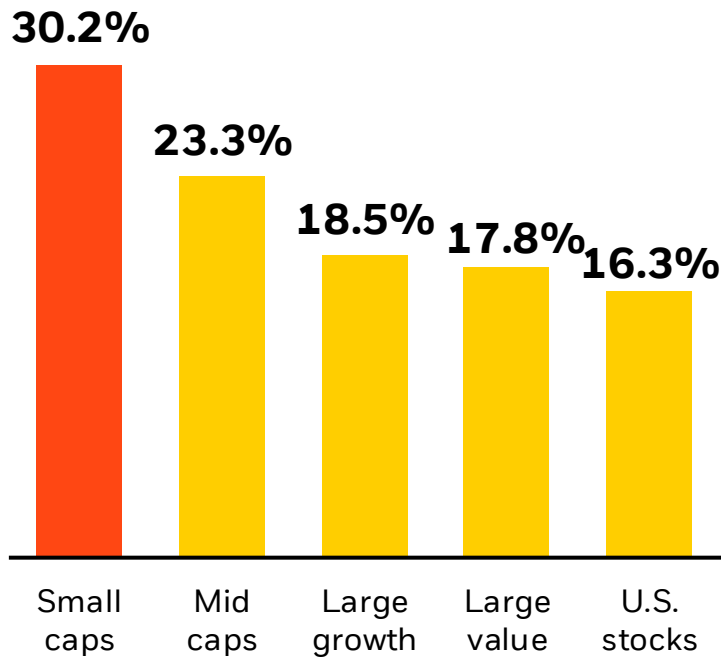
Back to back quarters of negative GDP	Official recession date	U.S. stocks during recession	U.S. stocks 1 year later
2 Quarters (Q2 '47 to Q3 '47)	No	2.4	8.4
2 Quarters (Q1 '49 to Q2 '49)	1948-12-01 to 1949-10-31	15.2	31.5
3 Quarters (Q3 '53 to Q1 '54)	1953-08-01 to 1954-05-31	24.2	35.9
2 Quarters (Q4 '57 to Q1 '58)	1957-09-01 to 1958-04-30	-1.5	37.3
No	1960-05-01 to 1961-02-28	20.3	13.6
2 Quarters (Q4 '69 to Q1 '70)	1970-01-01 to 1970-11-30	-2.0	11.3
3 Quarters (Q3 '74 to Q1 '75)	1973-12-01 to 1975-03-31	-5.9	28.3
2 Quarters (Q2 '80 to Q3 '80)	1980-02-01 to 1980-07-31	9.6	13.0
2 Quarters (Q4 '81 to Q1 '82)	1981-08-01 to 1982-11-30	10.5	25.6
2 Quarters (Q4 '90 to Q1 '91)	1990-08-01 to 1991-03-31	8.0	11.0
No	2001-04-01 to 2001-11-30	-0.9	16.5
4 Quarters (Q3 '08 to Q2 '09)	2008-01-01 to 2009-06-30	-25.0	14.4
2 Quarters (Q1 '20 to Q2 '20)	2020-03-01 to 2020-04-30	-1.1	46.0
2 Quarters (Q1 '22 to Q2 '22)	?	-20.0	?
Average		2.4	22.5

Source: St. Louis Federal Reserve and Morningstar as of 8/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 8/31/22 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

Performance after recessions

Performance after recessions since 1975

Cumulative return percentage



Performance after recessions since 1975

Cumulative return percentage

	5/1/20 to 4/30/21	7/1/09 to 6/30/10	12/1/01 to 11/30/02	4/1/9 to 3/31/92	9/1/82 to 8/31/83	8/1/81 to 7/31/82	4/1/75 to 3/31/76	Avg.
Small Cap	71.2	21.5	-8.8	21.1	67.3	-11.1	49.9	30.2
Financials	69.8	13.8	-4.9	40.1	46.4	-4.8	19.6	25.7
Mid-Cap	60.3	21.0	-9.7	16.1	45.9	-9.6	39.1	23.3
Technology	69.9	18.2	-32.8	15.5	74.4	-8.7	25.1	23.1
High Yield Bond	18.5	23.7	-2.5	29.3	26.9	12.4	25.0	19.0
Large Growth	51.6	12.3	-21.7	14.6	52.9	-8.6	28.1	18.5
Large Value	45.8	13.7	-13.5	12.7	42.3	-7.3	30.6	17.8
S&P 500	46.0	14.4	-16.5	11.0	44.2	-13.3	28.3	16.3
Core Bond	1.5	12.9	5.1	11.8	18.4	16.9	16.4	11.9
Utilities	22.6	7.5	-22.1	11.3	18.0	11.4	27.4	10.8
Municipals	7.8	9.6	6.3	10.0	15.5	10.0	N/A	9.9
Energy Equity	53.6	6.6	-6.1	-15.9	34.3	-23.9	N/A	8.1
International	39.9	5.9	-12.5	-8.0	29.9	-13.2	5.4	6.8
Cash	0.1	0.1	1.7	5.1	8.2	13.3	5.6	4.9

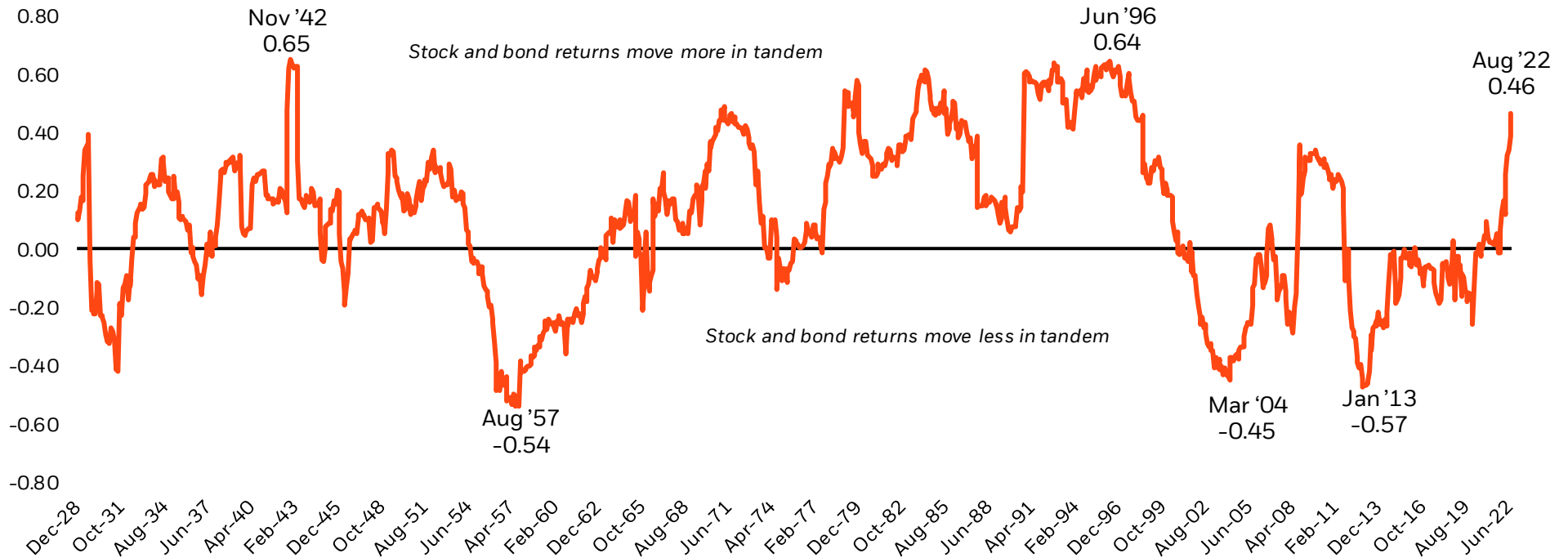
Source: Morningstar and BlackRock as of 8/31/22. U.S. stocks represented by the S&P 500 Index, Core bonds by the Morningstar core bond category, Municipals by the Morningstar municipal bond category, High yield by the Morningstar high yield bond category, Technology by the Morningstar technology stock category, International by the MSCI EAFE Index, Mid cap by the Morningstar mid cap core category, Momentum by the MSCI USA Momentum Index, Large growth by the Morningstar large growth category, Large value by the Morningstar large value category, Small cap by the Morningstar small cap core category, Utilities by the Morningstar utilities fund category and Energy equity by the Morningstar equity energy category. Index performance is for illustrative purposes only. Past performance does not guarantee or indicate future results. It is not possible to invest in an index.

Highest stock and bond correlation since the late 1990's

Returns are moving in the same direction, challenging diversification efforts

Correlation of stock and bond returns

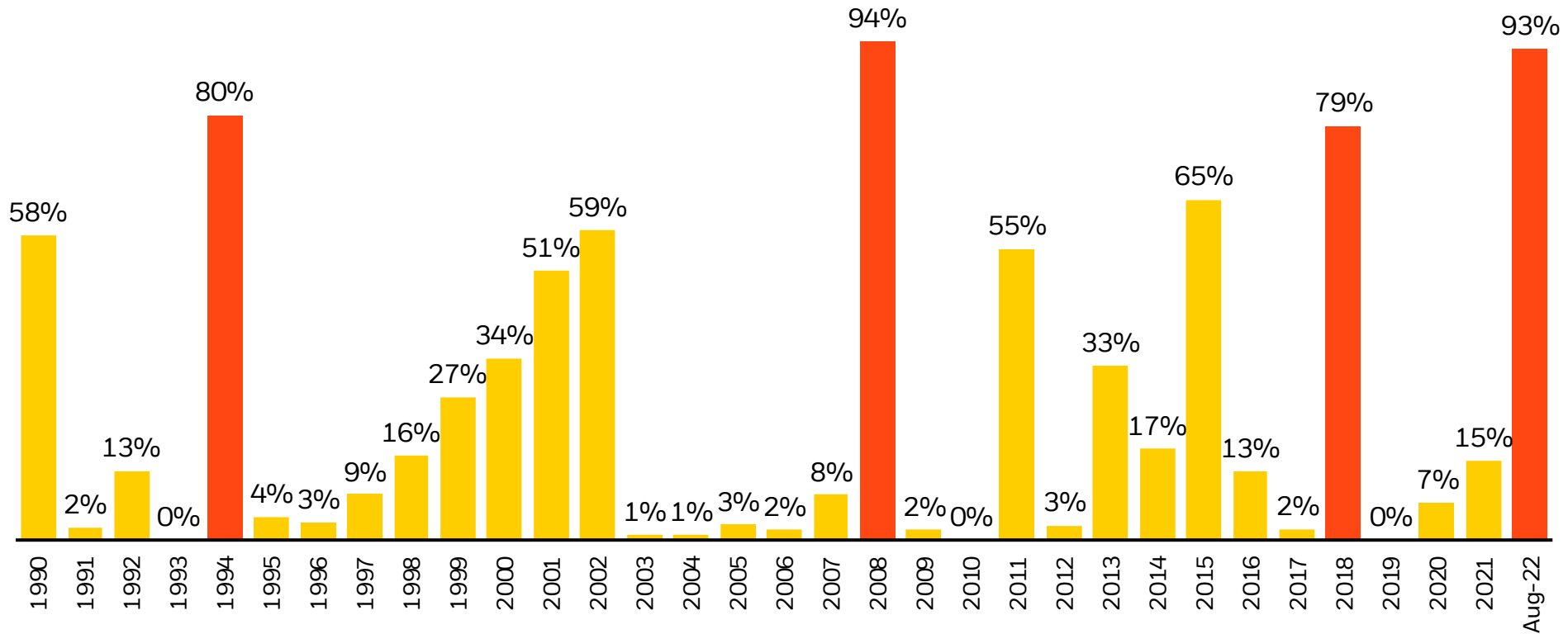
3-year correlation, since 1928



Source: Morningstar as of 8/31/22. U.S. bonds represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 8/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 8/31/22 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period.. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

2022: Most asset classes have lost money

Percent of mutual fund categories that lost money in a given calendar year



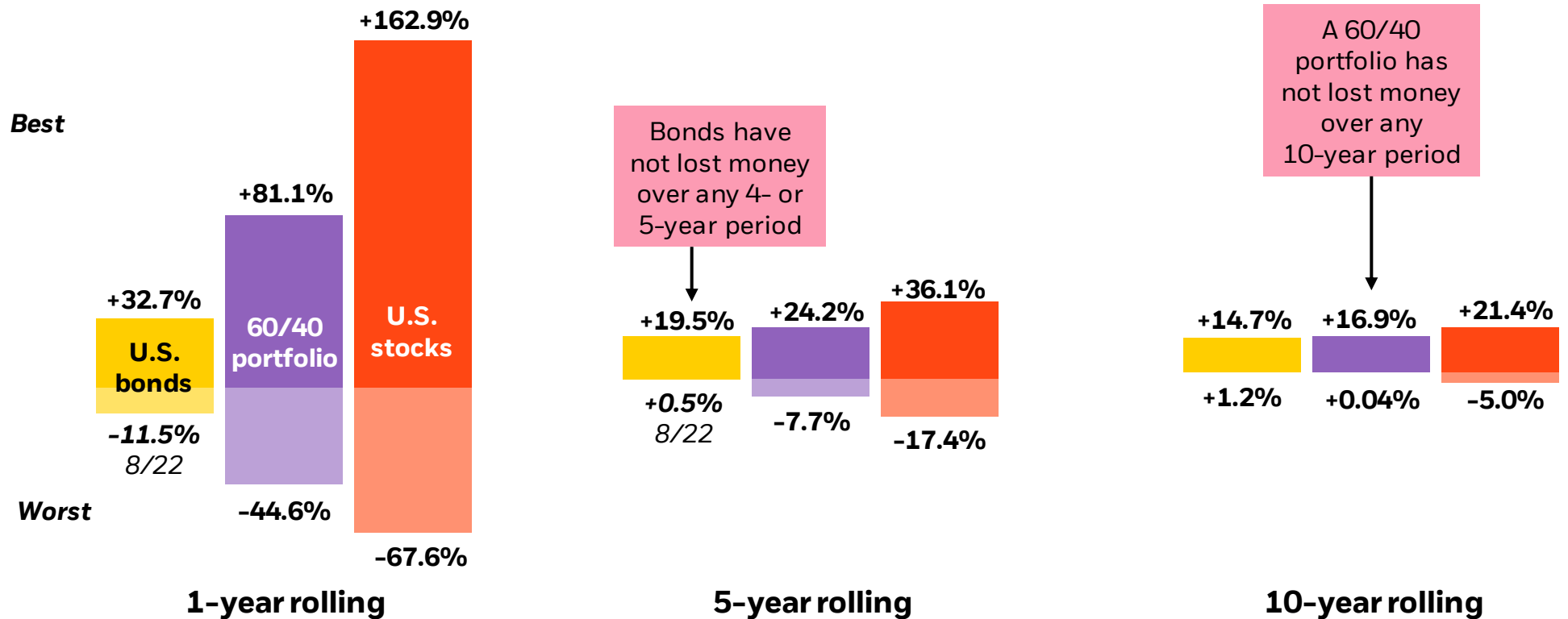
104 out of 112 asset classes have lost money

Morningstar as of 8/31/22. Past performance does not guarantee or indicate future results. All asset classes represented by Morningstar open-end mutual funds categories. Morningstar categories that have a positive return YTD 2022; Equity Energy, Energy Limited Partnerships, Commodities Broad Basket, Systematic Trend, Commodities Focused, Latin America Stock, Equity Market Neutral, and Utilities.

Over shorter time periods, investing can feel turbulent

Range of U.S. stock, U.S. bond and 60/40 portfolio returns since 1926

Average annual rolling returns



Source: Morningstar as of 8/31/22. US Stocks represented by the S&P 500 from 3/4/57 to 8/31/22 and the IA SBBI USLrg Cap Index from 1/1/26 to 3/4/57. Bonds represented by the IA SBBI US IT Index from 1/1/26 to 1/3/89 and the Bloomberg US Agg Bond Index from 1/3/689 to 8/31/22. 60/40 portfolio represented by 60% IA SBBI USLrg Cap Index and 40% IA SBBI US IT Index from 1/1/26 to 1/3/89 and 60% of the S&P 500 Index and 40% of the Bloomberg US Agg Bond Index from 1/3/89 to 8/31/22. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can not invest directly in the index..

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Returns as of 8/31/22	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	-11.23	11.82	13.08
Bloomberg US Agg Bond TR USD	-11.52	0.52	1.35
IA SBBI US IT Govt TR USD	-9.16	0.46	0.99
IA SBBI US Large Stock TR USD Ext	-11.23	11.82	13.08
MSCI EM NR USD	-21.80	0.59	2.92
US Fund Commodities Broad Basket	26.67	8.96	-0.91
US Fund Commodities Focused	11.10	5.85	-2.88
US Fund Energy Limited Partnership	29.90	3.68	2.00
US Fund Equity Energy	52.76	4.37	-1.56
US Fund Equity Market Neutral	5.29	1.14	0.44
US Fund Financial	-12.14	6.53	10.46
US Fund High Yield Bond	-9.74	1.88	3.62
US Fund Intermediate Core Bond	-11.76	0.39	1.26
US Fund Large Growth	-23.75	11.46	12.74
US Fund Large Value	-4.79	8.31	10.22
US Fund Mid-Cap Blend	-11.22	8.13	10.36
US Fund Systematic Trend	17.58	6.07	3.67
US Fund Technology	-30.74	12.59	15.44
US Fund Utilities	8.11	8.10	9.90
USTREAS T-Bill Auction Ave 1 Mon	0.56	1.05	0.62

Source: Morningstar. Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than that shown. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are as of 8/31/22 and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

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