

May 2024

Student of the Market



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U.S. stocks and asset allocation

**Elections years and
U.S. stocks**



**Seasonal stock and
bond returns**



**U.S. stocks and higher
interest rates**



Asset class returns



Bonds and rates

Inverted yield curve



**Higher interest rates
and higher bond
volatility**



High yield and Private credit

High yields bonds



Private credit



Source: Morningstar as of 4/30/24. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

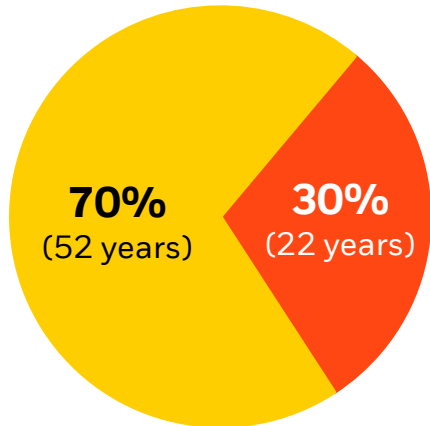
U.S. stocks have tended to lose money less often in election years

Percent of calendar years that lost money

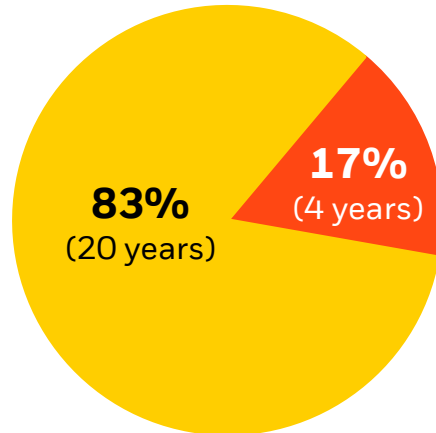
U.S. stocks by calendar year returns (1926 - 2023)

- Made money
- Lost money

Non-election years



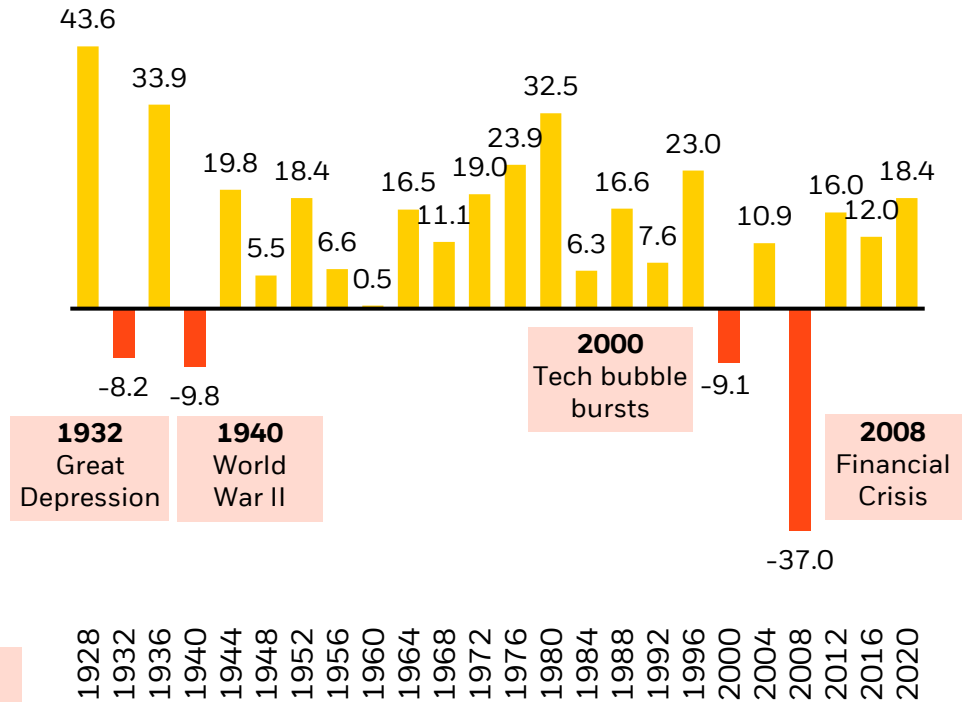
Election years



Negative years have tended to be driven by historic economic events, not elections.

U.S. stock performance in election years

U.S. stocks by calendar year returns (1926 - 2023)

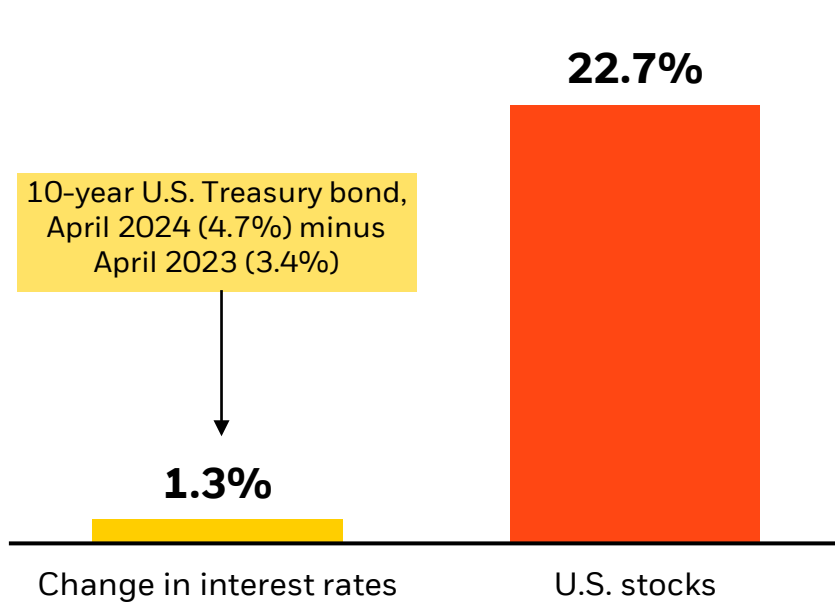


Source: Morningstar as of 4/30/2024. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 4/30/24 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Higher interest rates and U.S. stock returns

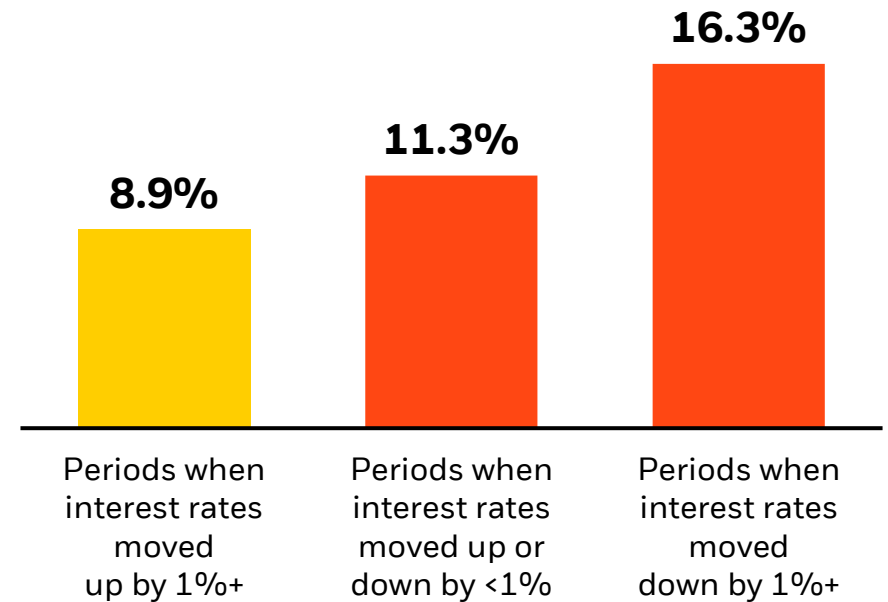
U.S. stocks have gone up in the face of higher interest rates

12-month period ended 4/30/24



U.S. stocks historically perform best when long-term rates decline by a significant amount

Average return for U.S. stocks during 12-month rate movement periods of the 10-year U.S. treasury bond yield, since 1962



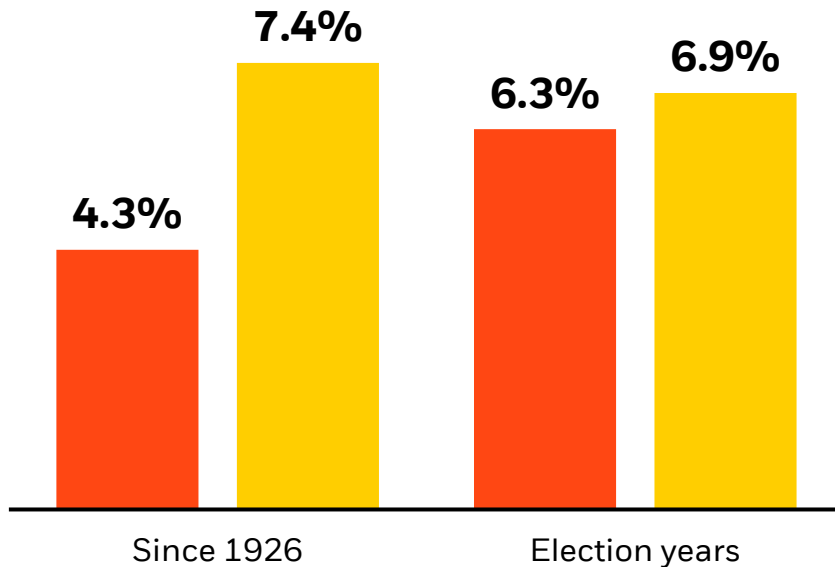
Morningstar, St. Louis Federal Reserve as of 4/30/24. U.S. stocks are represented by the S&P 500 TR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Sell in May and go away?

Stocks enter a lower return season, which tends to be stronger in election years

Average for all 6-month periods since 1926

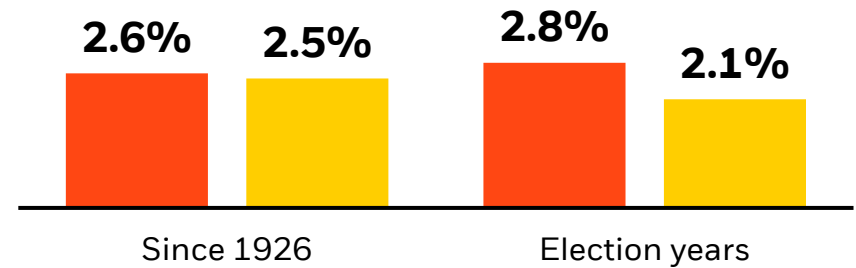
- May 1 to Oct. 31 ("Mommies to Mummies")
- Nov. 1 to Apr. 30 ("Turkey to Tax")



Bonds enter a slightly higher return season, which tends to be even stronger in election years

Since 1926, Average for all 6-month periods

- May 1 to Oct. 31 ("Mommies to Mummies")
- Nov 1. to Apr. 30 ("Turkey to Tax")

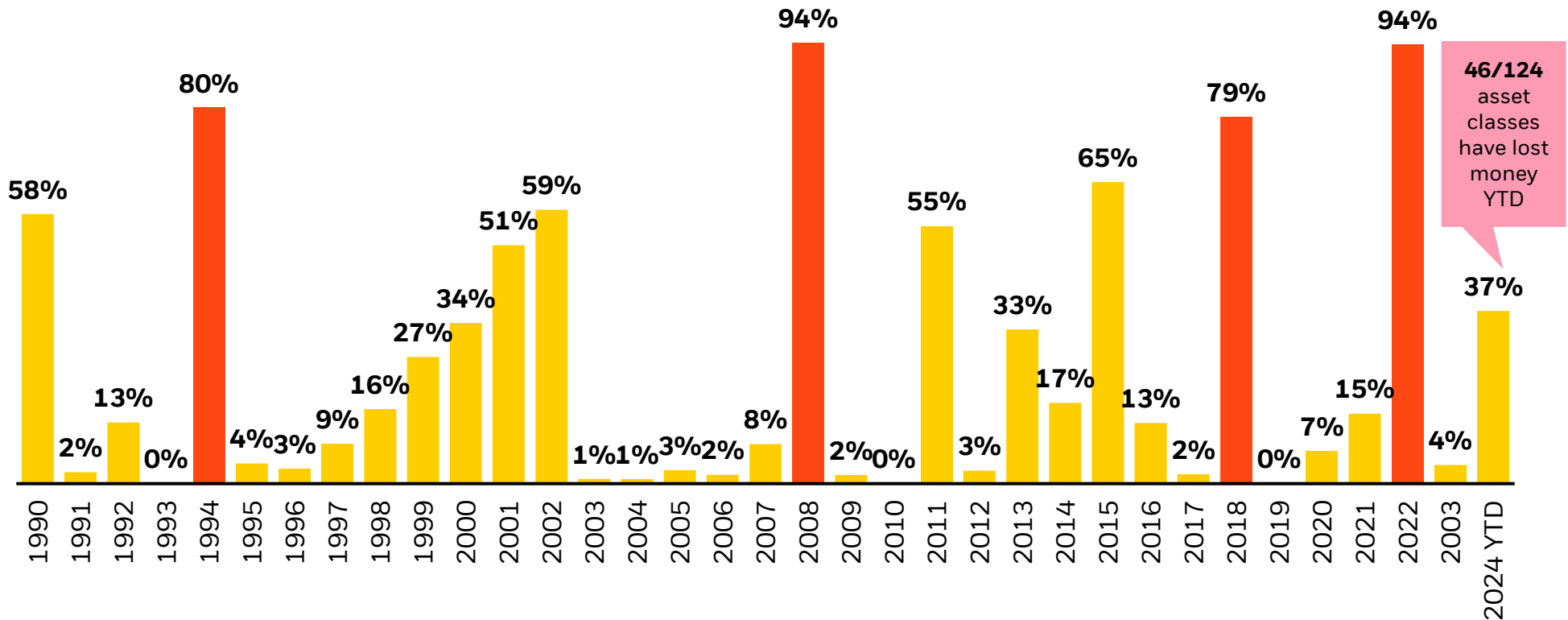


Morningstar as of 4/30/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 4/30/24 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57. U.S. bonds are represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 4/30/24. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

Majority of asset classes are positive so far this year

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

1/1/90 – 4/30/24

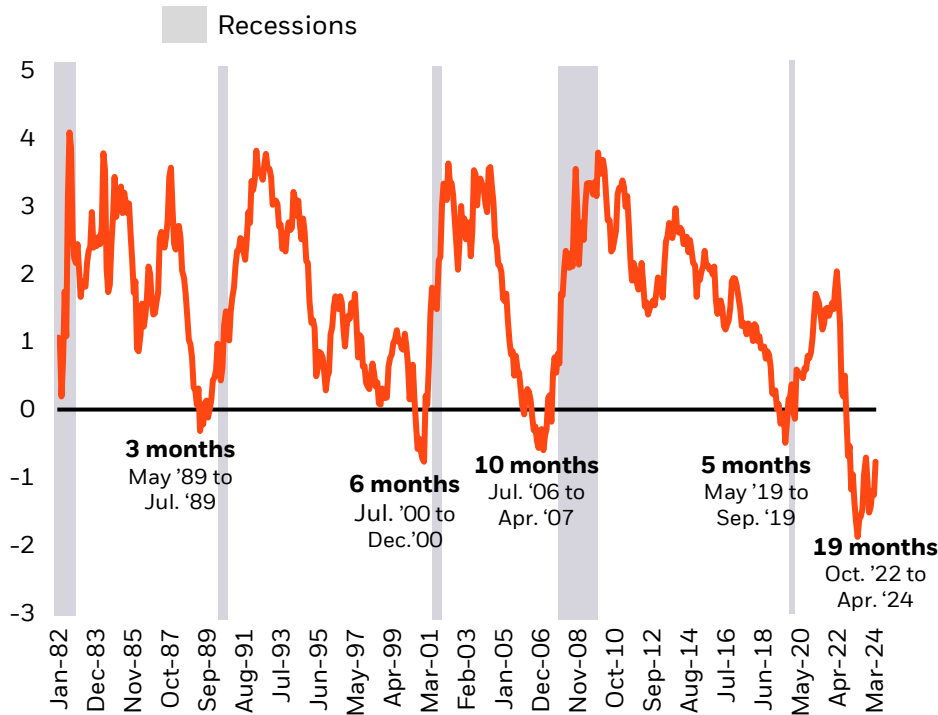


Morningstar as of 4/30/24. All asset classes represented by Morningstar fund categories. Past performance does not guarantee or indicate future results.

Short term rates have been higher than long term rates for the longest period in history

Longest yield curve inversion in history

10-year U.S. Treasury yield minus 3-month U.S. Treasury since 1/1/82



Performance during inverted yield curves

Annualized returns, 1/1/82 – 4/30/24

	S&P 500	Core bonds	Short-term bonds	Cash
Performance during this inverted yield curve (Oct '22 to Apr '24)	21.1	3.5	5.1	4.9
Average historical performance 1 year following an inverted yield curve	7.0	6.7	5.0	4.3

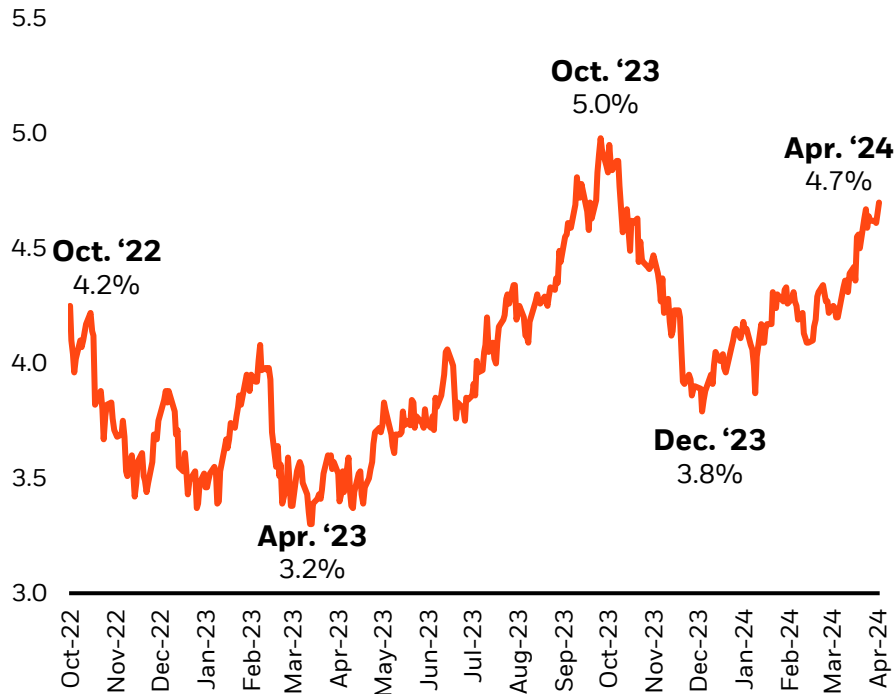
During this record yield curve inversion, U.S. stocks have performed much better than what we have historically experienced, and core bonds have performed much worse.

Morningstar, NBER as of 4/30/24. U.S. stocks are represented by the S&P 500 TR Index, Core Bonds are represented by the Bloomberg U.S. Agg Bond TR Index, Short-term bonds by the short-term bond Morningstar category average, Cash by the IA SBBI 30-day T-bill index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Flexible bond strategies have endured during big swings in interest rates

Peak to trough interest rate swings since rates reached the 4% level this hiking cycle

10-year U.S. Treasury yield since 10/24/22



Bond returns during interest rate swings since rates reached 4% this hiking cycle

Cumulative returns and average annual returns where specified, 10/24/22 – 4/30/24

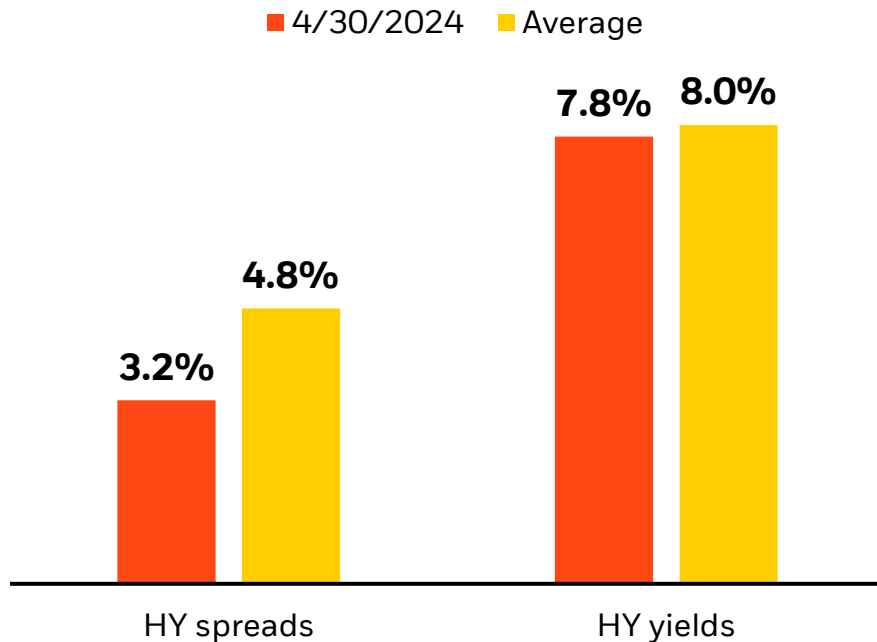
	Average annual returns over all periods	10/24/22 to 4/5/23	4/6/23 to 10/19/23	10/20/23 to 12/27/23	12/28/23 to 4/30/24
Multisector Bond	7.6	6.6	-2.1	7.4	-0.2
Nontraditional Bond	6.8	3.9	0.2	5.0	1.1
Intermediate Core Bond	4.4	8.5	-7.0	9.4	-3.2
Money Market	4.6	1.7	2.6	0.9	1.7

Morningstar, Federal Reserve as of 4/30/24. All categories are represented by their respective U.S. fund category as defined by Morningstar. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Is this a good environment for high yield bonds?

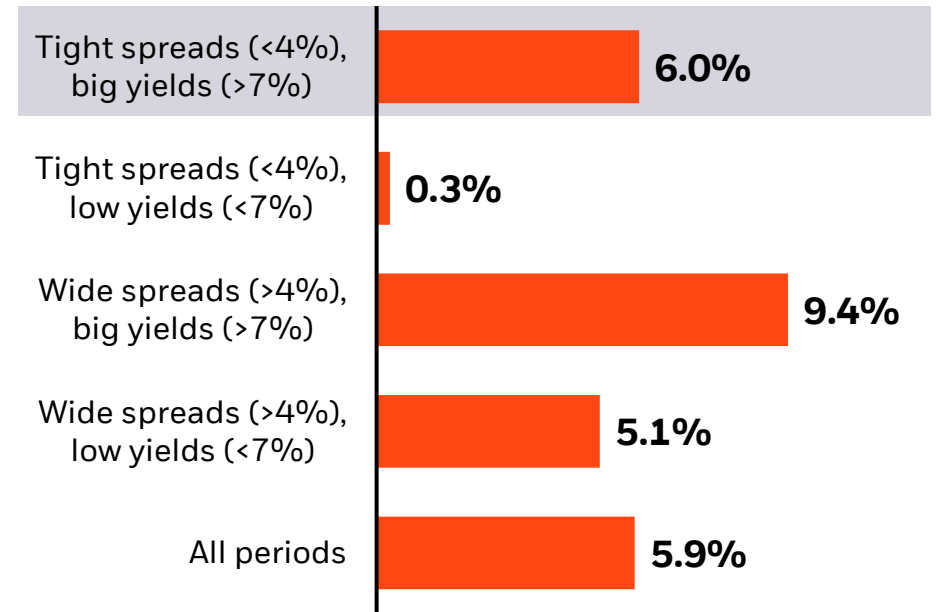
Spreads to treasuries are tight, but overall yields are relatively high vs. recent years

12/31/96 – 4/30/24



High yield bond performance has been relatively strong when spreads are tight and yields are high

12/31/96 – 4/30/24

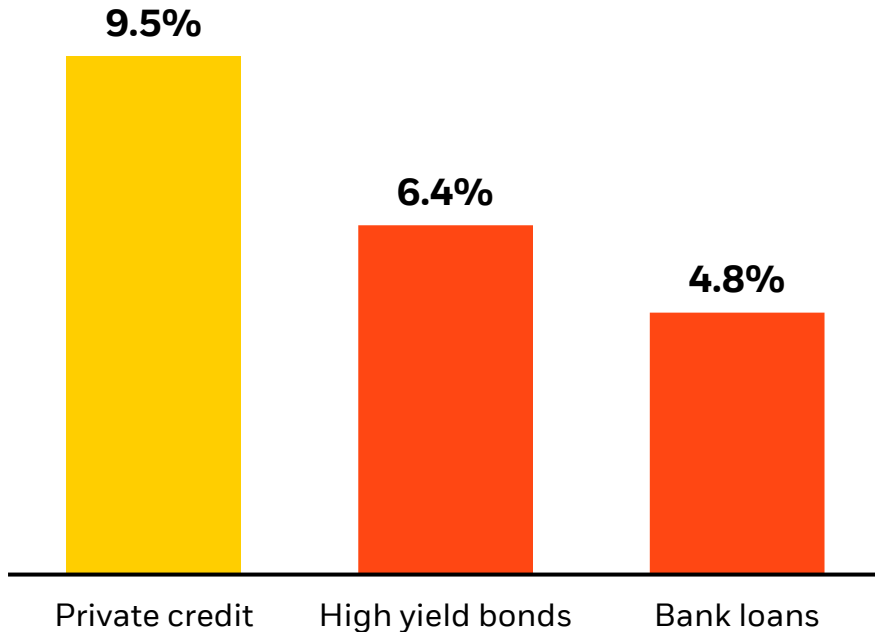


Source: Morningstar as of 4/30/24. High yield represented by the ICE BofA high yield option adjusted index, unmanaged indexes that are generally considered representative of the high yield bond market during each given time period. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You can not invest directly in the index.

Private credit markets offer opportunities

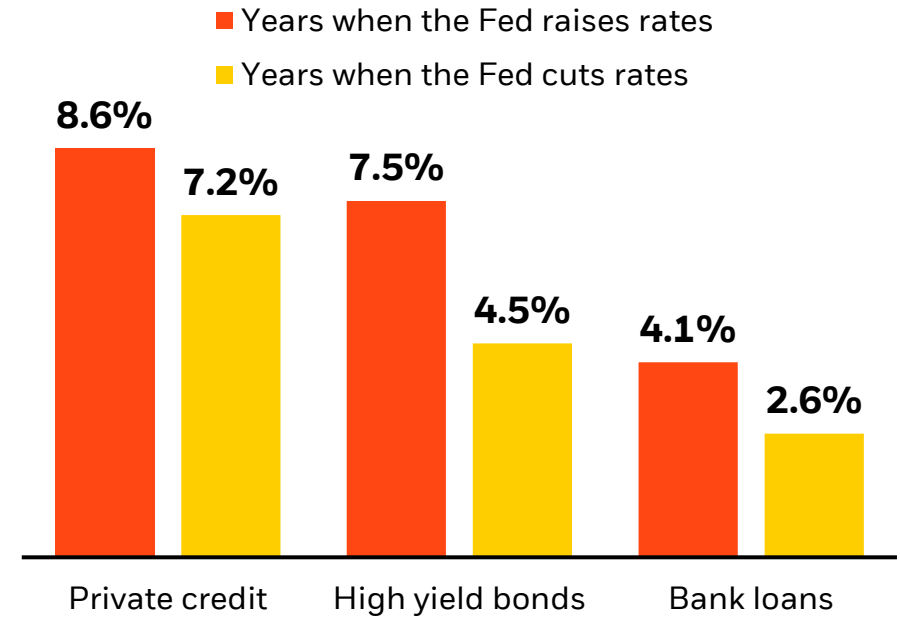
Private credit has seen attractive returns

Average annual returns, last 20 years (9/30/04- 12/31/23)



Private credit returns have remained durable across various interest rate regimes

Median calendar year returns, last 20 years (9/30/04 - 12/31/23)



Source: Morningstar and Cliffwater as of 4/30/24. Private credit represented by the Cliffwater Direct Lending index. High Yield by the Bloomberg U.S. Corporate High Yield index and Bank Loans represented by the Morningstar LSTA Leverage Loan index. 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 4/30/24	1 Year Return	5 Year Avg Annual Return	10 Year Avg Annual Return
S&P 500 TR USD	22.66	13.19	12.41
IA SBBI US Large Stock TR USD Ext	22.66	13.19	12.41
Bloomberg US Agg Bond TR USD	-1.47	-0.16	1.20
IA SBBI US IT Govt TR USD	-0.37	0.21	1.13
Bloomberg US Corporate High Yield TR USD	9.02	3.72	4.28
ICE BofA US High Yield Option-Adjusted TR USD	8.88	3.53	4.19
Morningstar LSTA US LL Index TR USD	11.97	5.26	4.60
IA SBBI US 30 Day TBill TR USD	5.35	1.99	1.36
US Fund Multisector Bond	5.01	1.97	2.49
US Fund Intermediate Core Bond	-1.01	-0.14	1.10
US Fund Money Market - Taxable	4.94	1.76	1.14
US Fund Nontraditional Bond	5.94	2.01	2.08
US Fund Short-Term Bond	3.89	1.52	1.52
Cliffwater Direct Lending Index as of 12/31/2023	12.13	9.09	8.84

Index Definitions:

- The **S&P 500 TR Index** is an unmanaged index that is generally considered representative of the U.S. stock market on a total return basis. Included are the largest 500 stocks by market cap.
- The **IA SBBI IT US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a price return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **Bloomberg U.S. Agg Bond TR Index** is an unmanaged index that is generally considered representative of the U.S. bond market on a total return basis.
- The **IA SBBI IT Govt TR Index** is an unmanaged index that is generally considered representative of the historical U.S. bond market on a total return basis prior to the inception of the **Bloomberg U.S. Agg Bond TR Index** in 1989.
- The **Bloomberg U.S. Corporate High Yield TR Index** is an unmanaged index that is generally considered representative of the U.S. high-yield corporate bond market on a total return basis.
- The **ICE BofA U.S. High Yield Option-Adjusted TR Index** is an unmanaged index that is generally considered representative of the spread on U.S. high yield bonds vs. U.S. Treasuries on a total return basis.
- The **Morningstar LSTA US LL TR Index** is an unmanaged index that is generally considered representative of the U.S. leveraged loans market on a total return basis.
- The **IA SBBI U.S. 30 Day TBill TR Index** is an unmanaged index that is generally considered representative of the U.S. 30-Day Treasury Bill market on a total return basis.
- **US Fund Multisector Bond** is an average of funds within the US Fund Multisector Bond category as defined by Morningstar.
- **US Fund Intermediate Core Bond** is an average of funds within the US Fund Intermediate Core Bond category as defined by Morningstar.
- **US Fund Money Market – Taxable** is an average of funds within the US Fund Money Market – Taxable category as defined by Morningstar.
- **US Fund Nontraditional Bond** is an average of funds within the US Fund Nontraditional Bond category as defined by Morningstar.
- **US Fund Short-Term Bond** is an average of funds within the US Fund Short-Term Bond category as defined by Morningstar.
- The **Cliffwater Direct Lending Index** the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

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Important notes:

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