

July 2024

Student of the Market

BlackRock

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Stocks

Tech stocks lead the way



Large caps vs. small caps



Stock market concentration



Stock market volatility



Bonds

Inflation and bond returns in the 2nd half of a year



A reason for a Fed rate cut?



Asset allocation

60/40 portfolio performance



Private credit

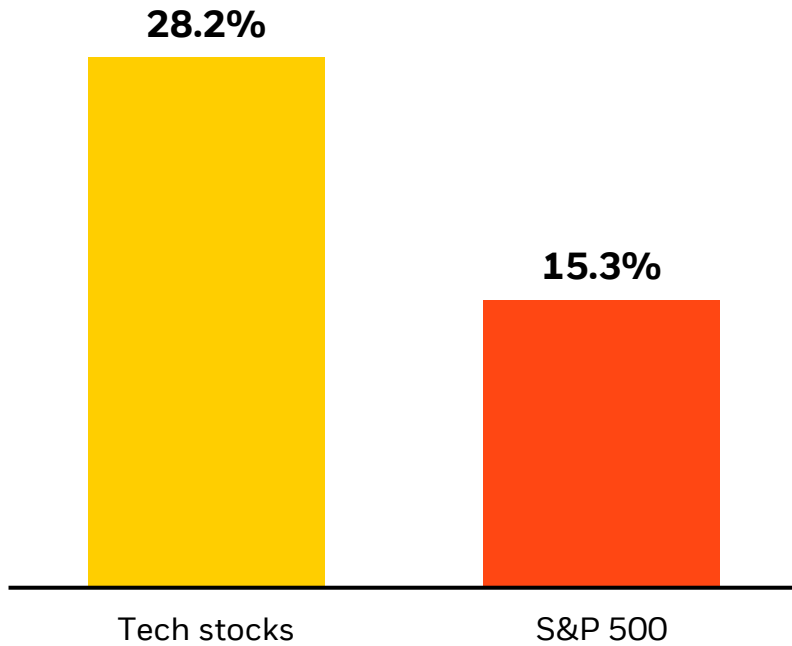


4th best start to a year for technology stocks

Strong momentum to the start of a year has often continued

Returns for the first half 2024

First 6 months of 2024
12/31/2023 – 6/30/2024



2024 has been the 4th best 1st half of a year for technology stocks in the last ~35 years

1/1/1990 – 6/30/2024

Year	1st half returns		2nd half returns	
	Tech stocks	S&P 500	Tech stocks	S&P 500
2023	42.8	16.9	10.6	8.0
1995	40.4	20.2	-0.7	14.4
1998	32.1	17.7	34.9	9.2
2024	28.2	15.3	?	?
2019	27.1	18.5	18.2	10.9
1999	25.3	12.4	42.6	7.7
2009	24.9	3.2	29.5	22.6
1997	23.9	20.6	3.7	10.6
1990	19.8	3.1	-14.0	-6.0
2003	17.7	11.8	25.1	15.1
Avg.	28.2	14.0	16.7	10.3

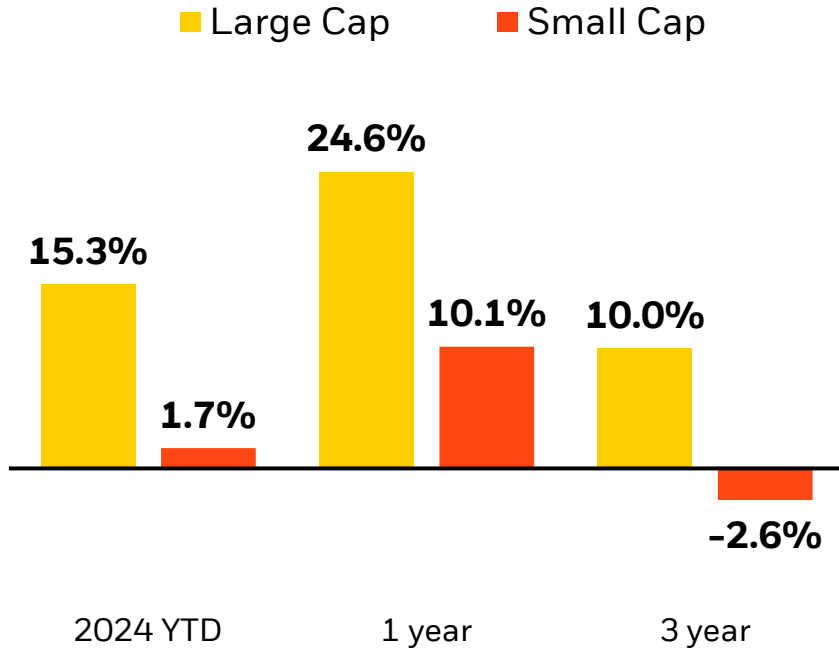
Source: Morningstar as of 6/30/24. Technology represented by the S&P 500 information technology sector index, U.S. stocks are represented by the S&P 500 TR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. Diversification does not guarantee a profit or protect against a loss in a declining market.

Large cap stock outperformance over small cap stocks is the largest since 1999

When we last had a big technology advancement in the 1990's, large cap outperformed even more

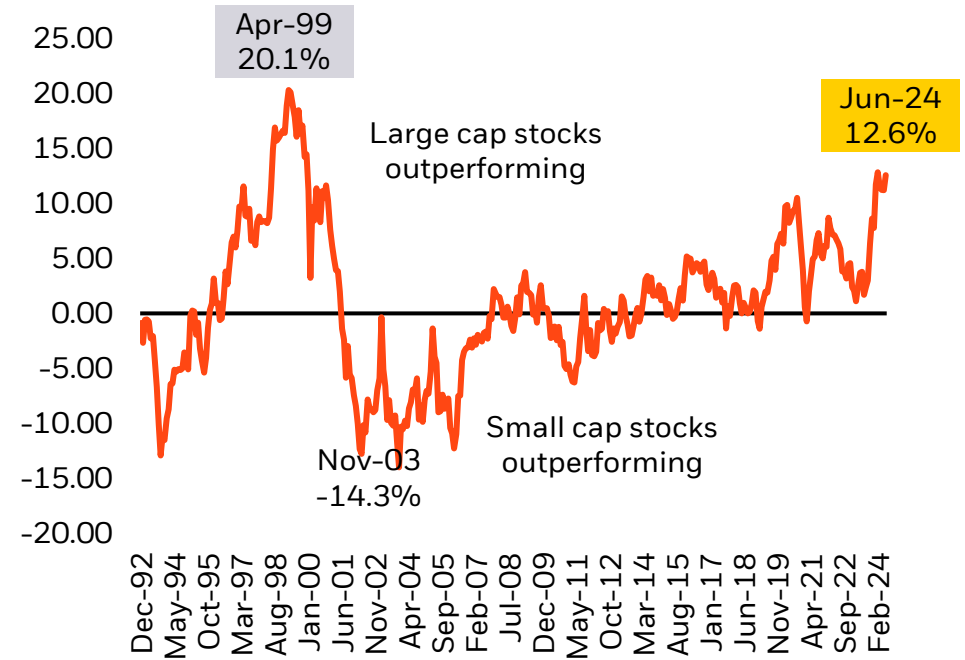
Large cap stocks have been outperforming small cap stocks heavily in recent periods

Last 3 years, 6/30/2021 – 6/30/2024



3-year outperformance of large cap stocks over small cap stocks largest since December 1999

Large cap 3-year avg. annual return minus small cap, last 3 years, 7/1/2021 – 6/30/2024

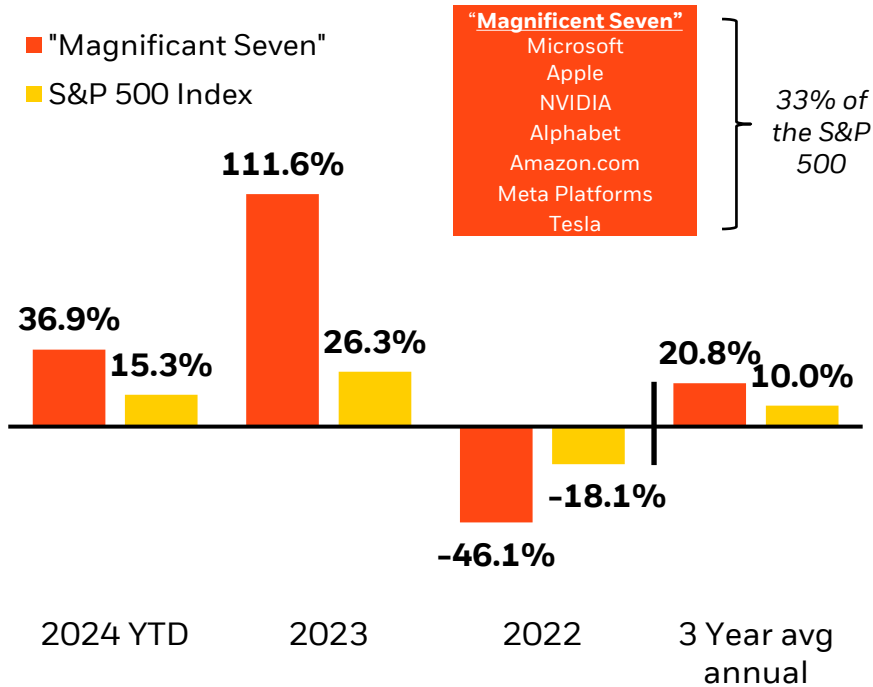


Morningstar as of 6/30/24. Large cap stocks are represented by the Russell 1000 Index, Small cap stocks represented by the Russell 2000 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Performance concentration in a handful of stocks is not just a U.S. phenomenon

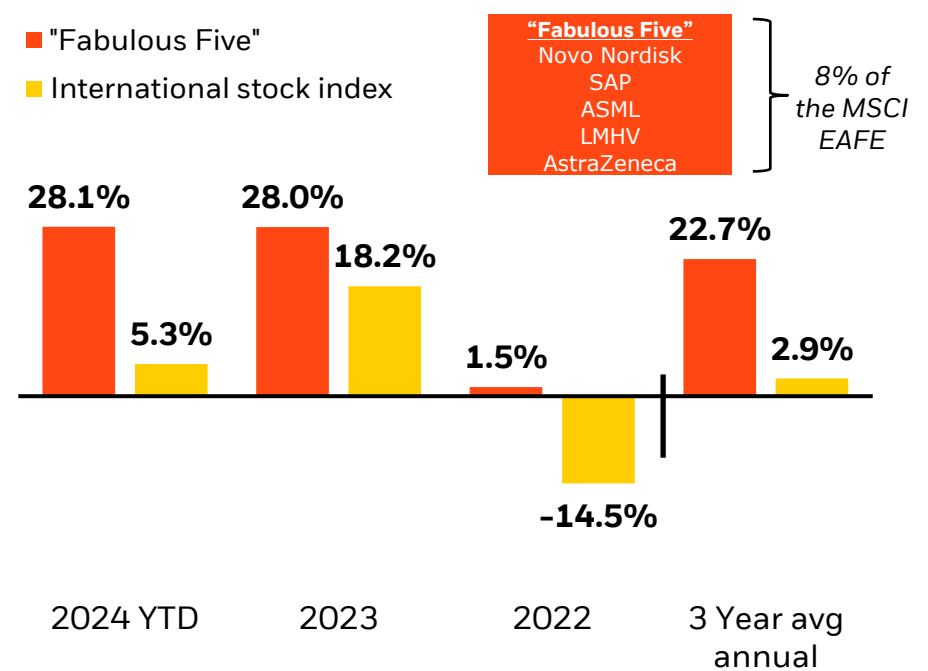
The average return of the “Magnificent Seven” in the U.S. versus the S&P 500

Last 3 years, 7/1/2021 – 6/30/2024



The average return of the “Fabulous Five” Internationally versus the international index

Last 3 years, 7/1/2021 – 6/30/2024

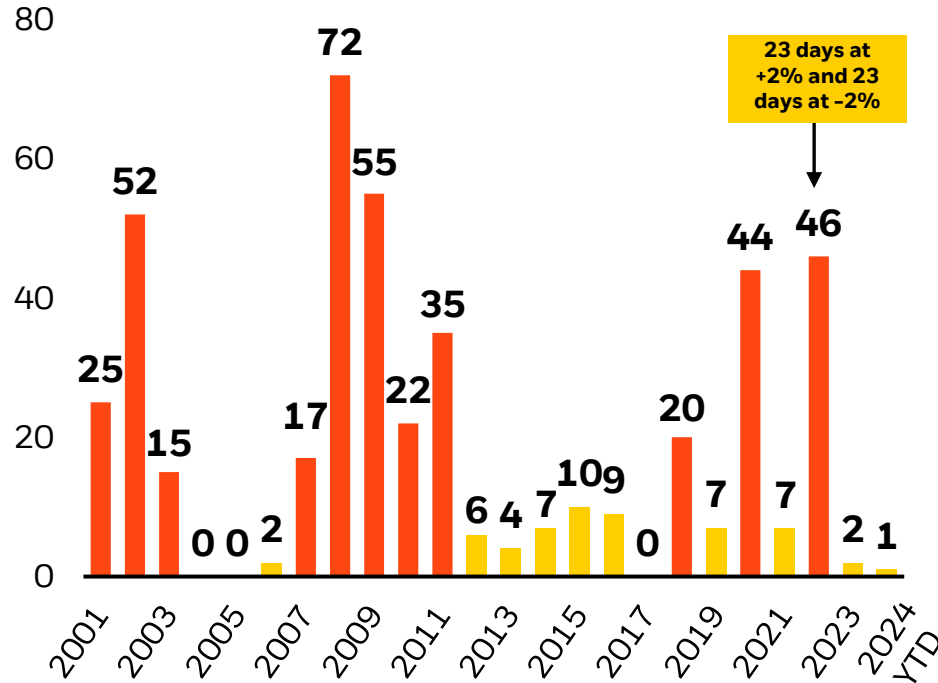


Morningstar as of 6/30/24. U.S. Stocks represented by the S&P 500 TR Index. International Index represented by the MSCI EAFE NR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Stock volatility remains low

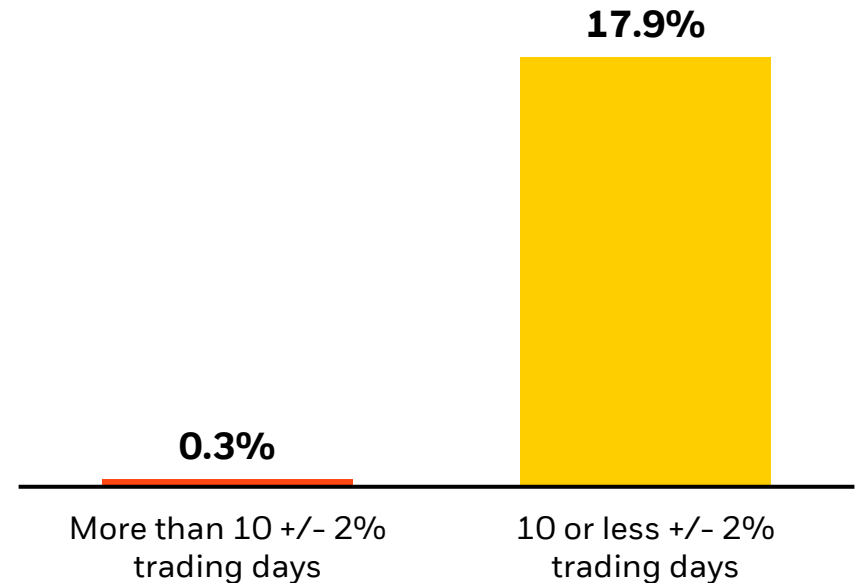
Number of single day stock market returns of +/-2% or more

S&P 500 daily returns by calendar year, 1/1/2001 - 6/30/2024



Average stock market return based on the number of +/- 2% trading days

Returns based on calendar years, 1/1/2001 - 6/30/2024

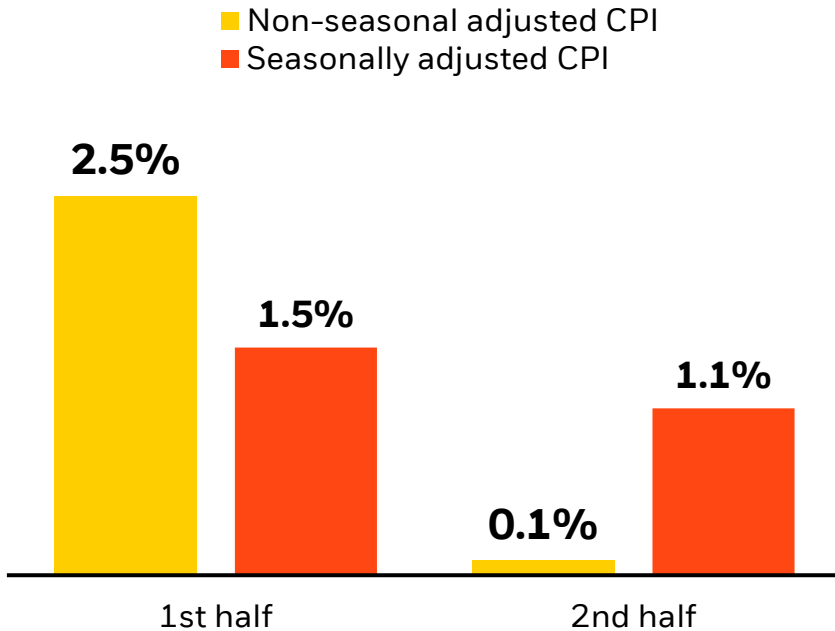


Source: Morningstar as of 6/30/24. Stock market represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Inflation has been lighter, bond returns better in the 2nd half of recent years

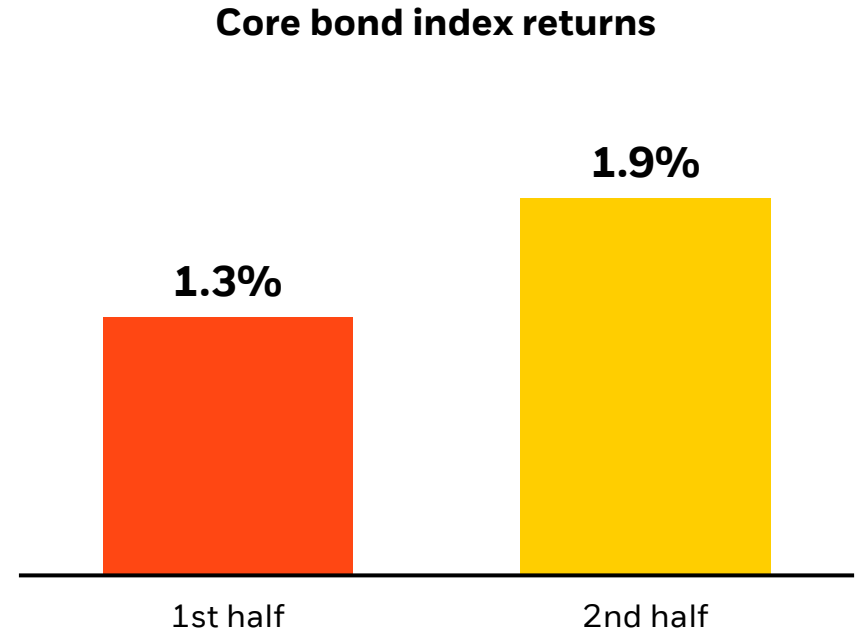
Inflation has been less in the 2nd half of calendar years even when adjusting for seasonal factors...

Last 20 years, 1/1/2004 – 6/30/2024



...Bond returns have been better in the 2nd half of the year

Last 20 years, 1/1/2004 – 6/30/2024



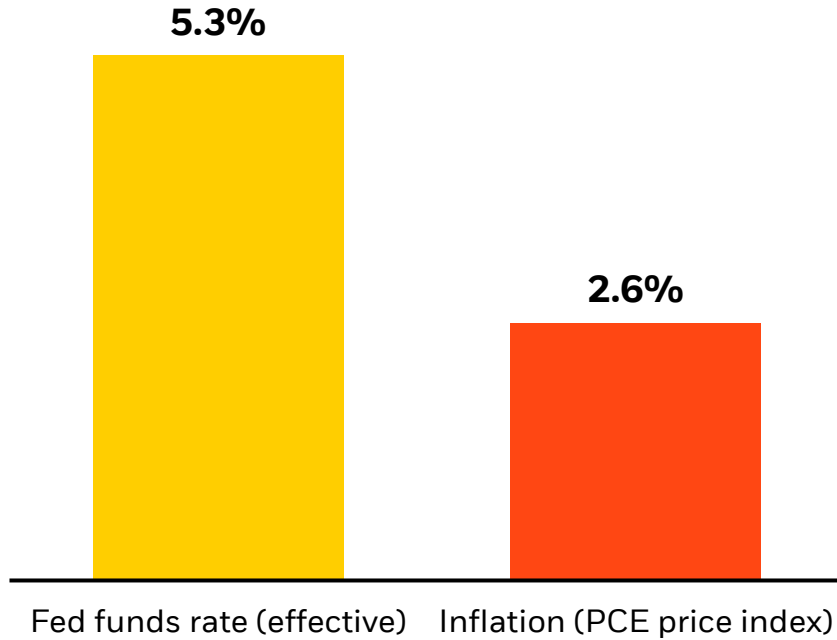
Morningstar as of 6/30/24. U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index, Seasonally adjusted inflation is represented by the US BLS CPI all urban SA, Non-seasonally adjusted inflation by the US BLS CPI all urban NSA. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

Inflation lower than the Fed funds rate by the largest amount since 2007

Along with moderating economic growth and decelerating inflation might allow the Fed to bring rates down

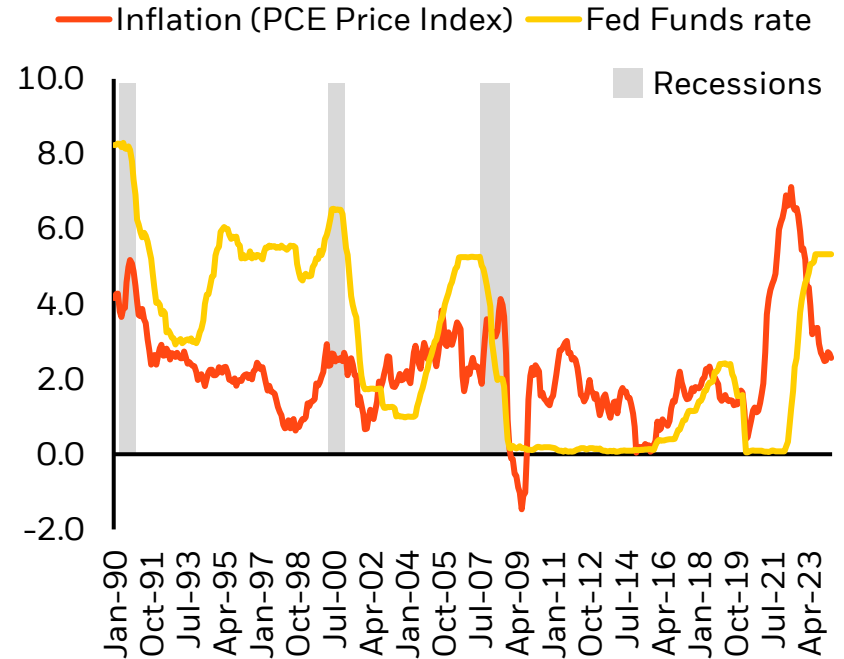
The Federal Reserve's preferred inflation gauge is well below the Fed funds rate

As of May 2024 PCE report



This is the largest gap between the Fed funds rate and inflation since August 2007

Since 1990, 1/1/1990 – 6/30/2024

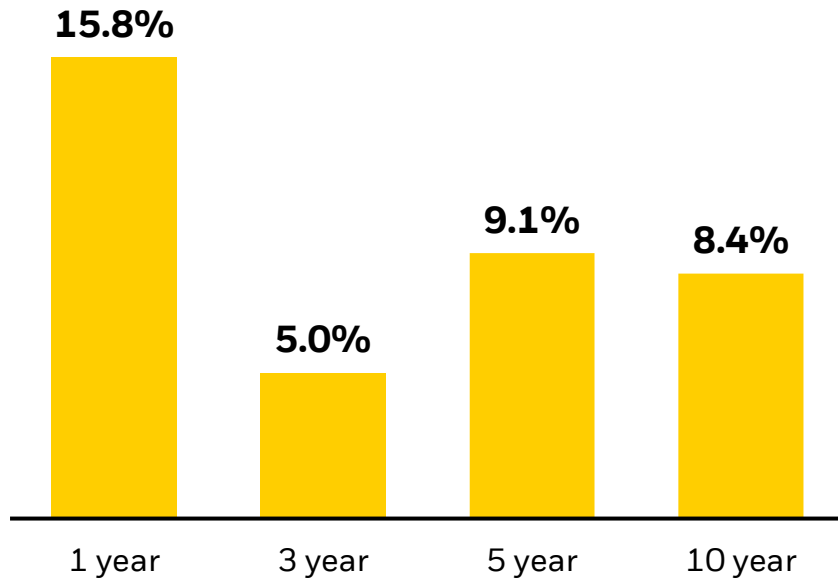


Source: Federal Reserve, NBER as of 6/30/24. Federal Funds rate and PCE as reported by the Federal Reserve. Recession time periods are as reported by the NBER. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

60/40 stock and bond portfolio remains resilient

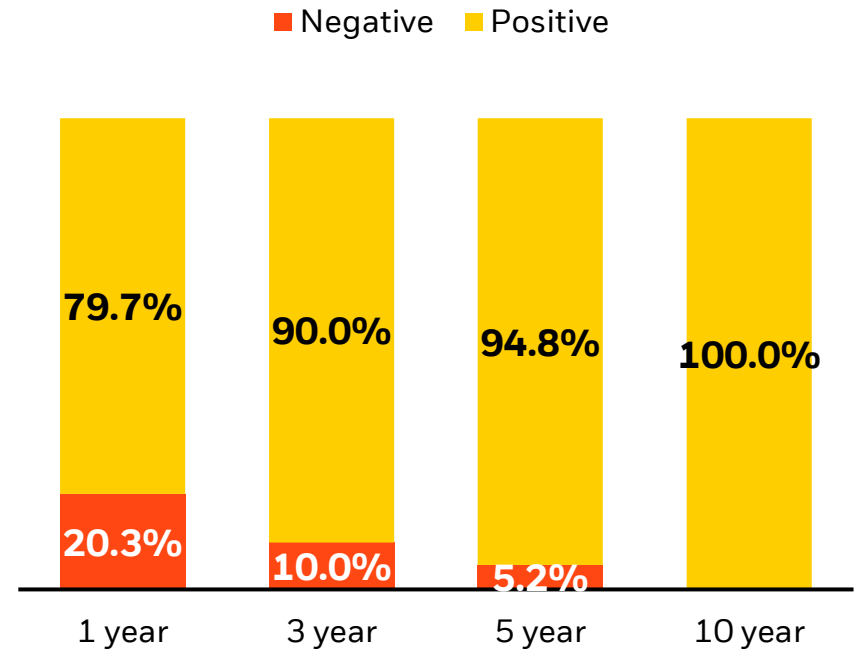
Current returns for a 60/40 portfolio

As of 6/30/2024



Percent of time periods that a 60/40 portfolio has been negative since 1926

1/1/1926 – 6/30/2024

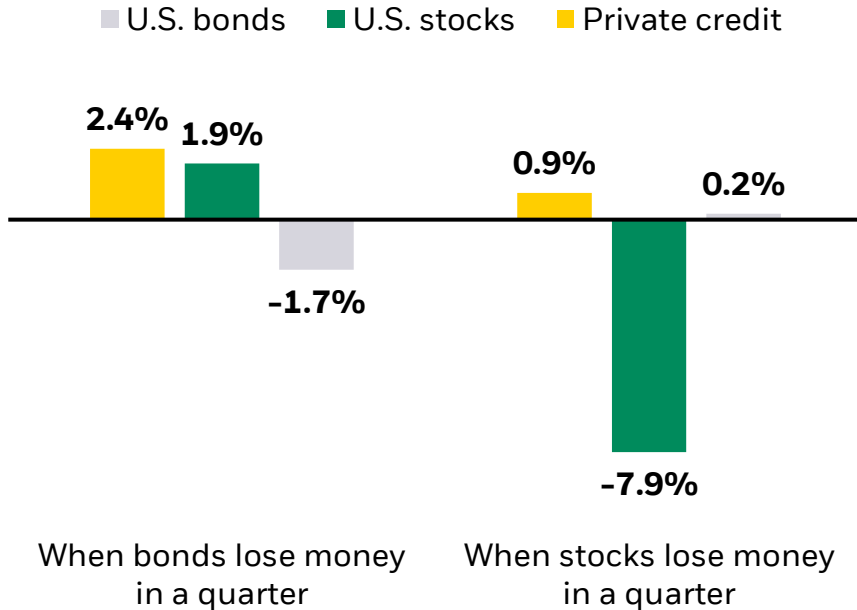


Morningstar as of 6/30/24. "60/40 portfolio" is represented by a hypothetical portfolio consisting of a 60% allocation to U.S. stocks and a 40% allocation to U.S. bonds. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 6/30/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 6/30/24 and the IASBBI 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.

Private credit can potentially help diversify traditional portfolios

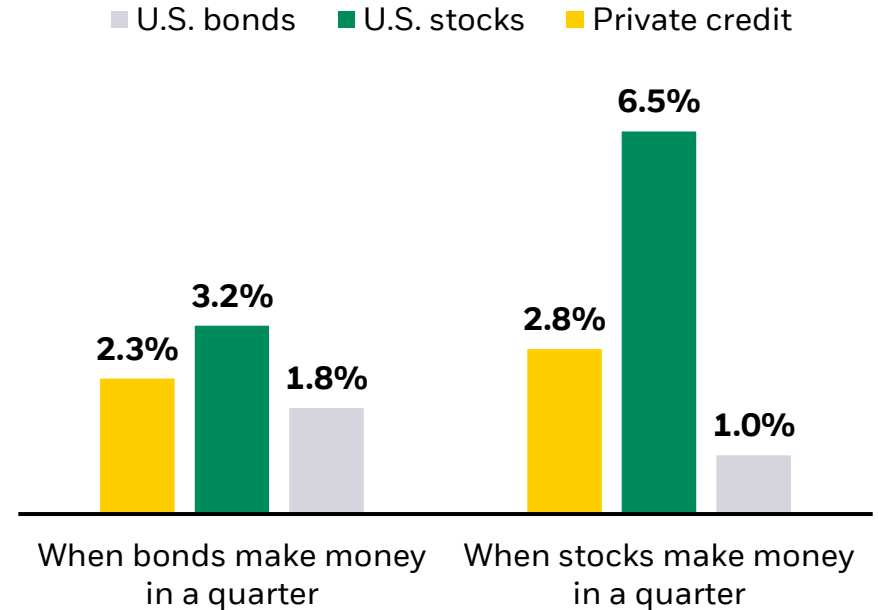
Private credit held up in down quarters for both stocks and bonds

Average quarterly returns, 9/30/2004 - 12/31/2023



Private credit kept pace in positive quarters for both stocks and bonds

Average quarterly returns, 9/30/2004 - 12/31/2023



Source: Morningstar and Cliffwater as of 4/30/24. Private credit represented by the Cliffwater Direct Lending index. U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index. U.S. Stocks 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 can not invest directly in the index.

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Returns as of 6/30/24	1-Year Return	5-Year Average Annual Return	10-Year Average Annual Return
Bloomberg US Agg Bond TR USD	2.63	-0.23	1.35
IA SBBI US IT Govt TR USD	-0.37	0.21	1.13
IA SBBI US Large Stock TR USD Ext	24.56	15.05	12.86
MSCI EAFE NR USD	11.54	6.46	4.33
Russell 1000 TR USD	23.88	14.61	12.51
Russell 2000 TR USD	10.06	6.94	7.00
S&P 500 Sec/Information Technology TR USD	41.78	27.17	22.78
S&P 500 TR USD	24.56	15.05	12.86
US BLS CPI All Urban NSA 1982-1984	3.27	4.17	2.82
US BLS CPI All Urban SA 1982-1984	3.25	4.17	2.83
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 **MSCI EAFE NR Index** is an unmanaged index that is generally considered representative of the international developed ex-U.S. stock market, on a net return basis.
- The **Russell 1000 TR Index** is an unmanaged index that is generally considered representative of the 1,000 largest stocks in the entire U.S. stock market on a total return basis.
- The **Russell 2000 TR Index** is an unmanaged index that is generally considered representative of the 2,000 largest stocks in the entire U.S. stock market on a total return basis.
- The **S&P 500 Sec/Information Technology TR Index** is an unmanaged index that is generally considered representative of technology sector of the U.S. stock market on a total return basis.
- The **US BLS CPI All Urban NSA 1982-1984 Index** is an unmanaged index that is generally considered representative of U.S. inflation on a non-seasonally adjusted basis.
- The **US BLS CPI All Urban SA 1982-1984 Index** is an unmanaged index that is generally considered representative of U.S. inflation on a seasonally adjusted basis.
- 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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