

October 2024

Student
of the Market

BlackRock

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Stocks

Best starts to an election year



Stocks and historical geopolitical events



Stock market volatility and elections



Stocks when valuations are high



Cash on the sidelines

Money market yields poised to fall



Money market flows following a Fed rate cut



Stock/bond Correlations and Private equity

Bond correlation with stocks



Private equity and Fed rate cuts



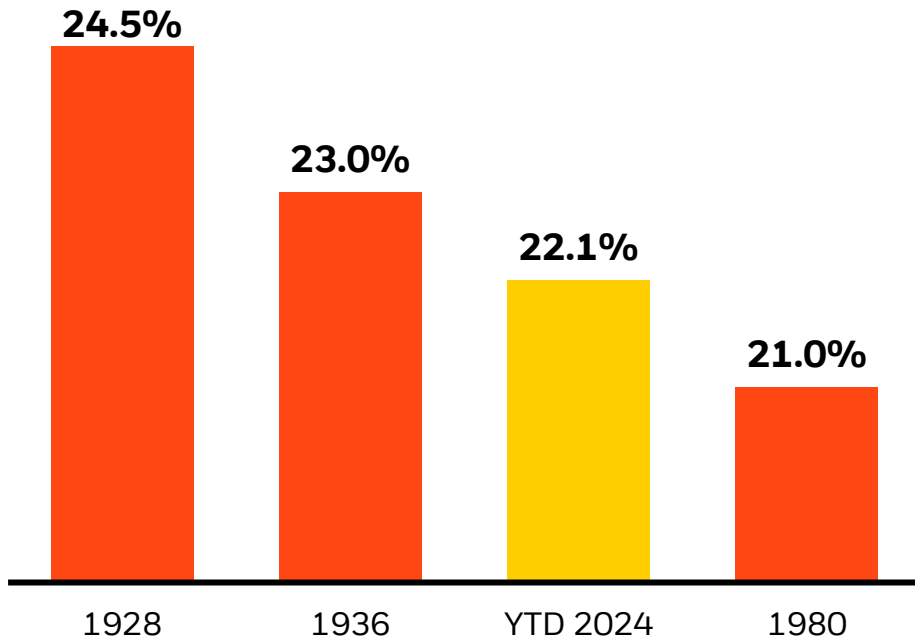
BEST STARTS TO AN ELECTION YEAR

3rd best start to a presidential election year for U.S. stocks

Strong momentum in a presidential election year has historically carried into the rest of the year

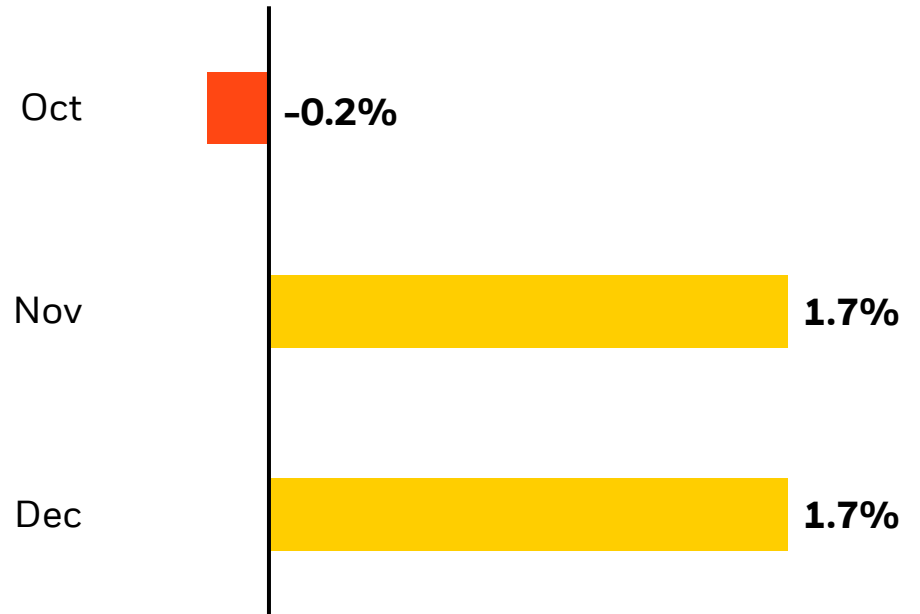
Best starts to presidential election years

Return for the first 9 months of given election years since 1928



Average election performance, last 3 months of the year

Average monthly return during presidential elections years since 1928



Source: Morningstar as of 9/30/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 9/30/24 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.

Stay the course amid geopolitical volatility

Event*	Date	3 months before	1 month after	3 months after	1 year after	3 years after avg annual
Germany invades Poland	3/1/1939	-0.2%	-13.5%	-8.7%	-4.3%	-12.2%
Pearl harbor attack	12/7/1941	-9.8%	-4.1%	-4.1%	0.2%	11.6%
N. Korea invades S. Korea	6/25/1950	9.0%	-8.7%	1.6%	12.6%	8.0%
Cuban missile crisis	10/16/1962	-1.0%	4.7%	13.7%	26.4%	16.9%
Gulf of Tonkin incident	8/2/1964	3.8%	-1.2%	2.0%	2.5%	4.7%
Soviets invade Afghanistan	12/24/1979	-1.5%	2.1%	8.5%	39.6%	15.3%
Iraq invades Kuwait	8/2/1990	-8.0%	-8.9%	-12.8%	12.8%	11.5%
September 11 th attack	9/11/2001	-13.3%	-0.9%	8.0%	-15.5%	2.7%
Iraq war	3/20/2003	-0.7%	2.4%	14.3%	29.2%	16.4%
Russia annexes Crimea	2/20/2014	3.3%	1.9%	3.6%	17.1%	11.1%
Russia invades Ukraine	2/24/2022	-9.7%	-4.5%	0.2%	-3.4%	?
Hamas attacks Israel	10/7/2023	-1.9%	1.4%	9.5%	?	?

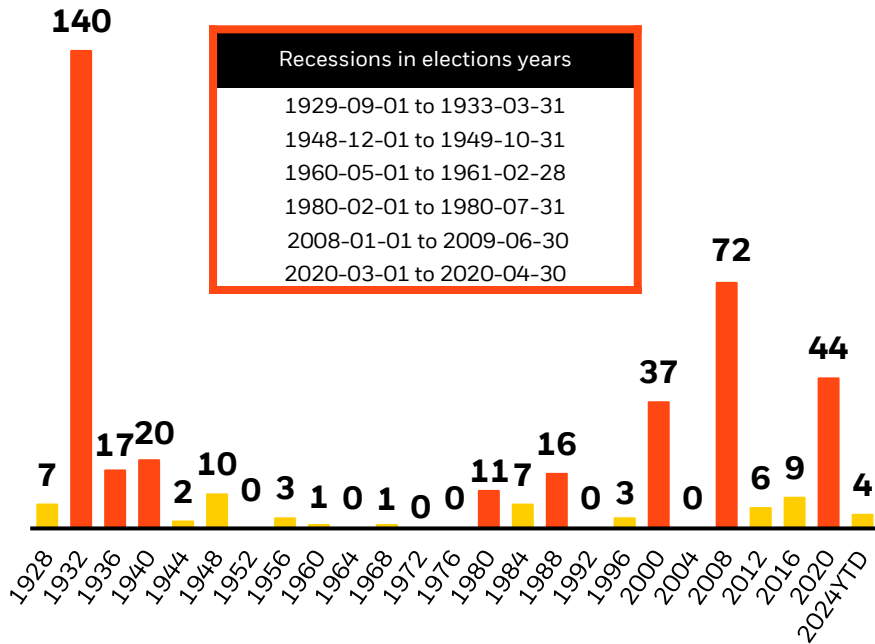
Sources: BlackRock; Morningstar as of 9/30/24. *Returns shown for events prior to 1979 are represented by the S&P 500 PR Index, which shows principal returns only (excluding dividends), from 3/4/57 to 12/31/78 and the IA SBBI U.S. Lrg Stock Pr USD Index from 1/1/26 to 3/4/57. Returns for these periods would likely be higher if dividends were included. Returns for events in 1979 or later are represented by the S&P 500 TR Index, which shows total return (including dividends), from 1/1/79 to 9/30/24. The indices mentioned are unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Index performance is for illustrative purposes only. It is not possible to invest directly in an index. **Past performance does not guarantee or indicate future results.**

Stock volatility by presidential election year

Stock market volatility during elections has been generally subdued unless there is a large recession (such as in '32, '08 & '20)

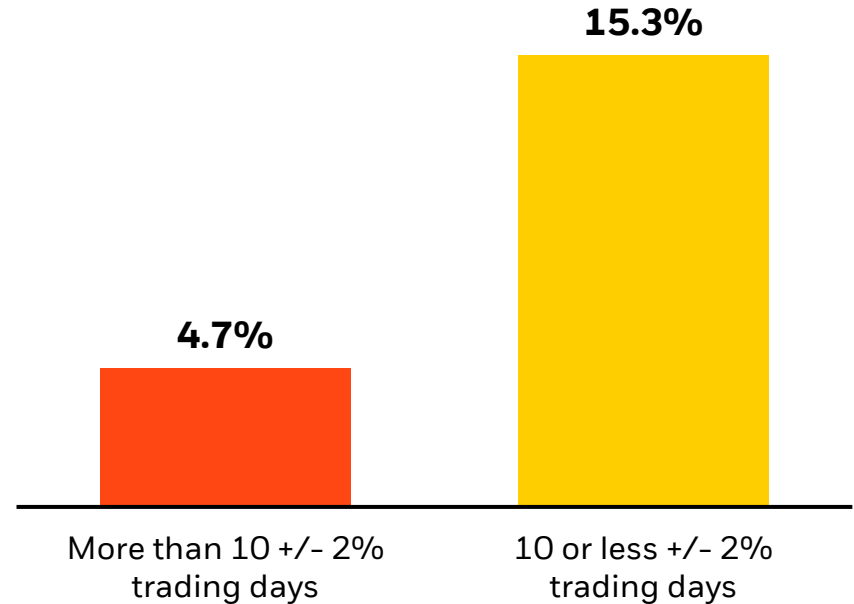
Number of single day stock market returns of +/-2% or more in presidential election years

S&P 500, by calendar year, 1/1/1928 - 9/30/2024



Average stock return based on number of +/- 2% trading days in presidential election years

Average returns of the S&P 500 based on calendar years since 1928



Source: Morningstar as of 9/30/24. Stock market represented by the S&P 500 TR Index from 3/4/57 to 9/30/24 and the IASBBI U.S. Lrg Stock TR USD Index from 1/1/28 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.

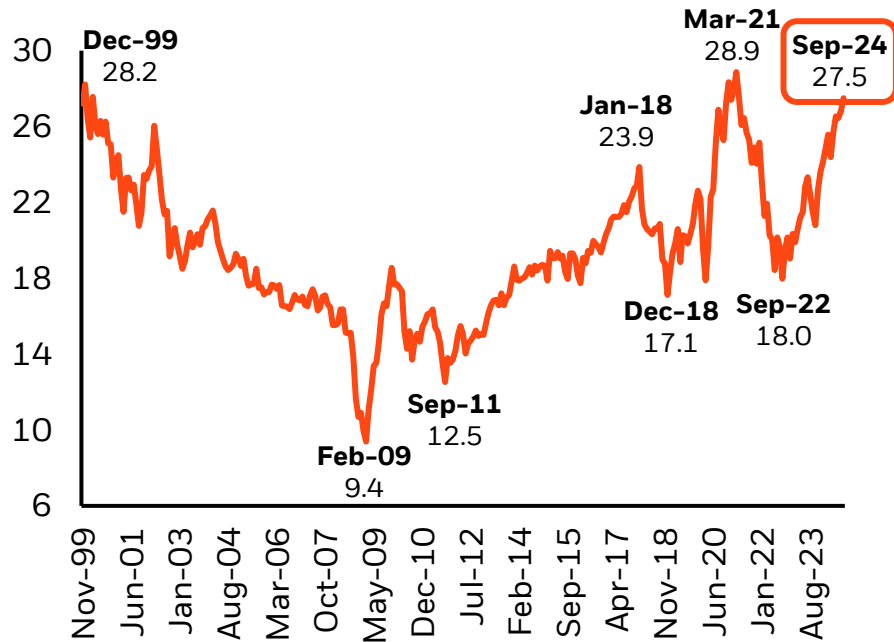
STOCKS WHEN VALUATIONS ARE HIGH

High stock valuations have not been a great predictor of performance in recent periods

But low valuations have been a good predictor of strong market performance.

S&P 500 P/E, trailing 12-month earnings

11/1/1999 – 9/30/2024



Specific period returns following various P/Es

11/1/1999 – 9/30/2024

P/E Date	Performance following high or low P/E*			
	1 yr	3 yr	5 yr	10 yr
High valuations				
12/99	-9.1%	-14.6%	-2.3%	-1.0%
1/18	-2.3%	11.7%	9.5%	?
3/21	15.7%	11.5%	?	?
9/24	?	?	?	?
Low valuations				
2/09	53.6%	25.6%	23.0%	16.7%
9/11	30.2%	23.0%	16.4%	16.6%
12/18	31.5%	26.1%	15.7%	?
9/22	21.6%	?	?	?

Source: Morningstar as of 9/30/24. U.S. stocks are represented by the S&P 500 TR Index. *High* valuations are defined by BlackRock as the "peaks" in each P/E cycle as shown in the line chart. "Low" valuations are defined by BlackRock as the "troughs" in each P/E cycle as shown in the line chart. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

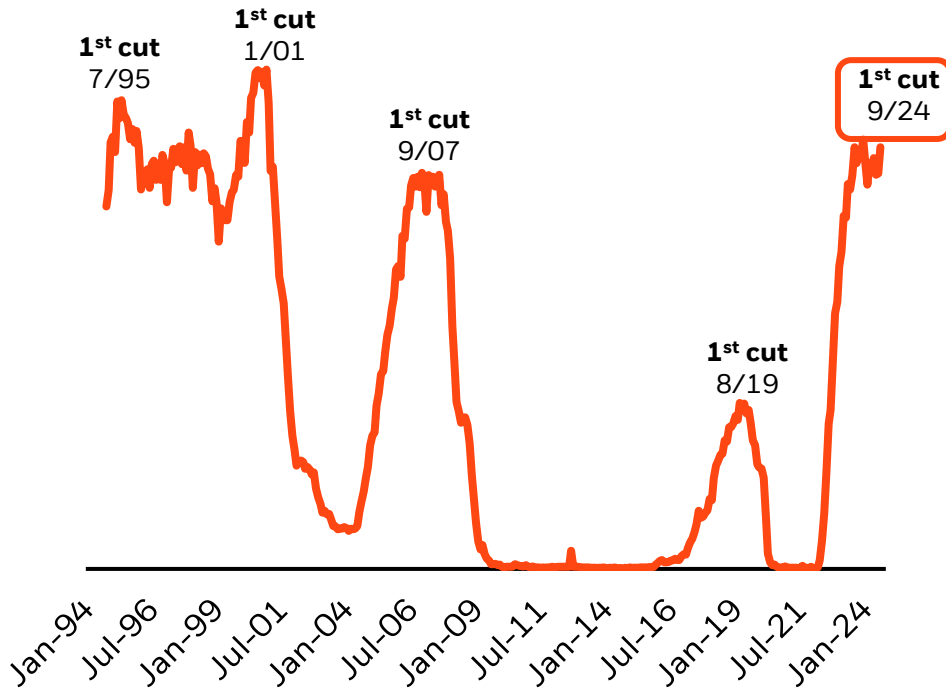
MONEY MARKET YIELDS POISED TO FALL

Money market yields poised to fall and bond funds continue to outperform cash

The Federal Reserve cutting rates for the first time in a cycle and what previous cycles looked like

Money market fund average yields and the first Fed cut

Average money market fund yields, 1/1/1994– 9/30/2024



Performance since money fund yields reset higher

1/1/2023 – 9/30/2024

Top 15 largest bond categories	2023-01-01 to 2024-09-30
High Yield Bond	11.9
Bank Loan	10.4
Multisector Bond	8.4
Corporate Bond	8.0
Nontraditional Bond	7.2
Global Bond-USD Hedged	7.1
Intermediate Core-Plus	6.6
Short-Term Bond	6.3
Ultrashort Bond	6.0
Intermediate Core Bond	5.9
Short Inflation-Protected	5.2
Intermediate Government	4.9
Inflation-Protected Bond	4.6
Money Market	4.6
Short Government	4.6
Long Government	3.4

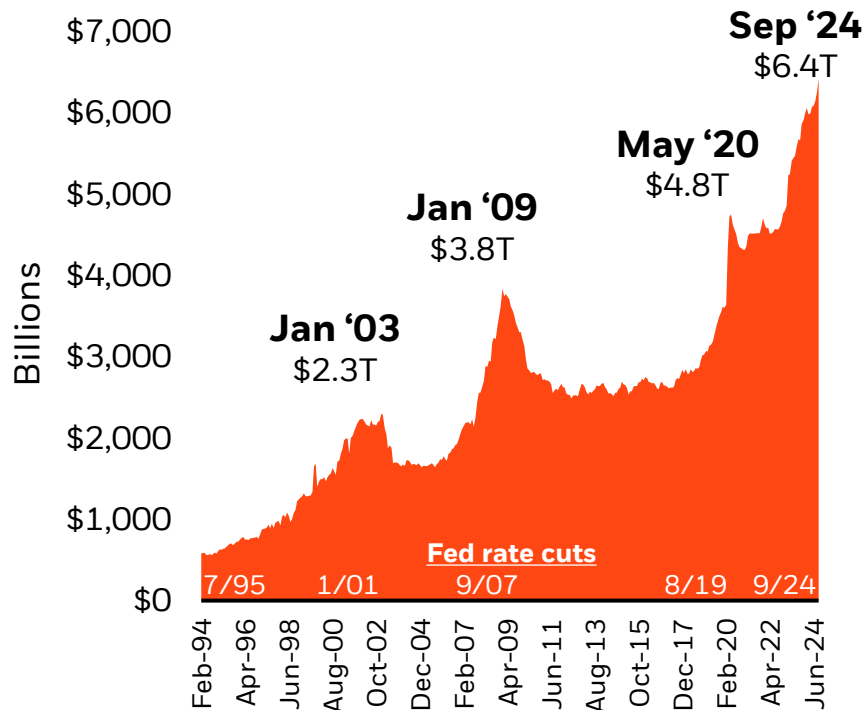
Source: Morningstar as of 9/30/24. Money market funds represented by the Taxable Money Market fund category as defined by Morningstar. All fund categories represented by their respective Morningstar category. Past performance does not guarantee or indicate future results.

Investors have been slow to abandon money market funds after the first Fed rate cut

The Federal Reserve cutting rates for the first time in a cycle and assets in money market funds

Money market fund assets

2/1/96 – 9/30/24



Following first Fed cut

1/1/1989 – 7/31/2024

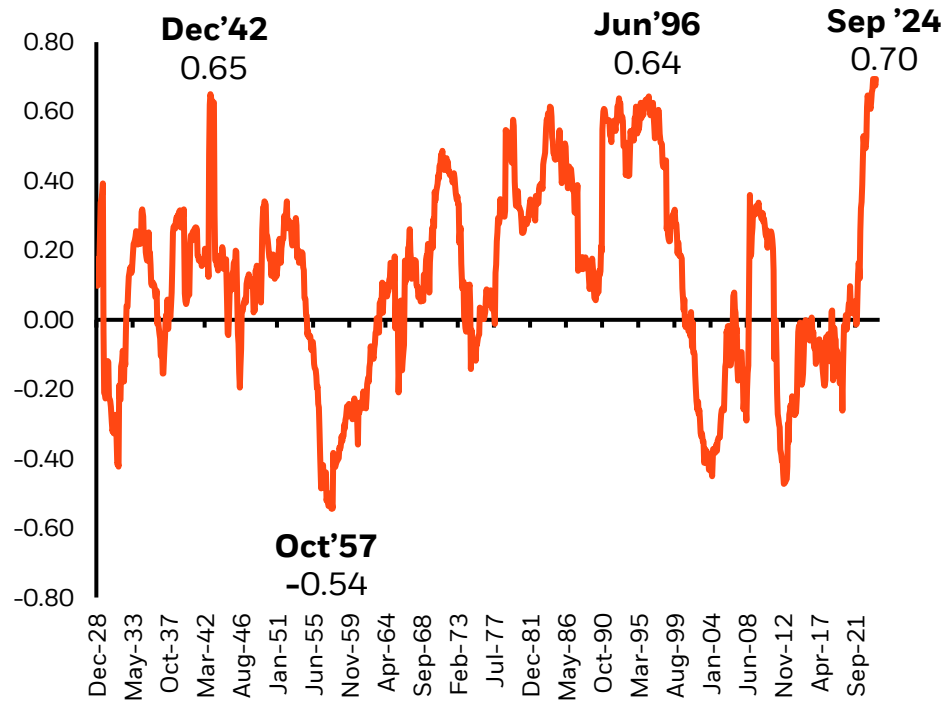
First Federal Reserve rate decrease	Money market Assets peak	Time between Fed rate cut and money market assets peak	Money market yield at asset peak
1/01	1/03	2 yrs	0.9%
9/07	1/09	15 mo.	0.6%
8/19	5/20	9 mo.	0.1%

Source: Morningstar, Federal Reserve, Investment Company Institute (ICI) as of 9/30/24 Money market yields represented by the Taxable Money Market fund category as defined by Morningstar. Past performance does not guarantee or indicate future results.

Stock and bond correlations still near historic highs

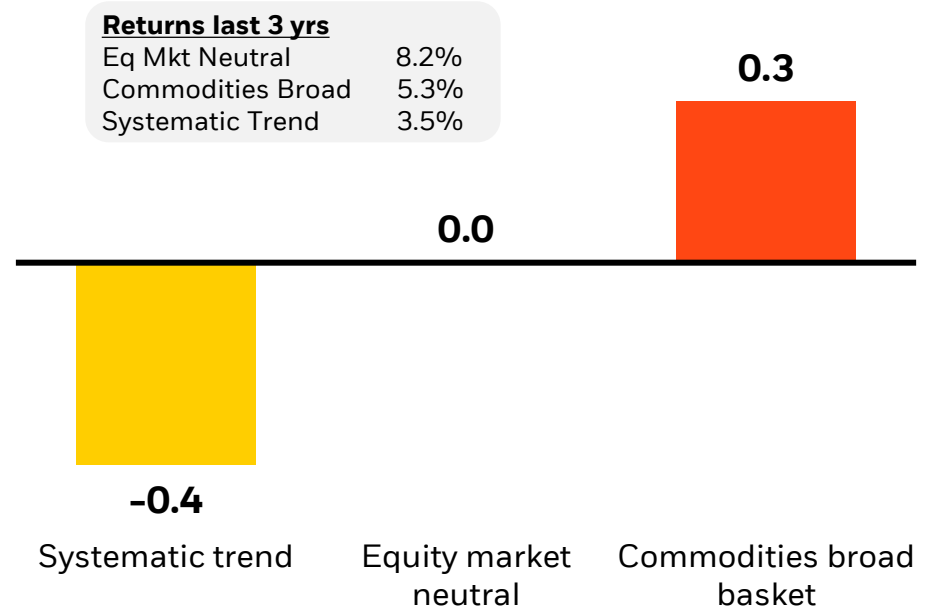
3-year rolling correlation of stocks and bonds is the highest in history

1/1/1926 - 9/30/2024



Fund categories with the lowest correlation to U.S. stocks, last 3 years

3-year correlation, as of 9/30/2024



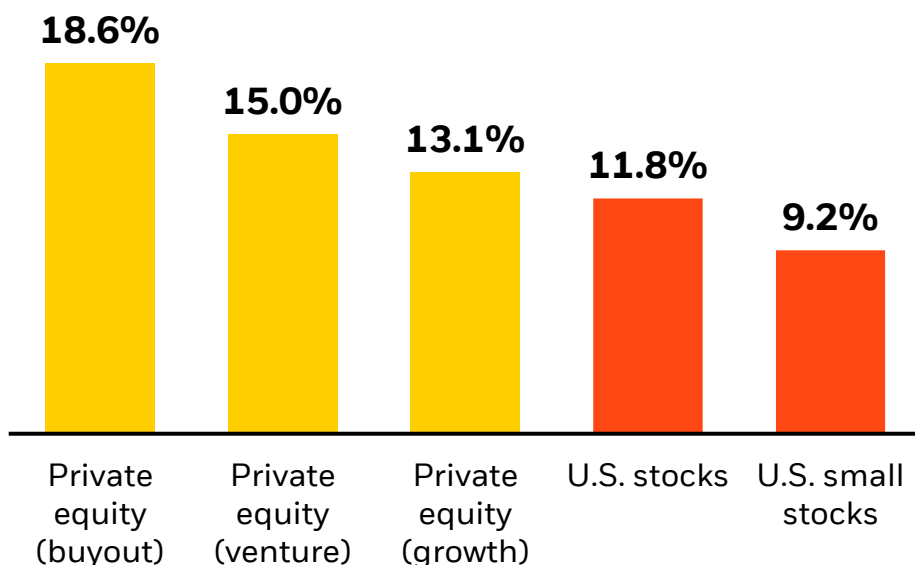
Eq Mkt Neutral	8.2%
Commodities Broad	5.3%
Systematic Trend	3.5%

Source: Morningstar as of 9/30/24. Systematic trend represented by the Morningstar systematic trend category, Equity market neutral represented by the Morningstar equity market neutral category and commodities broad basket represented by the Morningstar commodities broad basket category. Index performance is for illustrative purposes only. You cannot invest directly in the index. Past performance does not guarantee or indicate future results.

Private equity when the Fed cuts interest rates

Private equity returns have remained durable across various interest rate regimes

Median calendar year returns, last 20 years (9/30/2004 - 12/31/2023)



Calendar year returns when the Fed cut rates

1/1/1989 - 12/31/2024

Federal Reserve rate decrease (chg. in eff. funds rate)	Private equity (buyout)	Private equity (venture)	Private equity (growth)	U.S. stocks	U.S. small stocks
2007 (-2.1%)	24.8%	13.0%	6.7%	5.5%	-1.6%
2008 (-2.9%)	-22.5%	-12.0%	-14.7%	-37.0%	-33.8%
2019 (-0.9%)	16.1%	16.9%	19.5%	31.5%	25.5%
2020 (-1.5%)	21.0%	35.4%	35.2%	18.1%	20.0%
2024 YTD (-0.5%)	?	?	?	?	?

Source: Morningstar and The Burgiss Group LLC as of 12/31/23. U.S. stocks represented by the S&P 500 Index, Small cap stocks represented by the Russell 2000 Index, Private equity represented by the Burgiss Private Equity Manager Universe (BMU) which contains 7,727 private equity funds (vintages 1978-2023) as of December 2023 with 12/31/23 performance data (most recent performance data available). All vintages were included. The buyouts sub-strategy contains 2,816 private equity funds (vintages 1978-2023) as of December 2023 with 12/31/23 performance data (most recent performance data available). The secondaries sub-strategy contains 231 private equity funds (vintages 1978-2023) as of December 2023 with 12/31/2023 performance data (most recent performance data available). The Late Stage VC/Growth Equity sub-strategy includes VC and Expansion Capital categories and contains 3,874 private equity funds (vintages 1978-2023) as of December 2023 with 12/31/2023 performance data (most recent performance data available). The BMU reflects quarterly time-weighted returns. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

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Returns as of 9/30/24	1-Year Return	5-Year Average Annual Return	10-Year Average Annual Return
S&P 500 TR USD	36.35	15.98	13.38
Bloomberg US Agg Bond TR USD	11.57	0.33	1.84
IA SBBI US IT Govt TR USD	5.32	-0.09	1.33
IA SBBI US Large Stock TR USD Ext	36.35	15.98	13.38
Russell 2000 TR USD	26.76	9.39	8.78
US Fund Bank Loan	9.29	4.51	3.82
US Fund Commodities Broad Basket	1.10	8.75	0.59
US Fund Corporate Bond	13.93	1.36	2.75
US Fund Emerging Markets Bond	17.73	1.70	2.77
US Fund Equity Market Neutral	10.85	4.79	3.17
US Fund Global Bond-USD Hedged	10.90	0.41	1.91
US Fund High Yield Bond	14.05	4.17	4.17
US Fund Inflation-Protected Bond	9.34	2.13	2.10
US Fund Intermediate Core Bond	11.56	0.43	1.75
US Fund Intermediate Core-Plus Bond	12.41	0.83	2.03
US Fund Intermediate Government	10.40	-0.07	1.07
US Fund Long Government	14.72	-4.32	0.80
US Fund Money Market-Taxable	5.06	2.08	1.39
US Fund Multisector Bond	12.86	2.66	3.13
US Fund Nontraditional Bond	10.26	2.65	2.59
US Fund Short Government	7.11	1.12	1.20
US Fund Short-Term Bond	8.71	2.07	1.98
US Fund Systematic Trend	-2.60	4.84	3.24
US Fund Ultrashort Bond	6.51	2.48	1.95
Burgiss Secondaries Index as of 12/31/23	3.87	15.83	12.3
Burgiss Buyout Index as of 12/31/23	9.29	17.59	14.1
Burgiss Late stage venture and growth Index 12/31/23	-8.10	20.64	15.6

Student of the Market: October 2024

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 **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 **Burgiss Secondaries Index as of 12/31/23** is an unmanaged index compiled by MSCI that tracks the performance of private investments focused on Secondaries Markets, as of the most recent update on 12/31/23.
- The **Burgiss Buyout Index as of 12/31/23** is an unmanaged index compiled by MSCI that tracks the performance of private investments focused on Buyout Markets, as of the most recent update on 12/31/23.
- The **Burgiss Venture and Growth Index as of 12/31/23** is an unmanaged index compiled by MSCI that tracks the performance of private investments focused on Venture and Growth Markets, as of the most recent update on 12/31/23.

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