

Student of the Market

August 2022

BlackRock[®]

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

**Mid-term
election years**

**Economic
recessions
and
expansions**

**U.S. stocks
and
recessions**

**Inverted yield
curve and
performance**

**Inverted yield
curve and
stock sectors**

**Short-term
bonds lost
money in the
last 2 years**

Source: Morningstar as of 7/31/22. **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?

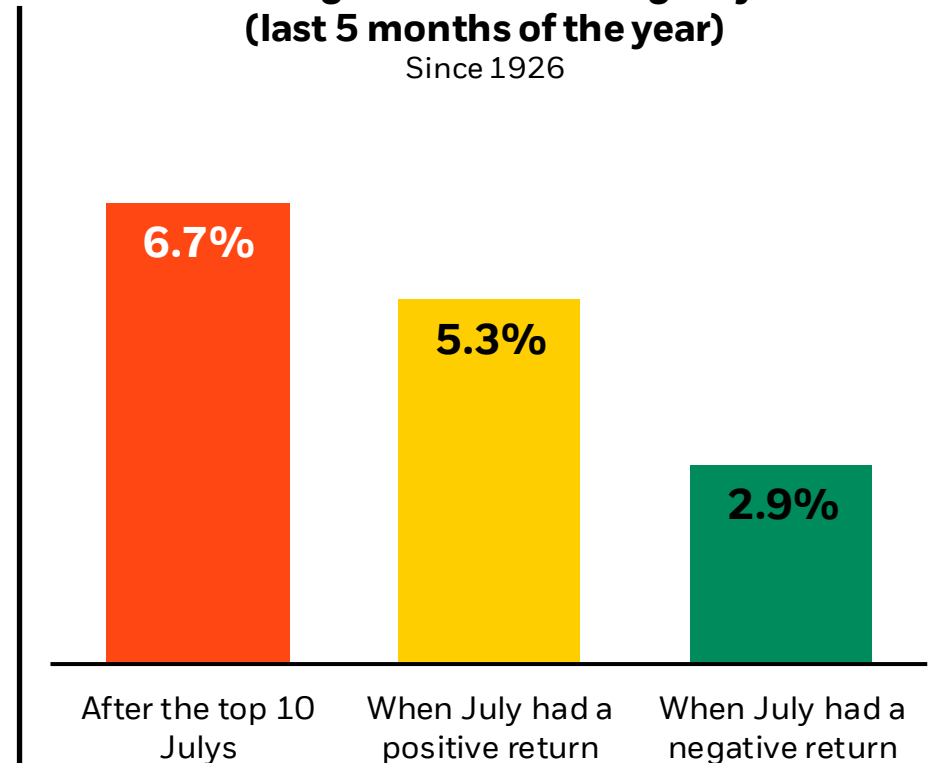
July 2022 was the 4th best July ever

Returns following July
(last 5 months of the year)

	July	Aug - Dec
1932	38.2	17.3
1939	11.1	6.3
1937	10.5	-35.7
2022	9.2	?
1989	9.0	3.6
1935	8.5	23.7
1997	8.0	2.4
1970	7.7	19.9
2009	7.6	14.0
1938	7.4	8.3
Avg	11.7	6.7

*July has had a 2.0% return on average since 1926

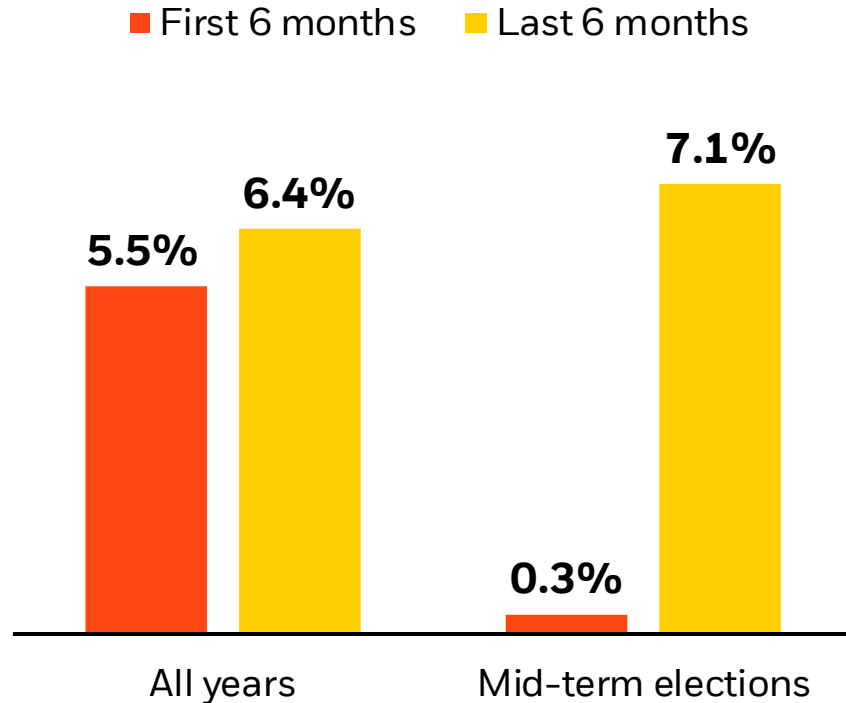
Average return following July
(last 5 months of the year)
Since 1926



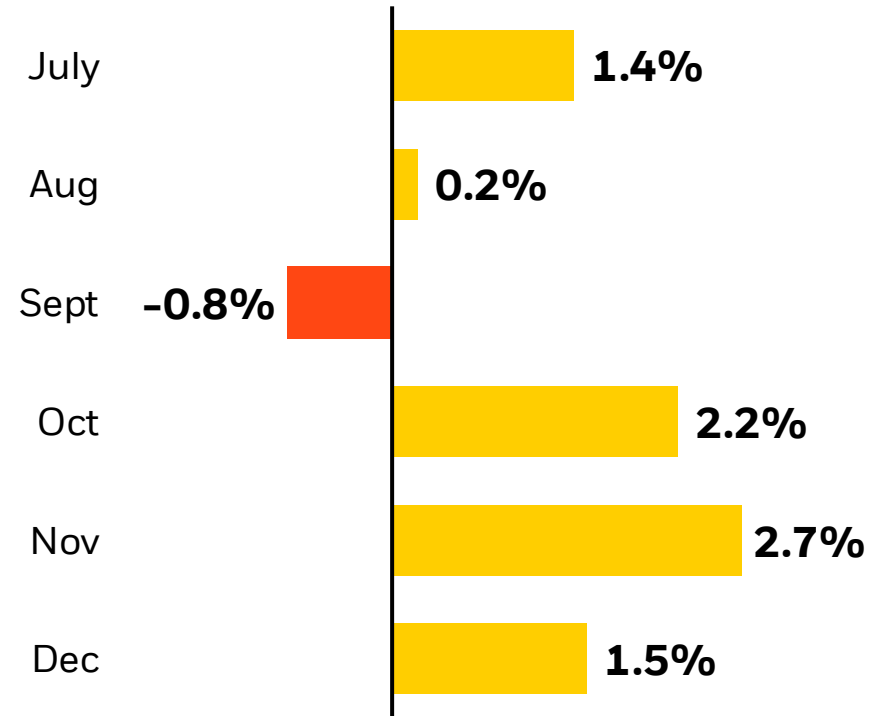
Source: Morningstar as of 7/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 12/31/21 and the IASBBI US Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

U.S. stocks across the election cycle

U.S. stock performance, 1st and 2nd half of the year
1/1/26 – 7/31/22



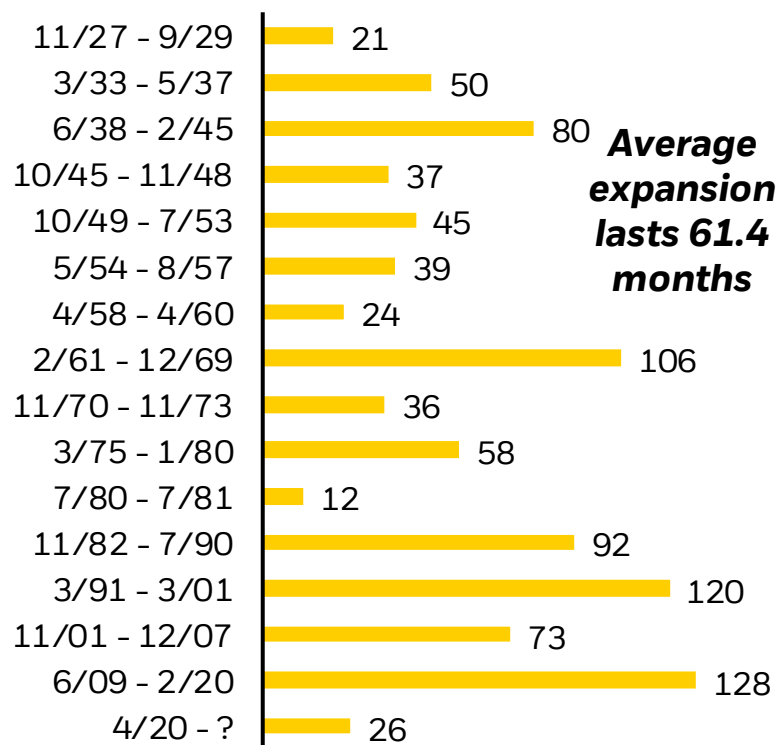
U.S. stock performance in mid-term elections years
1/1/26 – 7/31/22



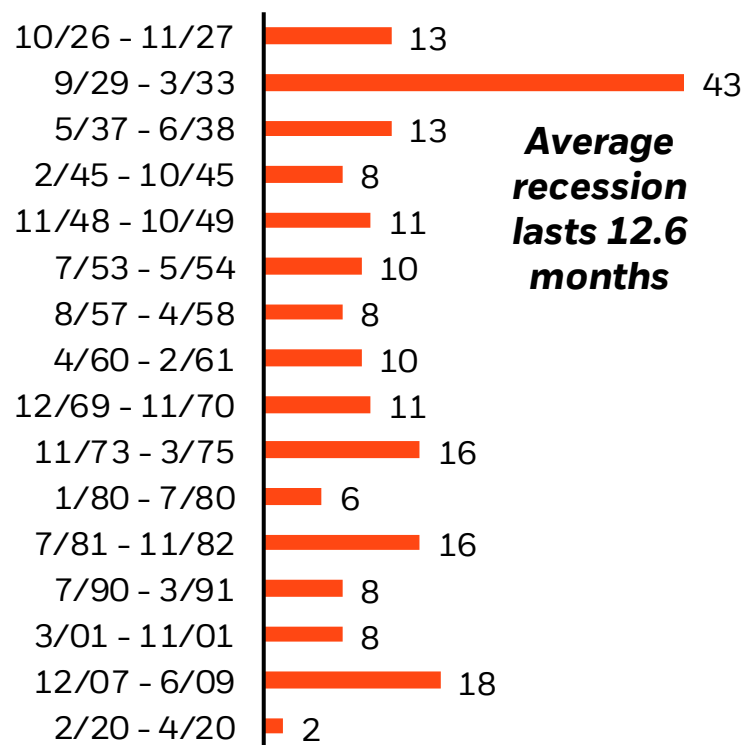
Source: Morningstar as of 7/31/22. Stock market represented by the S&P 500 Index from 3/4/57 to 7/31/22 and IA SBBI U.S. Large Cap TR Index from 1/1/26 to 3/4/57. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Longest expansion to the shortest recession

Length of U.S. economic expansion (months)
since 1926



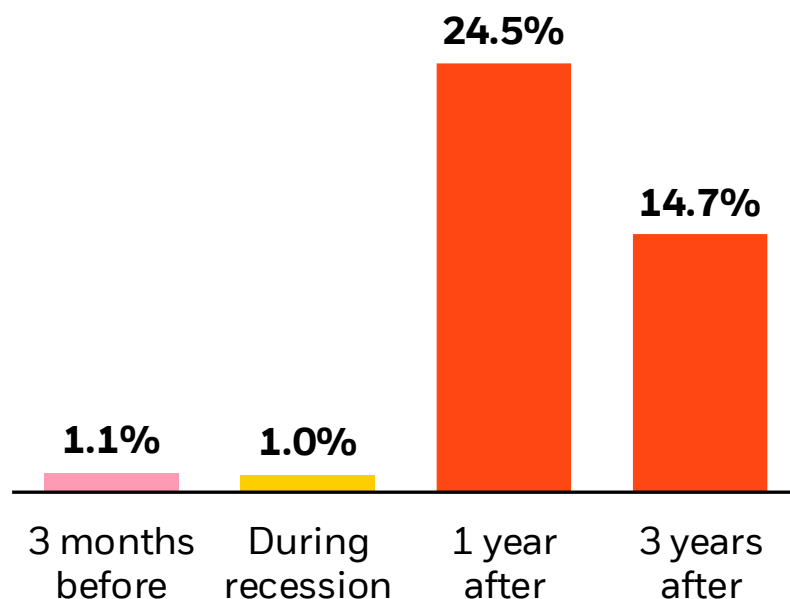
Length of U.S. economic recessions (months)
since 1926



Source: National Economic Bureau of Research and Morningstar as of 7/31/22. For illustrative purposes only.

U.S. stock performance during recessions

Average performance before, during and after a recession, since 1929



Recessions	3 month prior	During recession	1 year later	3 years later
1929-09-01 to 1933-03-31	28.6	-33.6	92.0	43.0
1937-06-01 to 1938-06-30	-9.0	-22.4	-1.9	0.3
1945-03-01 to 1945-10-31	12.6	19.5	-7.3	4.9
1948-12-01 to 1949-10-31	-5.9	15.2	31.5	23.4
1953-08-01 to 1954-05-31	2.1	24.2	35.9	22.5
1957-09-01 to 1958-04-30	-3.8	-1.5	37.3	18.5
1960-05-01 to 1961-02-28	-1.4	20.3	13.6	10.5
1970-01-01 to 1970-11-30	-0.3	-2.0	11.3	6.4
1973-12-01 to 1975-03-31	-7.1	-5.9	28.3	6.9
1980-02-01 to 1980-07-31	13.6	9.6	13.0	16.0
1981-08-01 to 1982-11-30	-0.2	10.5	25.6	18.6
1990-08-01 to 1991-03-31	8.7	8.0	11.0	9.1
2001-04-01 to 2001-11-30	-11.9	-0.9	16.5	2.7
2008-01-01 to 2009-06-30	-3.3	-25.0	14.4	16.4
2020-03-01 to 2020-04-30	-5.5	-1.1	46.0	21.0
Average	1.1	1.0	24.5	14.7

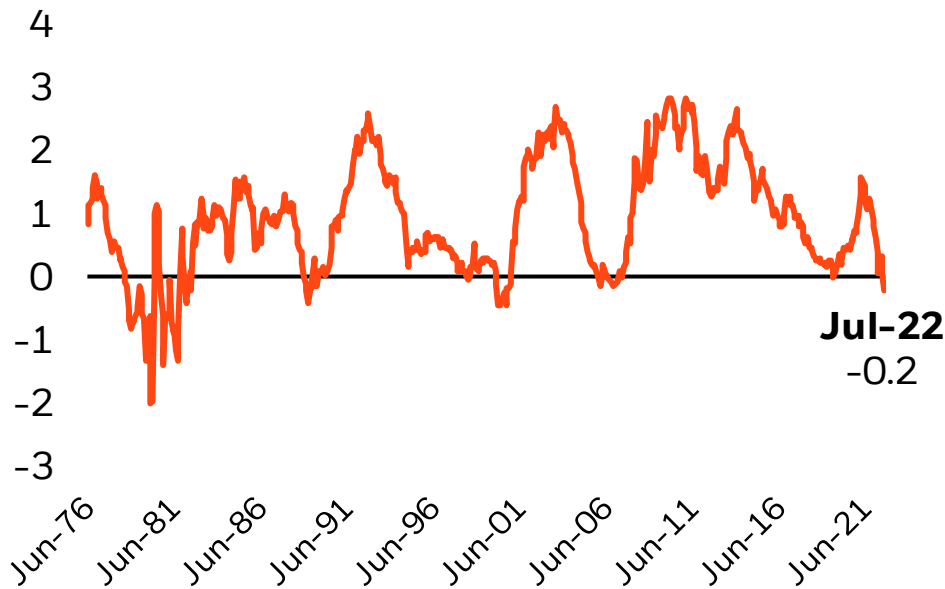
Morningstar as of 7/31/22. Stock market represented by S&P 500. Stocks represented by the IA US Large Cap TR Index and US Bortls by the IA US IT Gov Bond Tr Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Inverted yield curve and performance

Shape of the yield curve

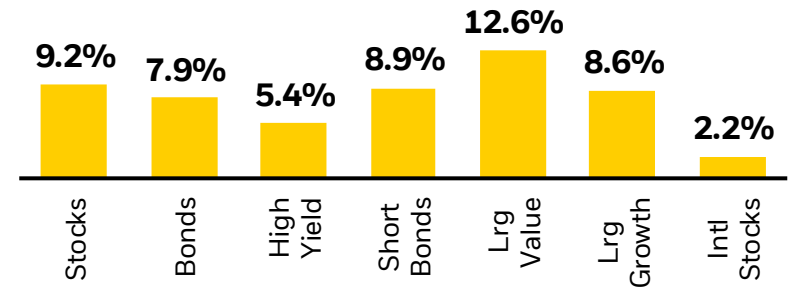
Long-term interest rates minus short term interest rates

10-year U.S. Treasury yield minus 2-year Treasury yield, 6/1/76 – 7/31/22



Performance when the yield curve is inverted

12 month performance, 6/1/76 – 7/31/22



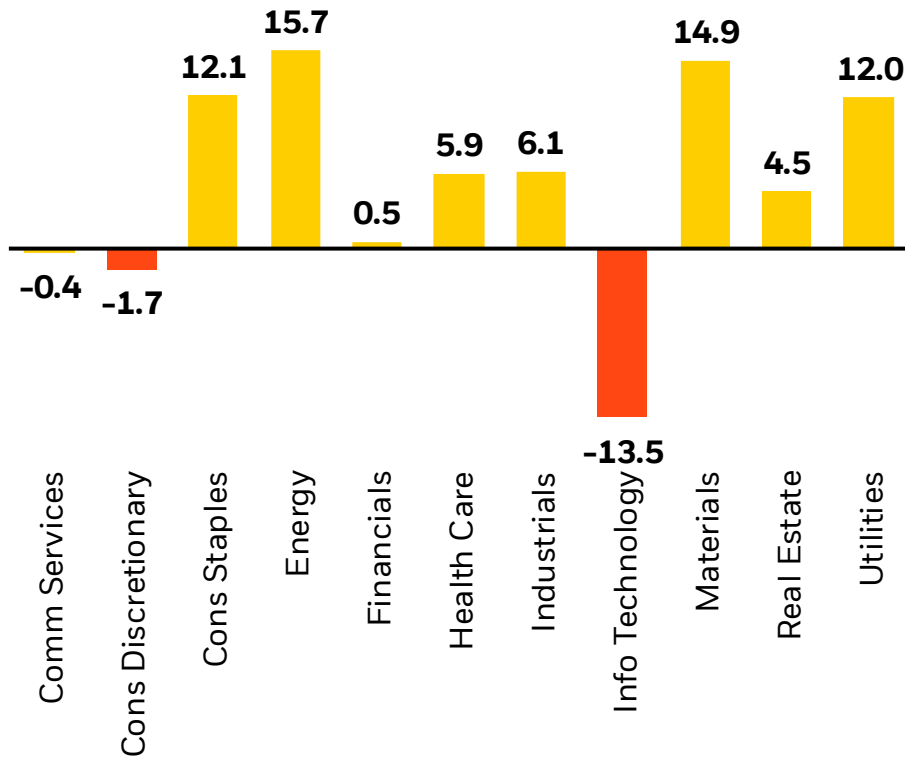
	Yield curve shape		
	Inverted (<0)	Flat (0><1)	Steep (>1)
U.S. Stocks	9.2%	16.5%	10.9%
U.S. Bonds	7.9%	6.8%	6.0%
High Yield Bonds	5.4%	7.5%	9.6%
Short-term Bonds	8.9%	6.0%	4.3%
Large Value	12.6%	13.7%	13.3%
Large Growth	8.6%	16.6%	10.8%
International Stocks	2.2%	11.7%	13.2%

Source: Morningstar as of 7/31/22. U.S. stocks are represented by the S&P 500 Index, Bonds represented by the Morningstar Intermediate Core Bond Category, High Yield bonds by the Morningstar High Yield Bond Category and Short-term Bonds by the Morningstar Short-term Bond Category, Large Value represented by the Fama French Large Cap Value Index, Large Growth represented by the Fama French large cap growth index and international stocks represented by the MSCI EAFE 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.

Inverted yield curve and stock sectors

Performance when the yield curve is inverted

(12 month performance, 10/1/89 - 7/31/22)



Performance when the yield curve is inverted

(12 month performance, 10/1/89 - 7/31/22)

	Yield curve shape		
	Inverted (<0)	Flat (0><1)	Steep (>1)
Comm Services	-0.4	14.1	6.6
Cons Discretionary	-1.7	15.6	12.8
Cons Staples	12.1	13.7	10.2
Energy	15.7	11.0	10.2
Financials	0.5	17.0	10.3
Health Care	5.9	20.0	9.4
Industrials	6.1	14.1	10.7
Info Technology	-13.5	26.6	13.1
Materials	14.9	9.9	10.3
Real Estate	4.5	11.1	14.5
Utilities	12.0	11.4	8.8

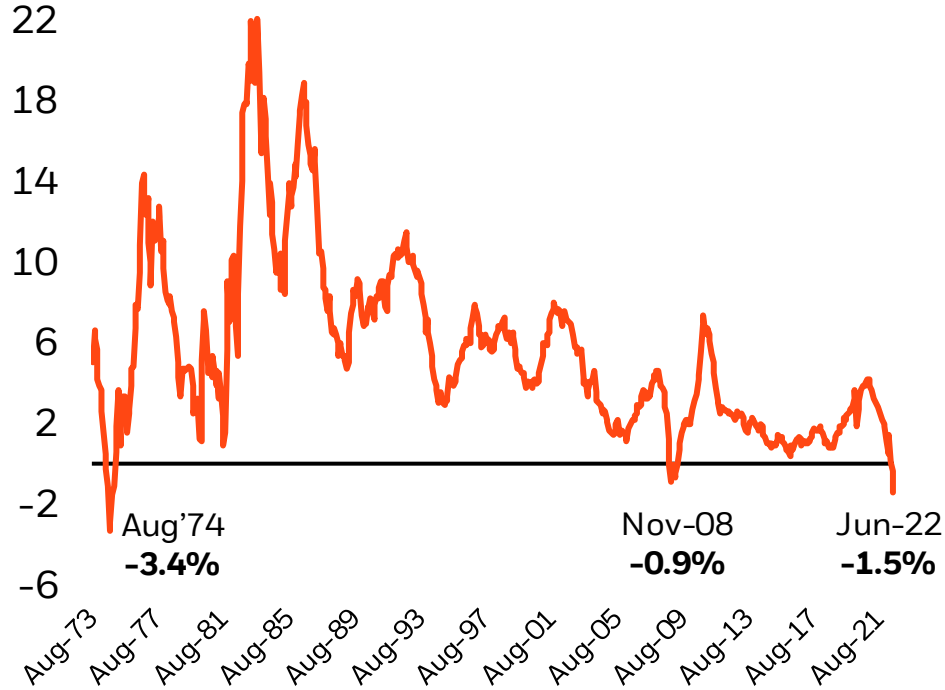
Source: Morningstar as of 7/31/22 All sector indices are S&P 500 sector indices. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can not invest directly in the index

SHORT TERM BONDS LOST MONEY LAST 2 YEARS

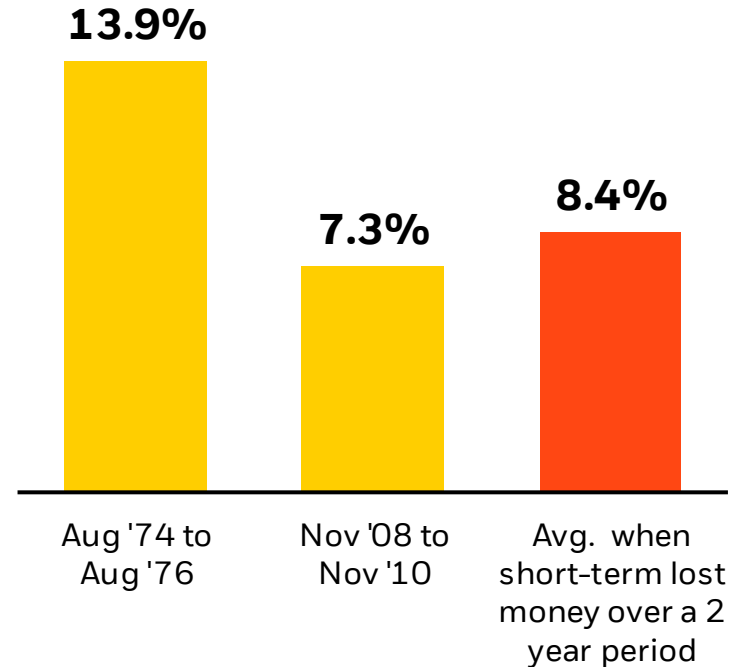
Short term bonds lost money in the last 2 years

Only the 15th time in history bonds lost money over a 2-year period

Rolling 2-year average annual returns for short term bonds
Since 1926



Short term bonds following a 2-year period in which they lost money



Source: Morningstar as of 6/30/22. U.S. short bonds represented by the Morningstar short term bond fundcategory. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Student of the Market: August 2022

Returns as of 7/31/22	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	-4.64	12.83	13.80
Bloomberg US Agg Bond TR USD	-9.12	1.28	1.65
Fama-French Large Growth TR USD	13.52	13.28	16.98
Fama-French Large Value TR USD	-3.72	7.30	17.08
IA SBBI US IT Govt TR USD	-7.22	1.02	1.21
IA SBBI US Large Stock TR USD Ext	-4.64	12.83	13.80
MSCI EAFE NR USD	-14.32	2.61	5.79
US Fund High Yield Bond	-7.73	2.22	3.94
US Fund Intermediate Core Bond	-9.52	1.09	1.56
US Fund Multisector Bond	-7.86	1.66	2.84
US Fund Short-Term Bond	-4.44	1.22	1.28
US Fund Ultrashort Bond	-1.12	1.13	0.92
S&P 500 Sec/Commun Services TR USD	-28.96	5.61	5.71
S&P 500 Sec/Cons Disc TR USD	-10.29	13.21	15.54
S&P 500 Sec/Cons Staples TR USD	7.43	9.37	10.73
S&P 500 Sec/Energy TR USD	67.44	8.47	4.83
S&P 500 Sec/Financials TR USD	-5.97	8.36	13.25
S&P 500 Sec/Health Care TR USD	1.82	12.72	15.23
S&P 500 Sec/Industrials TR USD	-6.03	8.72	12.29
S&P 500 Sec/Information Technology TR USD	-5.51	22.27	20.09
S&P 500 Sec/Materials TR USD	-5.06	9.71	10.70
S&P 500 Sec/Real Estate TR USD	-1.64	10.02	9.76
S&P 500 Sec/Utilities TR USD	15.58	10.43	10.79

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. ©2021 Morningstar. All Rights Reserved. The information, data, analyses and opinions contained herein (1) include the confidential and proprietary information of Morningstar, (2) may include, or be derived from, account information provided by a financial advisor which cannot be verified by Morningstar, (3) may not be copied or redistributed, (4) do not constitute investment advice offered by Morningstar, (5) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (6) are not warranted to be correct, complete or accurate. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, this information, data, analyses or opinions or their use. 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 7/31/22 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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