

March 2024

Student of the Market



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Stocks

**January & February
stock market
returns**



**Stock market
volatility**



**Stock returns
following a Federal
Reserve rate cut**



**Market all-time
highs**



Diversification, bonds, and cash

**Individual stocks vs.
mutual funds & ETFs**



**Cash on the
sidelines**



**Bonds when cash
yields fall**



**60/40 portfolio vs.
cash**

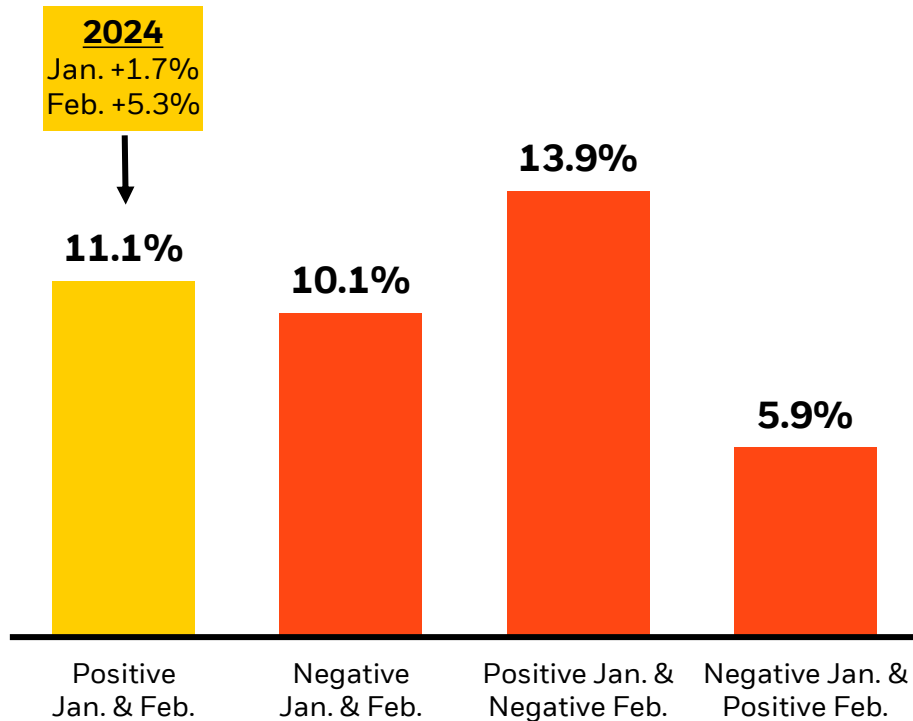


Source: Morningstar as of 2/29/24. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

So goes a positive January & February...?

Average return following January & February

Performance over next 10 months of calendar year, since 1926



Only 2 of the last 34 years that started with a positive Jan. & Feb. ended the year negative

Calendar years with a positive Jan. & Feb. plus performance over the following 10 months, since 1926

Year	January	February	Next 10 months
1930	6.4	2.6	(31.2)
1931	5.0	11.9	(51.8)
1936	6.7	2.2	22.8
1937	3.9	1.9	(38.6)
1938	1.5	6.7	21.0
1943	7.4	5.8	10.8
1944	1.7	0.4	17.2
1945	1.6	6.8	25.7
1950	2.0	2.0	26.6
1951	6.4	1.6	14.8
1954	5.4	1.1	43.3
1955	2.0	1.0	27.8
1959	0.5	0.5	10.8
1961	6.5	3.2	15.5
1964	2.8	1.5	11.6
1965	3.4	0.3	8.4
1967	8.0	0.7	14.0
1971	4.3	1.2	8.3
1972	2.1	2.8	13.5
1975	12.7	6.4	14.4

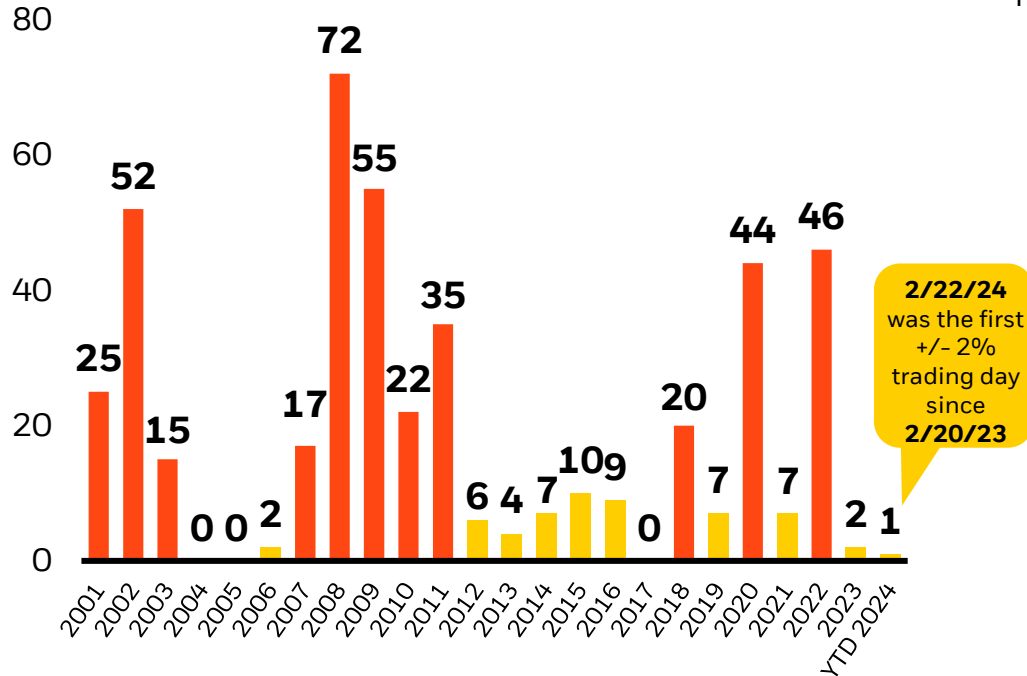
Year	January	February	Next 10 months
1983	3.7	2.3	15.5
1985	7.8	1.2	20.7
1986	0.6	7.5	9.8
1987	13.5	4.0	(10.8)
1988	4.2	4.7	6.9
1991	4.4	7.2	16.7
1993	0.8	1.4	7.7
1995	2.6	3.9	29.1
1996	3.4	0.9	17.8
1997	6.2	0.8	24.5
1998	1.1	7.2	18.6
2004	1.8	1.4	7.4
2006	2.6	0.3	12.5
2011	2.4	3.4	(3.6)
2012	4.5	4.3	6.4
2013	5.2	1.4	24.2
2017	1.9	4.0	15.0
2019	8.0	3.2	17.9
2024	1.7	5.3	?

Source: Morningstar as of 2/29/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 2/29/24 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.

Stock volatility has remained low

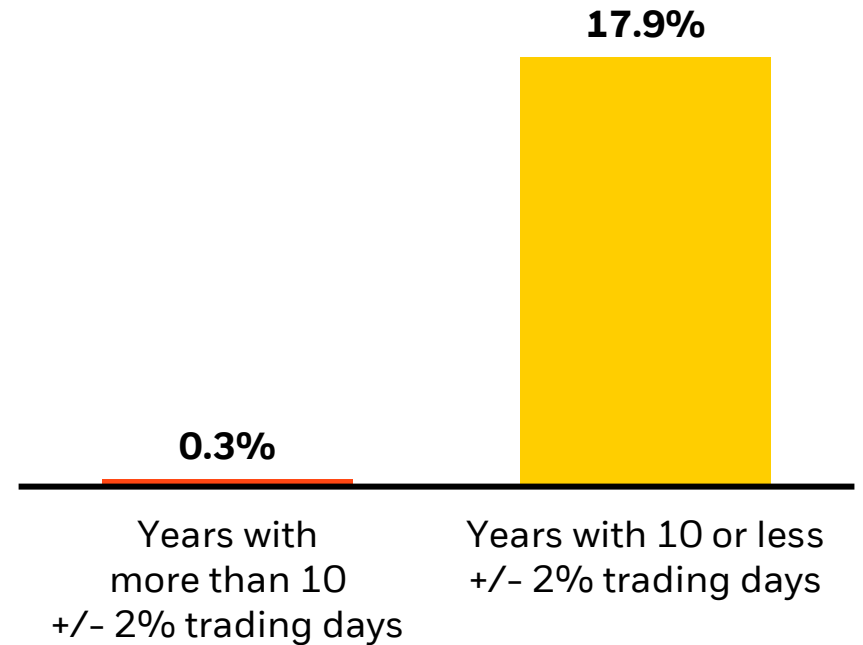
Number of single day stock market returns of +/-2% or more

S&P 500, past 20+ years by calendar year (1/1/01 - 2/29/24)



Lower volatility has typically resulted in much stronger returns

Average returns for the year based on the number of +/-2% (or more) trading days since 2001, based on calendar years

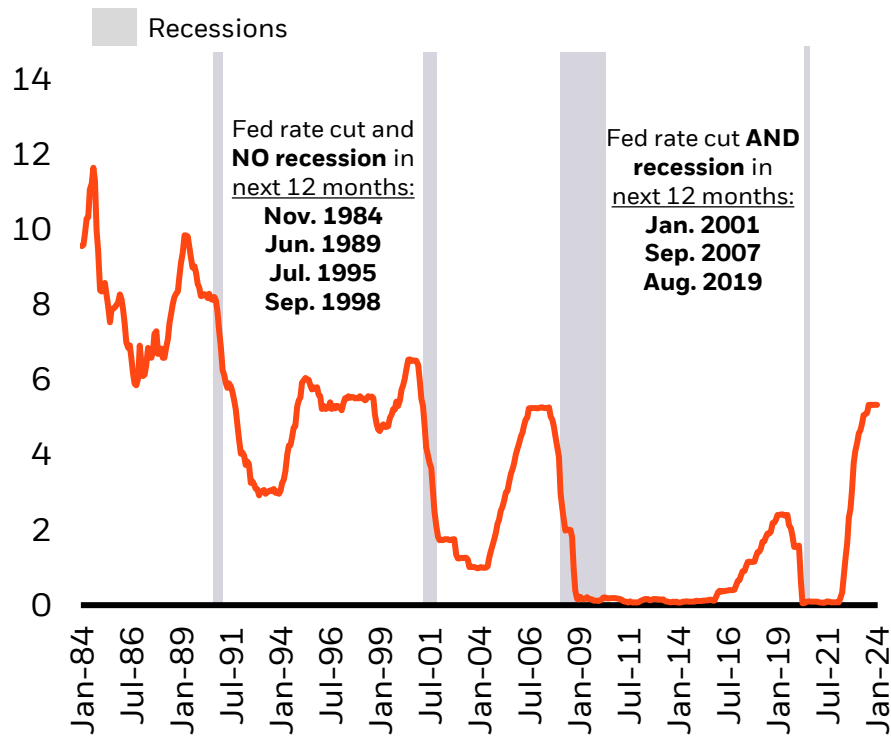


Source: Morningstar as of 2/29/24. Stock market represented by the S&P 500 TR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

A Fed rate cut that doesn't result in recession has been good for stocks historically

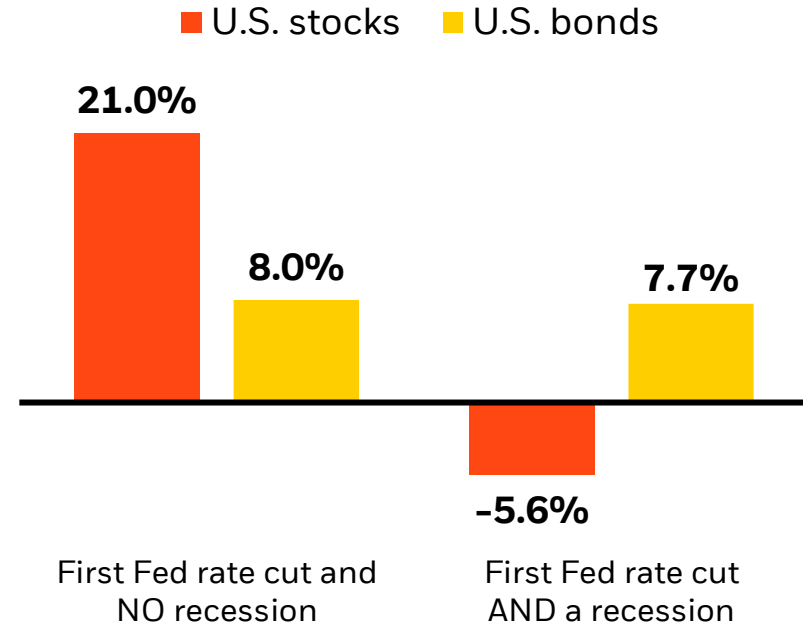
Federal funds rate and recessions

Effective Fed Funds rate and recession dates (1/1/84 – 2/29/24)



Stocks have benefited when rate cuts don't cause a recession in the following 12 months

Average 1-year returns after first cut of Fed cycle (1/1/84 – 2/29/24)



Source: Morningstar, Federal Reserve, NBER as of 2/29/24. U.S. stocks represented by the S&P 500 TR Index from 3/4/57 to 2/29/24 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57. 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 2/29/24. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Strong performance has typically followed new milestones for stocks

S&P 500 milestones and all-time highs

(1/1/95 – 2/29/24)

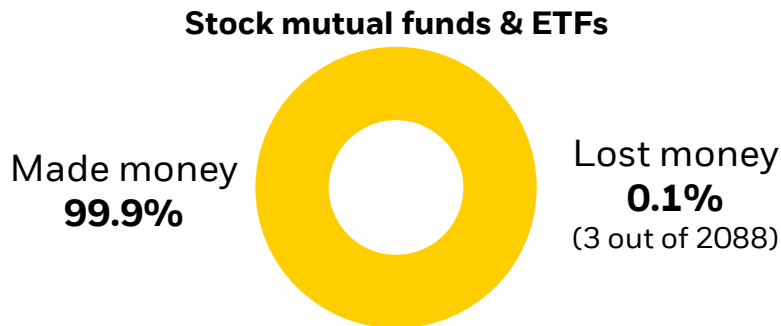
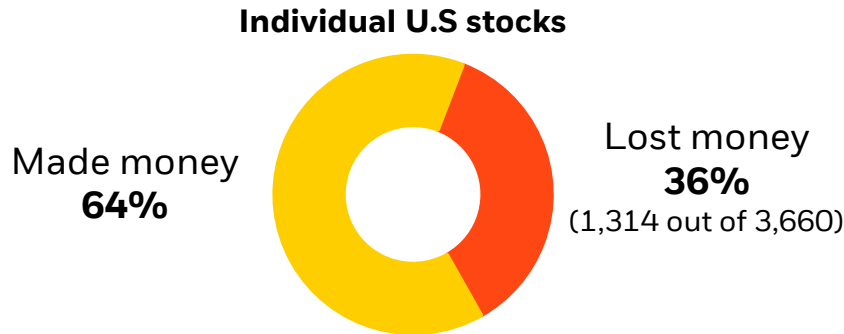
Milestone (Date)	# of times the index fell below and crossed again	# of new all-time highs between milestones	Months between each milestone	12 months after first crossing milestone	2 years after first crossing milestone (cumulative)
500 (3/24/95)	0	-	-	33.1%	65.3%
1,000 (2/2/98)	19	151	34	27.9%	44.7%
2,000 (8/26/14)	11	168	198	-1.0%	13.2%
3,000 (7/12/19)	7	142	58	7.8%	50.7%
4,000 (4/1/21)	13	74	20	14.7%	5.5%
5,000 (2/9/24)	2	65	34	?	?

Source: Bloomberg and Morningstar as of 2/29/24. 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.

Mutual funds and ETFs are less likely to lose money than individual stocks

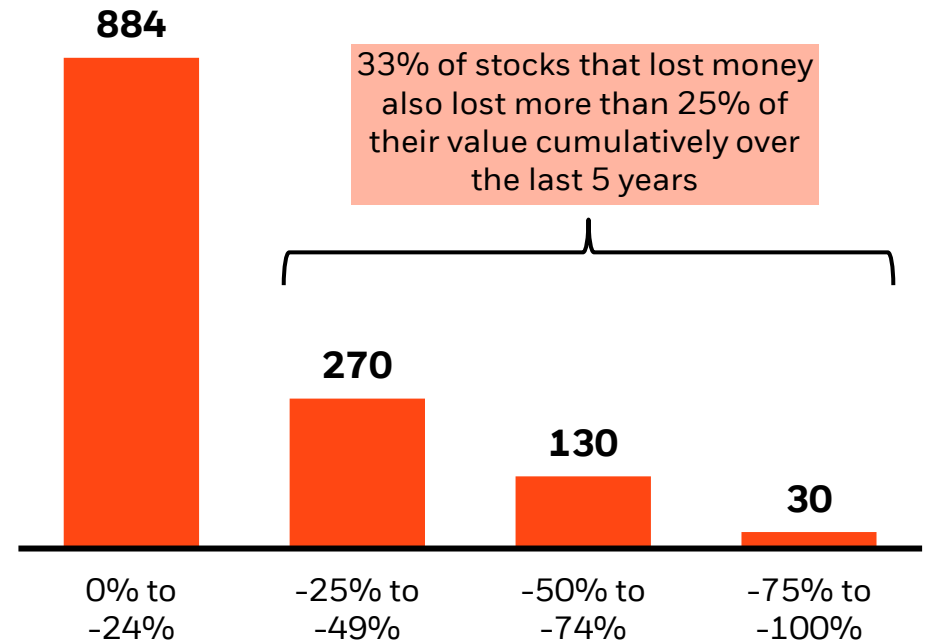
Percentage of investments that made or lost money, last 5 years

Cumulative returns, 2019 – 2023



Number of individual stocks that lost money over the last 5 years, grouped by percentage loss

Cumulative returns, 2019 – 2023

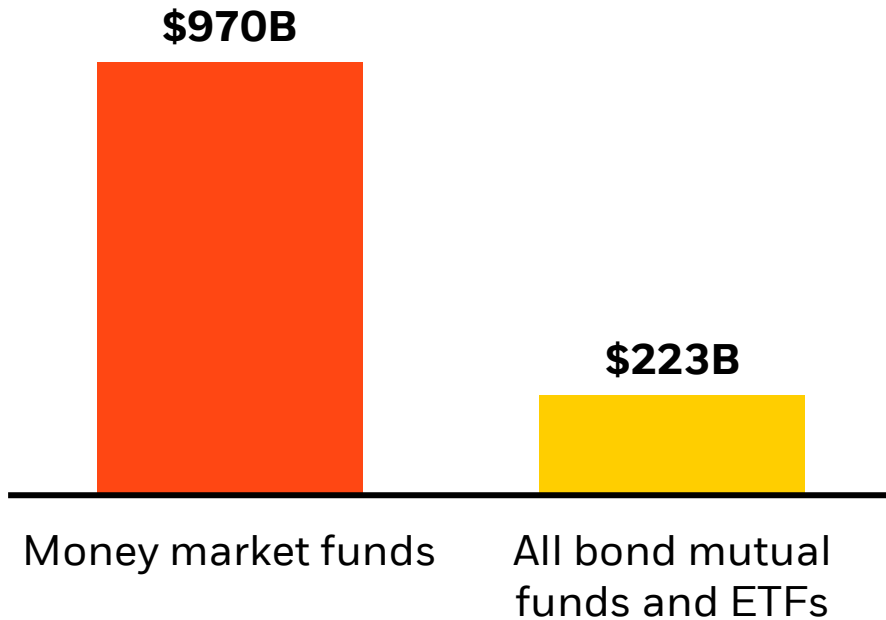


Source: Morningstar as of 12/31/23. **Stock mutual funds & ETFs** are represented by the Morningstar U.S. Equity Category, oldest share class only. **Individual U.S. stocks** are represented by the Morningstar U.S. Stock Universe, all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. **Past performance does not guarantee or indicate future results. Diversification does not guarantee a profit or protect against a loss in a declining market.**

Money market funds were popular in 2023, but bonds tended to do better

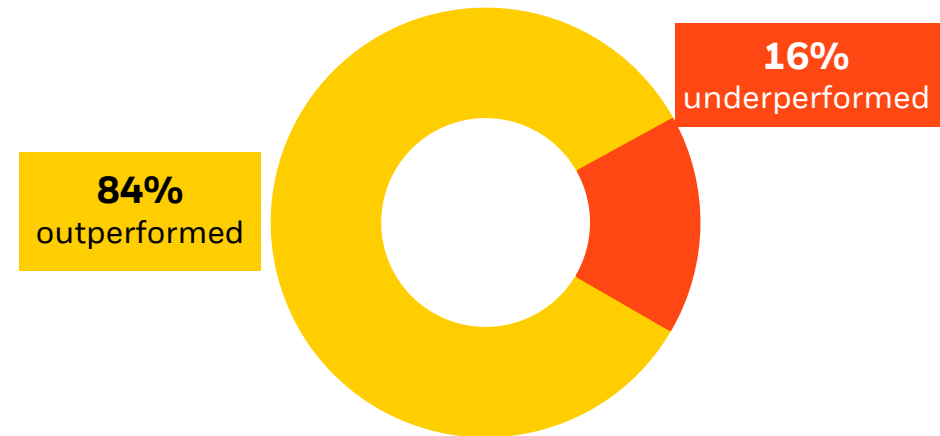
Money market inflows dominated bond fund inflows last year...

2023 flows for money market funds and bond mutual funds & ETFs



...but bond funds tended to outperform

% of all bond mutual funds and ETFs whose 2023 returns outperformed the taxable money market average return of 4.7%

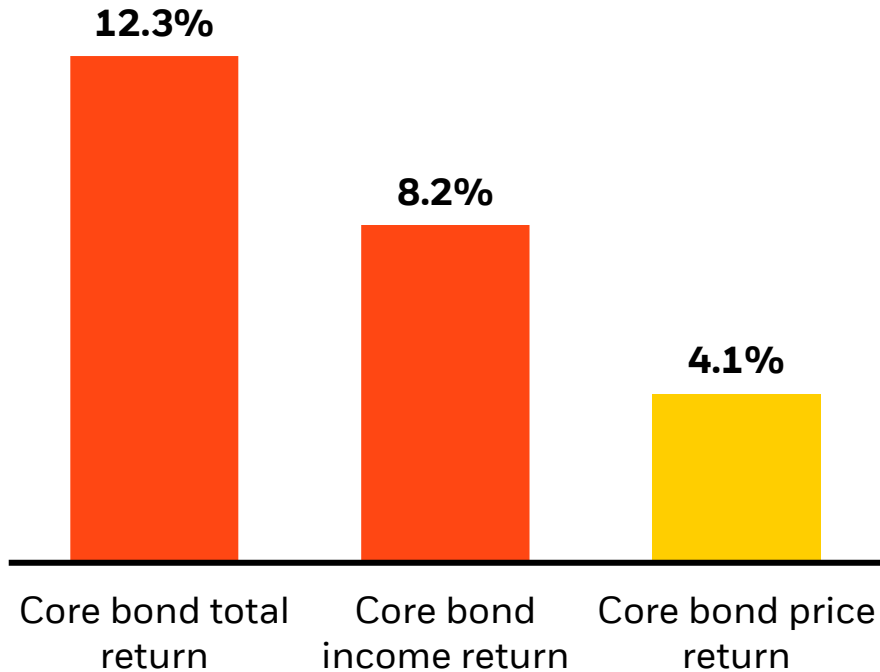


Source: Morningstar as of 2/29/24. All money market and bond asset classes are represented by their respective Morningstar category average. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Bonds historically see a positive price return when cash yields fall

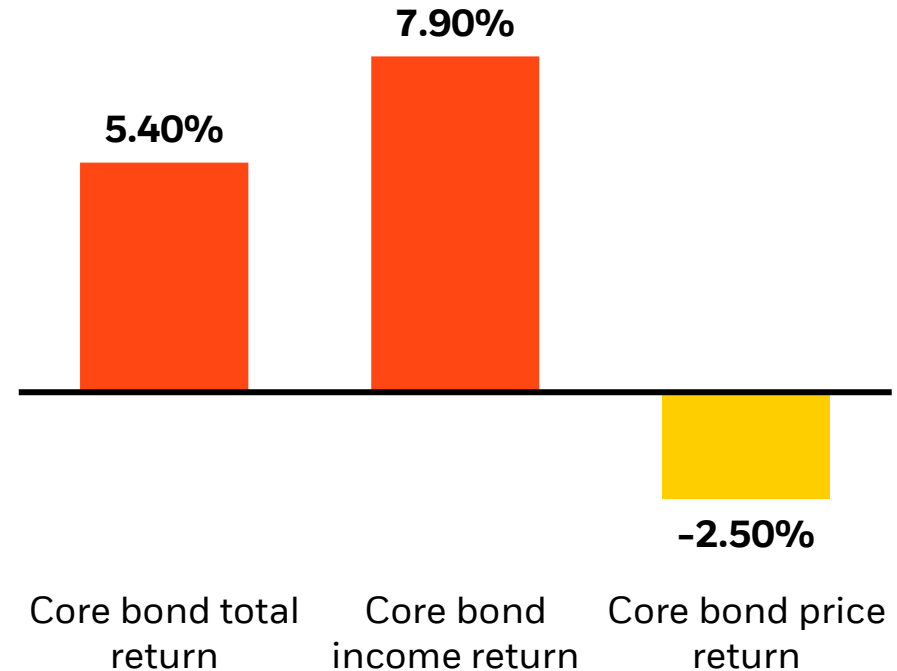
Average returns for core bonds in years when cash yields went DOWN 1% or more

Calendar year returns, 1976 – 2023



Average returns for core bonds in years when cash yields went UP 1% or more

Calendar year returns, 1976 – 2023

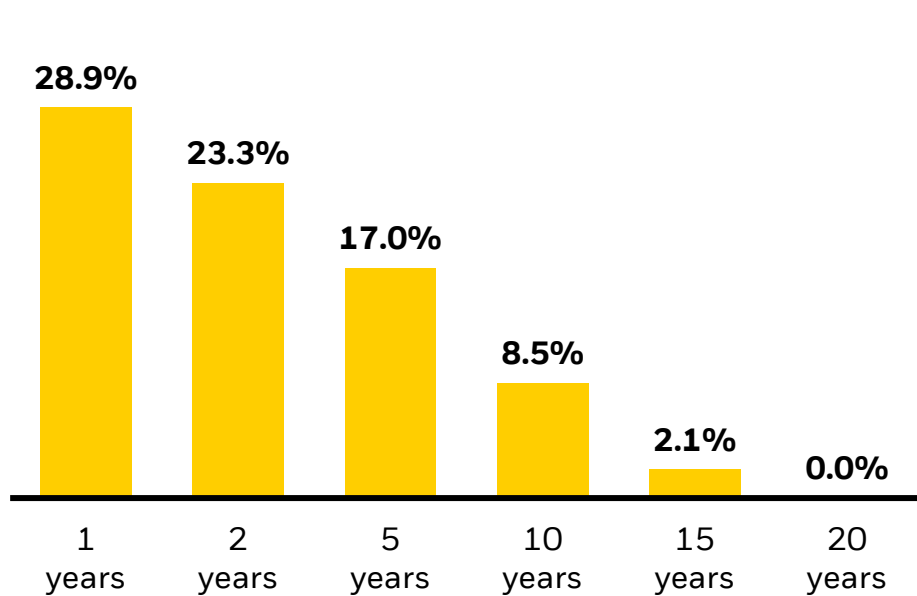


Morningstar as of 2/29/24. U.S. core bond total return represented by the IASBBI US Gov IT TR Index from 1/1/76 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 2/29/24. U.S. core bond income return represented by the IASBBI US Gov IT IR Index from 1/1/76 to 1/3/89 and the Bloomberg U.S. Agg Bond IR Index from 1/3/89 to 2/29/24. Cash represented by the SBBI 30 day TBill 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.

Benefits of a diversified portfolio vs. cash

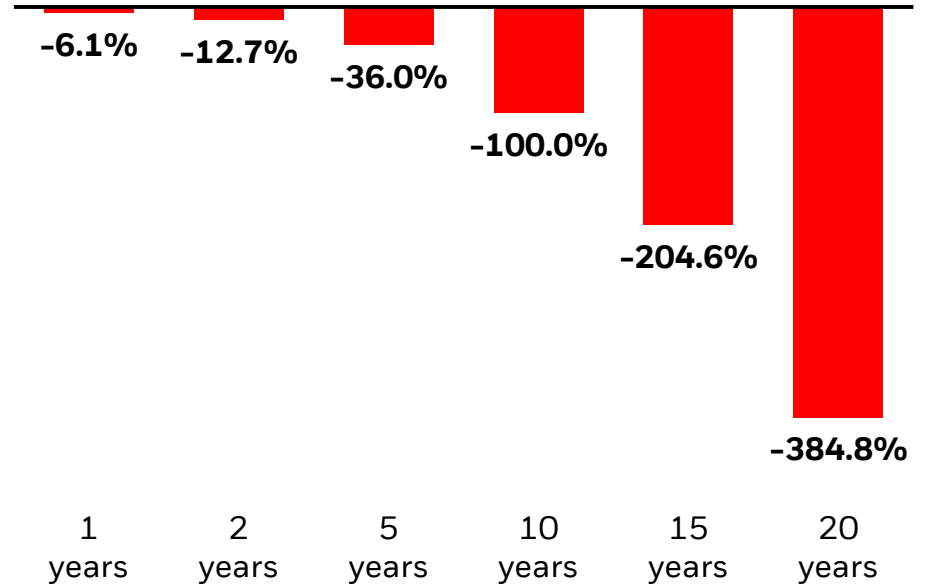
The likelihood of cash outperforming a diversified portfolio is low...

% of times cash outperformed a portfolio of 60% U.S. stocks and 40% U.S. bonds over each time period, 1926- 2024



...and the degree of that underperformance can be large

Cumulative average returns, money market returns minus 60/40 portfolio returns, 1926- 2024



Morningstar as of 2/29/24. Cash are represented by the IA SBBI US 30 day TBill Index, U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 2/29/24 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 2/29/24. 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 2/29/24	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	30.45	14.76	12.70
Bloomberg US Agg Bond TR USD	3.33	0.56	1.43
Bloomberg US Agg Bond IR USD	3.32	2.85	2.96
IA SBBI US IT Govt TR USD	4.19	0.73	1.19
IA SBBI US IT Govt IR USD	4.27	2.21	2.03
IA SBBI US Large Stock TR USD Ext	30.45	14.76	12.70
US Fund Money Market – Taxable	4.88	1.71	1.09
IA SBBI US 30 Day TBill TR USD	5.16	1.89	1.27

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 **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 **Bloomberg U.S. Agg Bond IR Index** is an unmanaged index that is generally considered representative of the U.S. bond market on a price 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 **IA SBBI IT Govt IR 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 IR Index** in 1989.
- 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.
- **US Fund Money Market – Taxable** is an average of funds within the US Fund Money Market – Taxable category as defined by Morningstar.
- The **IA SBBI US 30 Day TBill TR Index** is an unmanaged index that is generally considered representative of the historical U.S. 30-Day Treasury Bill market on a total return basis.

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