

July 2025

Student of the Market



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Stocks

U.S. stocks bounce back in May-June >

U.S. dollar and international stocks >

Stocks when valuations are high >

Stocks and historical geopolitical events >

Diversification, cash, bonds and alternatives

Money market assets and performance >

Fed funds rate remains above inflation >

60/40 portfolio historically bad capture ratio >

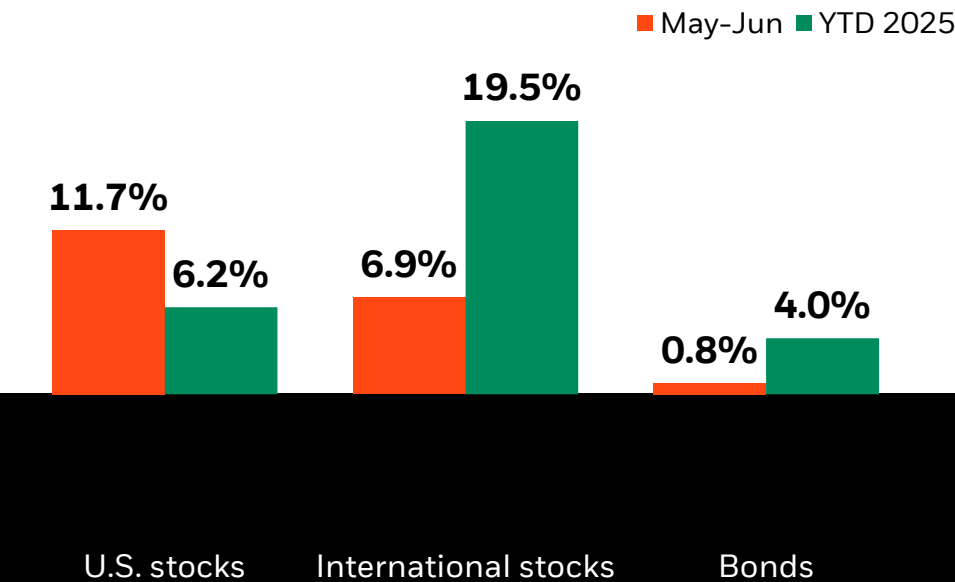
Up and downside capture champions (alternatives and factors) >

Source: Morningstar as of 6/30/25. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Best May-June for U.S. stocks since 1950 but international stocks still leading in 2025

2025 asset class performance

May-June and YTD 2025 performance (through 6/30/2025)



Returns after “best” Mays & Junes can vary

6 of the top 9 periods were positive, S&P 500 returns (%)

Year	May & June	Next 6 months (Jun-Dec)
2025	11.7	?
2024	8.7	8.4
1997	10.8	10.6
1990	9	-6
1986	7.1	-1.8
1985	7.4	12.4
1980	8.5	21.8
1975	9.8	-3.3
1955	9	13.1
1952	8.5	9.4
Average	9.1	7.2

Source: BlackRock, Morningstar as of 6/30/25. Stocks are represented by the S&P 500 TR Index from 3/4/57 to 6/30/25 and the IASBBI U.S. Lrg Stock TR USD Index from 1/1/50 to 3/4/57. International Stocks are represented by the MSCI EAFE NR Index. U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate 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.

The relationship between the U.S. Dollar and international stocks

U.S. Dollar cycles can last many years and be a big factor in international stock performance relative to the U.S.

U.S. Dollar cycles (U.S. Dollar spot price)

1/1/1970 – 6/30/2025



U.S. dollar cycles and international stock performance vs U.S. stocks

1/1/1970 – 6/30/2025, cumulative returns

Date	Length (months)	International stocks	U.S. stocks
U.S. Dollar weakening			
1/70-10/78	105	136%	55%
2/85-8/92	90	268%	196%
1/02-3/08	74	115%	31%
YTD 2025	?	20%	6%
U.S. Dollar strengthening			
10/78-2/85	76	58%	169%
8/92-1/02	113	57%	229%
3/08-12/24	195	22%	264%

Source: BlackRock, Morningstar and Bloomberg as of 6/30/25. U.S. Dollar represented by the U.S. Dollar spot index, U.S. Stocks are represented by the S&P 500 TR Index, International Stocks are 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.

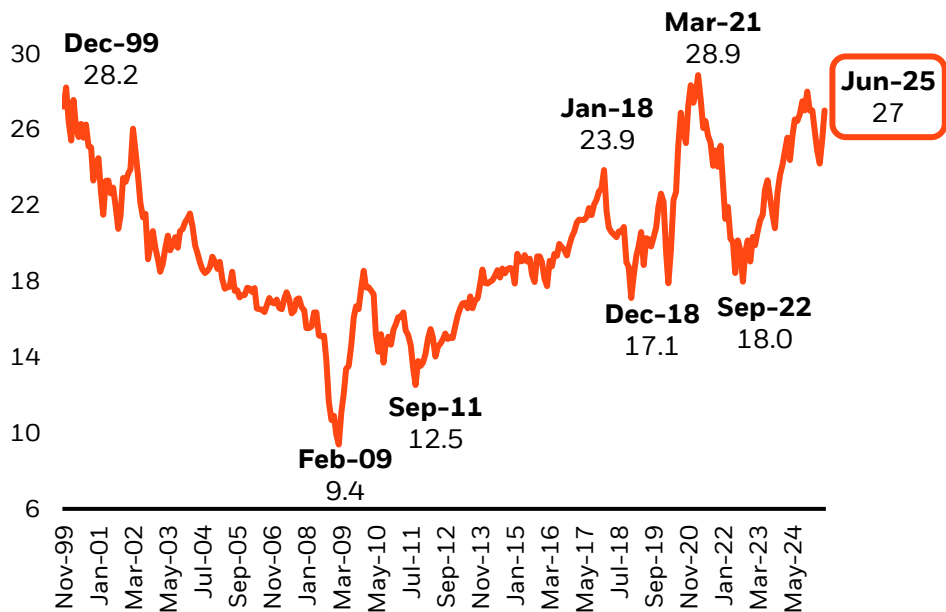
STOCKS WHEN VALUATIONS ARE HIGH

High stock valuations have not historically predicted near-term performance

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

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

11/1/1999 – 6/30/2025



Specific period returns following various P/Es

11/1/1999 – 6/30/2025

Performance following high or low P/E*				
P/E Date	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%	?	?
6/25	?	?	?	?
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 6/30/2025. 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.

Stay the course amid geopolitical volatility

Geopolitical events often generate alarming headlines, but markets have absorbed such shocks more resiliently than expected.

Event*	Date	3 months before	3 months after	1 year after	3 years after (avg annual)
Germany invades Poland	9/1/1939	-2.5%	10.7%	0.3%	-1.9%
Pearl harbor attack	12/7/1941	-9.8%	-4.1%	0.2%	11.6%
N. Korea invades S. Korea	6/25/1950	9.0%	1.6%	12.6%	8.0%
Cuban missile crisis	10/16/1962	-1.0%	13.7%	26.4%	16.9%
Gulf of Tonkin incident	8/2/1964	3.8%	2.0%	2.5%	4.7%
Soviets invade Afghanistan	12/24/1979	-1.5%	8.5%	39.6%	15.3%
Iraq invades Kuwait	8/2/1990	-8.0%	-12.8%	12.8%	11.5%
September 11 th attack	9/11/2001	-13.3%	8.0%	-15.5%	2.7%
Iraq war	3/20/2003	-0.7%	14.3%	29.2%	16.4%
Russia annexes Crimea	2/20/2014	3.3%	3.6%	17.1%	11.1%
Russia invades Ukraine	2/24/2022	-9.7%	0.2%	-3.4%	14.2%
Hamas attacks Israel	10/7/2023	-1.9%	9.5%	34.1%	
Israel attacks Iran	6/13/25	8.6%			

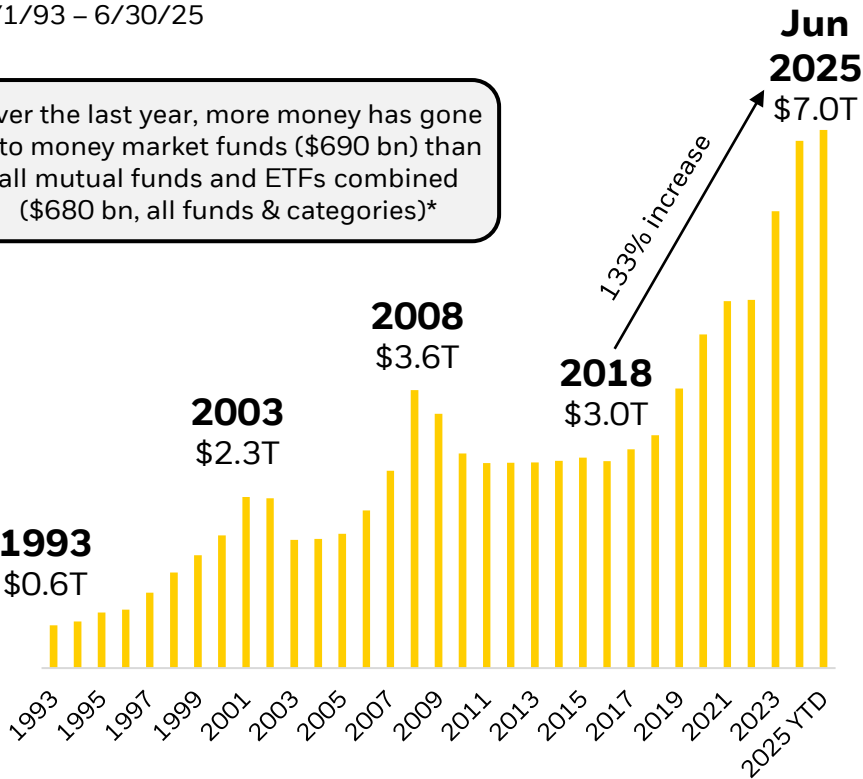
Sources: BlackRock; Morningstar as of 6/30/25. Events in this table represent a non comprehensive group of universally recognized major geopolitical events of the past one hundred years.*Returns shown for events prior to 1979 are represented by the S&P 500 PR Index, which shows principal returns only (excluding dividends), from 3/4/57 to 12/31/78 and the IA SBBBI 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 6/30/25. 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.**

Cash on the sidelines continues to reach historic highs, but still trails bonds

Money market fund assets

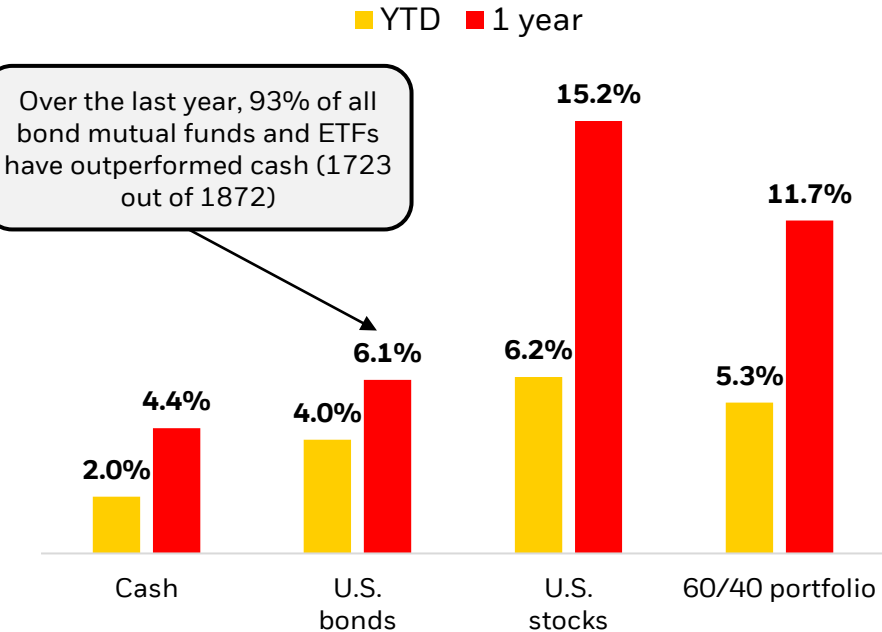
12/1/93 – 6/30/25

Over the last year, more money has gone into money market funds (\$690 bn) than all mutual funds and ETFs combined (\$680 bn, all funds & categories)*



Cash (money funds) is growing, but has trailed bonds, stocks and the diversified portfolio

Average annual performance



Source: BlackRock, Morningstar and the ICI as of 6/30/25. U.S. Stocks are represented by the S&P 500 TR Index. Cash represented by the Morningstar money market fund category average, U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index, and 60/40 portfolio represented by 60% S&P 500 TR index and 40% Bloomberg U.S. Agg Bond Intermediate 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. *As of 5/31/2025.

The Fed funds rate above inflation is historically a positive for bonds

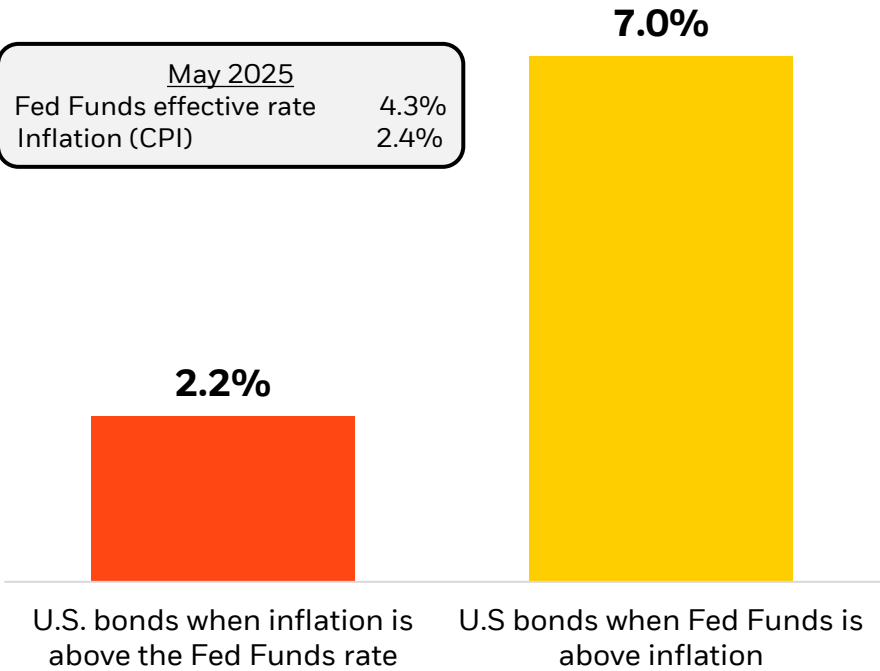
Bond performance 1 year following inflation above/below Fed Funds

6/95 – 6/25

May 2025

Fed Funds effective rate 4.3%

Inflation (CPI) 2.4%



Bond funds category performance 1 year later

Average annual performance last 30 years 6/95– 6/25

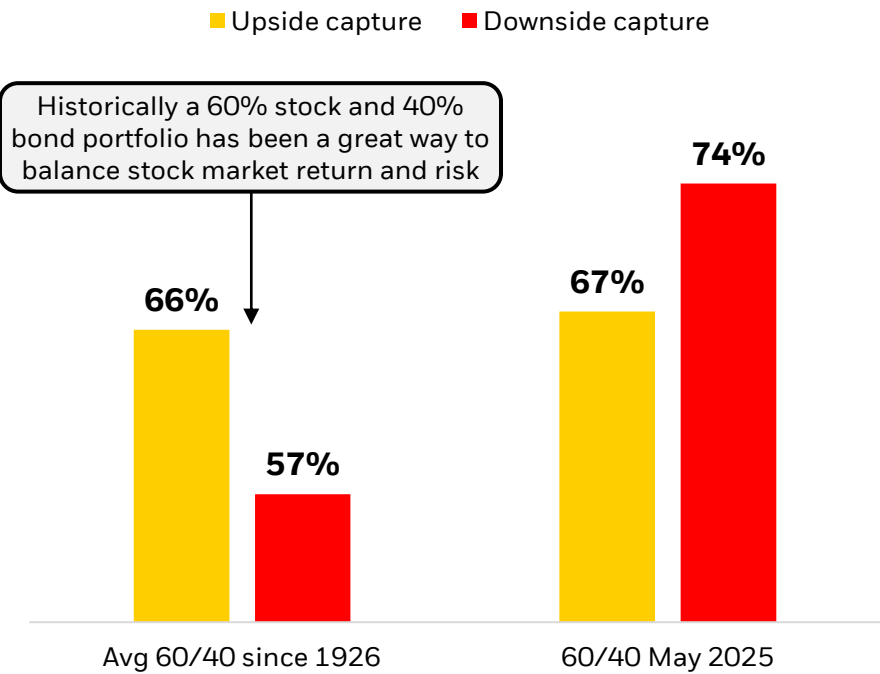
Bond category	Fed funds rate > inflation	Inflation > Fed Funds rate	Interest rate risk (duration)
Core-plus bond	6.7	2.7	5.8
Core bond	6.1	2.1	5.9
Multisector bond	5.9	4.3	3.9
Nontraditional bond	5.6	2.9	2.8
High yield bond	5.5	6.1	3.0
Short-term bond	5.0	1.5	2.7
Bank loans	5.0	4.4	0.3
Money market	3.5	0.9	0.1

Source: BlackRock, Morningstar as of 6/30/25. U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index, and all bond categories 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.

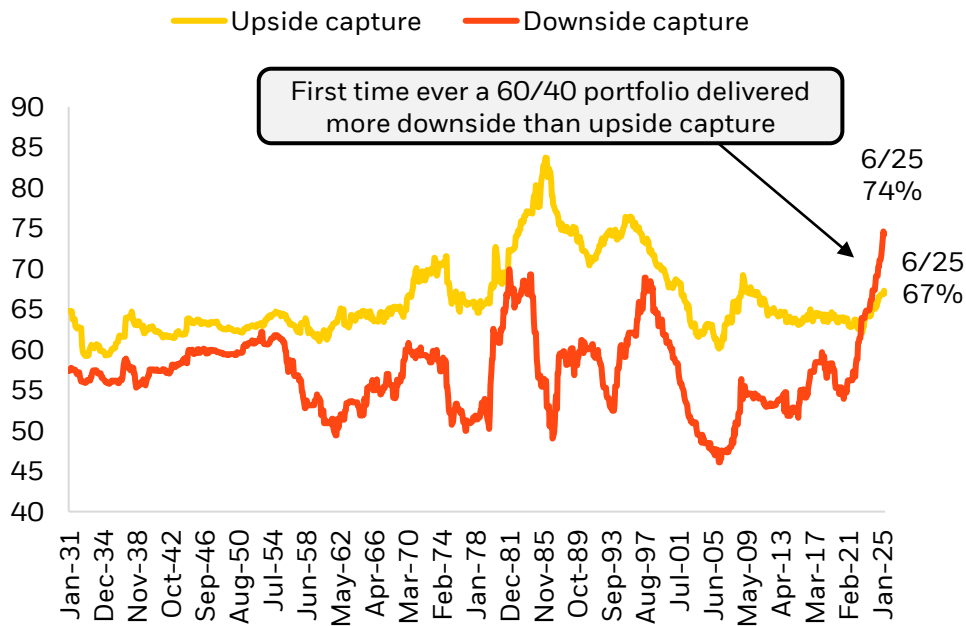
Toughest stretch in history for a 60/40 portfolio based on up and down capture ratio

Capture ratio illustrates how much an investment participates in stock market gains (upside) and how much it protects your money when the stock market falls.

60/40 portfolio 5 year up and downside capture ratio (versus the S&P 500)



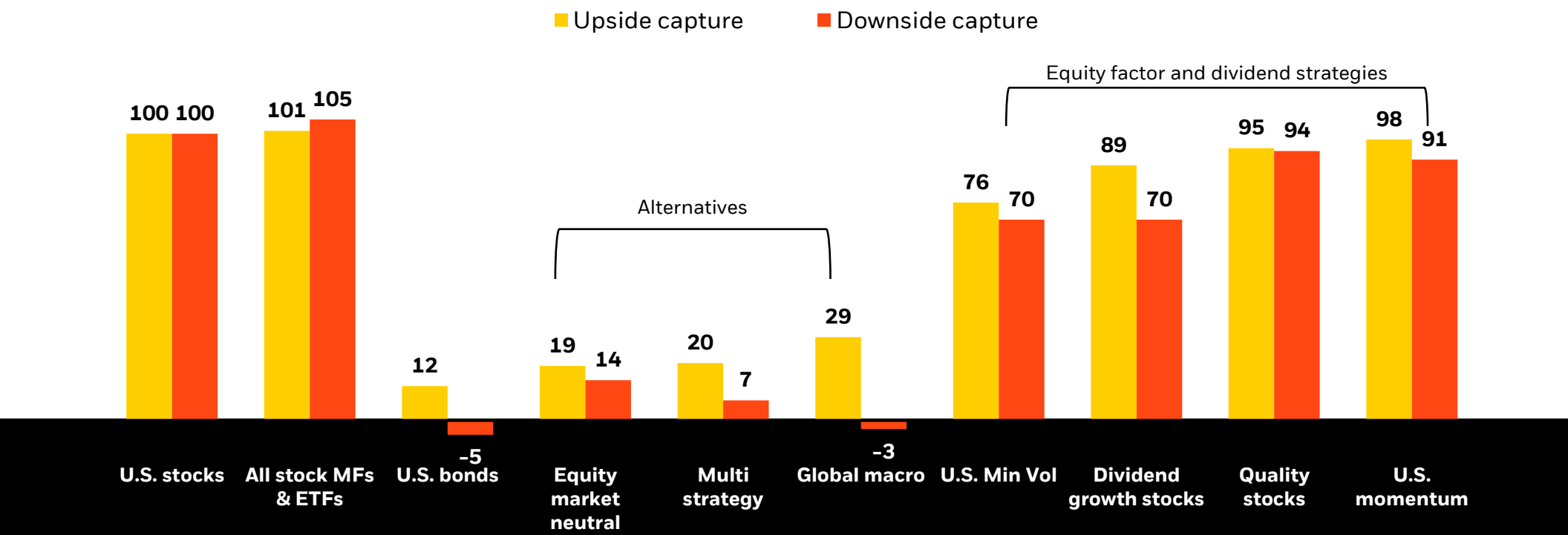
60/40 portfolio rolling 5 year up and downside capture ratio (versus the S&P 500)



Source: BlackRock, Morningstar as of 6/30/25. Stocks are represented by the S&P 500 TR Index from 3/4/57 to 6/30/25 and the IASBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/3/57, 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 6/30/25, and 60/40 portfolio represented by 60% S&P 500 TR index and 40 Bloomberg U.S. Agg Bond Intermediate 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.

Alternatives and equity factor strategies excel at delivering durable capture ratios

Upside/downside capture ratio over the last 25 years vs. U.S. stocks



Source: Morningstar as of 6/30/25. Intermediate Term Bonds are represented by Bloomberg U.S. Aggregate Bond Index, Minimum Volatility Stocks by the MSCI USA Minimum Volatility index, US Quality Stocks by the MSCI USA Quality Index, Dividend Growing Stocks by the Russell 1000 Dividend Growth Index, Momentum Stocks by the MSCI USA Momentum Index, Equity Market Neutral by the Wilshire Equity Market Neutral Index, Multi Strategy by the Wilshire Multi Strategy Index and Global Macro by the Wilshire Global Macro Index.

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Returns as of 6/30/25	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	15.16	16.64	13.65
60 40 Portfolio	11.73	9.75	9.03
Bloomberg US Agg Bond TR USD	6.08	-0.73	1.76
Credit Suisse Equity Market Neutral USD	11.04	7.25	3.51
Credit Suisse Global Macro USD	1.42	7.15	4.32
Credit Suisse Multi-Strategy USD	7.17	7.55	5.17
IA SBBI US IT Govt TR USD	5.38	0.67	1.64
IA SBBI US Large Stock TR USD Ext	15.16	16.64	13.65
MSCI EAFE NR USD	17.73	11.16	6.51
MSCI USA Minimum Volatility (USD) NR USD	13.27	10.42	10.31
MSCI USA Momentum NR USD	18.35	13.02	13.58
MSCI USA Sector Neutral Quality NR USD	8.10	14.95	12.45
Russell 1000 Dividend Growth TR USD	9.71	13.10	11.43
US Fund Bank Loan	6.28	6.32	3.98
US Fund High Yield Bond	8.10	5.47	4.22
US Fund Intermediate Core Bond	5.43	-0.61	1.43
US Fund Intermediate Core-Plus Bond	5.71	0.15	1.76
US Fund Money Market-Taxable	4.44	2.51	1.67
US Fund Multisector Bond	6.84	3.69	3.16
US Fund Nontraditional Bond	5.42	3.65	2.79
US Fund Short-Term Bond	6.21	2.22	2.11

Source: Morningstar as of 6/30/25. ¹Due to data availability and update frequency, returns are as of 4/30/25. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

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 **IA SBBI US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a total return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **IA SBBI US 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 International Developed Markets (ex-U.S.) stocks on a net return basis.
- The **US BLS CPI All Urban SA 1982-1984 Index** is an unmanaged index that is generally considered representative of the U.S. inflation rate on a seasonally adjusted basis.
- **US Fund Money Market - Taxable** is an average of funds within the US Fund Money Market – Taxable category as defined by Morningstar.
- The **Russell 1000 Dividend Growth TR Index** is an unmanaged index that is generally considered representative of the stocks within the 1,000 largest stocks in the entire U.S. stock market that have higher valuations than the index average, on a total return basis.

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Index Definitions (cont.):

- The **Credit Suisse Equity Market Neutral Hedge Fund Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of long/short equity funds. Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalizations. Managers typically have the flexibility to shift from value to growth; small to medium to large capitalization stocks; and net long to net short. Managers can also trade equity futures and options as well as equity related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.
- The **Credit Suisse Global Macro Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of global macro funds. Global macro funds typically focus on identifying extreme price valuations and leverage is often applied on the anticipated price movements in equity, currency, interest rate and commodity markets. Managers typically employ a top-down global approach to concentrate on forecasting how political trends and global macroeconomic events affect the valuation of financial instruments. Profits can be made by correctly anticipating price movements in global markets and having the flexibility to use a broad investment mandate, with the ability to hold positions in practically any market with any instrument.
- The **Credit Suisse Multi Strategy Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of multi-strategy funds. Multi-strategy funds typically are characterized by their ability to allocate capital based on perceived opportunities among several hedge fund strategies. Through the diversification of capital, managers seek to deliver consistently positive returns regardless of the directional movement in equity, interest rate or currency markets. The added diversification benefits may reduce the risk profile and help to smooth returns, reduce volatility and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

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