

# **Student of the Market**

March 2023

**BlackRock**<sup>®</sup>

# Student of the Market

March 2023

**January &  
February  
stock market  
returns**

**Growth vs.  
value in core  
equities**

**Cash on the  
sidelines**

**Peak  
inflation and  
performance**

**Inflation  
cycles**

**Interest rates  
and long-  
term bond  
returns**

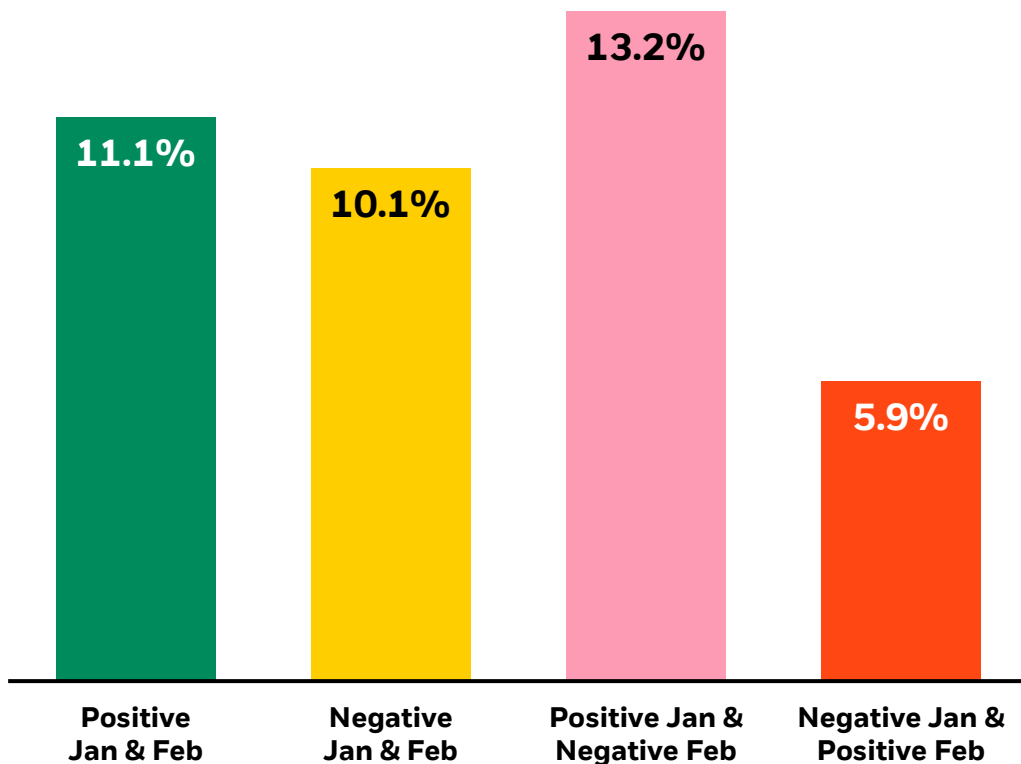
**Risky income  
asset classes**

**International  
stocks vs.  
U.S. stocks**

Source: Morningstar as of 2/28/23. **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 & negative February...?

Average return following January & February  
Next 10 months, since 1926



Year	January	February	Next 10 months
1929	5.8	-0.2	-13.3
1933	0.9	-17.7	85.6
1934	10.7	-3.2	-8.0
1942	1.6	-1.6	20.3
1946	7.1	-6.4	-8.3
1947	2.6	-0.8	3.9
1949	0.4	-3.0	21.9
1952	1.8	-2.8	19.6
1958	4.5	-1.4	39.2
1963	5.1	-2.4	19.8
1966	0.6	-1.3	-9.4
1976	12.2	-0.8	11.4
1979	4.4	-3.2	17.3
1980	6.2	-0.0	24.8
1989	7.3	-2.5	25.8
1994	3.4	-2.7	0.7
1999	4.2	-3.1	19.9
2001	3.6	-9.1	-6.4
2007	1.5	-2.0	6.0
2018	5.7	-3.7	-6.1
2023	6.3	-2.4	?
Avg.	4.6	-3.4	13.2

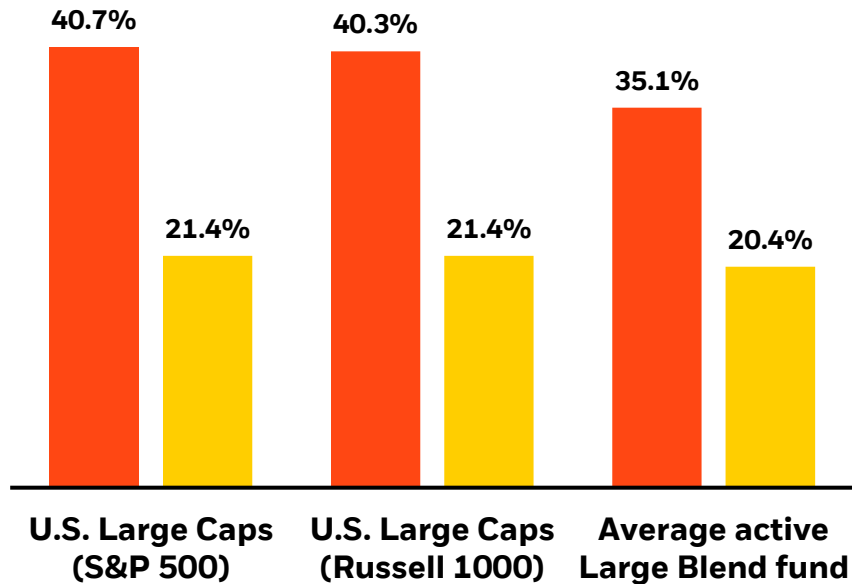
Source: Morningstar as of 2/28/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 2/28/23 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

# Core equity exposures are leaning growth

Percentage in growth and value

As of 1/31/23

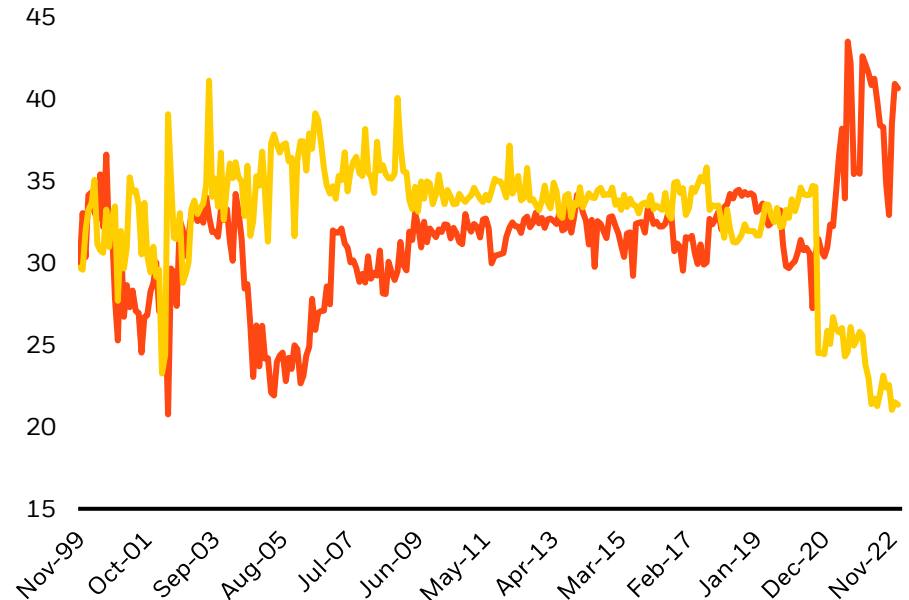
■ Growth ■ Value



S&P 500 growth and value weights

In percentage terms since 1999

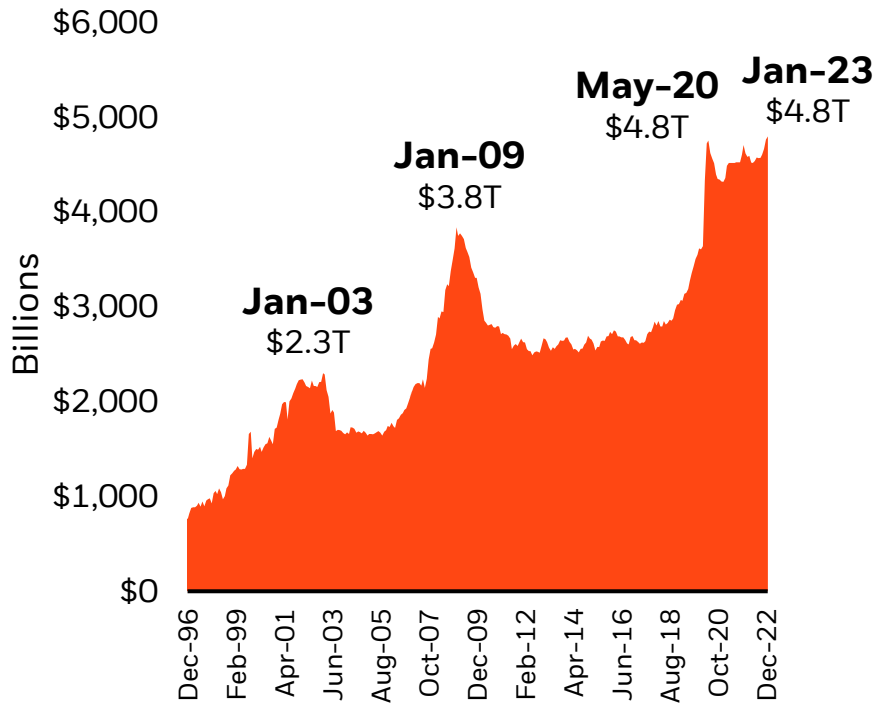
— Growth — Value



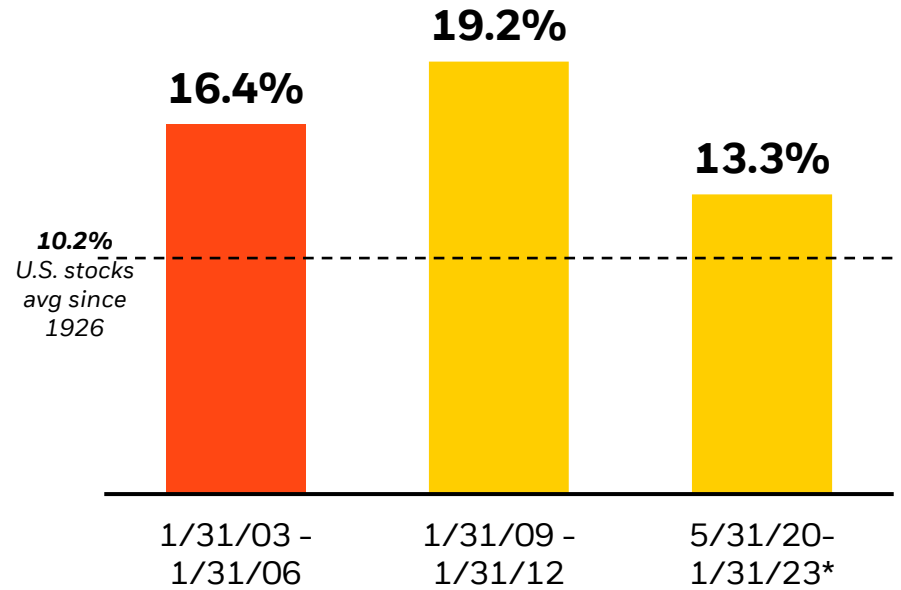
Source: Morningstar as of 1/31/23. U.S. stocks are represented by the S&P 500 Index and the Russell 1000 Index where indicated, unmanaged indexes that are generally considered representative of the U.S. stock market. Average active large blend fund represented by the Morningstar active large blend category average. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Money market assets at a historic peak

**Money market fund assets**  
2/1/96 – 1/31/23



**3-year U.S. stock performance following a peak in money market fund assets**  
Average annual performance

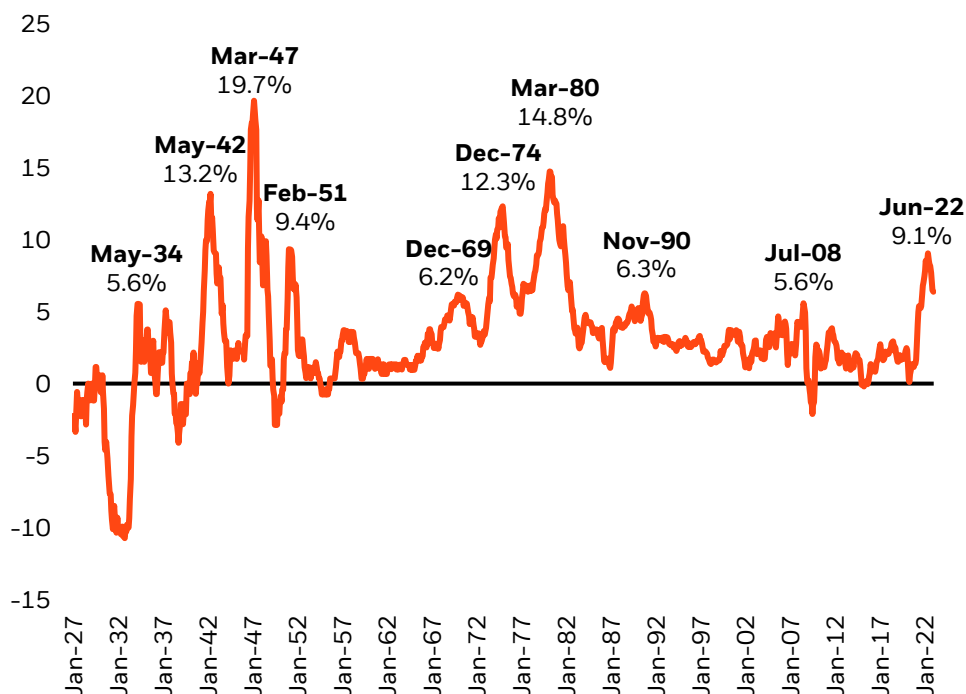


Source: Morningstar as of 1/31/23. U.S. stocks represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index. \*Not a 3 year period but a 2 year and 8 month time period.

# Performance following peaks in inflation

## “Peaks” in the inflation rate

Since 1926, 12-month change in inflation rate



## Returns following “peak” inflation rates

Since 1926, returns for the next 12 months

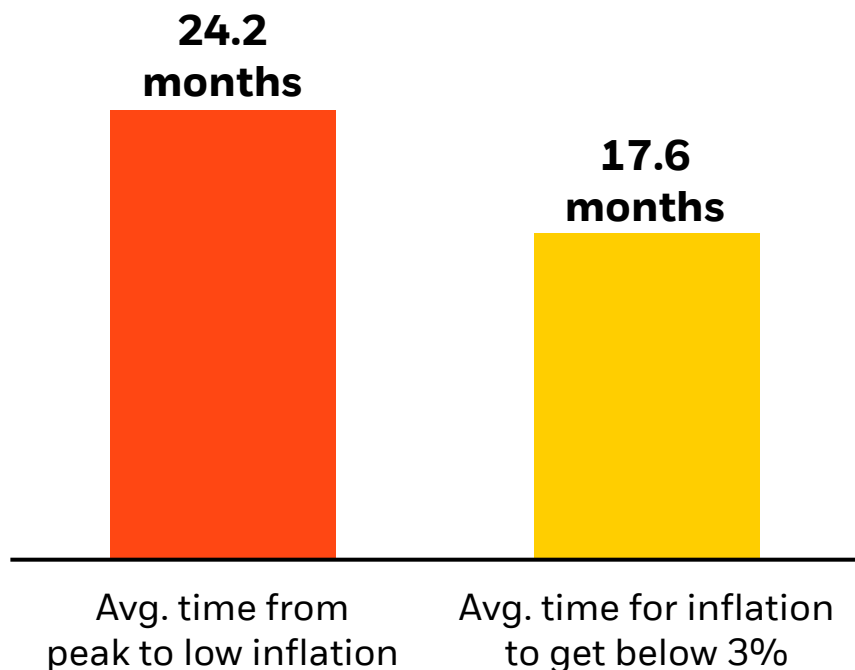
Peak Inflation	Next 12 months	
	Stocks	Bonds
May 1934	4.8%	6.3%
May 1942	57.6%	2.0%
Mar 1947	5.3%	0.9%
February 1951	13.6%	0.3%
December 1969	4.0%	16.9%
December 1974	37.0%	7.8%
March 1980	40.1%	13.1%
November 1990	20.3%	14.4%
July 2008	-20.0%	7.9%
<b>Avg.</b>	<b>18.1%</b>	<b>7.7%</b>
<b>June 2022</b>	<b>6.1% (8 mo.)</b>	<b>-2.6% (8 mo.)</b>

Source: Morningstar, Bureau of Labor Statistics as of 2/28/23. 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 2/28/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 2/28/23 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 cannot invest directly in the index.

# How long have inflation cycles lasted?

## Average Inflation cycle length and time it takes to get inflation below 3%

Since 1926, in months



## Individual inflation cycles through history

Since 1926, in months and CPI percentage reported

Peak Inflation	Inflation Low	Time from peak to low (months)	Time to get below 3% (months)
<b>May-34</b> 5.6%	<b>May-36</b> -0.7%	24	2
<b>May-42</b> 13.2%	<b>May-44</b> 0%	24	19
<b>Mar-47</b> 19.7%	<b>Oct-49</b> -2.9%	28	24
<b>Feb-51</b> 9.4%	<b>Jan-53</b> 0.4%	23	12
<b>Dec-69</b> 6.2%	<b>Jun-72</b> 2.7%	30	30
<b>Dec-74</b> 12.2%	<b>Nov -76</b> 4.9%	23	NA
<b>Mar-80</b> 14.8%	<b>July-83</b> 2.5%	40	39
<b>Nov-90</b> 6.3%	<b>Jan-92</b> 2.6%	14	11
<b>Jul-08</b> 5.6%	<b>Jul-09</b> -2.1%	12	4
<b>Avg.</b>		24.2	17.6

Source: Morningstar, Bureau of Labor Statistics as of 2/28/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

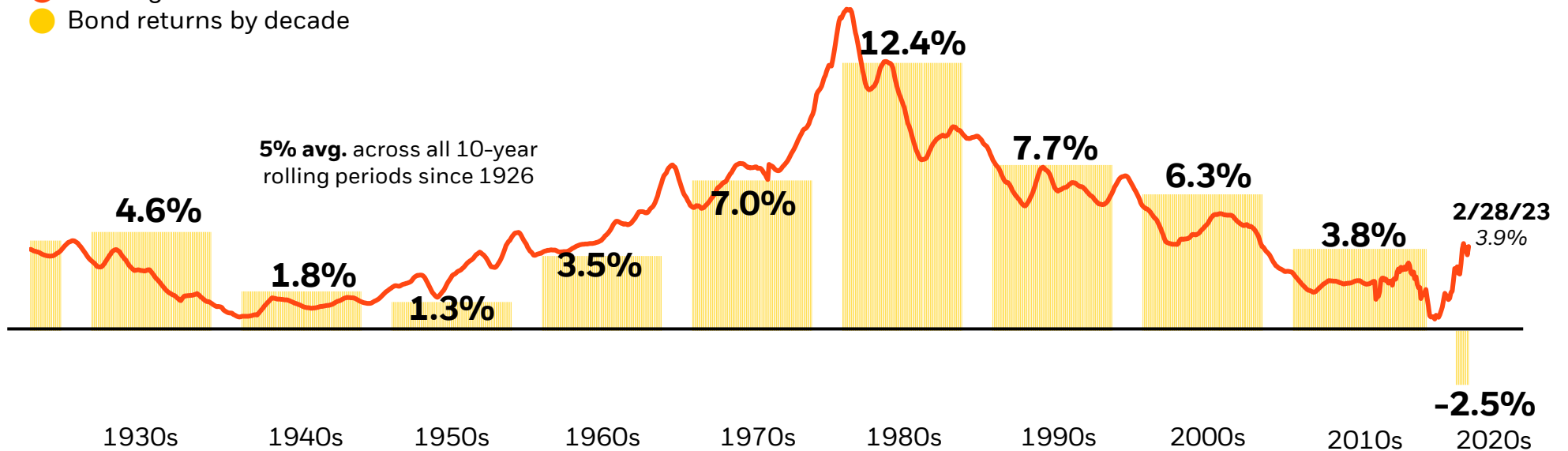
# Interest rates and long term bond returns

Long term bond returns follow interest rates

## U.S. bond returns follow interest rates

Average annual 10-year returns since 1926

- Starting interest rates
- Bond returns by decade



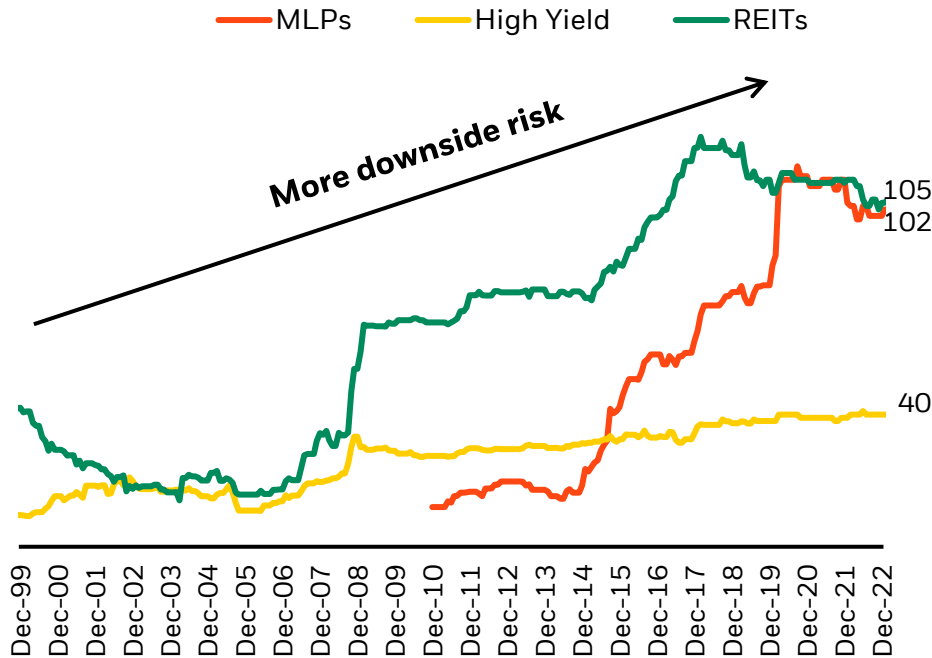
Source: Morningstar and U.S. Treasury as of 2/28/23. U.S. bonds represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 2/28/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



# Risky income asset classes have more downside risk than in the past

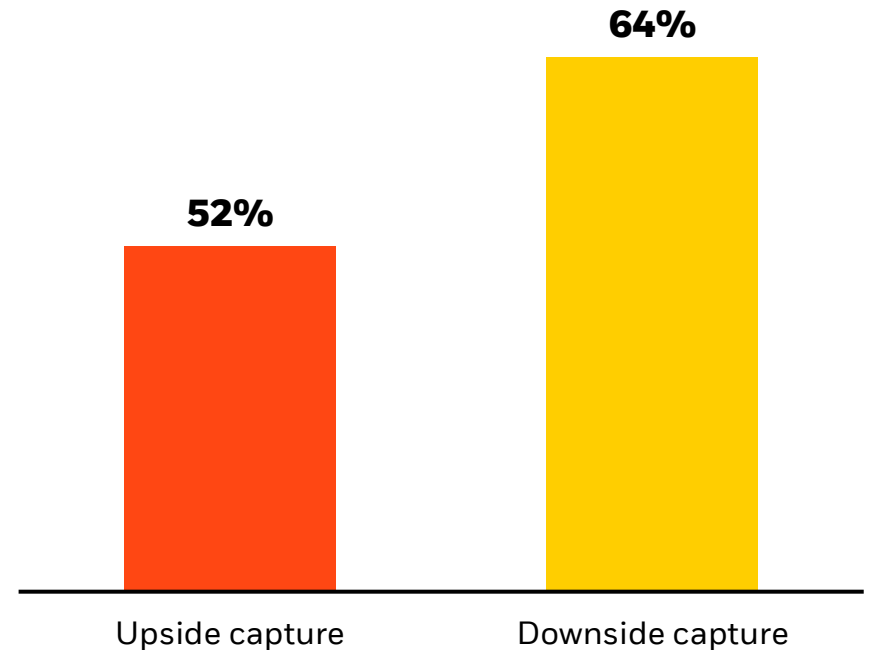
## Income producing asset classes have more downside risk

15-year rolling downside capture vs S&P 500, last 20 years



## Typical multi-asset income mutual fund

As of 2/28/23, average for last 10 years

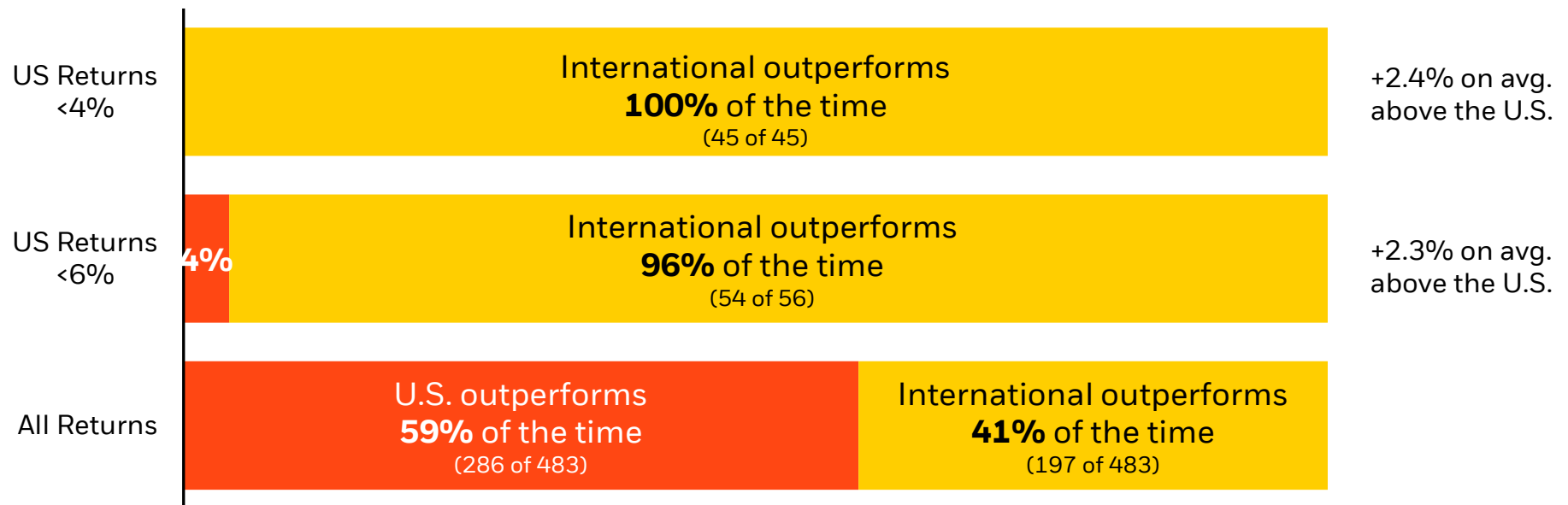


Source: Morningstar as of 2/28/23. MLPs are represented by the Alerian MLP TR index, High Yield by the Bloomberg US Corporate High Yield TR index, REITs by the FTSE Nareit All Equity REITs TR index, and "typical multi-asset income mutual fund" by the average 10-year upside/downside capture ratio of allocation funds as defined by Morningstar with a 4%+ annual dividend. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

# International stocks when long-term U.S. stock returns are low

## Rolling 10-year period outperformance, international vs. U.S.

10-year monthly rolling periods at various U.S. return levels, 1973 – 2/2023



*International has outperformed when U.S. stock returns were low*

Source: Morningstar as of 2/28/23, U.S. stocks represented by the S&P 500 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 cannot invest directly in the index

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Returns as of 2/28/23	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
Bloomberg US Agg Bond TR USD	-9.72	0.53	1.12
IA SBBI US IT Govt TR USD	-8.30	0.60	0.73
IA SBBI US Large Stock TR USD Ext	-7.69	9.82	12.25
Russell 1000 Growth TR USD	-13.34	11.54	14.26
Russell 1000 TR USD	-8.21	9.68	12.09
Russell 1000 Value TR USD	-2.81	7.22	9.60
S&P 500 TR USD	-7.69	9.82	12.25
US BLS CPI All Urban NSA 1982-1984	6.41	3.83	2.65
US Active Fund Large Blend	-6.91	8.45	10.68
Alerian MLP TR USD	18.45	6.14	1.22
Bloomberg US Corporate High Yield TR USD	-5.46	2.87	4.09
FTSE Nareit All Equity REITs TR USD	-12.17	7.40	6.96
MSCI EAFE NR USD	-3.14	2.64	4.83

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. ©2022 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 2/28/23 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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