How markets affect you

Our views on Q1 2020

BlackRock®

WAM0120U-1057478-1/17

How markets affect you

MARKETS IN CONTEXT

Where have we been?

Where are we going?

HOW YOU FEEL

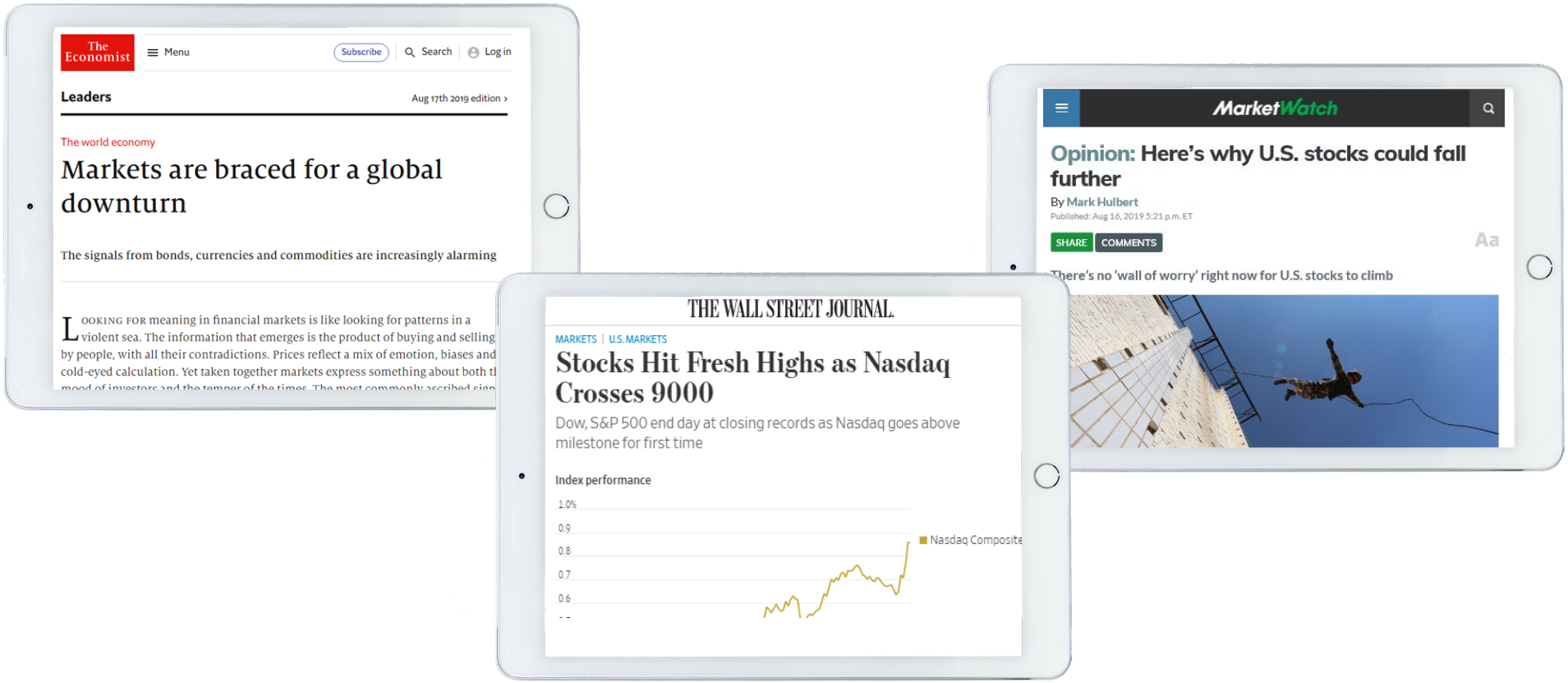
Does fear or envy drive your emotions?

THE WAY FORWARD

Work with your advisor to make the right choices

MARKETS IN CONTEXT

It can be hard to tell what's happened by reading the news

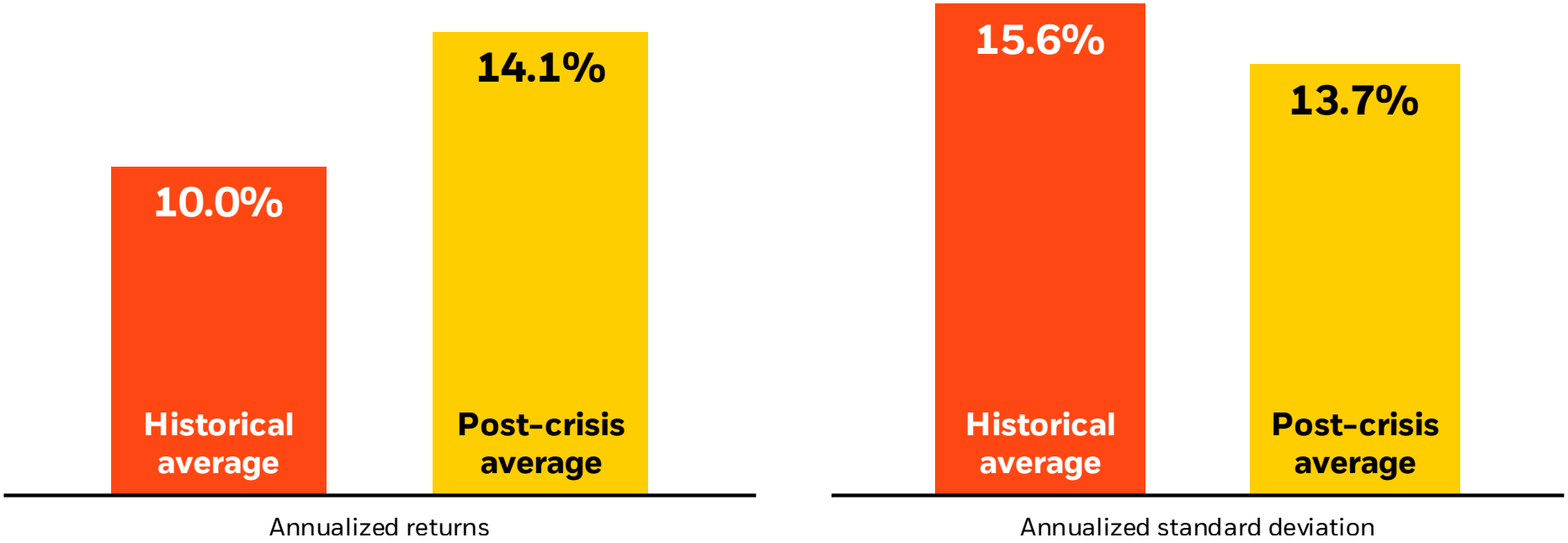


MARKETS IN CONTEXT

We are 11 years into a bull market

Since the financial crisis, we've had better returns and less risk

Annualized returns and annualized standard deviation from January 2009 to December 2019 compared to history



Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.

Source: Morningstar as of 12/31/2019. Historic Average represents annualized total returns and standard deviations of the S&P 500 Index from 2/1/1970 through 12/31/2008. Post-Crisis Average represents annualized total returns and standard deviations from 1/1/2009 through 6/30/2019. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

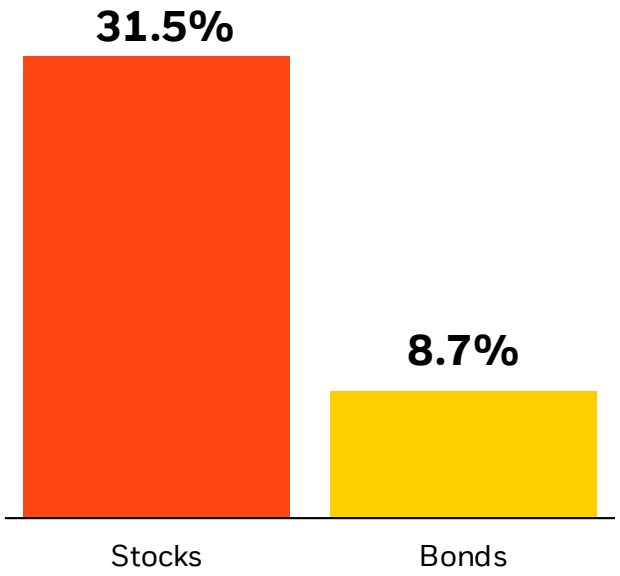
MARKETS IN CONTEXT

2019 was a historic year

Only 4 years have been better for both stocks and bonds at the same time (out of 94)

U.S. stock and bond performance

Full-year performance, 1926–2019



	Stocks	Bonds
1985	31.7	22.1
1989	31.7	14.5
1995	37.6	18.5
1997	33.4	9.7
2019	31.5	8.7

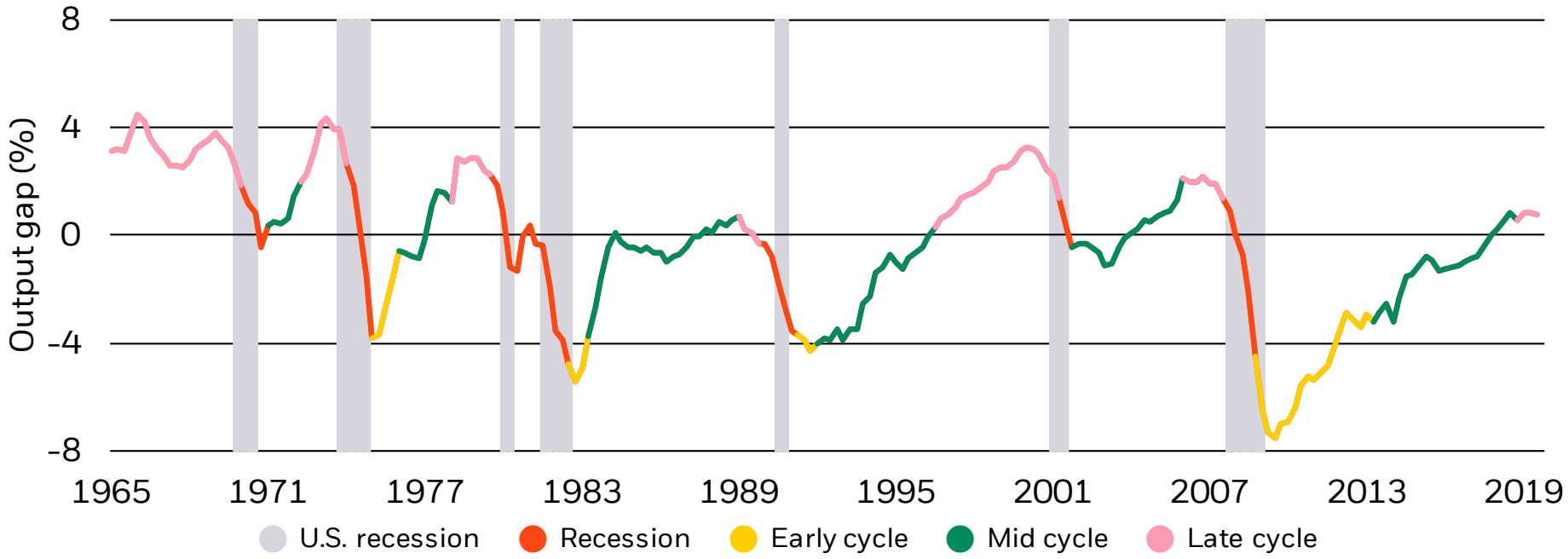
Morningstar as of 12/31/19. Stocks represented by the IA SBBI U.S. Large Cap TR Index and U.S. Bonds by the IA SBBI U.S. IT Gov Bond Tr Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

MARKETS IN CONTEXT

Remember to stay grounded

Market cycles

Output gap and stages of the U.S. business cycle, 1965-2019



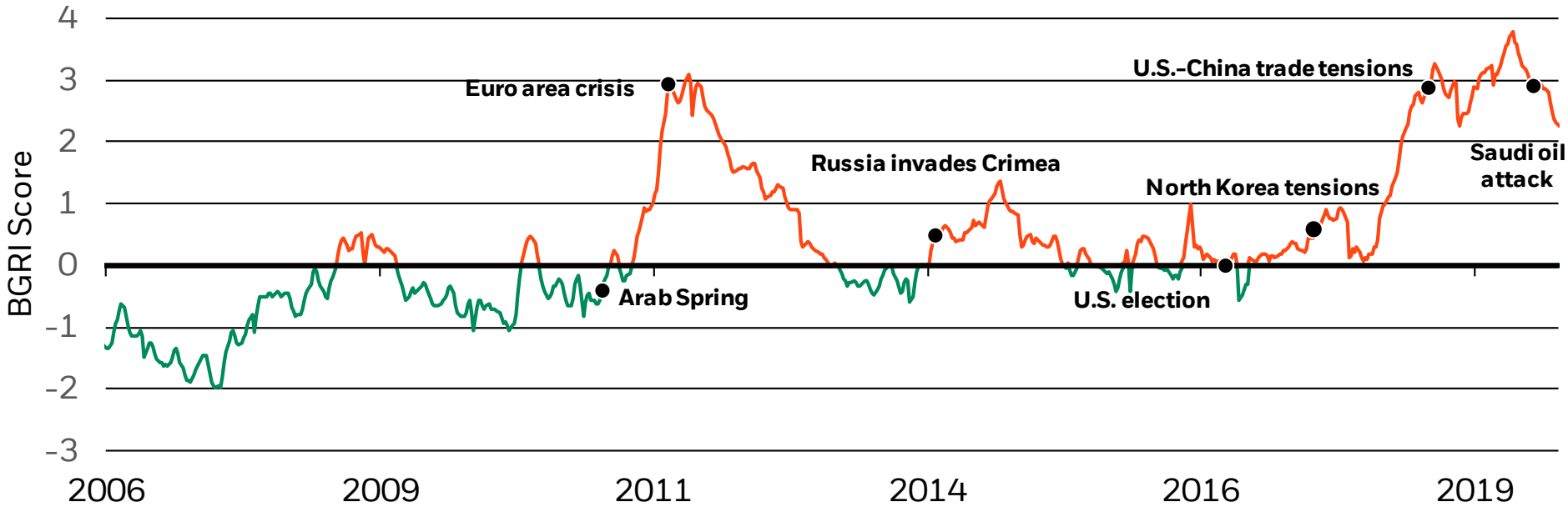
Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, as of December 2019. Notes: This chart shows an estimate of the U.S. output gap (that is, GDP as a percentage of potential GDP). We have classified different time periods as belonging to certain stages of the business cycle. The classification of the stage is done via a 'cluster analysis' that groups together time periods where economic series have behaved in similar ways.

MARKETS IN CONTEXT

Be ready for the unexpected

Market attention to geopolitical risks remains high

BlackRock Geopolitical Risk Indicator, 2006-2019



Source: BlackRock Investment Institute, with data from Refinitiv Datastream, December 2019. Notes: See BlackRock's Geopolitical risk dashboard for full details. Source: BlackRock Investment Institute, with data from Refinitiv, November 2019. Notes: We identify specific words related to geopolitical risk in general and to our top-10 risks. We then use text analysis to calculate the frequency of their appearance in the Refinitiv Broker Report and Dow Jones Global Newswire databases as well as on Twitter. We then adjust for whether the language reflects positive or negative sentiment, and assign a score. A zero score represents the average BGRI level over its history from 2003 up to that point in time. A score of one means the BGRI level is one standard deviation above the average. We weigh recent readings more heavily in calculating the average.

MARKETS IN CONTEXT

Interest rates: two sides of a coin

Short-term interest rates have risen, fallen … and paused

1-Year Treasury Bill secondary market rate over the last 10 years



Source: Federal Reserve Bank as of 12/31/19. Past performance is no guarantee of future results.

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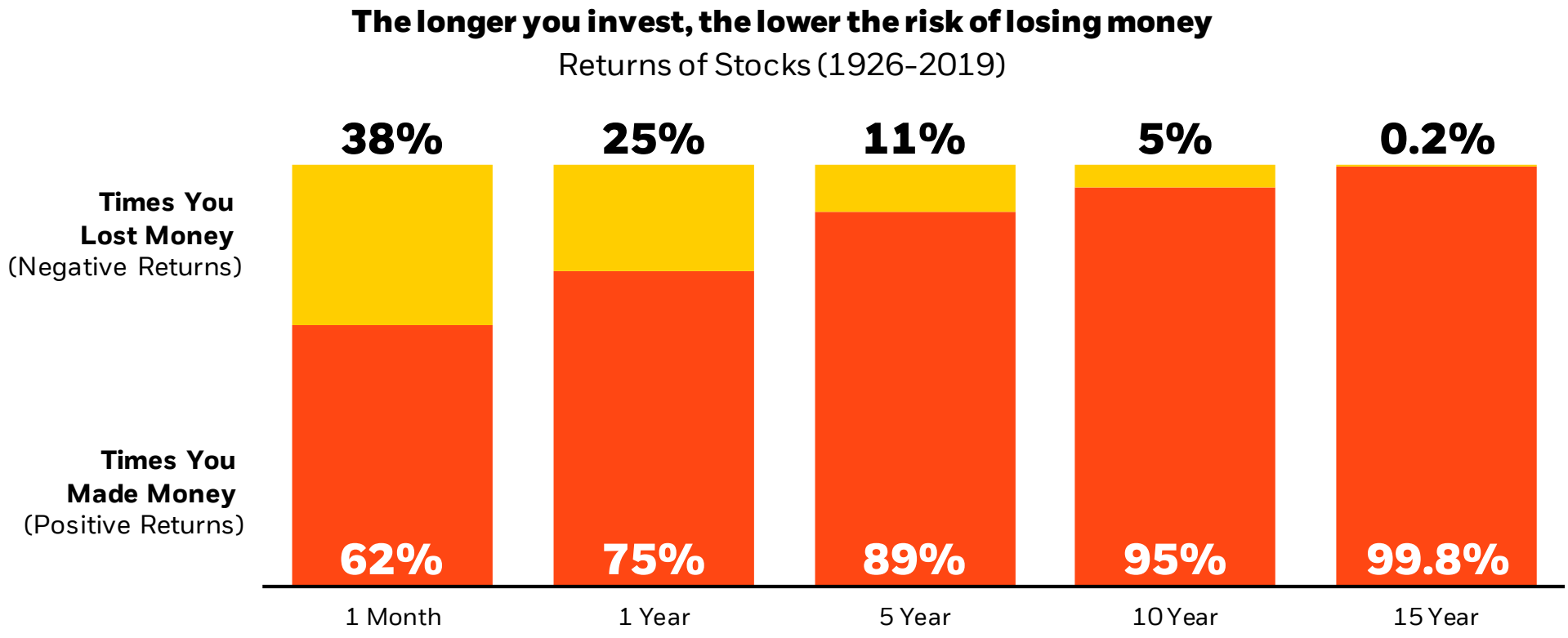
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THE WAY FORWARD

Work with your advisor to make the right choices

HOW YOU FEEL

“I don’t want to lose money”



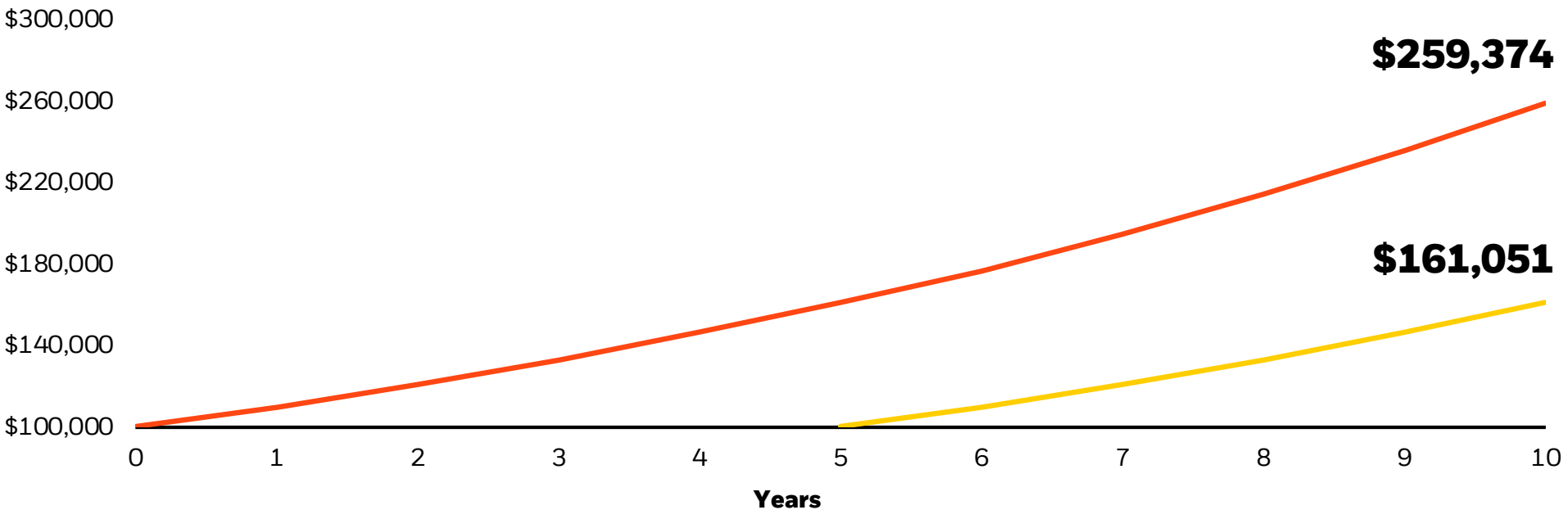
Sources: BlackRock; Morningstar. US Stocks represented by S&P 500 and the IA SBBI US Lrg Cap Index. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. It is not possible to invest directly in an index.

HOW YOU FEEL

“I missed the boat. I’ll wait for the next one”

Compound interest, “the eighth wonder of the world”

Hypothetical growth of $100,000 assuming 10% annual yield



Source: BlackRock as of 12/31/19. For illustrative purposes only. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

HOW YOU FEEL

"My portfolio is too conservative, I am leaving too much money on the table"

Years	S&P 500	Diversified portfolio	Investor experience
2000[1]–2002	-40.1%	**-18.6%**	"I lost money"
2003-2007	**+82.9%**	+73.8%	"I didn't make as much"
2008	-37.0%	**-24.0%**	"I lost money"
2009-2019	**+351.0%**	+191.7%	"I didn't make as much"
Total Return	+211.4%	**+213.5%**	**"Diversification wins even when it feels like its losing"**
Growth of $100K	$311,420	**$313,510**	

Source: Morningstar as of 12/31/19. [1]Performance is from 8/1/2000 to 12/31/2000, to more accurately reflect the time period encompassing the previous two bull and bear markets. Past performance does not guarantee or indicate future results. Diversified Portfolio is represented by 40% S&P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays US Aggregate Bond Index, and 10% Bloomberg Barclays US Corporate High Yield Index. Index performance is for illustrative purposes only. You can not invest directly in the index.

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THE WAY FORWARD

Work with your advisor to make the right choices

THE WAY FORWARD

Focus on your goals, not the news

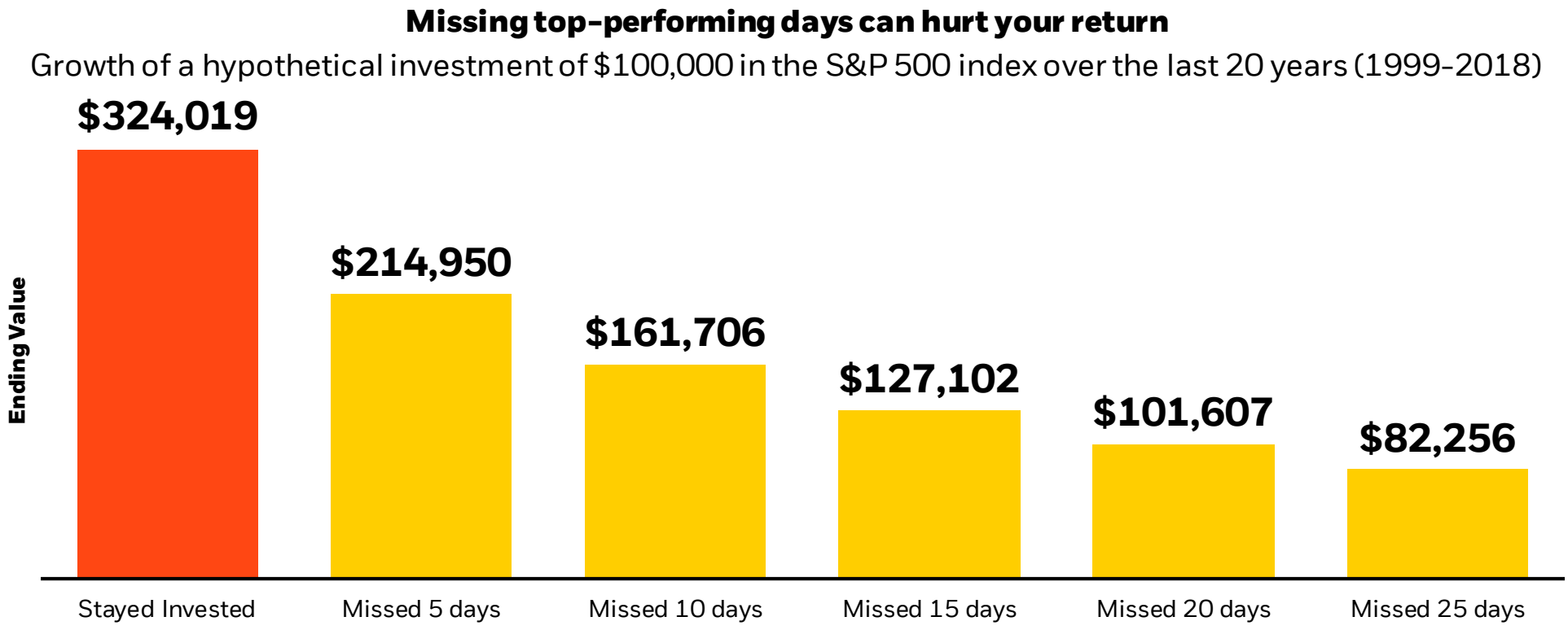
Find the right mix of stocks, bonds and cash



Stay invested

THE WAY FORWARD

Above all else, stay invested



Sources: BlackRock; Bloomberg as of 12/31/19. Stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the US stock market. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

How markets affect you

Takeaways

MARKETS IN CONTEXT

Be cautiously optimistic

The news may not give you a long-term view

HOW YOU FEEL

Be critical, even when times seem good

Be opportunistic, even when times seem bad

THE WAY FORWARD

Work with your advisor to focus on your goals, not markets

Make the power of diversification work for you

Important notes

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