

# **Student of the Market**

April 2022

**BlackRock**<sup>®</sup>

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April 2022

**Bond market  
returns**

**Stock market  
volatility**

**U.S.  
satisfaction  
level**

**Long term  
stock  
performance  
(Part 1)**

**Long term  
stock  
performance  
(Part 2)**

**Inverted yield  
curve**

**Recessions  
and  
performance**

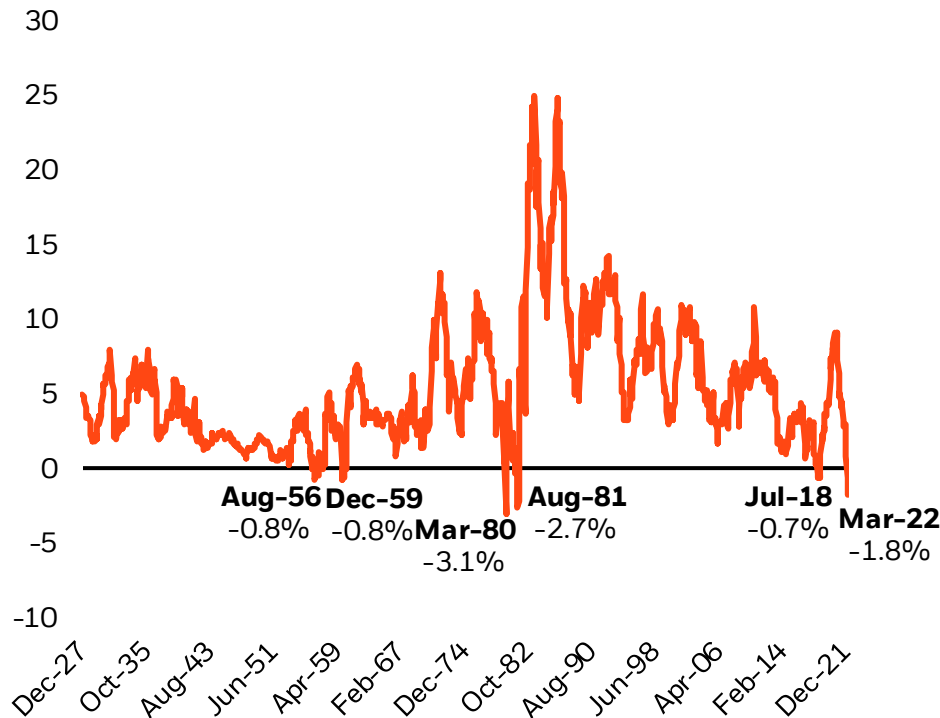
**Bond fund  
flows**

Source: Morningstar as of 3/31/22. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

# Third worst 2-year period for bonds

## Two-year rolling returns for U.S. bonds

Average annual 2-year returns



## Worst 2-year periods for U.S. bonds

Since 1926, Average annual 2-year return periods

	U.S. Bonds	Next 2 Years
Mar-80	-3.1%	11.4%
Aug-81	-2.7%	23.0%
Mar-22	-1.8%	?
Aug 1956	-0.8%	3.1%
Dec-59	-0.8%	6.7%
Jul-18	-0.7%	9.1%

Source: Morningstar as of 3/31/22. U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 3/31/22 and the IASBBI US GovIT Index from 1/1/26 to 1/3/89. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# The best days for stocks tend to closely follow the worst days

March 2020 volatility

## 3 of the Worst Days Since 1950

Worst days since 1950	Calendar Days	S&P 500 Decline	Return 1 year later
#2	3/16/2020	-12.0%	69.0%
#3	3/12/2020	-9.5%	61.8%
#9	3/9/2020	-7.6%	43.6%

## 5 of the Best Days Since 1950

Best days since 1950	Calendar Days	S&P 500 Gain	Return 1 year later
#3	3/24/20	9.4%	61.7%
#4	3/13/20	9.3%	48.0%
#7	4/6/20	7.0%	55.6%
#12	3/26/20	6.2%	53.7%
#13	3/17/20	6.0%	59.9%

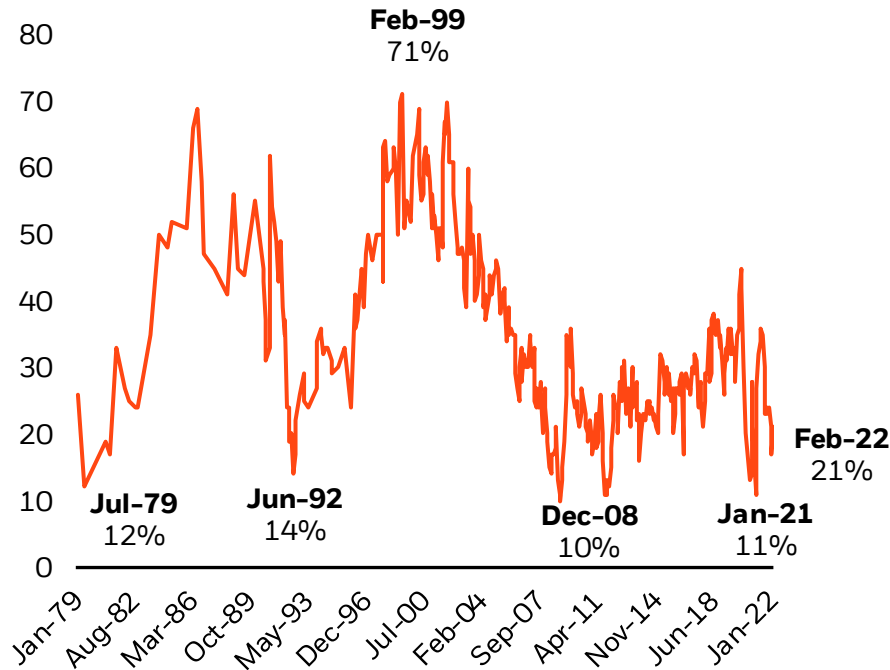
*Over the last 20 years, 24 of 25 the best days in the market occurred within 1 month of one of the 25 worst days*

Sources: BlackRock; Morningstar as of 3/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 3/31/22 and the IA SBB I 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. 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.**

# Satisfaction level is often a contrarian indicator for the market

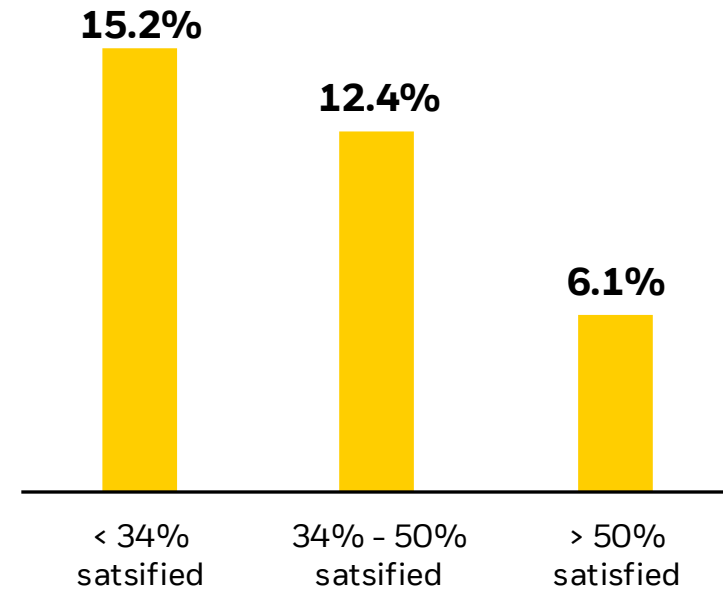
## Low levels of satisfaction right now

% of Americans satisfied with the way things are going in the U.S.



## U.S. stock market returns next 12 months

Median return following each cohort

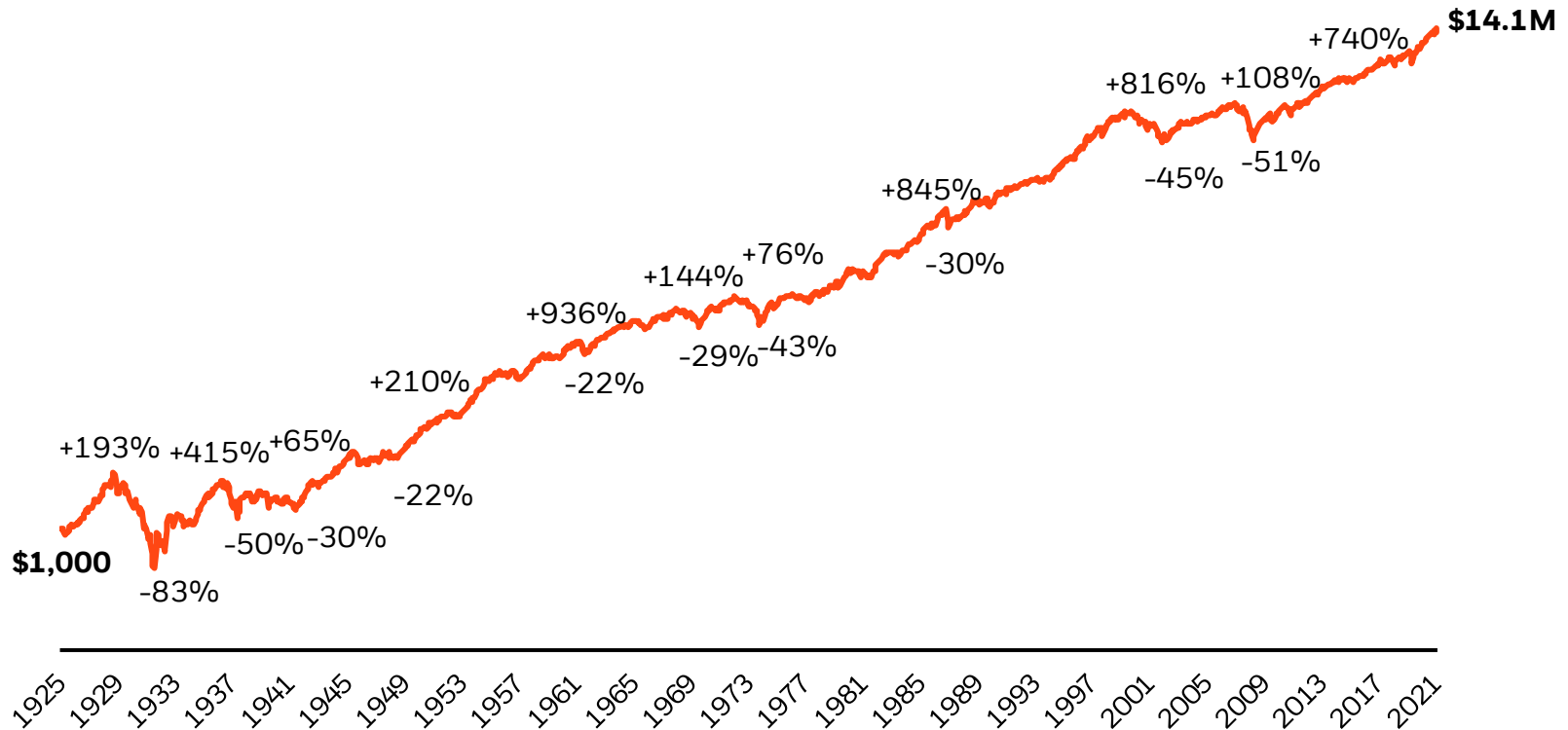


Morningstar and Gallup as of 3/31/22. Stock market represented by the S&P 500 Index. Note: Gallup "satisfaction level" polling data was recorded every month after April 2000. Prior to April 2000, Gallup "satisfaction level" polling data was recorded on an ad hoc basis. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Stocks since 1926, bull and bear markets

\$1,000 invested in stocks in 1926 grew to over \$14 million

(12/31/25 through 12/31/21, log scale)



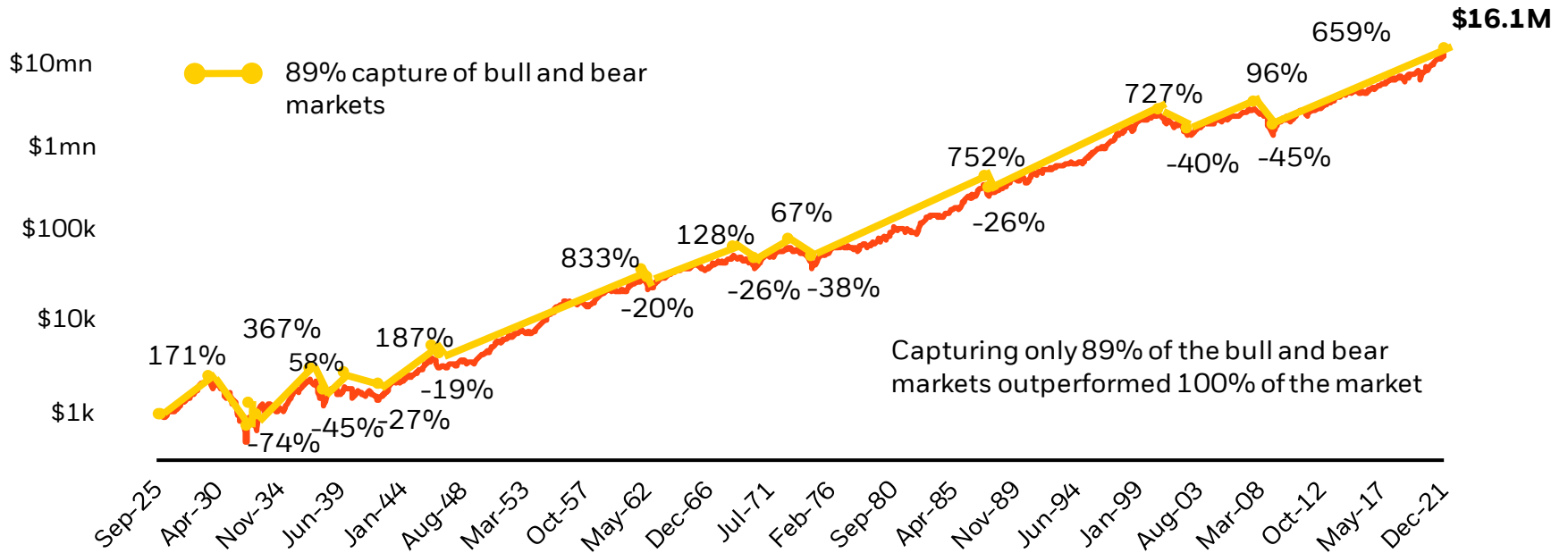
Source: Morningstar and BlackRock as of 12/31/21. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 3/31/22 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. This illustration assumes reinvestment of dividends and capital gains. Assumes investor stays fully invested over the full time period. Index performance is for illustrative purposes only. **Past performance does not guarantee or indicate future results.** It is not possible to invest in an index.

# Stocks since 1926, bull and bear markets

Capturing 89% of the bull/bear markets outperformed 100% stocks

## Monthly returns, 89% capture ratio from 12/31/1925 through 12/31/2021, log scale

\$1,000 grew to over \$16 million vs. \$14 million



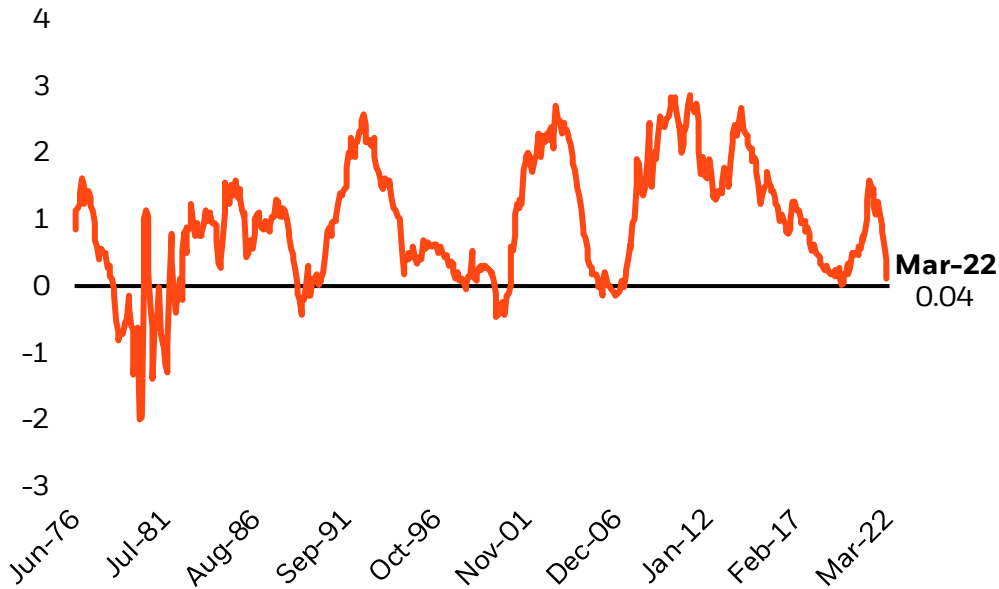
Source: Morningstar and BlackRock as of 12/31/21. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 3/31/22 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. This illustration assumes reinvestment of dividends and capital gains. Assumes investor stays fully invested over the full time period. Index performance is for illustrative purposes only. **Past performance does not guarantee or indicate future results.** It is not possible to invest in an index.

# Inverted yield curve and performance

## Shape of the yield curve

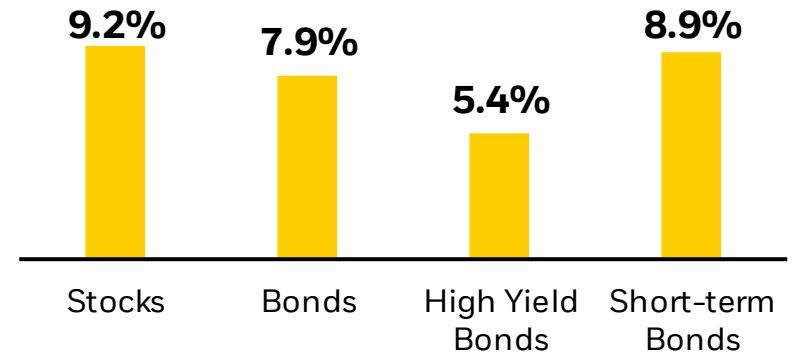
### Long-term interest rates minus short term interest rates

(10-year U.S. Treasury yield minus 2-year Treasury yield, 6/1/76 – 3/31/22)



## Performance when the yield curve is inverted

(12 month performance, 6/1/76 – 3/31/22)



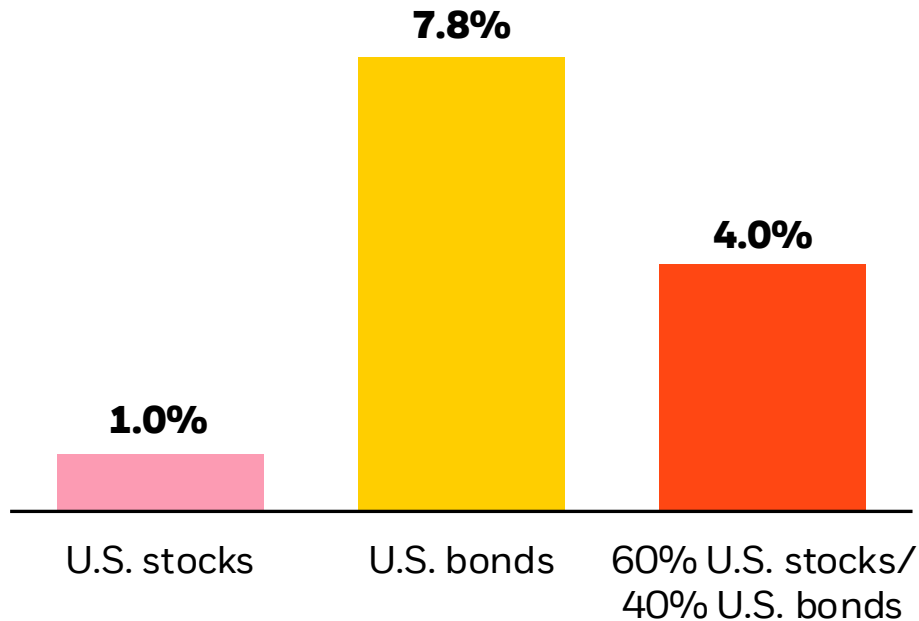
	Yield curve shape		
	Inverted (<0)	Flat (0><1)	Steep (>1)
Stocks	9.2%	16.5%	11.1%
Bonds	7.9%	6.8%	6.3%
High Yield Bonds	5.4%	7.5%	9.6%
Short-term Bonds	8.9%	6.0%	4.4%

Source: Morningstar as of 3/31/22. 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. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.



# Recessions and asset class performance

**Average performance during a recession**  
Since 1929 (last 90 years)

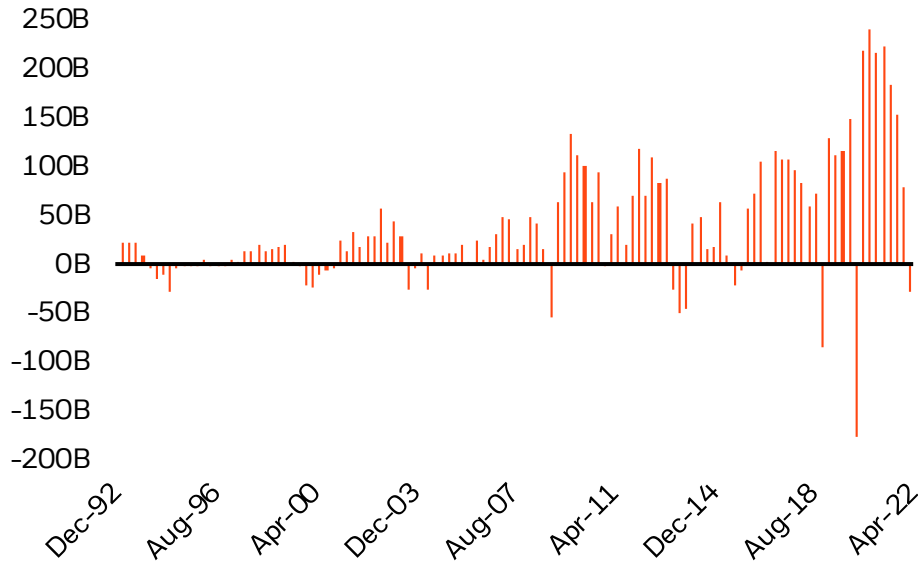


Recessions	U.S. stocks	U.S. bonds	60/40 portfolio
1929-09-01 to 1933-03-31	-33.6	4.9	-19.1
1937-06-01 to 1938-06-30	-22.4	6.4	-9.9
1945-03-01 to 1945-10-31	19.5	1.0	12.4
1948-12-01 to 1949-10-31	15.2	2.5	10.1
1953-08-01 to 1954-05-31	24.2	5.1	16.6
1957-09-01 to 1958-04-30	-1.5	9.7	3.3
1960-05-01 to 1961-02-28	20.3	7.2	14.9
1970-01-01 to 1970-11-30	-2.0	16.2	5.3
1973-12-01 to 1975-03-31	-5.9	5.7	0.0
1980-02-01 to 1980-07-31	9.6	9.5	9.5
1981-08-01 to 1982-11-30	10.5	29.1	17.9
1990-08-01 to 1991-03-31	8.0	7.5	8.1
2001-04-01 to 2001-11-30	-0.9	5.9	1.9
2008-01-01 to 2009-06-30	-25.0	4.8	-11.5
2020-03-01 to 2020-04-30	-1.1	1.2	-0.1
<b>Average</b>	<b>1.0</b>	<b>7.8</b>	<b>4.0</b>

Morningstar as of 3/31/22. U.S. Stocks represented by the S&P 500 Index from 3/4/57 to 3/31/22 and the IASBBI USLrg Stock Tr USD Index from 1/1/26 to 3/4/57. U.S. Bonds represented by the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 3/31/22 and the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89. Recession periods are those defined by the National Bureau of Economic Research (NBER). **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

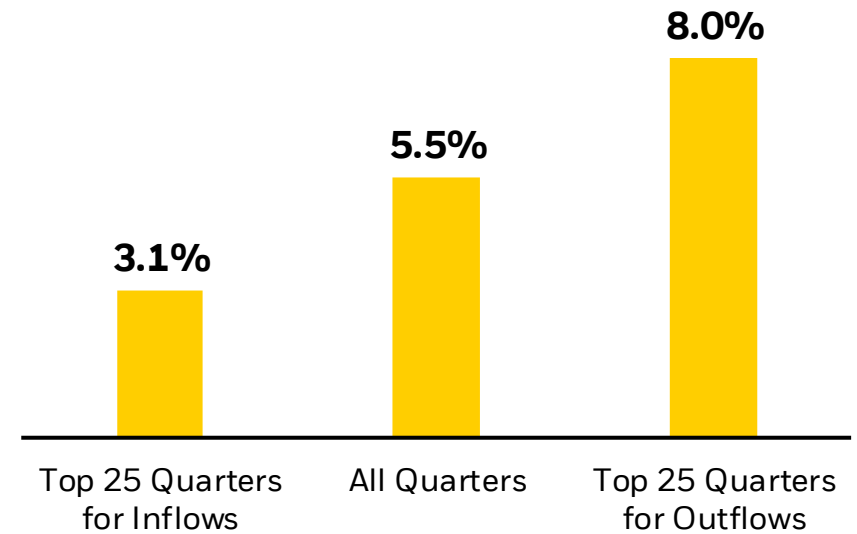
# Bond fund flows have been a contrarian indicator

**Quarterly bond fund flows**  
(Mutual fund and ETF flows, 1/1/93 – 3/31/22)



**Bond performance following extremes in bond fund inflows/outflows**

(Mutual funds & ETFs, 12-month performance, 1/1/93 – 3/31/22)



Source: Morningstar as of 3/31/22. Bond performance represented by the Bloomberg US Agg Bond TR Index. Flows data represented by the Morningstar Fixed Income Fund Category. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

# Student of the Market: April 2022

Returns as of 3/31/22	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	15.65	15.99	14.64
Bloomberg US Agg Bond TR USD	-4.15	2.14	2.24
IA SBBI US IT Govt TR USD	-4.71	1.50	1.59
IA SBBI US Large Stock TR USD Ext	15.65	15.99	14.64
US Fund High Yield Bond	-0.54	3.67	4.57
US Fund Intermediate Core Bond	-4.50	1.96	2.26
US Fund Intermediate Core-Plus Bond	-3.96	2.42	2.69
US Fund Short-Term Bond	-2.79	1.43	1.38

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