

# Student of the Market

June 2023

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## Market overview

**Positive start to the  
year for stocks**

**Consumer confidence  
and U.S. stocks**

### Stocks

**Large cap index is  
overweight growth**

**Growth vs. value**

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

### Bonds and alternatives

**Core bonds don't fight  
the Fed**

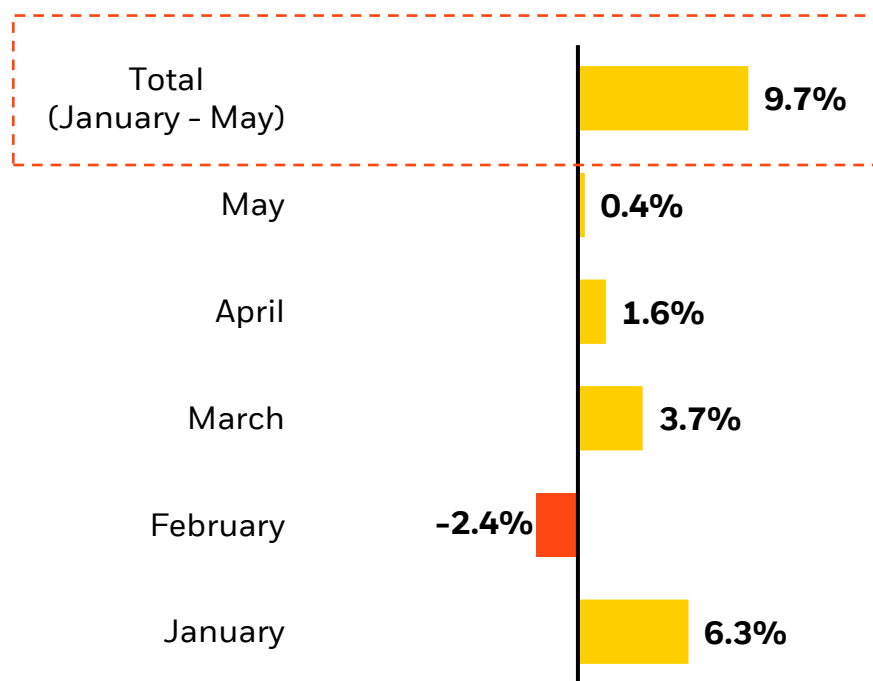
**Short bond buy signal**

**Alternatives and a Fed  
pause**

# A positive start to the year for U.S. stocks

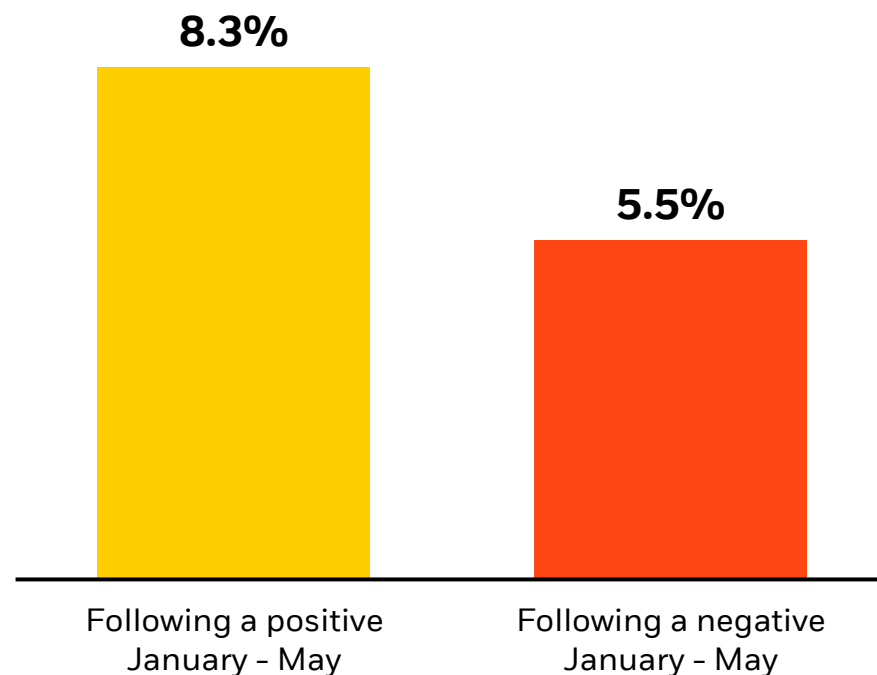
## A positive start to 2023 for U.S. stocks

Returns YTD



## Stocks tend to outperform following a positive start

Average return for June – December, every year since 1926

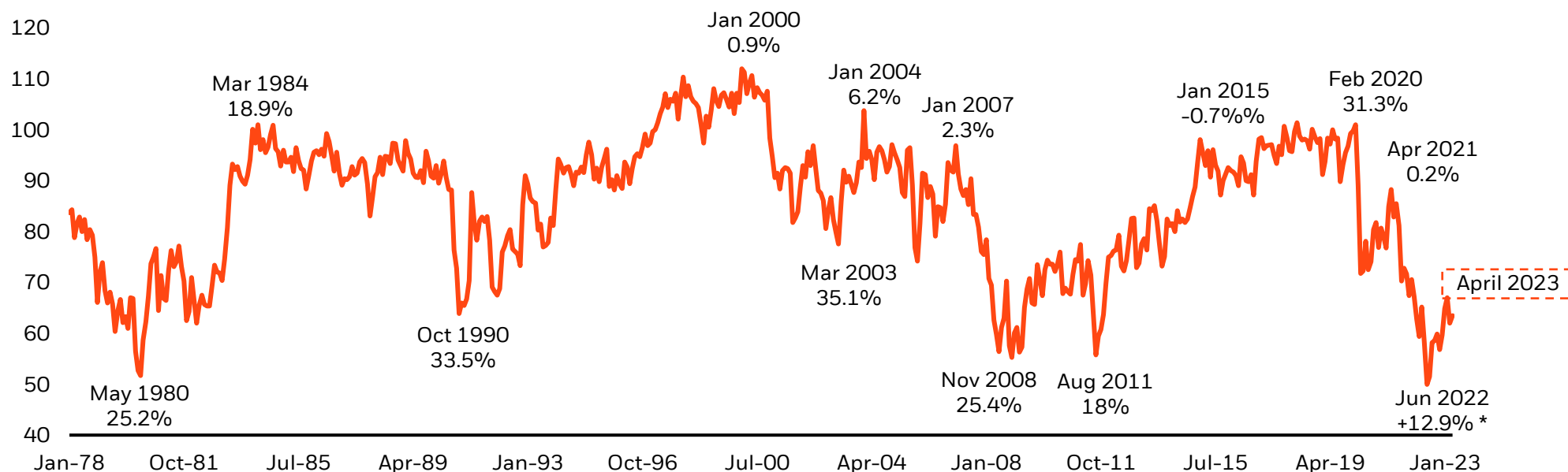


Source: Morningstar as of 5/31/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 5/31/23 and the IA SBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

# What does low consumer confidence mean for U.S. stocks?

## Consumer sentiment index and performance for stocks

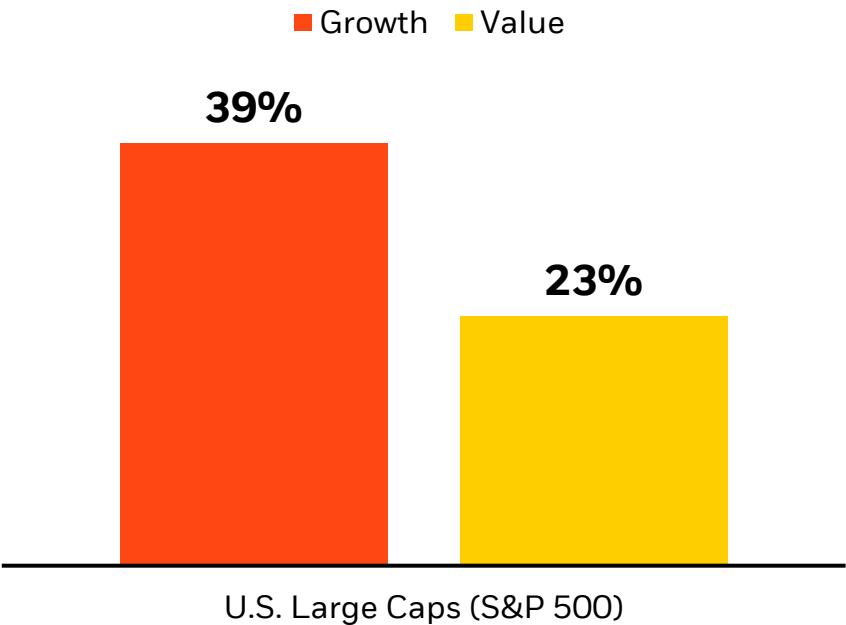
University of Michigan sentiment index and S&P 500 index returns (12 months after date)



Morningstar and Gallup as of 5/31/23. Stock market represented by the S&P 500 Index. Consumer confidence represented by the University of Michigan consumer sentiment index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index. \*Represents only 11 months of performance.

# The U.S. large cap stock index is very growth heavy

Percentage in growth and value  
As of 5/31/23



## 7 of the top 10 largest stocks in the S&P 500 are growth stocks

No value stocks crack the top 10

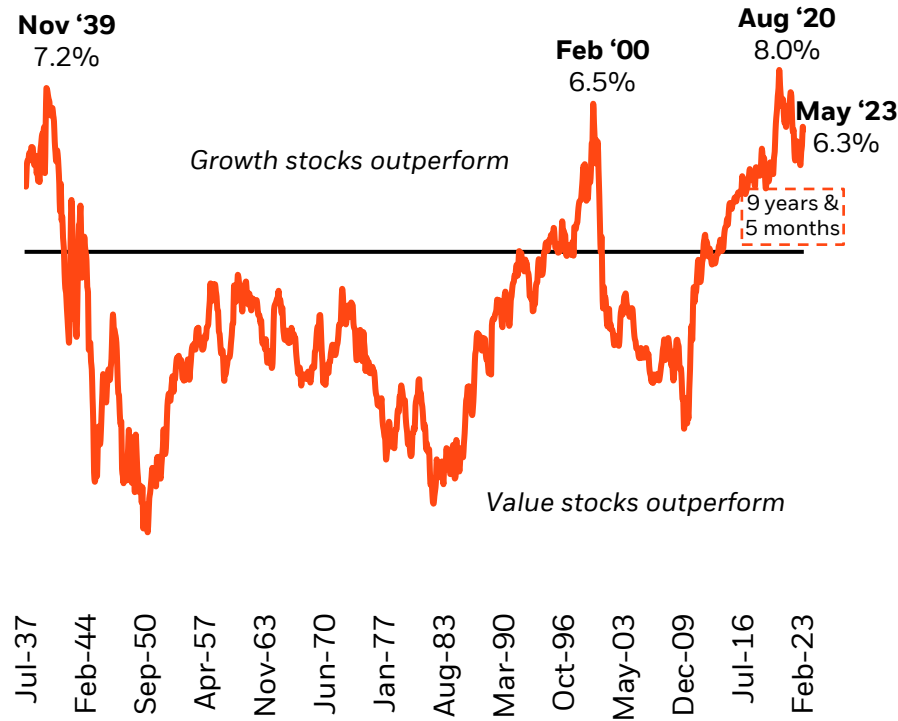
Stock	Market Cap (mil)	P/E Ratio (TTM)	Total Ret YTD	Equity Style Box (Long)
Apple	2,790,744	30.0	36.8	Large Growth
Microsoft	2,441,740	35.6	37.5	Large Growth
Alphabet Inc (Class A)	1,563,017	27.3	39.3	Large Growth
Amazon	1,237,193	287.1	43.5	Large Growth
NVIDIA	934,599	197.1	158.9	Large Growth
Berkshire Hathaway	702,018	95.2	3.9	Large Blend
Meta Platforms	678,406	32.8	120.0	Large Blend
Tesla Inc	646,357	60.0	65.6	Large Growth
Visa	462,924	29.5	6.8	Large Growth
UnitedHealth Group	453,636	22.3	-7.8	Large Blend
Exxon Mobil	413,112	6.9	-5.7	Large Value

Source: Morningstar as of 5/31/23. U.S. stocks are represented by the S&P 500 Index, 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.

# Largest and longest growth cycle in history

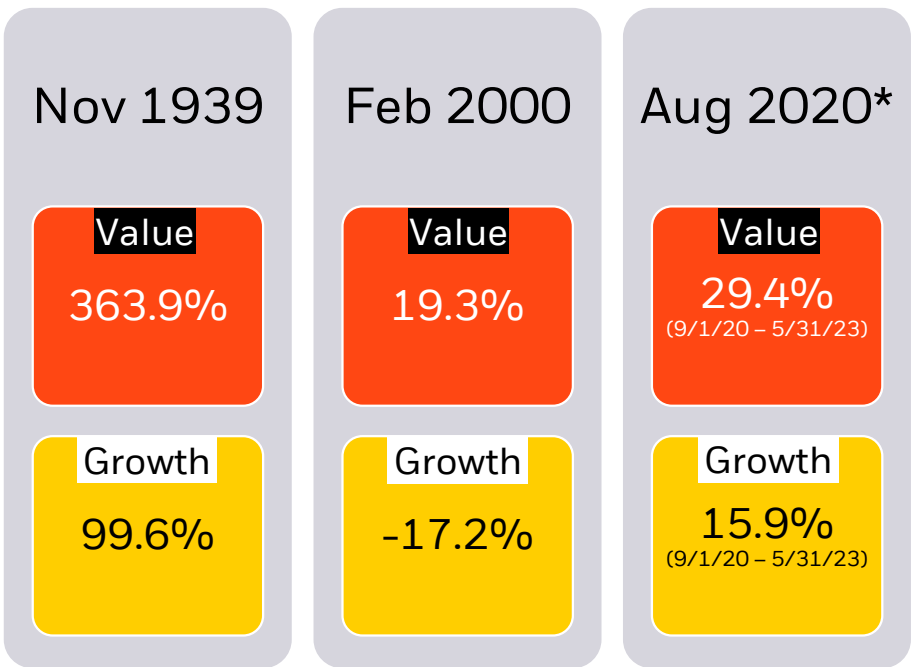
## Growth vs. Value stocks

(Growth minus value 10-year rolling returns, 8/1/27 - 5/31/23)



## Performance after a peak in growth outperformance

10-year cumulative returns after peaks in growth outperformance



Source: Morningstar as of 5/31/23. large growth stocks are represented by the Russell 1000 growth Index from 1/1/79 to 5/31/23 and the Fama/French.Lrg Growth Tr USD Index from 8/1/27 to 12/31/78, large value stocks are represented by the Russell 1000 value Index from 1/1/79 to 5/31/23 and the Fama/French.Lrg value Tr USD Index from 8/1/27 to 12/31/78 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. \* Indicates a non-ten year time period.

# International assets tick up as the cycle might be turning

International stocks allocations as a percentage of all stock fund assets  
(all mutual fund and ETF assets as of 4/30/23)

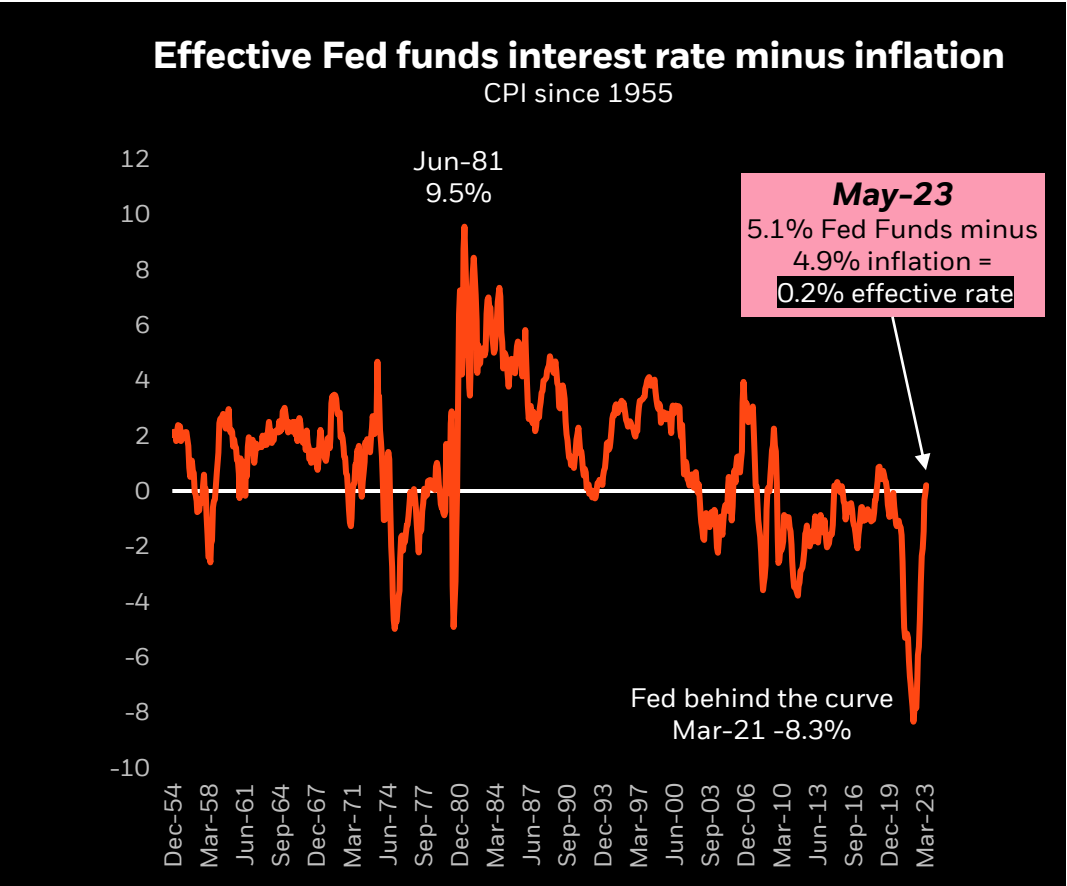


International v. U.S. return cycles  
(cumulative returns, since 1971)

Date range	International stocks	U.S. stocks
1971 to 1978	151.1	43.6
1979 to 1982	23.2	81.6
1983 to 1988	461.9	149.9
1989 to 2001	46.8	461.9
2002 to 2007	123.4	42.5
2008 to 2021	52.9	333.0
2022 to 5/31/23	-4.6	-10.6

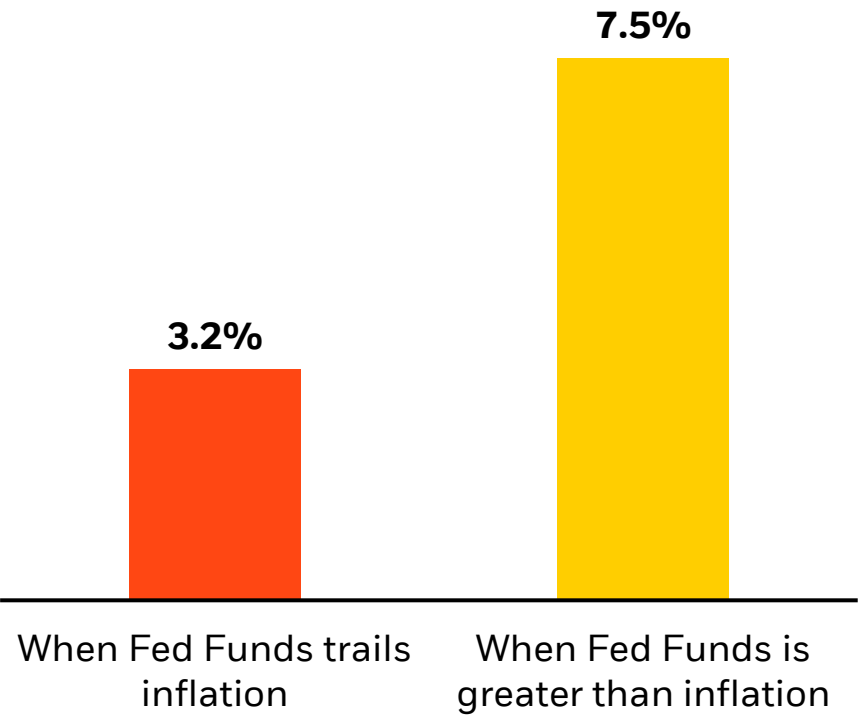
Source: Morningstar as of 5/31/23. international stocks represented by the MSCI EAFE NR Index and U.S. stocks represented by the S&P 500 Index, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period.. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Fed funds rate finally caught up to inflation, which has historically benefited core bonds



**Core bonds historically performed their best when the Fed funds rate is greater than inflation**

Average returns since 1955

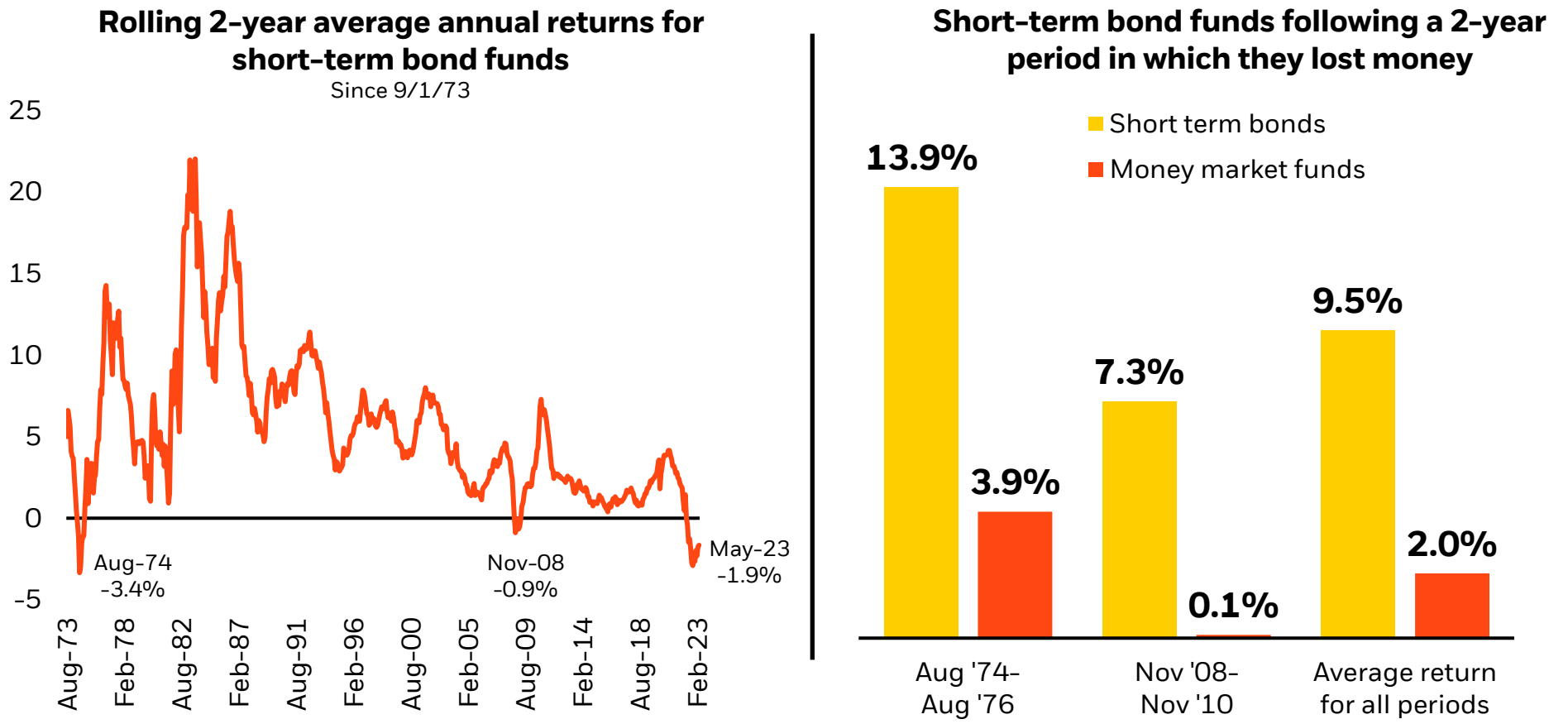


Source: Morningstar, St. Louis Federal Reserve as of 5/31/23. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/55 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 5/31/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



# Short bonds aren't down for long historically

Only the third period in history when short term bonds have lost money over a 2 year period, the other two resulted in outsized gains over money market funds



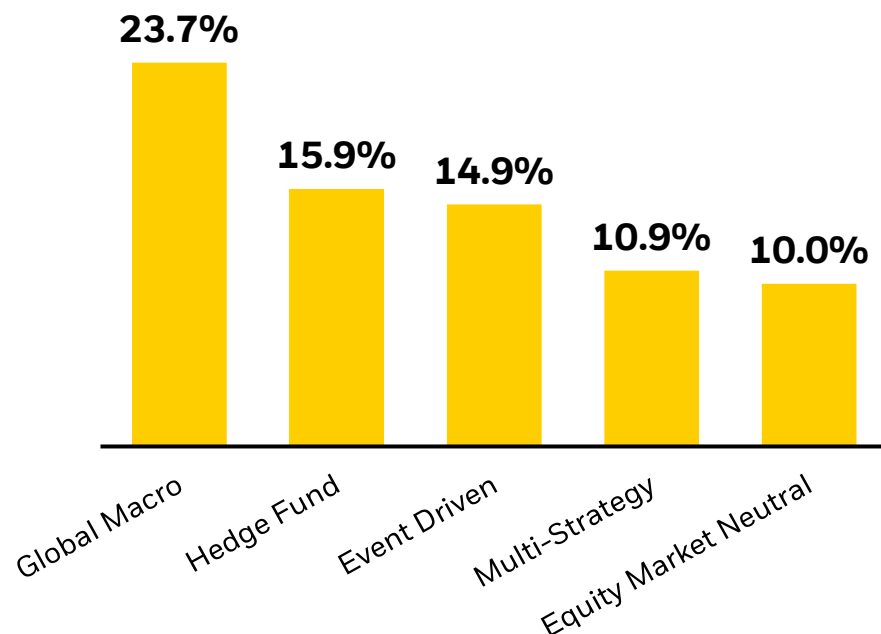
Source: Morningstar as of 5/31/23. U.S. short bonds represented by the Morningstar short term bond fund category. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Alternatives performance following last Fed hike

With the Federal Reserve potentially pausing, some alternative strategies may still perform well

## Average 12 months following the last Fed hike

(2/4/94 – 5/31/23)



## Specific periods following last Fed hike

(2/4/94 – 4/30/23)

Last Fed rate increase	Global Macro	Hedge Fund	Event Driven	Multi-Strat	Equity Market Neutral
2/1/95	48.0	22.0	28.1	11.2	12.8
3/25/97	32.8	18.7	6.3	15.4	12.2
5/16/00	21.9	20.6	9.9	19.5	14.4
6/29/06	9.6	15.9	7.2	15.4	9.1
12/20/18	12.8	12.2	14.4	9.1	1.6
<b>Average</b>	<b>23.7</b>	<b>15.9</b>	<b>14.9</b>	<b>10.9</b>	<b>10.0</b>

Source: Morningstar as of 5/31/23. Hedge Funds are represented by the Credit Suisse Hedge Fund Index, Event Driven by the Credit Suisse Event Driven Index, Equity Market Neutral by the Credit Suisse Equity Market Neutral Index and Global Macro by the Credit Suisse Global Macro Index, Multi-Strategy by the Credit Suisse Multi Strategy Index. **Past performance does not guarantee or indicate future results.**

# Student of the Market: June 2023

Returns as of 5/31/23	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	2.92	11.01	11.99
Bloomberg US Agg Bond TR USD	-2.14	0.81	1.39
Credit Suisse Equity Market Neutral USD	4.98	1.34	1.92
Credit Suisse Event Driven USD	-2.00	3.57	3.05
Credit Suisse Global Macro USD	-10.31	6.55	4.25
Credit Suisse Hedge Fund USD	-0.97	4.24	3.78
Credit Suisse Multi-Strategy USD	-2.04	3.89	4.87
Fama-French Large Growth TR USD	13.52	13.28	16.98
Fama-French Large Value TR USD	-3.72	7.30	17.08
IA SBBI US IT Govt TR USD	-0.24	1.04	1.10
IA SBBI US Large Stock TR USD Ext	2.92	11.01	11.99
MSCI EAFE NR USD	3.06	3.21	4.56
Russell 1000 Growth TR USD	9.55	13.84	14.76
Russell 1000 Value TR USD	-4.55	6.78	8.42

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. 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 5/31/23 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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