



THE FOMC WILL SLOW THE INCREASE IN INTEREST RATES

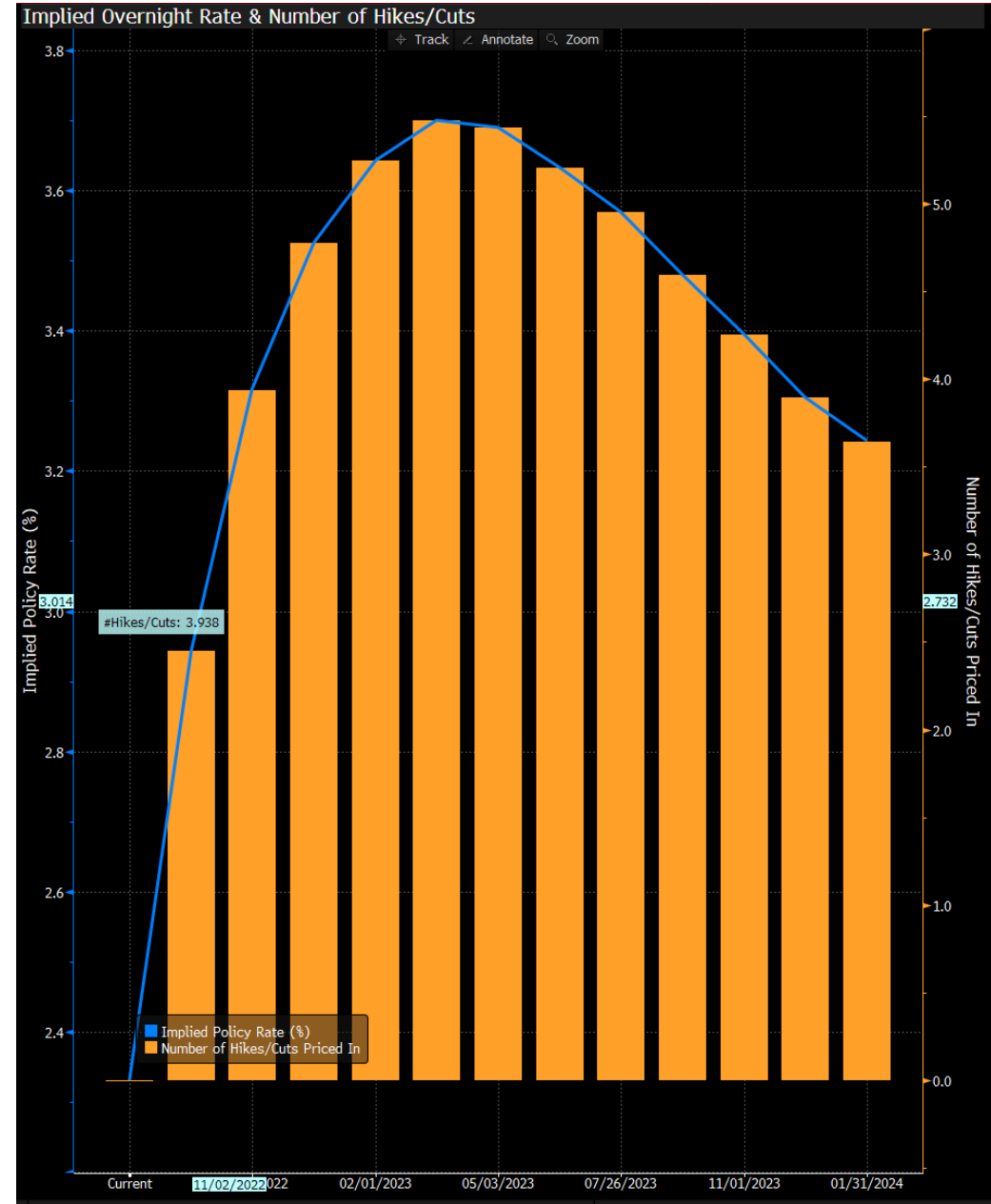
POSITIVE EQUITY MARKET PERFORMANCE HAS
HISTORICALLY BEEN THE MORE LIKELY OUTCOME ONCE
A RECESSION STARTS



THE FEDERAL
RESERVE HAS
TAKEN CONTROL
OF THE INFLATION
“NARRATIVE”

- ✓ The Federal Reserve has taken control of the inflation “narrative,” which will lead to lower inflation.
- ✓ Recovery times and strength vary, but equities tend to have a positive performance once a recession starts.
- ✓ Equities performance is the worst one year before a recession; and show positive performance over the next 3 years.

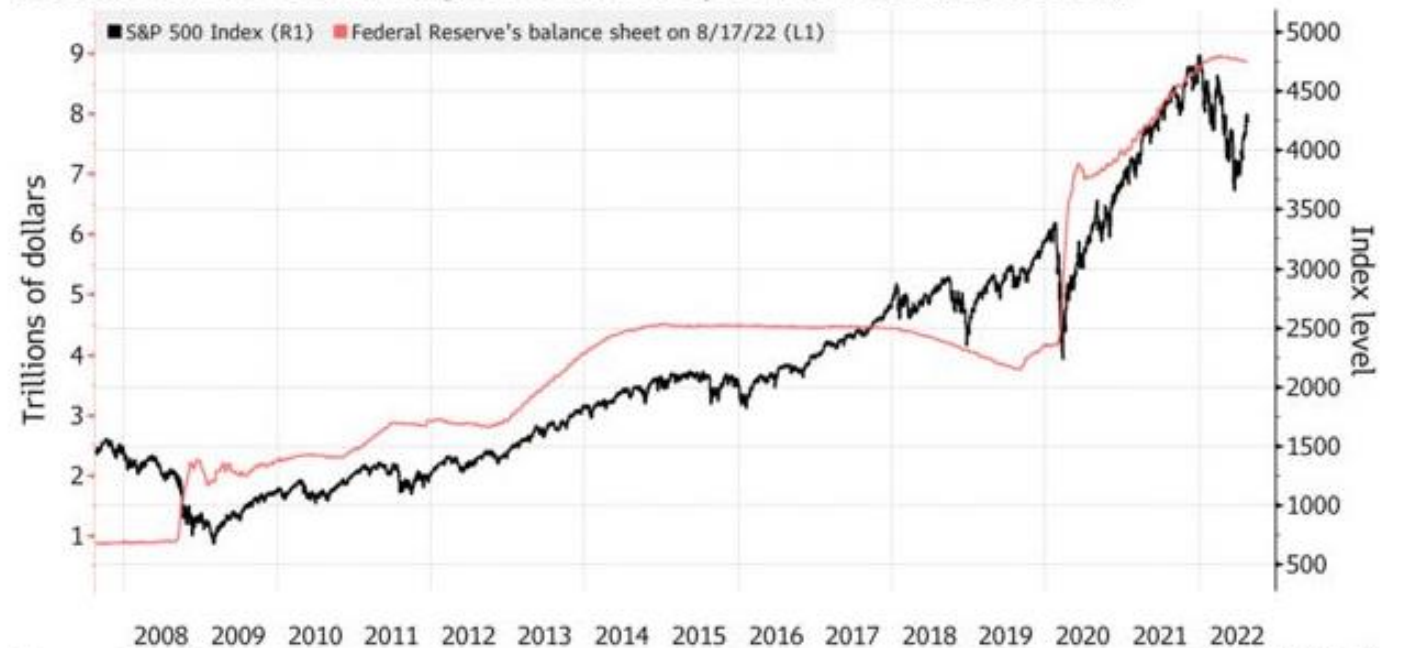
“PARTICIPANTS NOTED THAT THE COMMITTEE’S CREDIBILITY WITH REGARD TO BRINGING INFLATION BACK TO THE 2 PERCENT OBJECTIVE” FOMC



IT IS POSITIVE THAT
THE FEDERAL
RESERVE IS
REDUCING ITS
BALANCE SHEET

Caution Ahead

Federal Reserve's shrinking balance sheet poses headwinds for stocks



Source: Bloomberg

Bloomberg

EQUITY MARKET
VOLATILITY HAS
TURNED LOWER
WHEN OIL PRICES
HAVE DROPPED

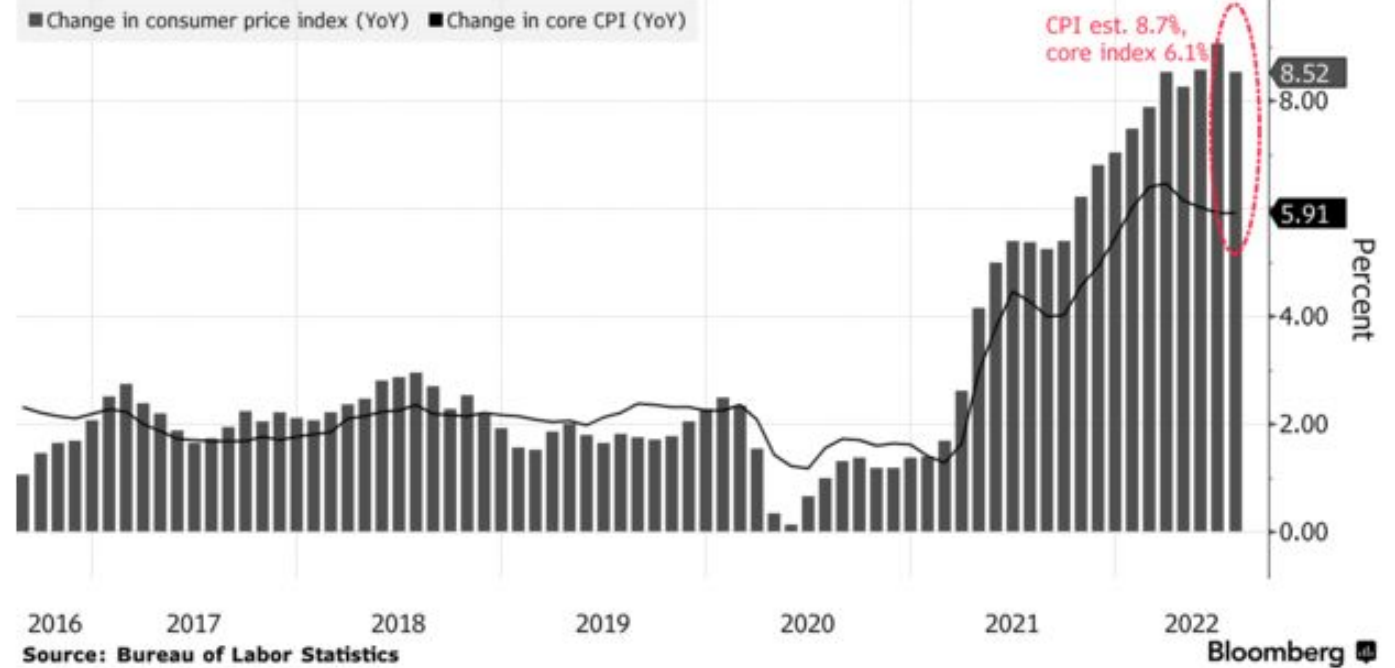
Inflation Expectations and Oil Crude prices continue to lead long-term inflation breakevens



A CORE MEASURE
OF THE US
CONSUMER PRICE
INDEX WAS
SOFTER THAN
EXPECTED IN JULY

Inflation Cools

US consumer price index, core measure were softer than expected in July

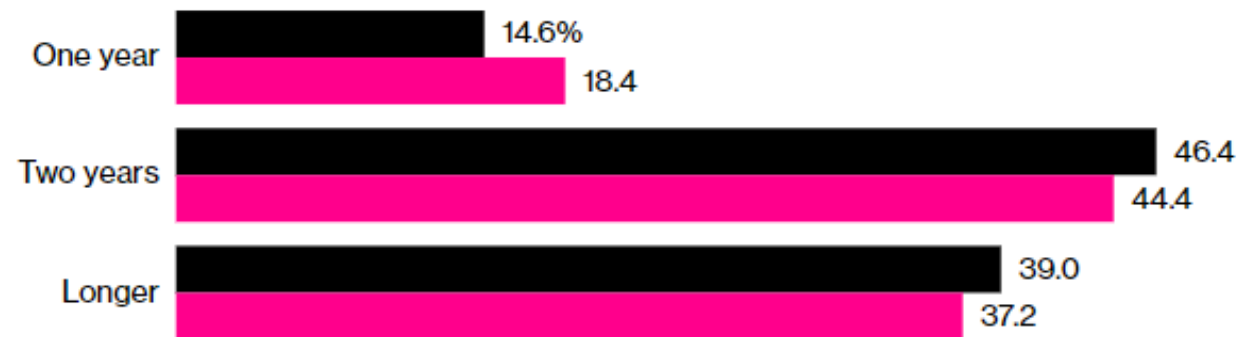


HOW LONG
BEFORE THE FED
BRINGS INFLATION
DOWN TO ITS 2%
TARGET?

Long Path to 2%

How long before the Fed brings inflation down to its 2% target?

■ Professional investors ■ Retail investors

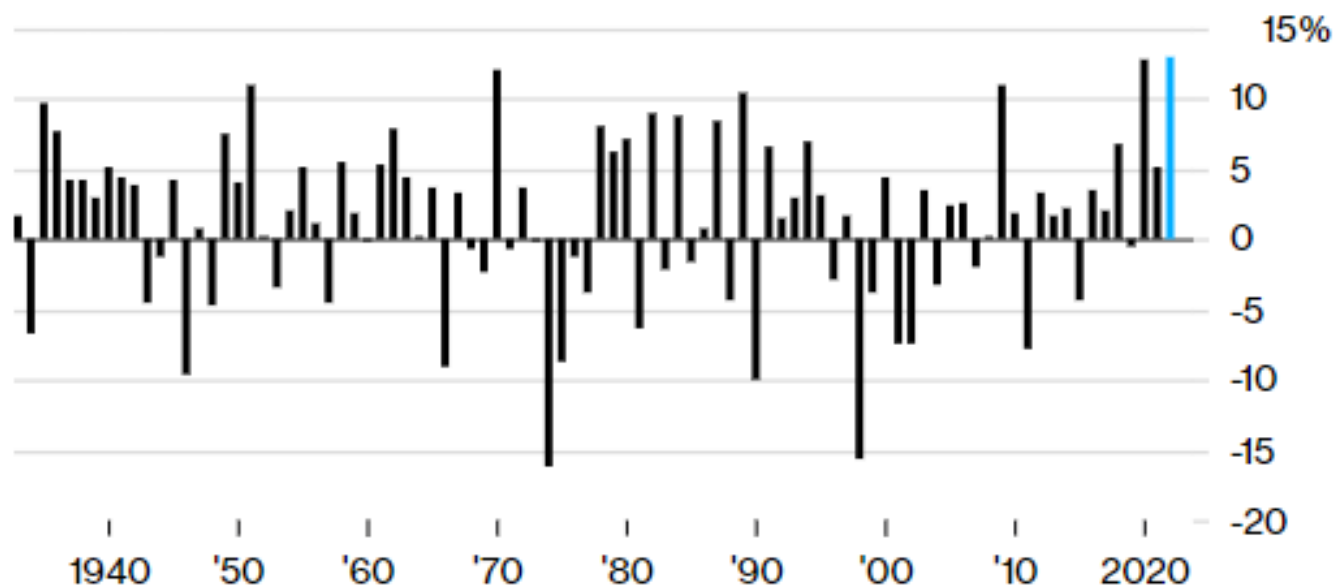


US STOCKS
EXPERIENCE ONE
OF THE BEST
SUMMER RALLIES
ON RECORD

Equities Rebound

Stocks experience one of the best summer rallies on record

■ S&P 500 performance in July and August

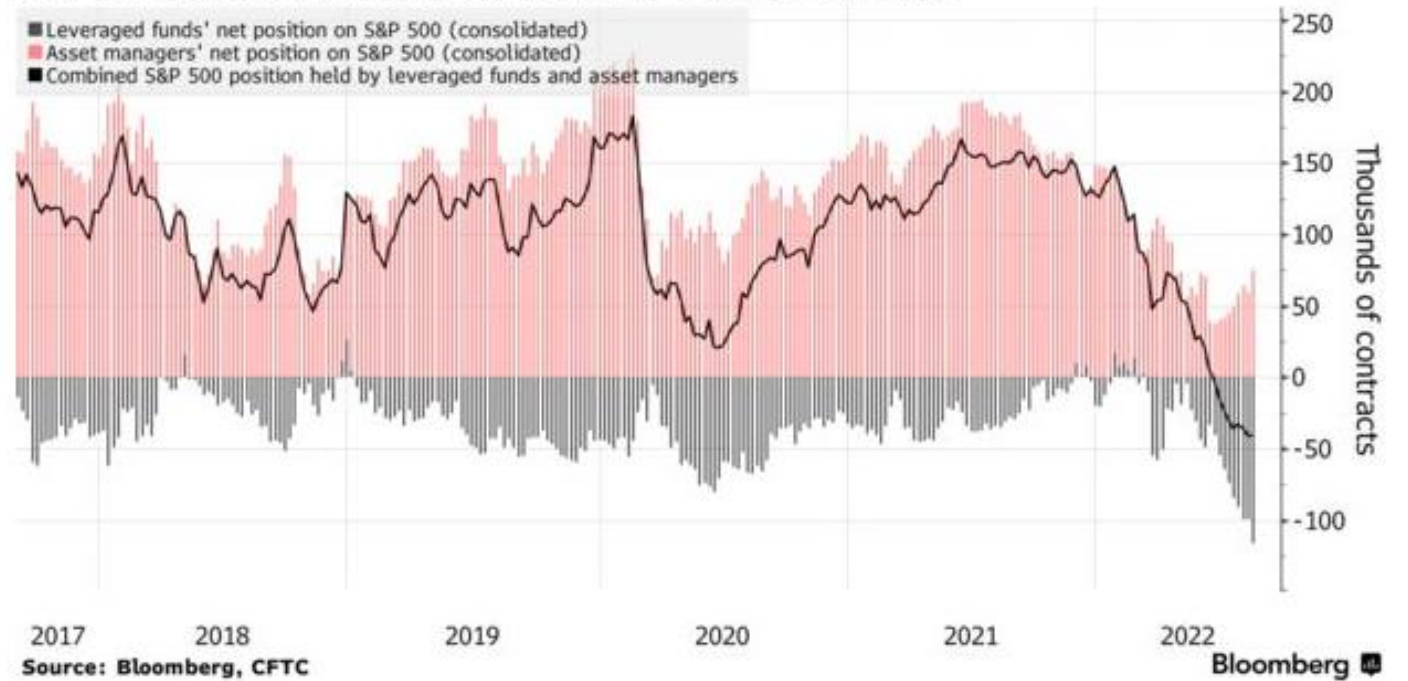


Source: Bloomberg

SENTIMENT
TOWARDS STOCKS
AND BONDS IS
STILL NEGATIVE

Room to Bounce

S&P 500 positioning is bearish, leaving room for reversal



HERE'S WHAT
USUALLY HAPPENS
AFTER A 20% DROP
IN THE S&P 500

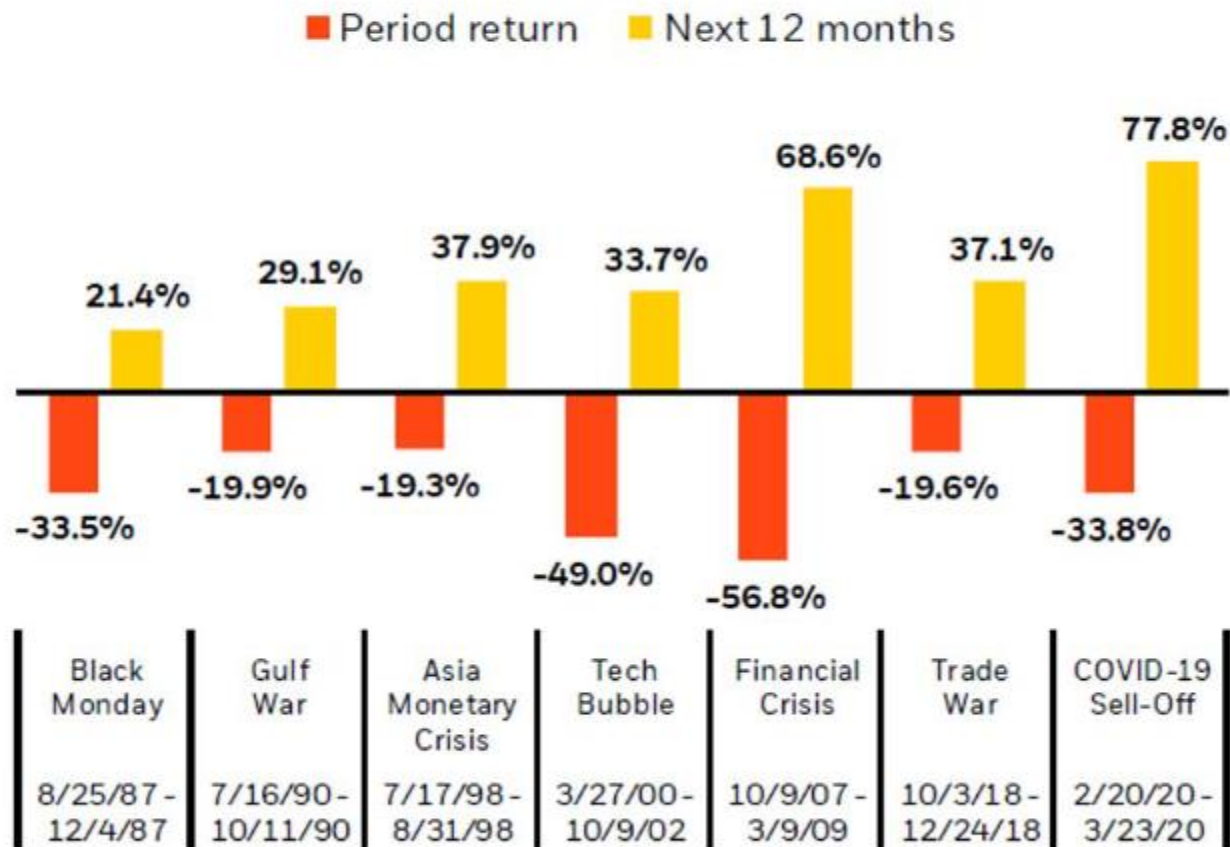
S&P 500 returns after falling -20% from record high (since 1950)

	6-months later	1-year later	2-years later	3-years later
10/21/57	9%	31%	46%	40%
5/28/62	11%	26%	45%	59%
8/29/66	18%	25%	36%	24%
1/29/70	-9%	11%	20%	38%
11/27/73	-9%	-27%	-6%	7%
2/22/82	1%	32%	40%	62%
10/19/87	15%	23%	48%	31%
3/12/01	-7%	-1%	-27%	-6%
7/9/08	-27%	-29%	-17%	6%
3/12/20	35%	59%	72%	
Average	4%	15%	26%	29%
% positive	60%	70%	70%	89%

RETURNS WERE
 POSITIVE AFTER 12
 MONTHS
 FOLLOWING THESE
 PAST GROWTH
 SCARES AND BEAR
 MARKETS

Past growth scares and bear markets

Since 1987



S&P 500 drawdowns and total return from the market bottom. BLACKROCK

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