Market Insights

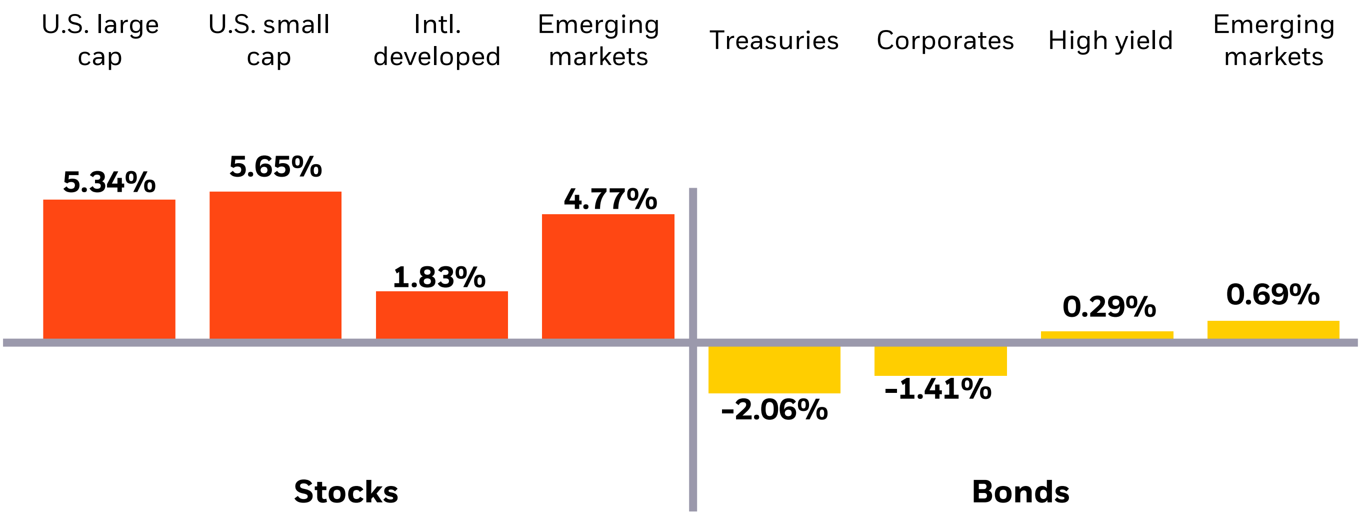
March 2024

Market review

It was a highlight reel month for stocks - juking typical seasonal patterns of weaknesses – while bonds stayed confined mostly to the sidelines. Heavy favorite growth and tech stocks once again scored impressive gains, turning in back-to-back months of MVP performances after a superbly dominant earnings season. Underdog emerging markets stocks rebounded to the upside after a shaky start to the year, benefiting from some strategic stimulative assists from the Chinese government.

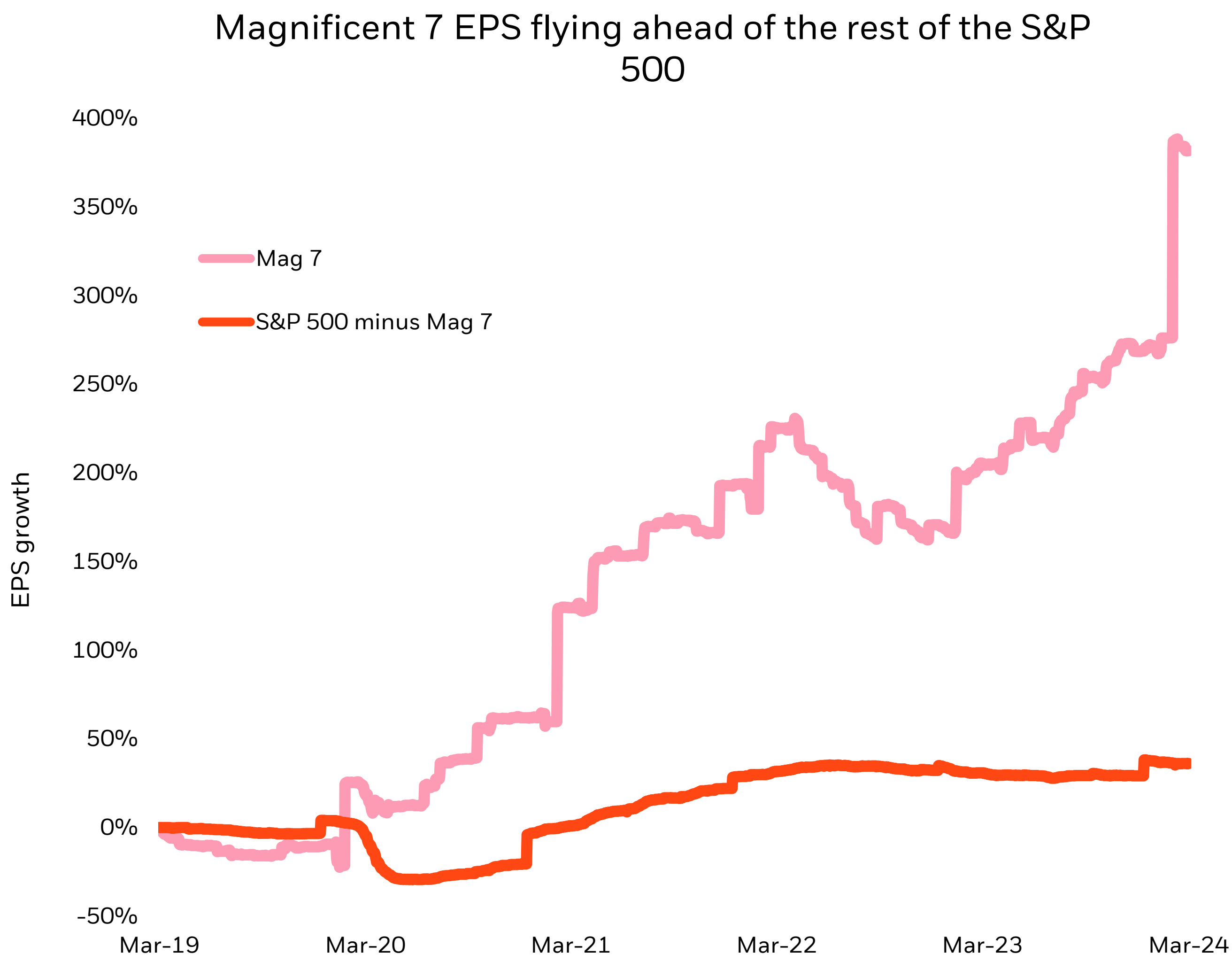
US inflation data surprised markets with a higher-than-expected print and pushed some investors to rethink their bets on interest rate cuts, leading to some pressure on Treasury prices. Less rate-sensitive high yield bonds outperformed their investment grade peers, closing the month marginally positive on the year.

Market performance: February 2024



Source: BlackRock. Monthly returns for the period 2/1/24 – 2/29/24. U.S. large cap stocks represented by the S&P 500 Index; U.S. small cap, Russell 2000 Index; international developed, MSCI EAFE Index; emerging market stocks, MSCI Emerging Markets Index; Treasury bonds, Bloomberg U.S. Treasury 7-10 Year Total Return Index; corporate bonds, Bloomberg U.S. Aggregate Bond Index; high yield bonds, Bloomberg High Yield 2 Issuer Capped Index; EM bonds, JP Morgan Emerging Market Bond Index-Global. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**

On... the Magnificent 7:



“Sales, earnings, and forward guidance from some of the largest names in tech have crushed even the loftiest expectations. Subsequent price moves higher have been noteworthy, but these stocks have arguably gotten cheaper, as their prowess at cashflow generation outpaces their current corresponding price appreciation. This adds fuel to our bullishness, persuading us to tilt more aggressively into growth over value and into the names that are driving earnings.”

Michael Gates
Managing Director
Lead portfolio manager for the
Target Allocation model portfolios

Source: Bloomberg, BlackRock as of 3/20/2024. EPS refers to earnings per share as represented by Bloomberg Estimate consensus EPS, Magnificent 7 by AAPL, AMZN, GOOG, META, MSFT, NVDA, and TSLA.

Asset class views

Source: BlackRock as of 3/1/2024

Views are subject to change

Positive	**U.S. equities**	We are overweight U.S. stocks, leaning into tech and large cap companies with the most resilient businesses and robust earnings growth, with an increase to value-oriented stocks based on strong earnings surprise momentum.
	U.S. treasuries	We are overweight U.S. treasuries with a barbell preference for short- (floating rate) and long-duration nominals, with complementary exposure to Treasury Inflation Protected Securities to take advantage of potentially falling real rates.
Neutral	**Emerging market bonds**	We maintain near benchmark-weight in emerging market bonds in fixed income-heavy models due to attractive yields and potential softening dollar strength.
	Factors	We recalibrate growth/value factor positioning, maintaining a targeted preference for tech stocks but unwinding other broad growth-oriented bets as value-centric 2023 losers potentially come back into fashion.
	High yield credit	We are generally neutral on US high yield bonds, with a targeted tilt toward higher quality and attractively valued issues.
Negative	**Non-U.S. Developed equities**	We are underweight international developed market equities due to sluggish relative corporate earnings signals and more pronounced downside vulnerability to potential geopolitical turmoil.
	Emerging market equities	We remain underweight emerging market stocks but with a carved-out preference for those countries with the most attractive earnings and economic growth prospects (like India and Taiwan) and purposefully limiting exposure to China.
	U.S. investment grade credit	We hold close to benchmark exposure to investment grade credit and mortgage-backed securities, increasing exposure to a freshly embedded active fixed income strategy capable of generating attractive yields and swiftly adjusting to changing market conditions.

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Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. Mortgage-backed securities ("MBS") and commercial mortgage-backed securities ("CMBS") are subject to prepayment and extension risk and therefore react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain mortgage-backed securities. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable. An investment in a treasury Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and its return and yield will fluctuate with market conditions.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries. Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market. Technology companies may be subject to severe competition and product obsolescence.

A fund's use of derivatives may reduce a fund's returns and/or increase volatility and subject the fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that any fund's hedging transactions will be effective.

There can be no assurance that performance will be enhanced or risk will be reduced for funds that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses. The iShares Minimum Volatility ETFs may experience more than minimum volatility as there is no guarantee that the underlying index's strategy of seeking to lower volatility will be successful.

A fund's environmental, social and governance ("ESG") investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have an ESG focus. A fund's ESG investment strategy may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, companies selected by the index provider may not exhibit positive or favorable ESG characteristics.

Alternative investments present the opportunity for significant losses and some alternative investments have experienced periods of extreme volatility. Alternative investments may be less liquid than investments in traditional securities.

Commodities' prices may be highly volatile. Prices may be affected by various economic, financial, social and political factors, which may be unpredictable and may have a significant impact on the prices of precious metals.

Actively managed funds do not seek to replicate the performance of a specified index. Actively managed funds may have higher portfolio turnover than index funds.

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