STUDENT OF THE MARKET

Market Outlook

Q2 2025

BlackRock®

Market Outlook

Today's market moves

What to know about markets right now

1

MARKETS

U.S. markets pull back, international stocks outperform

2

ECONOMY

The U.S. economy to slow (plus policy uncertainty)

3

FEDERAL RESERVE

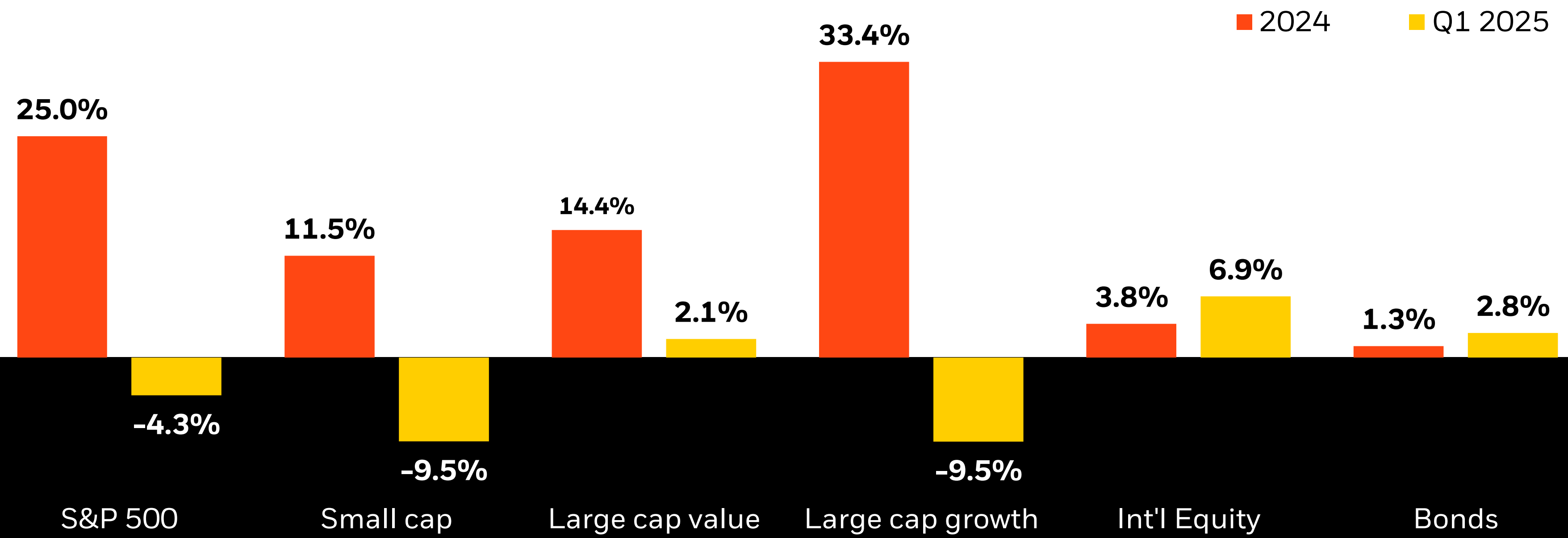
Inflation and a slowing economy allows a Fed rate cut in 2nd half 2025

What it means for portfolios

iCRMH0425U/S-4395566-2/23

What a difference the start of the year makes

Q1 saw a significant reversal from 2024's sharp outperformance as international equities took the lead



Did you know?

In Q1 2025, international stocks outperformed U.S. stocks by the largest margin (11.1%) since Q2 2002 (11.3%).

Source: Bloomberg, data as of 3/31/2025. All return figures are rounded. Small cap represented by Russell 2000, Large cap value represented by S&P 500 Value. Large cap growth represented by S&P 500 Growth, International Equity represented by MSCI EAFE, Bonds represented by Bloomberg US Agg Bond index.

iCRMH0425U/S-4395566-3/23

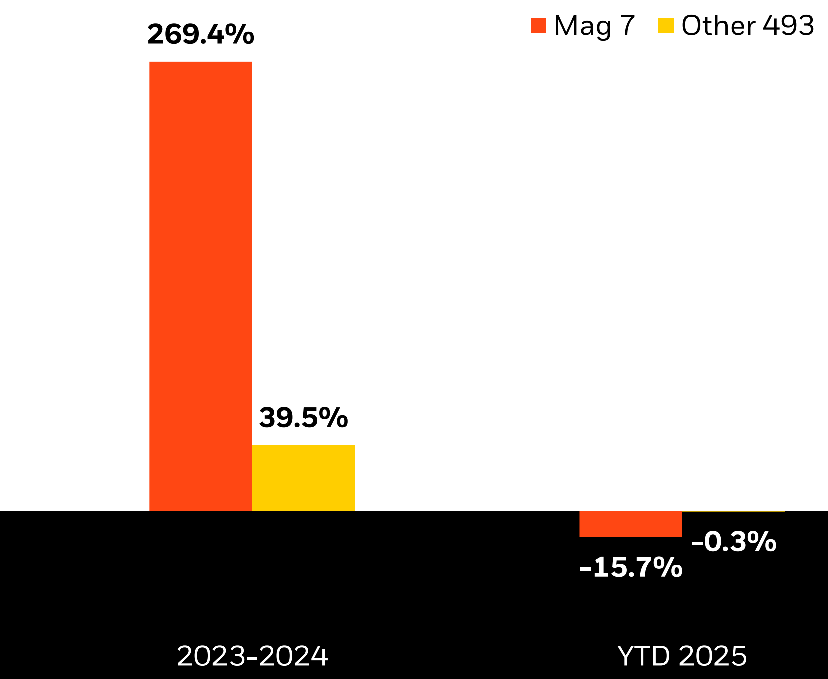
PERFORMANCE BROADENS

“Magnificent 7” trails in 2025

Apple, Alphabet, Microsoft, Amazon, Meta, Nvidia, and Tesla stock earnings are expected to outperform “the rest,” but with a narrower margin

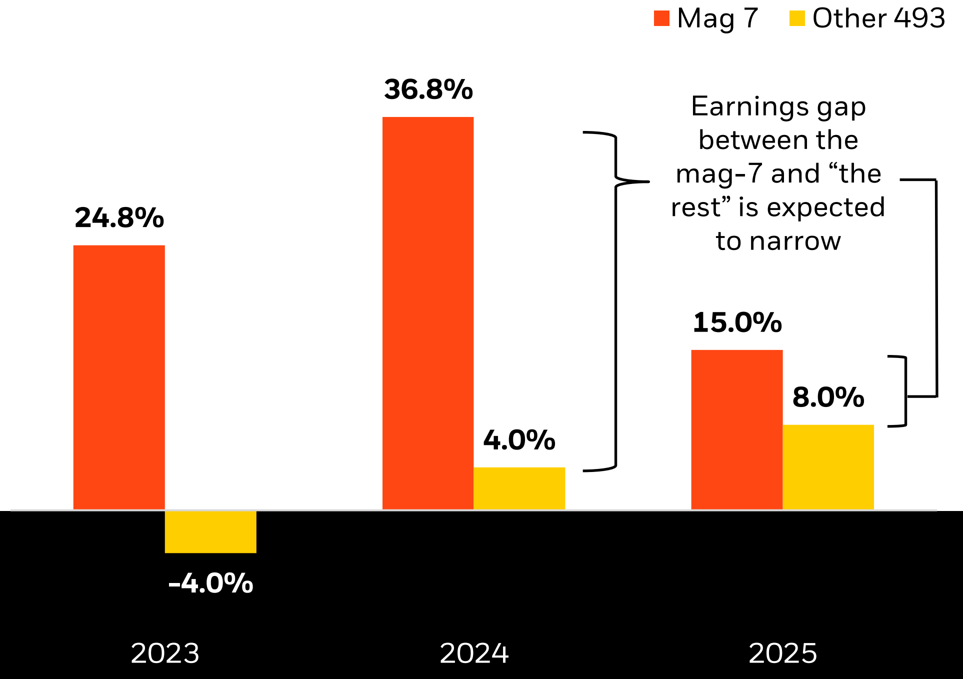
Mag-7 returns lag in Q1

Cumulative return, 1/1/2023 - 3/31/2025



Mag-7 earnings to normalize

Historical and 12-month forward earnings growth expectations of the magnificent 7 and other 493



Source: Bloomberg as of 3/31/25. Stocks represented by the individual stocks of the S&P 500 Index, non-voting dual-class shares excluded. “Mag 7” refers to the “Magnificent 7” group of U.S. companies whose stocks drove the majority share of returns for the S&P 500 in 2023 and 2024 and includes Amazon, Tesla, Alphabet, Meta, Apple, Nvidia and Microsoft. **Past performance does not guarantee or indicate future results.** Forward looking estimates may not come to pass. Index performance is for illustrative purposes only. You cannot invest directly in the index.

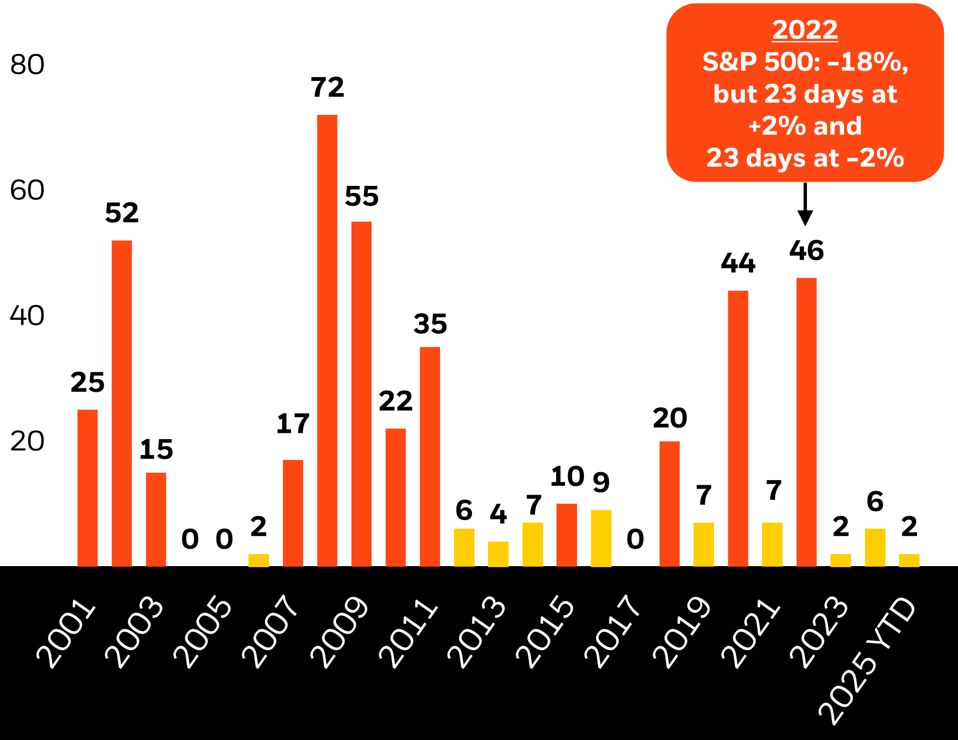
STOCK MARKET VOLATILITY

Volatility has increased with economic and policy concerns

The number of big single-day swings are lower than previous years, with most coming during crisis periods

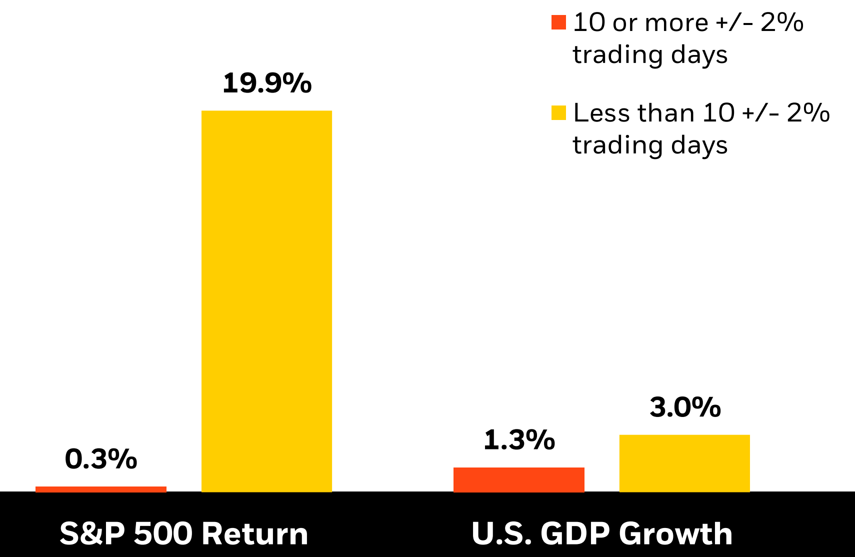
S&P 500 single-day swings of +/-2% or more

Number of single day swings, 1/1/2001 - 2/28/2025



What stock market volatility tells us about potential returns and economic growth

Average return during +/- 2% trading days in calendar years, 1/1/2001 – 2/28/2025



Source: Morningstar as of 3/31/25. Stock market represented by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

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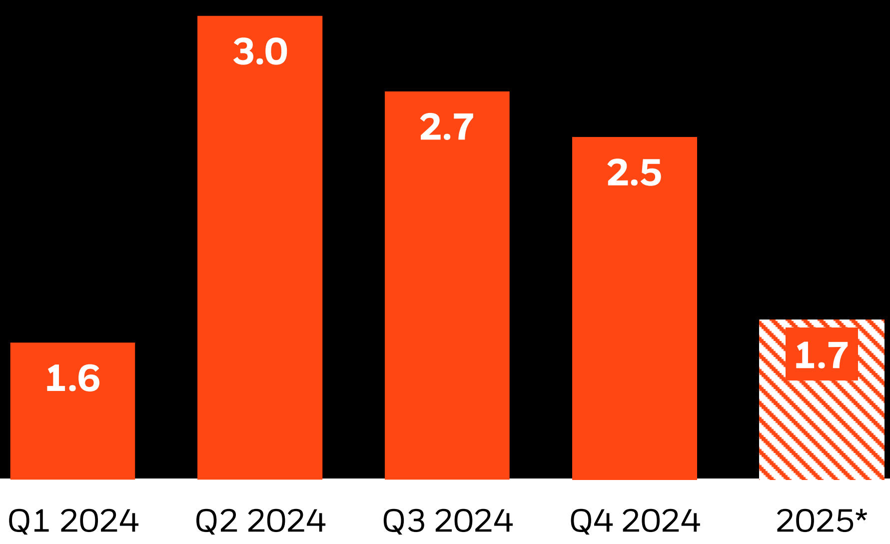
U.S. economy is expected to slow

U.S. GDP is expected to slow from 2024's rate but we see continued resiliency in the labor market.

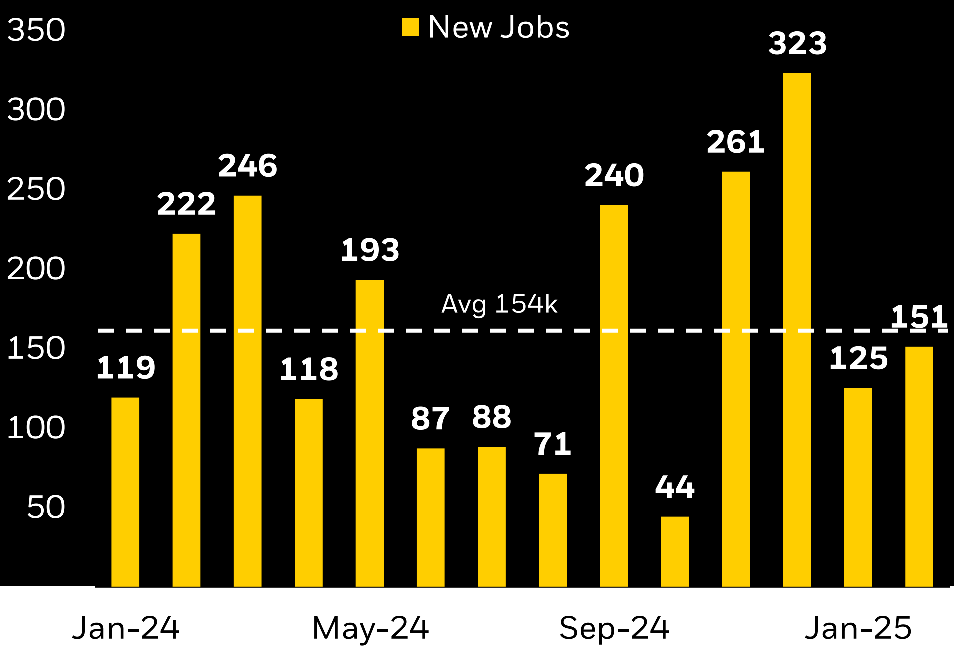
Growth has stayed resilient, keeping the U.S. out of recession territory

Real GDP growth (%)



Labor market is softening but remains strong

Net change in Nonfarm payrolls (thousands)



Source: Left: Bloomberg, Federal Reserve. Asterisks indicate projections. 2025 projection is from the Federal Reserve median projection for 2025 from March's Summary of Economic Projections. As of 3/31/2025. Right: Bureau of Labor Statistics, as of March 31, 2025.

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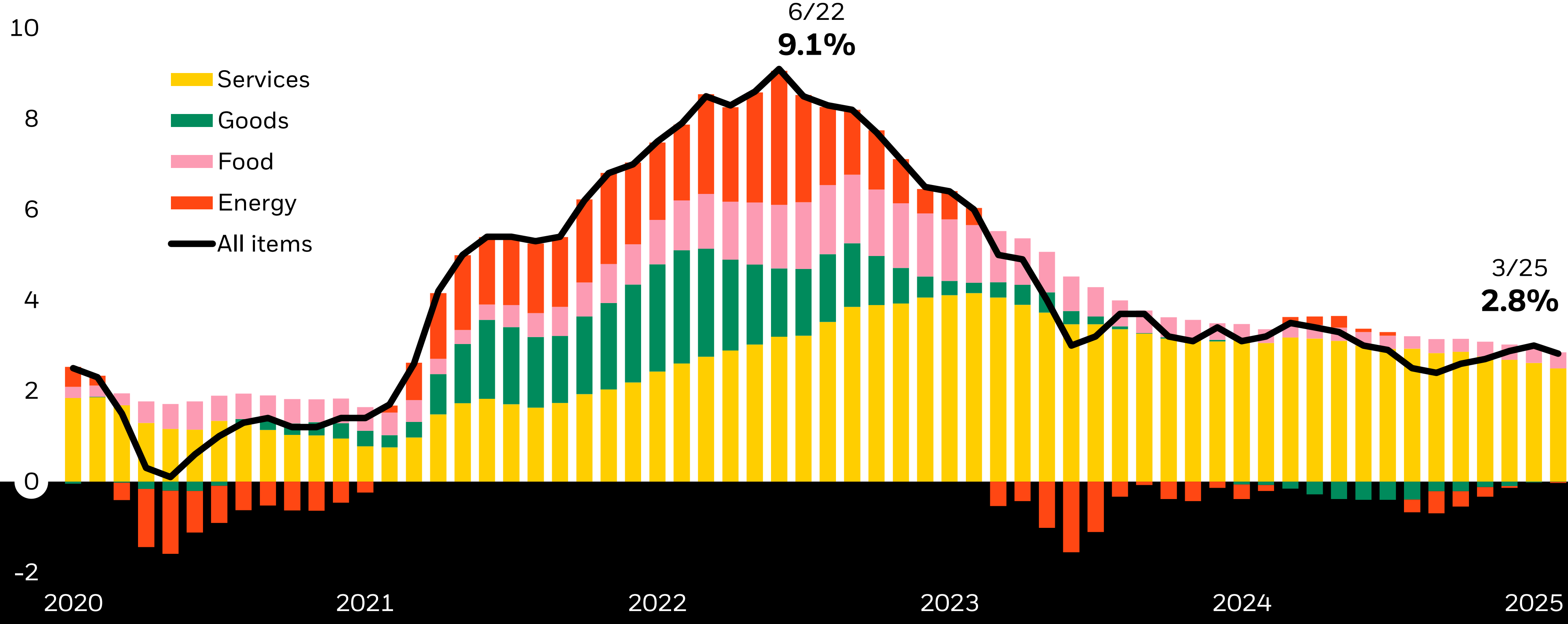
Inflation declined, but remains persistent

Inflation has progressed towards target, but the last mile may prove the hardest, as the combination of government spending, tariffs, and immigration policy could keep prices high.

Inflation has declined from 2022 highs, though has leveled out recently

Contributions to US CPI YoY (%)



Source: Bloomberg, Bureau of Labor Statistics, as of 3/31/2025

iCRMH0425U/S-4395566-7/23

Policy uncertainty to persist

Even with potential clarity on tariffs, policy uncertainty is expected to remain high. The phasing of policy development matters and may influence U.S. growth.

Policy Category	Estimated Policy Timing	Potential Growth Impact	Potential Inflation Impact
Tariffs	1H25	Lower	Higher
Immigration	1H25	Lower	Higher
Deficit	2H25	Same/higher	Same/higher
Taxes	2H25	Same/higher	Same/higher
Deregulation	2H25	Same/higher	Net unclear
Growth	Net unclear		
Inflation	Higher		

Source: Potential and growth impacts are estimated established by GPS Investment Strategy. Views subject to change. Forward estimates may not come to pass. As of March 31, 2025.

iCRMH0425U/S-4395566-8/23

Looking ahead

1

Remaining invested in equities

We prefer **large cap quality U.S. names**, given higher earnings growth expectations.

With increased macro uncertainty, lower volatility strategies can smooth out the ride.

2

Staying flexible in higher-income bonds

Our outlook also supports leaning into income over long-term bonds. A higher-for-longer outlook suggests that medium-term bonds may maintain attractive yields.

Consider the role of **higher yielding**, **medium-term** bonds.

3

Embracing new ways of diversification

Heightened policy uncertainty highlights the importance of considering diversifiers beyond bonds.

"Cash plus" alternatives remain attractive, and assets with a fixed supply such as gold and bitcoin may offer additional diversification.

iCRMH0425U/S-4395566-9/23

Stay the course amid market volatility

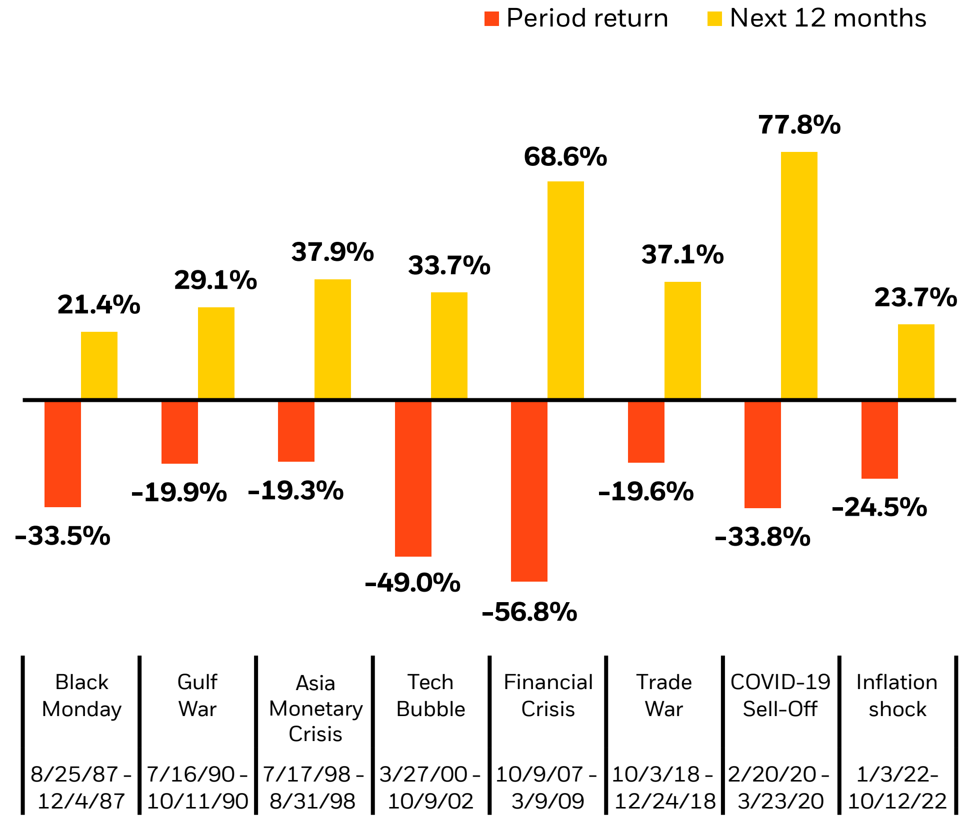
Top 15 worst market days since 1950*

Top S&P 500 single day declines and subsequent 1 year return

Calendar Days	S&P 500 Decline*	Return 1 year later*
10/19/87	-20.5%	23.1%
3/16/20	-12.0%	69.0%
3/12/20	-9.5%	61.8%
10/15/08	-9.0%	20.8%
12/01/08	-8.9%	35.9%
9/29/08	-8.8%	-4.1%
10/26/87	-8.3%	23.5%
10/09/08	-7.6%	17.8%
3/9/20	-7.6%	43.6%
10/27/97	-6.9%	21.5%
08/31/98	-6.8%	38.0%
01/08/88	-6.8%	15.3%
11/20/08	-6.7%	45.1%
05/28/62	-6.7%	26.7%
08/08/11	-6.7%	25.2%
Average	***-8.9%***	***30.9%***

Past growth scares and bear markets

Since 1987



Source: BlackRock; Morningstar as of 3/31/25.S&P 500 is represented by the S&P 500 Index from 3/4/57 to 3/31/25 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. 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. *Indicates principal return, dividends not included. Returns are principal only not including dividends..

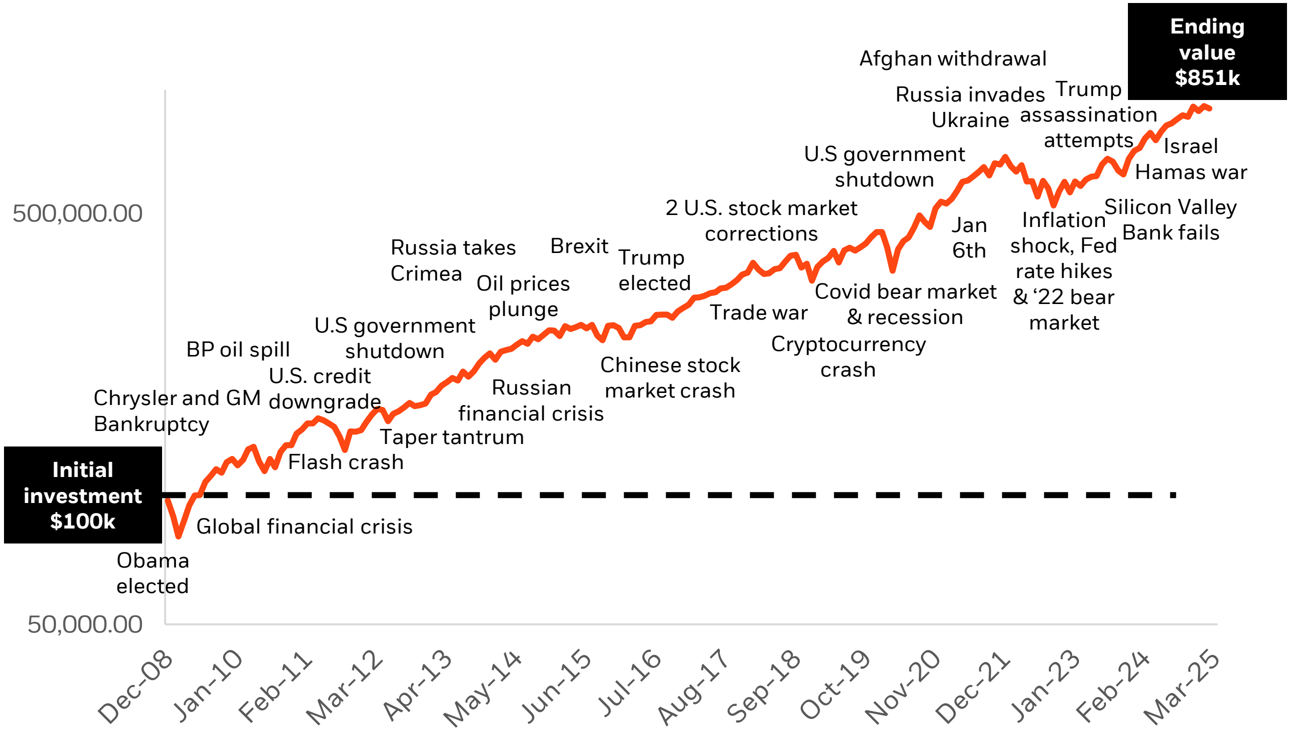
iCRMH0425U/S-4395566-10/23

There is always a reason to sell

Market pullbacks, corrections and bear markets over the last 17 years happen more than most realize

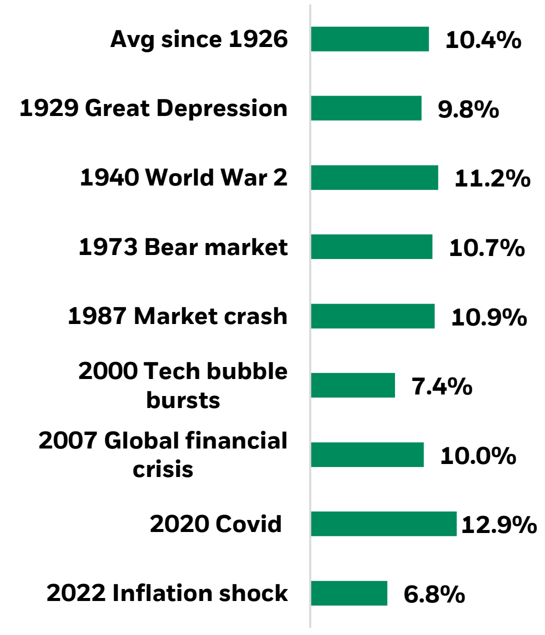
Growth of $100k and recent market and economic headlines

12/31/08- to 3/31/25



Investing at the worst times in history

Average annual returns if you had invested prior to these historical events



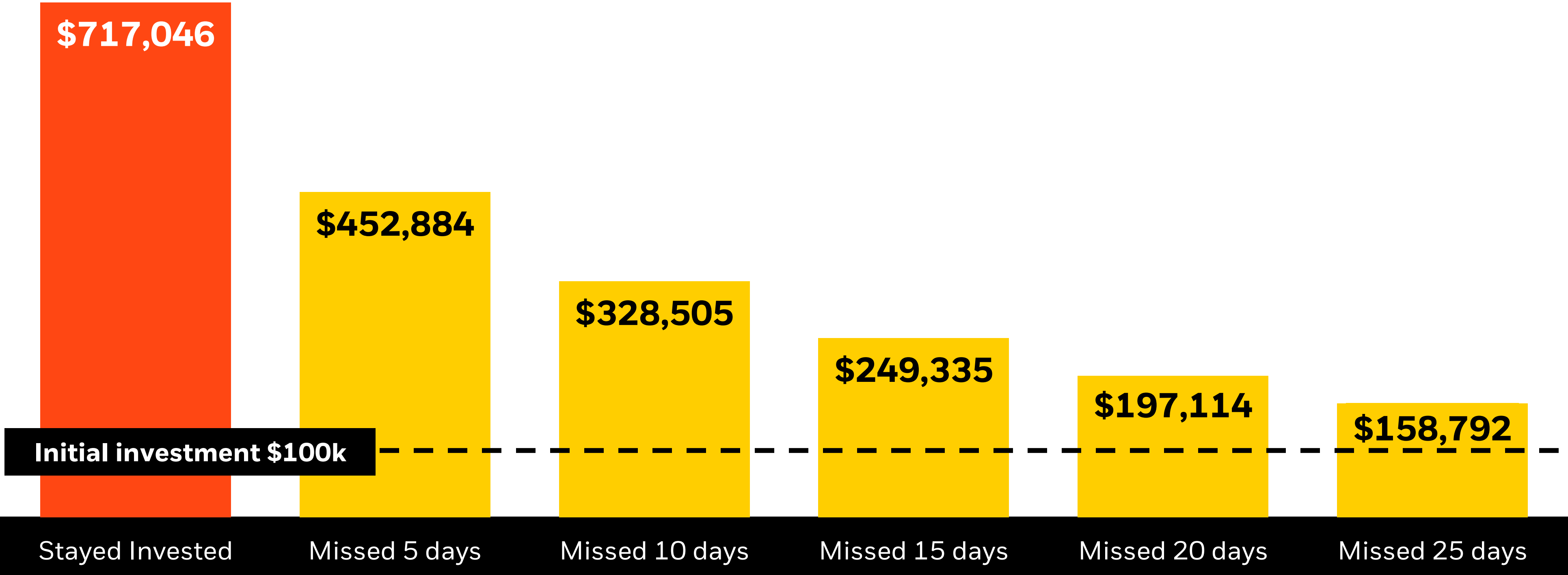
Source: Bloomberg as of 3/31/25. Investment returns are represented by the S&P 500 TR Index from 3/4/57 to 3/31/25 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57. An unmanaged pair of indexes that are generally considered representative of the U.S. stock market. Right graph only: Average annual returns from the first day of the stated year through 3/31/2025. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index.

iCRMH0425U/S-4395566-11/23

It's time in the market that matters... waiting for the "right time" could mean missing out

Missing top-performing days can hurt your return

Hypothetical Investment of $100,000 in the S&P 500 Index over the last 20 years (2005-2024)



Sources: BlackRock; Bloomberg as of 12/31/24. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index.

iCRMH0425U/S-4395566-12/23

Recent investor sentiment very bearish

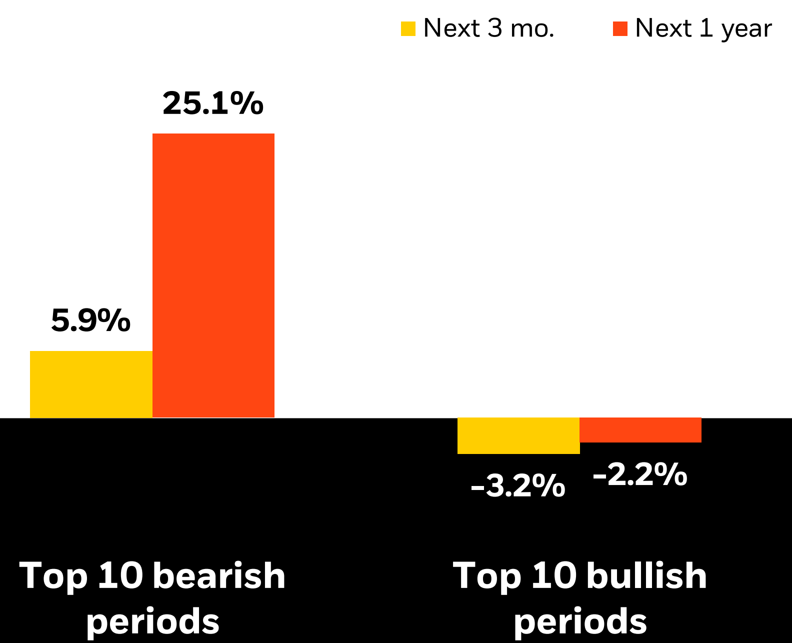
Historically, periods with high bearish sentiment have led to outsized performance

Top 10 bearish investor sentiment periods

Date	Percent bearish sentiment	Avg annual return next 3 mo.	Avg annual return next 1 yr.
3-5-09	70.3%	38.6%	70.5%
10-19-90	67.0%	7.3%	29.9%
8-31-90	61.0%	0.9%	26.9%
9-22-22	60.9%	2.2%	16.9%
10-9-08	60.8%	-1.4%	20.9%
9-29-22	60.8%	6.2%	19.8%
2-27-25	**60.6%**	**?**	**?**
4-28-22	59.4%	-4.6%	-1.1%
6-23-22	59.3%	-2.3%	16.6%
3-13-25	**59.2%**	**?**	**?**
Average		**5.9%**	**25.1%**

Performance following periods of top 10 bearish and bullish periods

Average annual returns if you had been invested when event occurred



Sources: BlackRock; Morningstar, St. Louis Federal Reserve and AAII as of 3/31/25. Returns are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

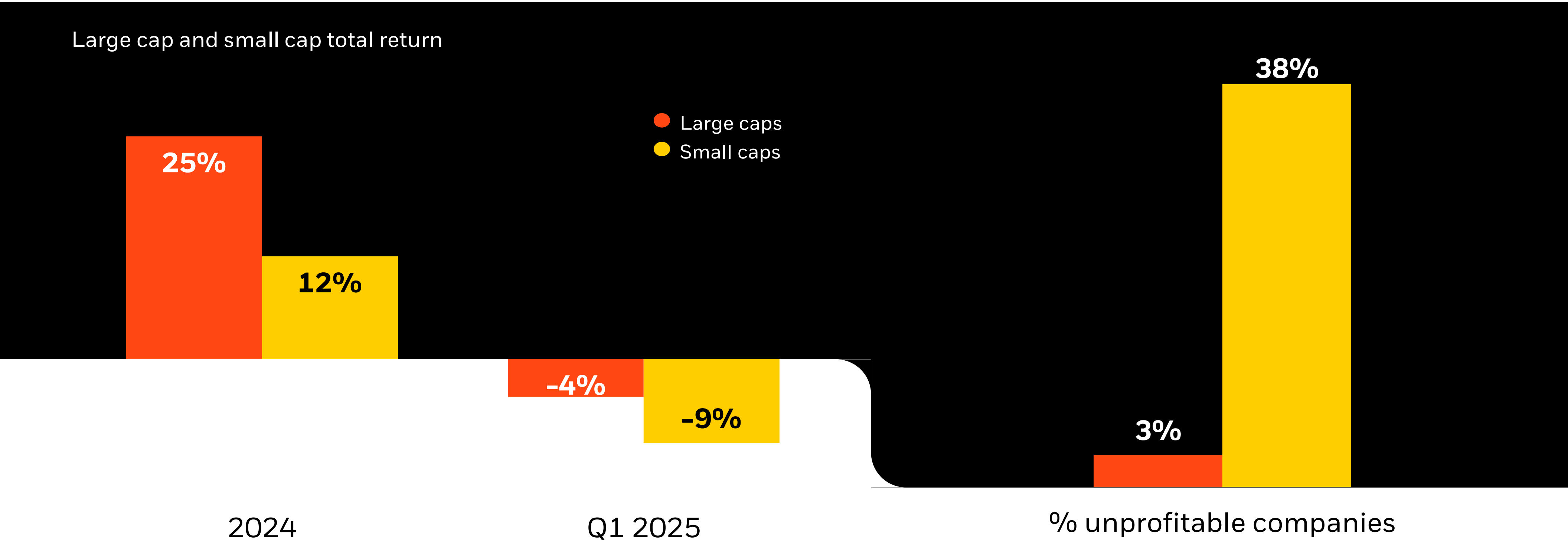
iCRMH0425U/S-4395566-13/23

Lean into U.S. large caps

We remain skeptical on small caps given expensive valuations and low profit margins. Instead, we continue to lean into large caps to express our preference for equities.

Large caps have outperformed in recent up and down markets

Small caps remain less profitable



Source: Chart shows total return of the S&P 500 (large caps) and Russell 2000 (small caps) in 2024 and 2025 (as of March 31, 2025). Past performance is not indicative of current or future results. Indexes are unmanaged. It is not possible to invest directly in an index. Right chart: only: % unprofitable chart from BlackRock Fundamental Equities with data from Refinitiv as of August 2024.

iCRMH0425U/S-4395566-14/23

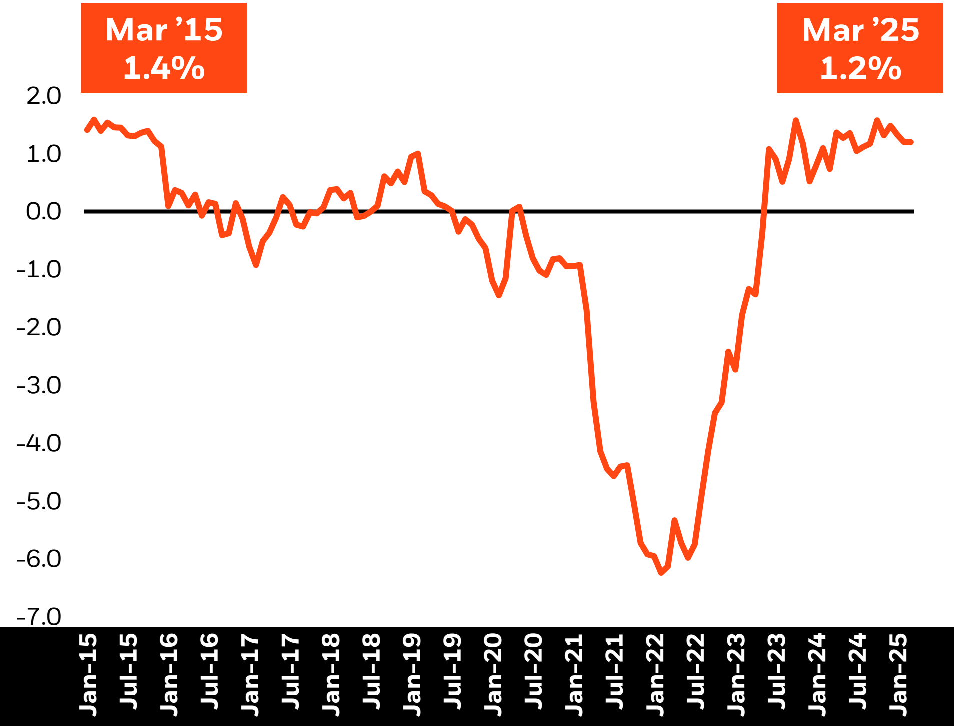
REAL YIELDS FOR BONDS

Real yield highs could boost bonds

Inflation-adjusted yields for bonds are at their highest levels since 2015, which could lead to better bond performance.

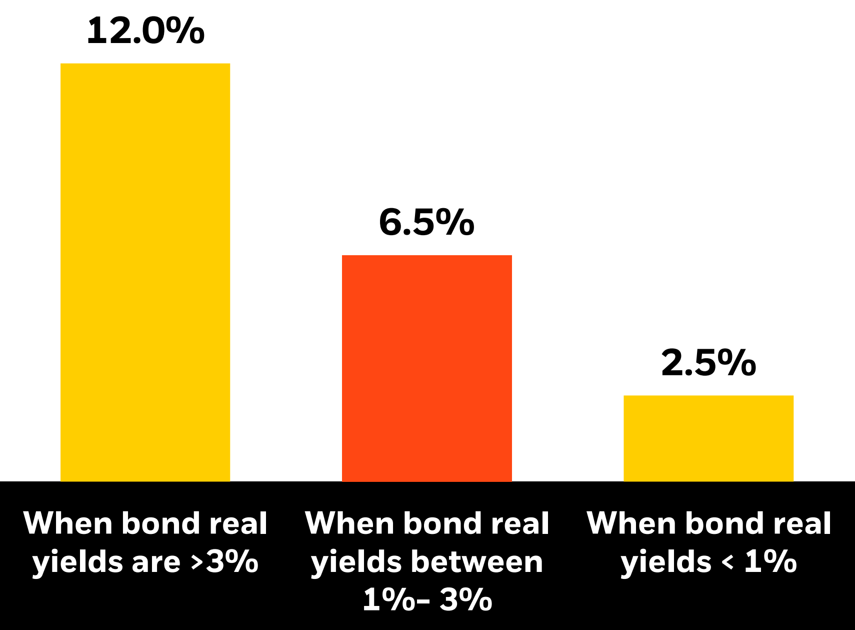
Real yields for the 5-year U.S. Treasury bond

5-year Treasury yield minus inflation rates, 1/1/2015 - 2/28/2025



Bonds have historically performed significantly better when real yields are higher

Average annual returns over following 12 months, since 1976

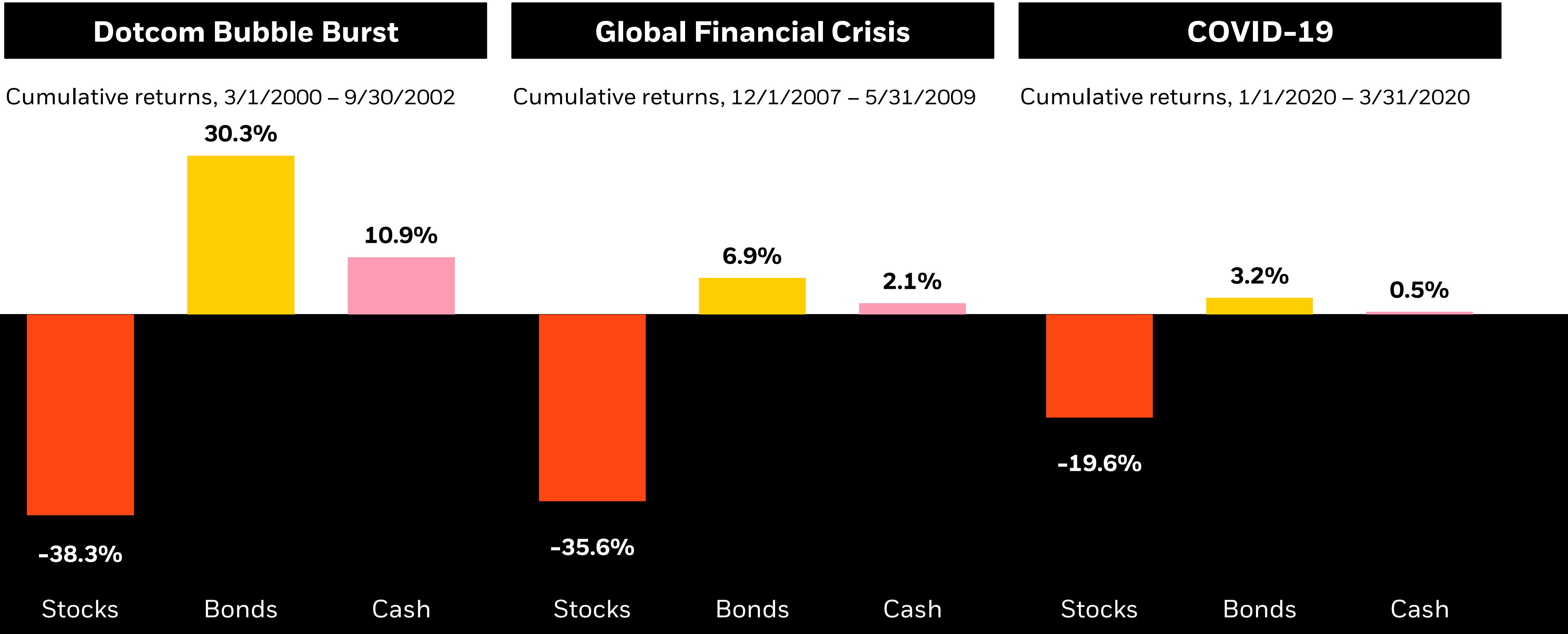


Source : Morningstar and the St Louis Federal Reserve as of 3/31/25, bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index. Inflation represented by the annual consumer price index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

iCRMH0425U/S-4395566-15/23

Core bonds can add resiliency during stressed markets

Don't count out core bonds: while they may have had a tough few years, they have historically done a good job of providing resiliency when it really counts.



Source: Morningstar as of 12/31/24. "Stocks" are represented by the S&P 500 TR Index, "Bonds" by the Bloomberg US Agg Bond TR Index, and "Cash" by the Bloomberg US Treasury Bill 1-3M TR Index. Past performance does not guarantee or indicate future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index

iCRMH0425U/S-4395566-16/23

HISTORIC STOCK AND BOND CORRELATION EASES

Bonds finally zig when stocks zag in Q1

Stock-bond correlation finally eases off historic highs, after 3-year correlation dropped from 0.73 to 0.71

Recently, when stocks have lost bonds have too…

Quarterly returns when stocks posted negative returns

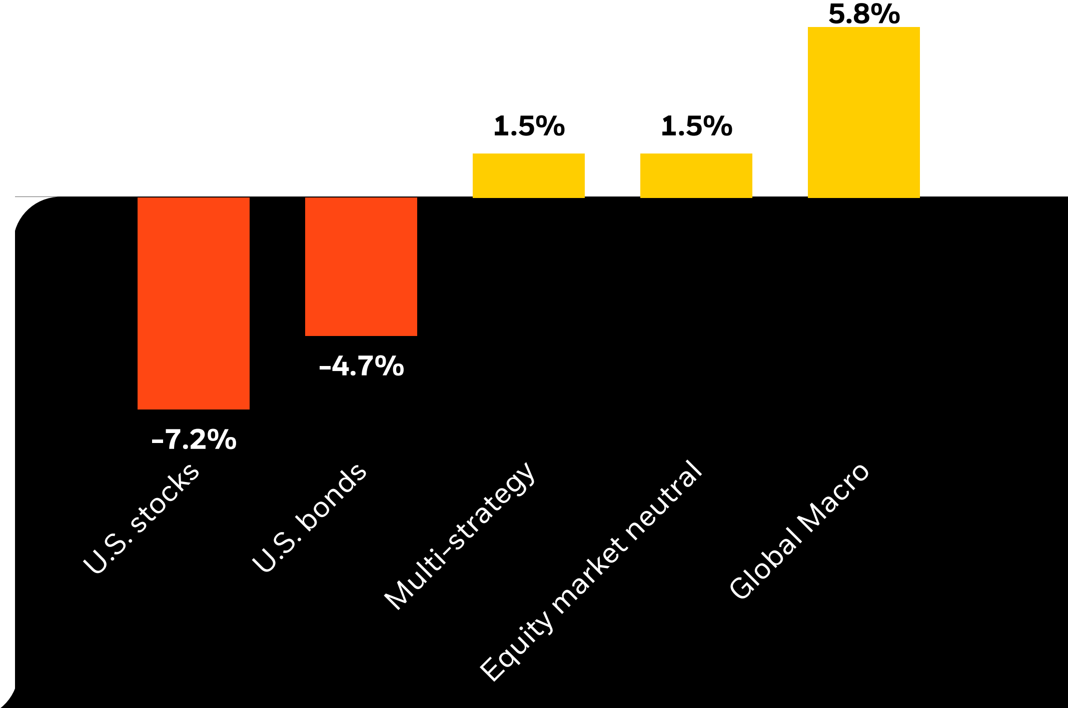
Quarter	Bonds	Stocks
Q1 2025	**+2.8**	**-4.3**
Q3 2023	-3.2	-3.3
Q3 2022	-4.8	-4.9
Q2 2022	-4.7	-16.1
Q1 2021	-5.9	-4.6
Q3 1981	-4.1	-10.2
Q2 1981	-0.3	-2.3
Q1 1980	-8.7	-4.1
Q4 1978	-1.4	-4.9

Prior to Q1 '25, the last 4 quarters stocks have lost money, bonds have lost as well.

The only other time in investing history that has occurred was 1978-1981

…while alternatives continue to be uncorrelated

Returns during periods of consecutive quarters where bonds and stocks were both negative



Source: Morningstar as of 3/31/25. Right side represented by the average return of 14 month where both stocks and bond indexes posted negative returns between 1/1/2021 – 2/28/2025, as shown on the left side. U.S. stocks are represented by the S&P 500 TR Index, U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index, Equity market neutral represented by the Morningstar Equity Market Neutral category average, Multi-strategy represented by the Credit Suisse Multi-strategy Index and Global Macro represented Credit Suisse Global Macro index. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

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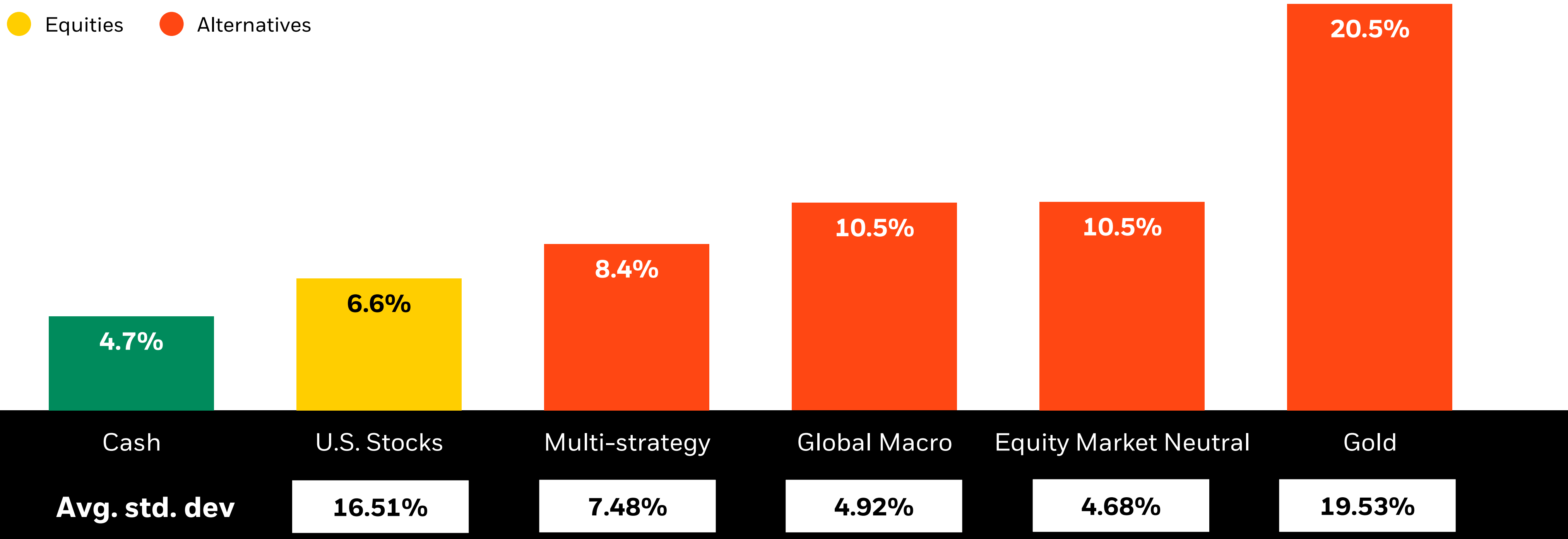
Alternatives have done well when rates are high

Interest rates are forecasted to stay high through the end of the year. History shows that alternative strategies have done well in this environment, delivering competitive performance with much lower volatility than stocks.

Many alternatives have kept up with stocks… with less risk

Average annual returns & standard deviation during periods of 3%+ FFR, (Jan. 1999 to Mar. 2025)



ource: Morningstar as of 3/31/25. "Cash" is represented by IA SBBI US 30 Day Tbill TR Index. "U.S. Stocks" is represented by the S&P 500 TR Index. "Gold" is represented by the average combined returns and standard deviations of the Gold United States Dollar Spot. All others represented by their respective Morningstar fund category averages. Analysis includes the following 3 periods since 1999 where the Federal Funds Rate was at a minimum of 3% for longer than 24 months: 1/1/99 to 10/2/01, 5/4/05 to 3/18/08 and 9/22/22 to 3/31/25. **Past performance does not guarantee or indicate future results.** Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index.

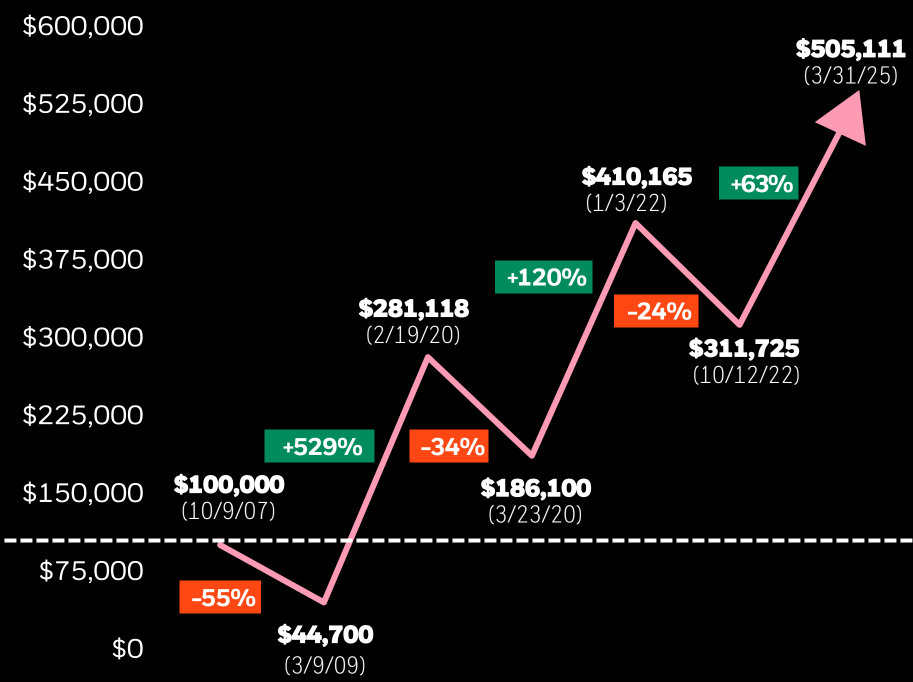
iCRMH0425U/S-4395566-18/23

Win more by losing less

Diversification and minimizing losses, even at the cost of upside capture, can have a larger effect on the long-term return of a portfolio than full participation in both bull and bear markets

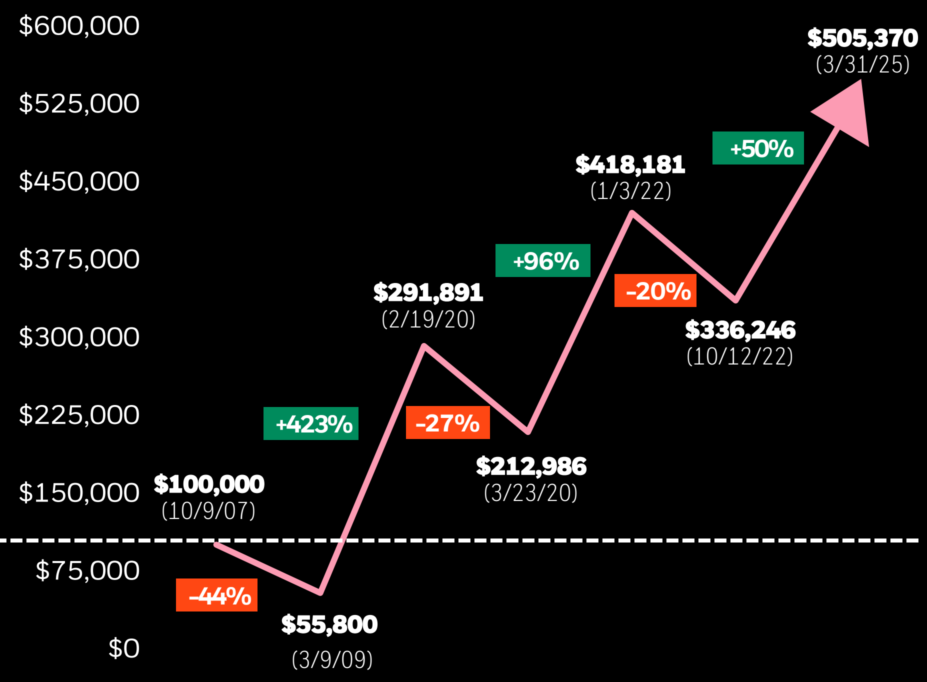
All the up and all the down

100% capture of both up and down markets of S&P 500 Index



Part of the up and down gets you all the up with less of the down

80% capture of up and down markets of S&P 500 Index



Source: Morningstar as of 3/31/24. *Hypothetical investment or portfolio that captured 80% of each bull and bear market return of the S&P 500 when benchmarked to that index. Returns shown are based on the S&P 500 index only. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.**

iCRMH0425U/S-4395566-19/23

Bringing it all together

1

Don't lose out over the long run

Remaining invested in the market

2

U.S. growth to slow but remain positive

Preference for higher yielding, medium-term bonds

3

Heightened policy uncertainty

Embracing new forms of diversification

iCRMH0425U/S-4395566-20/23

Market Outlook: Q2 2025

Returns as of 3/31/25	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
Bloomberg US Agg Bond TR USD	4.88	-0.40	1.46
Credit Suisse Equity Market Neutral USD (as of 2/28/25)	8.40	5.74	2.99
Credit Suisse Global Macro USD (as of 2/28/25)	6.35	7.42	4.73
Credit Suisse Multi-Strategy USD (as of 2/28/25)	8.03	6.65	5.17
IA SBBI US IT Govt TR USD	5.38	0.67	1.64
IA SBBI US Large Stock TR USD Ext	8.25	18.59	12.50
MSCI EAFE NR USD	4.88	11.77	5.40
MSCI EM NR USD	8.09	7.94	3.71
MSCI USA Minimum Volatility (USD) NR USD	13.44	12.97	10.04
Russell 1000 Growth TR USD	7.76	20.09	15.12
Russell 1000 Value TR USD	7.18	16.15	8.79
Russell 2000 TR USD	-4.01	13.27	6.30
S&P 500 PR	6.80	16.77	10.50
S&P 500 TR USD	8.25	18.59	12.50
US BLS CPI All Urban NSA 1982-1984	2.82	4.29	3.12
US Fund Equity Market Neutral	7.06	6.96	3.59
Bloomberg US Treasury Bill 1-3 M TR USD	5.03	2.60	1.86

iCRMH0425U/S-4395566-21/23

Index definitions

- The **S&P 500 TR Index** is an unmanaged index that is generally considered representative of the U.S. stock market on a total return basis. Included are the largest 500 stocks by market cap.
- The **IA SBBI IT US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a price return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **Russell 2000 TR Index** is an unmanaged index that is generally considered representative of the 2,000 largest stocks in the entire U.S. stock market on a total return basis.
- The **MSCI EAFE NR Index** is an unmanaged index that is generally considered representative of International (Ex-U.S. & Ex-Canada) Developed Market stocks on a net return basis.
- The **Bloomberg U.S. Agg Bond TR Index** is an unmanaged index that is generally considered representative of the U.S. bond market on a total return basis.
- The **IA SBBI IT Govt TR Index** is an unmanaged index that is generally considered representative of the historical U.S. bond market on a total return basis prior to the inception of the **Bloomberg U.S. Agg Bond TR Index** in 1989.
- The **Bloomberg U.S. Treasury Bill 1-3M TR Index** is an unmanaged index that is generally considered representative of the 1-3M U.S. Treasury market on a total return basis.
- The **S&P 500 Sec/Commun Services TR Index** is an unmanaged index that is generally considered representative of the Communication Services Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Information Technology TR Index** is an unmanaged index that is generally considered representative of the Information Technology Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Cons Disc TR Index** is an unmanaged index that is generally considered representative of the Consumer Discretionary Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Financials TR Index** is an unmanaged index that is generally considered representative of the Financials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Utilities TR Index** is an unmanaged index that is generally considered representative of the Utilities Sector of the S&P 500 Index as defined by GICS on a total return basis.
- **US Fund Intermediate Core Bond** is an average of funds within the US Fund Intermediate Core Bond category as defined by Morningstar.
- **US Fund Nontraditional Bond** is an average of funds within the US Fund Nontraditional Bond category as defined by Morningstar.
- **US Fund Multisector Bond** is an average of funds within the US Fund Multisector Bond category as defined by Morningstar.
- The **Bloomberg U.S. Treasury Floating Rate TR Index** is an unmanaged index that is generally considered representative of the U.S. floating-rate treasury market on a total return basis.
- The **S&P Municipal Bond TR Index** is an unmanaged index that is generally considered representative of the U.S. municipal bond market on a total return basis.
- The **ICE BofA U.S. Corporate TR Index** is an unmanaged index that is generally considered representative of the U.S. corporate bond market on a total return basis.
- The **ICE BofA U.S. High Yield TR Index** is an unmanaged index that is generally considered representative of the U.S. high yield bond market on a total return basis.
- The **DJ U.S. Select Dividend TR Index** is an unmanaged index that is generally considered representative of U.S. dividend-yielding stocks on a total return basis.
- The **DJ EPAC Select Dividend TR Index** is an unmanaged index that is generally considered representative of non-U.S. dividend-yielding stocks on a total return basis.
- The **Bloomberg High Yield Corporate TR Index** is an unmanaged index that is generally considered representative of the U.S. high-yield corporate bond market on a total return basis.
- The **IA SBBI US 30 Day TBill TR Index** is an unmanaged index that is generally considered representative of the historical U.S. 30-Day Treasury Bill market on a total return basis.
- The **Credit Suisse Global Macro USD Index** is an unmanaged index that is generally considered representative of U.S. Dollar-denominated Global Macro investment strategies on a total return basis.
- The **Credit Suisse Multi-Strategy USD Index** is an unmanaged index that is generally considered representative of U.S. Dollar-denominated Multi-Strategy investment strategies on a total return basis.
- The **Credit Suisse Equity Market Neutral USD Index** is an unmanaged index that is generally considered representative of U.S. Dollar-denominated Equity Market Neutral investment strategies on a total return basis.
- The **S&P 500 Growth TR Index** is an unmanaged index that is generally considered representative of the U.S. stocks in the S&P 500 index that have market valuations greater than their earnings, on a total return basis.
- The **MSCI ACWI Ex USA NR Index** is an unmanaged index that is generally considered representative of all non-U.S. stocks on a net return basis.
- **US Fund Macro Trading** is an average of funds within the US Fund Macro Trading category as defined by Morningstar.
- **US Fund Multistrategy** is an average of funds within the US Fund Multistrategy category as defined by Morningstar.
- **US Fund Equity Market Neutral** is an average of funds within the US Fund Equity Market Neutral category as defined by Morningstar.

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iCRMH0425U/S-4395566-23/23