

Kate Moore

Head of Thematic Investing, Global Allocation

October 2020

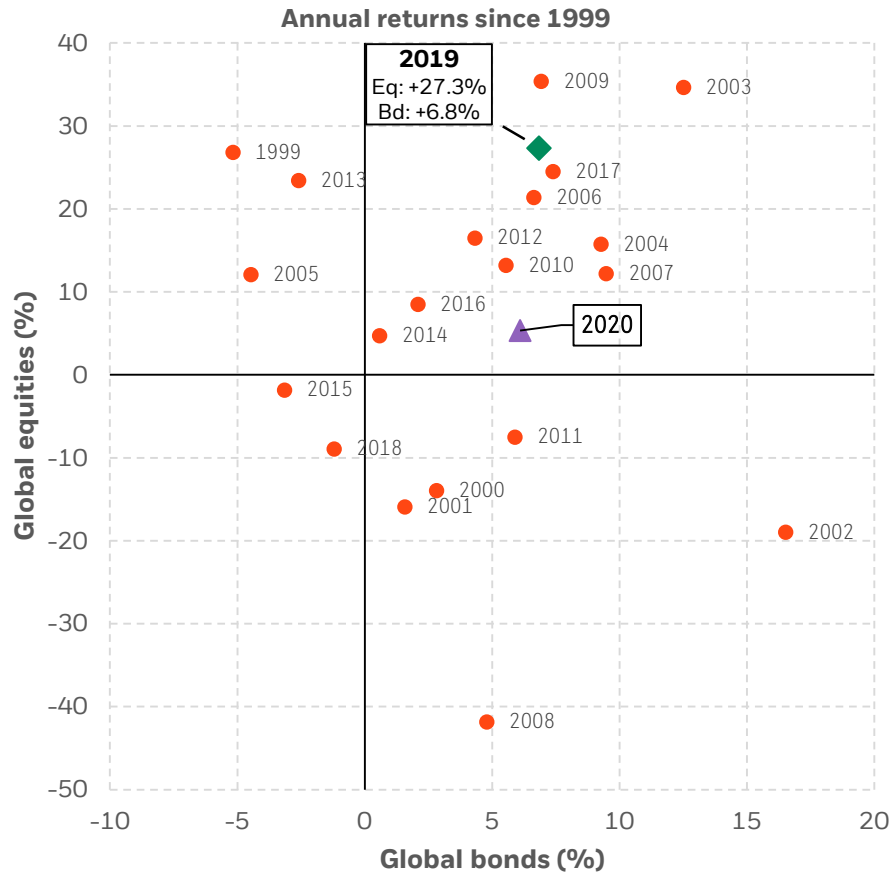
BlackRock[®]

Global Market Outlook

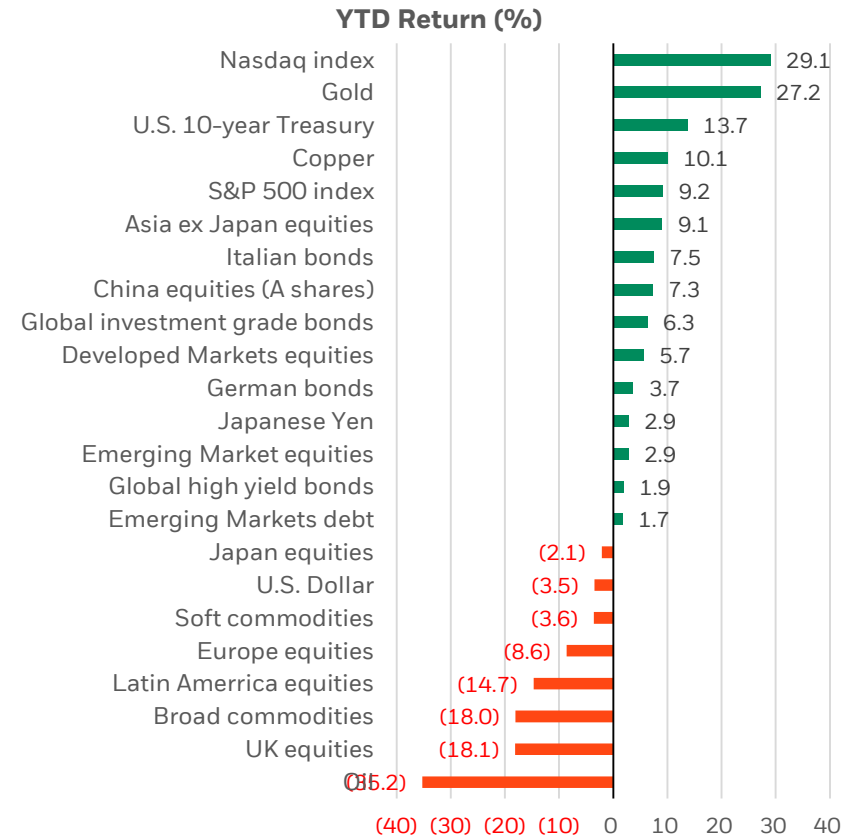
Setting the stage

Setting the stage: asset returns in 2020

2020 doesn't look like an unusual year...



... despite high volatility and high dispersion

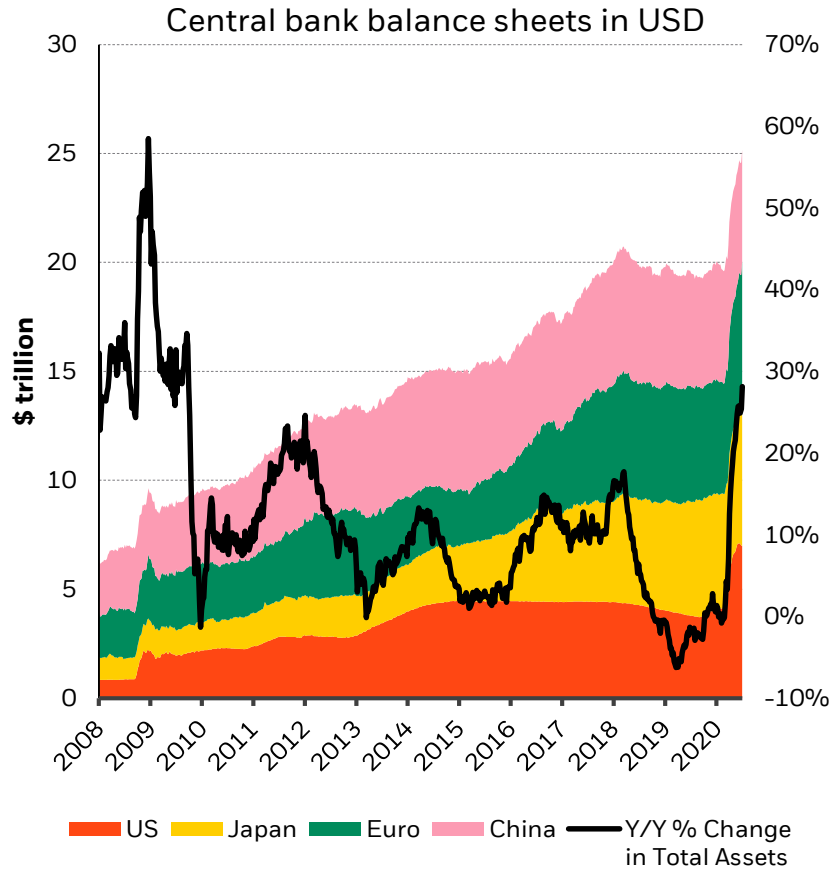


Source: Refinitiv Datastream as of 10/9/2019

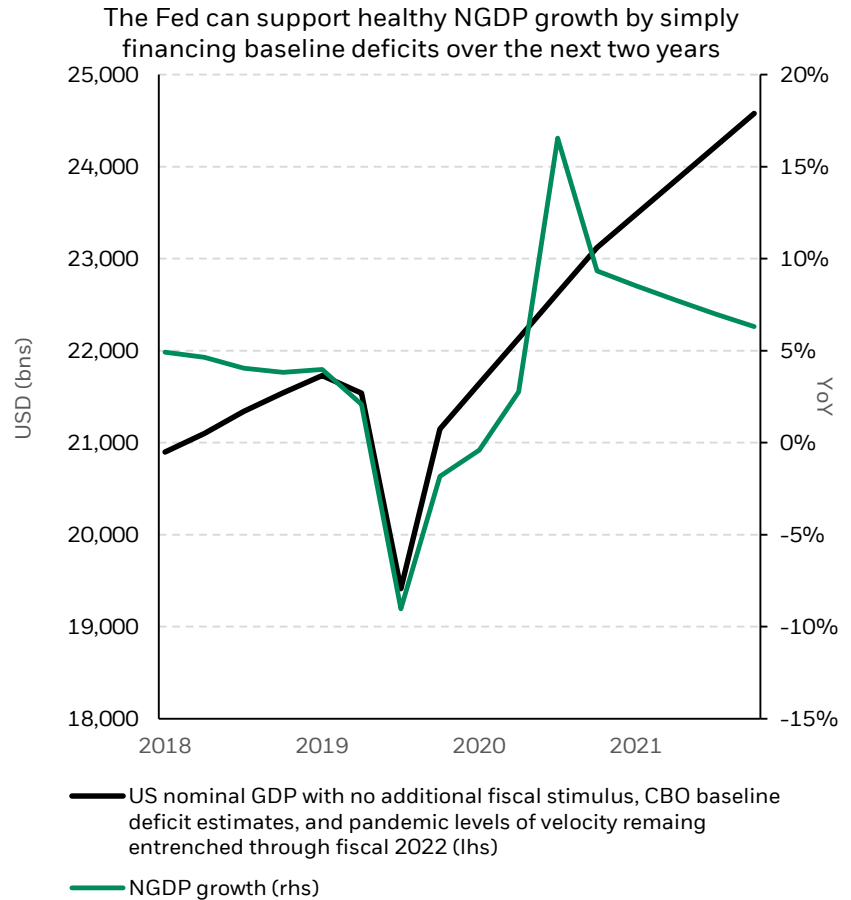
Source: Refinitiv Datastream as of 10/9/2019

The policy response will continue to support markets

Central banks growing assets from already large base



...supporting nGDP growth for 2021 and beyond

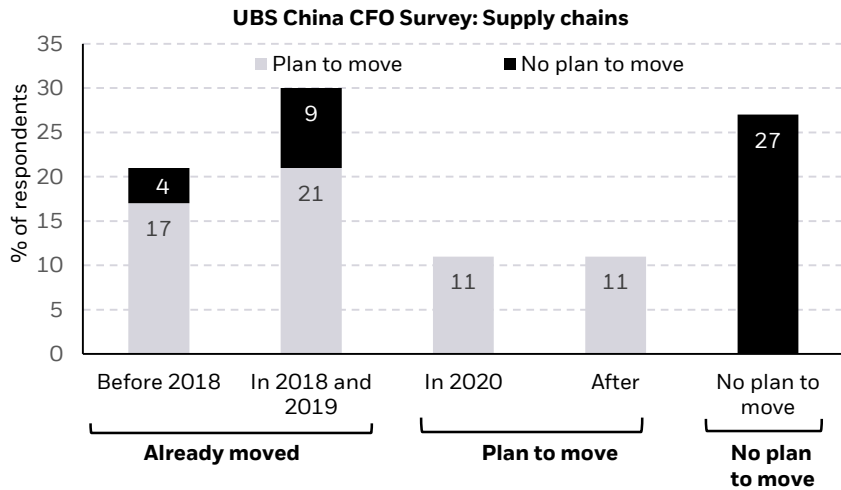


Sources: Bloomberg as of 10/12/2020

Source: Fed, Bloomberg and BlackRock, as of 9/18/2020. Projections & assumptions are based on economic indicators, employment data, US fiscal spending data, and historical outcomes. Figures represent year-end totals. Forecasts are based on estimates and assumptions. There is no guarantee that they will be achieved.

China tensions: is the de-coupling overstated?

China supply chain risks are slow-moving



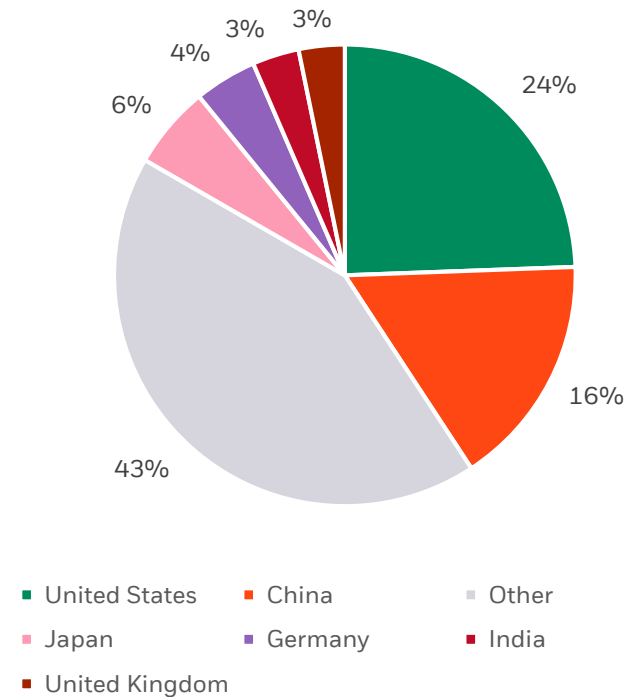
Diversification benefits: 10yr Correlations

	China A-shares	MSCI ACWI	S&P 500	MSCI Europe	MSCI Japan
China A-shares	-	0.32	0.28	0.27	0.25
MSCI ACWI	0.32	-	0.96	0.83	0.63
S&P 500	0.28	0.96	-	0.79	0.58
MSCI Europe	0.27	0.83	0.79	-	0.68
MSCI Japan	0.25	0.63	0.58	0.68	-

Source: UBS, BlackRock and Bloomberg as of 10/12/20

China: second largest contributor to world GDP

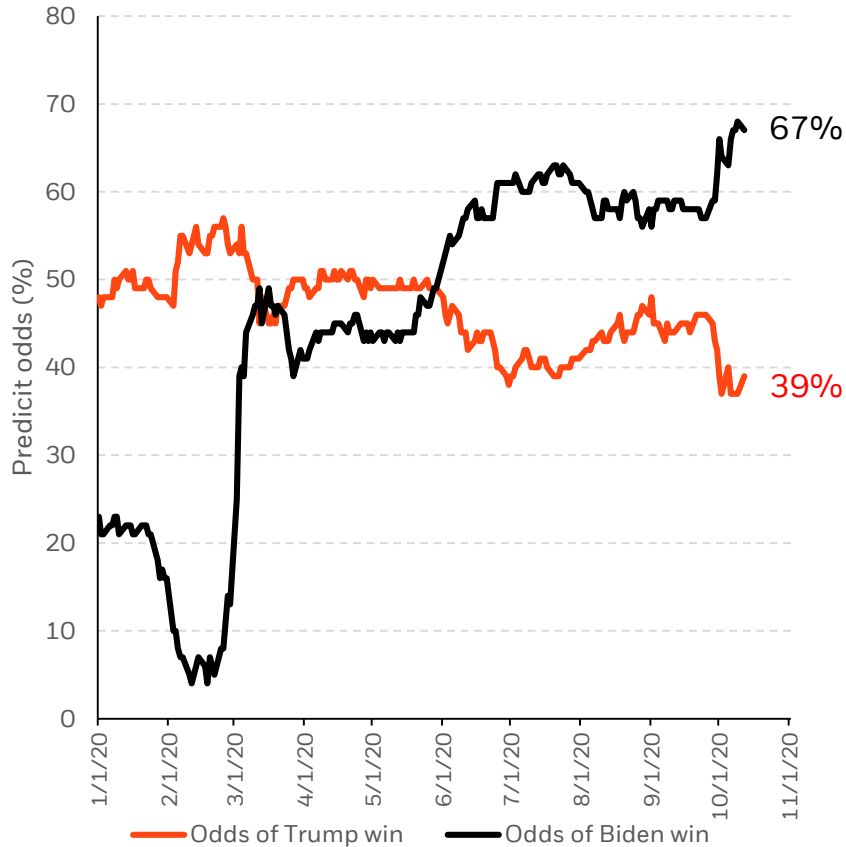
Country % share of GDP (\$)



Source: World Bank, representing GDP in USD for year 2019

Will the US election lead to a policy shift?

Election outcome will be close and could be contested



Source: BlackRock and Bloomberg as of 10/12/20

Potential Democratic policy proposals

Potential policy

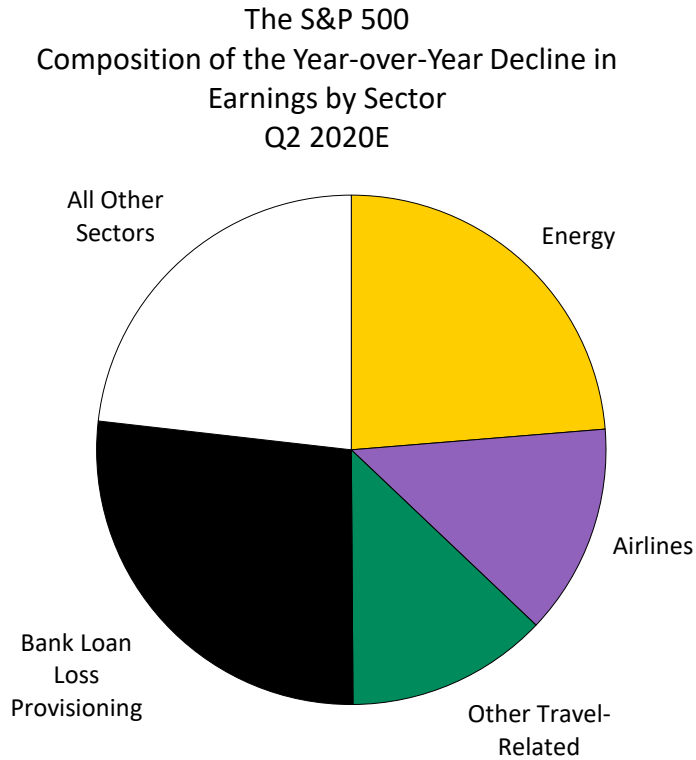
- 1) Higher taxes (corporate, capital gains)
- 2) Focus on alternative energy
- 3) Drug price control
- 4) Labor reform (i.e. higher minimum wage)
- 5) Infrastructure spending
- 6) For-profit prison and education reform
- 7) Big tech regulation
- 8) Relaxed cannabis laws

Source: Cornerstone Macro and Morgan Stanley, June 2020

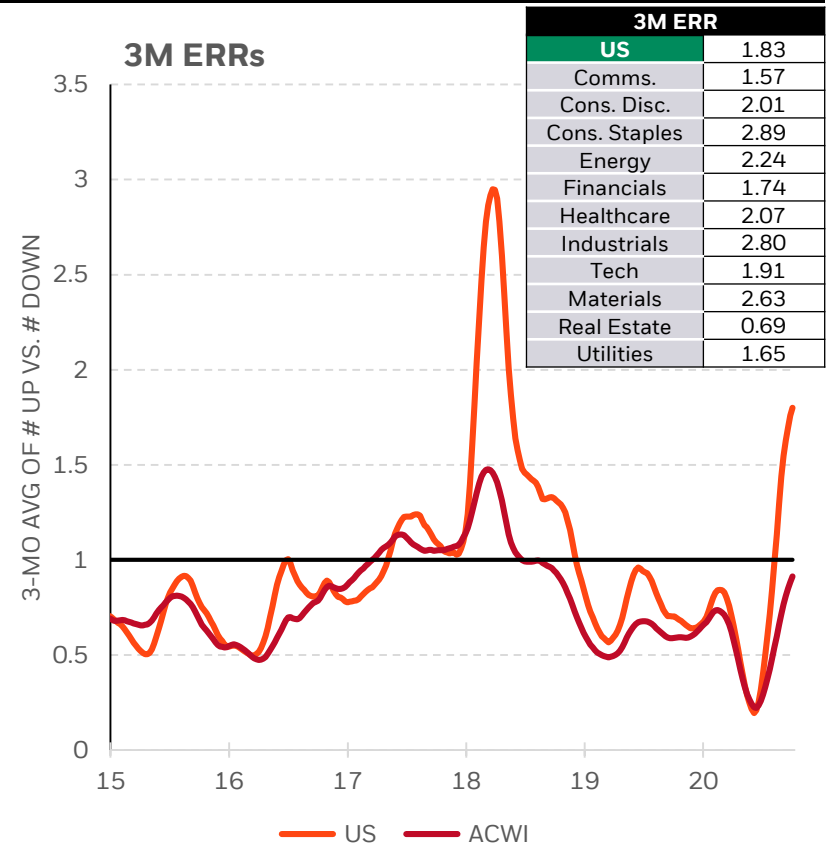
The case for stocks (still)

A wild ride on earnings

Earnings drawdowns focused in a few areas



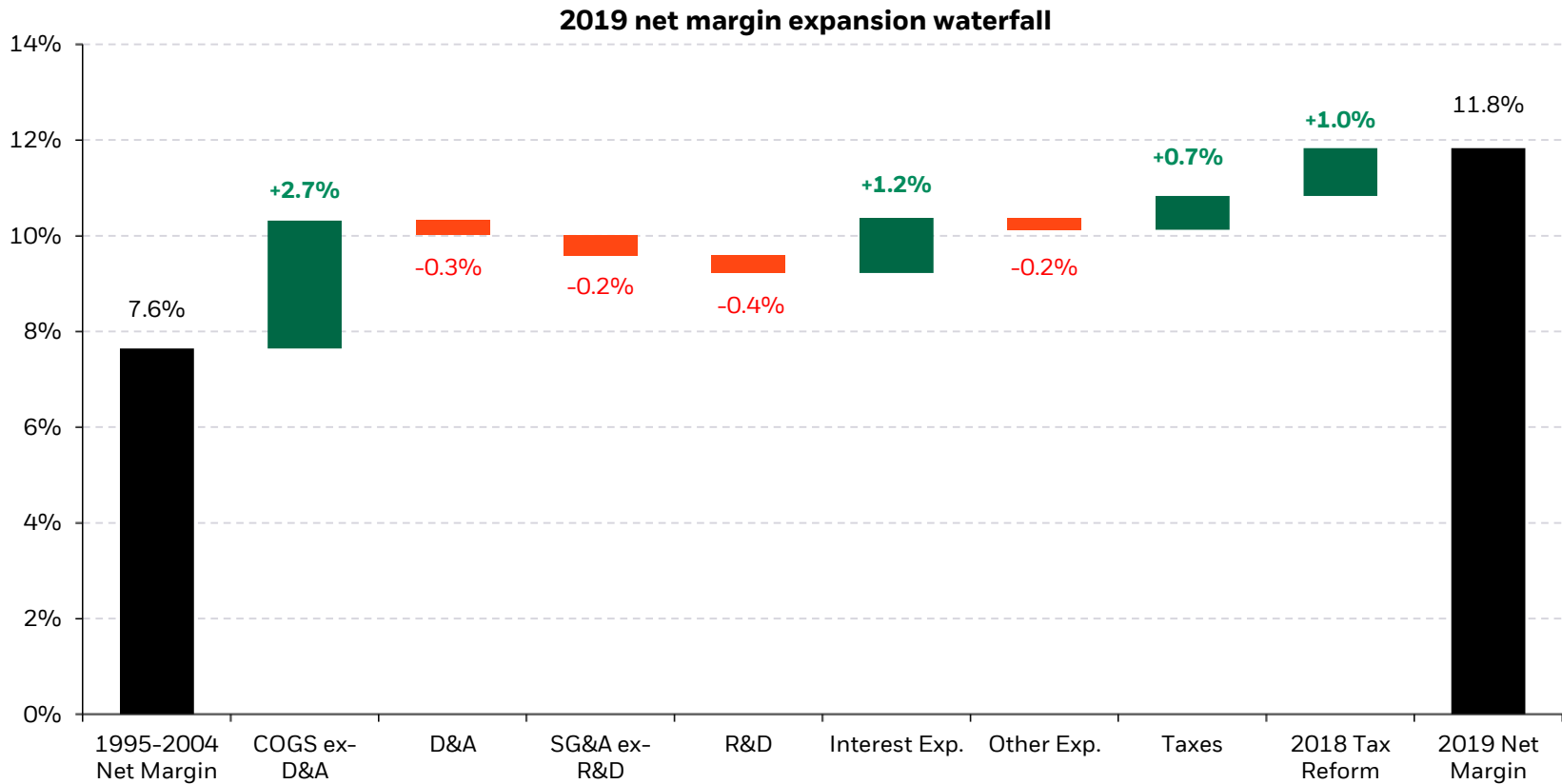
Earnings revisions showing growing optimism



Source: Source: Empirical Research Partners Analysis, Refinitiv Datastream as of 10/12/2020.

The structural case for higher margins

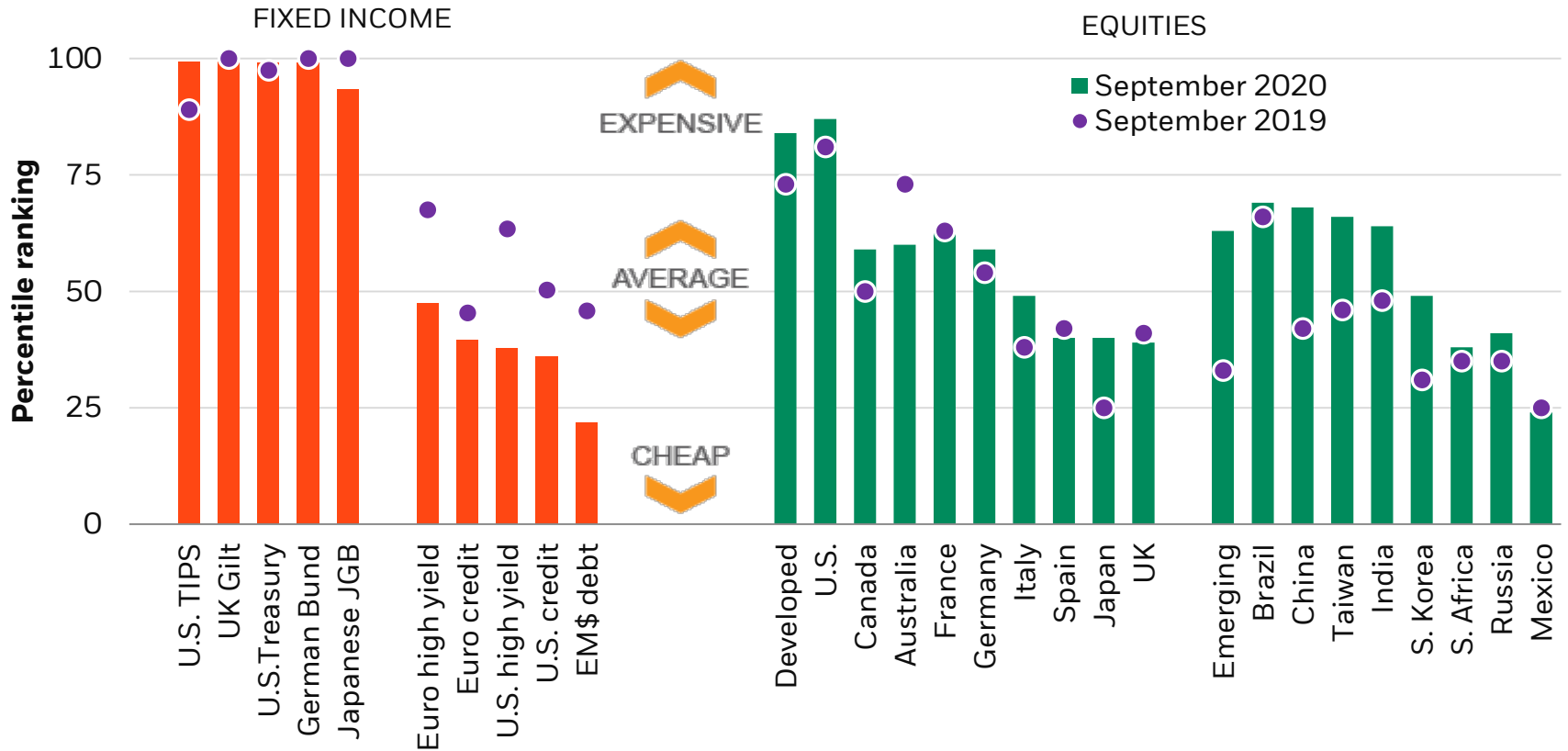
Globalization has been a big contributor to S&P 500 net margin expansion since 2004



Source: Factset, BofA US Equity & Quant Strategies as of October 2020

The investors dilemma: nothing looks “cheap”

Valuations are historically high across the board



Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, 30 September 2020

Notes: The percentile bars show valuations of assets as of 30 Sep 2020, versus their historical ranges. For example, U.S. equities are currently in the 87th percentile. This means U.S. equities trade at a valuation equal to or greater than 87% of their history. The dots show where valuations were a year ago. Government bonds are 10-year benchmark issues. Credit series are based on Barclays indexes and the spread over government bonds. Treasury Inflation Protected Securities (TIPS) are represented by nominal 10-year US treasuries minus inflation expectations. Equity valuations are based on MSCI indexes and are an average of percentile ranks versus available history of earnings yield, cyclically adjusted earnings yield, trend real earnings, dividend yield, price to book, price to cash flow and forward 12-month earnings yield. Historical ranges vary from 1969 (developed equities) to 2004 (EM\$ Debt). RO-191915

Where to invest today?

How to invest in a changing world: Thematic framework

Forces: *What are the forces driving change in the world?*



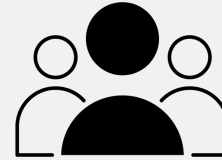
Digital Revolution

- Transformational technology is driving both large- and small-scale innovation, disrupting traditional business models and creating new industries



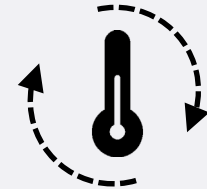
Urbanization

- A new wave of urbanization will fuel investment and productivity growth in new supercities; it will transform energy, infrastructure, transportation, and services



Demographics

- Globally aging populations will lead to higher health care spend, while younger generations will radically disrupt the consumption paradigm



Climate Change

- Climate issues pose significant risks across industries including operational disruption, rising expense, and demand reduction/ revolution

Themes: *How are these forces shaping investment themes?*

EM
Supercities

Alternative
energy

Electrification
of auto
industry

Robots +
automation

5G + Internet
of Things (IoT)

Cloud
computing

Cybersecurity

New wave
health
sciences

Industry impact:

Which industries are most impacted by these themes?



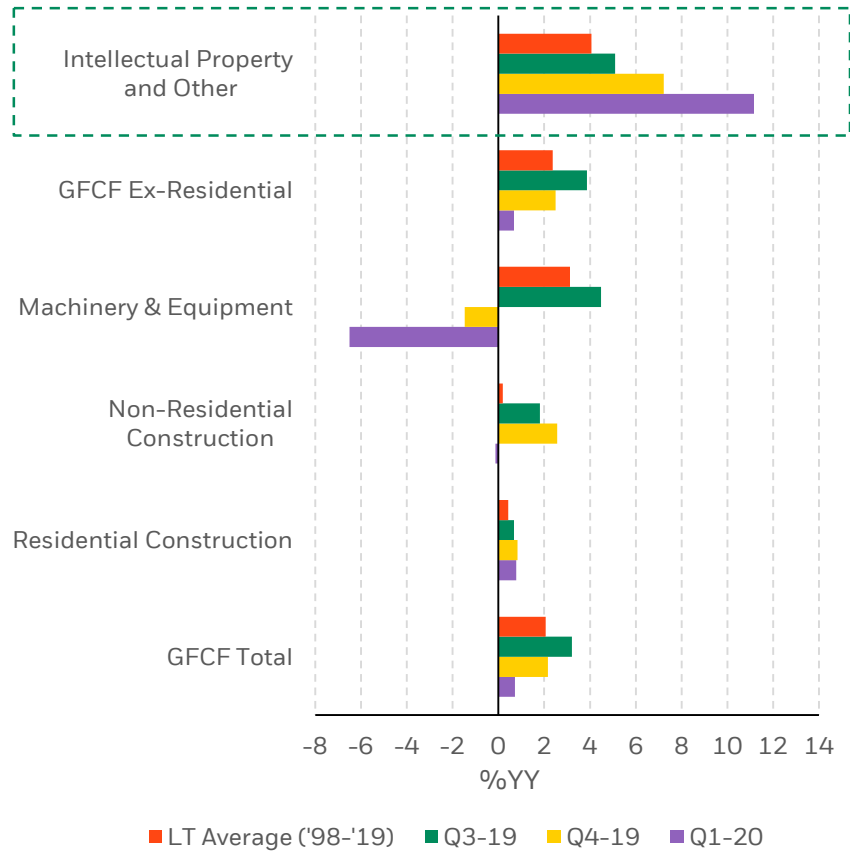
Security selection

What are the most efficient expressions of these themes?

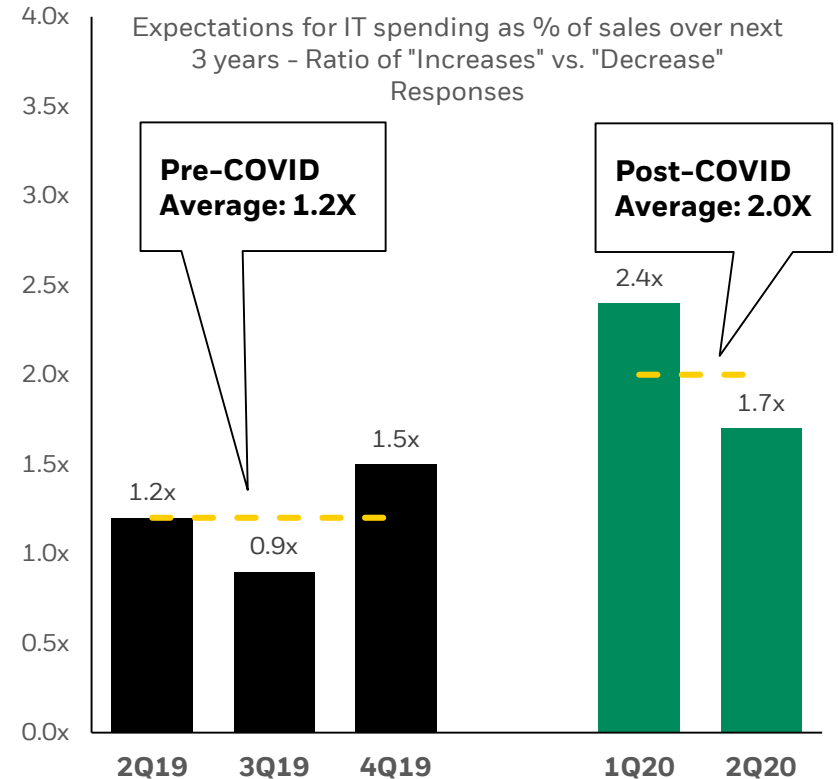
For illustrative purposes only.

Thematic trends: cybersecurity, 5G, and cloud

IT investment continues to lead other categories



IT spending intentions accelerated by COVID-19



Source for both charts: Citi as of September 2020

Thematic trends: climate change and electric vehicles

Pressure mounting to curb emissions with EV focus



California Bans Sale of New Gas Cars by 2035

Biden Announces \$2 Trillion Climate Plan

Washington Voters Support Full Transition to Electric Cars by 2030

Governor Cuomo Announces State's First Evolve NY High-Speed Electric Vehicle Charging Hub



Europe Firms Climate Plans with Goal of 55% Emissions Cut

New EU Climate Plan Brings End of the Combustion Engine Closer

EU environment ministers vow to step up climate action

Germany Welcomes China Climate Goals, Wants More EU Action



China Vows Carbon Neutrality by 2060, Tighter Climate Goal

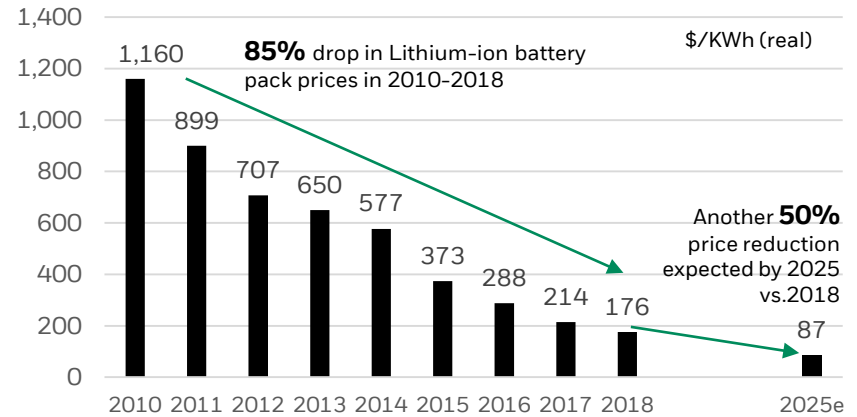
Tesla to Start Shipping China-Built Cars to Europe, Asia

China's carbon-neutral ambition can supercharge the energy transition

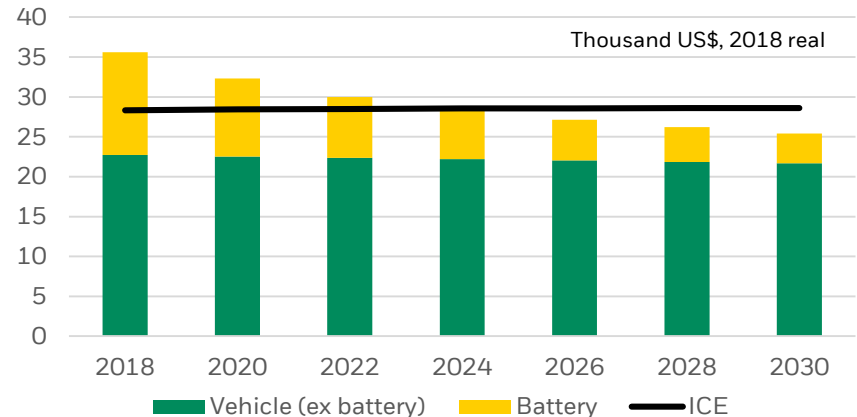
CHINA'S CARBON NEUTRALITY ROAD LEADS TO ELECTRIFICATION

Source for all headlines: Bloomberg. Source for right charts: BofAML as of October 2020

Innovation leading to cheaper energy storage



EVs will be outright cheaper as battery costs fall



Important notes

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