

**| Inside  
the market**



# Student of the Market

June 2026

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## Stocks

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**Strong April and May  
for U.S. stocks**



**Small cap stock  
comeback**



**Artificial  
intelligence  
and energy  
stocks**



**Emerging market  
stocks continue  
to lead**



**Midterm elections and  
U.S. stock drawdowns**



**Economic expansions  
and recessions**



## Bonds and alternatives

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**Money market assets  
and performance**



**Alternative funds  
have improved over  
time**



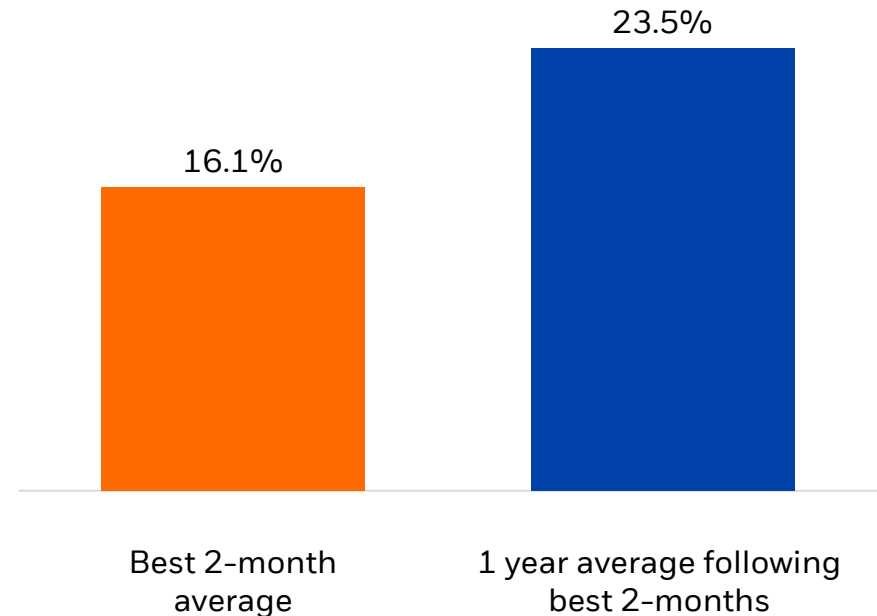
# Best 2 months for U.S. stocks since 2020

Periods of exceptional U.S. stock market performance have historically often led to continued momentum in the following 12 months.

## Best 15 two-month periods for U.S. stock return periods since 1950

Best 2-month periods	Best 2-month return (%)	1 year return following
Jan & Feb-75	19.9	27.3
Mar & Apr-09	19.2	38.8
Apr & May-20	18.2	40.3
Jan & Feb-87	17.9	-2.7
<b>Apr &amp; May-26</b>	<b>16.3</b>	<b>?</b>
Oct & Nov-82	16.0	25.6
Apr & May-09	15.7	21.0
Nov & Dec-20	15.2	28.7
Oct & Nov-02	15.2	15.1
Jun & Jul-55	15.2	18.1
Sep & Oct-98	15.1	25.7
Nov & Dec-54	14.9	31.6
Oct & Nov-98	14.7	20.9
Oct & Nov-22	14.1	13.8
Nov & Dec-23	14.1	25.0

## Average 1 year performance following the best 2-month periods for U.S. stocks since 1950

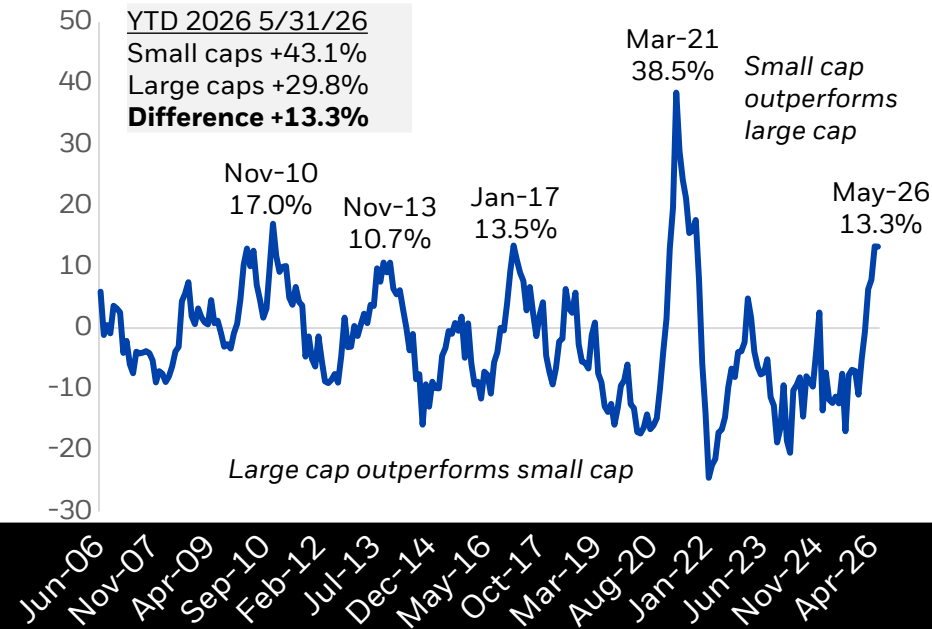


Source: BlackRock, Morningstar as of 5/31/2026. U.S. stocks are represented by the S&P 500 TR Index from 3/4/1957 to 5/31/2026 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/1950 to 3/4/1957. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

# Best small-cap performance versus large cap since 2021

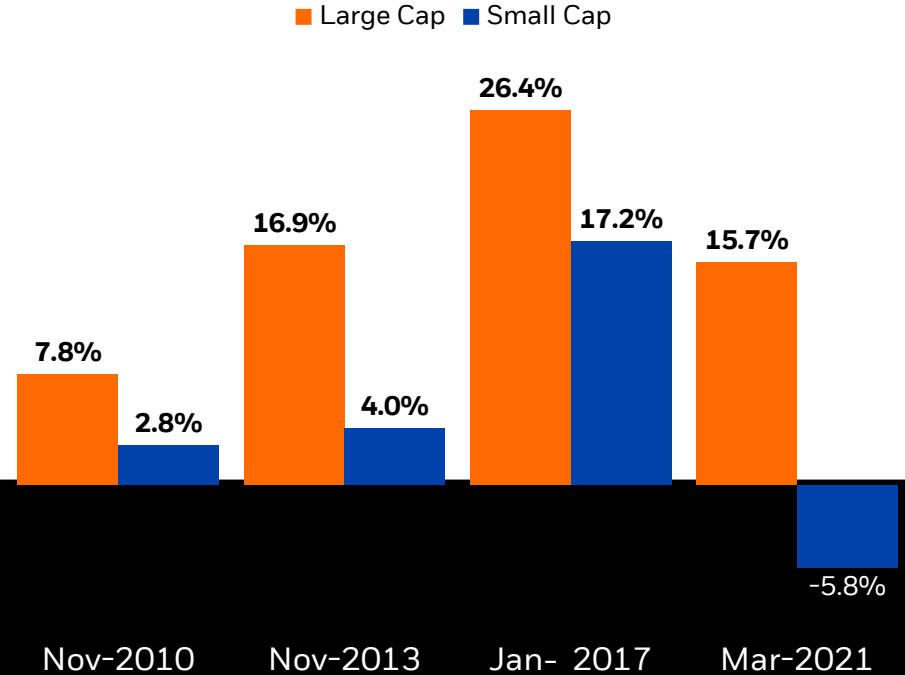
But recent small-cap outperformance has been short-lived, as large caps have frequently regained leadership.

**One year performance small cap stocks minus large cap stocks** (20 years, 6/1/2006 – 5/31/2026)



**One year performance following peaks in small cap outperformance over large caps**

6/1/2006 – 5/31/2026



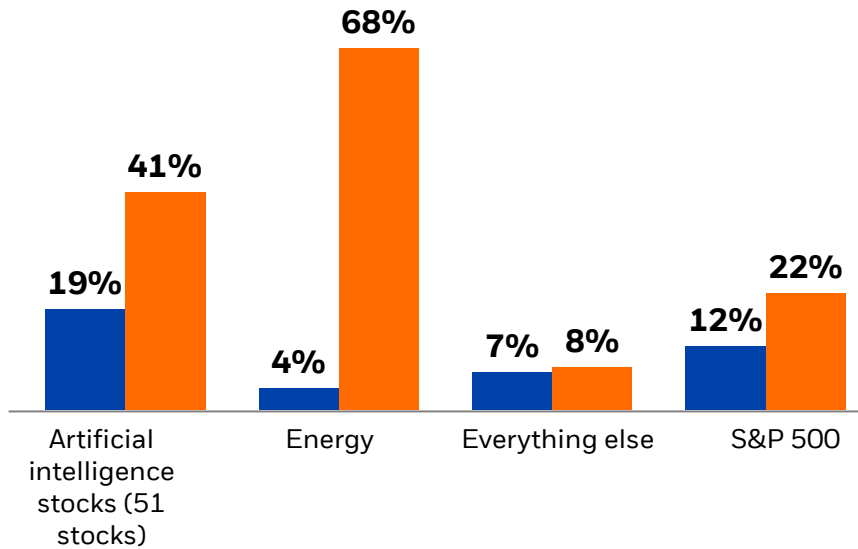
Source: Morningstar as of 5/31/26. Small cap stocks represented by the Russell 2000 TR Index, Large cap stocks are represented by the S&P 500 TR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Artificial intelligence and energy-related stocks driving earnings and performance in U.S.

## Earnings growth for 2026 versus 2025 broken out by artificial intelligence and energy stocks

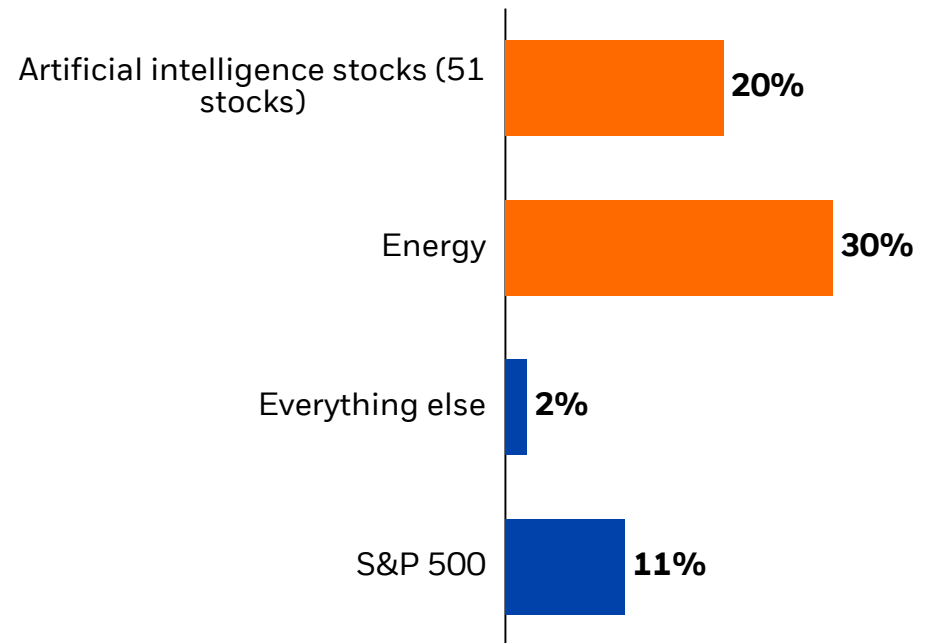
S&P 500 stocks

- 2026 YoY earnings growth start of the year
- 2026 YoY earnings growth most recent



## Performance broken out by artificial intelligence and energy stocks

Median stock YTD performance (1/1/2026 – 5/31/2026)



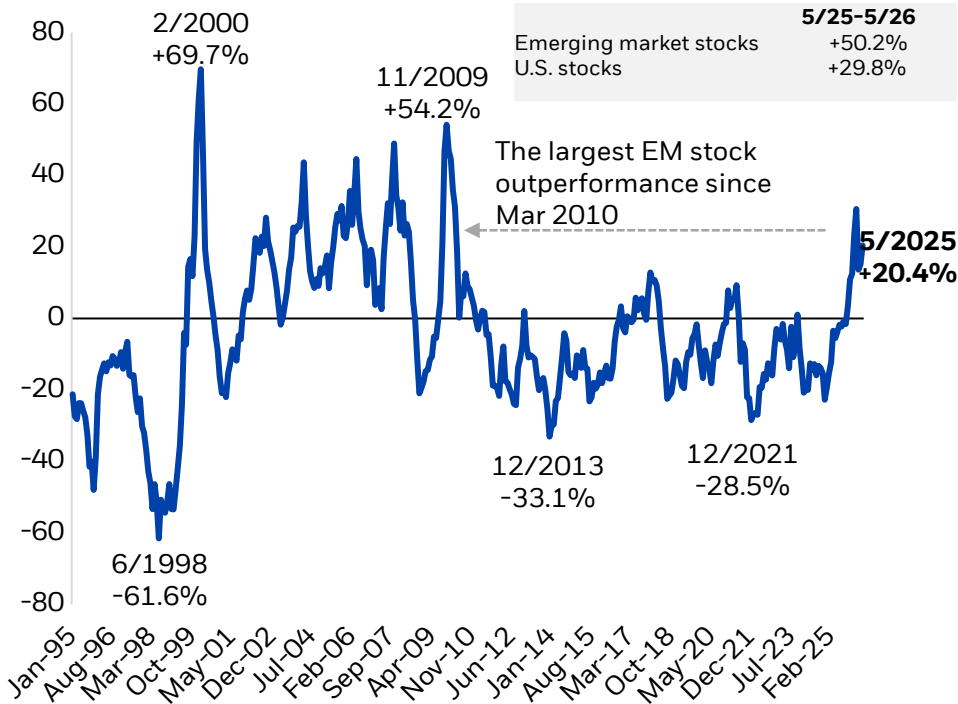
Source: Morningstar and Bloomberg as of 5/31/26. U.S. stocks represented by the S&P 500 Index. AI companies were identified using an objective holdings-based screen: S&P 500 constituents were classified as 'AI' if, as of May 30<sup>th</sup>, 2026, they were held in at least one of the five largest (by AUM) U.S.-listed AI-themed ETFs, selected based on stated AI-focused investment objectives/strategy. The resulting AI basket includes 51 S&P 500 companies. Energy represents S&P 500 companies in the GICS Energy Sector. Everything Else represents the S&P 500 excluding the AI-classified and Energy constituents. ETF selection and constituent classification are rules-based and do not reflect BlackRock's view of any company's current or future AI revenue, business exposure, or prospects. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**

# Largest emerging market stock outperformance since 2010

EM stocks are up 50% in the last 12 months. Historically periods of EM stock outperformance tends to linger.

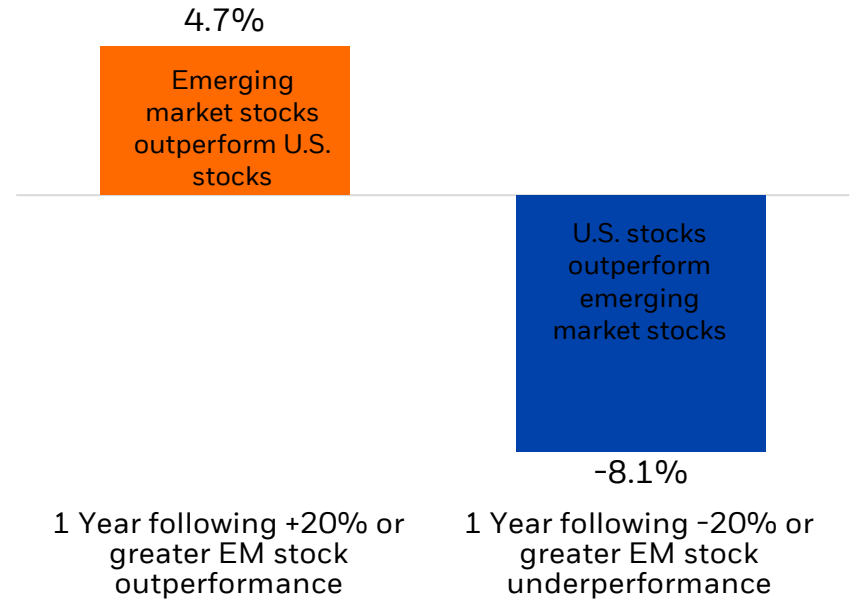
## Emerging market stock outperformance vs. U.S. stocks

12-month rolling average annual returns Emerging markets - U.S. stocks



## Emerging market stocks following periods of large outperformance/underperformance

Average annual returns, rolling 12 months since 1995

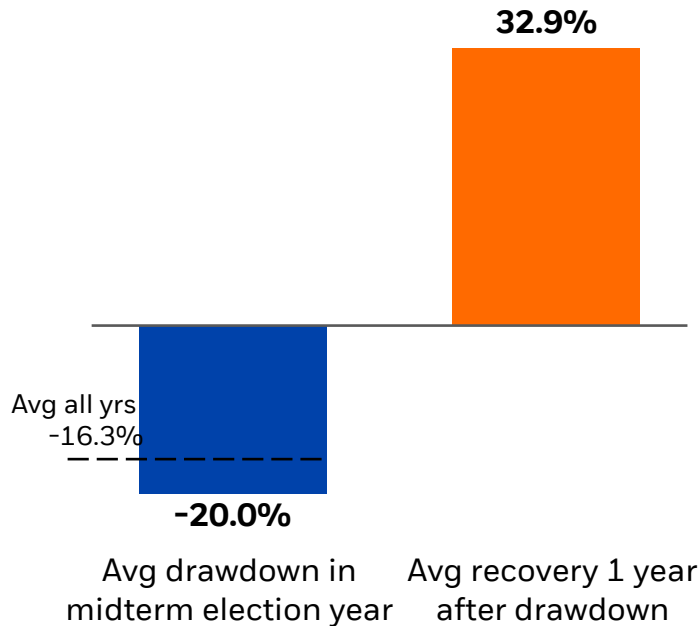


Source: Morningstar and BlackRock as of 5/31/26. U.S. stocks represented by the S&P 500 index. Emerging market stocks represented by the Morningstar diversified emerging markets category. This illustration assumes reinvestment of dividends and capital gains. Assumes investor stays fully invested over the full time period. Index performance is for illustrative purposes only. **Past performance does not guarantee or indicate future results.** It is not possible to invest in an index.

# U.S. stocks & midterm election year drawdowns

## Average drawdown and 1 year recovery midterm elections

S&P 500, by calendar year, 1/1/1928 - 5/31/2026



## U.S. stocks by midterm election drawdown, calendar year return and 1 year after drawdown

Calendar year returns, 1/1/1928 - 5/31/2026

Year	Max drawdown	Calendar year return	1 yr after drawdown
1930	-44%	-28%	-45.1%
1934	-29%	-5%	29.1%
1938	-29%	30%	34.8%
1942	-18%	20%	63.9%
1946	-27%	-8%	14.2%
1950	-14%	33%	41.7%
1954	-4%	52%	51.1%
1958	-4%	43%	41.0%
1962	-26%	-9%	37.5%
1966	-22%	-10%	37.3%
1970	-26%	4%	48.9%
1974	-38%	-26%	44.4%
1978	-14%	7%	18.1%

Year	Max drawdown	Calendar year return	1 yr after drawdown
1982	-17%	22%	66.1%
1986	-9%	19%	44.3%
1990	-20%	-3%	33.5%
1994	-9%	1%	18.5%
1998	-19%	29%	39.8%
2002	-34%	-22%	36.1%
2006	-8%	16%	26.2%
2010	-16%	15%	33.6%
2014	-7%	14%	11.4%
2018	-20%	-4%	39.9%
2022	-25%	-18%	23.6%
2026 YTD	-9%	11%	?

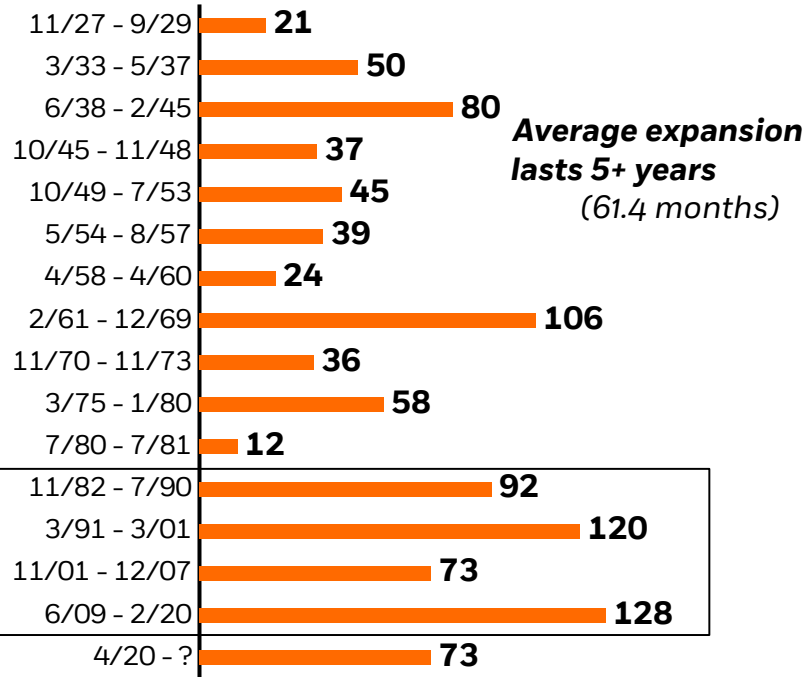
Bloomberg as of 5/31/2026. U.S. stocks are represented by the S&P 500 Index from 3/4/1957 to 5/31/2026 and the IASBBI U.S. Lrg Stock Tr USD Index from 1/1/1928 to 3/4/1957. Total return measures the calendar year return for U.S. stocks for each respective year shown. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Resilient economic expansion still young by recent historic standards

U.S. economic activity continues to surprise to the upside across housing, retail, and labor.

## Length of U.S. economic expansion (months)

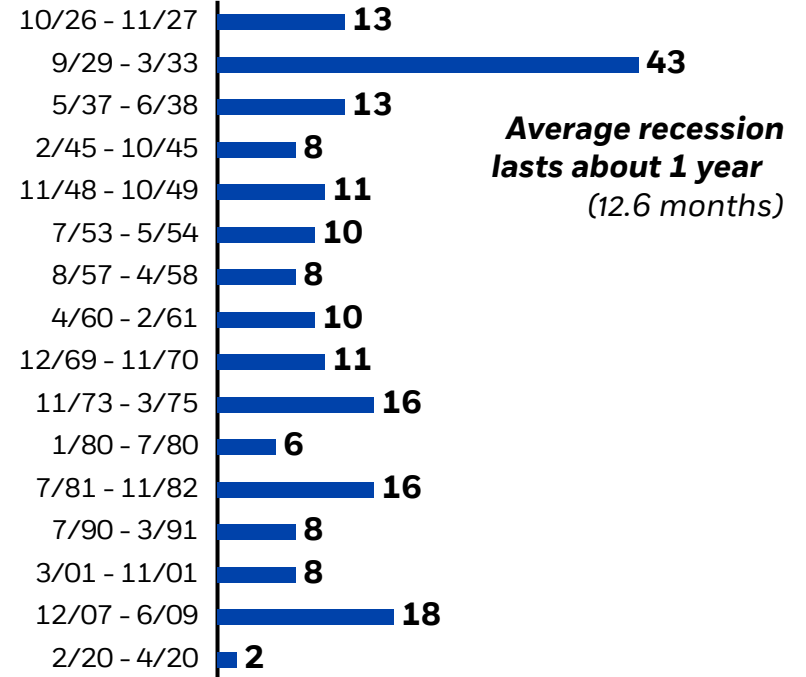
Since 1926



Avg since 1982 104.3 months

## Length of U.S. economic recessions (months)

Since 1926



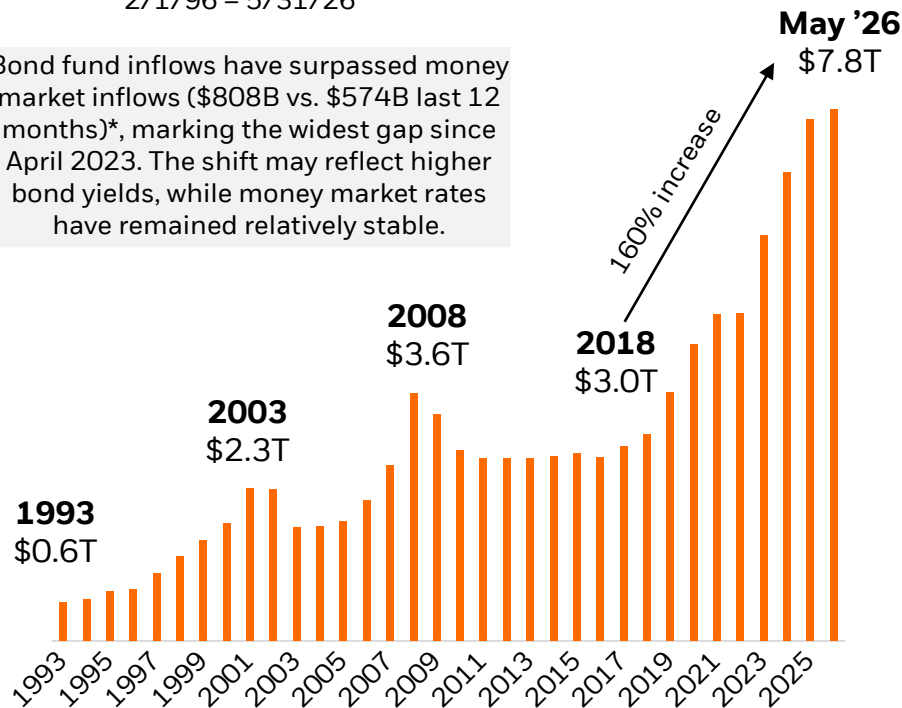
Source: National Bureau of Economic Research and Morningstar as of 5/31/26. For illustrative purposes only.

# Cash on the sidelines continues to reach historic highs

## Money market fund assets

2/1/96 – 5/31/26

Bond fund inflows have surpassed money market inflows (\$808B vs. \$574B last 12 months)\*, marking the widest gap since April 2023. The shift may reflect higher bond yields, while money market rates have remained relatively stable.

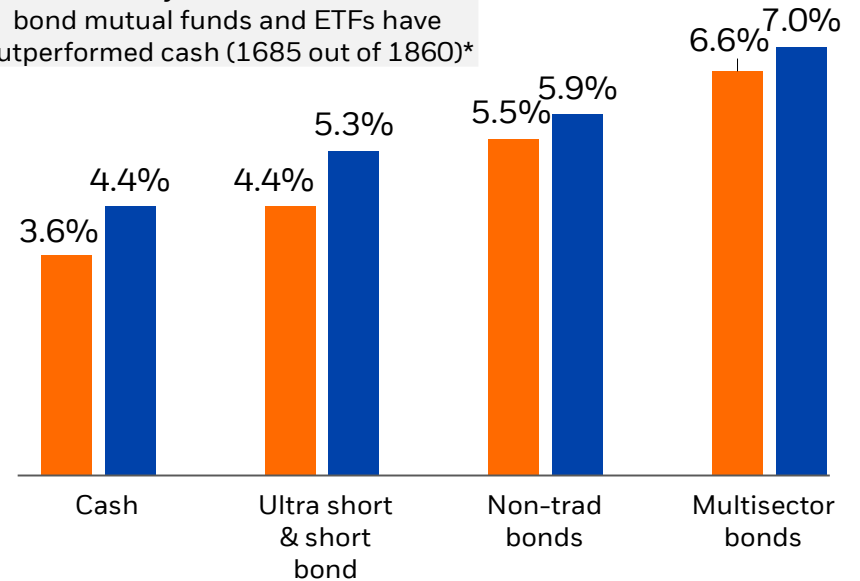


## Cash (money funds) has been good but has trailed many diversified bond categories

Average annual performance

1 year 3 year

Over the last year, 91% of all taxable bond mutual funds and ETFs have outperformed cash (1685 out of 1860)\*

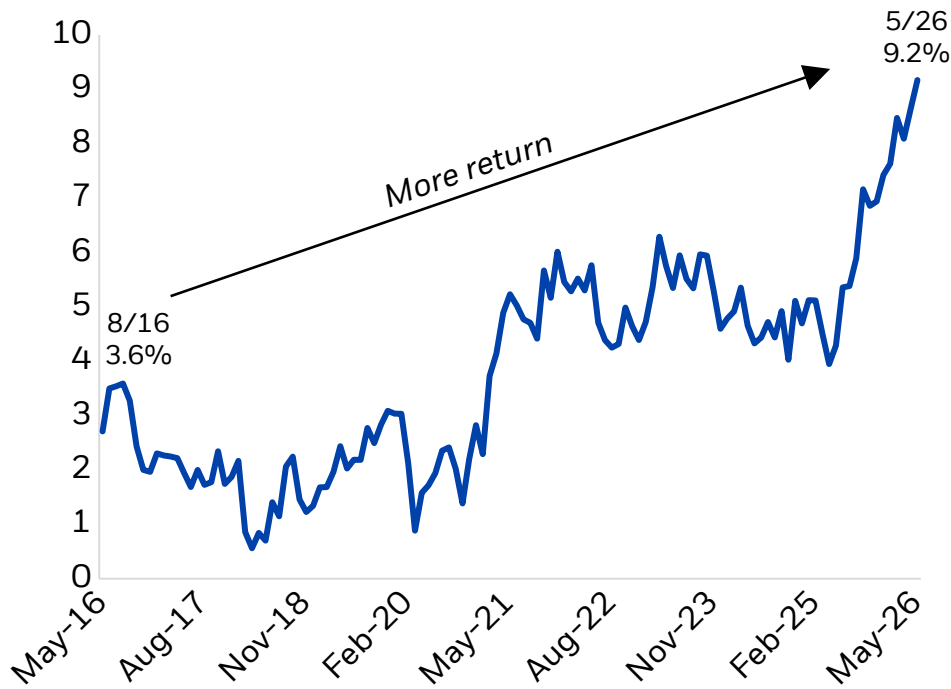


Source: BlackRock, Morningstar and the ICI as of 5/31/26. Cash represented by the Morningstar money market fund category average, All bond categories represented by their respective Morningstar category average. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index. \*As of 5/31/2026.

# Alternatives are delivering higher returns and stronger diversification today

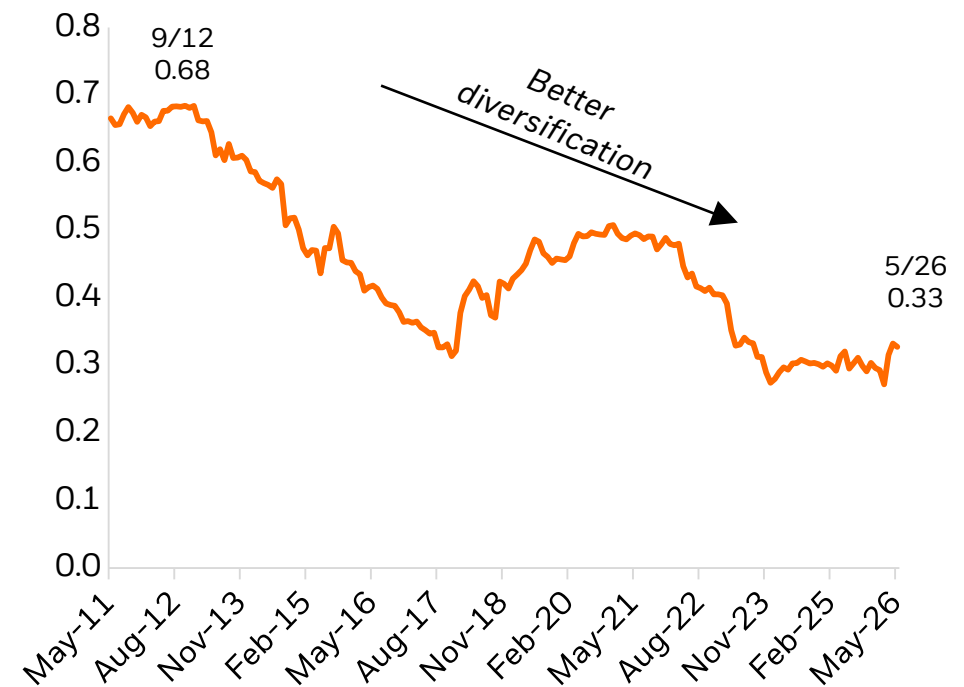
## Alternative mutual funds and ETFs have seen better performance vs 10 years ago...

3 year rolling average annual return for the Morningstar broad alternative category as of 5/31/26



## ...While diversification with stocks (correlations) have declined in recent years

3 year rolling correlation with U.S. stocks as of 5/31/26



Source: Morningstar as of 5/31/26. Alternative mutual funds are represented by the Morningstar Broad Alternatives Category, oldest share class excluding the Bear Market category. 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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Returns as of 5/31/2026	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 (TR) (1970)	29.78	14.15	15.65
Bloomberg US Agg Bond TR USD	5.13	0.17	1.70
IA SBBI US Large Stock TR USD Ext	29.78	14.15	15.65
MSCI EM NR USD	54.31	7.54	10.66
Russell 2000 TR USD	43.08	6.61	11.21
S&P 500 Sec/Energy TR USD	42.50	21.34	9.57
US Fund Diversified Emerging Mkts	51.23	6.99	9.78
US Fund Money Market-Taxable	3.64	3.24	2.03
US Fund Multisector Bond	6.56	2.82	3.86
US Fund Nontraditional Bond	5.48	2.49	3.44
US Fund Short-Term Bond	4.43	2.40	2.47
US Fund Ultrashort Bond	4.43	3.55	2.69

Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

## **Index Definitions:**

- The S&P 500 Index is an unmanaged index that is generally considered representative of the U.S. stock market and includes 500 large-capitalization U.S. companies. Performance may be shown on a price return or total return basis, with total return including reinvested dividends.
- The S&P 500 Energy Index is an unmanaged index that measures the performance of those companies included in the S&P 500 Index that are classified in the energy sector under the Global Industry Classification Standard (GICS). Performance may be shown on a price or total return basis.
- The MSCI EM NR USD measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.
- The Bloomberg U.S. Aggregate Bond Index is an unmanaged index that measures the performance of the U.S. investment-grade, fixed-rate, taxable bond market, including U.S. Treasuries, government-related securities, corporate bonds, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. Performance is shown on a total return basis.
- The IA SBBI U.S. Large Stock Index is an unmanaged index from the Ibbotson® Stocks, Bonds, Bills, and Inflation® (SBBI®) series that represents the historical performance of U.S. large-capitalization stocks and is commonly used for long-term historical market analysis.
- The Morningstar US Diversified Emerging Markets represents the average performance of emerging market mutual funds as defined by Morningstar and is not an investable index.
- The Morningstar US Fund Multisector Bond Funds represents the average performance of funds classified by Morningstar as multisector bond and is not an investable index.
- The Morningstar US Fund Nontraditional Bond is an average of funds within the US Fund nontraditional bond category as defined by Morningstar.
- The Morningstar US Fund Short-term Bond is an average of funds within the US Fund Ultrashort Bond category as defined by Morningstar.

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