In The Know

An investor's guide to what's happening in markets and what to do about it.

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November 2022: Highlights from BlackRock's *In The Know* Podcast

What you've seen in the news.

- In terms of financial markets, midterm elections were overshadowed by the story of the year: rising rates and the Federal Reserve. The Fed's meeting on November 2nd saw another rate increase of 0.75% to combat inflation. Stocks suffered while bond yields rose.

What it means.

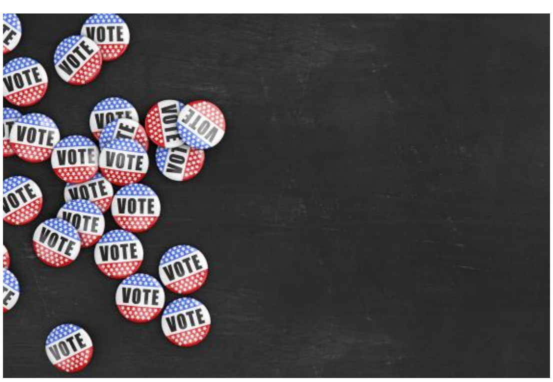
- Rate increases make it more expensive to borrow money, whether it's for a home, car or a business loan. The Fed hopes that this will make people more selective in their spending and their investments, bringing prices down.
- However, raising rates could slow down spending and business growth too much – potentially tipping us into a recession.

Question of the month: What if we see a recession?

The potential for a recession can be scary. But history has shown that keeping your eyes on the long-term is often the best way forward.

The average performance of the U.S. stock market during recessions is actually +1.0%.* While stocks often do lose money during recessions, the average return over every recession since 1929 has been positive — mainly due to the fact that markets tend to bounce back before the broad economy.

While most analysts would agree that now is not the time to add risk, this isn't the time to let fear drive you either. Time in the market is likely to be better than timing the market.



What should I do about it?

- With markets experiencing a nearly 20% loss in both stocks and bonds in 2022, it can feel hopeless. But now is the time to make lemonade from lemons.
- Consider harvesting losses, particularly from bonds. Selling at a loss could reduce your tax obligations on gains you've made elsewhere in your portfolio, and up to $3,000 of your income.
- The key is to reinvest into similar bonds which now offer higher yields.

Speak to your advisor on whether this is right for you.

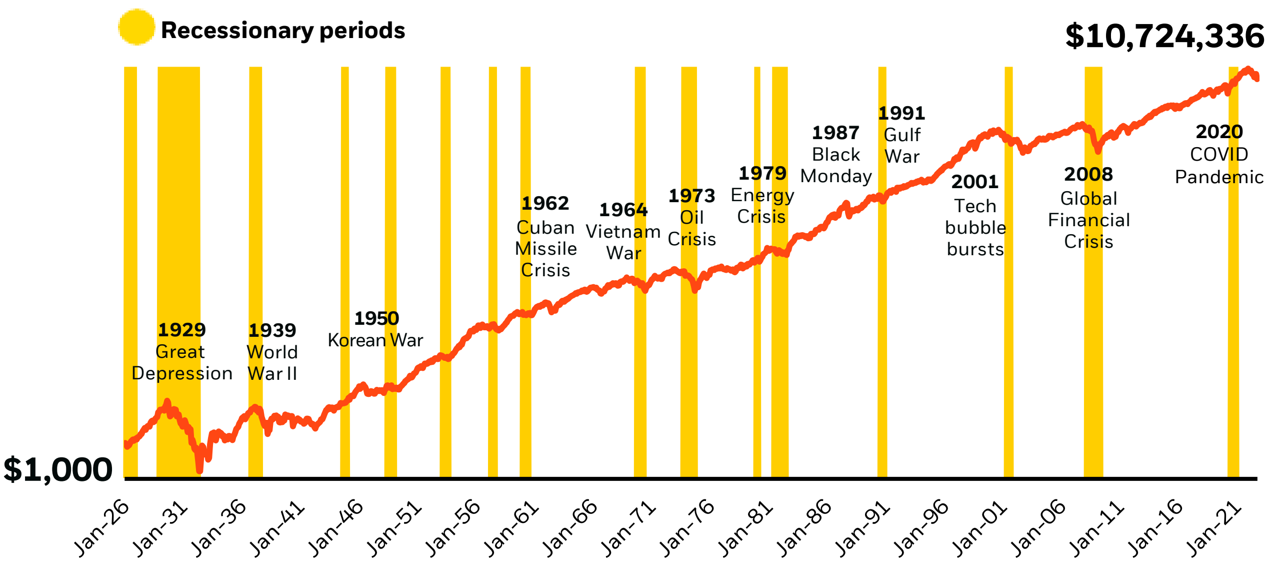
See the back for some interesting numbers…

*Morningstar as of 11/1/22. Stock market represented by S&P 500. Stocks represented by the IA U.S. Large Cap 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.

Interesting numbers...

- Recessions can be devastating as people and businesses struggle. However, from an investor's point of view, you might be surprised to know that the average recession lasts just over a year, versus more than 5 years on average for expansions.
- It helps to zoom out and see how markets performed over the long-term through multiple crises and recessions.

Growth of $1k in the S&P 500
January 1, 1926 – Sept 30, 2022



Source: Morningstar, National Bureau of Economic Research, and BlackRock, as of 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 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. Assumes reinvestment of dividends and capital gains and that an investor stayed fully invested over the full period. **Past performance does not guarantee or indicate future results. It is not possible to invest in an index.**

Investing involves risk, including possible loss of principal.

Stock and bond values fluctuate in price so the value of your investment can go down depending upon market conditions. The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments.

The information provided in this material does not constitute any specific legal, tax or accounting advice. Please consult with qualified professionals for this type of advice.

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