The background of the entire page is a dense pattern of colorful, concentric circles. Each circle is composed of many thin, overlapping lines that create a 3D, textured effect. The colors transition through a spectrum including red, orange, yellow, green, blue, and purple, with some circles appearing more vibrant than others. The circles are of varying sizes and are scattered across the frame, creating a dynamic and abstract visual field.

Model portfolios

Market Views

January 2026

BlackRock

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The year ahead

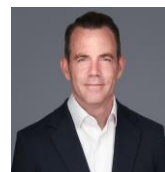
A summary of hot topics & consensus market views for 2026 using the latest forecasts from Wall Street analysts, economists, strategists, & the Fed.

- **Recession**
- **Jobs**
- **Inflation**
- **Rate cuts**
- **10-year yield**
- **S&P500 target**
- **Investor positioning**
- **Cash on the sidelines**
- **Midterm elections**

The models team



Lisa O'Connor, CFA
Managing Director
Global Head of Investments



Michael Gates, CFA
Managing Director
Americas Lead Portfolio Manager



Gold medal Morningstar ratings for 4 model portfolio suites¹

\$256B

Global MPS AUM

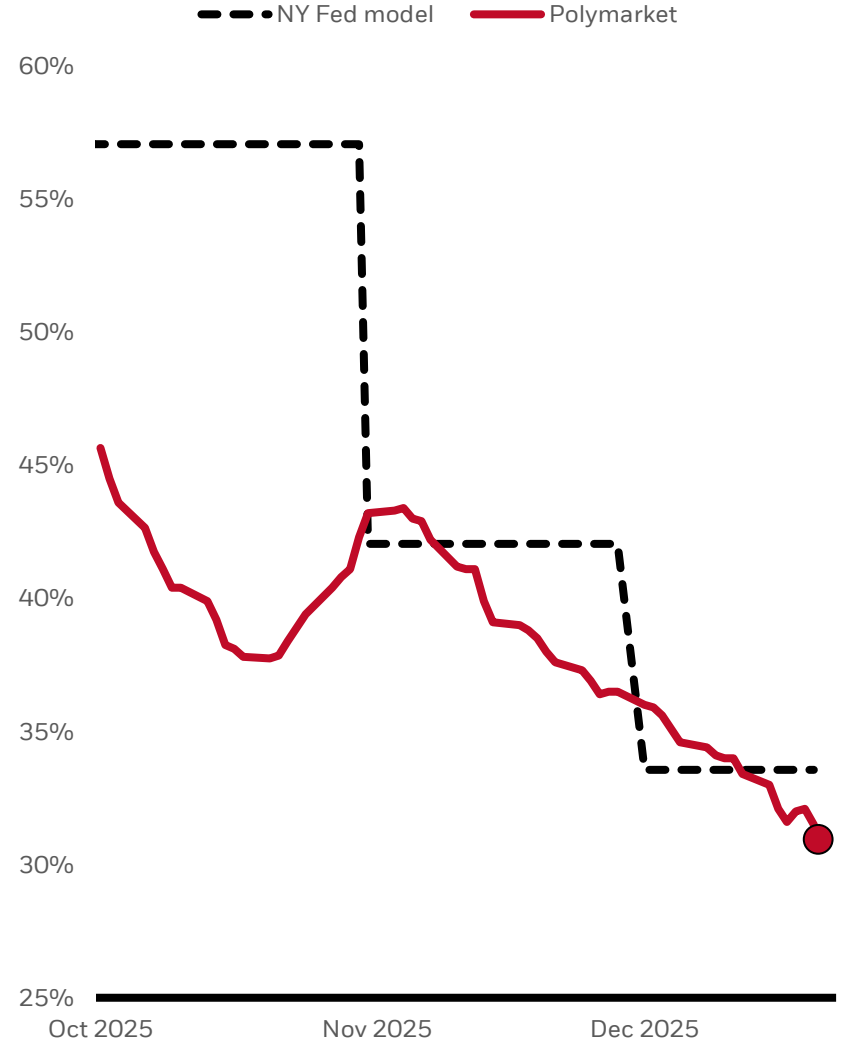
Source: BlackRock. AUM for models managed by Model Portfolio Solutions as of 9/30/2025.¹ Morningstar, as of 12/31/2024. See additional Morningstar disclosure language on page 17.

Recession

30%

Current market-based recession probabilities sit well above the long-run historical average of 15% but are also materially below the peak levels seen of around 50% following the tariff-related market stress in mid-2025.

Odds of recession in 2026



Source: Bloomberg, New York Federal Reserve, Polymarket, BlackRock as of 12/20/2025. Polymarket shows 2-week rolling average odds.

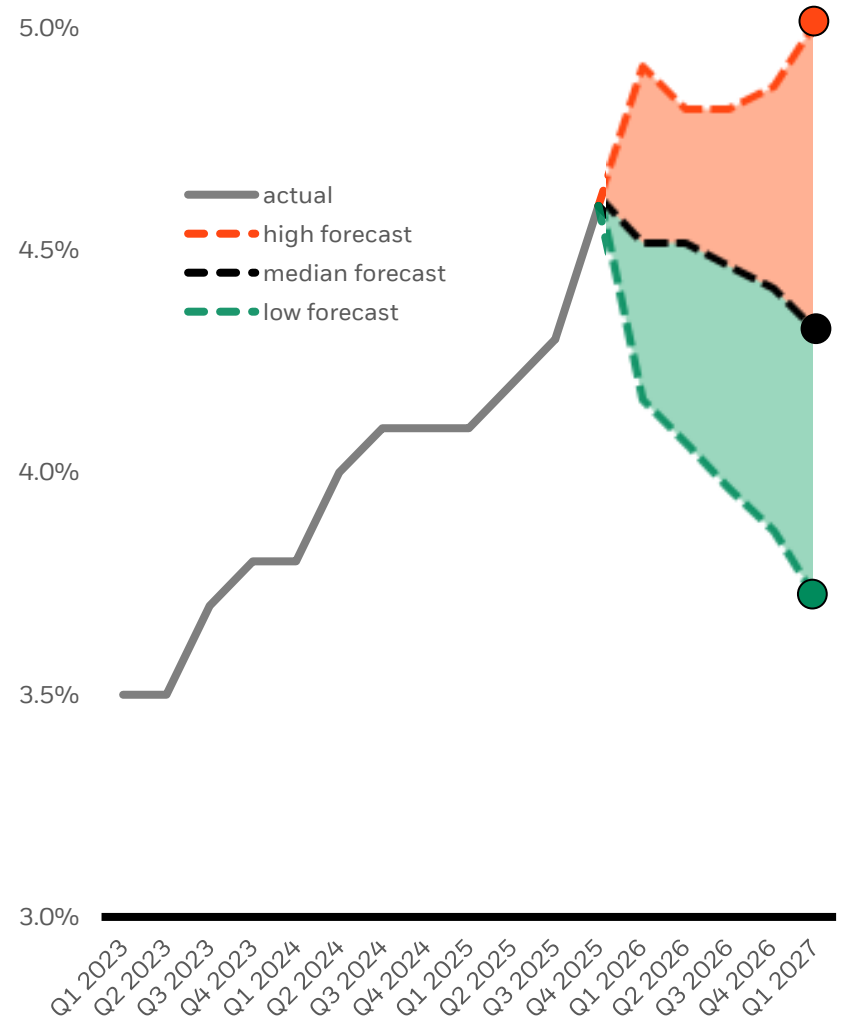
Jobs

4.3%

The Fed sees unemployment stabilizing around 4.5% in 2026, a nudge below the current 4.6% to close 2025. The median forecast from 60 economists is more optimistic, expecting a decline to 4.3%, with the most bearish calls expecting a rise to 5%.

Unemployment rate forecasts

(range of forecasts from 60 economists)



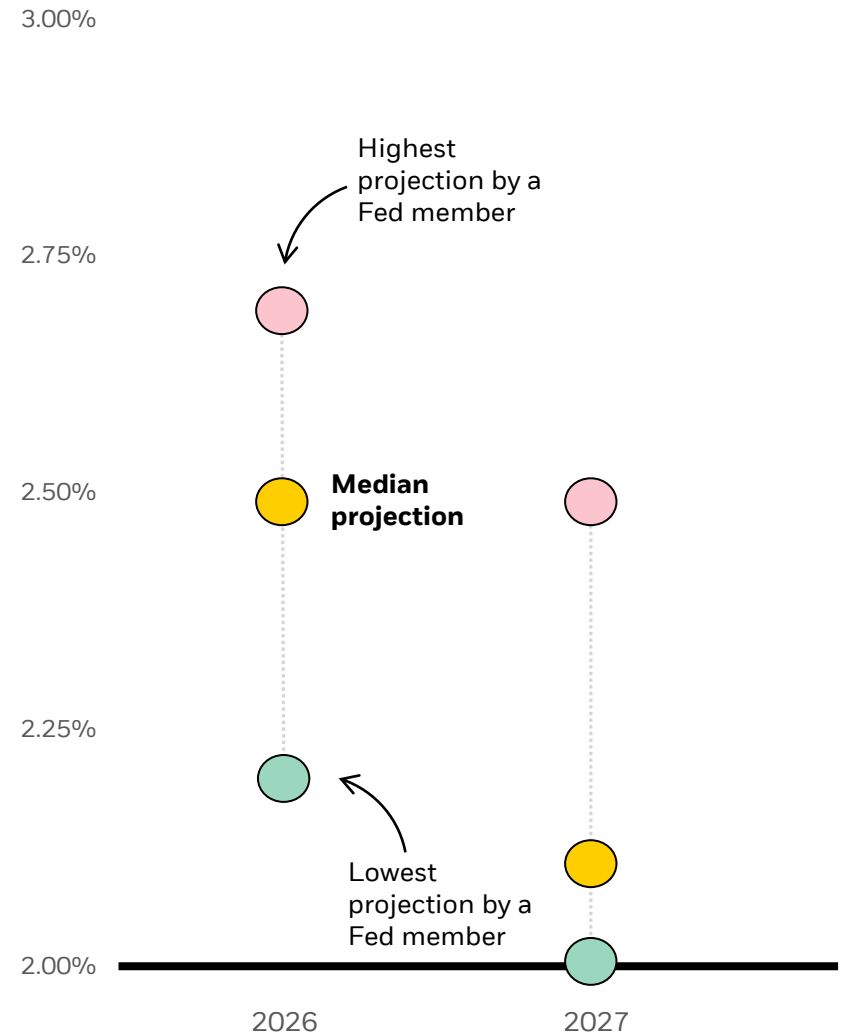
Source: Bloomberg, as of 12/19/2025.

Inflation

2.5%

According to the Federal Reserve's most recent Summary of Economic Projections, Fed members project core PCE inflation will fall to approximately 2.5% by YE 2026 and 2.1% by YE 2027.

Fed members' core PCE inflation projections



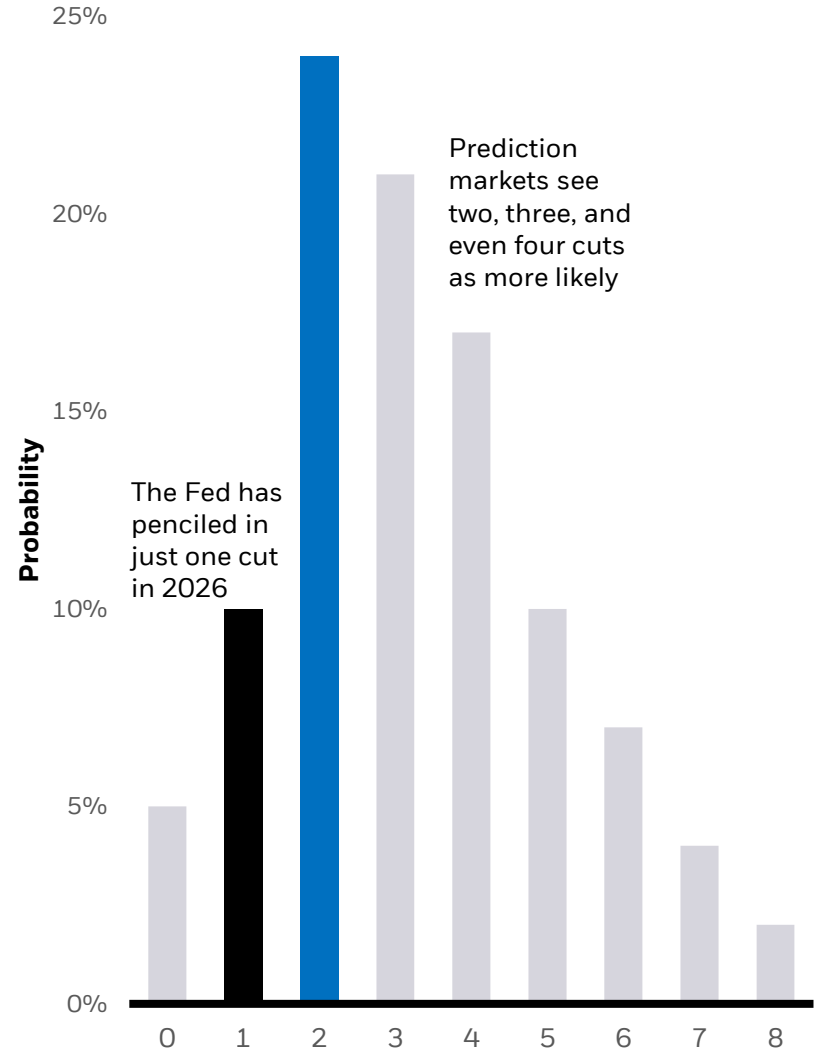
Source: Federal Reserve Summary of Economic Projections, as of 12/10/2025. PCE as represented by the personal consumption expenditures price index (Core PCE excludes food and energy).

Rate Cuts

1.5

The market anticipates a more aggressive easing cycle in 2026 than the FOMC has indicated. Policymakers project only one cut, while prediction markets and Fed funds futures see two cuts as the most probable outcome, but the conviction is low.

How many rate cuts in 2026?



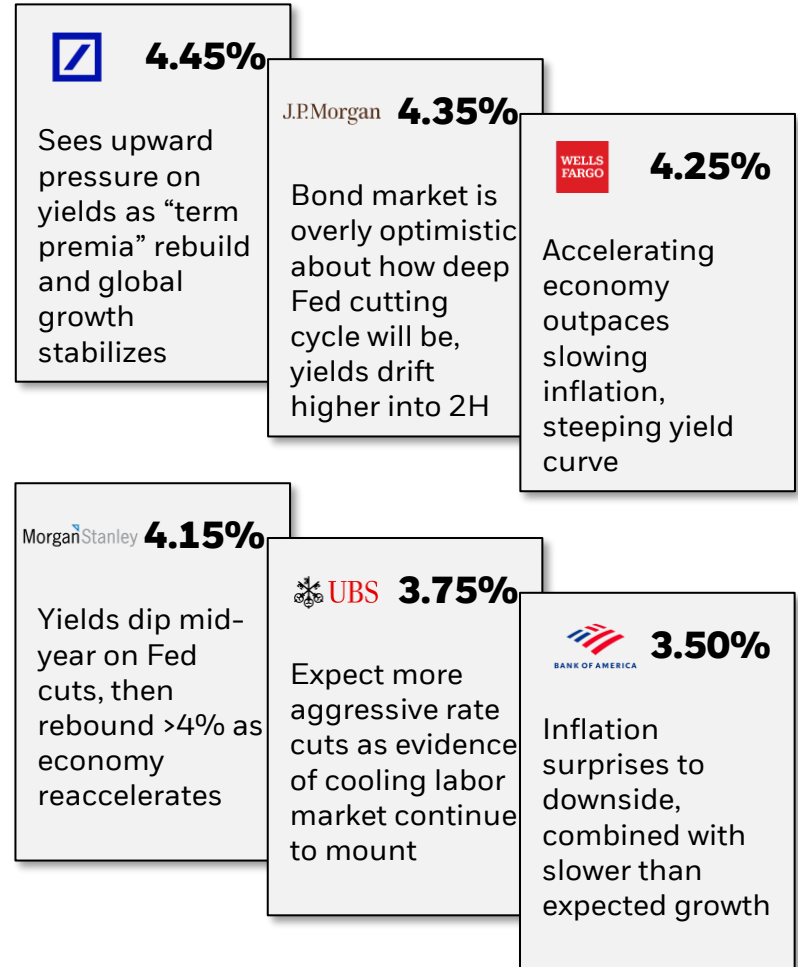
Sources: Bloomberg, Polymarket, CME, Federal Reserve Summary of Economic Projections, as of 12/29/2025. Forward looking estimates may not come to pass.

10-year Yield

4.2%

A survey of fixed income strategists suggest the 10-year yield will remain elevated in 2026 despite consensus expectations of slower inflation & Fed cuts. A common theme is views of softer rate environment into midyear but with yields grinding higher into year-end.

Wall St. analyst 2026 fixed income outlooks (summary comments & US treasury 10-year yield targets)



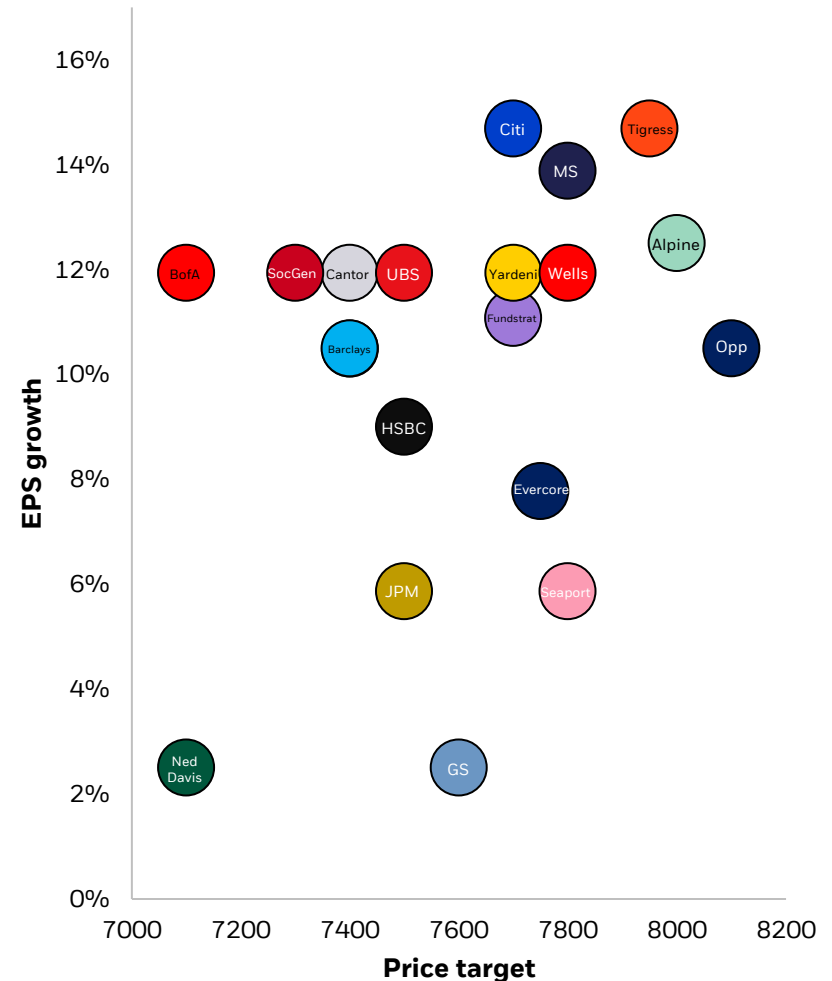
Sources: Deutsche Bank, JP Morgan, Wells Fargo, Morgan Stanley, UBS, Bank of America, as of 12/20/2025. Summary excerpts regarding fixed income and US 10-year yield forecasts taken from respective 2026 market outlook publications. Average yield target for 2026 reflects forecasts from 10+ fixed income strategists.

S&P 500 Price Target

7500

S&P 500 price predictions from Wall St. analysts vary across the board, but all expect a continuation of the bull market run in 2026, with the median analyst price target expecting a 9.5% price return and 12% earnings growth.

2026 Wall St. analyst S&P500 targets



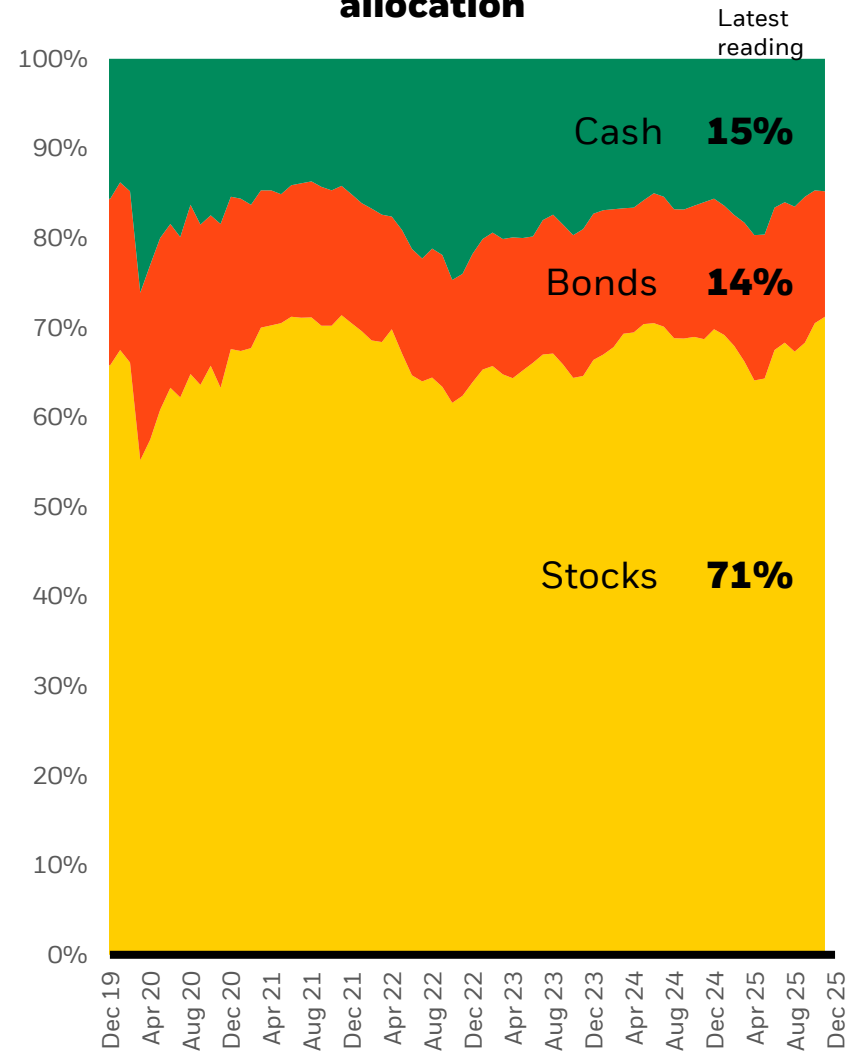
Source: Bloomberg and/or individual respective investment bank/economist annual outlook reports, as of 12/15/2025. Forward looking estimates may not come to pass. S&P 500 price target as represented by the Bloomberg analyst median price target. Select abbreviations: Opp is Oppenheimer, GS is Goldman Sachs, MS is Morgan Stanley, BofA is Bank of America, SocGen is Societe Generale, JPM is JP Morgan, Wells is Wells Fargo..

Investor Positioning



According to AAIL in Dec 2025, individual investors' average allocation to stocks was 71%, roughly 4% overweight the 3-yr average. Consistent with the bullish sentiment, the average allocation to cash also shrank to 15% (down 1% from Dec 2024).

Average individual investor asset allocation



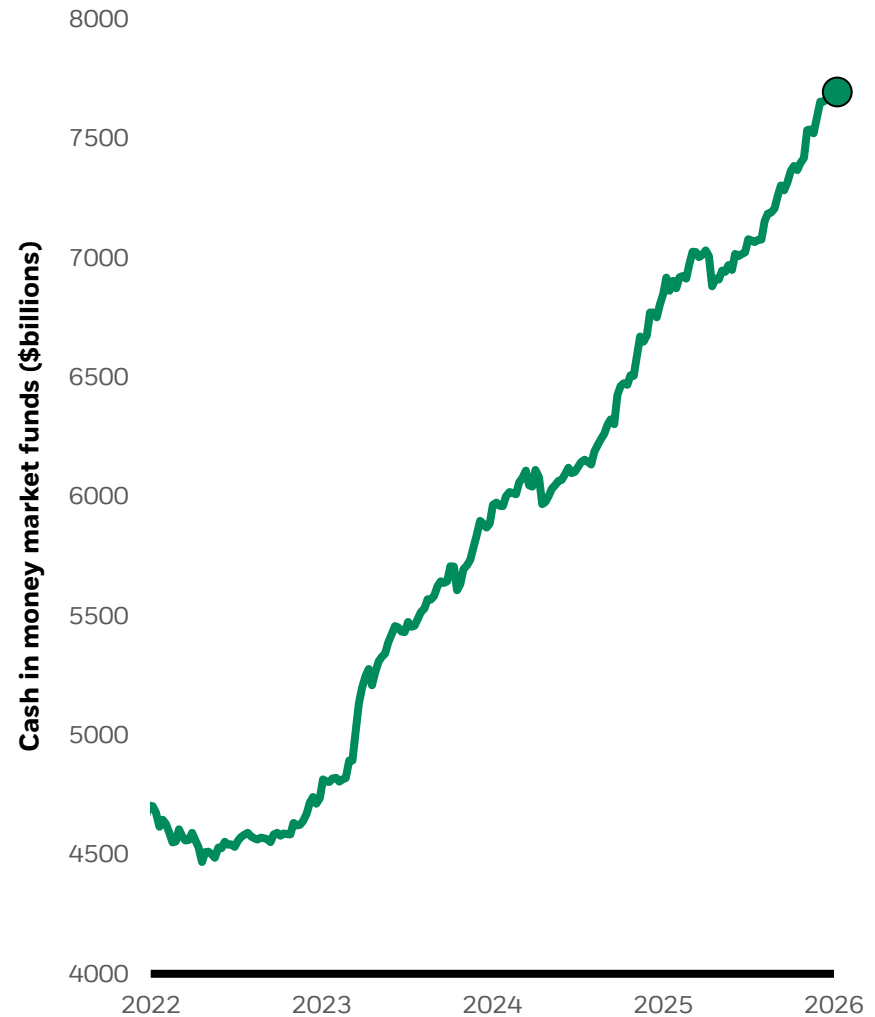
Source: Bloomberg, American Association of Individual Investors, as of 12/1/2025. Stock/bond/cash allocation uses the combined percentage of individual securities held by the average investor's portfolio (within the analyzed sample of survey respondents). Custom bull image created with Midjourney gen AI.

Cash on the Sidelines

\$7.7T

The rise of stablecoins, still relatively high cash yields, and volatile bond markets have helped keep flows into money market funds reaching new all-time highs. Dry powder now sits close to \$8 trillion dollars.

Money market fund assets



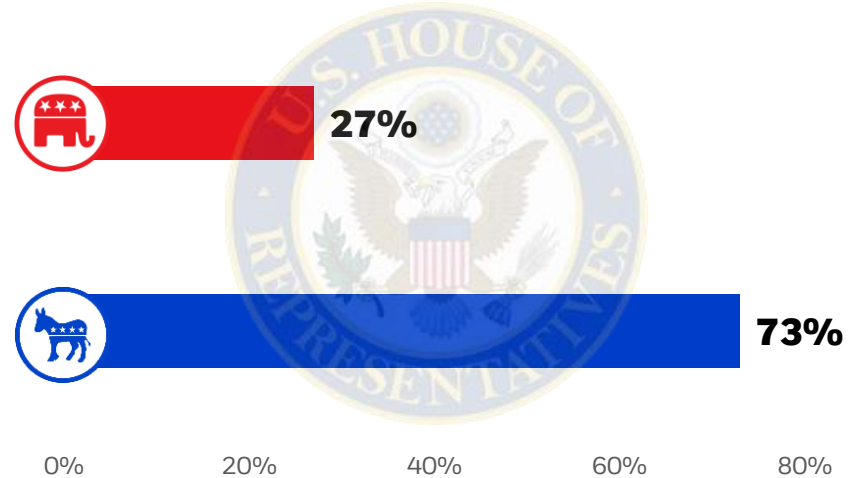
Source: Bloomberg, Investment Company Institute, as of 12/19/2025. Total money market fund assets as represented by assets under management of funds that invest in short-term debt, not including ETFs or fund of funds.

Midterm Elections

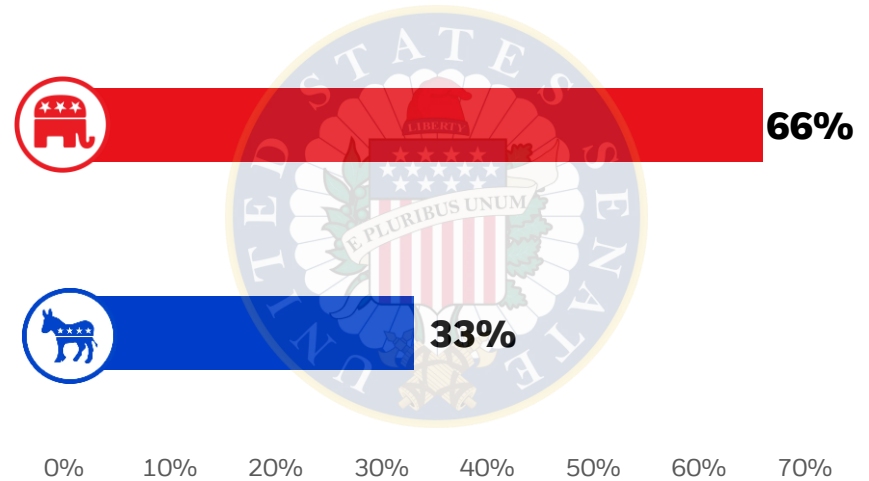


Prediction markets expect the current Republican majority to be vulnerable in the 2026 midterms, currently pricing Democrats as heavy favorites to take control of the House and Republicans with a two-thirds chance of keeping the Senate.

Odds to win House



Odds to win Senate



Source: Polymarket, as of 12/20/2025.

Market views

Recession odds 30%

Rate cuts 1.5

10-year yield 4.2%

S&P500 7500

Positioning



Inflation 2.5%

Our views

Recession odds



Rate cuts



10-year yield



S&P500



Positioning



Inflation



Summary of year-end 2026 forecast consensus market estimates. "Our views" represented by the BlackRock Model Portfolio Solutions team as of 12/29/2025 and subject to change. These directional views are approximate and relative to consensus market views.

2025 predictions rewind

Grading 2025 market forecasts vs. our forecasts vs. actual results







Market views

2025 forecasts as of Dec 30, 2024

Rate cuts	2
10-year yield	4.25%
Mag 7 earnings growth	21%
S&P500	6600
Positioning	
Inflation	2.5%

Our views







2025 forecasts as of Dec 30, 2024

Rate cuts	
10-year yield	
Mag 7 earnings growth	
S&P500	
Positioning	
Inflation	

Summary of 2025 forecast consensus market estimates. "Our views" represented by the BlackRock Model Portfolio Solutions team as of 12/30/2024 and subject to change. These directional views are approximate and relative to consensus market views.

Actual results

2025 results as of Dec 29, 2025

Rate cuts 	3
10-year yield 	4.10%
Mag 7 earnings growth 	35%
S&P500 	6900
Positioning 	2.5%*
Inflation 	2.6%

*Average overweight to stocks in 2025

Summary of year-end 2025 actual results as of 12/29/2025. Mag 7 stocks represented by Apple, Amazon, Microsoft, Meta, Nvidia, Tesla, and Alphabet. Earnings growth is year-over-year earnings per share (EPS). Positioning reflects approximate time-weighted average overweight to stocks for Target Allocation ETF 60/40 model targets. Inflation is represented by Core CPI (Consumer Price Index).

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Important Notes (cont.)

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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.

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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.

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Important Notes (cont.)

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