

Equity Market Outlook

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A time for selectivity in equities

Persistent earnings strength

Healthy earnings position equities for continued strength yet selectivity is key

Mega-forces provide tailwinds to equities

Mega-forces* may provide structural tailwinds against a backdrop of elevated volatility and uncertainty

Broadening market leadership

A return to historical normal with greater market breadth and dispersion may create opportunities for stock pickers

Risks

Geopolitics

Valuations

Low end consumer

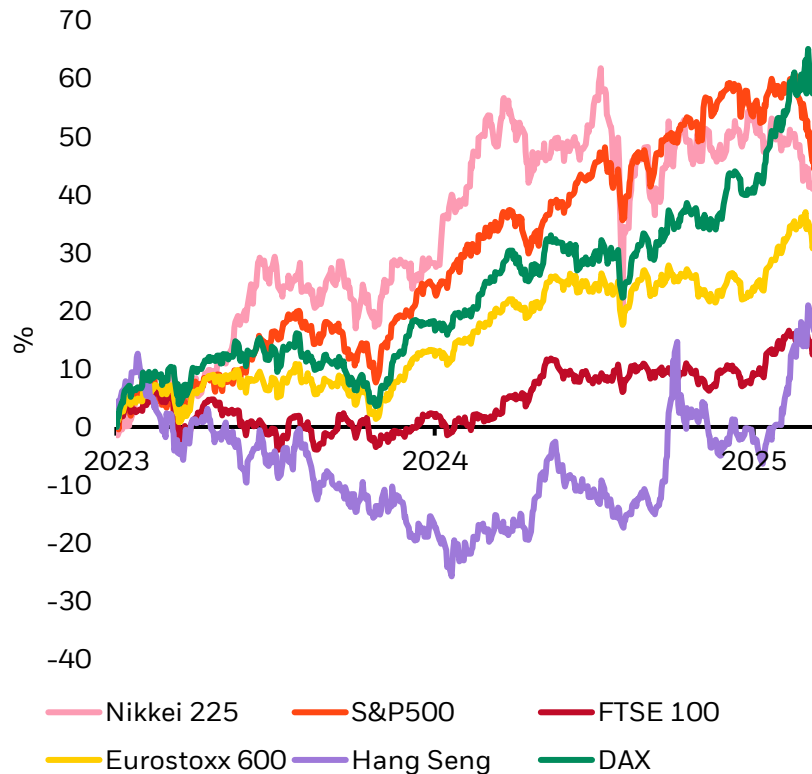
Source: BlackRock. The opinions expressed are those of BlackRock Fundamental Equities as of December 2024 and are subject to change. Any opinions or forecasts represent an assessment of the market environment at a specific time and is not a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation. *Mega Forces are structural shifts that are longer term in nature and have irreversible consequences for the world around us. There are 5 Mega Forces that BlackRock has identified: Shifting economic power, climate change and resource scarcity, technological breakthrough, demographics and social change and rapid urbanization. Historical normal refers to stock return dispersion levels prior to 2009 (e.g. the pre GFC period).

Persistent earnings strength

A positive environment for stocks as earnings remain robust – but we expect volatility

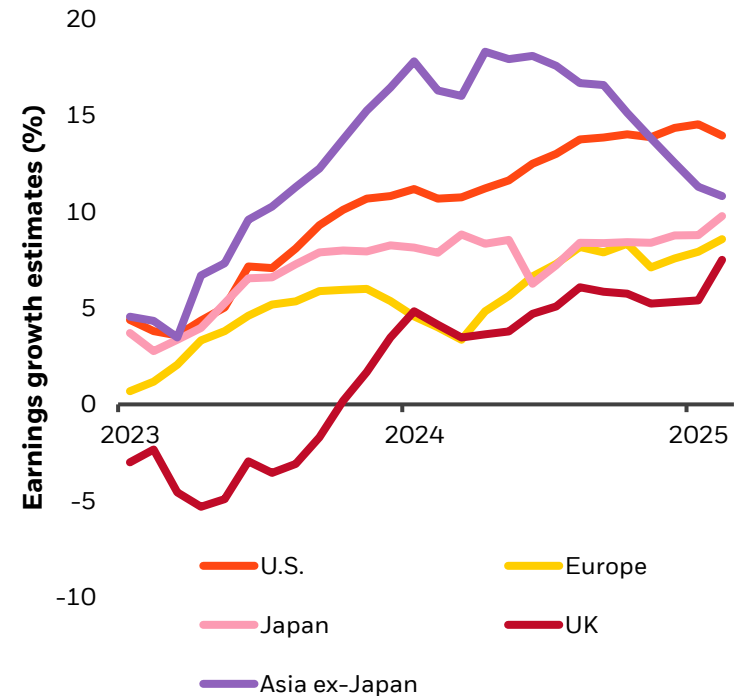
Global equities have come off highs

Regional equity market performance, 2023 – March 14, 2025



Earnings growth is expanding in most regions

12-month forward EPS growth estimates for global regions



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Sources: Left chart: BlackRock Fundamental Equities, March 14, 2025. Right chart: BlackRock Investment Institute, Feb. 24, 2025.

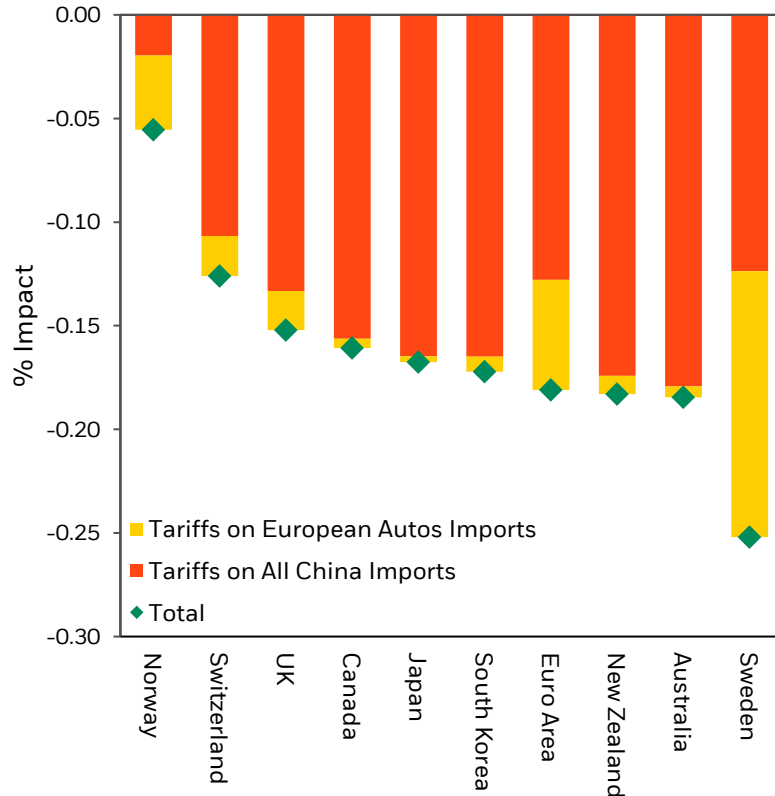
Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Macro uncertainty prompts volatility

Uncertainty persists from shifts in trade policy and rising geopolitical tensions

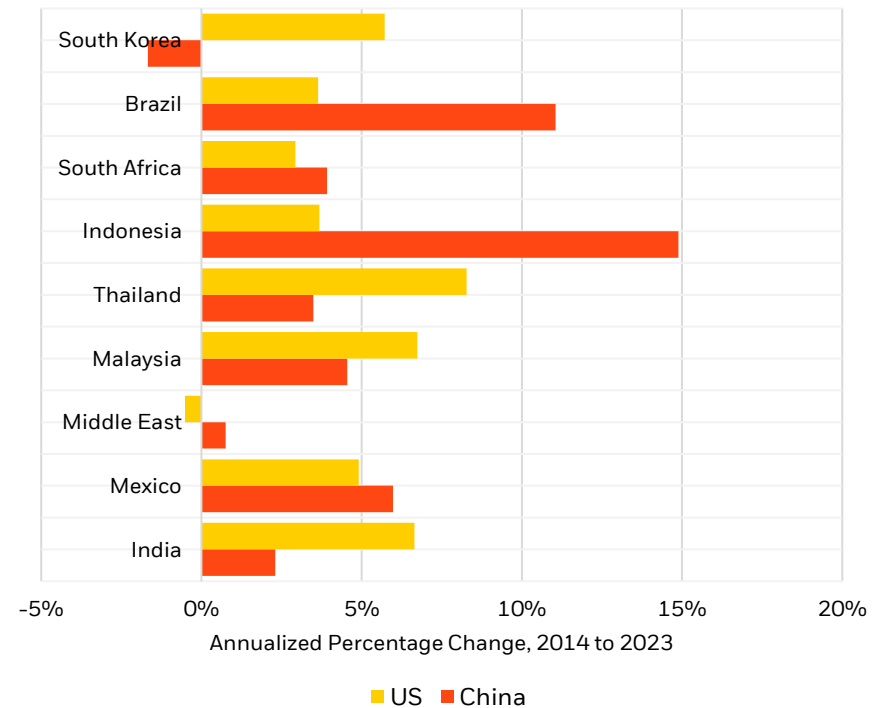
Tariffs, while potentially inflationary in the U.S., may lower prices in Europe

Combined Supply Reallocation Impact on Core Inflation



Neutrality may lead to increased trade opportunity as divisions grow in east vs west

% change (Ann) in bilateral trade volumes with the U.S. vs China, 2014 to 2023



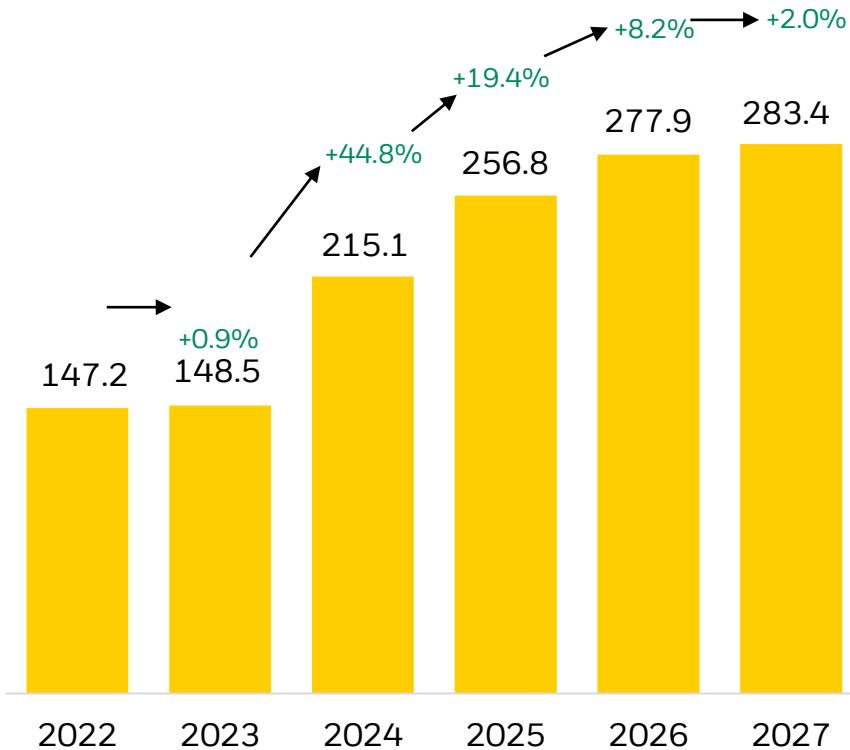
Source: Haver Analytics, Goldman Sachs Global Investment Research, November 2024

Past performance does not guarantee future returns. Indexes are unmanaged and one cannot invest directly in an index. Source: BlackRock Fundamental Equities, International Monetary Fund as of December 2023.

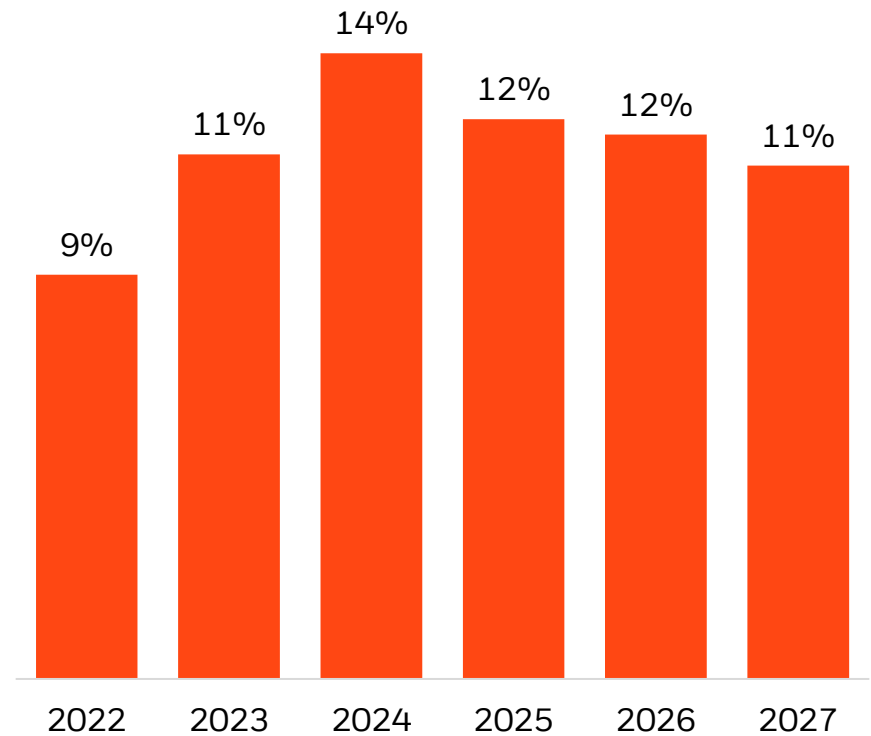
Mega-forces may provide a tailwind to equities

While we remain bullish on AI, market euphoria needs to translate to revenues

Hyperscalers Total Capital Expenditures (\$B)



Hyperscalers Revenue Growth (%)



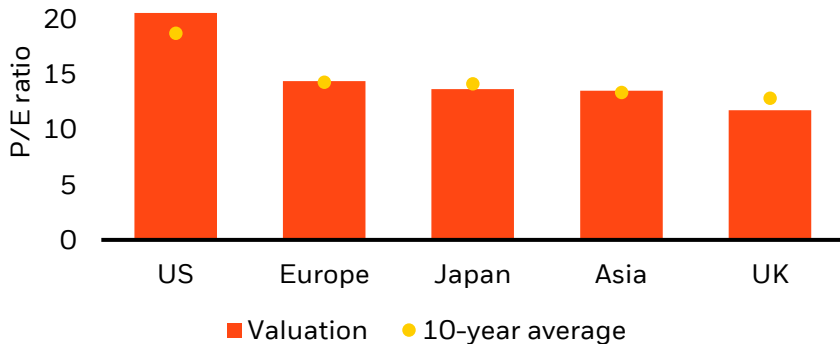
Source: Chart created by BlackRock using data from FactSet as of November 30, 2024. Hyperscalers include Meta, Amazon, Alphabet and Microsoft. Forecasted values for capital expenditure and revenue growth include anything after 2024. \$ symbol refers to U.S. Dollar. Forecasts are based on estimates and assumptions. There is no guarantee that they will be achieved. Reference to the names of each company mentioned should not be construed as investment advice or investment recommendation of those companies.

Investment opportunities

Attractive opportunities exist globally

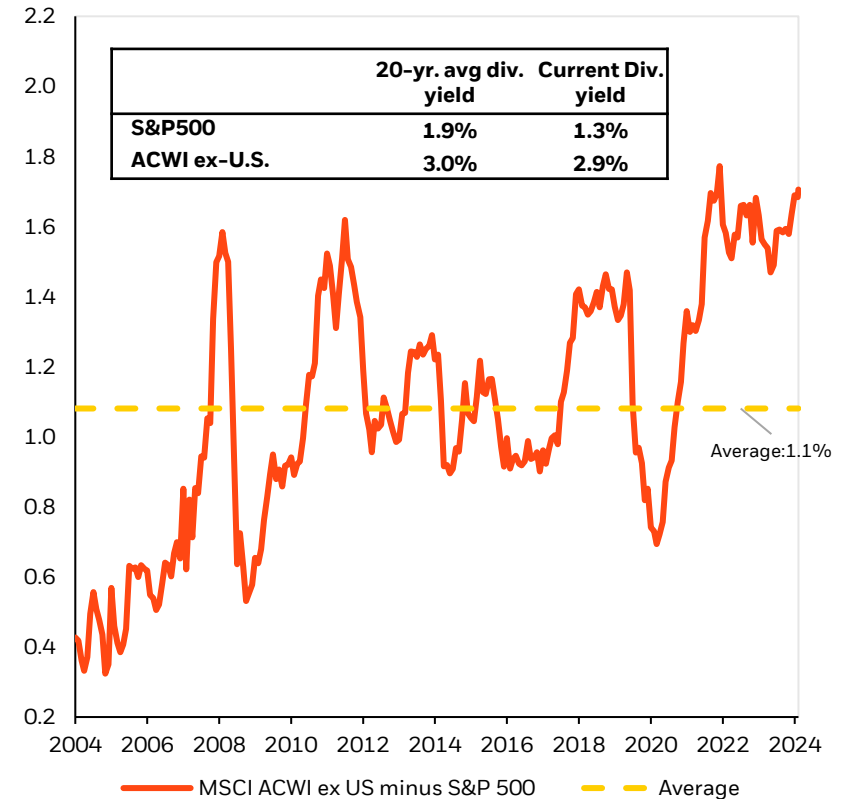
Global valuations are not stretched¹

12m earnings growth estimates by region and 12m forward P/E

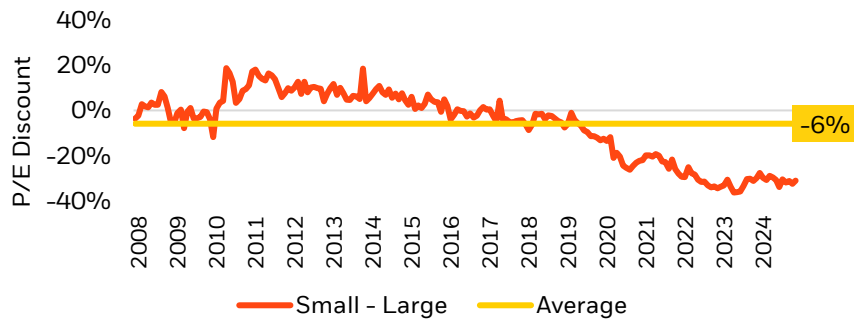


Attractive dividend yields in non-U.S.²

MSCI All Country World ex-U.S. minus S&P 500, next 12 months



Global small caps trade at deep discounts today relative to large caps³



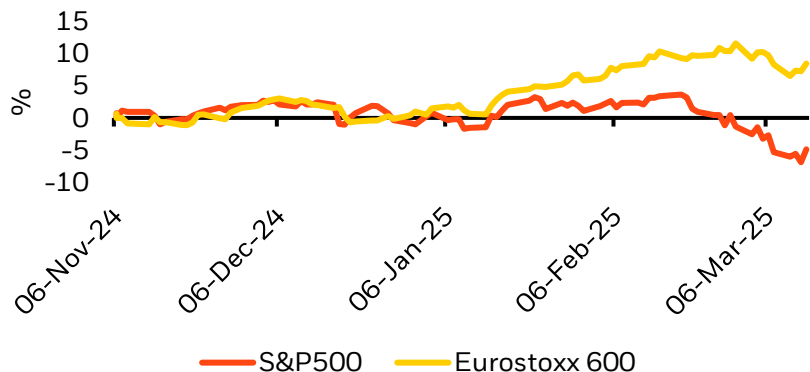
Sources: 1. BlackRock Investment Institute, March 11, 2025. The chart shows 12-month forward price-to-earnings ratio for each market, and the 10-year average. Regions based on MSCI indices. 2. Bloomberg, as of December 2024. Based on 12-month dividend yield for the MSCI ACWI ex US and the S&P 500 Index 3. Morningstar, as of December 2024. Based on 12-month trailing price-to-earnings ratios for the MSCI World Large Cap Index and the MSCI World Small Cap Index.

Investment opportunities

Europe – seize the moment!

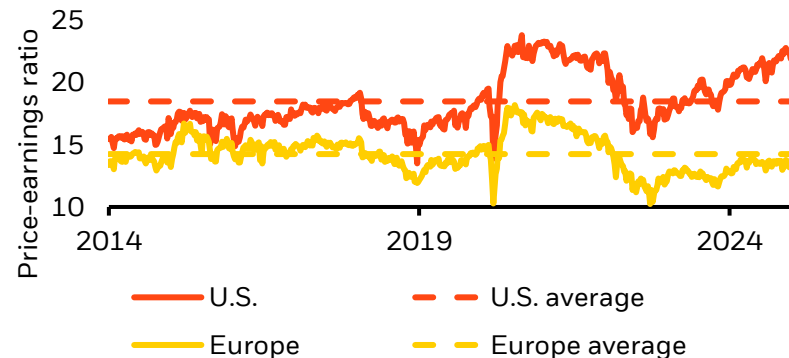
Europe has outperformed since US election ¹

Europe vs US stock market performance, Nov. 6, 2024 – March 14, 2025



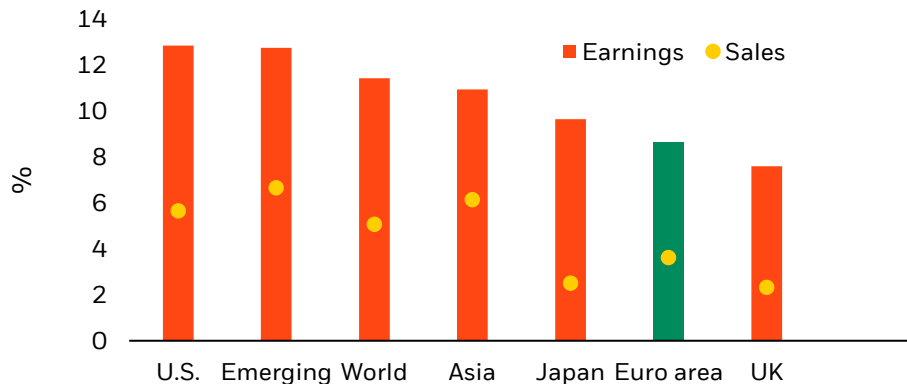
Valuation gap remains historically wide ²

Europe vs US stock market valuations, 2014 – March 11, 2025



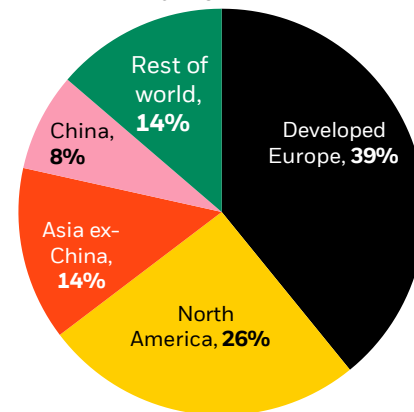
Better fundamentals in US...but OK in Europe ³

12-month forward earnings and sales growth estimates



Europe a global growth beneficiary ⁴

European stock market revenue by region



Sources: 1. BlackRock Fundamental Equities, Feb. 6, 2025. 2 BlackRock Investment Institute, March 11, 2025. 3 BlackRock Investment Institute, Feb. 11 4. Goldman Sachs, Morgan Stanley, BlackRock, 2023. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

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