BLACKROCK®

FEB 2016

Investment Directions

YEAR OF THE BEAR?

In Chinese culture, red is the color of good luck. Long ago, it was believed that this bright color could fend off evil spirits and bad fortune, so to start off a new year people would dress in red, hang red lanterns, and put up red scrolls on windows and doors. While the Year of the Monkey has just arrived in February, global financial markets have already seen a lot of red in 2016 so far.

Brace for a Wild Ride

With a sharp rise in volatility, stocks had the worst ever start to a year. The selling—overdone in our opinion—is a culmination of circumstances that have been troubling investors for some time now: a yearlong collapse in oil prices, a slowing China, and global growth and inflation failing to pick up year after year. As oil prices sank to a decade low, we think it's a function of oversupply, not a signal of an ailing world economy. China comes off of its slowest growth year in a quarter century in 2015, though the latest data suggest that chances of a hard landing are low. More abrupt market swings are probably ahead, but to us the present downturn looks more like another painful but temporary correction than the beginning of a bear market.

Red Envelopes from Central Banks

In this setting, central banks are under pressure to make monetary policies more accommodative. The Federal Reserve (Fed) might take more time before its next interest rate hike, while the European Central Bank (ECB) hinted at more stimulus. But the biggest surprise came from the Bank of Japan (BOJ), which took rates for excess reserves below zero for the first time, sending the country's 10-year government bond yield briefly to negative levels.

Places to Find Good Fortune

Jitters abound in stocks and high yield debt, and investors retreated to safe haven assets. We still like Japanese and European equities. It could also help to consider quality and minimum volatility strategies, but stay cautious with momentum and defensive sectors.

WHAT'S NEW:

SO WHAT DO I DO WITH MY MONEY?®

▲ OVERWEIGHT

- Stocks
- Japanese & European Equities
- Cyclical Sectors
- Muni Bonds

▼ UNDERWEIGHT

- Bonds
- U.S. Equities
- Defensive Sectors
- Treasuries

ADDITIONALLY, FOCUS ON

Consider currency hedged exposure, given U.S. dollar strength could erode returns in foreign markets for dollar-based investors.

Within factor investing, prefer quality and minimum volatility over momentum.

United States

We have an underweight position in U.S. equities, which have been contending with several headwinds: disappointment with the Fed's January policy statement, soft economic data and a mixed start to the earnings season in the United States. While the Fed left the possibility of a March interest rate hike open, any tightening has become less and less likely as markets gyrate. Fourth-quarter gross domestic product (GDP) growth missed expectations, hurt by weaker consumer and business spending. American manufacturers, especially exporters, continued to struggle with weak foreign demand, and production remained in contraction, though improvement in new orders offered some hope (see the chart below). Services sectors also failed to gain pace and pick up the slack. These weak spots once again raised questions about the durability of U.S. economic growth, leading to another push back in rate rise expectations and driving down the U.S. dollar a bit. Adding to the pessimism, data from fourth-quarter earnings reports have thus far shown that revenue growth was flat and overall earnings were down. Again, we see better value in international markets, but there might be select opportunities in consumer discretionary and technology sectors stateside.

Among U.S. equity factors, we prefer quality for its high profitability, low earnings volatility and minimal financial leverage. Given recent stock market turmoil, it is even more important now for investors to focus on company-specific fundamentals that provide both earnings upside and stability—which is essentially what quality stocks offer. Meanwhile, we are staying neutral in value stocks with a downgraded benchmark view toward the U.S. financials sector, which is heavily represented in the value index (see our discussion on Pg. 5). Our view on momentum stocks, poised for a choppy ride, is more unfavorable. These stocks tend to perform less well when volatility spikes due to concerns over global growth and earnings. We still like minimum volatility given the decent valuations and our expectation of more market volatility. For more on our views on U.S. equity factors, please refer to the table on Pg. 8.

Turning Insight Into Action

Many measures of U.S. economic activity have recently disappointed, but there are definitely bright spots. Selectivity is important in the U.S. market, where value will vary by sector and individual company.

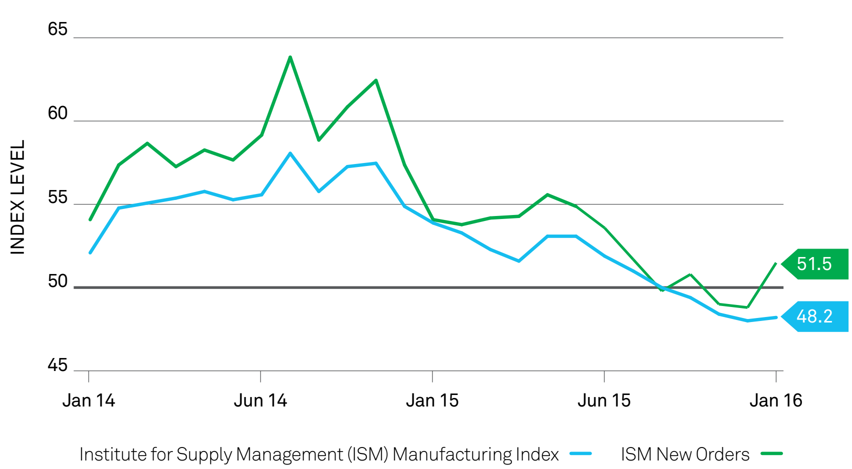
Consider blending opportunities for core market exposure with high-conviction active solutions that focus on finding value in the market.

CONSIDER

iShares Core® S&P 500 ETF (IVV), iShares MSCI USA Minimum Volatility ETF (USMV), iShares MSCI USA Quality Factor ETF (QUAL), iShares Core S&P Total U.S. Stock Market ETF (ITOT), Basic Value Fund (MABAX)

NO FIREWORKS

Despite a pop in new orders, the manufacturing recession is dampening investor confidence in U.S. economic growth.



Sources: Thomson Reuters Datastream, ISM, BlackRock Investment Institute, as of 2/7/16.

Note: Chart shows the monthly change in manufacturing activity and new orders based on the ISM Manufacturing Index. It is an index based on surveys of more than 300 manufacturing firms.

International Developed Markets

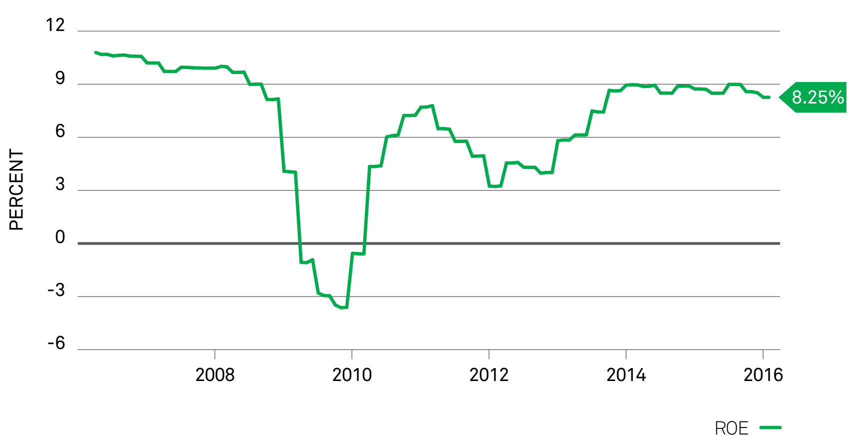
We are overweight Japanese equities. Besides relatively attractive valuations, return on equity (ROE) has consistently improved due to positive corporate governance changes (see the chart below). The BOJ's negative interest rate surprise, in addition to the existing quantitative easing program, should keep a lid on the yen in the near term and buoy exporter earnings, which are expected to be ahead of other developed markets. But how long can the BOJ suppress the currency in the face of a potentially more patient Fed, especially when the yen is a popular safe haven amid oil-related panic? Still, for Japan's reflation strategy to work, loose monetary policy alone is not enough. Fiscal policy and private sector wage gains have to play a role to support domestic demand, and offset the higher import prices resulting from a weak yen. We look to the upcoming spring wage negotiations for important clues.

European equities still hold promise. The region is in the early stage of recovery, but this year's tightening in global financial conditions amid the oil rout could pose a challenge to further improvement. There are already some signs of things cracking: earnings expectations have been revised down but are still likely to beat the United States. Taken together with elevated market volatility and a more dovish stance from the Fed and the BOJ, the potential for more aggressive easing from the ECB has increased. In addition, European stocks are not only cheaper than their U.S. counterparts, valuations have recently fallen below their 10-year historical average. To the extent that the ECB and the Fed continue on divergent paths and the pressure on the euro remains, investors should consider a hedge to reduce currency-related volatility.

We are cautious toward commodity-linked economies, including Australia and Canada. Renewed concerns about China and another tumble in oil prices have taken a toll on the economic and financial conditions in these countries. Stock valuations have come down but are nevertheless more expensive than places like the eurozone and Japan. Commodity-induced gyrations are likely to stay, making these countries' risk-reward profile less attractive.

LET THERE BE FISH (SURPLUSES) EVERY YEAR

A key factor that makes Japanese equities attractive: return on equity (ROE) has steadily climbed after the crisis.



Sources: Thomson Reuters Datastream, MSCI, BlackRock Investment Institute, as of 2/8/16.
Note: Chart shows the monthly change in return on equity based on the MSCI Japan Index.

Turning Insight Into Action

Earnings growth and valuations of European and Japanese companies are more compelling than for U.S. companies. But strength in the greenback could erode returns in international markets for U.S. dollar-based investors, boosting the allure of currency hedged exposure.

Consider using an active manager with strong stock selection expertise or be selective with index-based exposures.

CONSIDER

Global Long/Short Equity Fund (BDMIX), Global Dividend Fund (BIBDX), Global Allocation Fund (MALOX), iShares MSCI Japan ETF (EWJ), iShares Adaptive Currency Hedged MSCI Japan ETF (DEWJ), iShares MSCI Japan Minimum Volatility ETF (JPMV), iShares Currency Hedged MSCI Eurozone ETF (HEZU), iShares Adaptive Currency Hedged MSCI Eurozone ETF (DEZU), iShares MSCI Europe Minimum Volatility ETF (EUMV), iShares International Select Dividend ETF (IDV)

Turning Insight Into Action

It may be time to consider a benchmark exposure in emerging markets, but investors should remain selective.

Consider accessing specific countries or regions, or use an active manager with expertise to identify potential opportunities.

CONSIDER

iShares MSCI Emerging Markets Asia ETF (EEMA), iShares MSCI Emerging Markets Minimum Volatility ETF (EEMV), Emerging Market Allocation Fund (BEEIX)

Emerging Markets

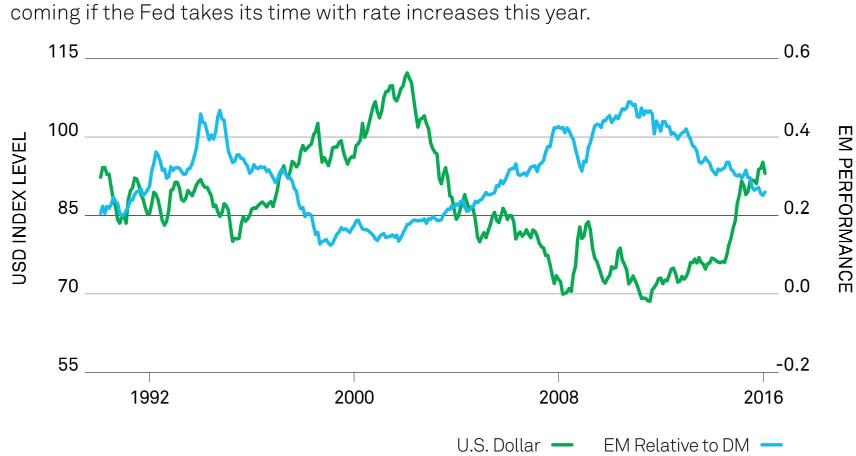
Emerging markets remain at the center of the global slowdown, but there is less room to ease monetary policies because of the risk of further currency weakness. It's true that a more dovish Fed may relieve some of the pressure on emerging-market (EM) currencies, but Chinese growth concerns and volatile commodity markets still have a disproportionately large impact on EM stocks (see the chart below). Not to mention, corporate earnings have yet to show any vital signs of growth. In light of these cyclical and structural challenges, we prefer resource importers (Korea) over resource producers (Brazil, Russia); those that can benefit from downtrodden commodity prices have a clear advantage. More importantly, we think using an active manager could be particularly helpful for investing in this out-of-favor category. An active manager can better identify granular opportunities and pinpoint those companies that can thrive in the current environment.

We maintain a neutral position in China. We expect a soft Chinese economic landing in 2016, cushioned by strength in sovereign and household balance sheets. Although continued capital outflow and speculation of more yuan devaluation could further tighten financial conditions domestically, we believe this is a manageable short-term risk for policymakers, who demonstrated their commitment to stabilize markets last year. Meanwhile, renewed weakness in recent economic data is likely to hasten the pace of infrastructure investment and other measures of policy support. Looking ahead, we think a balance between growth and reform objectives is still important, as the latter is key to market and corporate confidence in the longer term.

We are market weight Brazil. With much of the bad news priced in, valuations remain attractive, yet a catalyst to turn the market around is nowhere in sight. Another year of recession is likely, and monetary and fiscal policies are tied up and unable to come to the rescue. Further sovereign rating downgrades are still possible, if there is no meaningful tax hike this year. In addition, the impeachment process of President Rousseff is starting this month, which may cause extra delay in the government's fiscal consolidation.

TOO SOON FOR A LION DANCE

EM stocks have been beaten down in the past few years, but some reprieve could be coming if the Fed takes its time with rate increases this year.



Sources: Thomson Reuters Datastream, MSCI, BlackRock Investment Institute, as of 2/8/16.

Note: Chart shows the performances of the U.S. Dollar Trade-Weighted Index and the MSCI EM Index relative to the MSCI World Index.

Global Sectors

We are cutting our financials overweight to neutral. Banks were expected to benefit from higher short-term interest rates, and since we now expect only one or two rate increases from the Fed this year, margins for American banks are probably not going to improve from their current lows any time soon (see the chart below). While valuations remain inexpensive compared to other non-resource sectors, it is hard to find a catalyst in an environment where earnings prospects have deteriorated and bank balance sheets could be put at risk by energy-sector loans. European banks are under particular pressure as investors worry that some of the largest banks may need to raise additional capital.

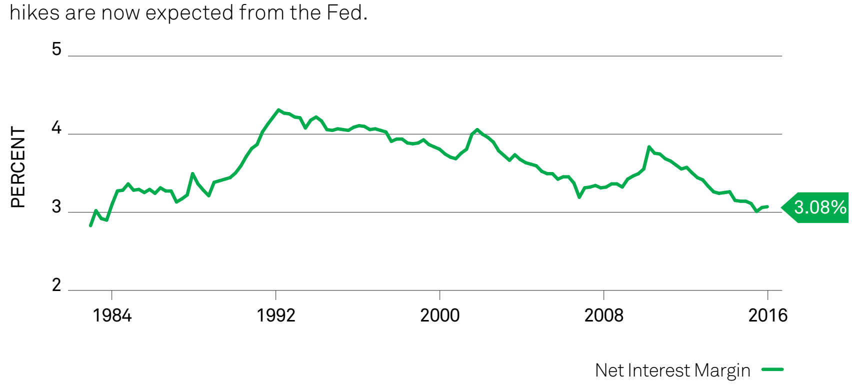
We are overweight consumer discretionary and technology, two sectors that have good exposure to global growth. Healthy labor trends and rising wages combined with lower energy prices should support revenue and earnings momentum for consumer discretionary companies, which make for a rare bright spot in the current earnings season. Double-digit earnings growth is possible this year, by far the highest of all sectors. Conversely, technology had a rough start to the year, with valuations falling near their 10-year historical average. It's key to remember that this diverse sector calls for careful stock selection, especially since earnings momentum has peaked in some sub-segments. Those companies that are backed by above-market margins, low debt burdens and ample cash are in a good position to invest for growth in a low growth world and could be less affected by tightening financial conditions.

We maintain a neutral view on health care. Fast innovation and close to all-time-high drug approval rates support solid earnings growth, but some segments' earnings multiples are already trading at elevated levels. Additional headwinds include elections-driven headline risks in the first half of the year and increasing antitrust risks in large mergers and acquisitions.

We have a benchmark weight in energy stocks, which are trading at their rock-bottom valuations. A muted recovery in oil prices seems to be the best one can hope for since production cuts remain elusive. Because oil prices are depressed, companies with low production costs, strong balance sheets and diversified business models will have an advantage over their less efficient and less integrated rivals.

NO LUCK WITH THE FED

For U.S. banks, hopes for margins to bounce back have dimmed as fewer interest rate hikes are now expected from the Fed.



Sources: Thomson Reuters Datastream, BlackRock Investment Institute, as of 2/8/16.
Note: Chart shows the net interest margin for U.S. FDIC-insured banks.

Turning Insight Into Action

Consider cyclical sectors over defensive and high dividend-paying sectors. Consumer staples looks particularly unattractive and vulnerable to rising rates.

Look into potential opportunities in the technology sector and consider a long/short approach to potentially benefit from any continued market volatility.

CONSIDER

iShares Global Tech ETF (IXN), iShares U.S. Technology ETF (IYW), iShares Core Dividend Growth ETF (DGRO), Global Long/Short Equity Fund (BDMIX)

Turning Insight Into Action

With interest rates likely to rise in the United States, fixed income investors could face challenges yet again.

Manage Interest Rate Duration

Consider a flexible strategy with the ability to actively manage duration.

CONSIDER

Strategic Income Opportunities Fund (BSIIX), Strategic Municipal Opportunities Fund (MAMTX), Global Long/Short Credit Fund (BGCIX)

Manage Interest Rate Risk

Seek to reduce interest rate risk through time by using a diversified bond ladder and matching term maturity to specific investing needs.

CONSIDER

iBonds® ETFs

Seek Income

Cast a wider net for income while seeking to carefully balance the tradeoffs between yield and risk.

CONSIDER

Multi-Asset Income Fund (BIICX), High Yield Bond Fund (BHYIX), iShares iBoxx $ High Yield Corporate Bond ETF (HYG), iShares iBoxx $ Investment Grade Corporate Bond ETF (LQD)

Build a Diversified Core

Consider using core bonds for potential diversification benefits and possible protection from unforeseen shocks to equity markets.

CONSIDER

Total Return Fund (MAHQX), iShares Core U.S. Aggregate Bond ETF (AGG), iShares U.S. Fixed Income Balanced Risk ETF (INC), iShares Core International Aggregate Bond ETF (IAGG)

Fixed Income

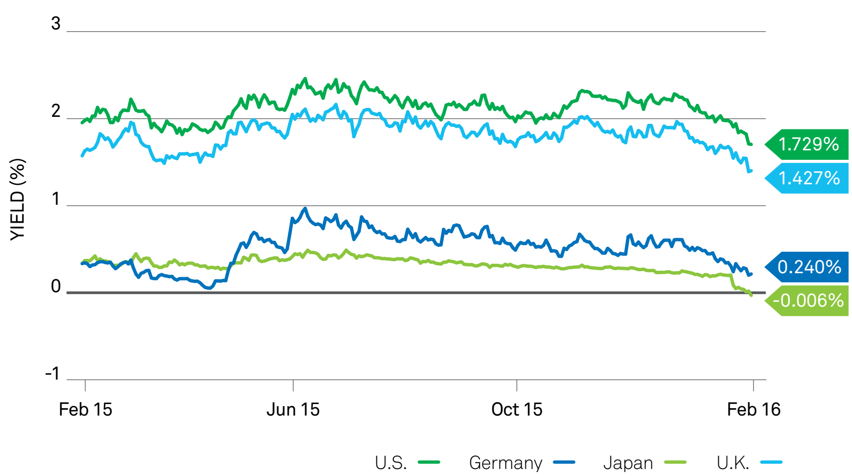
We are underweight Treasuries. With risk aversion rising sharply this year, investors rushed back into "safe haven" assets like Treasuries. As major central banks promised or delivered more stimulus support and interest rate cuts, yields of long-dated government bonds fell across the world (see the chart below). The yield on the benchmark 10-year Treasury note dropped to the lowest level in a year, partly due to the belief that the Fed would be wary of hiking interest rates given the recent market tumult. While heightened volatility and risk aversion could continue to support lower rates in the near term, we still see interest rates rising over the medium to longer term.

We downgrade high yield from overweight to benchmark weight. Credit market conditions have been deteriorating for 18 months and remain under pressure. High yield spreads, now more than double their trough levels from mid-2014, widened on expectations for rising defaults in the energy sector. Investment grade spreads are also impacted and at elevated levels. While we think the current selloff is at least partly technically driven, our fundamental view in the asset class has suffered somewhat. Still, at current spreads, the implied levels of default risk appear to be much greater than what would be expected at this point in the credit cycle. Volatility is likely to persist as long as energy and global demand concerns continue to dominate investor attention. However, high yield bonds have historically performed well during periods of modestly rising interest rates.

We favor municipals. While the broader financial markets may be priming for higher volatility and lower returns, municipal debt appears poised to continue as a strong, relatively low-volatility income workhorse. Despite slower revenue growth, the municipal market is benefiting from relatively balanced supply and demand and the fact that distressed cases such as Detroit and Puerto Rico have been largely discounted. Municipals still have significantly lower default pressure than corporate bonds.

WHEN WILL 10-YEAR YIELDS TURN HIGHER?

Yields of long-dated government bonds fell globally: U.S. rates to the lowest in a year and Japanese rates into the negative.



Sources: Thomson Reuters Datastream, BlackRock Investment Institute, as of 2/10/16.
Note: Chart shows yields on benchmark 10-year government bonds.

Hot Topic: Where to Ride Out the Volatility

The one word that characterizes financial markets today: volatile. Volatility measures have spiked to multi-month highs lately, with many investors exiting stocks (see the chart below). Where can you hide?

Under more normal conditions, the simple answer for U.S. investors is to reallocate to more defensive, less economically sensitive sectors: utilities, consumer staples and, often, telecommunications. The traditional logic is that these sectors are less exposed to the pace of economic growth, and therefore their earnings should hold up better in a downturn. But after years of being in favor for their dividends, many of these sectors are expensive. Should interest rates climb a bit, these defensive stocks would be particularly vulnerable. Consider instead these investing strategies:

Minimum Volatility Funds. As their name implies, minimum volatility funds are explicitly designed to help mitigate the impact of market gyrations through a focus (and overweight) on securities that exhibit less volatility and lower correlations. These are often companies with more stable earnings streams that may hold up better, on a relative basis, during market downturns.

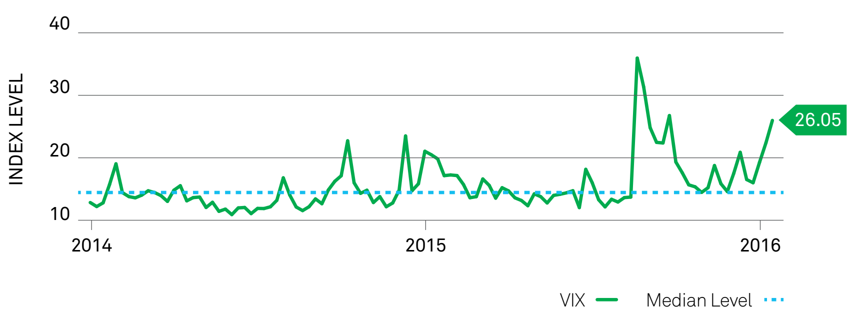
The Quality Theme. A "quality" company is one characterized by earnings consistency, high return on equity (ROE) and low leverage. Historically, companies with these quality attributes have tended to perform relatively well during periods of rising volatility. In particular, they have typically outperformed momentum names, a popular theme in recent years, when market volatility is elevated and rising.

Less Traditional Asset Classes. Moving "up the capital stack," preferred stocks may not provide the same upside potential as common stocks, but they may be less volatile. Most preferred issues tend to be U.S. banks and other financial companies, which have become less leveraged and arguably safer following extensive post-crisis regulatory changes. They can act as a good source of dividends.

To be sure, the above strategies aren't likely to produce great, double-digit returns. Investors looking for more aggressive profits probably need to test their nerves and try to time the market bottom. For the rest, a better approach may be seeking more modest returns with lower volatility, via a focus on portfolio construction, profitability and earnings stability, and less traditional asset classes.

HAPPINESS, WEALTH, VOLATILITY?

With recent ups and downs reminiscent of stock markets in their pre-crisis days, volatility looks set to enjoy some longevity.



Sources: Thomson Reuters Datastream, Chicago Board Options Exchange, BlackRock Investment Institute, as of 2/7/16.

Note: Chart shows the weekly change in VIX, a measure of the implied volatility of the S&P 500 referred to as the "fear index." It is one way to gauge the market's expectation of volatility over a 30-day period.

DRILLING DOWN: EQUITY AND FIXED INCOME OUTLOOKS

	CURRENT ENVIRONMENT					OUR VIEW AND OUTLOOK				
Global Region	Valuations	Growth	Profitability	Risk/ Sentiment	Price Trend	underweight ◀		neutral	▶	overweight
DEVELOPED MARKETS						○	○	●	○	○
North America										
United States	–	+				○	●	○	○	○
Canada	+	–	–		–	○	○	●	○	○
Europe										
Eurozone	+	+		–	+	○	○	○	●	○
Switzerland	–	–	+			○	●	○	○	○
United Kingdom	+	+	–		–	○	○	●	○	○
Asia Pacific										
Japan	+	–	+		+	○	○	○	○	●
Australia	+	–	–	–	–	○	○	●	○	○
EMERGING MARKETS						○	○	●	○	○
Asia Pacific										
China	+	–		–	–	○	○	●	○	○
India	–	+	+			○	○	●	○	○
South Korea	+		+			○	○	○	●	○
Latin America										
Brazil	+	–	–	–	–	○	○	●	○	○
Mexico					–	○	○	●	○	○
Emerging EMEA										
Russia	+	–	–	–		○	○	●	○	○
South Africa	–		+	–		○	○	●	○	○

Global Sector & Style		Valuations	Growth	Profitability	Risk/ Sentiment	Price Trend	underweight ◀		neutral	▶	overweight
CYCLICAL SECTORS	Consumer Discretionary	–	+	+		+	○	○	○	●	○
	Energy	+	–	–	–	–	○	○	●	○	○
	Financials	+			–	–	○	○	●	○	○
	Industrials	–	–				○	○	●	○	○
	Information Technology		+	+		+	○	○	○	●	○
	Materials	+	–	–	–	–	○	○	●	○	○
DEFENSIVE SECTORS	Consumer Staples	–				+	●	○	○	○	○
	Health Care	–	+	+			○	○	●	○	○
	Telecommunications		–				○	○	●	○	○
	Utilities			–		+	○	●	○	○	○

U.S. Equity Factors	Valuations	Growth	Profitability	Risk/ Sentiment	Price Trend	underweight ◀		neutral	▶	overweight
Value	+	+	–		–	○	○	●	○	○
Size			–	+		○	○	●	○	○
Quality		–	+		+	○	○	○	●	○
Momentum	–	–		–	+	○	●	○	○	○
Minimum Volatility		+		+		○	○	○	●	○

Fixed Income Sector	Valuations	Economics	Risk/ Sentiment	Price Trend	underweight ◀		neutral	▶	overweight
U.S. Treasuries	–	–		+	○	●	○	○	○
U.S. TIPS		–		–	○	○	●	○	○
U.S. Investment Grade Credit	+	+	–		○	○	●	○	○
U.S. High Yield Credit	+	+	–	–	○	○	●	○	○
U.S. Municipals	+				○	○	○	●	○
U.S. Mortgage-Backed Securities		+			○	○	●	○	○
Non-U.S. Developed Markets	–	–	–	–	○	●	○	○	○
Emerging Markets		–	–	–	○	○	●	○	○

	Supply & Demand	Opportunity Holding Cost	Safe Haven Demand	Inflation Hedge Demand	Price Trend	underweight ◀		neutral	▶	overweight
Gold*		–	–	–	–	●	○	○	○	○

– unattractive ▭ neutral + attractive ● underweight outlook ● slightly underweight outlook ● current neutral outlook ● slightly overweight outlook ● overweight outlook

Underweight: Potentially decrease allocation **Neutral**: Consider benchmark allocation **Overweight**: Potentially increase allocation

* See the appendix for an explanation of the methodology for our gold views and other outlooks. Note that the time frame for these views is generally three to 12 months. Please note that the views expressed above in the factor table are for time frames of at least three months. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding the iShares Funds or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future holdings or portfolio of any BlackRock client.

Appendix

The analysis behind our equity views:

Our approach in deriving country/sector views is both quantitative and qualitative. In the quantitative framework, we take into account valuation, profitability, growth, risk/sentiment and price trend, among other factors, in deciding how attractive or unattractive a country or sector is. In the qualitative approach, we consider economic/political/policy event catalysts that can have a potential impact on financial market conditions. The variables included in the table are indicative of key considerations behind our investment views, and should not be viewed in isolation.

Valuations: We measure a country's price-to-book ratio premium/discount to its own trading history, and compare the premium/discount to that of other emerging or developed countries. If a country's valuation is at a discount to its own historical average and the discount is greater than that of other countries, we assign "+," and vice versa.

Growth prospects: We assign a "+" to countries that are growing faster (as measured by leading indicators and earnings growth prospects) than their past trends and a "-" to countries growing slower.

Corporate sector profitability: A country with a relatively profitable corporate sector (as measured by ROA) is assigned a "+" and we give a "-" to countries growing more slowly.

Risk/Sentiment: A country that is perceived as relatively safe (according to historical volatilities and credit default swap (CDS) spreads) is assigned a "+"; a risky country is assigned a "-."

Price Trend: An asset with a relatively good return performance within the previous year is assigned a "+"; an asset with relatively poor returns is assigned a "-."

The factors are not equally important in driving returns at a given point in time. As a result, when it comes to formulating our final views, the various factor readings are not additive. For example, a "+" value factor may overshadow negative readings in other factors, leading us to still like the country.

We use a similar methodology for coming up with our sector and equity factor views, focusing on valuations (P/B and P/E), profitability (ROA and ROE), expected profitability (ROA and ROE) improvements as a proxy for future growth, risk/sentiment (historical volatilities and sector spreads) and past price trends. In addition, we consider the global growth outlook for cyclical and defensive sectors.

In addition, our view on gold is similarly based on the macroeconomic factors that historically impact gold returns. These include the opportunity cost of holding gold (real interest rates); supply and demand; inflation (gold as a real asset tends to act as an inflation hedge); safe haven demand (during periods of high financial stress, demand for gold tends to increase) and momentum.

The analysis behind our fixed income views:

In general, when formulating our fixed income views, we put more weight on the Valuations bucket than on either the Economics or Risk/Sentiment buckets.

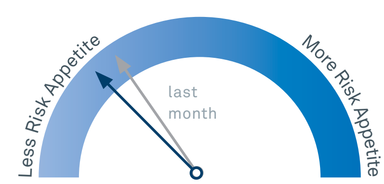
Valuations: We focus on discounted risk-adjusted cash flows relative to market prices. When a sector exhibits market prices well above what our model sees as fair, we assign the sector a "-"; we assign a "+" when the opposite is true.

Economics: In general, when the overall economic environment (as measured by basic economic and/or aggregate balance-sheet fundamentals) is particularly favorable for a given fixed income sector, we assign a "+"; we assign a "-" when the opposite is true.

Risk/Sentiment: When a sector has exhibited strong positive returns/risk appetite (as measured by trailing returns) over the previous several months, we score it a "+"; we assign a "-" when the opposite is true.

Price Trend: An asset with a relatively good return performance within the previous year is assigned a "+"; an asset with relatively poor returns is assigned a "-."

RISK APPETITE DIAL



Risk Appetite Index

Investor risk appetite sank further in February amid renewed selloffs in oil prices. While the BOJ's surprise easing temporarily lifted sentiment, the relief was short-lived. Credit market spreads continued to track developments in commodity markets, with high yield spreads surging to highs last seen in 2011. Global equities retreated on the back of fragile sentiment, lackluster earnings and soft economic data. Particularly in the United States, not only do we see the manufacturing sector falling deeper into contraction, but signs of weakness are emerging in the once resilient services sector.

Contributors

Russ Koesterich, CFA, is the Chief Investment Strategist for BlackRock, and Chief Investment Strategist for iShares. He is a founding member of the BlackRock Investment Institute, delivering BlackRock's insights on global investment issues.

Stephen Laipply is Product Strategist for BlackRock's Model-Based Fixed Income Portfolio Management Group.

Shannon Morton, CFA, is a Global Investment Strategist for BlackRock, where her responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients.

Nelli Oster, PhD, is a Global Investment Strategist for BlackRock, where her responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients, and developing the tactical country, sector and asset allocation models.

Kurt Reiman is a Global Investment Strategist for BlackRock, where his responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients.

Heidi Richardson is a Global Investment Strategist for BlackRock and Head of Investment Strategy for U.S. iShares.

Terry Simpson, CFA, is a Global Investment Strategist for BlackRock, where his responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients.

Matt Tucker, CFA, is the Head of North American Fixed Income iShares Strategy within BlackRock's Fixed Income Portfolio Management team.

Ruiling Zeng, CFA, is an Investment Strategist and Researcher for BlackRock, where her responsibilities include researching and communicating investment views across countries, sectors and asset classes.

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