

Investment Commentary

MAY 18, 2009

Some weaker-than-expected economic data combined with profit-taking to result in the first significant down week for stocks in more than two months. For the week, the Dow Jones Industrial Average lost 3.6% to close at 8,269, the S&P 500 Index fell 5.0% to 883 and the Nasdaq Composite declined 3.4% to 1,680.

In the face of these declines, some investors are questioning whether the economic “green shoots” are beginning to wither. We do not believe they are, although we never expected to see an uninterrupted recovery. We continue to believe that we are at the front end of a slow and uneven recovery and that the economy still faces the significant headwinds of credit issues and deleveraging. Policymakers in the United States and around the world still have some heavy lifting to do and their rescue mission is far from over. On balance, our view remains that a global economic recovery will emerge at some point in the second half of the year.

We continue to be surprised by the number of investors who believe that inflationary pressures are about to surface. In our opinion, we are unlikely to see such pressures for at least a couple of years, and we continue to believe that deflation remains the greater concern. The world is awash in excess capacity, which is putting downward pressure on prices, and as the unemployment rate moves higher, we are unlikely to see upward pressure on labor costs. If and when inflationary pressures do emerge, we do not believe the Federal Reserve will be shy about raising interest rates.

At present, there is a sharp debate between the holders of the bullish and bearish views of the stock market. The bears are convinced that consumers are burdened by debt and will be unable to spend, the banking system is dysfunctional, the real estate market remains in a free fall and higher taxes and government action will depress valuation levels. The bulls, on the other hand, believe that a global inventory upswing is beginning, reflation policy has taken hold, the housing market is bottoming, the recovery in emerging markets will drive global growth and bearish sentiment has already been discounted by the markets.

In our view, both of these arguments have some degree of validity. Last week’s correction could result in some increased pessimism among investors, and we expect volatility in both directions to remain high. Market corrections are a normal part of bottoming processes, but we do not expect to see a repeat of the market conditions that existed in January and February. That last significant down leg was driven by fears of an outright collapse in, and possible nationalization of, the banking system; uncertainty over government policy; and a seemingly never-ending string of bad economic data. It seems clear to us that conditions have improved since then, and we reiterate our view that a year-end target of 1,000 for the S&P seems reasonable, although we also acknowledge that the index may again see the 800 level first.

BLACKROCK



Bob Doll is Vice Chairman and Global Chief Investment Officer of Equities at BlackRock®, a premier provider of global investment

management, risk management and advisory services. Mr. Doll also is a member of the BlackRock Executive Committee and lead portfolio manager of BlackRock’s Large Cap Series Funds. Prior to joining BlackRock, Mr. Doll was President and Chief Investment Officer of Merrill Lynch Investment Managers. BlackRock has \$1.28 trillion in assets under management as of March 31, 2009.

Sources: BlackRock; Bank Credit Analyst. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are as of May 18, 2009, and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. Investment involves risks. International investing involves additional risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. 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. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

BLACKROCK is a registered trademark of BlackRock, Inc. All other trademarks are the property of their respective owners.

FOR MORE INFORMATION
www.blackrock.com

Prepared by BlackRock Investments, LLC, member FINRA.

©2009 BlackRock, Inc. All Rights Reserved.

AC2668-5/2009