



**Private Markets**

September 5, 2024

# Global Credit Weekly:

Normalizing vs. easing

**BlackRock**

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

## Market insights contributors



**Amanda Lynam, CPA**

Head of Macro Credit Research,  
Portfolio Management Group –  
Private Markets



**Dominique Bly**

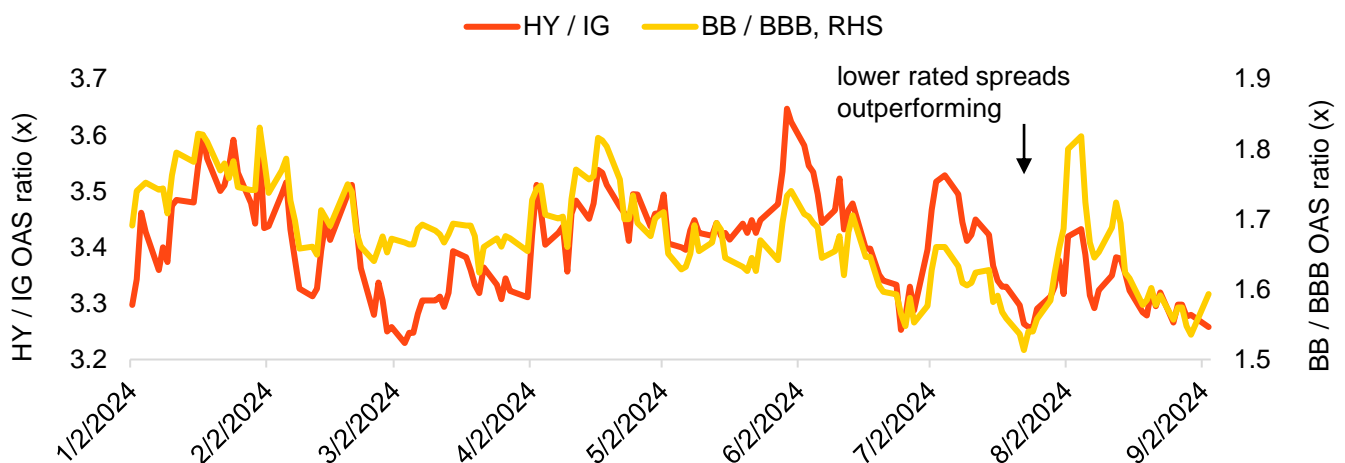
Macro Credit Research Strategist,  
Portfolio Management Group –  
Private Markets

## Key takeaways

- With inflation no longer a reason to delay rate cuts, and downside risks to the labor market increasing the urgency to act, we expect the Federal Reserve to begin the process of policy rate normalization (for this cycle) at the September 17<sup>th</sup>-18<sup>th</sup> FOMC meeting. While the eventual start of this rate cutting cycle will indeed be notable, for corporate credit investors, we believe the *drivers* and *depth* of it are instead more important than the timing.
- Near-term policy *easing* in response to a sharp growth downturn or labor market deterioration would likely cause meaningful spread widening in speculative grade credit. By contrast, policy rate *normalization* in response to improved inflation is a more supportive backdrop for credit (and largely what is priced into spreads, currently).
- As for the depth of the rate cutting cycle, the situation is more nuanced. For the rest of this year, we expect 75bp of cuts (25bp each in September, November and December). We see room for the policy rate to decline (from its current restrictive level) well into 2025, until the Fed Funds rate approaches the 3.5% to 3.75% level. At that point, we believe conversations around the neutral rate of interest will become more important for fine-tuning the ultimate destination for the policy rate. While market pricing currently reflects a terminal rate in the context of 3.0% (Exhibit 3), absent a sharp growth downturn, we believe it could settle closer to the 3.5% range.
- A range of performance metrics – spread ratios (Exhibit 1), total returns (Exhibits 6 and 7), and excess returns (Exhibit 8) – continue to show a pattern of relative outperformance of lower-rated credit vs. its IG-rated peer. That said, one notable exception exists in the (highly idiosyncratic) cohort of CCC-rated spreads, which remain wide relative to what is implied by the valuation of the broader USD HY market (Exhibit 9).

### Exhibit 1: After the early-August volatility, lower rated spreads have resumed their trend of outperformance (vs. higher-rated peers)

Option adjusted spread (OAS) ratios for the Bloomberg USD High Yield and Investment Grade Corporate Indices, and the BB and BBB rated subsets of these same indices (right side panel)



Source: BlackRock, Bloomberg. Captures data through September 3, 2024. **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.

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

## Normalization in late 2024, potential easing in 2025

A range of U.S. labor market data – a slowdown in July non-farm payrolls growth, a decline in job openings (JOLTS), and the Bureau of Labor Statistics preliminary benchmark revisions (lower by 818k) – while somewhat noisy, have pointed to a clear directional trend: the U.S. labor market is slowing, and the pace of cooling has reached a level beyond rebalancing to the pre-pandemic level (Exhibit 2). At the same time, recent inflation data (CPI, PPI, core PCE) have largely been consistent with the broader trend of disinflation (again, Exhibit 2).

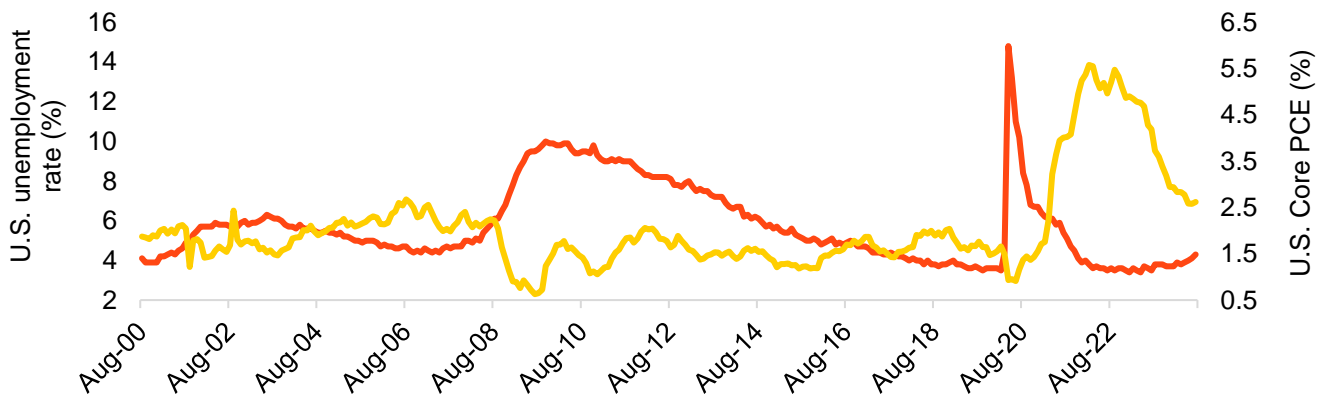
During his speech at the annual Jackson Hole economic symposium on August 23<sup>rd</sup>, Federal Reserve (Fed) Chair Powell addressed both sides of the Fed’s dual mandate of maximum employment and price stability. He noted that the FOMC does “not seek or welcome further cooling in labor market conditions” while also adding that his own “confidence has grown that inflation is on a sustainable path back to 2%.”

With that as a backdrop, he outlined the forward path for monetary policy quite clearly by stating: “the time has come for policy to adjust...the direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.”

With inflation no longer a reason to delay rate cuts, and downside risks to the labor market increasing the FOMC’s urgency to act, we expect the process of policy rate reductions (for this cycle) to begin at the September 17<sup>th</sup>-18<sup>th</sup> FOMC meeting.

### Exhibit 2: The Fed’s dual mandate is now in better balance vs. 2023

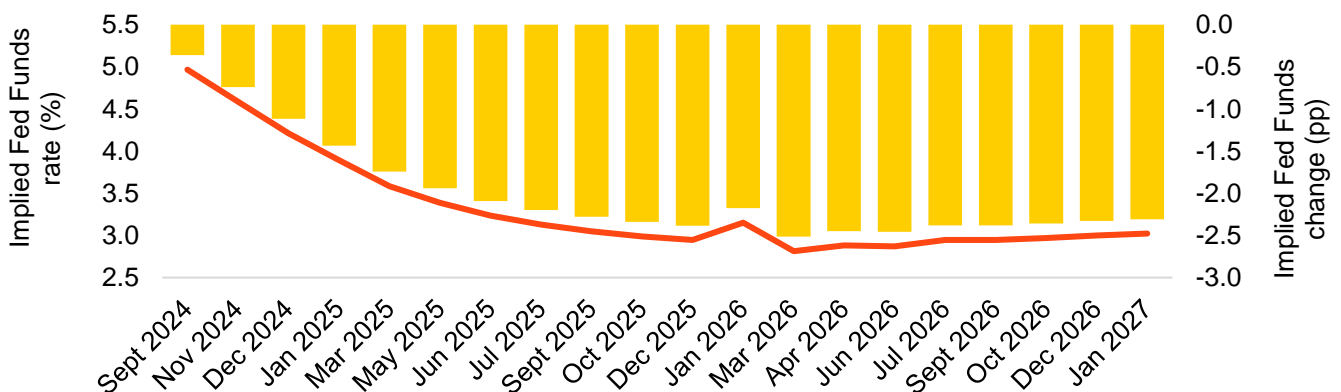
U-3 U.S. unemployment rate (%) seasonally adjusted, and year-over-year and U.S. Core PCE inflation (%) seasonally adjusted, RHS



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, BlackRock. Captures data through July 31, 2024 (most recent available for each series, as of September 4, 2024).

### Exhibit 3: We see room for “normalization” in late 2024, before the discussion around potential “easing” begins in 2025

Implied Federal Funds rate (%) and change (in percentage points, RHS), based on Fed Funds Futures, through January 2027



Source: Bloomberg, BlackRock. As of September 4, 2024. **There can be no guarantee any forecasts may come to pass.**

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

## The drivers and depth behind the rate cuts are important

While the start of this Fed rate cutting cycle will indeed be notable, for corporate credit investors we believe the *drivers* and *depth* of it are instead more important.

The drivers behind the eventual rate cuts are important for corporate credit investors to monitor, as we expect divergent spread reactions between “easing” and “normalization” scenarios. And the depth of the rate cutting cycle will determine the degree of interest rate relief provided to the most financially stretched debt borrowers – both corporates and consumers.

### Not all rate cuts are created equal

For example, near-term monetary policy *easing* – which could take the form of 50bp rate cut(s) in September and/or 4Q2024, instead of the standard 25bp – would likely occur in response to a sharply deteriorating economy. This would include U.S. real GDP growth slowing to well below the trend pace (which the CBO estimates will range from 1.8% to 2.1% over the next decade), and material weakening in the U.S. labor market. For example, if August non-farm payrolls (to be released September 6<sup>th</sup>) show a figure closer to the July 2024 level of +114k, and an increase in the unemployment rate above 4.3%, we believe a more aggressive policy response from the Fed would likely ensue.

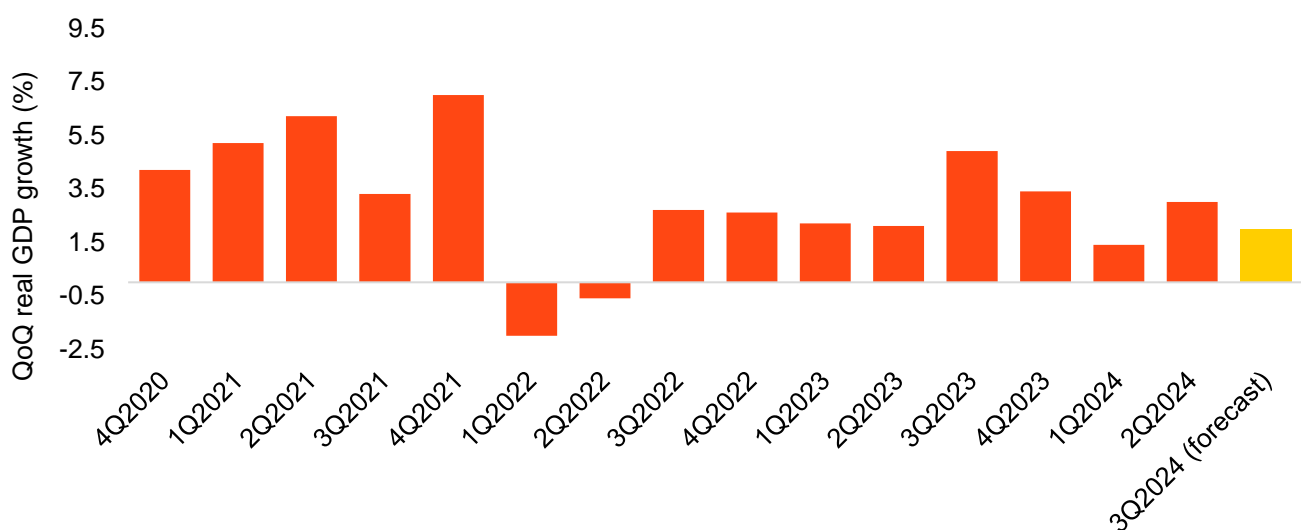
Such an outcome would also likely raise concern among credit market investors about the potential for a meaningful slowdown in economic activity. As a result, growth sensitive asset classes such as USD HY corporate bonds could see index-level spreads widen to the 550bp to 600bp range (from the current level of 320bp as of September 4<sup>th</sup> and compared to the post-financial crisis era average of 456bp). More broadly, we would also expect a trend of “decompression,” where lower-rated / lower-quality segments of the credit market underperform their higher-rated / higher-quality peers that would likely benefit from larger financial cushions, economies of scale, and stronger business models.

By contrast, a scenario of near-term *normalization* would likely result in a more supportive backdrop for corporate credit. This is because, in such a scenario, the Fed would not be responding to significant economic weakness. Rather, it would be *recalibrating* the policy rate by making it less restrictive (Exhibit 5), to reflect the improvement in inflation achieved over the past several months (again, Exhibit 2).

This general “soft landing” normalization scenario, in our view, is largely reflected in the current level of spreads in the USD corporate credit market. It is also more closely aligned with our own view. As shown in Exhibit 4, U.S. real GDP growth in 2Q2024 was a solid 3.0%, and 3Q2024 is tracking at a pace closer to trend (2.0%). That said, a sharp deterioration in the labor market data – while not our base case – would cause us to take a more defensive posture and warrants extremely close monitoring.

### Exhibit 4: Resilient U.S. growth has supported corporate credit, despite higher funding costs

Quarter-over-quarter U.S. real GDP growth (%), seasonally adjusted at an annualized rate



Source: BlackRock, Bureau of Economic Analysis. 3Q2024 forecast uses the Atlanta Fed "GDPNow" estimate as of September 3, 2024. **There can be no guarantee any forecasts will come to pass.**

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION



## A higher neutral rate may suggest a shallow cutting cycle

As for the *depth* of the eventual U.S. rate cutting cycle, we approach this with both a short-term and a long-term lens.

For the remainder of this year, and assuming U.S. real GDP growth remains at a pace near trend, we expect a total of 75bp of cuts: a 25bp rate cut at the September 17<sup>th</sup>-18<sup>th</sup> FOMC meeting, followed by two consecutive 25bp cuts at the November and December meetings.

We believe the bar for 25bp rate cuts at consecutive meetings is low for the next few months, as there is plenty of room for the policy rate to decline from its current restrictive level. But as the Fed continues to cut into 2025, and the Fed Funds rate approaches the 3.5% to 3.75% level, we believe conversations around the neutral rate of interest will become more important for fine-tuning the ultimate destination for the policy rate. Through this long-term lens, there is much more uncertainty, in our view.

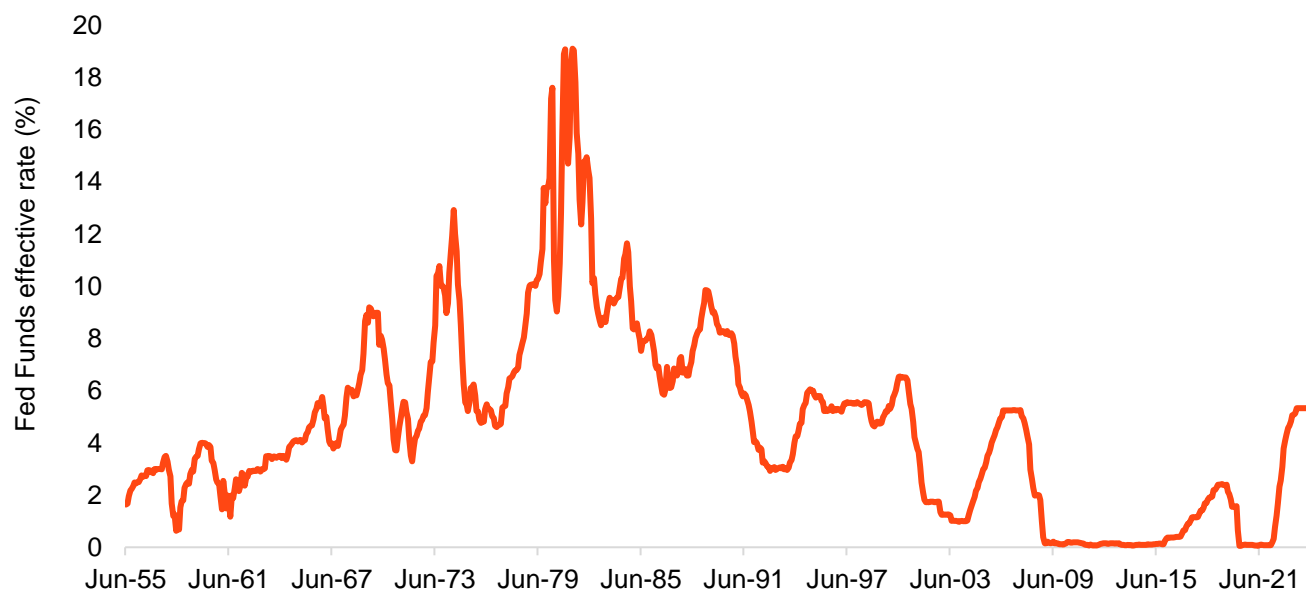
Fed officials have repeatedly commented that the neutral rate of interest – which is the policy rate that neither suppresses nor stimulates economic activity, once it reaches equilibrium – is difficult to estimate with precision. As recently as the June 2024 FOMC press conference, Chair Powell characterized the neutral rate as a “theoretical concept” that “can’t be directly observed”. These comments followed his remarks at the September 2023 FOMC press conference, where Chair Powell described the neutral rate as “we know it by its works...ultimately, you only know when you get there...by the way the economy reacts.” And in a July 2024 speech at the ECB Forum on Central Banking, New York Fed President John Williams referenced the challenges in estimating the natural rate of interest (the so called “r-star”).

The Fed’s most recent (June 2024) Summary of Economic Projections penciled in (per the response from the median Committee member) 2.8% for the longer-run Federal Funds rate. This was an increase from March 2024 (2.6%) and December 2023 (2.5%) and reflected the view among some members of the FOMC that rates are unlikely to revisit the lows which prevailed for much of the period between the global financial crisis and the pandemic (Exhibit 5).

Chair Powell has previously acknowledged that it is “certainly plausible” that the neutral rate could be a higher than the longer-run Federal Funds rate, due to potential structural shifts in the economy. This leaves us erring on the side of a more gradual rate cutting cycle – and one more consistent with the “normalization” trend outlined earlier – assuming the growth backdrop does not deteriorate significantly.

### Exhibit 5: Rates are unlikely to revisit the ultra-low levels seen in the post-GFC era, in our view

Fed Funds effective rate (%), monthly series



Source: BlackRock, Federal Reserve Bank of St. Louis. As of September 4, 2024.

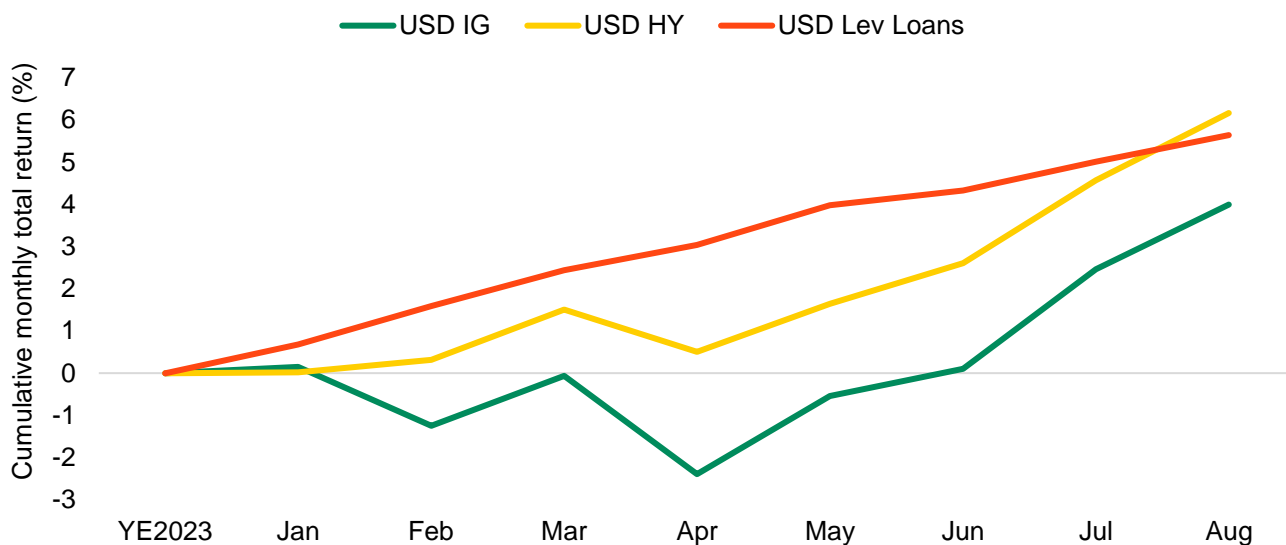
FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

## The implications for corporate credit

For credit investors, the information related to the neutral rate and, by extension, the depth of the rate cutting cycle, will be important on two fronts. The first is related to asset allocation between fixed vs. floating rate exposures. All else equal, from an investor's perspective, a shallow rate cutting cycle is potentially less of an income headwind to floating rate exposures, and less of a duration tailwind for fixed rate. (Note: for fixed rate bonds, multiple dynamics can influence interest rates at the intermediate and long-end of the rate curve).

### Exhibit 6: In the USD market, the year-to-date total returns of HY and leveraged loans have outpaced IG, although the rate rally has helped IG as of late

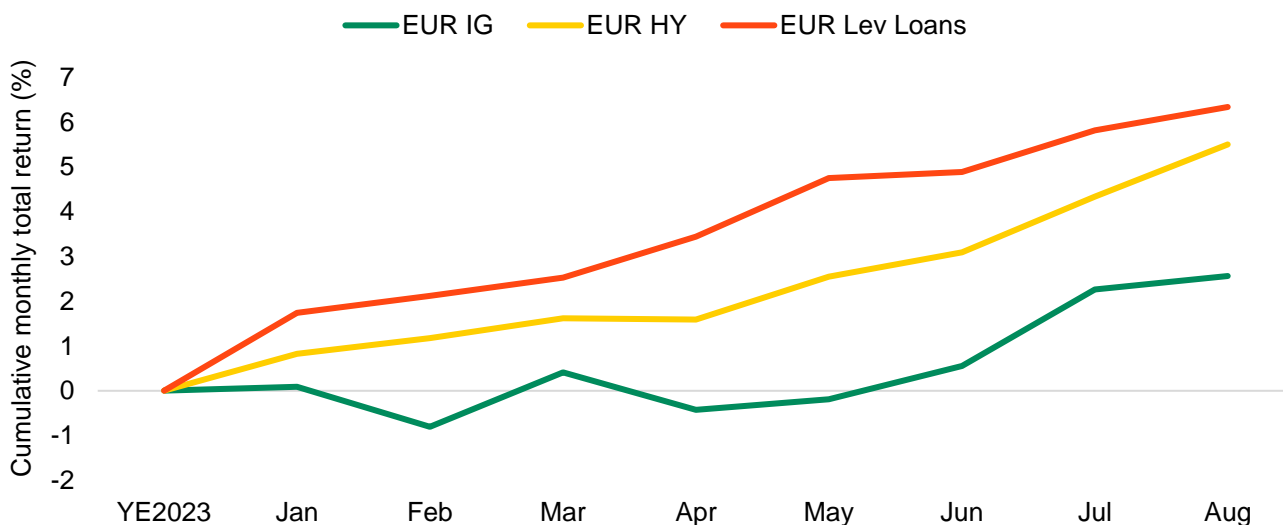
Cumulative monthly total returns for the ICE-BofA USD IG and HY Corporate Indices, and the Morningstar/LSTA USD Leveraged Loan Index



Source: Bloomberg, ICE-BofA, Pitchbook LCD, Morningstar/LSTA, BlackRock. As of August 31, 2024. **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.

### Exhibit 7: In the EUR market, leveraged loans and HY have also outpaced IG from a year-to-date total return perspective

Cumulative monthly total returns for the ICE-BofA EUR IG and HY Corporate Indices, and the Morningstar EUR Leveraged Loan Index



Source: Bloomberg, ICE-BofA, Pitchbook LCD, Morningstar, BlackRock. As of August 31, 2024. **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.

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

The second impact is more fundamental and is from the borrower’s perspective. A shallow rate cutting cycle would – again, all else equal – provide less relief on debt service / interest costs. But it would also likely be accompanied by a more constructive growth backdrop, as discussed earlier. So far, corporates have demonstrated an ability to navigate a higher cost of capital, as evidenced by issuer-weighted default rates that (while elevated) are still quite contained. We believe the supportive economic backdrop is a key driver of this resilience amid the sharp rise in interest rates since 2022.

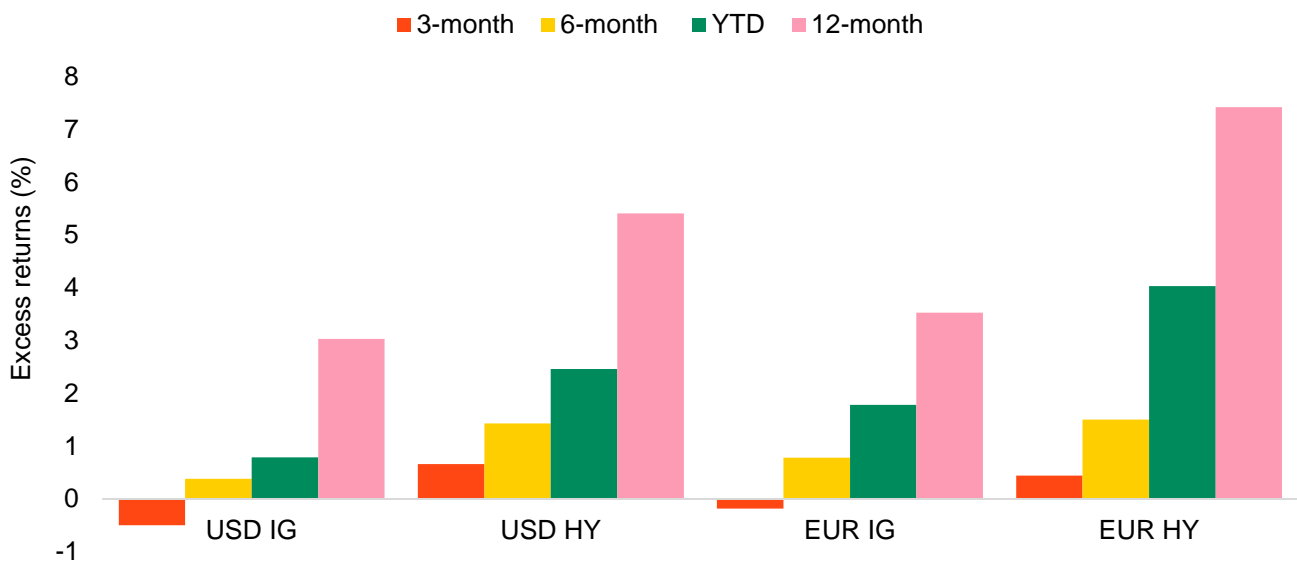
So far, the credit market has been relatively constructive in how it is approaching risk. This is evident in a few ways. First and foremost, the exceptionally heavy new issue volumes in the USD IG market have been well digested. \$72 billion of debt has priced in the first two days of this week (September 3<sup>rd</sup> and 4<sup>th</sup>, per Bloomberg data), making it one of the busiest two-day stretches on record. Yet new issue concessions have been modest at approximately 3bp, and deals have been 4x oversubscribed, on average (both stats per Bloomberg).

Additionally, as Exhibit 1 illustrates, after retracing the early August spread widening, lower-rated spreads (HY vs. IG, BB vs. BBB) have largely resumed their trend of outperformance vs. their higher-rated peers. A similar pattern can be seen in Exhibits 6 and 7, where year-to-date HY and leveraged loan total returns have outpaced their IG counterparts on a total return basis, in the USD and EUR markets. And Exhibit 8 shows this yet outperformance yet another way, this time using excess returns (which remove the positive and negative performance contributions from interest rate movements).

That said, some differentiation remains. As Exhibit 9 highlights, index-level CCC spreads have yet to narrow the underperformance gap vs. the broader USD HY market, and still trade wide to the level implied by the overall USD HY index-level OAS. With the important caveat that the CCC cohort is a highly idiosyncratic mix of firms, we believe the bar for sustained CCC outperformance is high, as it would likely require 1) a stretch of sustained *above trend* growth and 2) a stance of monetary policy that is much less restrictive.

**Exhibit 8: Index-level excess returns – which exclude the impact of interest rate moves – indicate HY outperformance vs. IG over the past three months**

Index-level excess returns for the Bloomberg USD and EUR IG and HY Corporate Indices

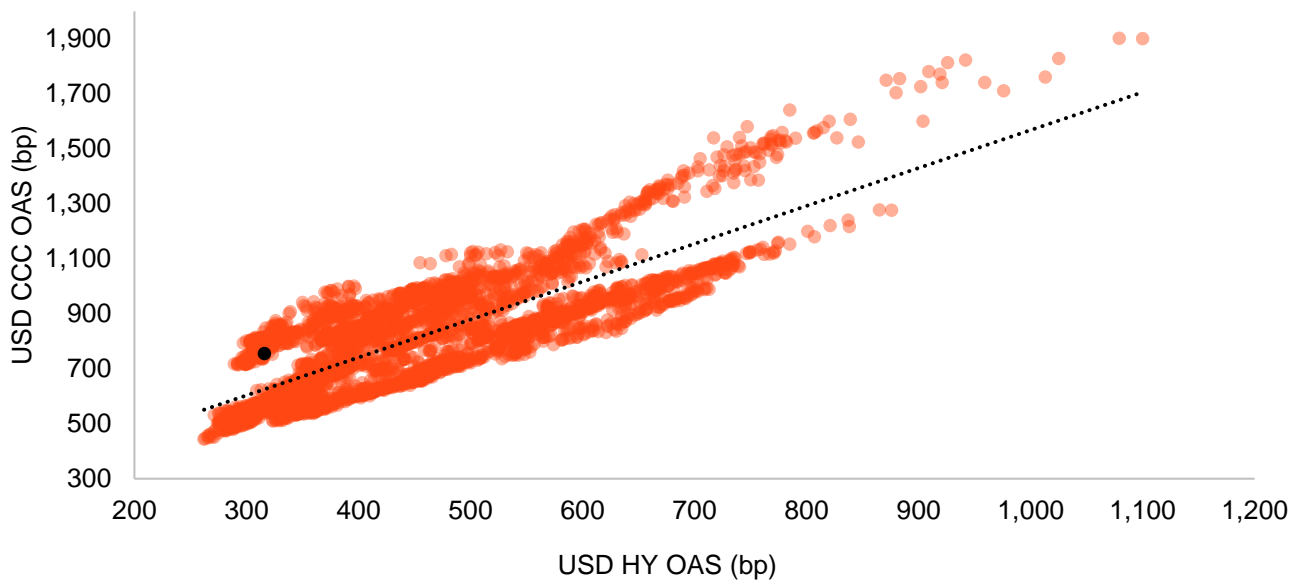


Source: Bloomberg, BlackRock. Captures data through September 4, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

### Exhibit 9: CCC spreads are still wide vs. the level implied by the broader USD HY index

Daily observations of option adjusted spreads (OAS) for the Bloomberg USD High Yield and CCC rated Corporate Indices, since January 2010



Source: Bloomberg, BlackRock. Captures data through September 3, 2024. **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.



FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | FOR PERMITTED CLIENTS ONLY IN CANADA

**Unless otherwise stated, all reference to \$ are in USD.**

**Risk Warnings:**

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. You may not get back the amount originally invested.

**Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.**

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

**In the U.S.**, this material is for institutional use only – not for public distribution.

**For investors in the Caribbean**, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organization of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. Engaging in marketing, offering, or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance with the applicable Cayman Islands law. In the Dominican Republic, any securities mentioned or inferred in this material may only be offered in a private character according to the laws of the Dominican Republic, falling beyond the scope of articles 1 numeral (31), 46 et al of Law 249-17 dated 19 December 2017, as amended and its Regulations. Since no governmental authorizations are required in such offering, any “securities” mentioned or inferred in this material have not been and will not be registered with the Stock Market Superintendency of the Dominican Republic (Superintendencia de Mercado de Valores de la República Dominicana), and these “securities” may only be circulated, offered, and sold in the Dominican Republic in a private manner based on the criteria established under Dominican laws and regulations.

**IMPORTANT INFORMATION:**

In **Canada**, this material is intended for permitted clients as defined under Canadian securities law, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction.

In **China**, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

In **Singapore**, this document is provided by BlackRock (Singapore) Limited (company registration number:200010143N) for use only with institutional investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In **Hong Kong**, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong) and any rules made under that ordinance.) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

In **Japan**, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Professional Investors only (Professional Investor is defined in Financial Instruments and Exchange Act).

In **South Korea**, this information is issued by BlackRock Investment (Korea) Limited. This material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations) and for information or educational purposes only and does not constitute investment advice or an offer or solicitation to purchase or sells in any securities or any investment strategies.

In **Australia & New Zealand**, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively.

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA).

BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

In **Brunei**, BlackRock does not hold a Capital Markets Services License and is therefore not licensed for conducting business in any regulated activity under the Securities Market Order, 2013. This document has been issued by BlackRock and is intended for the exclusive use of the recipient. The distribution of the information contained herein may be restricted by law and persons who access it are required to comply with any such restrictions. The information provided herein information is directed solely at persons who would be regarded as "Accredited Investors", "Expert Investors" or "Institutional Investors" in accordance with the Securities Market Order 2013

**This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.**

In the UK and Non-European Economic Area (EEA) countries: this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

In the European Economic Area (EEA): This document is marketing material. This is Issued by BlackRock (Netherlands) B.V. and is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded

For Investors in **Switzerland**: This document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA"). For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: [www.blackrock.com/finsa](http://www.blackrock.com/finsa).

In **Italy**: For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian.

For investors in **Israel**: BlackRock Investment Management (UK) Limited is not licenced under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder.

**The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules.** The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These 44 forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The information contained in this document is intended strictly for non-natural Qualified Investors as defined in the UAE Securities and Commodities Authority's Board Decision No. 3/R.M of 2017 concerning Promoting and Introducing Regulations. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Blackrock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In **Saudi Arabia**, the information contained in this document is intended strictly for sophisticated institutions. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

### **Kuwait**

The information contained in this document is intended strictly for sophisticated institutions that are ‘Professional Clients’ as defined under the Kuwait Capital Markets Law and its Executive Bylaws.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials.

For investors in **Central America**, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor’s own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities (“SUGEVAL”), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities (“Reglamento sobre Oferta Pública de Valores”). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon his request and instructions, and on a private placement basis. For Guatemala Investors, This communication and any accompanying information (the “Materials”) are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this “Jurisdiction”), or the conducting of any brokerage, banking, or other similarly regulated activities (“Financial Activities”) in the Jurisdiction. Neither BLACKROCK, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BLACKROCK, nor the securities, products, services, or activities described herein, are regulated, or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BLACKROCK only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations if any.

In **Latin America**, for institutional investors and financial intermediaries only (not for public distribution). This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not be registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

In **Colombia**, the sale of each fund discussed herein, if any, is addressed to less than one hundred specifically identified investors, and such fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia.

In **Chile**, the sale of each fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

**IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY.** This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (Ley del Mercado de Valores). Each potential investor shall make its own investment decision based on their own analysis of the available information. Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ("BlackRock México Operadora") is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in [www.blackrock.com/mx](http://www.blackrock.com/mx). This material represents an assessment at a specific time and its information should not be relied upon by you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: [www.blackrock.com/mx](http://www.blackrock.com/mx). BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit [www.blackrock.com/mx](http://www.blackrock.com/mx) and accept that your personal information will be managed according with the terms and conditions set forth therein.



## State of Qatar and the Qatar Financial Centre (QFC)

The information contained in this document is intended strictly for sophisticated institutions.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock Investment Management (UK).

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

In **Peru**, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

Any opinions, forecasts represent 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.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

If you are an intermediary or third-party distributor, you must only disseminate this material to other Professional Investors as permitted in the above-specified jurisdictions and in accordance with applicable laws and regulations.

Certain information contained herein has been obtained from published sources and from third parties, including without limitation, market forecasts, internal and external surveys, market research, publicly available information and industry publications. In addition, certain information contained herein may have been obtained from companies in which investments have been made by entities affiliated with BlackRock. Although such information is believed to be reliable for the purposes used herein, neither the Fund nor BlackRock assumes any responsibility for the accuracy or completeness of such information. Reliance upon information in this material is at the sole discretion of the reader. Certain information contained herein represents or is based upon forward-looking statements or information. BlackRock and its affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements are inherently uncertain, and factors may cause events or results to differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

© 2024 BlackRock, Inc. or its affiliates. All Rights Reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES, BUILD ON BLACKROCK and SO WHAT DO I DO WITH MY MONEY are trademarks of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.