

Market plunge: This is not 2008

BlackRock®

The scale of financial market moves in response to the coronavirus outbreak has been reminiscent of the global financial crisis. We do not think this is 2008, however. The virus shock's impact will likely be large and sharp, but we believe investors should be level-headed, take a long-term perspective and stay invested. The economy is on more solid footing and, importantly, the financial system is much more robust than it was going into the crisis of 2008.

We don't see this as an expansion-ending event - provided that a pre-emptive and coordinated policy response is delivered. And we see encouraging signs that this policy response is starting to come together. It will need to be a joint and decisive effort between fiscal and monetary policy, as detailed in [Time for policy to go direct](#). The key vulnerabilities that need to be addressed: cash challenges faced by companies, especially small- and medium-sized enterprises, and households.

The BlackRock Investment Institute changed its moderately pro-risk stance to neutral two weeks ago as the coronavirus outbreak began spreading across the globe. Authorities have strong incentives to take aggressive public health measures to prevent the virus from spreading due to capacity constraints in the health care sector. This will likely result in a sharp and deep economic slowdown in the near term.

Market moves have been compounded by oil prices plunging more than 20% - on track for the biggest daily drop since in the early 1990s - as an OPEC pact to stabilize prices unraveled. This should ultimately benefit global growth, but it also risks at least temporary financial and economic dislocations in energy-heavy sectors, such as emerging market commodity exporters and parts of U.S. high yield.

This is a time for investors to keep a long-term perspective. The ultimate depth and duration of the coronavirus' economic impact are highly uncertain, but we still believe the shock should be temporary as the outbreak will eventually dissipate and economic activity will normalize - assuming the needed policy response is delivered.

We stay at benchmark weights for equities, and overweight the more defensive quality and minimum volatility style factors. We favor portfolio resilience, including cash and sustainable investing strategies, and still prefer U.S. Treasuries over lower-yielding peers for portfolio ballast. We recognize Treasury allocations are playing their role during moments of high uncertainty, but see risks of a diminishing buffer against equity market sell-offs and a snap-back in yields from historically low levels.

Key views

Markets moves have been reminiscent of the financial crisis. But we don't think it's 2008 as the economy and financial system are on much stronger footing.

We still see the expansion as intact, but this requires policy makers to act decisively to prevent the coronavirus from ending the cycle prematurely.

We maintain benchmark exposure to risk assets, and emphasize resilience through quality equities, cash and sustainability.

Bulletin

March 2020

**BlackRock
Investment
Institute**

BlackRock Investment Institute

The BlackRock Investment Institute (BII) leverages the firm's expertise and generates proprietary research to provide insights on the global economy, markets, geopolitics and long-term asset allocation – all to help our clients and portfolio managers navigate financial markets. BII offers strategic and tactical market views, publications and digital tools that are underpinned by proprietary research.

General Disclosure: 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 March 9, 2020 and may change. The information and opinions are derived from proprietary and non-proprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by BlackRock, its officers, employees or agents. This material may contain 'forward looking' information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. 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.

In the U.S. and Canada, this material is intended for public distribution. **In the UK and outside the EEA:** Issued by BlackRock Investment Management (UK) Limited, authorized 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. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. Please refer to the Financial Conduct Authority website for a list of authorized activities conducted by BlackRock. In the event where the United Kingdom leaves the European Union without entering into an arrangement with the European Union which permits firms in the United Kingdom to offer and provide financial services into the European Union ("No Deal Brexit Event"), the issuer of this material is: BlackRock Investment Management (UK) Limited for all outside of the European Economic Area; and BlackRock (Netherlands) B.V. for in the European Economic Area, however, prior to a No Deal Brexit Event and where a No Deal Brexit Event does not occur, BlackRock Investment Management (UK) Limited will be the issuer. BlackRock (Netherlands) B.V.: Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Trade Register No. 17068311. For more information, please see the website: www.blackrock.com. For your protection, telephone calls are usually recorded. BlackRock is a trading name of BlackRock (Netherlands) B.V. **In Switzerland,** this document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended. **For investors in Israel:** BlackRock Investment Management (UK) Limited is not licensed under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder. **In South Africa,** please be advised that BlackRock Investment Management (UK) Limited is an authorized financial services provider with the South African Financial Services Board, FSP No. 43288. **In the DIFC** this material can be distributed in and from the Dubai International Financial Centre (DIFC) by BlackRock Advisors (UK) Limited – Dubai Branch which is regulated by the Dubai Financial Services Authority (DFSA). This material is only directed at 'Professional Clients' and no other person should rely upon the information contained within it. **In the Kingdom of Saudi Arabia** this information is only directed to Exempt Persons, Authorized Persons or Investment Institutions, as defined in the relevant implementing regulations issued by the Capital Markets Authority (CMA). **In the United Arab Emirates** this material is only intended for -natural Qualified Investor as defined by the Securities and Commodities Authority (SCA) Chairman Decision No. 3/R.M. of 2017 concerning Promoting and Introducing Regulations. Neither the DFSA or any other authority or regulator located in the GCC or MENA region has approved this information. **In Singapore,** this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N). 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. **In South Korea,** 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). **In Taiwan,** independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600. **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 Australia,** issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 AFSL 230 523 (BIMAL). The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. **In China,** this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, excluding 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. **For Other APAC Countries,** this material is issued for Institutional Investors only (or professional/sophisticated/qualified investors, as such term may apply in local jurisdictions) and does not constitute investment advice or an offer or solicitation to purchase or sell in any securities, BlackRock funds or any investment strategy nor shall any securities be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. **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. If any funds are mentioned or inferred in this material, such funds may not have been registered with the securities regulators of any Latin American country and thus, may not be publicly offered in any such countries. The provision of investment management and investment advisory services is a regulated activity in Mexico thus is subject to strict rules. No securities regulator within Latin America has confirmed the accuracy of any information contained herein.

The information provided here is neither tax nor legal advice. Investors should speak to their tax professional for specific information regarding their tax situation. Investment involves risk including possible loss of principal. International investing involves 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. These risks are often heightened for investments in emerging/developing markets or smaller capital markets.

© 2020 BlackRock, Inc. All Rights Reserved. **BlackRock** is a registered trademark of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.