

Investment Commentary

FEBRUARY 2, 2009

Stocks traded in a choppy fashion and posted modest losses last week, with the Dow Jones Industrial Average falling 1.0% to 8,001, the S&P 500 Index declining 0.7% to 826 and the Nasdaq Composite off 0.1% to close at 1,476. Last week featured the release of the preliminary fourth-quarter gross domestic product (GDP) report, which showed that the US economy contracted at an annualized rate of 3.8%, the largest decline since 1982. Not only were consumer spending and business investment levels down, but the report also showed an unwanted build-up in inventory levels that will need to be worked off, suggesting that the current quarter also will be quite weak. Inflation levels remained relatively flat for the quarter, consistent with our view that deflation remains a potential threat, although not one that we believe will materialize.

At present, the US and global economies appear to be in a free fall, with hopes for a recovery resting on the potential for fiscal and monetary stimulus. On the monetary front, the Federal Reserve met last week and, in addition to keeping interest rates near zero, reiterated that it would use its balance sheet to lend and purchase assets, crystallizing its position as a lender of last resort. Fiscal stimulus plans continue to be debated in Washington and it appears likely that some version of President Obama's proposed package will be passed soon. One aspect of policy discussions on which we are focusing attention is the extent to which protectionist measures may work their way into any legislation. While such measures may be politically popular, we believe they run the risk of slowing overall economic growth further and are generally equity unfriendly. Overall, we expect that a bottoming in inventory production and residential construction cycles, the effects of lower energy prices and the stabilizing influence of monetary and fiscal policies will help the economy return to modestly positive growth by the end of this year or in 2010. Even so, we expect it is unlikely to be a normal recovery, and real growth should plateau at a relatively low level.

While it would be easy to get trapped into a bearish mindset given such a difficult background, we do believe there are some reasons for hope: Lower energy prices are providing a boost to spending; lower home prices and lower mortgage rates have made housing more affordable; money growth has picked up; and credit spreads continue to narrow. Additionally, outside of the United States, many countries have only begun to enact fiscal stimulus measures to help the troubled global economy.

A number of crosscurrents are currently buffeting the equity markets. On the positive side, valuations have improved and a great deal of cash remains on the sidelines. On the negative side, the earnings picture is still deteriorating and risk aversion remains extremely high, which has been prompting waves of selling. At present, the S&P 500 is in a zone between 840 and 740, levels that marked the lows from last October and November. We continue to believe that the market is in a painful bottoming process, but that this zone represents a reasonable price level for investors to be accumulating equities.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

BLACKROCK



Bob Doll is a Vice Chairman and Director of BlackRock®, a premier provider of global investment management, risk management and advisory

services. Mr. Doll also is the Global Chief Investment Officer of Equities, a member of the BlackRock Executive Committee and holds a seat on the BlackRock Board of Directors. Additionally, he is 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 \$1.31 trillion in assets under management as of December 31, 2008.

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 February 2, 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, Inc., member FINRA.

©2009 BlackRock, Inc. All Rights Reserved.

AC2566-2/2009