

Investment Commentary

DECEMBER 8, 2008

Last week the National Bureau of Economic Research announced that the United States entered into a recession last December, and, as if to confirm that finding, the November employment report showed that the U.S. economy shed the most jobs in a single month since 1974. Stock prices fell for the week, with the Dow Jones Industrial Average losing 2.2% to 8,635, the S&P 500 Index declining 2.3% to 876 and the Nasdaq Composite falling 1.7% to 1,509. Despite these declines, we were encouraged by the fact that stocks shrugged off some bad economic news at the end of the week and managed a rally. At present, stock prices are above where they were when they first hit an important bottom on October 10, and our conclusion now as it was then is that equity markets are in a bottoming process.

In our opinion, the November jobs report confirms the seriousness of the present economic downturn. The economy fell into a near free fall after the Lehman Brothers' bankruptcy on September 15, and we expect the U.S. economy to contract by a 5% or more annual rate in the fourth quarter. Outside of the United States, most of the rest of the world is sinking into a recession as well, experiencing reduced production levels, deteriorating corporate profits and rising unemployment. Governments and policymakers around the world have continued to combat the ongoing crisis, and we have seen some signs of success. Bank lending rates have declined and we have seen residential mortgage rates come down, which is a critical step in terms of improving mortgage availability and slowing foreclosures. Looking ahead, we expect to see additional monetary and fiscal responses as interest rates are cut, as central banks expand their balance sheets and as policymakers find other ways to unfreeze the financial system. We would caution that all of these efforts will take time and continue to look for narrowing credit spreads as a key signal that the financial system is starting to return to normal and that higher risk assets are engaging in a renewed uptrend.

The economic and financial market weakness has been feeding on itself and forming a negative feedback cycle, as is typical during economic recessions and stock market downturns. At some point, market participants will collectively decide to respond positively to all of the stimulus being enacted and will begin anticipating an economic recovery. When that occurs, pessimism will recede, and this cycle will be broken. This is not to say, however, that we are yet at the end of the recession, since we will likely see weak economic growth over the next few months.

When, then, should investors expect to see an improved environment for equities? We believe that equity markets are currently in the midst of a bottoming process. As we indicated earlier, the current process appears to have begun on October 10. Stocks sank below their October 10 lows in late November, but importantly, volatility measures were lower then, which adds support to our view that prices are finding a floor. Based on patterns observed during past recessions, such processes typically last several months. We are now two months into this process, and believe we have between two and four months to go, meaning we should expect high levels of volatility to continue, but that the longer-term outlook is brighter.

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 \$1.26 trillion in assets under management as of September 30, 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 December 8, 2008, 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.

FOR MORE INFORMATION
www.blackrock.com

Prepared by BlackRock Investments, Inc., member FINRA.

©2008 BlackRock, Inc. All Rights Reserved.

AC2529-12/2008