INTEREST RATE HIKES AND EQUITY RETURNS, 1961-2020

During the pre-CR period, the S&P 500® Index on average peaked two months after rate rises and dropped in the six months following. After the CR period, the S&P 500® Index on average rose four months after rate rises and remained strong in the second half of the CR period. The divergence of stock market return patterns reflects a faster response to expectations.

Interest rate hikes period of rate rise and equity return

INTEREST RATE HIKES AND EQUITY RETURNS OVER THE LAST DECADE

Since the 1Q19 rate cuts, the S&P 500® Index has risen four months after rate cuts and remained strong in the second half of the period. The divergence of stock market return patterns reflects a faster response to expectations.

LESSONS LEARNED?

Generally, stock markets react as a function of central bank rate returns. But many market participants manage portfolios for both price and income and adjust accordingly. The key to successful investing as your goal changes is to keep your investment strategy in sync with your interests. With a strategic approach to investing that takes into account your unique circumstances and goals, you can achieve your financial objectives.

Source for data used in this blog: Bloomberg. CR stands for Crisis Response. For more information and a complete description of the methodology, please refer to the disclosures at the end of this blog. All performance is hypothetical and does not represent actual results. Asset allocation decisions should be made in consultation with a financial professional. Past performance is no guarantee of future results. There are no guarantees that any investment strategy will yield profits or protect against loss. Historical performance is not indicative of future results. This commentary is prepared by the Investment Strategy Group for BlackRock’s U.S. wealth management business and is intended to provide general information only. It is not intended as personalized financial advice and should not be considered as investment advice or a recommendation to buy, sell, or hold any security. Investment decisions should be based on a complete analysis of the facts, your personal situation, and your particular financial objectives. Please consult your investment advisor for more information.