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**"10 Predictions" for 2008:**

**THOUGH MARKETS WILL REMAIN VOLATILE, BLACKROCK'S BOB DOLL  
LOOKS FOR EQUITIES TO MAINTAIN BULL MARKET COURSE IN '08**

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**U.S. Narrowly Escapes a Recession,  
But Credit Issues Will Continue to Stoke Recessionary Fears**

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**Large Companies, Growth Stocks Will Be Winners in '08;  
Emerging Markets and Economies Will Outperform Again**

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**Democrats Likely to Sweep Elections,  
With Potential Impact on Tax and Trade Policies**

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New York, January 9, 2008 - As credit markets regain their footing and investor confidence rebounds, equity valuations should improve in 2008, allowing the bull market to continue, according to Robert C. Doll, Vice Chairman and Chief Investment Officer of Global Equities at BlackRock, Inc. (NYSE: BLK). In fact, Doll is predicting that while equities are likely to remain volatile in 2008 due to above-normal uncertainty and below-normal liquidity, stocks will reach new record highs at some point during the upcoming year.

"While we believe investors will face significant risks this year, we remain cautiously optimistic overall," Doll said.

**Escaping a Recession a "Close Call" in 2008**

Doll believes that the U.S. will narrowly escape a recession in 2008.

"The economy is weak, but it is still growing, and consumers continue to spend, albeit at a reduced pace. The labor market has been under pressure, but remains resilient," he said. "The decline in the dollar presents risks, but also has served as a catalyst for a boom in exports."

Escaping a recession will be "a close call," Doll said, since expected growth over the next few quarters will be well below the economy's long-term trend. The U.S. housing market remains in a recession and credit markets continue to experience turmoil.

"Continued economic growth in the U.S. will require export strength, reliance on strong balance sheets and income statements among non-financial companies, avoidance of significant employment layoffs, and an accommodative Fed. In our opinion, these factors are more likely to occur than not," Doll said. "The key to our cautiously optimistic outlook is for the U.S. economy to avoid a slump deep enough to dampen long-term earnings expectations, which could end chances for a market re-rating and undermine the global economy."

### **Credit Woes Will Continue**

Doll believes that although a recession is not likely, credit-related issues will continue to stoke recessionary fears over the next several months.

"What we are witnessing appears to be the bursting of a credit bubble, with both supply and demand for credit contracting amid a general deterioration in loan quality," he said. "To say the bubble has burst is somewhat imprecise, however, because such bubbles don't dissipate quickly - they take a long time to unwind. We are likely to see additional downgrades, write-downs and further evidence of a weakening economy before all is said and done."

### **Large Companies, Growth Styles Favored; Performance Differentials Make Stock Selection Critical**

Doll, who has been publishing his annual "Ten Predictions" for the year ahead in the financial markets and the economy for over a decade, notes that improved equity market conditions would become especially evident with well behaved inflation and Fed support.

"In 2008, large companies and growth will win again, as U.S. multinationals perform as well as most developed markets," he said. "As occurred in 2007, stock selection will be a critical factor for success, as fewer stocks outperform their indices."

Doll also favors the information technology, healthcare and energy sectors, while financials and consumer discretionary sectors will continue to struggle and utility stocks take a breather from their recent outperformance. "From a geographic perspective, we believe it is possible that the U.S. will outperform other developed markets, but emerging markets should once again be the winners," he said.

Among other asset classes, bond yields are likely to head higher later in 2008, Doll said, and from a valuation standpoint, equities remain a more attractive option. U.S. residential real estate will likely continue to struggle, with evidence suggesting that the housing recession is not yet over.

For the past several years, oil prices have experienced upward price pressure due to ongoing geopolitical tensions, rapid levels of global economic growth, increases in energy demand and the absence of significant new supply sources. "The long term case for higher oil prices remains intact, but a global economic slowdown and some incremental production should permit some consolidation in oil prices this year," Doll said. "The prices of other hard commodities could undergo correction as well in '08, but the long-term outlook for commodities remains a good one."

### **Focus on U.S. Elections Grows**

As the year progresses, focus will grow on the potential impact of this year's elections on fiscal and economic policy. "The U.S. presidential election will consume many headlines, and the implications for investors will center around taxation and trade policies - neither of which is likely to be resolved favorably for equities," Doll said.

Doll noted that most signs point to a Democratic electoral sweep. "We believe the desire for change and President Bush's unpopularity, which so dominated the 2006 midterm elections, has a way to go. This backdrop, combined with the fact that the Democrats have raised more money than Republicans and what appears to be heightened disarray among the Republican party, suggests that these elections are the Democrats' to lose."

### Ten Predictions for 2008

Here are Doll's "Ten Predictions for 2008" with his commentary on the key trends. "2008 will hopefully be a year where reflation and liquidity beat out credit issues and fear," he said.

- 1. World growth dips below trend for the first time since 2002.**  
*World GDP has been growing strongly for the last several years, averaging over the long-term trend of 3.5% since 2004. In our opinion, this is likely to change in 2008. Weakness should be centered in the U.S., particularly in the housing and consumer-related areas of the economy. We expect that European economies will encounter some noticeable weakness as well. Developing markets should continue to experience strong economic growth levels this year.*
- 2. The United States narrowly escapes an economic recession, but experiences a profits recession.**  
*Despite the significant drag from the housing recession and related credit problems, we believe that strong corporate balance sheets and cash flows, a resilient labor market, still-strong exports and an accommodative Fed are important counterbalances that should help the U.S. avoid a recession, even if it may feel like one at times. Our best guess for U.S. GDP growth in 2008 is in the area of 1.5% to 2%. Earnings are more volatile than economic growth and have been trending noticeably downward over the past couple of quarters. Unfortunately, we believe this points to the likelihood of a profits recession in 2008.*
- 3. The fed funds rate falls to 3.5% or lower as Treasury bond yields rise.**  
*We expect to see at least another 75 basis points worth of reductions in the fed funds target rate, which would bring that rate to 3.5% or lower. We expect the central bank to lower rates grudgingly. Although we believe inflation should be well contained, some inflationary pressures remain (e.g., food prices) and Fed officials are mindful that inflation fighting is one of their primary jobs. In terms of bond yields, we expect that as credit conditions ease and the economy remains on track, rates should rise modestly from their current low levels.*
- 4. The dollar rises against the euro, but falls against developing market currencies.**  
*Since peaking in value in 2002, the dollar has trended downward relative to most currencies (notwithstanding a brief uptick in 2005). Unfavorable interest rate differentials, slower levels of economic growth in the U.S. and, of course, the trade imbalance have all been putting downward pressure on the U.S. currency. While we believe these pressures will continue in 2008, slowing European growth and the current high valuation of the euro should cause it to fall in value relative to the dollar. Pressure is mounting to revalue emerging markets currencies, and should U.S. dollar pegs be adjusted, it would result in relative appreciation for developing currencies.*
- 5. Stocks achieve a new all-time high in 2008 as price/earnings ratios improve.**  
*Equity valuations (i.e., P/E ratios) have improved only modestly since mid-2006 after experiencing several years of declines. We believe there is room for further improvement, particularly given our view that earnings are likely to be weak. The combination of attractive valuations, positive (albeit slower) levels of economic growth, subdued inflation, low long-term interest rates, strong corporate balance sheets and an accommodative Federal Reserve should help push stocks to a new high at some point during the year – breaking through the records last set in October.*

6. **Large cap and growth outperform small cap and value.**  
*This prediction represents a continuation of a trend that became evident in the latter half of 2007. In our experience, these sorts of trends tend to last for several years once they develop. In an environment of slower economic growth and weaker earnings growth, higher-quality investments should outperform, which would point to large caps and growth styles.*
7. **Developing economies and equity markets outperform developed ones yet again.**  
*Absent a global recession, we expect developing economies and markets to outperform again in 2008. Growing workforces, ongoing productivity gains, increasing consumption levels, strong savings rates and industrial and technological improvements should all continue in developing countries, helping those economies continue to thrive. Emerging markets' valuations have moved up to approach those of developed markets in recent years, but given their higher earnings growth levels, they remain an attractive alternative.*
8. **Despite rising above \$100 per barrel, oil prices end the year lower than where they started.**  
*Ongoing geopolitical tensions, rapid levels of global economic growth, increases in energy demand and the absence of significant new supply sources have been putting upward pressure on oil prices for the past several years. In 2007, oil prices climbed 57% to end the year at \$95.98 per barrel, and, in fact, prices did jump above the \$100 mark in the first couple of trading days of 2008. Although we believe the long-term case for higher prices remains intact, from a cyclical perspective, the year should see some consolidation in oil prices assuming a slowdown in world growth and a less dramatic decline in the dollar.*
9. **Information technology, healthcare and energy outperform utilities, financials and consumer discretionary.**  
*In general, we prefer companies with good earnings predictability and with strong income statements and balance sheets. We also favor companies that derive a significant portion of their revenues from outside the U.S. The desire for higher predictability drives us toward the healthcare sectors and to some areas of technology, while looking for global exposure points to other areas of technology and to the energy sector. All three sectors also exhibit good earnings growth prospects and are reasonably valued. On the other side of the ledger, utility stocks have performed strongly for some time, and we believe they may be overvalued. The consumer discretionary and financials sectors appear likely to remain under pressure given credit-related and consumer spending issues.*
10. **Democrats capture the White House and increase their lead in the Senate, House and governors' mansions for the first time since 1992.**  
*By our analysis, most signs point to a Democratic sweep in this year's elections. A federal government led by Democrats would be more likely to push for increased marginal tax rates and possibly the reduction or elimination of the tax-advantaged treatment that capital gains and qualifying dividend income currently receive. At the same time, we would expect to see a rise in trade policies designed to "protect" jobs in a sluggish economy. In all, such moves would likely be a net negative for equities, but not to a dramatic degree.*

#### **The Scorecard for 2007**

Doll also provided a recap of his "10 Predictions" for 2007, along with a "score" for each prediction and an assessment of the actual outcomes.

"2007 began much like 2006 ended, with some slowing in U.S. economic growth, a Federal Reserve that remained on hold, and a generally positive investment environment. In the first half of 2007, solid earnings growth and continued high levels of merger-and-acquisition activity allowed equities to move almost inexorably upward.

"But what a difference six months made. The benign fundamentals that dominated from 2003 to 2006 - namely, strong global growth, rising profitability levels, and falling risk premiums - were replaced by credit stress, pressures on the capital position of the financial system, question marks about the sustainability of the business cycle, and rising food and energy prices. Reflecting these woes, government bond yields plummeted, the dollar's decline intensified, equities became volatile and trendless, and the Fed's focus shifted from inflation fighting to providing liquidity and lowering rates," Doll said.

"While there certainly were unexpected developments along the way, the main themes for 2007 that we expected to occur did come to pass, making it a good overall year for our predictions," he said.

1. The U.S. economy slows to between 2% and 2.5% growth as non-U.S. growth remains relatively robust.

Score = Correct

*The slowing U.S. economy was one of the headline stories of 2007, as the plummeting housing market sparked fears of a potential recession. While the final numbers are not yet in, preliminary indications point to overall U.S. gross domestic product (GDP) growth of somewhere between 2% and 2.5% for the year. Outside the U.S., most other developed markets experienced at least some sort of slowdown, but, on balance, growth levels remained quite robust, especially in emerging markets.*

2. Earnings growth in the United States is below trend for the first time since 2001.

Score = Correct

*The long-term trend for corporate earnings growth is around 7%. Earnings growth was higher than that during the first half of the year, but as credit concerns intensified, earnings levels for many companies (especially for financials and consumer-related companies) suffered. Earnings growth levels for the third quarter were actually in negative territory. With continued weakness expected in the fourth quarter, it appears that overall 2007 earnings growth levels will be below 7%.*

3. The U.S. yield curve turns modestly positive as short rates fall and long rates rise.

Score = Half Correct

*Bond yields did not behave exactly as we expected them to at the beginning of the year. Short-term rates certainly fell, but long-term rates followed suit, as yields declined across the entire curve for all of 2007. However, the core prediction did come to pass, as short rates fell more than long rates, which resulted in an overall yield curve steepening.*

4. Equities experience another good year as P/E ratios expand for the first time in six years.

Score = Correct

*At the beginning of the year, we used the phrase "reasonably constructive" to describe our outlook for equities, with "constructive" meaning an up year for stocks and "reasonably" meaning not as much as in 2006 and with more volatility along the way. Because stock prices advanced more than earnings, P/E ratios did expand during 2007, particularly in non-U.S. markets.*

5. The average stock underperforms the broad market averages as large-cap and high-quality stocks outperform small-cap and low-quality stocks.

Score = Correct

*This trend began developing around mid-year, and accelerated as the year progressed, with both large-cap and higher-quality stocks showing noticeable outperformance. As a result, the average U.S. stock did underperform the broad market averages.*

6. The energy, healthcare and information technology sectors outperform the utilities, telecommunications and consumer staples sectors.

Score = Correct

*Energy stocks outperformed sharply in 2007 (no surprise given that oil prices approached \$100 per barrel), and technology stocks also were strong performers. Among those sectors we pegged to underperform, the big surprise to us was the utilities sector, which experienced another good year in 2007. Taken as a whole, however, energy, healthcare and information technology outperformed utilities, telecommunications and consumer staples.*

7. The U.S. trade-weighted dollar moves to its lowest level in a decade.

Score = Correct

*The value of the dollar fell throughout the year, a trend that accelerated sharply as the U.S. economy slowed relative to the rest of the world and as the U.S. Federal Reserve cut interest rates more quickly than other central banks. By November, the dollar had reached a new record low against the euro and had posted multi-year lows against many other currencies.*

8. Japan is the only major country to experience increased nominal growth, leading to equity market outperformance.

Score = Incorrect

*This appears to be our only prediction that was just plain wrong. Consumption trends remained very weak in Japan, which detracted from overall economic growth in 2007, and Japanese stocks were among the worst performers for the year.*

9. Volatility and return spreads increase from historically low levels.

Score = Correct

*While we were expecting heightened volatility in 2007, we certainly did not expect it to increase as much as it did. Return spreads between sectors and individual companies also increased noticeably in 2007.*

10. Populist politics experiences a renaissance in the United States.

Score = Correct

*Discussions about issues such as trade policies and tax reform heated up in 2007, and we expect such issues to remain at the forefront of political discussions as the 2008 campaign season progresses. As we get closer to this year's elections, we anticipate that headline risks also will intensify.*

#### What's An Investor to Do?

In addition to his oft-repeated advice to investors to continue working closely with their financial professional to ensure that their investment portfolios are designed to best meet their long-term goals, Doll offered the following general investment guidelines for 2008:

- **Retain overweight positions in equities:** Particularly if our call is correct and the economy avoids a recession, we believe equities are attractively valued when compared to other asset classes (particularly bonds) and that investors should consider overweighting stocks in their portfolios, where appropriate.
- **Buy into weakness (and strength):** 2008 looks to be another year dominated by market volatility, but that does not mean that investors should avoid the markets. Employing dollar-cost averaging strategies\* can be a good bet during turbulent times and can help keep your investment plan on track.
- **Think about U.S. equity styles and sectors:** In an environment of slowing economic growth, we recommend a focus on mutual funds or other investment vehicles that invest in large-cap and/or growth stocks. Additionally, we believe investments in the technology, energy and healthcare sectors represent attractive opportunities in 2008.
- **Scan the globe:** Not only does international investing offer diversification benefits, but some non-U.S. markets (particularly emerging markets) look especially attractive. In addition, investors can focus on large, multinational companies based in the U.S., which tend to have a higher degree of earnings predictability and are attractively valued.

- **Consider commodities as a long-term investment:** While we believe we may be due for some sort of cyclical downturn in oil and other hard commodities, the fundamental long-term secular case for commodities remains sound.

## About BlackRock

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\*No investment is risk free, and a systematic investment plan does not ensure profits or protect against losses in declining markets. Because dollar cost averaging involves continuous investment in securities regardless of fluctuating price levels, you should carefully consider your ability to continue to purchase during periods of price declines.

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