

# Investment Directions: New terrain

This is a roadmap for navigating the months ahead. It pairs our macroeconomic outlook with strategies to help build resilient portfolios and realize growth, income, and diversification.



## Recalculating routes

Investors are navigating a landscape shaped by disruption and resilience. Supply-side vulnerabilities are back to the forefront – energy security risks are rising, inflation pressures remain uneven, and global policy support is evolving. At the same time, growth opportunities are becoming more differentiated across regions and sectors, creating both challenges and opportunities that require active positioning.

Against this backdrop, accessing growth, generating income, and strengthening diversification will require deliberate positioning. We believe investors need to chart new routes – leaning into selective growth drivers, resilient income streams, and uncorrelated diversifiers – to build portfolios that are resilient and opportunistic into 2026 and beyond.

## Setting the course

### Roads to Growth

Relative US insulation. Opportunistic entry point for AI. Energy security in focus.

📍 Global Allocation

📍 Tech & AI innovation

📍 Sustainable Energy



### Roads to Income

Sweet spot in the belly. Look home for income stability. Credit differentiation. Consider option strategies.

📍 Global Equity High Income

📍 Asian Bond

📍 S&P 500 and Russell 2000 Buy-Write



### Roads to Diversification

Inflation protection. Diversify without directionality. Gold & Miners.

📍 Global/US Equity Long/Short

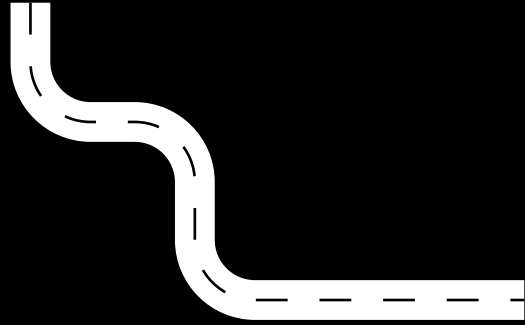
📍 World Miners

📍 Physical Gold



# Roads to Growth

Markets are repricing growth amid geopolitical shocks and policy uncertainty, but earnings resilience and structural strength continue to differentiate winners from losers.



## Geographic reality: US insulated, APAC challenges

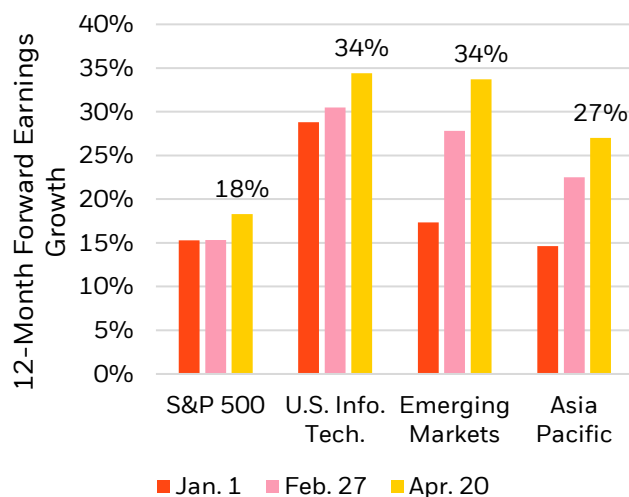
U.S. economy remains insulated from energy shocks.

- **Resilient domestic demand**, services-led growth, energy independence, and lower export reliance.
- Deepest **AI ecosystem with productivity gains** flowing through to corporate earnings.
- **The opportunity:** Capture dispersion from varied policy impacts and uneven AI adoption.

Asia-Pacific faces energy risks but is a direct beneficiary of AI buildout.

- **Slowing growth and sticky inflation** from energy shocks lead to export vulnerability and policy uncertainty.
- **Deep AI supply chains** and capex beneficiaries support equity markets, driving rerating potential.
- **The opportunity:** Broad beta harder to justify, lean into systematic active strategies.

**Figure 1. Earnings growth has emerged stronger**  
Year-over-year blended forward EPS growth



Source: BlackRock, Bloomberg. As of 20 April 2026.

## Durable growth: AI productivity and energy security

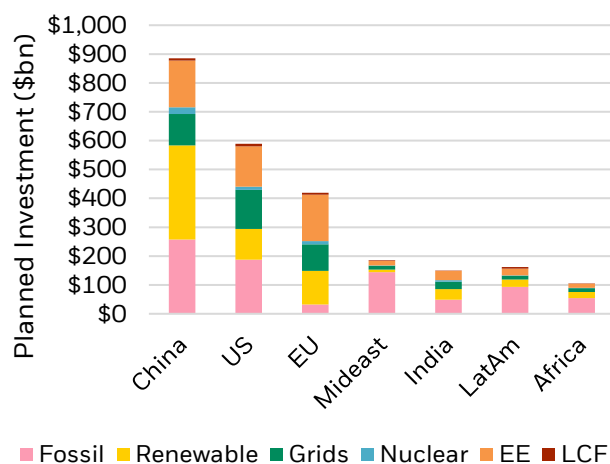
### Artificial intelligence

- In a growth-challenged environment, AI-driven productivity matters more – margin expansion and efficiency support earnings when top-line growth is constrained.
- **The opportunity:** Own the AI stack (infrastructure, intelligence, applications) via multiple and differentiated access points.

### Energy security

- AI data centers are a growing power chokepoint. Middle East tensions expose supply-side vulnerabilities, making energy security a broader growth imperative – especially for Asia.
- **The opportunity:** Own beneficiaries of an accelerated domestic energy transition (infrastructure, real assets, clean energy) as investment reshapes industrial policy.

**Figure 2. Energy investment plans shape policy**  
Planned investment in energy infrastructure



Source: BlackRock, IEA. As of 20 April 2026. Note: EE = energy efficiency, LCF = low-carbon fuels. Currency USD

## Routes to Growth

### Relative US insulation

- + US Flexible Equity
- + US Equity Multi-Factor

### Outsource to Active Manager

- + Global Allocation

### Opportunistic entry point for AI

- + AI Innovation
- + Tech & AI innovation
- + Asia ex Japan Equity

### Energy security in focus

- + Sustainable Energy
- + World Real Asset Securities
- + World Infrastructure & Real Estate
- + Global Clean Energy

# Roads to Income

Stable, predictable income streams act as a crucial shock absorber during volatile market conditions. Some income streams are more resilient than others amid a supply crunch.

## Lean away from long duration

- Higher inflation risks could pressure long duration bonds, even though near-term rate hikes remain unlikely.
- The opportunity:** Stick to the belly of the curve to balance the tension between inflation and growth.
- The front-end is also increasingly compelling, if reinvestment risk is not an issue.

## Look closer to home for stability

- The opportunity:** Asia USD bonds offer a compelling yield and a spread pickup versus global peers, without sacrificing credit quality.
- An average duration of ~4 years fits our preference.
- Lower correlation to other assets (vs. global peers) helps to strengthen overall portfolio resilience.

## Credit differentiation

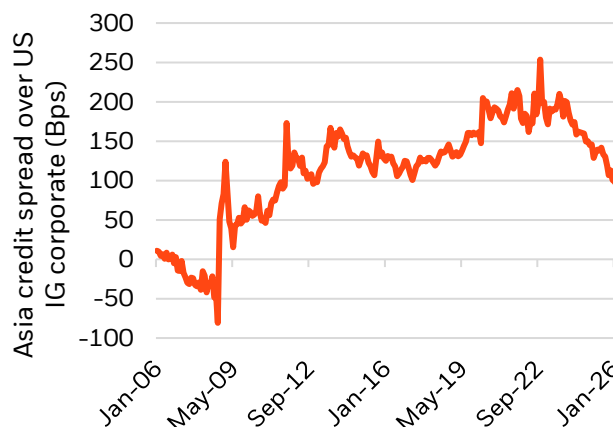
- Dispersion remains a defining feature, as flagged in the **Q2 Global Credit Outlook**, with scope for further increases. Supply shocks and the US tariff reset are driving credit differentiation across sectors, regions and ratings.
- Despite tight headline spreads, opportunities exist beneath the surface, as highlighted by our **Global Fixed Income CIO, Rick Rieder**.
- The opportunity:** Favor agile strategies that can rotate across sectors, geographies, and issuers – underpinned by fundamental underwriting and active credit selection.

## Consider option strategies

- Rick** notes short volatility as a risk-on expression.
- The opportunity:** Monetize elevated equity volatility by combining core index exposure with actively managed options to generate additional income and manage downside risk.
- Buy-write strategies and dividend equities offer a more defensive return profile.

**Figure 3. Attractive pickup in spread over US fixed income**

Asia credit spread over US IG corporate



Source: Bloomberg, BlackRock, as of 31 March 2026.

**Figure 4. Implied volatility is elevated across global equities**

30-day 100% moneyness implied volatility

30D ATM Vol	Current	Average	IV Percent
S&P 500	14.5	14.7	58.8%
NASDAQ	21.5	20.1	66.6%
STOXX 50	19.1	16.3	77.0%
FTSE 100	14.7	13.3	72.5%
Nikkei 225	25.8	18.5	91.5%
HSI	18.9	19.8	46.9%
SSE A50	15.4	16.8	43.1%
NIFTY	15.9	15.3	69.2%
KOSPI 200	54.3	17.7	98.8%
TWSE	31.6	16.7	97.6%

Source: BlackRock APAC Investment Strategy, as of 11 May 2026. Note: IV percentile is a metric showing the percentage of trading days over the lookback period that the IV was lower than its current level. High IV percentile often favors short volatility strategies.

## Routes to Income

### Look home for income stability

- + Asian Bond
- + Asian Asset Income

### Credit differentiation

- + 6% FI Income Portfolio
- + Global Bond Income

### Consider option strategies

- + S&P 500 and Russell 2000 Buy-Write
- + Global/Asia/Nasdaq Equity High Income

**Sweet spot in the belly: U.S. Treasury 3-7 Year Bond**

# Roads to Diversification

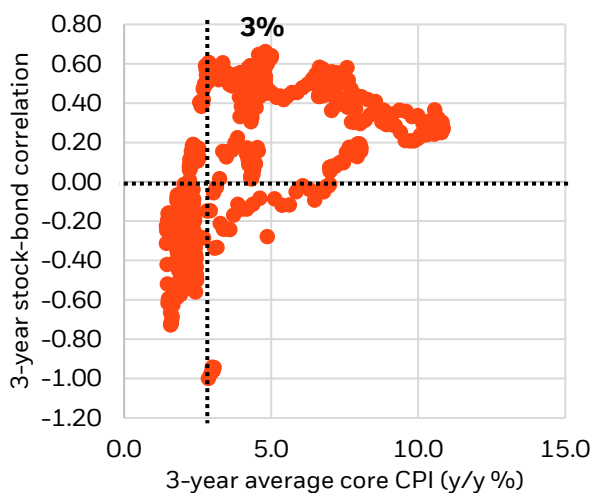
Diversifying beyond bonds is increasingly important as stock-bond correlation rose to the highest since 2024 amid renewed price pressures. Find diversification in inflation-protected bonds (TIPS) and without directionality (via liquid alternatives).

## TIPS for inflation

- **The opportunity:** Our **Multi-Asset Strategies and Solutions models** team added to front-end TIPS to hedge against imminent price pressure.
- Underpriced relative to our inflation expectations.

**Figure 5. Negative stock-bond correlation comes under pressure when core inflation crosses ~3%**

3-year stock-bond correlation vs. average core CPI



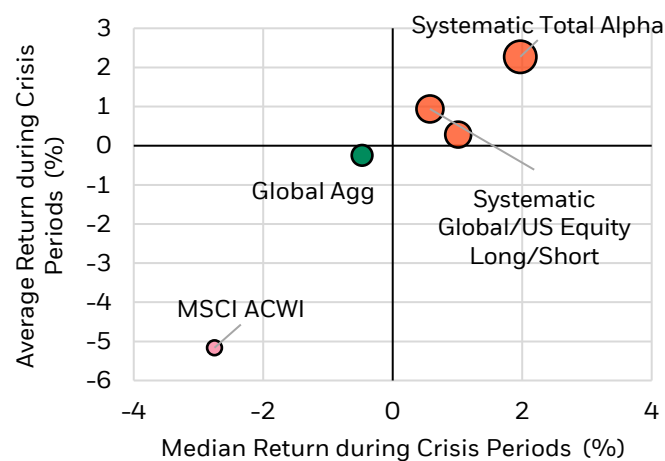
Source: Bloomberg, BlackRock APAC Investment Strategy, as of 31 March 2026.

## Diversify without directionality

- **The opportunity:** Liquid alternatives were one of the rare few to end March in positive territory.
- This speaks to their lower market beta owing to their differentiated approach to harvest returns.

**Figure 6. Liq. alts deliver diversification when portfolios need it**

Returns when 90-day rolling stock-bond correlation is high and equity markets are down



Source: Bloomberg, BlackRock, as of 16 April 2026. Size of bubbles represents hit rate of positive returns for the crisis periods. Data frequency: Monthly. Refer to Appendix (Page 6)

## Gold: A strategic mainstay

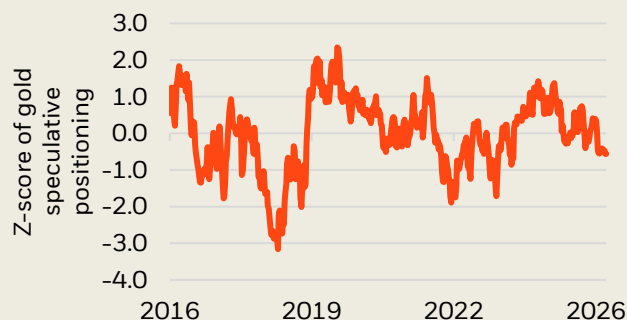
- Gold is usually a good geopolitical hedge.
- It didn't work during the March's risk-off event as 1) speculative positioning was elevated; 2) markets quickly shifted to supply shock, driving yields and USD higher.

Structural tailwinds remain intact heading into Q2:

- Some central banks, such as the People's Bank of China, purchased gold on the dip, affirming the strong official sector demand.
- Significant flows returned to gold ETFs in April as investors continue to hedge rising financial risks.

**Figure 7. Speculative positioning can explain gold's weakness in recent risk-off episode**

CFTC speculative positioning of gold



Source: Bloomberg, BlackRock, as of 16 April 2026.

## Routes to Diversification

### Inflation protection

- + US 0-5 Year TIPS

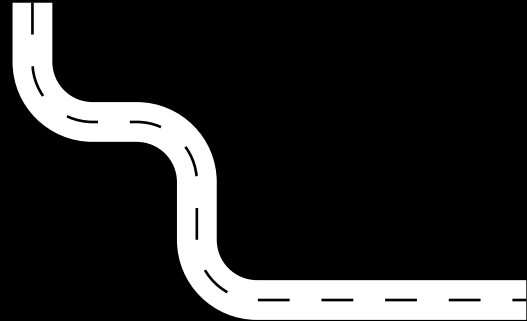
### Diversify without directionality

- + Global Alternatives
- + Global/US Equity Long/Short
- + Systematic Diversified Multi-strategy/Systematic Alpha

### Gold & Miners

- + Physical Gold
- + Gold Miners
- + World Miners

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