

# Weekly commentary

March 30, 2026

**BlackRock**

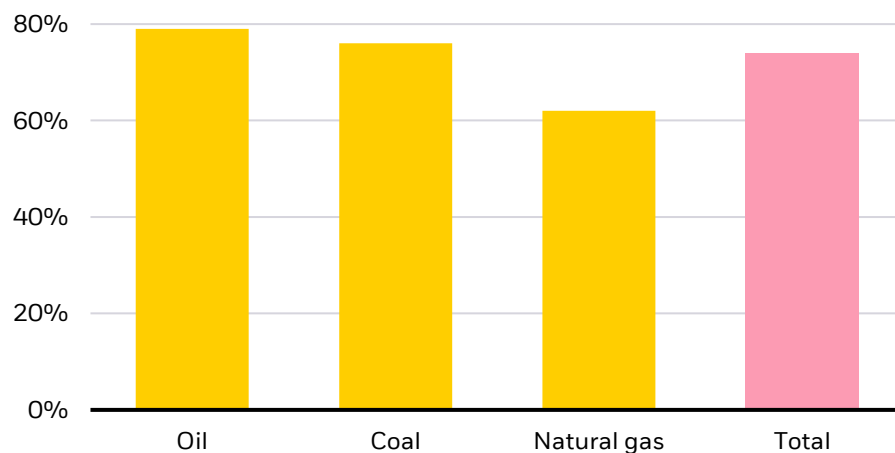
## Mideast shock fuels investing themes

- The Middle East shock and rising AI-driven power demand are reinforcing energy security and supply chain resilience, unlocking thematic opportunities.
- The S&P 500 fell for a fifth-straight week, the first time since 2022. We see elevated oil prices testing whether central banks can keep up with inflation.
- We look to labor market data across the U.S., euro area and Japan this week for whether recent softness signals broader cooling or continued resilience.

The economic shock emanating from the Middle East conflict is intensifying governments' push to secure energy supply and build resilient supply chains. AI-driven power demand is amplifying this by accelerating investment in energy infrastructure. We favor a multi-asset, active approach to tap into the resulting thematic opportunities across energy, infrastructure, AI, commodities and defense – and avoid big directional equity calls due to the conflict's uncertain outcome.

### Highly exposed

Share of population living in net importers by fuel type, 2022



Source: BlackRock Investment Institute with data from Ember and International Energy Agency *World Energy Balance*, April 2025.

The Middle East conflict has led to a near-closure of the Strait of Hormuz, disrupting flows of oil and liquefied natural gas (LNG) shipments from the Gulf. This is reverberating far beyond the region as most of the world's eight billion people live in countries that rely on imported energy. Around 80% live in countries that are net importers of oil, and roughly 60% in countries that import natural gas, according to International Energy Agency data. See the chart. In short: energy vulnerability is widespread and structural. This means disruptions in one region quickly transmit across markets, reinforcing the push for energy security. It also underscores the importance of approaching investments through a thematic lens, especially at times when high uncertainty about the conflict's outcome makes it prudent to steer away from making large directional investments.



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The shock is playing out unevenly across regions. Europe and Asia are both highly exposed to imported LNG, but in different ways: Europe has limited ability to reduce demand, while countries such as Japan and South Korea are exposed to price swings and demand adjustments. The U.S. – a net energy exporter – is more insulated but not immune, as rising global oil prices raise domestic fuel costs. This divergence is driving different outcomes: Exporters are benefiting in the near term, whereas importers face growth and inflation pressures sooner. We are seeing a world shaped by supply play out in real time.

We particularly favor what we call “electro tech” – batteries, power electronics and electric motors at the core of AI, energy, infrastructure and defense. AI is not just powering demand; it is tightening links across energy, technology, utilities and infrastructure, pushing up electricity use and the need for power capacity. This is colliding with limited supply of key materials such as copper – especially in fast-growing battery storage. Countries are diversifying supply and expanding grids – supporting utilities, though with returns capped by regulation. They are also reducing reliance on a narrow set of LNG suppliers, keeping prices elevated for now as buyers pay for supply security. Governments are prioritizing local supply chains and energy buildout, with Germany and others accelerating wind auctions, and the UK restricting Chinese turbine supply. They are also ramping up renewables and storage as energy security assets, alongside recycling and efficiency efforts.

All this requires an “all-of-the-above” investing approach. Near-term, higher volatility and dispersion in stock returns favor active fundamental and systematic approaches. Over longer horizons, we favor gradually building positions in themes such as electrification and critical minerals such as copper, nickel and aluminum across public and private markets. We’re selective in renewables, being mindful of higher rates and the challenges of Chinese supply chains. China is a leader in renewables – but that doesn’t necessarily translate into leading equity performance. We like solar, storage and grid tech because it’s in high demand and quick to build. We see energy infrastructure offering stable, inflation-linked cash flows. We favor copper to tap into electrification build-out, even as its performance is subject to economic growth.

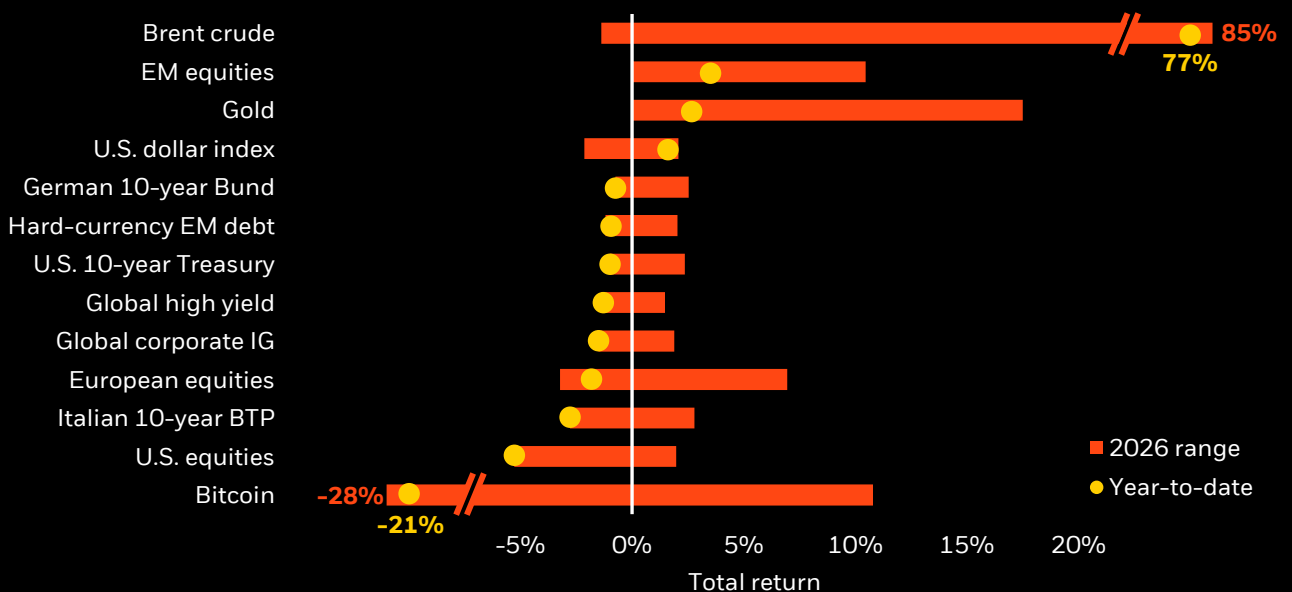
**Bottom line:** The Middle East conflict and AI-driven power demand reinforce our preference for active, thematic exposures to energy security and the AI theme. We recently dialed down risk but stand ready to adjust quickly.

## Market backdrop

The S&P 500 lost 2%, notching five-straight weekly losses for the first time since 2022. The index was also pacing for its worst month in a year amid hopes for de-escalation in the Mideast conflict. Jitters were also evident in rates, with U.S. 10-year Treasury yields rising to 4.43%. Brent crude climbed to \$112 per barrel. If prices don’t decline soon, we think the key question shifts from “will central banks be able to cut?” to “will their policy rates keep up with the rise in inflation?”

## Assets in review

Selected asset performance, 2026 year-to-date return and range



**Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index.**

Sources: BlackRock Investment Institute, with data from LSEG Datastream as of March 26, 2026. Notes: The two ends of the bars show the lowest and highest returns at any point year to date, and the dots represent current year-to-date returns. Emerging market (EM), high yield and global corporate investment grade (IG) returns are denominated in U.S. dollars, and the rest in local currencies. Indexes or prices used are: spot Brent crude, ICE U.S. Dollar Index (DXY), spot gold, spot bitcoin, MSCI Emerging Markets Index, MSCI Europe Index, LSEG Datastream 10-year benchmark government bond index (U.S., Germany and Italy), Bloomberg Global High Yield Index, J.P. Morgan EMBI Index, Bloomberg Global Corporate Index and MSCI USA Index.

## Week ahead

**March 30** Japan unemployment; China PMI

**April 1** Global manufacturing PMI; EU unemployment

**March 31** UK GDP

**April 3** U.S. unemployment

We expect unemployment to remain broadly stable amid an influx of labor market data across the U.S., euro area and Japan. We look for indications that the labor market stays resilient despite recent signs of softening. In the U.S., the data figures will help assess whether last month's weaker payrolls print signals broader labor market cooling or sector-specific drivers.

## Big calls

Our highest conviction views on six- to 12-month (tactical) and over five-year (strategic) horizons, March 2026

Tactical	Reasons
Favor AI beneficiaries	Markets are increasingly focused on identifying companies exposed to AI disruption. We favor physical infrastructure and equipment supporting the AI buildout – such as semiconductors, power and data center assets – that we think we stand to benefit no matter the winners or losers.
Selected international exposures	We like hard-currency EM debt due to improved economic resilience, disciplined fiscal and monetary policy and a high ratio of commodities exporters. In Europe, we are overweight short-term European government bonds on valuation and favor equity sectors such as infrastructure.
Evolving diversifiers	We suggest looking for a “plan B” portfolio hedge as long-dated U.S. Treasuries no longer provide portfolio ballast – and to mind potential sentiment shifts. We like gold as a tactical play with idiosyncratic drivers but don't see it as a long-term portfolio hedge.
Strategic	Reasons
Portfolio construction	We favor a scenario-based approach as AI winners and losers emerge. We lean on private markets and hedge funds for idiosyncratic return and to anchor portfolios in mega forces.
Infrastructure equity and private credit	We find infrastructure equity valuations attractive and mega forces underpinning structural demand. We still like private credit but see dispersion ahead – highlighting the importance of manager selection.
Beyond market cap benchmarks	We get granular in public markets. We favor DM government bonds outside the U.S. Within equities, we favor EM over DM yet get selective in both. In EM, we like India which sits at the intersection of mega forces. In DM, we like Japan as mild inflation and corporate reforms brighten the outlook.

Note: Views are from a U.S. dollar perspective, March 2026. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

## Tracking five mega forces

Mega forces are big, structural changes that affect investing now – and far into the future. They change the long-term growth and inflation outlook and are poised to create big shifts in profitability across economies and sectors. This creates major opportunities – and risks – for investors. See our [web hub](#) for our research.

- 1. Demographic divergence:** The world is split between aging advanced economies and younger emerging markets – with different implications.
- 2. Digital disruption and artificial intelligence (AI):** Technologies are transforming how we live and work.
- 3. Geopolitical fragmentation and economic competition:** Globalization is being rewired as the world splits into competing blocs.
- 4. Future of finance:** A fast-evolving financial architecture is changing how households and companies use cash, borrow, transact and seek returns.
- 5. Transition to a low-carbon economy:** The transition is set to spur a massive capital reallocation as energy systems are rewired.

# Granular views

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, March 2026

	Asset	View	Commentary	
Equities	<b>Developed markets</b>			
	United States		We are neutral. Higher interest rate expectations could weigh on the market – and small caps in particular. We keep our overweight to companies that benefit from the AI mega force.	
	Europe		We are neutral. Europe's high exposure to the energy shock from the Mideast conflict makes it vulnerable to higher inflation and lower growth.	
	UK		We are neutral. Valuations remain attractive relative to the U.S., but we see few near-term catalysts to trigger a shift.	
	Japan		We are neutral. Japan's exposure to imported energy may erode strong equity gains powered by healthy corporate balance sheets and governance reforms.	
	<b>Emerging markets</b>			
	China		We are neutral. Trade relations with the U.S. have steadied, but property stress and an aging population still constrain the macro outlook. Relatively resilient activity limits near-term policy urgency. We like sectors like AI, automation and power generation.	
	Fixed Income	Short U.S. Treasuries		We are neutral. Shorter-term bonds are relatively attractive as the market has woken up to persistent inflation and higher rates.
		Long U.S. Treasuries		We are underweight. Yields already faced upward pressure from rising term premia, as investors demand more compensation for the risk of holding long-term debt. The recent energy price shock compounds this by aggravating pre-existing inflationary pressures.
		Global inflation-linked bonds		We are neutral. The supply shock from the Middle East conflict adds to inflationary pressures but also could drag on growth.
Euro area govt bonds			We are overweight short-term European government bonds to add a cash buffer, given the rapid repricing of expectations of ECB rate hikes.	
UK gilts			We are neutral. We expect volatility in gilts over the near-term. Gas powers much of the UK's electricity, but storage is limited – making it especially vulnerable to a resurgence in inflation.	
Japanese govt bonds			We are underweight. Rate hikes, higher global term premium and heavy bond issuance will likely drive yields up further.	
China govt bonds			We are neutral. China bonds offer stability and diversification but developed market yields are higher and investor sentiment shifting towards equities limits upside.	
U.S. agency MBS			We are overweight. Agency MBS offer higher income than Treasuries with similar risk and may offer more diversification amid fiscal and inflationary pressures.	
Short-term IG credit			We are neutral. Corporate strength means spreads are low, but they could widen if issuance increases.	
Long-term IG credit			We are underweight. We prefer short-term bonds less exposed to interest rate risk over long-term bonds.	
Global high yield			We are neutral. High yield offers more attractive carry and shorter duration, but we think dispersion between higher and weaker issuers will increase.	
Asia credit			We are neutral. Overall yields are attractive and fundamentals are solid, but spreads are tight.	
Emerging hard currency			We are overweight. EM hard-currency indexes lean toward Latin American commodity exporters such as Brazil that stand to benefit as Mideast supply plummets.	
Emerging local currency			We are neutral. The U.S. dollar has been strengthening as a safe-haven currency in the wake of the Middle East conflict. This could reverse year-to-date gains driven by a falling USD.	

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