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Weekly commentary

BlackRock

June 1, 2026

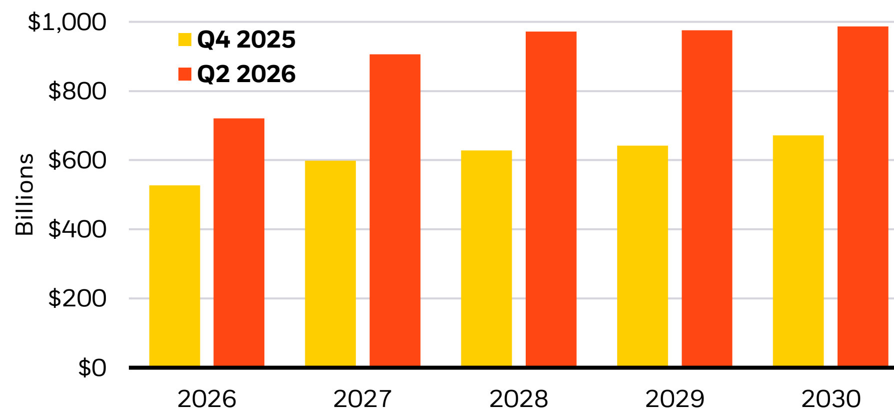
Midyear Forum: speed meets scarcity

- Surging AI investment and the Mideast conflict will be key topics as investors debate how mega forces are reshaping markets at our internal Forum.
- AI-driven earnings pushed the S&P 500 to another record high. Brent crude oil prices slid on hopes for a U.S.-Iran deal to reopen the Strait of Hormuz.
- The U.S. April payrolls data is expected to show modest but stable job gains, keeping the Federal Reserve focused on sticky inflation.

About 100 BlackRock portfolio managers and executives gather at our biannual Investment Forum this week as a world shaped by supply accelerates. Speed and scarcity are defining how mega forces intersect. The AI buildout and Mideast conflict spur questions about financing, energy security and interest rates as strong AI-driven earnings offset higher rates. Yet questions persist over valuations and the ultimate AI winners. These debates will shape our Midyear Outlook.

Scaling away

Hyperscaler capex estimates, 2026-30



Source: BlackRock Investment Institute, with data from Bloomberg, May 2026. Notes: Bars show estimated annual capital expenditures for selected hyperscalers based on forecasts from Q4 2025 and Q2 2026. Hyperscalers include Alphabet, Meta, Microsoft, Amazon, Oracle, Tencent and Alibaba.

The investment landscape is being reshaped by a world shaped by supply – and mega forces are increasingly intersecting and driving investment opportunities. This is the overarching theme at our Midyear Investment Forum. The AI buildout's planned capital spending – already historic at the start of the year – has only accelerated. Mega cap hyperscaler investment estimates have soared in just two quarters, with projected annual spending now approaching $1 trillion by 2028. See the chart. This is testing the constraints we laid out in our 2026 Global Outlook. First, hyperscalers are financing the buildout via increased debt issuance as rates reprice higher, in line with our *leveraging up* theme this year. The AI buildout's big power needs for data centers show where the AI theme crosses with the energy transition. And constraints are increasing from political opposition to data centers.

Jean Boivin
Head – BlackRock Investment Institute

Wei Li
Global Chief Investment Strategist – BlackRock Investment Institute

Jeff Shen
Co-Chief Investment Officer, Systematic Active Equities team – BlackRock

Beata Harasim
Senior Investment Strategist – BlackRock Investment Institute

Michel Dilmanian
Portfolio Strategist – BlackRock Investment Institute

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The massive AI buildout has seen our Outlook's *micro is macro* theme unfold. But big questions remain about how the AI theme will play out. At the company level, is AI adoption translating into greater profit margins or revenues – or is token usage for complex tasks eroding other gains? Will AI investments pay off and justify valuations – and who will capture the value? AI is already creating winners and losers – so what comes next for disrupted software companies? This comes as a growing pipeline of big AI-related IPOs— such as SpaceX, OpenAI, and Anthropic — will likely increase competition for capital.

The AI theme has driven U.S. and some regional stocks to all-time highs, even as bond yields and energy prices have jumped due to the Middle East conflict and resulting disruptions to energy flows and supply chains. That's because AI-driven earnings growth has proved strong enough to help offset the drag from higher interest rates. But disruption to the Strait of Hormuz is exposing the global economy's dependence on critical energy flows: the longer the closure persists, the greater the risk of a broader supply shock – with a bigger hit seen to Europe and Asia. This reinforces how the mega forces we track are increasingly intersecting, as AI-driven demand collides with geopolitical fragmentation. These tensions will be central to debates at this week's Forum bringing together about 100 of BlackRock's portfolio managers and investment executives.

The jump in bond yields this year highlights how traditional portfolio ballast is less reliable — reinforcing our *diversification mirage* theme and the need for a more dynamic, whole portfolio approach to investing. That's why we see a greater role for active returns, with hedge funds and private markets as portfolio diversifiers in this environment. How mega forces are forcing a rethink of the role of portfolio diversifiers – and portfolio construction itself – will be another key topic of debate. On a tactical basis, our overweight to U.S. stocks has worked out so far this year – and we were quick to dial up risk after the outbreak of the Middle East conflict. We have stayed underweight long-term U.S. Treasuries – and 10-year yields are near one-year highs. The outlook for interest rates will also be a key debate. The Midyear Forum helps us kick the tires on our tactical views for the second half of the year and refresh our investment themes for our Midyear Outlook on June 30.

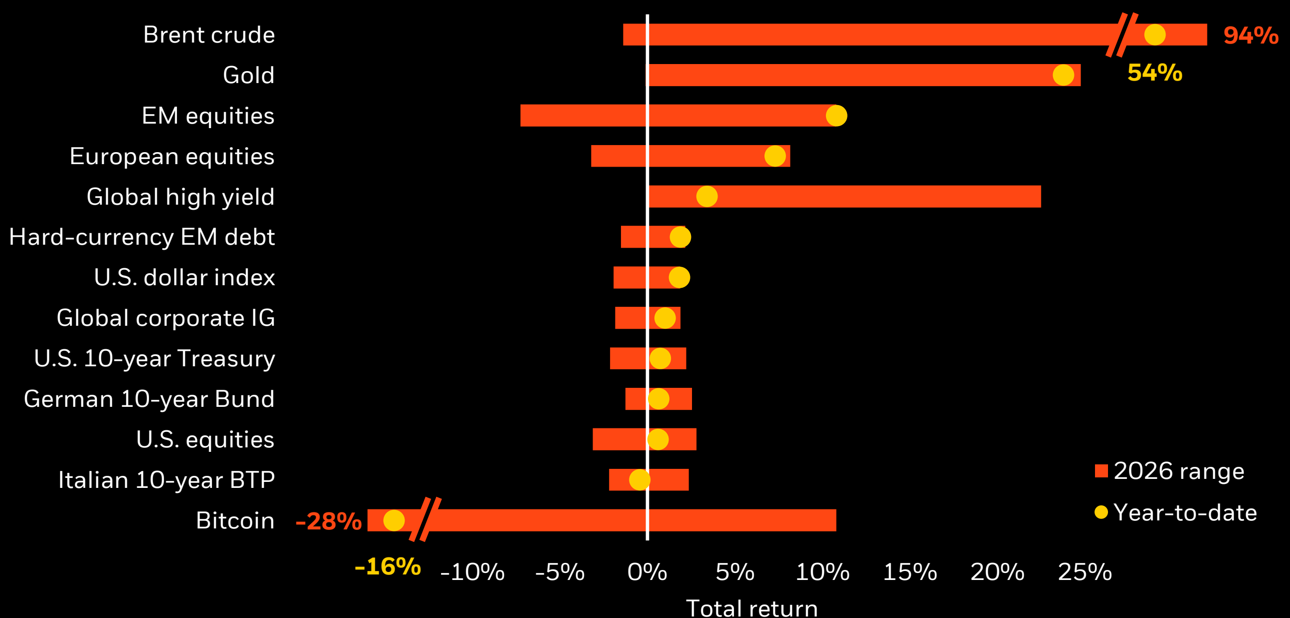
Bottom line: Mega forces are shaping the investment environment – and the debate at our Midyear Forum. We stay overweight U.S. equities on the AI theme and resilient earnings but will stress test our tactical views.

Market backdrop

Reports of a deal between the U.S. and Iran – including a reopening of the Strait of Hormuz – drove Brent crude oil prices down 11% this week to near $92 a barrel. The S&P 500 hit new record highs, led by semiconductor stocks on strong earnings tied to AI demand. The Philadelphia Semiconductor Index rose 5% this week and has gained in eight of the past nine weeks. U.S. Treasury yields pulled back from recent one-year highs, with the 10-year yield falling 14 basis points to near 4.43%.

Assets in review

Selected asset performance, 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 May 28, 2026. Notes: The two ends of the bars show the lowest and highest res at any point year to date, and the dots represent current year-to-date res. Emerging market (EM), high yield and global corporate investment grade (IG) res 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.

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Week ahead

June 1	U.S. ISM manufacturing PMI	**June 3**	U.S. ISM services PMI
June 2	U.S. job openings; Euro area flash inflation	**June 5**	U.S. payrolls

Markets this week will focus on U.S. labor data, with April job openings and May payrolls testing whether the recent hiring strength is holding up. Payroll growth is seen modest but stable, reinforcing the view of a still-resilient labor market and keeping the Fed focused on sticky inflation. ISM surveys are expected to show ongoing growth, though higher energy costs from Middle East disruptions could slow momentum.

Big calls

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

Tactical	Reasons
Favor AI beneficiaries	We favor infrastructure and equipment supporting the AI buildout such as semiconductors, power and data centers. We think they stand to benefit no matter AI's eventual winners or losers. We see the AI boom lifting U.S. corporate earnings. underpinning our U.S. equity overweight.
Selected international exposures	We like hard-currency EM debt on economic resilience, disciplined fiscal and monetary policy and a high ratio of commodities exporters. We're also overweight EM equities, preferring commodity exporters and AI beneficiaries. In Europe, we favor equity sectors like infrastructure.
Evolving diversifiers	We suggest looking for "plan B" portfolio hedges such as thematic opportunities related to the AI built-out and search for energy security. Long-term U.S. Treasuries no longer provide a buffer against equity market declines, and gold also has shown to be an ineffective diversifier.

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 returns and to anchor portfolios in mega forces.
Infrastructure equity and private credit	We find infrastructure equity valuations attractive as geopolitical fragmentation and the AI buildout underpin structural demand. We still like private credit but see an increase in dispersion of returns. This highlights 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 – and get selective in both. In EM, we like India because it sits at the intersection of mega forces. In DM, we like Japan amid inflation and corporate reforms.

Note: Views are from a U.S. dollar perspective, June 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.

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Granular views

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

Underweight | Neutral | Overweight | ● Previous view

	Asset	View	Commentary
Equities	**Developed markets**		
	United States	+1	We are overweight. Contained damage to global growth from the Mideast conflict and strong earnings expectations – particularly in tech – keep us risk-on.
	Europe	Neutral	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	Neutral	We are neutral. Valuations remain attractive relative to the U.S., but we see few near-term catalysts to trigger a shift.
	Japan	Neutral	We are neutral. Japan's exposure to imported energy may erode strong equity gains powered by healthy corporate balance sheets and governance reforms.
	Emerging markets	+1	We are overweight yet stay selective. We favor Asian countries that manufacture critical AI components and Latin American energy and commodity exporters.
	China	Neutral	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	Neutral	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	-1	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	Neutral	We are neutral. We think inflation will settle above pre-pandemic levels, but markets may not price this in the near term as growth cools.
	Euro area govt bonds	Neutral	We are neutral short-term European government bonds. The market has repriced the ECB policy path more in line with our view. We think increased German bond issuance to finance its fiscal stimulus package is already largely reflected in the current level of 10-year yields.
	UK gilts	Neutral	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	-2	We are underweight. Rate hikes, higher global term premium and heavy bond issuance will likely drive yields up further.
	China govt bonds	Neutral	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	+1	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	Neutral	We are neutral. Corporate strength means spreads are low, but they could widen if issuance increases.
	Long-term IG credit	-1	We are underweight. We prefer short-term bonds less exposed to interest rate risk over long-term bonds.
	Global high yield	Neutral	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	Neutral	We are neutral. Overall yields are attractive and fundamentals are solid, but spreads are tight.
	Emerging hard currency	+1	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	Neutral	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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