

Weekly commentary

June 8, 2026

BlackRock

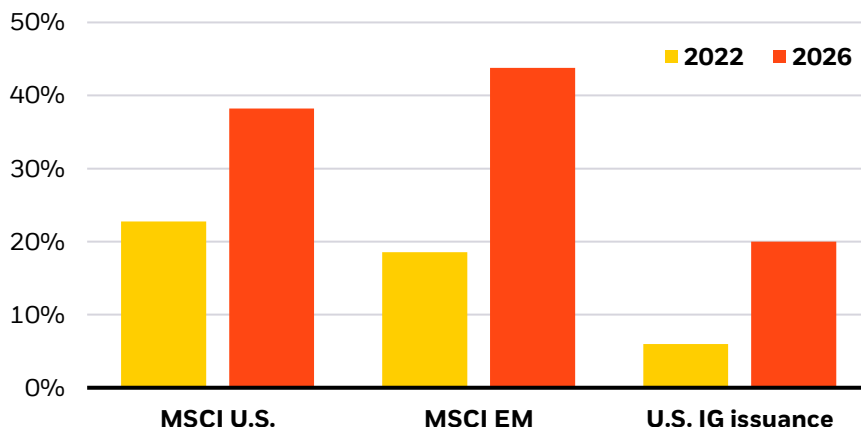
The need for a new portfolio approach

- A fast-changing investment landscape driven by mega forces necessitates a new portfolio approach built around exposures – not asset class labels.
- The S&P 500 fell 2% and the Nasdaq slid nearly 5%. U.S. 10-year Treasury yields rose to 4.54%, back to one-year highs hit last month.
- We look to U.S. May inflation data to gauge how the ongoing Mideast supply shock is impacting already sticky price pressures.

We've long argued this is a world where mega forces like AI transforming markets could imply different long-term outcomes. Why? Macro anchors investors have relied upon – like stable inflation expectations – are lost, meaning structural calls need more frequent updating. Growing interest in total portfolio approaches (TPA) reflects a desire for a new portfolio construction framework. This fits with our evolving whole portfolio research and implementation of the past decade.

Looking through labels

IT sector share of selected equity and bond indexes, 2022 and 2026



Source: BlackRock Investment Institute, with data from Bloomberg and Dealogic (ION Analytics), June 2026. The bars show the information technology sector's share of the MSCI U.S. and MSCI Emerging Markets equity indexes, and in U.S. investment grade bond issuance.

The recent attention on TPA reflects growing appetite among institutional investors to fundamentally rethink strategic horizon portfolio construction. Yet beyond this, there is no broadly accepted agreement on what TPA details. While its meaning varies among different practitioners, TPA points to common aspects of how traditional strategic asset allocation (SAA) should evolve, like setting client-specific objectives in the context of the whole portfolio. We're seeing this play out now as mega forces shape markets, highlighting how taking thematic exposures in portfolios requires a lens that transcends asset classes: The share of the information technology sector in the MSCI U.S. and MSCI emerging market (EM) indexes has roughly doubled since the launch of ChatGPT in 2022 – and more than doubled in investment grade bond issuance since then.



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Rising interest in TPA can also be viewed as a symptom of this new investment environment. Simply put – solving for a static SAA over many years is inconsistent with today’s world – and investor experience of this in their portfolios leads directly to the desire to search for a new approach to portfolio construction. Our strategic-horizon portfolio construction work, developed over the past decade, is designed to address many of these objectives while adding the detail, definition and governance needed for implementation. See here how we define our [portfolio construction framework](#).

Zooming out, we think this means investors should revisit big portfolio calls more often and have an explicit plan B portfolio ready. It also calls for a common whole portfolio lens that shifts the unit of analysis to the underlying economic and factor drivers of return and risk, plus a more holistic approach to risk budgeting between alpha and beta. This approach was a touchpoint at our Midyear Forum last week. Some of our credit investors mentioned how they focus on underlying exposures as opposed to asset class labels, while fixed income macro investors unpacked how our *micro is macro* theme from our [2026 Global Outlook](#) is informing decisions. Elsewhere, equity investors noted that geography is no longer a major input for investment decisions: What matters more is what a company actually does and the drivers of its revenue, not the country where its stock happens to be listed.

The key: portfolio decisions shouldn’t be driven by asset class labels. Adopting a scenario-based approach should be done carefully and with a clear framework as to how governance needs to evolve with it, as investors often cite an improved governance process as one potential benefit but can struggle to implement it in practice. This includes internally consistent risk and return assumptions across private and public assets; a plan for blending alpha, factor and index returns; a scenario approach; and systematic ways of dealing with economic uncertainty. These frameworks maximize flexibility while allowing fund governance to hold decision-making to account. Clear decision-making processes are also essential to make trade-offs comparable across the whole portfolio. What’s key: the portfolio construction process, not the labels given to it.

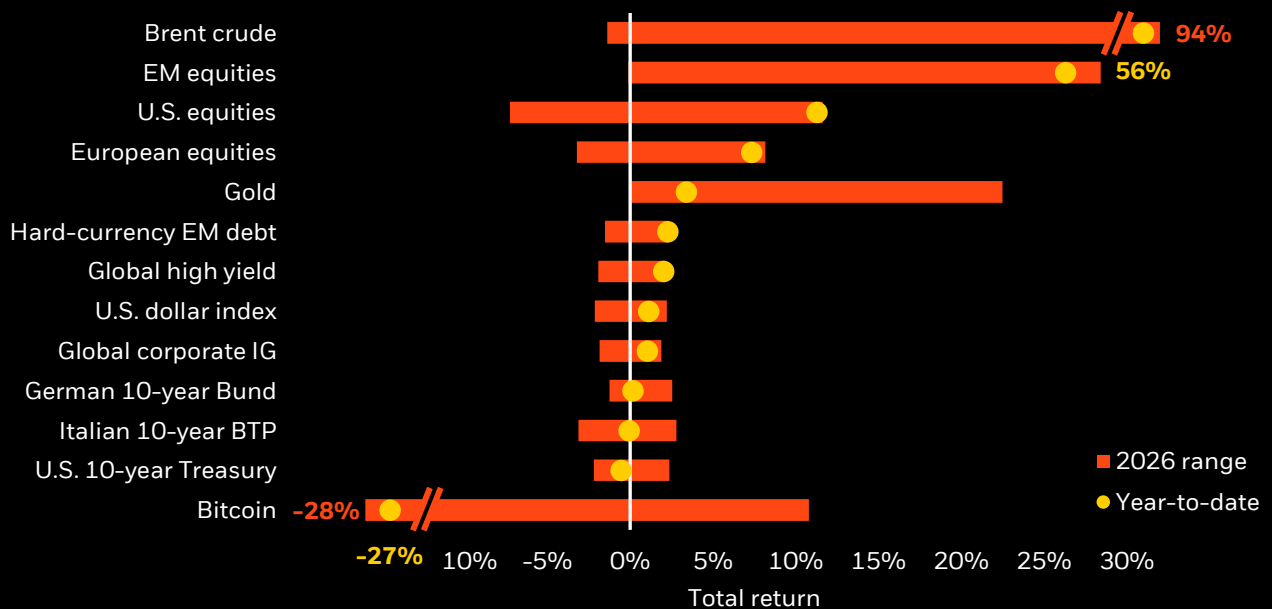
Bottom line: All asset allocation decisions are active calls in today’s investment environment. This requires portfolios to be built around exposures and convictions – and looking beyond asset class labels.

Market backdrop

The S&P 500 fell more than 2% but was roughly 3% off its all-time high last week following a sharp selloff in key chip stocks. The tech-heavy Nasdaq slid nearly 5%. U.S. 10-year Treasury yields climbed to 4.54%, back near one-year highs, following the May jobs report. We’re closely watching how new Federal Reserve Chair Kevin Warsh will address this mix of strong jobs growth, an uptick in job vacancies and mounting wage pressure at his first policy meeting as chair next week.

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 June 4, 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.

Week ahead

June 9	U.S. trade; China trade	June 11	U.S. PPI
June 10	U.S. CPI; China CPI and PPI	June 12	UK GDP

We look to May U.S. inflation figures for a clearer read on how the Mideast conflict energy shock is impacting already sticky inflation. The full breadth of the shock has yet to show and will depend on how it evolves. Even so, we think a prolonged closure of the Strait of Hormuz into July could bring the impact of the shock to the fore more prominently, especially as U.S. oil inventories potentially hit four-decade lows.

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 buildout 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 are underweight DM government bonds as inflationary pressure mounts. Within equities, we lean into both EM and DM equity – and are selective in both. We like stocks across both regions that are supported by the accelerating AI buildout..	

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.

Granular views

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

	Asset	View	Commentary	
Equities	Developed markets			
	United States		We are overweight. Contained damage to global growth from the Mideast conflict and strong earnings expectations – particularly in tech – keep us risk-on.	
	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.	
	Emerging markets			
	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. 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			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			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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