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Weekly commentary

June 22, 2026

BlackRock

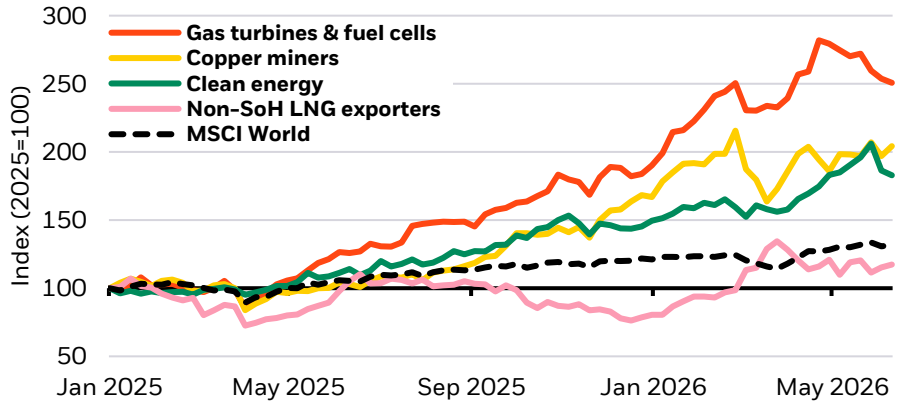
Powering through energy bottlenecks

- Energy security remains a critical investment theme. We favor active exposure to infrastructure and critical bottlenecks.
- Kevin Warsh chaired his first Federal Reserve meeting, surprising markets by dropping forward guidance and launching a broad policy review.
- This week we look to U.S. core PCE for whether higher energy costs are pushing up underlying inflation.

The expected reopening of the Strait of Hormuz helped push oil prices lower. Yet the recent disruption is a reminder of how the world's energy system remains heavily dependent on a few critical bottlenecks. This comes at a time when electricity demand, driven in no small part by AI, is rising faster than many expected. These twin forces create opportunities in energy infrastructure and the associated bottlenecks that underpin energy flows.

Bottlenecks driving returns

Performance of selected equity power sectors vs MSCI World, 2025-2026



Past performance is not a guarantee of future returns. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from Bloomberg, June 2026. Notes: Gas turbines and fuel cells: Mitsubishi Heavy Industries, GE Vernova and Siemens Energy; Copper miners: STOXX Global Copper Miners Index; Clean energy: iShares Global Clean Energy ETF; Non-SoH LNG exporters: Cheniere Energy, Woodside Energy, Venture Global and Santos. Custom indices are equal weighted and rebased to 100 on Jan. 1, 2025.

We have long argued that we are in a world shaped by supply, where access to energy, infrastructure and other critical resources increasingly determine economic and market outcomes. Companies positioned to benefit from rising electricity demand have outperformed, from gas-turbine manufacturers and copper producers to clean-energy firms helping expand power systems for AI and electrification. (See chart) More recently, concerns over the Strait of Hormuz shifted attention to fuel security, boosting the relative appeal of energy suppliers less dependent on vulnerable transport routes (See non-SoH LNG exporter line). Together, these moves suggest an increased recognition of both sides of the energy challenge: securing fuel supply today while building enough power capacity for tomorrow.

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Oil prices retreated to March lows, but the broader challenge of energy security and resilience remains. How should governments, companies and investors best respond? We see the answer unfolding across two horizons. The first is the immediate need to secure supply, improve flexibility and reduce dependence on vulnerable routes and infrastructure. That is creating opportunities for fuel and commodity exporters outside the Strait of Hormuz, as well as for fuel transport, storage and distribution infrastructure that can help diversify supply and reduce exposure to key chokepoints. Providers that can deliver reliable fuel and power outside existing bottlenecks stand to benefit.

The second is longer term, where the challenge is not simply to produce more energy, but to meet rising demand while balancing energy security, affordability, resilience and decarbonization objectives. While AI and data centers are contributing to rising electricity demand, they are just one driver alongside electrification, rising cooling needs and economic growth. But countries are responding in different ways based on their resources, infrastructure and policy priorities. For fuel-importing economies, repeated shocks are strengthening the incentives to invest in electrification, grids, storage and domestic power systems. For energy exporters, the opportunity often lies in expanding and upgrading the infrastructure needed to continue delivering supply while also meeting rising energy and power demand at home.

Energy has been one of the strongest-performing sectors this year, supported by earnings upgrades and concerns over supply security. Yet we do not think the opportunity is best expressed through a broad sector allocation. While recent disruptions have highlighted the value of energy suppliers outside major bottlenecks, we see more durable opportunities in the infrastructure that supports energy security and rising power demand. That reinforces our preference for a selective and active approach focused on bottlenecks and secure supply rather than energy producers more broadly. Regionally, we favor developed-market supply chains and infrastructure assets positioned to benefit from investment in energy security, while remaining more selective in emerging markets, where opportunities are increasingly differentiated by policy frameworks and exposure to global energy supply chains.

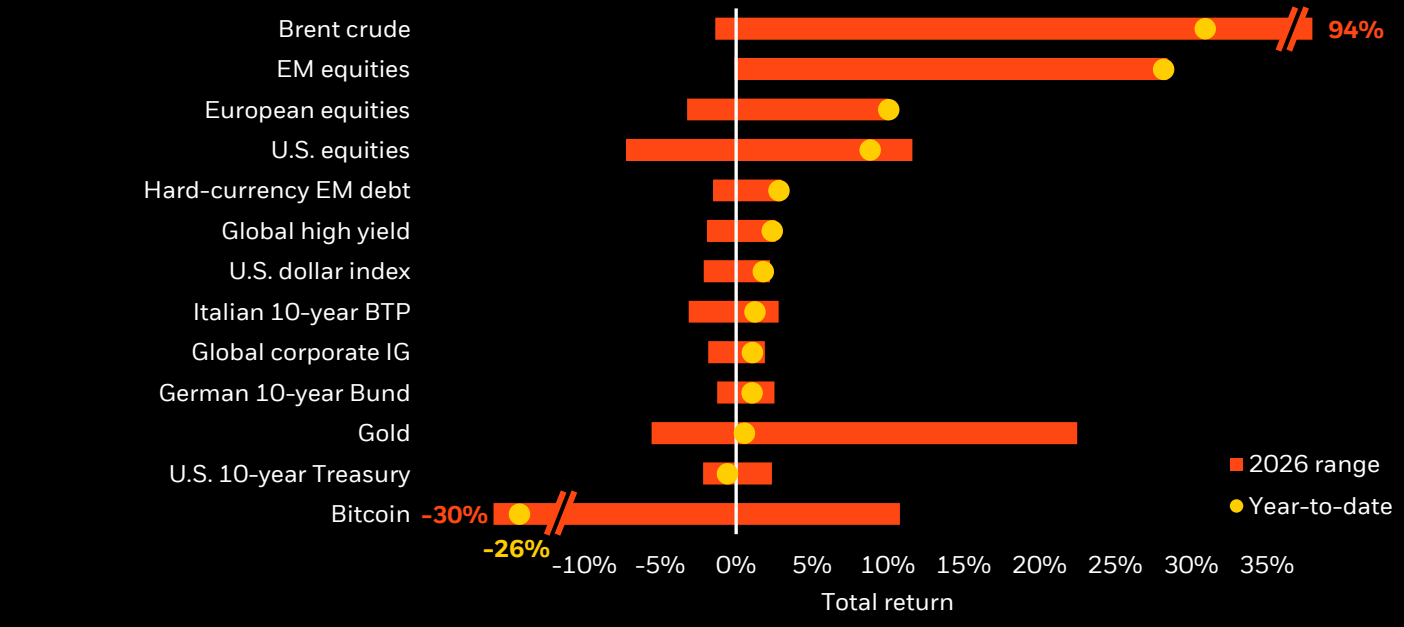
Bottom line: The combined pressures of vulnerable energy supply and rising power demand are making energy security a durable investment theme, favoring infrastructure and critical bottlenecks, in our view.

Market backdrop

The S&P 500 gained 1% and Treasury yields rose last week following Kevin Warsh's first meeting as Federal Reserve chair. Warsh's first meeting seemed to be more about creating optionality. No matter what the FOMC views are at this stage, the five task forces he created have the potential to reset the basis of all these forecasts. This could result in more interest rate volatility going forward – not necessarily a bad thing if it reflects the macro rather than Fed's reaction function uncertainty.

Assets in review

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



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Sources: BlackRock Investment Institute, with data from LSEG Datastream as of June 17, 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 23	Global Flash PMIs	**June 25**	U.S. Core PCE, durable goods
June 24	Japan service PPI	**June 26**	University of Michigan sentiment; Japan CPI

This week, U.S. core PCE inflation will be in focus as markets assess whether higher energy costs are feeding into underlying price pressures. In Japan, service PPI and CPI data will provide an update on inflation trends, while flash PMIs across major economies and U.S. consumer sentiment will offer a read on economic 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 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.

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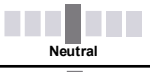
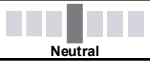
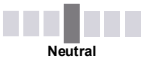
Granular views

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		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		We are overweight yet stay selective. We favor Asian countries that manufacture critical AI components and Latin American energy and commodity exporters.
	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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