CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

Weekly commentary

BlackRock

Nov. 16, 2026

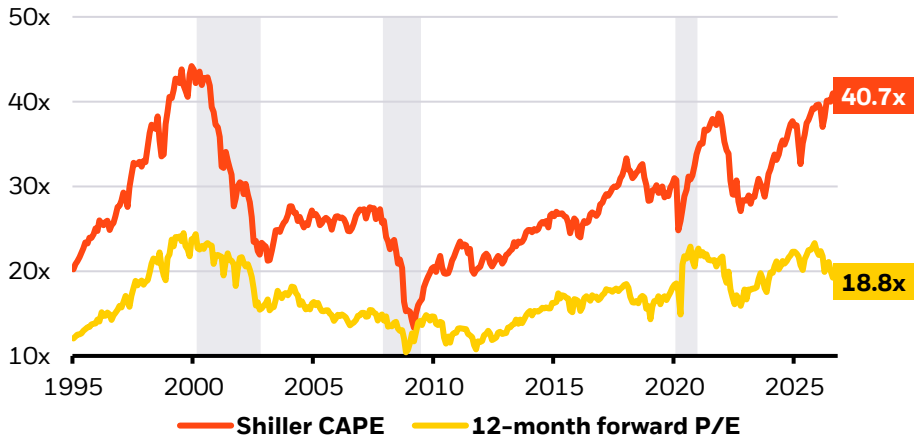
AI: looking beyond the buildout

- Our longer-term conviction on the AI transformation underpins our strategic overweight in U.S. equities, even as near-term risks warrant tactical caution.
- The S&P 500 recovered most of its post-election losses, helped by AI stocks. The rally suggests AI earnings optimism still outweighs higher rates, for now.
- We eye fresh inflation data in Japan and across the euro zone for clues on how higher energy costs are impacting price pressures.

Recent swings in tech stocks reflect growing uncertainty over how the AI buildout will evolve and what that means for earnings. We downgraded U.S. stocks tactically last month, but our longer-term conviction rests on AI's improving capabilities and adoption over time – not on today's earnings growth or winners staying on top. Our latest capital market assumptions (for professional investors only) reinforce our strategic overweight in U.S. equities over a horizon of five years or longer.

A tale of two valuations

S&P 500 cyclically adjusted and 12-month forward P/E ratios, 1995–26



Past performance is not a reliable indicator of current or future results. Source: BlackRock Investment Institute, LSEG Datastream, November 2026. Notes: CAPE uses 10-year inflation-adjusted earnings; forward P/E uses 12-month earnings estimates. Shading marks the dot-com bust (2000–02), global financial crisis (2007–09) and COVID-19 (2020).

The valuation picture for U.S. equities depends on the measure used. The Shiller cyclically adjusted price-to-earnings ratio (CAPE) suggests valuations are near dot-com bubble highs. See the chart. The S&P 500's 12-month forward P/E looks less stretched by historical standards, but only because investors expect strong earnings growth. Whether those expectations are justified is an open question. The key uncertainty is how the AI buildout evolves relative to demand and adoption. Falling computing costs could squeeze suppliers' profits, while bottlenecks could delay AI adoption. Both could cause near-term pressure, but neither necessarily undermines the longer-term opportunity, in our view.



Jean Boivin
Head — BlackRock Investment Institute



Wei Li
Global Chief Investment Strategist – BlackRock



Vivek Paul
Global Head of Portfolio Research – BlackRock Investment Institute



Simona Paravani-Mellinghoff
Global CIO, Multi-Asset Strategies and Solutions, BlackRock



Devan Nathwani
Portfolio Strategist – BlackRock Investment Institute

Visit BlackRock Investment Institute for insights on the global economy, markets and geopolitics.

BlackRock **Investment** Institute

CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

Ample uncertainty still hangs over the longer-term picture. That's a key feature of the polyfurcated environment we've long described, where multiple scenarios are plausible. Overcapacity is a risk, and builders' earnings could slow before adopters see meaningful gains. Our strategic conviction doesn't assume that current winners will remain winners. Instead, our starting-point scenario explicitly sees valuations declining without assuming a permanent growth breakout. Yet AI's improving capabilities could drive broader adoption, boosting productivity, profit margins and earnings over time. We see particular opportunities in U.S. health care, IT, tech, and financials, where stronger longer-term earnings prospects help underpin our strategic overweight in U.S. equities, a key driver of our broader developed-market equity overweight.

The longer-term AI opportunity, however, requires substantial investment to make it a reality. Companies financing the AI buildout are competing with governments borrowing heavily from the same pool of savings, intensifying competition for capital. That backdrop has led us to revise up our interest rate expectations in our CMAs. We expect central bank policy rates to stay elevated for longer, reflecting a higher expected neutral interest rate. Yet stronger growth and earnings can coexist with higher borrowing costs, and a higher-rate environment is increasingly reflected in market prices.

That repricing has improved bonds' strategic appeal, with higher starting yields offering better compensation for longer-term interest rate risk. For the first time since 2020, we are taking a more constructive view on duration risk. We have moved to neutral on developed-market government bonds and strengthened our overweight in inflation-linked bonds, which offer attractive yields and protection against inflation risks tied to supply constraints. Yet government bonds are no longer the all-weather diversifiers they once were. Persistent inflation pressures limit central banks' ability to cut rates and drive bond yields lower, reducing the scope for bond prices to rise. That's also why we favor building portfolios granularly around specific exposures and convictions rather than asset class labels, reflecting a broader industry shift toward a total portfolio approach.

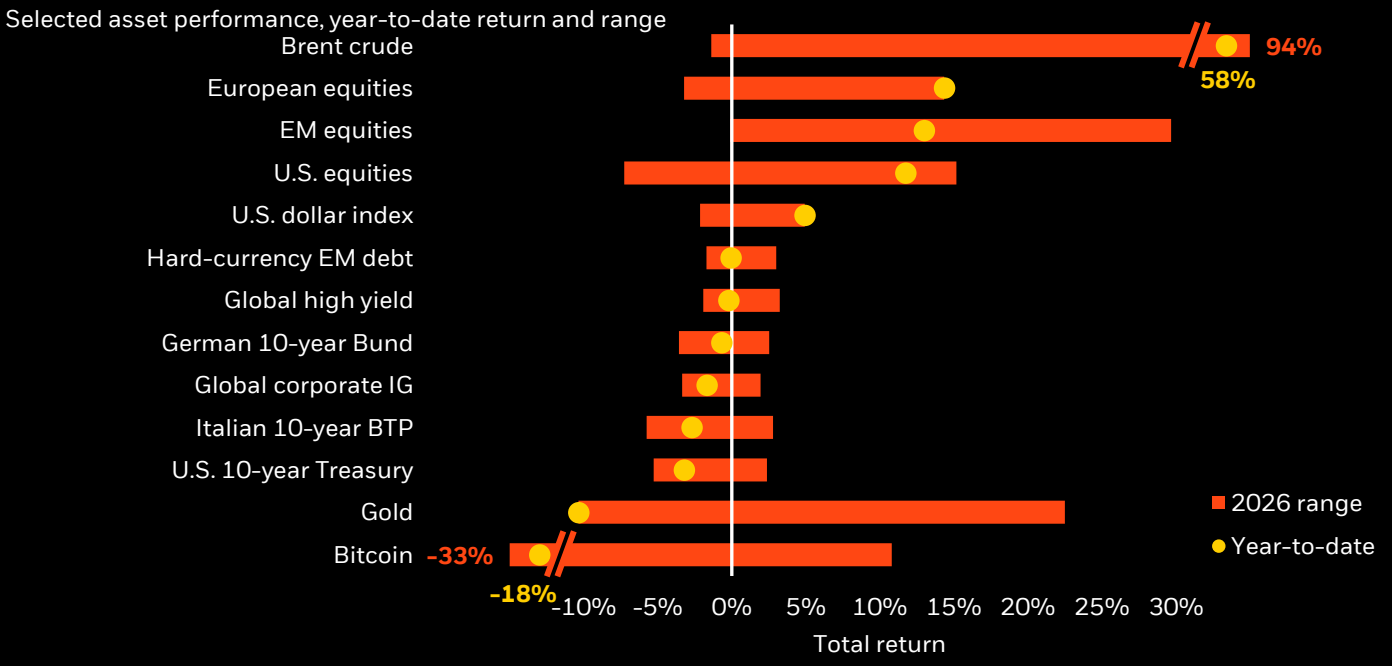
Bottom line: We maintain our strategic overweight in U.S. equities, backed by our conviction in AI's longer-term earnings potential. Higher yields also strengthen the case for bonds, particularly inflation-linked bonds.

Market backdrop

U.S. stocks recovered nearly all their post-midterm election losses last week as an AI-led rebound gave the S&P 500 its best week since early August. Chip stocks led the gains, with the Philadelphia Semiconductor index surging 8%. The rebound suggests AI earnings optimism is outweighing pressure from higher interest rates, for now. Two-year U.S. Treasury yields jumped 33 basis points to 4.86% after hawkish comments from Fed officials and a hotter-than-expected inflation report.

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 Nov. 12, 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.

CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

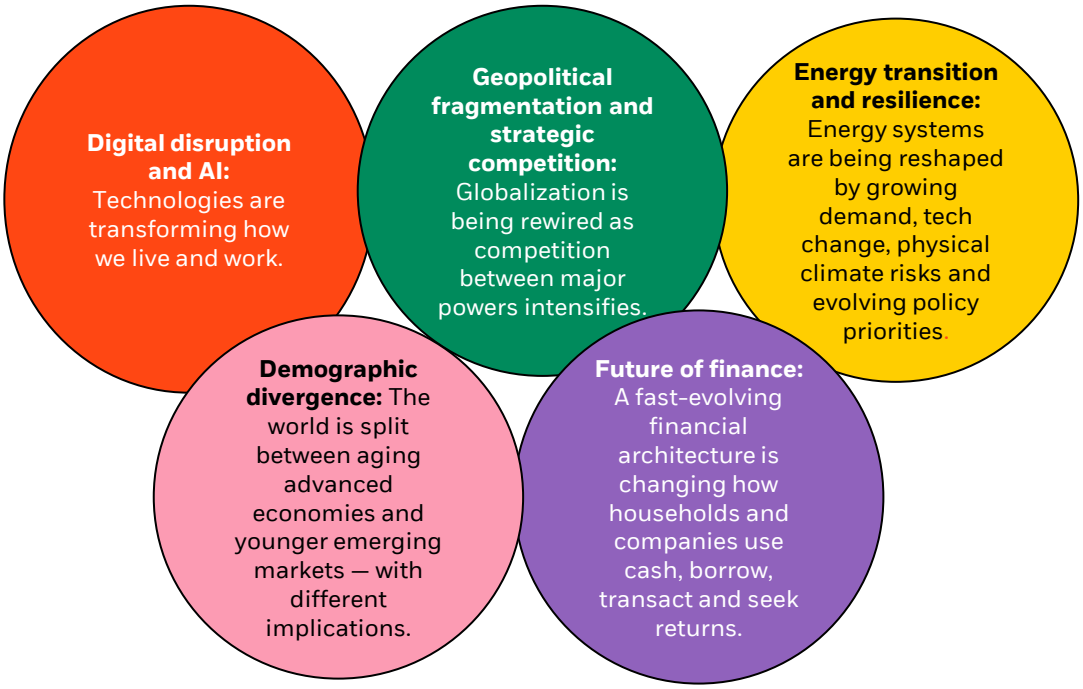
Week ahead

Nov. 17	UK unemployment	**Nov. 19**	Philadelphia Fed business index
Nov. 18	UK CPI; Japan trade balance	**Nov. 20**	EU flash consumer confidence; Japan CPI

We're watching European and Japanese inflation data for signs that higher energy costs are fueling broader price pressures, potentially prompting further interest rate hikes. European consumer confidence will also offer clues on how households are coping with higher costs and what that means for the region's economic outlook.

Intersecting mega forces

Since we launched our mega forces framework, it has become clearer how their intersection shapes almost all our investment views and opens up alpha opportunities. They cut across asset class labels, spurring a rethink of portfolio construction. Investors need to be deliberate about the economic or thematic exposures they own, the vehicles they use to implement them and their investment horizons.



From drivers to portfolio expressions

Our highest-conviction views, November 2026

Driver	What we think	Portfolio expression
Growth and AI scarcity	AI fundamentals are strong, but we eye near-term volatility.	Neutral U.S. equities and overweight EM equities; favor AI- and tech-related opportunities.
Duration and diversification	Higher starting yields improve prospective returns and income.	Overweight short-term U.S. Treasuries for solid income and a cushion against higher rates; neutral long-term Treasuries.
Credit spreads and liquidity	Selectivity is crucial amid tight spreads and uneven fundamentals.	Credit with clear cash flows, lender protections and recovery value; higher-rated high yield.
Inflation and scarcity	Scarcity, secure supply and power demand carry inflation risks.	Infrastructure, energy bottlenecks, EM local debt and real-asset-linked exposures.
Alpha opportunity	Macro outcomes matter again in the new regime.	Macro hedge funds, venture capital, market-neutral strategies, and selected private credit and non-U.S. alpha.

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

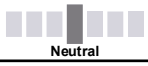
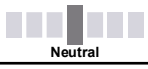
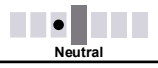
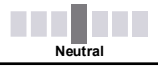
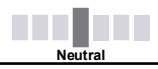
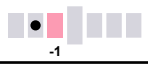
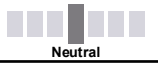
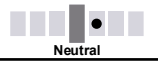
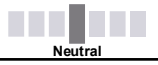
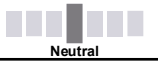
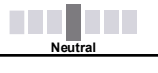
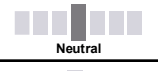
CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

Asset class implications

Six- to 12-month tactical positioning, November 2026

This shows the implementation of our key investment views from the previous page through an asset class lens.

Underweight | **Neutral** | **Overweight** ● Previous positioning

	Asset	Positioning	Commentary
Equities	**Developed markets**		
	United States		We are neutral. Strong AI fundamentals remain supportive, but policy uncertainty could fuel near-term volatility. We continue to favor AI and tech.
	Europe		We are neutral. We would need to see more business-friendly policy and deeper capital markets for Europe to outperform. We favor financials, infrastructure and industrials.
	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. Strong corporate balance sheets and governance reforms remain supportive. We prefer targeted exposures to physical AI and the buildout's bottlenecks.
	Emerging markets		We are overweight. Strong earnings and cheaper valuations create opportunities. We particularly like different expressions of the AI scarcity theme across Asia and Latin America.
	China		We are neutral. We see opportunities in physical AI. Cheap, open-source AI could drive adoption, but that doesn't necessarily translate into AI-provider profitability.
Fixed Income	Short U.S. Treasuries		We are overweight. Much of the repricing we anticipated has occurred, and expectations for further Fed hikes look excessive. We favor the front end for attractive income and a greater breakeven buffer.
	Long U.S. Treasuries		We are neutral. Higher yields offer attractive income and a bigger cushion against further rate increases. We still see room for yields to rise as competition for capital intensifies.
	Global inflation-linked bonds		We are neutral. We see inflation settling above prepandemic levels, but markets may not price this in the near term as economic growth could slow.
	Euro area govt bonds		We are neutral on short- and medium-term bonds. Current ECB rate pricing looks fairly valued given the balance of risks. Higher energy prices could push rates higher. We prefer to deploy risk elsewhere.
	UK gilts		We are neutral. We expect periods of elevated volatility given political uncertainty, longer-term bonds' growing market share and buyers' increasing price sensitivity.
	Japanese govt bonds		We are underweight. The substantial repricing in yields has improved the risk-reward, but further rate hikes and heavy issuance could push yields higher.
	China govt bonds		We are neutral. Chinese bonds offer stability and diversification, but developed-market yields are higher. A shift in investor sentiment toward equities limits upside.
	U.S. agency MBS		We are neutral and lean into the stable income MBS provide despite tight spreads.
	Short-term IG credit		We are neutral. Spreads are tight due to corporate strength, but attractive overall yields help offset the risk of increased issuance.
	Long-term IG credit		We are underweight. We prefer short-term bonds less exposed to interest rate risk over long-term bonds. But attractive overall yields help offset the risk of increased issuance.
	Global high yield		We are neutral. High yield offers attractive income. We prefer higher-rated U.S. and European high yield over investment grade and see dispersion of returns increasing.
	Asia credit		We are neutral. Overall yields are attractive and fundamentals are solid, but spreads are tight.
	Emerging hard currency		We are neutral. Fundamentals have improved, but we see a more attractive risk-reward profile in EM local debt.
	Emerging local currency		We are overweight. We like the yield relative to its volatility and improving fundamentals.

Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. Note: Views are from a U.S. dollar perspective. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast or guarantee of future results. This information should not be relied upon as investment advice regarding any particular fund, strategy or security.

BlackRock Investment Institute

The BlackRock Investment Institute (BII) leverages the firm's expertise and generates proprietary research to provide insights on macroeconomics, sustainable investing, geopolitics and portfolio construction to help BlackRock's portfolio managers and clients navigate financial markets. BII offers strategic and tactical market views, publications and digital tools that are underpinned by proprietary research.

FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, IRELAND, ISRAEL, ITALY, LIECHENSTEIN, LUXEMBOURG, NETHERLANDS, NORWAY, PORTUGAL, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, THE UNITED KINGDOM, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, QUALIFIED CLIENTS/INVESTORS IN OTHER PERMITTED COUNTRIES.

General disclosure: This document is marketing material, is intended for information and educational purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities or any investment strategies. The opinions expressed are as of Nov. 16, 2026, and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. Investing involves risks. This information is not intended to be complete or exhaustive and no representations or warranties, either express or implied, are made regarding the accuracy or completeness of the information contained herein. This material may contain estimates and forward-looking statements, which may include forecasts and do not represent a guarantee of future performance.

In EMEA, in the UK and Non-European Economic Area (EEA) countries: this is issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection, telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock. **In the European Economic Area (EEA):** this is issued by BlackRock (Netherlands) B.V., which is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office: Amstelplein 1, 1096 HA, Amsterdam, Tel: 31-20-549- 5200. Trade Register No. 17068311. For your protection, telephone calls are usually recorded. **In Italy,** for information on investor rights and how to raise complaints, please go to https://www.blackrock.com/corporate/compliance/investor-right available in Italian. **BlackRock Advisors (UK) Limited - Abu Dhabi Global Market (ADGM) Branch** is a Branch of a Foreign Company registered with the Abu Dhabi Global Market Registration Authority (Registered number 21523), with its office at Floor 25, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE, and is regulated by the ADGM Financial Services Regulatory Authority ("FSRA") to engage in the regulated activities of 'Arranging Deals in Investments'; 'Advising on Investments or Credit'; 'Managing Assets'; and 'Managing in a Collective Investment Fund' (FRSA Reference 240099). **BlackRock Advisors (UK) Limited - Dubai Branch** is a Dubai International Financial Centre (DIFC) Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, DIFC, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In Albania, Angola, Armenia, Azerbaijan, Botswana, Bulgaria, Egypt, Georgia, Ghana, Jordan, Kazakhstan, Kenya, Kosovo, Lebanon, Mauritius, Morocco, Mozambique, Namibia, Nigeria, North Macedonia, Pakistan, Rwanda, Serbia, Tanzania, Turkey, Uganda, Uzbekistan, Zambia, Zimbabwe, this document is intended strictly for central banks and sovereign investors only. In Israel: BlackRock Investment Management (UK) Limited is not licensed under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder. **In South Africa**, please be advised that BlackRock Investment Management (UK) Limited is an authorized financial services provider with the South African Financial Services Board, FSP No. 43288. **In the ADGM**, the information contained in this document is intended strictly for Professional Clients. **In the DIFC**, this material is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules. **In the Kingdom of Bahrain and the Sultanate of Oman,** the information contained in this document is intended strictly for sophisticated institutions. **In the State of Kuwait**, the information contained in this document is intended strictly for sophisticated institutions that are 'Professional Clients' as defined under the Kuwait Capital Markets Law and its Executive Bylaws. **In Qatar**, the information contained in this document is intended strictly for sophisticated investors and high-net-worth investors. **In the Kingdom of Saudi Arabia,** this material is for distribution to Institutional and Qualified Clients (as defined by the Implementing Regulations issued by Capital Market Authority) only and should not be relied upon by any other persons. **In the United Arab Emirates (UAE) (excluding the DIFC and the ADGM):** the information contained in this document is intended strictly for Professional Investors. **In Australia and New Zealand**, this material is issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 AFSL 230 523 (BIMA). The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. **In New Zealand**, this material is for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the New Zealand Financial Advisers Act 2008. BIMAL is not licensed by a New Zealand regulator to provide 'Financial Advice Service', 'Investment manager under an FMC offer' or 'Keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons'. BIMAL's registration on the New Zealand register of financial service providers does not mean that BIMAL is subject to active regulation or oversight by a New Zealand regulator. **In China**, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, excluding Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services. **In Hong Kong**, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. **In Japan**, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No. 375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Institutional Investors only. All strategies or products BLK Japan offers through the discretionary investment contracts or through investment trust funds do not guarantee the principal amount invested. The risks and costs of each strategy or product we offer cannot be indicated here because the financial instruments in which they are invested vary by strategy or product. **In Singapore**, this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N). This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. **In South Korea**, this information is issued by BlackRock Investment (Korea) Limited, for distribution to Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations). **In Taiwan**, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600. **For other APAC countries**, this material is issued for Institutional Investors only (or professional/sophisticated/qualified investors, as such term may apply in local jurisdictions). **In Latin America,** no securities regulator within Latin America has confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services is a regulated activity in Mexico and thus is subject to strict rules. For more information on the Investment Advisory Services offered by BlackRock Mexico, please refer to the Investment Services Guide available at www.blackrock.com/mx.

©2026 BlackRock, Inc. or its affiliates. All Rights Reserved. **BLACKROCK** is a trademark of BlackRock, Inc., or its affiliates. All other trademarks are those of their respective owners.

BlackRock.

Not FDIC Insured • May Lose Value • No Bank Guarantee