

Weekly commentary

March 2, 2026

BlackRock

Rethinking long-term investing

- Static strategic asset allocation no longer suffices in a world shaped by mega forces. It's crucial to revisit key calls and focus on underlying economic drivers.
- Investors went risk-off on AI fears in February. The S&P 500 notched its worst month in nearly a year and yields on 10-year U.S. Treasuries fell below 4%.
- We're watching labor data this week. We expect U.S. February payrolls data to show a resilient labor market, reaffirming the Fed's new hawkish tone.

Renewed conflict in the Middle East, the software selloff and Nvidia's earnings show mega forces reshaping markets in real time. These mega forces are well known, yet the scale and even direction of their long-run impact is uncertain. With no one long-term scenario, it's crucial to assess calls more often and focus on fundamental economic drivers over asset class labels. On a strategic horizon of five years or longer, we go overweight high yield credit and like infrastructure.



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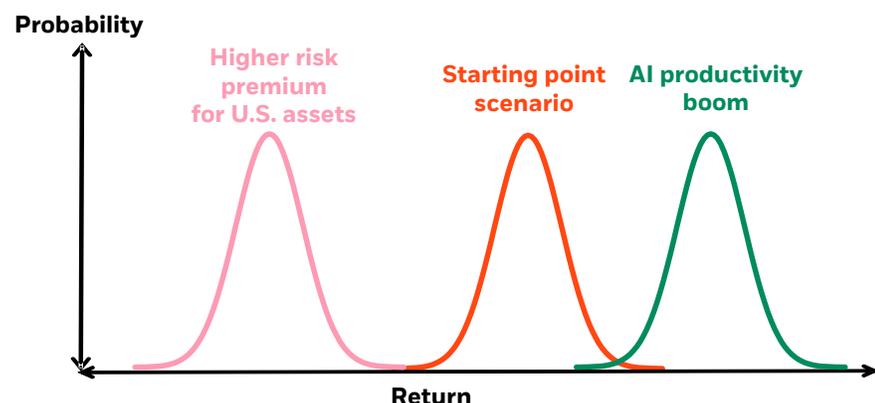
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Leaning on scenarios

Illustrative distribution of U.S. equity returns



For illustrative purposes only. Source: BlackRock Investment Institute, March 2026. Note: The illustration shows a hypothetical distribution of U.S. equity returns in the different scenarios underlying our capital market assumptions. Read more [here](#), for professional investors only.

The cross-currents of mega forces are shaping markets – now and long term. Geopolitical fragmentation is front and center as conflict escalates in the Middle East. The AI buildout keeps rolling on, as seen in Nvidia's earnings, and the selloff in software marks a new focus on perceived AI losers. At the same time, fiscal and inflation anchors have weakened. The long-run economy could arrive at structurally different regimes, each with very different return expectations. That makes any set of long-run capital market assumptions conditional: it reflects one assumed path for the economy. This led us to begin tracking multiple scenarios last year. See the chart. Our starting point assumes sticky inflation limits interest rate cuts. AI-related gains could spark a breakout from 2% trend growth. This could also fail to occur, and further geopolitical fragmentation could push up risk premium for U.S. assets.

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We have evolved our capital market assumptions (CMAs – for professional investors only) and portfolio construction approach to address this bifurcation. Many of these changes align with the broader industry shift towards total portfolio approach (TPA), though TPA itself is loosely defined and can mean many different things in practice. First, we revisit major portfolio judgements more often and set an explicit Plan B grounded in scenarios, with clarity on the portfolio changes those scenarios require. We review our CMAs quarterly and began incorporating explicit alternate scenarios as of Q2 last year.

Second, we focus on fundamental economic drivers rather than asset class labels. Why? Broad asset class benchmarks are a blunt instrument for expressing views in an era of transformation. Mega forces do not show up uniformly across markets: their effects land in specific sectors, parts of the yield curve and balance sheet structures. Portfolio construction needs more granularity to reflect this. So, we shift the unit of analysis. Instead, we measure exposures at the whole portfolio level based on economic and factor drivers of return and risk. This is key for private assets, where benchmarks are less standardized.

Third, we budget portfolio risk holistically. Economic transformation raises dispersion within asset classes. That strengthens the case for treating alpha as an allocation decision, not an add-on. This includes setting clear rules for sizing alpha versus beta risk, and defining where private markets and hedge funds can fit into the risk budget.

We update our strategic views of five years or longer in our starting point scenario. We think the AI buildout will boost inflation and widen credit spreads. Inflation-linked bonds can offset the former. And high yield bonds – less sensitive to interest rate shifts – can offset the latter, so we go overweight. We see fiscal pressures pushing up yields on developed market bonds, so we go neutral. We're also neutral developed market equities but stay overweight emerging market stocks. We get selective in private credit as dispersion grows. And we like infrastructure given it benefits from multiple mega forces.

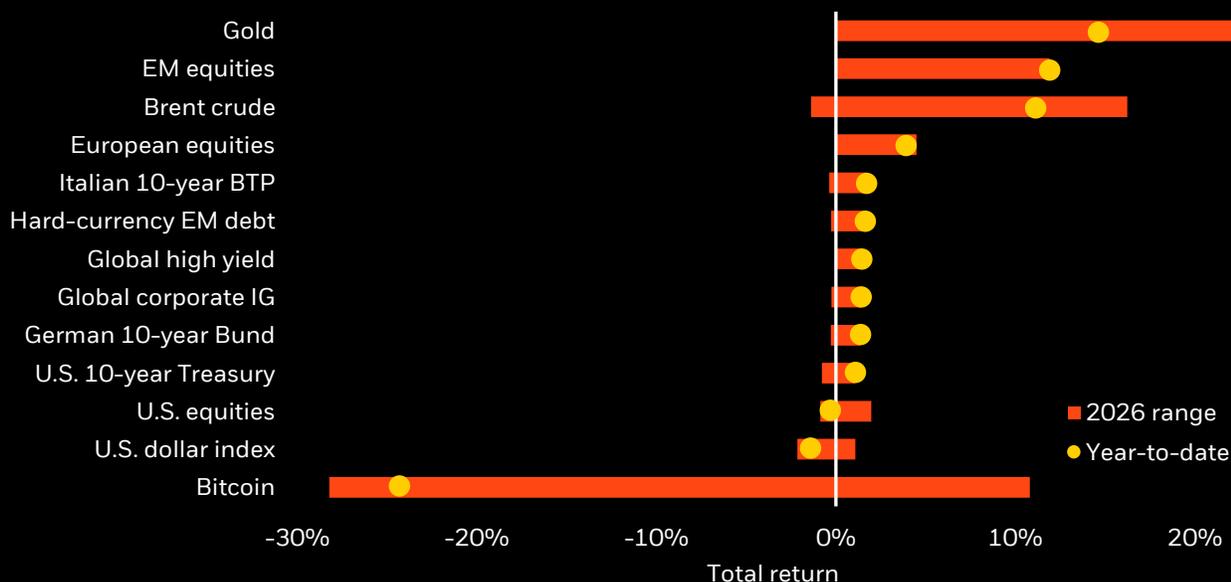
Bottom line: Static, set-it-and-forget-it strategic asset allocation (SAA) doesn't work in a world where mega forces make long-term outcomes uncertain. Our SAA approach revisits key decisions, focuses on underlying drivers and sets a risk budget.

Market backdrop

The S&P 500 saw its biggest monthly drop since March 2025. Nvidia's earnings beat failed to soothe mounting market anxiety about AI disruption and higher-than-expected wholesale inflation data reinforced concerns about sticky inflation. U.S. 10-year Treasury yields fell below 4.00% as fretful investors retreated to defensive assets. Brent crude oil gained nearly 4% last week on concerns about further conflict in the Middle East before the weekend developments.

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 February 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 2	Global flash PMIs	March 4	Euro area unemployment
March 3	Euro area flash inflation; Japan unemployment	March 6	U.S. payrolls; euro area revised

We're watching labor market data and flash PMIs around the world. We expect February U.S. payrolls to show ongoing labor market resilience – keeping the Federal Reserve on hold in coming months. The market is still pricing in two quarter-point rate cuts by year end. In the euro area, the February flash inflation data are likely to reinforce expectations that the European Central Bank is also on hold.

Big calls

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

Tactical	Reasons
Still favor AI	We see the AI theme supported by strong earnings, resilient profit margins and healthy balance sheets at large listed tech companies. Continued Fed easing into 2026 and reduced policy uncertainty underpin our overweight to U.S. equities.
Select international exposures	We like Japanese equities on strong nominal growth and corporate governance reforms. We stay selective in European equities, favoring financials, utilities and healthcare. In fixed income, we prefer EM due to improved economic resilience and disciplined fiscal and monetary policy.
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 in 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	Developed markets			
	United States		We are overweight. Strong corporate earnings, driven in part by the AI theme, are supported by a favorable macro backdrop: continued Federal Reserve easing, broad economic optimism and less policy uncertainty, particularly on the trade front.	
	Europe		We are neutral. We would need to see more business-friendly policy and deeper capital markets for recent outperformance to continue and to justify a broad overweight. We stay selective, favoring financials, utilities and healthcare.	
	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 overweight. Strong nominal GDP, healthy corporate capex and governance reforms – such as the decline of cross-shareholdings – all support equities.	
	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. We still favor China tech within our neutral view.	
	Fixed Income	Short U.S. Treasuries		We are neutral. We see other assets offering more compelling returns as short-end yields have fallen alongside the U.S. policy rate.
		Long U.S. Treasuries		We are underweight. We see high debt servicing costs and price-sensitive domestic buyers pushing up on term premium. Yet we see risks to this view: lower inflation and better tax revenues could push down yields near term.
		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. We agree with market forecasts of ECB policy and think current prices largely reflect increased German bond issuance to finance its fiscal stimulus package. We prefer government bonds outside Germany.	
UK gilts			We are neutral. The recent budget aims to shore up market confidence through fiscal consolidation. But deferred borrowing cuts could bring back gilt market volatility.	
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 and investors rotate into U.S. Treasuries as the Fed cuts.	
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 in an environment where growth is holding up – 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. A weaker U.S. dollar, lower U.S. rates and effective EM fiscal and monetary policy have improved economic resilience. We prefer high yield bonds.		
Emerging local currency		We are neutral. A weaker U.S. dollar has boosted local currency EM debt, but it's unclear if this weakening will persist.		

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