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Weekly commentary

BlackRock

March 16, 2026

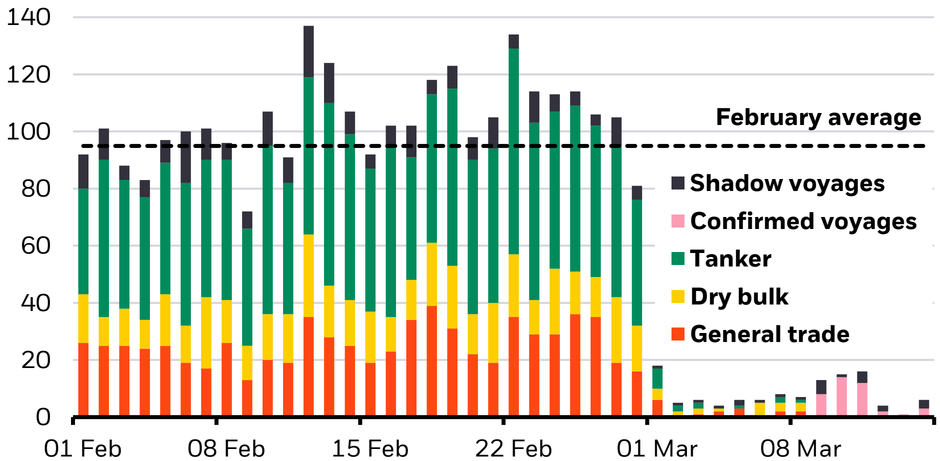
Pressures to shape Mideast conflict

- Markets are grappling with the potential for a sustained shock to energy flows – but we think rising economic and political pressures could limit the disruption.
- Brent crude oil settled around $100 after historic volatility. Major government bond yields jumped, while stocks slumped with the U.S. outperforming.
- Central banks, including the Fed, are expected to hold rates steady. We look to updated economic projections for any signs of their view on the energy shock.

The Mideast conflict has effectively closed the Strait of Hormuz – a world energy chokepoint – and is rippling out across markets and supply chains. We think this is a visible global macro shock no matter the endgame, with higher inflation and bond yields. Yet if the closure drags on, we think a feedback loop could emerge: the conflict drives prices, but the political and economic fallout could limit the conflict. We prefer U.S. stocks and see classic portfolio diversifiers as challenged.

Shipping stoppage

Daily Strait of Hormuz voyages, Feb.-March 2026



Source: BlackRock Investment Institute with data from IMF PortWatch, Lloyd's List, Seasearcher and BlackRock Hormuz Strait Dashboard, March 2026. Notes: General trade includes containers, general cargo and roll-on/roll-off ships. Shadow voyages are estimates inferred from ships sending at least one AIS ping inside the Persian Gulf since the outbreak of the conflict on Feb. 28.

The flow of energy and goods through the Strait of Hormuz – the conduit for a fifth of the world's oil and liquefied natural gas (LNG) – is key for how this feedback loop plays out. A record release of about 400 million reserve barrels by the International Energy Agency gave limited relief to oil prices. Yet the conflict drives more than just energy prices. The supply chain shock ups production costs, hurting growth. It also exacerbates pre-existing inflationary pressures and pushes up yields – making it harder for investors and central banks to ignore those pressures. The longer supply is disrupted, the greater the global macro impact. That's why we monitor directly for any signs of shipping activity. See the chart. A tool from our Fundamental Equities team tracks observable and "shadow" traffic – ships with their transponders off. As of Sunday, weekly voyages are around 7% of their previous 12-month average.

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BlackRock **Investment** Institute

We see the impacts of conflict-driven energy price spikes playing out very differently across different regions. A key difference in oil and LNG makes North Asia particularly vulnerable, we think. Oil can be re-routed, but LNG is tied to regional infrastructure – and North Asia relies on strait imports for both. Our analysis shows that Japan, for example, gets about 70-90% of its oil and about 10-15% of its LNG via the strait. Some Asian countries are stockpiling – a move that shrinks supply and may amplify volatility. Europe is also exposed, with the supply shock from a months-long strait closure potentially twice that in the U.S. Only about 4-8% of the U.S.'s oil comes from the strait – far less than major economies like France, Italy and Germany (roughly 20-45%). We see this reflected in performance: equities in Europe and Asia have fallen more than the U.S.

But here the other part of the feedback loop kicks in: knock-on effects like this create economic and political pressures for de-escalation. We saw this play out in one day last Monday. Oil experienced its sharpest intraday swing on record after U.S. President Donald Trump said the war could end "very soon." Brent crude oil has since surged back around $100 as Iran's strikes on energy shipping and facilities intensified. Limiting strait shipping gives Iran leverage but hurts them economically – an incentive to end the conflict. Growing frustration with higher gas prices in the U.S. could also act as an incentive. If current crude oil prices persist for six months, we see a notable drag on global growth and boost to inflation.

There are few places to hide from this near-term supply shock in our view. Government bonds and gold are not providing ballast as equities fall. That's because – as we've long said – investors are demanding more compensation for the risk of holding long-term bonds given persistent inflation and high debt levels. This latest supply shock only intensifies that dynamic, flipping the recent market narrative on disinflation and putting more upward pressure on bond yields. Yet over a six to 12-month horizon, we think risk assets could recover if an endgame emerges. We still prefer U.S. equities on the AI theme. We also like emerging market hard currency debt, where indexes lean towards commodity exporters like Brazil.

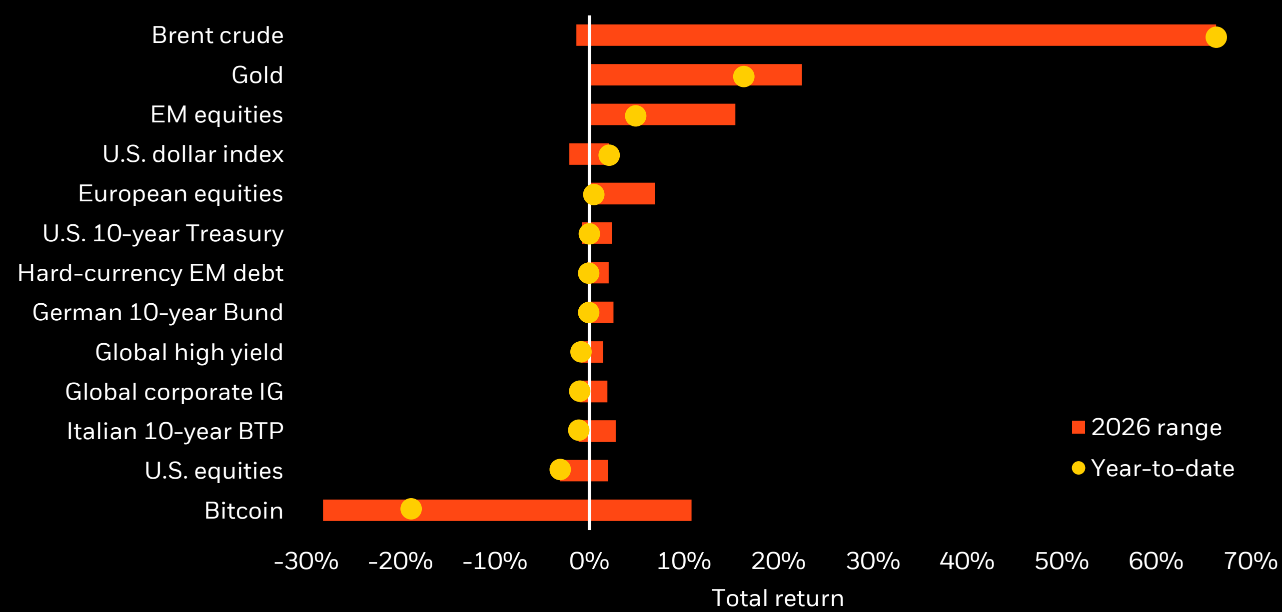
Bottom line: What matters is the duration of the conflict – and the knock-on impact to supply chains. Our tactical views hinge on the strait reopening in a few weeks due to economic and political pressures, even if we see a near-term deterioration.

Market backdrop

Brent crude ended the week above $100 a barrel after a historically large intraday swing last Monday on hopes of a near-term resolution to the Mideast conflict. Markets expect prices to decline by year-end, indicating optimism for a nearer-term resolution. European natural gas prices are up about 60% since the day before U.S.-Israeli strikes on Iran. The S&P 500 fell roughly 2% on the week, with government bonds offering little refuge: 10-year U.S. Treasury yields rose to 4.28%.

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 March 13, 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.

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Week ahead

March 16	U.S. Empire State survey
March 18	Federal Reserve policy decision; Bank of Japan policy decision
March 19	Bank of England policy decision; ECB policy decision
March 20	Euro area trade balance

We eye how major central banks respond to the energy shock from the Mideast conflict – especially given the sharp shift in pricing to potential rate hikes from rate cuts apart from the Federal Reserve. The consensus expects all major central banks including the Fed to keep rates on hold this week. We will watch updated economic projections on how they are viewing the energy shock on policy.

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 thenahir 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, March 2026

Underweight | **Neutral** | **Overweight** | ● Previous view

	Asset	View	Commentary
Equities	**Developed markets**		
	United States	+1	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	Neutral	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	Neutral	We are neutral. Valuations remain attractive relative to the U.S., but we see few near-term catalysts to trigger a shift.
	Japan	+1	We are overweight. Strong nominal GDP, healthy corporate capex and governance reforms – such as the decline of cross-shareholdings – all support equities.
	Emerging markets	Neutral	We are neutral. Economic resilience has improved, yet selectivity is key. We see opportunities across EM linked to AI and the energy transition and see the rewiring of supply chains benefiting countries like Mexico, Brazil and Vietnam.
	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. We still favor China tech within our neutral view.
Fixed Income	Short U.S. Treasuries	Neutral	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	-1	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	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. 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	Neutral	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	-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 and investors rotate into U.S. Treasuries as the Fed cuts.
	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 in an environment where growth is holding up – 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. 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	Neutral	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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