

Weekly commentary

April 6, 2026

BlackRock

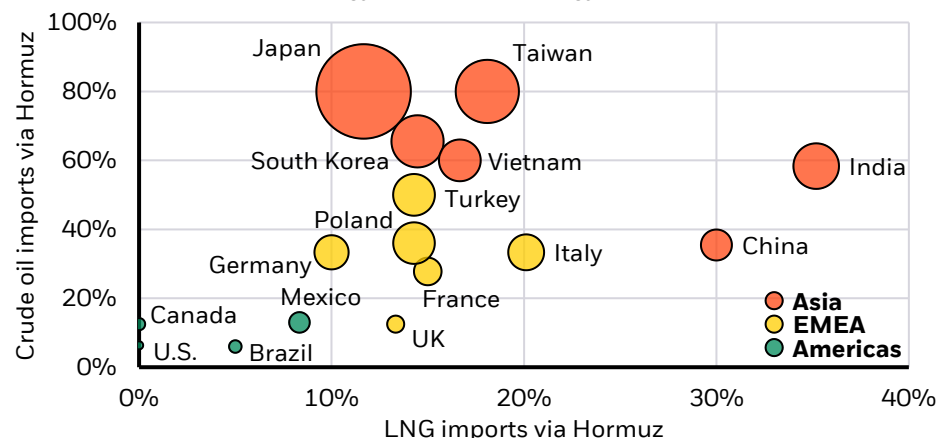
Spotting pockets of EM resilience

- A stronger U.S. dollar and a supply chain shock are intensifying EM dispersion, with mega forces creating pockets of resilience. We like EM hard currency debt.
- Oil prices are still driving markets, swinging on signs of possible Mideast conflict de-escalation. Market expectations now see the Fed on hold with rates.
- We eye the impact of higher energy prices in the U.S. March CPI this week and see supply chain shocks eventually pushing up broader inflation.

The global supply chain shock from the Middle East conflict reinforces our view on emerging markets (EM): focus on quality and selectivity. The conflict has boosted the U.S. dollar and dented EM performance – but not evenly. EM stocks have outperformed developed markets (DM) so far this year. That’s why it’s critical to look under the hood: different energy exposures and mega forces benefit some EMs over others. We stay selective in EM equities and like EM hard currency debt.

Energy dependencies

Strait of Hormuz share of energy imports and energy import dependence, 2026



Source: BlackRock Investment Institute with data from IEA, U.S. EIA, GIIGNL, OPEC and commercial tanker-tracking databases, April 2026. Notes: Sample includes G7 and the 10 largest EM economies by trade (excluding Russia). Axes show the share of oil and LNG imports via the Strait of Hormuz; bubble size shows oil and gas import dependence.

EM stocks and bonds started to reverse years of underperformance in 2025, with a weaker dollar and broadly stable global growth. That performance had carried over into 2026 – until the start of the Middle East conflict and dollar jump. But we are seeing greater dispersion and some EM countries still outperforming year-to-date. Some of that relative resilience is tied to the difference between EM energy importers and exporters, we think. The Strait of Hormuz normally transports a fifth of the world’s oil and liquefied natural gas (LNG). Its de facto closure is having disparate effects across EM economies. See the chart. Some, such as Asia and India, that rely on the strait for their energy needs are particularly exposed. By contrast, Latin American countries – many of which are net energy exporters – are far less exposed. That has helped EM stocks and bonds hold up overall.



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However, the thematic distinction between energy importers and exporters does not on its own account for differences in EM performance. South Korea relies on the strait for about 65% of its oil, while a third of China LNG flows through it. Yet both local markets have still benefitted from mega forces. This is partly due to South Korea's leadership in the memory chips needed for AI, and for China its leading role in renewable energy. In Latin America, we see AI-fueled demand for critical minerals like copper and lithium boosting energy exporters further. We eye risks to the AI theme: constraints on energy to power data centers, competition for capital crimping AI capital spending needs and supply disruptions to commodities involved in chipmaking sourced from the Persian Gulf, like helium.

What does all this mean for EM investing? In debt, we see improved fiscal and monetary policy driving EM resilience. This has spurred a broad array of sovereign credit rating upgrades, especially in riskier countries with high yield ratings. The conflict could pause that pattern – one reason we favor EM hard currency debt. It's mostly denominated in U.S. dollars, shielding it from local currency volatility. Plus, the main J.P. Morgan EM hard currency debt index has also seen its duration shrink to near its lowest levels in the past two decades, making it less sensitive to interest rate swings. And the index skews toward Latin American commodity and energy exporters. Restrictive monetary policy from countries like Mexico and Brazil have allowed them to cut interest rates since the conflict began – a modest but meaningful boost and a stark contrast to market expectations for many DM central banks. Yet if the Federal Reserve were to hike and the U.S. dollar strengthens, EM central banks might have to respond in kind.

In equities, we stay neutral overall but get selective with exposures. That's particularly true within China: hyper-competitive pricing in response to overproduction means its leadership in renewables doesn't always result in strong equity performance. We also like critical mineral exporters in Chile and Peru that benefit from AI demand and the low-carbon transition.

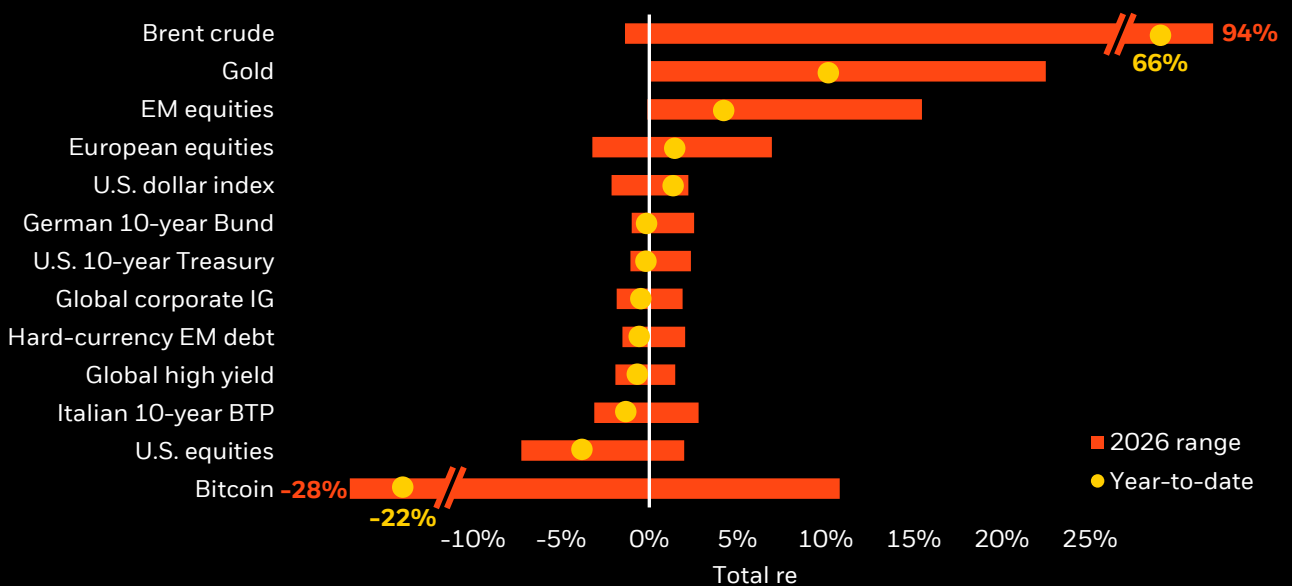
Bottom line: Selectivity is key in EM as supply chain disruptions from the Mideast conflict broaden. We're neutral EM equities, but like mega force beneficiaries like Latin America. We favor EM hard currency debt as a defensive EM play for now.

Market backdrop

Oil prices remain the key driver as investors grapple with a broadening supply shock, as well as occasional hopes for de-escalation of the Middle East conflict and an easing of supply chain disruptions. Brent crude oil futures were up 3% this week to \$108 while December futures were down 7% to \$78. The S&P 500 rose more than 3% on the week while U.S. 10-year yields fell 13 basis points to 4.31%. Markets now see the Fed on hold this year after partially pricing in a rate hike last week.

Assets in review

Selected asset performance, 2026 year-to-date re 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 April 1, 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

April 6	U.S. ISM services PMI	April 10	U.S. CPI; University of Michigan sentiment survey
April 9	U.S. PCE; China CPI and PPI	April 10-17	China total social financing

We're watching for the impact of higher energy prices in the U.S. March CPI this week and see supply chain shocks eventually pushing up broader inflation. We also watch the February PCE data – another critical input before the Fed policy meeting this month. We eye China's CPI and PPI, with weak domestic demand still offsetting higher energy prices.

Big calls

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

Tactical		Reasons
Favor AI beneficiaries		Markets are increasingly focused on identifying companies exposed to AI disruption. We favor physical infrastructure and equipment supporting the AI buildout – such as semiconductors, power and data center assets – that we think we stand to benefit no matter the winners or losers.
Selected international exposures		We like hard-currency EM debt due to improved economic resilience, disciplined fiscal and monetary policy and a high ratio of commodities exporters. In Europe, we are overweight short-term European government bonds on valuation and favor equity sectors such as infrastructure.
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 re 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, April 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 res.
- 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, April 2026

	Underweight	Neutral	Overweight	● Previous view			
Asset	View				Commentary		
Equities	Developed markets						
	United States				Neutral	We are neutral. Higher interest rate expectations could weigh on the market – and small caps in particular. We keep our overweight to companies that benefit from the AI mega force.	
	Europe				Neutral	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				Neutral	We are neutral. Valuations remain attractive relative to the U.S., but we see few near-term catalysts to trigger a shift.	
	Japan				Neutral	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				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.	
	Fixed Income	Short U.S. Treasuries				Neutral	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				-1	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				Neutral	We are neutral. The supply shock from the Middle East conflict adds to inflationary pressures but also could drag on growth.
Euro area govt bonds					+1	We are overweight short-term European government bonds to add a cash buffer, given the rapid repricing of expectations of ECB rate hikes.	
UK gilts					Neutral	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					-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.	
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 and shorter duration, 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. EM hard-currency indexes lean toward Latin American commodity exporters such as Brazil that stand to benefit as Mideast supply plummets.	
Emerging local currency					Neutral	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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