Weekly commentary

April 13, 2026

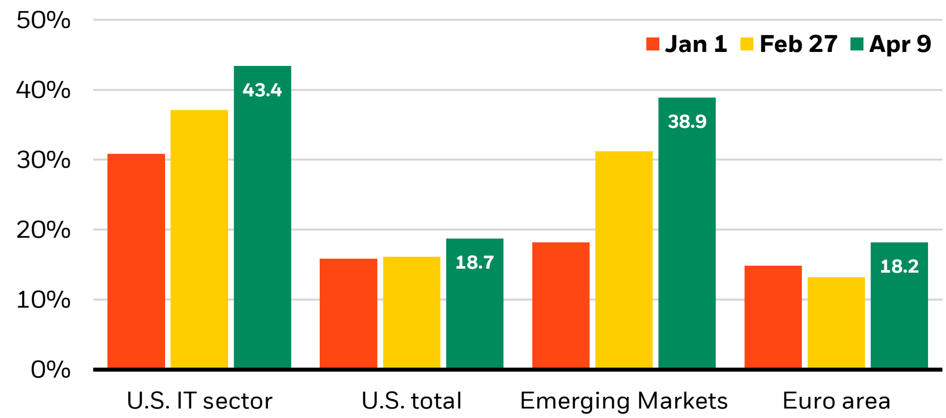
Back to overweight U.S. stocks

- U.S.-Iran negotiations collapsed for now, but we see talks as evidence of an economic incentive to end the conflict. We upgrade risk in U.S. and EM stocks.
- A U.S.-Iran ceasefire saw oil prices slide, stocks bounce and bond yields drop. We could see a partial unwind of those moves after the breakdown in talks.
- We watch U.S. PPI to see if energy-driven cost pressures keep pushing prices up. We expect modest growth in China as external demand fuels recovery.

We flagged two signposts to dial up risk-taking after the Middle East conflict led us to reduce risk and turn neutral on U.S. equities a few weeks ago. First: evidence of actions that could re-open shipping traffic in the Strait of Hormuz. Second: signs that any lingering macro impact is contained. We eye developments on both fronts. Plus, corporate earnings expectations are up even through the conflict, partly on the AI theme. We go back to modest risk taking and turn overweight U.S. stocks.

Earnings unscathed

Earnings growth expectations for 2026, year-on-year growth



Forward-looking estimates may not come to pass. 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 IBES consensus, sourced from LSEG Datastream, April 2026. Indices used are MSCI USA IT and MSCI USA in US$ terms, and MSCI EMG and MSCI EMU in local currency terms.

Talks between the U.S. and Iran broke down over the weekend, but we think the fact that they began in the first place indicates that there are strong economic incentives for all parties to end the conflict. We saw two signposts that would lead us to re-up risk after reducing it a few weeks ago. First, tangible evidence of actions that would reopen flows through the Strait of Hormuz. And second, visibility on the lingering macro impact being contained. This comes as expectations for corporate earnings have climbed for both the U.S. and EM for 2026 – even since the conflict began on Feb. 28. See the chart. We see the AI theme at play in both. Companies in South Korea and Taiwan – key producers of the hardware needed for AI – are driving EM earnings upgrades. In the U.S., the forecast 80% boost to semiconductor stock earnings this year are helping drive upgrades in tech and overall, LSEG data show.

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We are eyeing developments on both of these signposts. A breakdown in U.S.-Iran negotiations over the weekend could add to near-term pressure on risk assets. But both countries agreeing to start talks is concrete evidence of economic incentives to de-escalate, in our view. China's role – and U.S. President Donald Trump's planned summit with Chinese President Xi Jinping in mid-May – is likely factoring into those economic incentives. Flows through the Strait of Hormuz would need to pick back up for a sustained positive impact on markets. We use our proprietary tracker to monitor traffic through the strait. In terms of the macro impact, we see it as significant and don't necessarily expect a return to the environment in place before the conflict began – but think other drivers can outweigh that impact and go back to moderate risk taking on a tactical horizon.

One of those drivers? Corporate earnings getting revised up, even as equities have pulled back. Tech's valuation premium has been eroded, with the 12-month forward valuation of the U.S. IT over other sectors at its lowest level since mid-2020. At the same time, the tech sector is now seen posting earnings growth of 43% in 2026, up from 26% last year. These bright spots partly inform our upgrade to U.S. equities. AI earnings exposure also contributes to our modest EM overweight. We are funding this equity upgrade by reducing our cash-like preference of front-end euro area government bonds, which we took a few weeks ago after a sharp pricing in of European Central Bank rate hikes early in the conflict.

We will keep emphasizing thematic opportunities accelerated by events in the Middle East – and think those exposures will benefit no matter the outcome. We saw mega forces creating a world shaped by supply factors such as tariffs and labor constraints before the conflict began – and think this will persist after it ends. We see geopolitical fragmentation supporting defense and aerospace, spurring governments to push even harder for energy independence and leading companies to invest more in supply chain resilience. Along with the AI theme, that will drive demand for infrastructure and power.

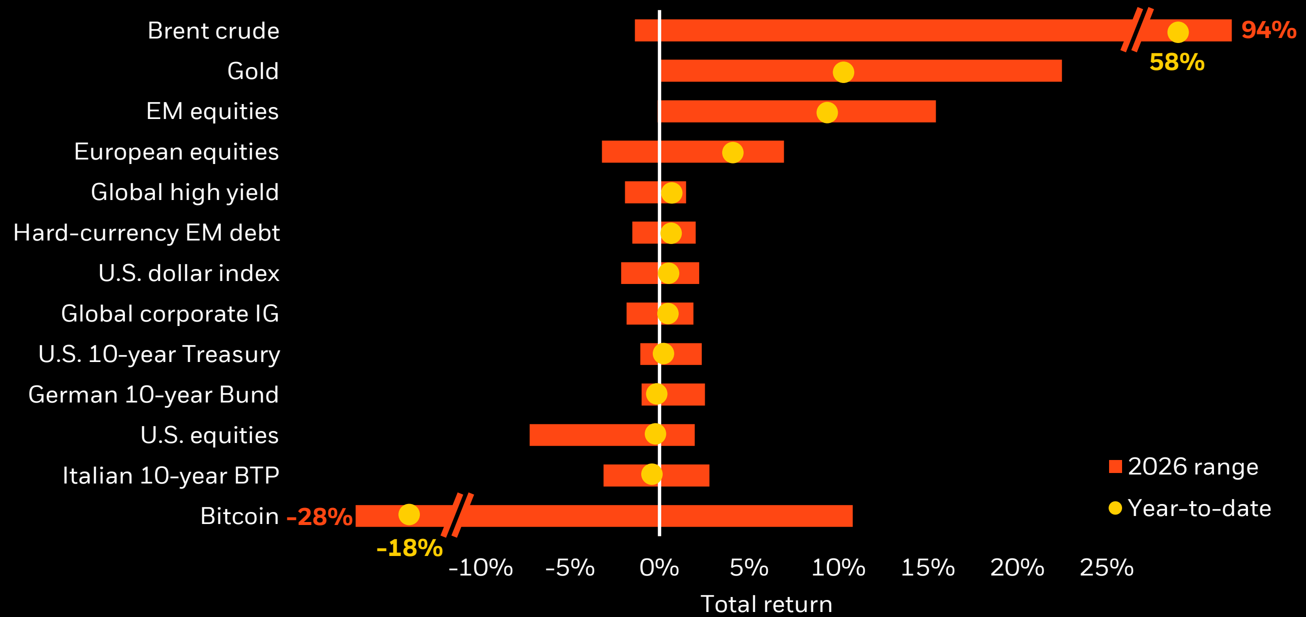
Bottom line: We see evidence of economic incentives to end the U.S.-Iran conflict. We turn moderately positive risk and like U.S. stocks as a relative preference, seeing them holding up better even if absolute performance disappoints. We also turn overweight EM stocks and still favor thematic opportunities like defense.

Market backdrop

A U.S.-Iran ceasefire saw Brent crude fall below $100 a barrel, the S&P 500 gain about 3.6% on the week and 10-year U.S. Treasury yields off their highs at 4.32%. A breakdown in negotiations on Sunday could see a partial unwind of those moves. The impact of higher energy prices had yet to show in March U.S. core inflation and would need to stay higher for that to happen. But inflation is still too high to achieve the Federal Reserve's 2% target soon, dimming hopes for rate cuts in 2026.

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 April 9, 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 14	U.S. PPI; China trade balance
April 16	U.S. Philadelphia Fed survey; U.K. GDP; China GDP
April 17	EU trade balance

The U.S. PPI will show if energy-driven cost pressures are still pushing prices upward after February's data came in higher than expected. The U.S. March CPI showed a surge in energy inflation at the headline level but limited impact in core inflation. In China, we expect to see signs of modest but steady growth as external demand – rather than domestic momentum – gradually powers a recovery.

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 returns 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 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, April 2026

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

	Asset	View	Commentary
Equities	**Developed markets**		
	United States	+1	We go overweight. Contained damage to global growth from the Mideast conflict and strong earnings expectations – particularly in tech – keep us risk-on.
	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	+1	We go overweight, yet stay selective. We favor Asian countries that manufacture critical AI components and Latin American energy and commodity exporters.
	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. 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 go 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	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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