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Weekly commentary

April 20, 2026

BlackRock

A supercharged AI mega force

- We view AI as a supercharged mega force as buildout spending is rising from already-historic levels, supporting our overweight to U.S. and EM stocks.
- Oil fell as Iran pledged to open the Strait of Hormuz during the Lebanon ceasefire. Both the S&P 500 and the Nasdaq hit new record highs.
- We watch global flash PMIs for signs of any growth drag, supply chain disruptions and price pressures from the Middle East conflict.

U.S.-Iran talks to end the Middle East conflict have boosted stocks to new record highs. Tech has helped drive the gains – and what's becoming clearer is the building strength of the AI theme. Our conviction in the AI transformation grows as we see broad gains in revenues and already-historic capital spending even as U.S. tech valuations are back on par with the overall market. This reinforces our U.S. equity overweight and preference for AI thematic opportunities.

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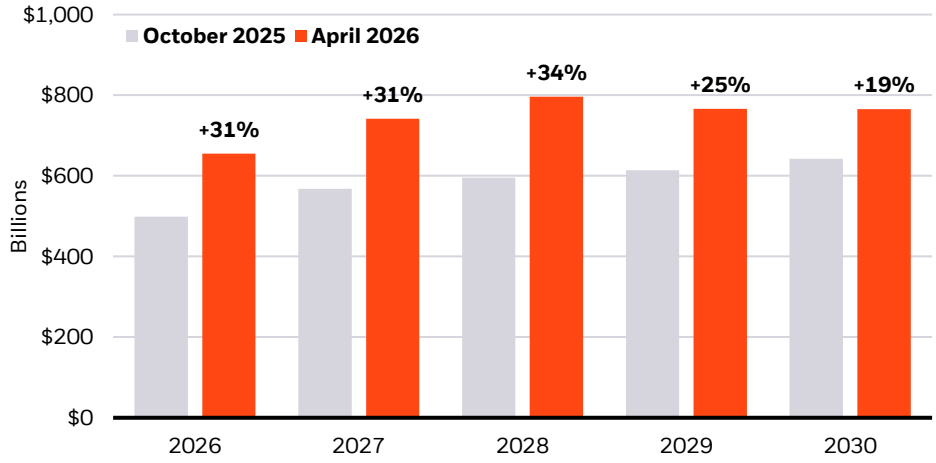
Even bigger spending

Hyperscaler capital spending consensus estimates, 2026-30



Source: BlackRock Investment Institute with data from Bloomberg, April 2026. Note: Bars show the evolution of hyperscaler capex estimates over the last six months. Hyperscalers include Google, Meta, Microsoft, Amazon and Oracle.

Equity markets have rebounded on hopes for a resolution to the Middle East conflict, with the S&P 500 hitting a new record high. Tech stocks and the AI theme have led the gains, with the U.S. tech sector up 11% so far this month. We are seeing broad improvements in the drivers of the AI theme across capital spending and revenues after a notable drop in valuations. First, we had already expected the fastest capital spending buildout in history as we laid out in our 2026 Global Outlook – and consensus expectations have only risen since then, with "hyperscaler" mega cap tech companies' estimates for 2026 to 2030 up over 25% since October. See the chart. Second, we are seeing rapid revenue gains for some AI model builders. And third, U.S. tech valuations are now in line with the broader S&P 500 even as tech earnings expectations have risen sharply, as we noted last week.

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In our 2026 Outlook, we identified three potential constraints on the AI buildout: power, politics and financing. The energy constraint is front and center and is starting to bind – but we have seen some improvements. "Behind the meter" power generation solutions – which generate power without a grid connection, help avoid potential delays from connecting to the grid and can limit impacts on local electricity prices – are set to move from being a marginal source to powering about 25-30% of new U.S. data centers in coming years, our compilation of equipment company estimates and Sightline Climate Data show. Yet supply disruptions from the Middle East conflict have caused a sharp spike in natural gas prices – a key source for powering AI data centers. The impact is regional in nature: Europe and larger Asian economies feel the disruptions more, while the U.S. is a net exporter with much lower prices. We think this, combined with "behind the meter" solutions, gives the U.S. an edge on AI. China's diversified energy mix and nuclear and renewable energy leadership means it is also less affected.

On the U.S. political front, anti-AI data center sentiment is rising and creating pressures that could constrain the AI buildout. Maine's legislature passed a temporary ban on large new data centers – a first among states in a new trend. At least 12 other states are looking to pause further AI data center building. We are monitoring the impact of these potential restrictions and their scale heading into U.S. elections later this year.

The AI buildout financing has played out as we explained in our Outlook's *leveraging up* theme. Demand for bonds from hyperscalers has been strong, with an Amazon sale seeing demand quadruple the total amount sold. We view this leverage as necessary to get over the hump between front-loaded investment and backloaded revenues – and think it's healthy so far. Upcoming new listings of key AI model builders and players will test this financing in equity markets. The rapid revenue gains of some model builders should be supportive, such as Claude model-maker Anthropic reporting a tripling of revenue to over $30 billion since the end of 2025. The depth of U.S. capital markets is another edge in the AI transformation.

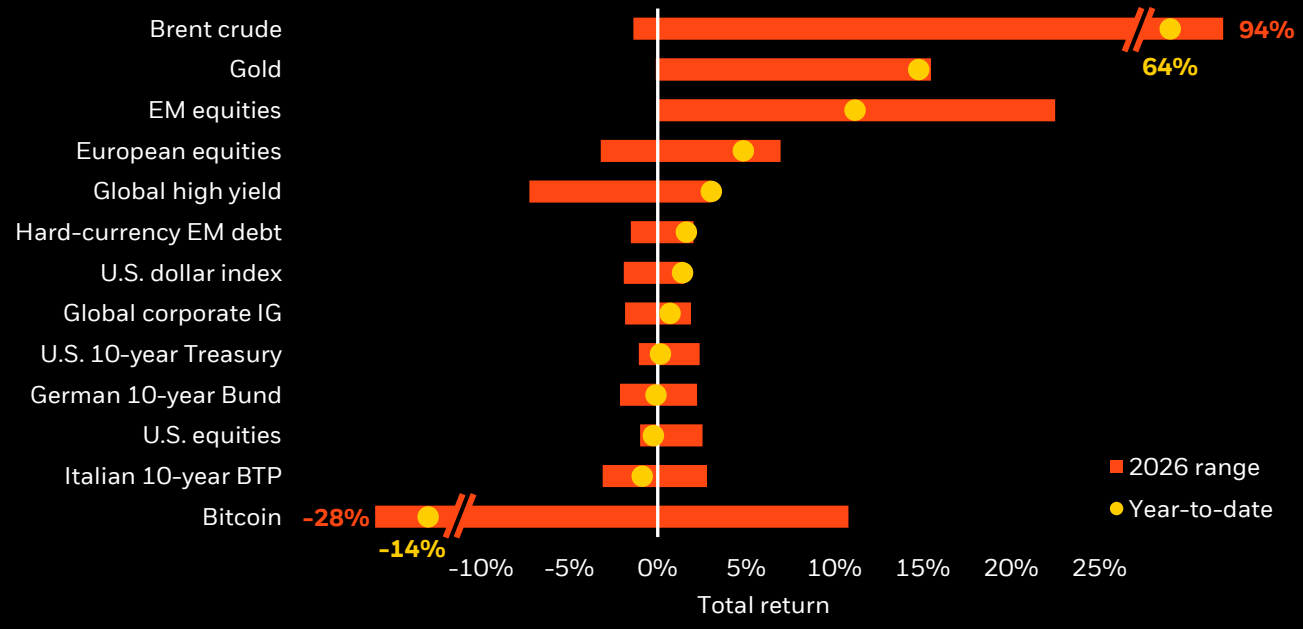
Bottom line: We stay overweight to U.S. and EM stocks, and see the AI mega force accelerating. Recent developments including energy disruptions reinforce the U.S. edge in AI. We also like AI thematic opportunities in power and infrastructure.

Market backdrop

Oil prices fell as Iran declared that the Strait of Hormuz would be open throughout the 10-day Lebanon ceasefire, ending the week at about $90. Both the S&P 500 and the Nasdaq hit record highs, with the latter posting its longest winning streak since 1992. Solid U.S. corporate earnings and a potential peace deal could buoy them further, in our view. U.S. 10-year Treasury yields dipped to 4.25%, but are still up more than 20 basis points since the conflict began.

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 16, 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.

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Week ahead

April 21	UK unemployment	**April 23**	Global flash PMIs
April 22	UK CPI; Japan trade balance	**April 24**	Japan CPI and PPI

We watch global flash PMIs for signs of any drag on growth from the supply chain disruptions tied to the Middle East conflict. We also watch Japan's CPI and PPI to see if the Bank of Japan can look through conflict-driven cost pressures and stay on track to achieve 2% inflation by the end of 2027. UK unemployment hovers around its post-pandemic peak, so next week's unemployment and inflation data – the first since the conflict began – will highlight the Bank of England's inflation-growth trade-off.

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	We favor infrastructure and equipment supporting the AI buildout – like semiconductors, power and data center assets – that we think stand to benefit no matter the winners or losers. We see the AI theme lifting U.S. earnings, underpinning our U.S. equity overweight.
Select international exposures	We like hard-currency EM debt on economic resilience, disciplined fiscal and monetary policy and a high ratio of commodities exporters. We like EM equities too, preferring commodity exporters and AI beneficiaries. In Europe, we favor equity sectors like infrastructure.
Evolving diversifiers	We suggest looking for a "plan B" portfolio hedge as long-term U.S. Treasuries no longer provide portfolio ballast. We like gold as a tactical play with idiosyncratic drivers, but we think it has become more unreliable as the diversification mirage grows.

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.

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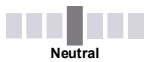
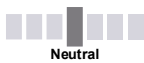
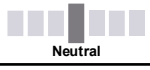
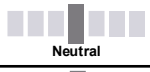
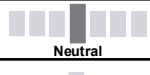
Granular views

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		We are overweight. Contained damage to global growth from the Mideast conflict and strong earnings expectations – particularly in tech – keep us risk-on.
	Europe		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		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. Japan's exposure to imported energy may erode strong equity gains powered by healthy corporate balance sheets and governance reforms.
	Emerging markets		We are overweight yet stay selective. We favor Asian countries that manufacture critical AI components and Latin American energy and commodity exporters.
	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.
Fixed Income	Short U.S. Treasuries		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		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		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 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		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		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.
	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 and shorter duration, 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. EM hard-currency indexes lean toward Latin American commodity exporters such as Brazil that stand to benefit as Mideast supply plummets.
	Emerging local currency		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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