CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

Weekly commentary

BlackRock

October 26, 2026

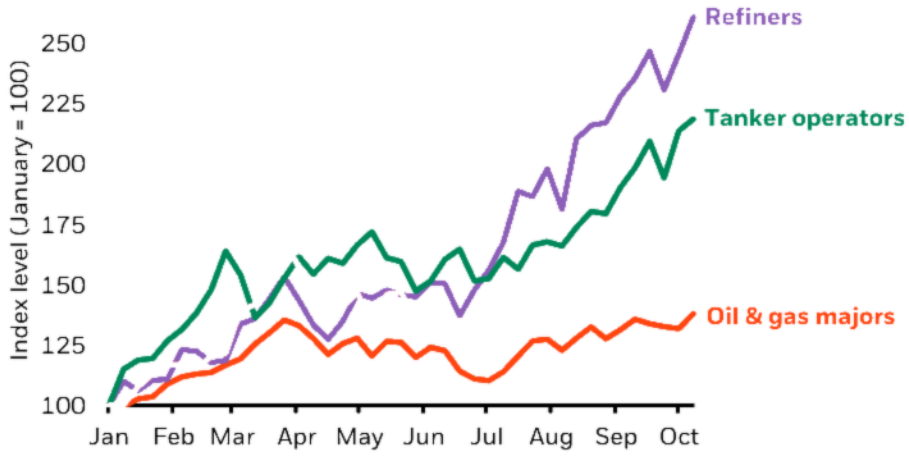
The Mideast energy shock's next phase

- The Middle East conflict is exposing longer-term energy constraints as buffers that absorbed the initial shock weaken. Selectivity is key in this environment.
- The Nasdaq fell nearly 1% last week and U.S. Treasuries rallied as investors sought safety from the tech stock sell-off. Brent crude oil hit a five-month high.
- We eye the Fed's second-to last policy meeting of 2026. We expect another hike by year-end but see market pricing for further tightening as overly hawkish.

The global economy and markets have proved resilient to the Middle East energy shock. Strong AI investment and fiscal spending have cushioned the hit to growth, while supply buffers helped absorb much of the initial shock. Now, renewed attacks targeting energy sites and shipping in the Gulf are testing these buffers just as they're thinning, while supply constraints are moving downstream. Selectivity is key as new vulnerabilities emerge across regions, sectors and asset classes.

Scarcity pays downstream

Selected oil industry sub-sector equity performance, 2026



Past performance is not a reliable indicator of current or future results. Source: BlackRock Investment Institute with data from Bloomberg, October 2026. The chart shows the equal-weighted average equity returns of selected companies across four oil industry sub-sectors, rebased to 100 on Jan. 2, 2026. Returns are based on weekly observations and exclude dividends.

Brent crude oil surged back to around $117 a barrel last week, its highest since April. But oil prices tell only part of the story of how the energy shock has evolved. The initial disruption centered on crude supply, but rerouted shipments, inventories and strategic reserves helped absorb much of the shock. Now scarcity has shifted downstream. Even as crude supplies recover, refining and shipping bottlenecks have pushed the delivered cost of fuel from the Middle East to Asia to more than twice prewar levels. This helps explain why shares of refiners have jumped some 160% this year, while shares of tanker operators have climbed 120%. See the chart. Both have far outpaced the 40% gain in major oil and gas producers, even as energy has become the top-performing sector globally. But after such sharp gains, how much further these stocks can run depends on which bottlenecks persist, even if the conflict ends.



Wei Li
Global Chief Investment Strategist – BlackRock



Chris Weber
Sustainable Investment and Research Analytics – BlackRock Investment Institute



Mark Hume
Portfolio Manager, Thematics and Sectors Team - BlackRock Fundamental Equities



Ehsan Khoman
Economist – BlackRock Investment Institute

Visit BlackRock Investment Institute for insights on the global economy, markets and geopolitics.

BlackRock **Investment** Institute

CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

Global growth has held up thanks to strong AI investment and government spending. Much of the initial inflation shock is already reflected in headline inflation, but higher fuel costs are starting to feed into some core inflation categories. As we've previously noted, the energy shock has uneven effects: We estimate it's reduced GDP by about 0.5% in Europe, compared with just 0.1% in the U.S. Those differences could become even more pronounced. Europe looks particularly vulnerable, with natural gas storage at around 75% – its lowest seasonal level since recordkeeping began in 2011 – while disrupted supplies of liquefied natural gas complicate efforts to rebuild reserves. A colder winter could push European energy prices, already up 170% this year, higher. The U.S. is better insulated as a net energy exporter, while strong tech exports have cushioned Asia from higher import costs. The shock's uneven impacts are accelerating efforts to bolster energy resilience and security.

That is creating new investment opportunities – but at a cost. The geopolitical fragmentation mega force we've long described reinforces this shift, raising the value of infrastructure that protects against future shocks. Energy importers are diversifying both traditional fuel supplies and electrification, underscoring the energy transition and resilience mega force. Exporters, including those in the Middle East, are investing in alternative routes to bypass vulnerable chokepoints. We see this as a structural shift that could outlast the conflict. Yet building these contingencies requires substantial investment, which could intensify competition for capital and put further upward pressure on sovereign bond yields.

We favor opportunities where energy constraints and profit margins look durable and valuations remain attractive. For now, existing energy equity exposures could deliver strong earnings as oil prices and refining margins stay elevated. But after this year's oil rally, we also see opportunities in select U.S. and European utilities hit by rising bond yields. In bonds, higher yields support our recent upgrade to U.S. Treasuries. We prefer short-term bonds for income, as growing energy security investment could increase competition for capital and push longer-term yields higher.

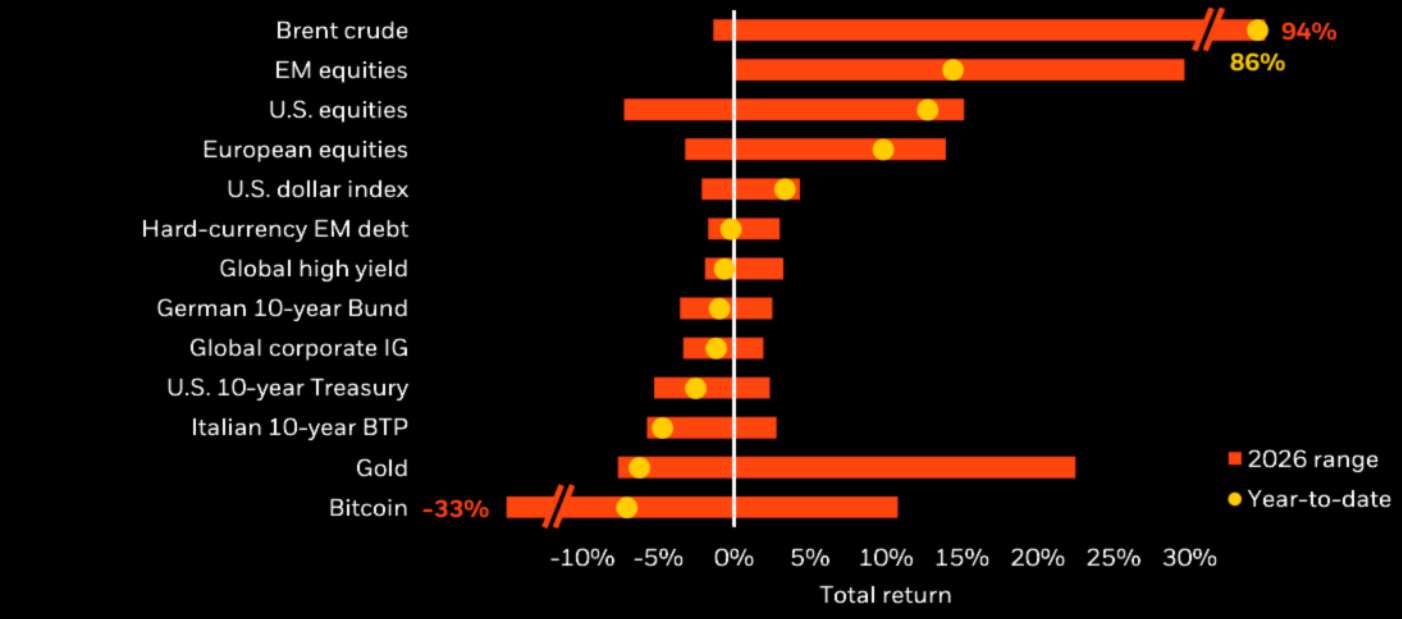
Bottom line: The Mideast energy shock is exposing longer-term constraints that could outlast the conflict. We favor selective exposure to energy infrastructure and short-term income over broad market bets.

Market backdrop

Tech stocks swung sharply last week as investors stepped up scrutiny of the AI trade, pushing the Nasdaq down roughly 1% despite strong earnings from some of the sector's biggest names. The S&P 500 fell 0.4%, with a rotation into defensive sectors helping limit losses. U.S. 10-year Treasury yields slipped below 5% as investors sought refuge from the tech sell-off. Brent crude oil touched a six-month high of $117 a barrel on concerns about further disruption to Middle East energy flows.

Assets in review

Selected asset performance, 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 October 22, 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.

CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

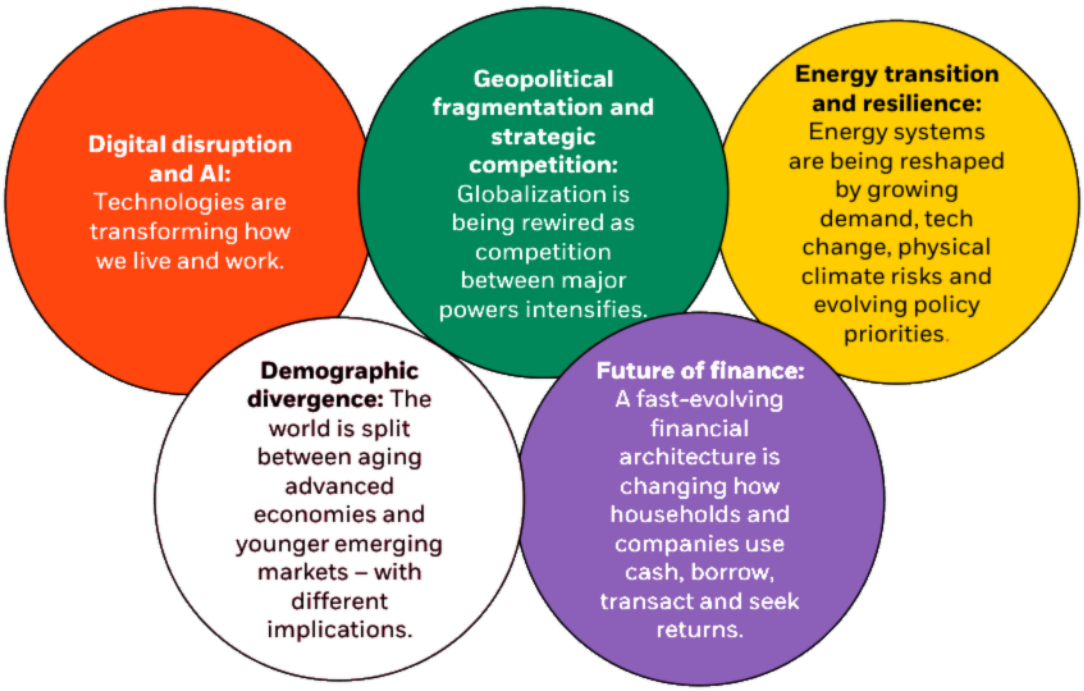
Week ahead

Oct. 27	U.S. consumer confidence; Japan services PPI	**Oct. 29**	U.S. GDP & PCE
Oct. 28	U.S. Fed rate decision	**Oct. 30**	EU flash GDP & unemployment; BoJ rate decision; Japan CPI

The Federal Reserve's interest rate decision takes center stage this week after a hotter-than-expected September CPI print that show price pressures broadening. Even as we expect another hike by year-end, we don't view recent tightening as the start of a new, sustained hiking cycle. Markets have partially scaled back expectations for further hikes since the September meeting, moving closer to our view.

Intersecting mega forces

Since we launched our mega forces framework, it has become clearer how their intersection shapes almost all our investment views and opens up alpha opportunities. They cut across asset class labels, spurring a rethink of portfolio construction. Investors need to be deliberate about the economic or thematic exposures they own, the vehicles they use to implement them and their investment horizons.



From drivers to portfolio expressions

Our highest conviction views, October 2026

Driver	What we think	Portfolio expression
Growth and AI scarcity	AI fundamentals are strong, but we eye near-term volatility.	Neutral U.S. equities and overweight EM equities; favor AI- and tech-related opportunities.
Duration and diversification	Higher starting yields improve prospective returns and income.	Overweight short-term U.S. Treasuries for solid income and a cushion against higher rates; neutral long-term Treasuries.
Credit spreads and liquidity	Selectivity is crucial amid tight spreads and uneven fundamentals.	Credit with clear cash flows, lender protections and recovery value; higher-rated high yield.
Inflation and scarcity	Scarcity, secure supply and power demand carry inflation risks.	Infrastructure, energy bottlenecks, EM local debt and real-asset-linked exposures.
Alpha opportunity	Macro outcomes matter again in the new regime.	Macro hedge funds, venture capital, market-neutral strategies, and selected private credit and non-U.S. alpha.

Note: Views are from a U.S. dollar perspective, October 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.

CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

Asset class implications

Six- to 12-month tactical positioning, October 2026

This shows the implementation of our key investment views from the previous page through an asset class lens.

Underweight | **Neutral** | **Overweight** ● Previous positioning

	Asset	Positioning	Commentary
Equities	**Developed markets**		
	United States	Neutral ●	We are neutral. Strong AI fundamentals remain supportive, but policy uncertainty could fuel near-term volatility. We continue to favor AI and tech.
	Europe	Neutral	We are neutral. We would need to see more business-friendly policy and deeper capital markets for Europe to outperform. We favor financials, infrastructure and industrials.
	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. Strong corporate balance sheets and governance reforms remain supportive. We prefer targeted exposures to physical AI and the buildout's bottlenecks.
	Emerging markets	+1	We are overweight. Strong earnings and cheaper valuations create opportunities. We particularly like different expressions of the AI scarcity theme across Asia and Latin America.
	China	Neutral	We are neutral. We see opportunities in physical AI. Cheap, open-source AI could drive adoption, but that doesn't necessarily translate into AI-provider profitability.
Fixed Income	Short U.S. Treasuries	● +1	We are overweight. Much of the repricing we anticipated has occurred, and expectations for further Fed hikes look excessive. We favor the front end for attractive income and a greater breakeven buffer.
	Long U.S. Treasuries	● Neutral	We are neutral. Higher yields offer attractive income and a bigger cushion against further rate increases. We still see room for yields to rise as competition for capital intensifies.
	Global inflation-linked bonds	Neutral	We are neutral. We see inflation settling above pre-pandemic levels, but markets may not price this in the near term as economic growth could slow.
	Euro area govt bonds	Neutral	We are neutral on short- and medium-term bonds. Current ECB rate pricing looks fairly valued given the balance of risks. Higher energy prices could push rates higher. We prefer to deploy risk elsewhere.
	UK gilts	Neutral	We are neutral. We expect periods of elevated volatility given political uncertainty, longer-term bonds making up a larger market share, and buyers becoming more price-sensitive.
	Japanese govt bonds	● -1	We are underweight. The substantial repricing in yields has improved the risk-reward, but further rate hikes and heavy issuance could push yields higher.
	China govt bonds	Neutral	We are neutral. China bonds offer stability and diversification but developed market yields are higher. A shift in investor sentiment toward equities limits upside.
	U.S. agency MBS	Neutral ●	We are neutral and lean into the stable income MBS provide despite tight spreads.
	Short-term IG credit	Neutral	We are neutral. Spreads are tight due to corporate strength, but attractive overall yields help offset the risk of increased issuance.
	Long-term IG credit	-1	We are underweight. We prefer short-term bonds less exposed to interest rate risk over long-term bonds. But attractive overall yields help offset the risk of increased issuance.
	Global high yield	Neutral	We are neutral. High yield offers attractive income. We prefer higher-rated U.S. and European high yield over investment grade and see dispersion of returns increasing.
	Asia credit	Neutral	We are neutral. Overall yields are attractive and fundamentals are so
	Emerging hard currency	Neutral	We are neutral. Fundamentals have improved, but we see a more att in EM local debt.
	Emerging local currency	+1	We are overweight. We like the yield relative to its volatility and impr

人在草木间

Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. Note: Views are from a U.S. dollar perspective. This ma the market environment at a specific time and is not intended to be a forecast or guarantee of future results. This information should not be relied upon as investment advice regarding any particular fund, strategy or security.

BlackRock Investment Institute

The BlackRock Investment Institute (BII) leverages the firm's expertise and generates proprietary research to provide insights on macroeconomics, sustainable investing, geopolitics and portfolio construction to help BlackRock's portfolio managers and clients navigate financial markets. BII offers strategic and tactical market views, publications and digital tools that are underpinned by proprietary research.

FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, IRELAND, ISRAEL, ITALY, LIECHENSTEIN, LUXEMBOURG, NETHERLANDS, NORWAY, PORTUGAL, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, THE UNITED KINGDOM, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, QUALIFIED CLIENTS/INVESTORS IN OTHER PERMITTED COUNTRIES.

General disclosure: This document is marketing material, is intended for information and educational purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities or any investment strategies. The opinions expressed are as of October 19, 2026 and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. Investing involves risks. This information is not intended to be complete or exhaustive and no representations or warranties, either express or implied, are made regarding the accuracy or completeness of the information contained herein. This material may contain estimates and forward-looking statements, which may include forecasts and do not represent a guarantee of future performance.

In EMEA, in the UK and Non-European Economic Area (EEA) countries: this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock. **In the European Economic Area (EEA):** this is Issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded. **In Italy,** for information on investor rights and how to raise complaints please go to https://www.blackrock.com/corporate/compliance/investor-right available in Italian. **BlackRock Advisors (UK) Limited - Abu Dhabi Global Market (ADGM) Branch** is a Branch of a Foreign Company registered with the Abu Dhabi Global Market Registration Authority (Registered number 21523), with its office at Floor 25, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE, and is regulated by the ADGM Financial Services Regulatory Authority ("FSRA") to engage in the regulated activities of 'Arranging Deals in Investments'; 'Advising on Investments or Credit' 'Managing Assets'; and 'Managing in a Collective Investment Fund' (FRSA Reference 240099). **Blackrock Advisors (UK) Limited - Dubai Branch** is a Dubai International Financial Centre (DIFC) Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, DIFC, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In Albania, Angola, Armenia, Azerbaijan, Botswana, Bulgaria, Egypt, Georgia, Ghana, Jordan, Kazakhstan, Kenya, Kosovo, Lebanon, Mauritius, Morocco, Mozambique, Namibia, Nigeria, North Macedonia, Pakistan, Rwanda, Serbia, Tanzania, Turkey, Uganda, Uzbekistan, Zambia, Zimbabwe, this document is intended strictly for central banks and sovereign investors only. In Israel: BlackRock Investment Management (UK) Limited is not licensed under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder. **In South Africa**, please be advised that BlackRock Investment Management (UK) Limited is an authorized financial services provider with the South African Financial Services Board, FSP No. 43288. **In the ADGM**, the information contained in this document is intended strictly for Professional Clients. **In the DIFC**, this material is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules. **In the Kingdom of Bahrain and the Sultanate of Oman,** the information contained in this document is intended strictly for sophisticated institutions. **In the State of Kuwait**, the information contained in this document is intended strictly for sophisticated institutions that are 'Professional Clients' as defined under the Kuwait Capital Markets Law and its Executive Bylaws. **In Qatar**, the information contained in this document is intended strictly for sophisticated investors and high net worth investors. **In the Kingdom of Saudi Arabia,** this material is for distribution to Institutional and Qualified Clients (as defined by the Implementing Regulations issued by Capital Market Authority) only and should not be relied upon by any other persons. **In United Arab Emirates (UAE) (excluding the DIFC and the ADGM:** the information contained in this document is intended strictly for Professional Investors. **In Australia and New Zealand**, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 AFSL 230 523 (BIMA). The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. **In New Zealand**, this material is for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the New Zealand Financial Advisers Act 2008 respectively. BIMAL is not licensed by a New Zealand regulator to provide 'Financial Advice Service' 'Investment manager under an FMC offer' or 'Keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons'. BIMAL's registration on the New Zealand register of financial service providers does not mean that BIMAL is subject to active regulation or oversight by a New Zealand regulator. **In China**, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, excluding Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services. **In Hong Kong**, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. **In Japan**, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Institutional Investors only. All strategies or products BLK Japan offer through the discretionary investment contracts or through investment trust funds do not guarantee the principal amount invested. The risks and costs of each strategy or product we offer cannot be indicated here because the financial instruments in which they are invested vary each strategy or product. **In Singapore**, this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N). This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. **In South Korea**, this information is issued by BlackRock Investment (Korea) Limited, for distribution to Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations). **In Taiwan**, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600. **For other APAC countries**, this material is issued for Institutional Investors only (or professional/sophisticated /qualified investors, as such term may apply in local jurisdictions). **In Latin America,** no securities regulator within Latin America has confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services is a regulated activity in Mexico thus is subject to strict rules. For more information on the Investment Advisory Services offered by BlackRock Mexico please refer to the Investment Services Guide available at www.blackrock.com/mx.

©2026 BlackRock, Inc. or its affiliates. All Rights Reserved. **BLACKROCK** is a trademark of BlackRock, Inc., or its affiliates. All other trademarks are those of their respective owner.

BlackRock.

Not FDIC Insured • May Lose Value • No Bank Guarantee

BII1026-M-6053839-EXP:1028-585