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.

BlackRock

# Weekly commentary

November 2, 2026

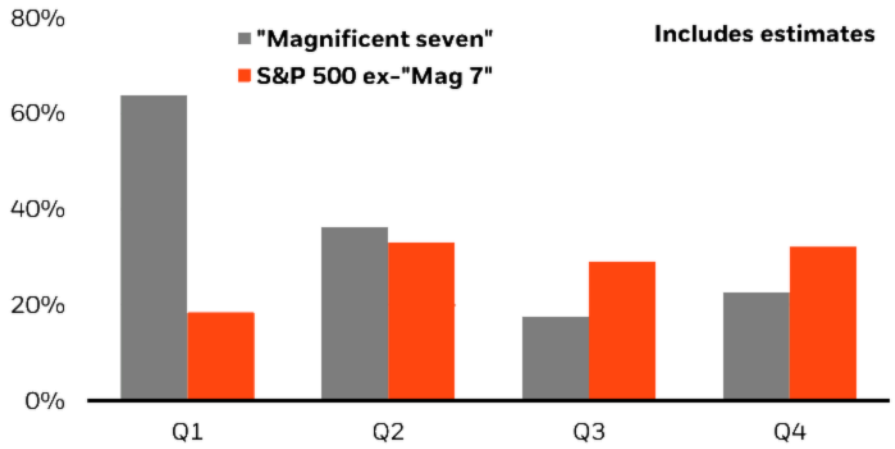
## AI's rising bill of expectations

- Investor scrutiny of AI is intensifying this earnings season. How results hold up will be key to our broader medium-term conviction in the AI transformation.
- The Nasdaq posted its worst month since March 2025 as AI scrutiny intensified. We see multiple plausible outcomes for growth, profitability and returns.
- We are watching October U.S. jobs data amid signs of a tight labor market in recent months. Any further wage pressure could drive core services inflation.

Four years of booming AI investment have sent earnings expectations soaring. Investors now want evidence that spending can deliver returns, especially as rising capital expenditures squeeze free cash flow, pushing it into negative territory for some firms. We recently downgraded U.S. equities to neutral to lock in profits, but our core conviction in the AI transformation remains intact. That supports our EM equity overweight through exposure to bottlenecks in the AI buildout.

### Beyond the magnificent few

Year-over-year earnings growth for S&P 500 companies, 2026




**Past performance is not a reliable indicator of future results. Forward-looking estimates may not come to pass.** Source: BlackRock Investment Institute, with data from Bloomberg, October 2026. Note: The bars show year-over-year earnings per share growth for the "magnificent seven" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) and the rest of S&P 500. Figures for Q3 and Q4 include estimates.

We will learn much more about the AI theme this earnings season, especially how impactful the technology will ultimately be. But the backdrop for mega-cap tech stocks is starkly different from just four months ago. After narrowing considerably earlier this year, the earnings growth gap has now flipped for the first time since 2022, with the S&P 493 outpacing the "magnificent seven" at roughly 29% versus 18%. See the chart. The bar remains high. Consensus expects S&P 500 earnings to grow about 30% – marking a third consecutive quarter of growth above 20% – according to LSEG data. Meanwhile, scrutiny of the AI theme has grown. That shifting backdrop contributed to our decision to downgrade U.S. equities to neutral last month. Our conviction in AI fundamentals, however, remains intact.




**Jean Boivin**
Head – BlackRock Investment Institute



**Wei Li**
Global Chief Investment Strategist – BlackRock



**Carrie King**
Global Chief Investment Officer, Fundamental Equities – BlackRock



**Devan Nathwani**
Portfolio Strategist – BlackRock Investment Institute



**Valerie Chan**
Investment Strategist – 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.

Last week's earnings highlighted a growing tension between strong demand for AI-linked goods and services and the rising cost of meeting it. Hyperscaler capital spending has surged to about $649 billion over the past year, from about $357 billion in the prior-year period, according to data from Bloomberg, leaving little cash surplus after capex. And while hyperscalers' operating margins have edged up to 27.1% from 26.9% in the previous four quarters, incremental margins have fallen to 27.9% from 40.4% over that same period. In other words, each additional dollar of revenue is generating less additional profit, raising questions about whether returns can keep pace with soaring investment. Still, our analysis finds that companies with higher AI adoption outside the S&P 500 technology and communication sectors are on track for 3% higher earnings growth this quarter than lower adopters, based on evidence of AI use in regulatory filings. Cloud revenue growth at Microsoft and Alphabet also points to sustained momentum in AI demand. But whether that demand will be enough to justify the scale of investment is still an open question, one we plan to debate at our 2027 internal Outlook Forum this week.

As the AI buildout becomes increasingly debt-financed, leverage and differences in funding capacity are coming into sharper focus. Credit markets are becoming an important signpost of how much additional AI investment can be financed and at what cost. The Treasury rally alongside the tech sell-off this week also fits our view that the ebb and flow of AI investment expectations will drive competition for capital and bond yields around structurally higher levels.

Within equities, we're selective with our AI exposures. We favor companies and listed infrastructure poised to benefit from the critical bottlenecks in the AI buildout, a key reason for our move back to overweight EM equities in September. We see that opportunity playing out in Asia. Recent results from chipmakers point to tight supply and strong AI demand. But staying nimble is crucial, as our EM positioning shows: we upgraded at the start of the year, took profits midyear and returned to overweight in September. Brazil's post-election selloff bears watching, but it does not change our EM overweight.

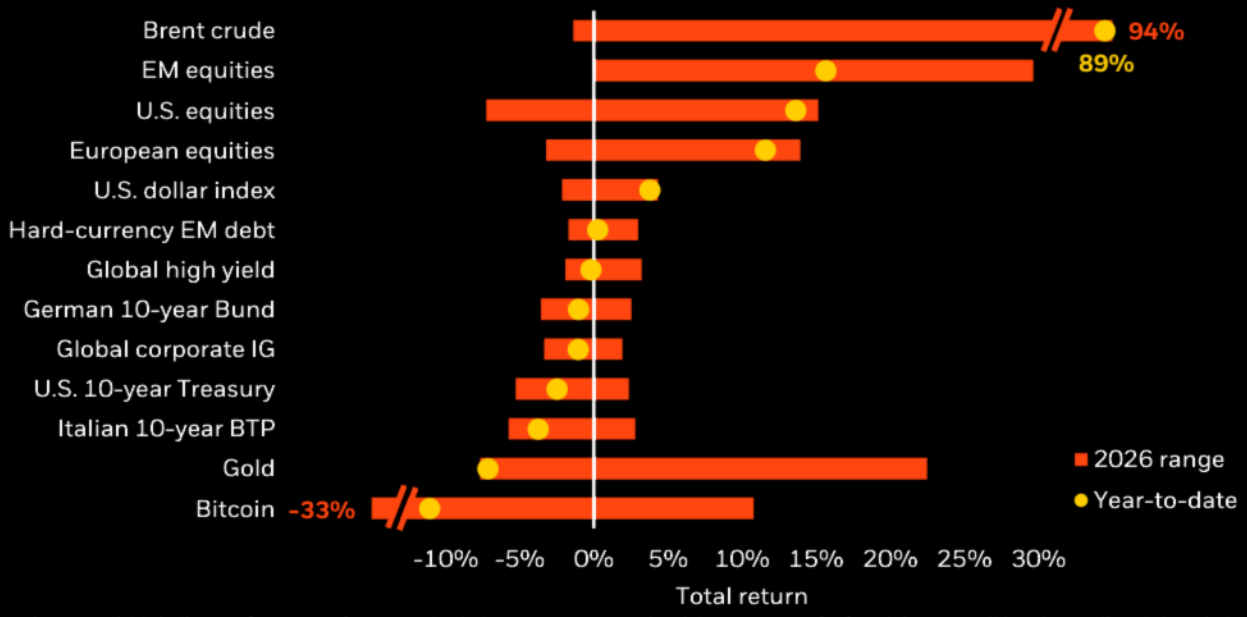
**Bottom line:** AI faces a tougher near-term test as investor scrutiny intensifies. But our conviction in AI fundamentals remains intact, keeping us selective on where we take AI exposure while favoring opportunities tied to scarcity in the buildout.

# Market backdrop

The Nasdaq Composite capped its worst month since March 2025 as concerns over returns on massive AI spending intensified. The key question now is the economic value of the AI buildout: what returns it generates and who captures them. We see a range of possible outcomes for growth, profitability and returns on this investment. U.S. Treasuries extended their rally last week, with 10-year yields falling nearly 6 basis points to 4.93% after the Fed kept rates unchanged, as expected.

## 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 29, 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.

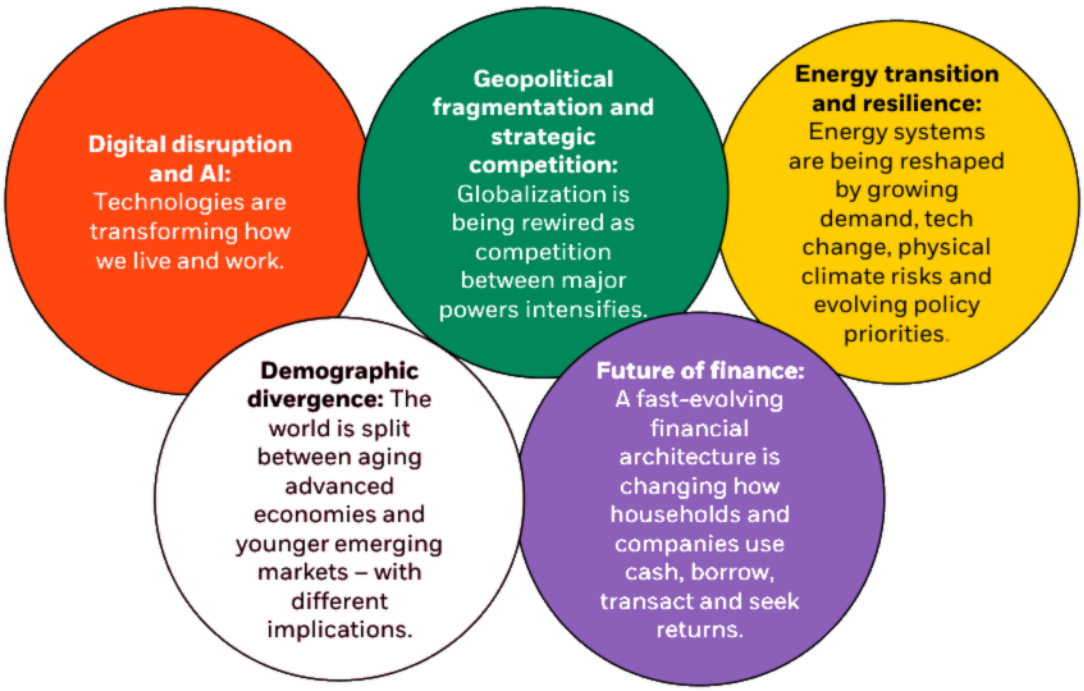
## Week ahead

| | | | |
|---|---|---|---|
| **Nov. 2** | Global manufacturing PMI final | **Nov. 5** | Bank of England interest rate decision |
| **Nov. 4** | U.S. international trade balance | **Nov. 6** | U.S. Oct. jobs report; Umich consumer sentiment |

We focus on October nonfarm payrolls for signs of a tightening labor market and what that could mean for inflation. We'd expect stronger wage pressures than in recent jobs reports, potentially adding to core services inflation, making the October jobs data key to assessing our view of price pressures.

## 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, November 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, l and recovery value; higher-ra |
| **Inflation and scarcity** | Scarcity, secure supply and power demand carry inflation risks. | Infrastructure, energy bottler and real-asset-linked exposu |
| **Alpha opportunity** | Macro outcomes matter again in the new regime. | Macro hedge funds, venture neutral strategies, and select non-U.S. alpha. |




Note: Views are from a U.S. dollar perspective, November 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, November 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 |   | We are neutral. Strong AI fundamentals remain supportive, but policy uncertainty could fuel near-term volatility. We continue to favor AI and tech. |
| | Europe |   | 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 |   | 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. Strong corporate balance sheets and governance reforms remain supportive. We prefer targeted exposures to physical AI and the buildout's bottlenecks. |
| | Emerging markets |   | 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 |   | 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 |   | 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 |   | 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 |   | 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 |   | 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 |   | 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 |   | 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 |   | 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 |   | We are neutral and lean into the stable income MBS provide despite tight spreads. |
| | Short-term IG credit |   | 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 |   | 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 |   | 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 |   | We are neutral. Overall yields are attractive and fundamentals are solid, but spreads are tight. |
| | Emerging hard currency |   | We are neutral. Fundamentals have improved, but we see a more attractive risk-reward profile in EM local debt. |
| | Emerging local currency |   | We are overweight. We like the yield relative to its volatility and improving fundamentals. |

**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 material represents an assessment of 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.

BII1026-MI-6076676-EXP1028-3/5

# 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 November 2, 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-5075676-EXP:1028-585