Weekly commentary

BlackRock

November 10, 2025

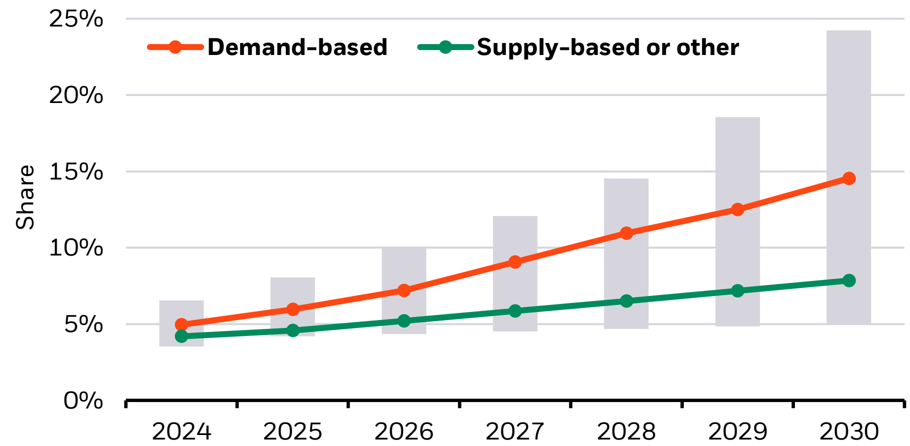
AI front and center at our 2026 Forum

- At our internal 2026 Forum last week, the AI buildout ran through the debate among our portfolio managers along with other key topics such as stablecoins.
- The Nasdaq Composite dropped 4% - its worst weekly drop since the April tariff announcement - led by a rout in technology shares. The S&P 500 lost 1.5%.
- The longest-ever U.S. government shutdown will likely delay October CPI and retail sales data. A reopening could allow for the release of backlogged data.

The AI theme has powered stocks to new highs this year. Over the course of our 2026 Outlook Forum last week, the AI buildout – its scale and potential constraints, notably energy – ran through the discussion. Our fund managers also focused on AI's key role in the strategic competition between the U.S. and China. The rise of stablecoins and the blurring of boundaries between public and private were also hot topics on how the future of finance mega force is quickly evolving.

Facing constraints

U.S. data center power demand as a share of total, 2024-2030



Forward looking estimates may not come to pass. Source: BlackRock Investment Institute, based on sources reviewed by BloombergNEF, November 2025. Note: Grey bars show the total range, while lines denote the median of data center power demand forecasts by method as a share of 2024 U.S. total power demand, including traditional data centers and artificial intelligence (AI) data centers and excluding cryptocurrency and data transmission networks demand.

The AI theme took center stage at our 2026 Outlook Forum last week. The AI buildout's scale and its implications were a major part of the discussion over the Forum's two days as estimates of capital spending over the next five years and beyond keep getting revised higher. Anchoring that debate was also a focus on the physical constraints facing the buildout: compute, materials and especially energy. Estimates of future power demand from AI data centers and chips are huge – and vary dramatically, highlighting the uncertainty. See the chart. Yet it's unclear how that demand will be met, especially in the U.S. That made power grids and energy a key part of the debate about the AI outlook – and tied into the discussion about U.S.-China strategic competition given the ambitions of each on AI and how they can meet the required energy needs.

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Our fund managers also commented on how useful mega forces – our framework launched a few years ago for the big structural changes driving economic transformation – are in a world where the macro environment is no longer your friend. We see the geopolitical fragmentation mega force at work in the ongoing strategic competition between the U.S. and China on AI and other fronts. The recent trade truce came in part because China imposed strict export controls on rare earths – essential in a wide variety of products from electric vehicles to AI infrastructure. After a sharp U.S. response, a one-year deal emerged. Our portfolio managers discussed over what timeframe the U.S. could wean itself off its dependency on China for rare earths, reflected in a deal with Australia aimed at delivering an $8.5 billion pipeline of critical minerals projects.

The fast-evolving future of finance mega force was also a hot topic of discussion, centering on two key themes. First: stablecoins – digital tokens pegged to a fiat currency, typically U.S. dollars, and backed by reserve assets – which have seen adoption skyrocket since 2020 and were given a regulatory framework in the U.S. with the passage of the Genius Act earlier this year. Stablecoins fuse the frictionless transfer of cryptocurrencies with the perceived stability of fiat currency. Our discussion focused on their disruptive potential via their possible adoption in emerging markets and the implications for demand of U.S. Treasuries as well their potential impact on banks. Second: the increased blurring of public and private markets with a particular focus on private credit – both the risks and opportunities. This is how capital markets themselves are transforming to finance this intersection of mega forces, in our view.

More broadly, the discussion also focused on how public credit markets have proved resilient for a while now, with credit spreads near historic lows even as growth has slowed. And elevated equity valuations were a particular focus in assessing how to think about what those valuations mean in this unique environment where mega cap tech companies are expanding the financing of the AI buildout, as seen with recent bond sales.

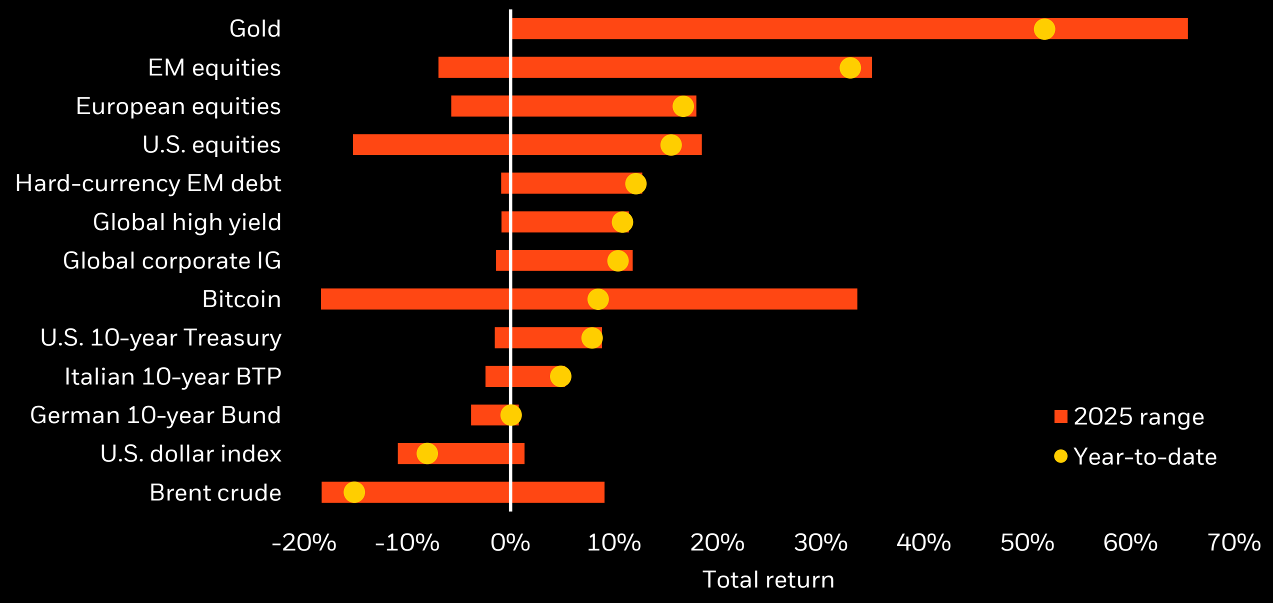
Bottom line: The AI buildout was front and center at our 2026 Outlook Forum last week. Our fund managers also highlighted the importance of mega forces as an investment lens. Look for more out 2026 Outlook on Dec. 3.

Market backdrop

The Nasdaq slid 4%– its largest weekly drop since the April reciprocal tariff announcement – led by tech stocks tied to the AI theme. The S&P 500 fell 1%. Some of the drop was tied to the ADP jobs report showed a soft labor market. Even with the pullback in stocks, U.S. 10-year Treasury yields were flat around 4.10% - showing they are proving less effective as portfolio ballast at times. Gold prices steadied near $4,000 after a two-week retreat.

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 November 6, 2025. 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.

Week ahead

Nov. 10-17	China total social financing	**Nov. 13**	U.S. CPI (scheduled); UK GDP
Nov. 11	Japan total trade balance; UK unemployment	**Nov. 14**	U.S. retail sales (scheduled); China unemployment

The ongoing U.S. government shutdown – the longest in history – will likely prevent the release of CPI and retail sales data, though if the government reopens, backlogged data will start to be released. We note that U.S. initial jobless claims, released last week, suggest that the current "no hiring, no firing stasis" persists. In China, we look for signs of softer October activity after a strong September and track the impact of a new central bank lending tool on credit growth.

Big calls

Our highest conviction views on six- to 12-month (tactical) and over five-year (strategic) horizons, November 2025

Tactical	Reasons
U.S. equities	A softening labor market gives the Fed space to cut, helping ease political tensions from higher interest rates. We think rate cuts amid a notable slowing of activity without recession should support U.S. stocks and the AI theme.
Using FX to enhance income	FX hedging is now a source of income, especially when hedging euro area bonds back into U.S. dollars. For example, 10-year government bonds in France or Spain offer more income when currency hedged than U.S. investment grade credit, with yields above 5%.
Seeking alpha sources	We identify sources of risk taking to be more deliberate in earning alpha. These include the potential impact of regulatory changes on corporate earnings, spotting crowded positions where markets could snap back and opportunities to provide liquidity during periods of stress.
Strategic	**Reasons**
Infrastructure equity and private credit	We see opportunities in infrastructure equity due to attractive relative valuations and mega forces. We think private credit will earn lending share as banks retreat – and at attractive returns.
Fixed income granularity	We are overweight short-term inflation-linked bonds as U.S. tariffs could push up inflation. Within nominal bonds, we favor developed market (DM) government bonds outside the U.S. over global investment grade credit, given tight spreads.
Equity granularity	We favor emerging over developed markets yet get selective in both. Emerging markets (EM) at the cross current of mega forces – like India – offer opportunities. In DM, we like Japan as the return of inflation and corporate reforms brighten the outlook.

Note: Views are from a U.S. dollar perspective, November 2025. 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 in the future. As key drivers of the new regime of greater macroeconomic and market volatility, 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 and related content on each mega force.

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, November 2025

We have lengthened our tactical investment horizon back to six to 12 months. The table below reflects this and, importantly, leaves aside the opportunity for alpha, or the potential to generate above-benchmark returns – especially at a time of heightened volatility.

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

	Asset	View	Commentary
Equities	**Developed markets**		
	United States	+1	We are overweight. Policy-driven volatility and supply-side constraints are pressuring growth, but we see AI supporting corporate earnings. U.S. valuations are backed by stronger earnings and profitability relative to other developed markets.
	Europe	Neutral	We are neutral. Greater unity and a pro-growth agenda across Europe could boost activity, yet we are watching how the bloc tackles its structural challenges before turning more optimistic. We note opportunities in financials and industries tied to defense and infrastructure spending.
	UK	Neutral	We are neutral. Political stability could improve investor sentiment. Yet an increase in the corporate tax burden could hurt profit margins near term.
	Japan	+1	We are overweight given the return of inflation and shareholder-friendly corporate reforms. We prefer unhedged exposures as the yen has tended to strengthen during bouts of market stress.
	Emerging markets	Neutral	We are neutral. Valuations and domestic policy are supportive. Yet geopolitical tensions and concerns about global growth keep us sidelined for now.
	China	Neutral	We are neutral. Trade policy uncertainty keeps us cautious, and policy stimulus is still limited. We still see structural challenges to China's growth, including an aging population.
Fixed Income	Short U.S. Treasuries	Neutral	We are neutral. We view short-term Treasuries as akin to cash in our tactical views and we remove this overweight to turn neutral long-term Treasuries.
	Long U.S. Treasuries	Neutral	We are neutral. Yields could fall further as a softening labor market gives the Fed space to cut without its independence being called into question – even if the pressures pushing up yields persist.
	Global inflation-linked bonds	Neutral	We are neutral. We see higher medium-term inflation, but cooling inflation and growth may matter more near term.
	Euro area govt bonds	Neutral	We are neutral. Yields are attractive, and term premium has risen closer to our expectations relative to U.S. Treasuries. Peripheral bond yields have converged closer to core yields.
	UK gilts	Neutral	We are neutral. Gilt yields are off their highs, but we expect more market attention on long-term yields through the government's November budget, given the difficulty it has had implementing spending cuts.
	Japanese govt bonds	-1	We are underweight. We see room for yields to rise further on Bank of Japan rate hikes and a higher global term premium.
	China govt bonds	Neutral	We are neutral. Bonds are supported by looser policy. Yet we find yields more attractive in short-term DM paper.
	U.S. agency MBS	+1	We are overweight. We find income in agency MBS compelling and prefer them to U.S. Treasuries for high-quality fixed income exposure.
	Short-term IG credit	+1	We are overweight. Short-term bonds better compensate for interest rate risk.
	Long-term IG credit	-1	We are underweight. Spreads are tight, so we prefer taking risk in equities. We favor Europe over the U.S.
	Global high yield	Neutral	We are neutral. Spreads are tight, but corporate fundamentals are solid. The total income makes it more attractive than IG.
	Asia credit	Neutral	We are neutral. We don't find valuations compelling enough to turn more positive.
	Emerging hard currency	-1	We are underweight. Spreads to U.S. Treasuries are near historical averages. Trade uncertainty has eased, but we find local currency EM debt more attractive.
	Emerging local currency	Neutral	We are neutral. Debt levels for many EMs have improved, and currencies have held up against trade uncertainty. We prefer countries with higher real interest rates.

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