



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 10, 2026 – 9:30 AM ET] Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 1.0% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.2%. Chinese markets were higher, with the Shanghai Composite up 0.5% and the Shenzhen Composite up 1.5%. US equity index futures are signaling a higher open.

The Confluence macro team publishes a plethora of research reports and multimedia offerings on a weekly and quarterly basis, all available on our [website](#). We highlight recent publications below with new items of the day in bold.

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“From the Shah to the Strait” (3/23/26) + podcast	“The Strategic Petroleum Reserve: A Primer” (3/30/26) + podcast	Q1 2026 Report Q1 2026 Rebalance Presentation	Confluence of Ideas podcast Confluence Mailbag

Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Note: Due to the holiday, the Bi-Weekly Geopolitical Report will not be published this week.

Our *Comment* opens with an analysis of growing concerns that AI tools may be becoming too dangerous. We then examine Hungary’s upcoming elections and their implications for the EU, provide an update on developments in Iran, discuss why OpenAI has delayed expansion plans in the UK, and review a new lawsuit over US tariffs. As always, we conclude with a summary of recent domestic and international economic data.

AI Fears: Treasury Secretary Scott Bessent and Fed Chair Jerome Powell recently met with [several Wall Street CEOs to discuss emerging risks from AI](#). The conversation focused on the cybersecurity threats posed by Anthropic’s latest Mythos models and similar systems. These advanced tools, which can be weaponized to identify and exploit vulnerabilities in servers and web browsers, raise the possibility of AI-driven hacking. Such capabilities reinforce growing concerns that AI could evolve into a source of systemic financial risk.

- The efforts by the White House and the Federal Reserve to assess Wall Street's vulnerabilities come as the financial system braces for a potential new era of hacking, one marked by increased sophistication and accuracy. According to Anthropic, the company has developed AI tools with offensive capabilities comparable to those of sophisticated state-level actors, which is why it considers the system one of its riskiest products.
- Although the tool has not yet been released publicly, a [select group of major technology firms have accessed a sample version](#). These companies will be able to use the preview version to scan their platforms for bugs and uncover blind spots in their security frameworks. The decision to restrict access reflects the company's concerns over AI safety and security, which are issues that lie at the heart of its dispute with the Pentagon and that trace back to why its founders, formerly from OpenAI, launched the company in the first place.
- The development of Anthropic's Mythos has started to expose a troubling reality. The uses of the technology are evolving faster than our ability to understand its implications. This discovery is likely to add further pressure on the US government to establish potential guardrails to help shield the public from the tool's capabilities. It also highlights the risk and danger that these AI tools could, and likely will, fall into the hands of bad actors.
- The rapid rise of AI is expected to trigger major disruption while simultaneously creating new vulnerabilities in the financial system. If a bad actor were to use, or develop, their own AI tools to hack into the banking system, it could undermine confidence in global finance and potentially spark a bank run. While this is not our base case, we believe that the development of AI-enabled hacking tools represents a clear and present danger for markets if it is not taken seriously.

A New Hungary: Hungarian [President Viktor Orbán faces his toughest political challenge yet](#) in this weekend's presidential election. Recent polls place his party behind the opposition, 52% to 39% among decided voters, in what many see as a referendum on Hungary's future within the European Union. The vote follows mounting criticism of Orbán's restrictions on free speech, his alignment with Moscow during the war in Ukraine, and speculation that Budapest may seek to further distance itself from Brussels.

- While polls currently favor the opposition, victory is far from assured, [as a significant share of voters, nearly one-fifth of those surveyed, remain undecided](#). Orbán continues to command strong loyalty among his base, and recent redistricting may improve his chances of outperforming expectations. The range of possible outcomes remains wide, with some analysts suggesting the opposition could secure a supermajority while others believe Orbán's party may still retain its governing majority.
- The election has drawn attention from the White House, which remains closely aligned with Viktor Orbán. Earlier this week, [US Vice President JD Vance traveled to Hungary to express support for Orbán](#) and [criticize the European Union, accusing it of exerting undue influence over the election](#). Vance's visit underscores Washington's effort to strengthen one of its closest regional partnerships amid mounting geopolitical tensions.

- Moreover, an Orbán defeat could strip Moscow of a key ally within the EU as Brussels seeks to intensify pressure over Russia’s war in Ukraine. Since the conflict began, Orbán has repeatedly obstructed EU and NATO initiatives to deliver financial and military assistance to Kyiv. His removal would likely open the door for a more assertive European stance toward Russian aggression and strengthen regional coordination on security and sanctions policy.
- The Hungarian election is unlikely to have a significant market impact — except perhaps a modest effect on the euro. However, its political implications could prove consequential for Europe. Orbán’s potential removal would likely ease coordination within the bloc on defense policy and military spending. We believe the EU is gradually pursuing greater security independence from the United States, a shift that could benefit European defense and aerospace firms positioned to meet rising regional demand.

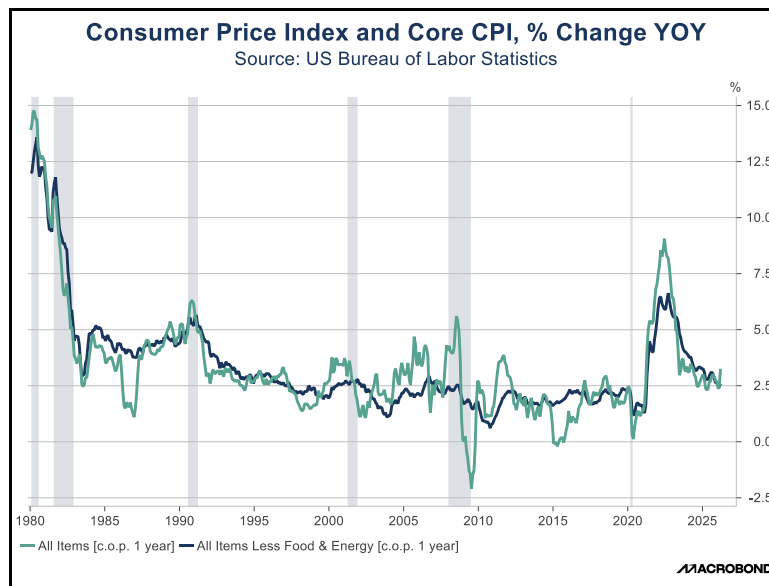
Iran Update: The US and Iran are set to meet in [Islamabad to discuss a potential ceasefire agreement](#). Despite earlier US warnings over Tehran’s efforts to assert control of the Strait of Hormuz, diplomacy now appears to be gaining traction. Israel has agreed to enter direct talks with Lebanon, while Iran remains open to negotiations, though it continues to demand an end to Israeli strikes on Lebanese territory. With the strait still largely closed and the truce largely intact, the upcoming discussions may offer valuable insight into the prospects for a lasting peace.

UK Stargate: Rising energy costs and red tape have led [OpenAI to halt the construction of data centers](#) within the UK. The move comes as the company looks to rein in costs ahead of its planned initial public offering. Its decision to pause construction has been influenced by energy prices related to ongoing conflicts, which have made costs less palatable. Additionally, the company has pushed for regulatory changes to make building more favorable. However, OpenAI does plan to resume construction at a later date.

New Tariff Fight: A coalition of state governments and small businesses has filed suit against [the White House over its new 10% tariffs](#). The plaintiffs argue that the tariffs, implemented after the recent Supreme Court ruling, effectively undermine that decision. Although the new measures were enacted under a different legal provision, critics contend that the administration’s justification, addressing large and persistent trade deficit, lacks a valid legal basis.

US Economic Releases

The March *consumer price index (CPI)* rose by a seasonally adjusted 0.9%, matching expectations and sharply accelerating from its 0.3% rise in February. As might be expected because of the impacts from the war in Iran, most of the increase in March came from the volatile food and energy components. The March “*core*” *CPI* rose just 0.2%, less than its anticipated rise of 0.3% and matching its rise in February. The overall CPI in March was up 3.3% from the same month one year earlier, while the core CPI was up 2.6%. The chart below shows the year-over-year change in the CPI and the core CPI since 1980.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:00	U. of Michigan Consumer Sentiment	m/m	Aor P	51.5	53.3	***
10:00	U. of Michigan Current Conditions	m/m	Apr P	53.4	55.8	**
10:00	U. of Michigan Future Expectations	m/m	Apr P	50.2	51.7	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Apr P	4.2%	3.8%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Apr P	3.4%	3.2%	*
10:00	Factory Orders	m/m	Feb	-0.2%	0.1%	***
10:00	Factory Orders Ex Transportation	m/m	Feb	0.4%	0.4%	**
10:00	Durable Goods Orders	m/m	Feb	-1.4%	-1.4%	***
10:00	Durable Goods Orders ex Transportation	m/m	Feb F		0.8%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Feb F		0.6%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Feb F		0.9%	*
14:00	Federal Budget Balance	m/m	Mar	-\$153.3b	-\$160.5b	**
Federal Reserve						
No Fed speakers or events for the rest of today						

Foreign Economic News

We monitor numerous global economic indicators on a continuous basis. The most significant international news that was released overnight is outlined below. Not all releases are equally significant; thus, we have created a star rating to convey to our readers the importance of the various indicators. The rating column below is a three-star scale of importance, with one star being the least important and three stars being the most important. We note that these ratings do shift over time as economic circumstances change. Additionally, for ease of reading, we have also color-coded the market impact section, which indicates the effect on the foreign market. Red indicates a concerning development, yellow indicates an emerging trend that we are following

closely for possible complications, and green indicates neutral conditions. We will add a paragraph below if any development merits further explanation.

Country	Indicator			Current	Prior	Expected	Rating	Market Impact
ASIA-PACIFIC								
Japan	PPI	y/y	Mar	2.6%	2.1%	2.3%	***	Equity and bond neutral
New Zealand	BusinessNZ Manufacturing PMI	m/m	Mar	53.2	54.8		***	Equity and bond neutral
China	PPI	y/y	Mar	0.5%	-0.9%	0.4%	**	Equity and bond neutral
	CPI	y/y	Mar	1.0%	1.3%	1.1%	**	Equity and bond neutral
EUROPE								
Germany	CPI	y/y	Mar F	2.7%	2.7%	2.7%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Mar F	2.8%	2.8%	2.8%	**	Equity and bond neutral
Italy	Industrial Production WDA	y/y	Feb	0.5%	-0.6%		***	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	3-Apr	\$767.5b	\$755.4b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	3-Apr	20.10t	19.98t		*	Equity and bond neutral
AMERICAS								
Mexico	Industrial Production	y/y	Feb	-1.3%	-1.1%	-1.0%	***	Equity and bond neutral
	Manufacturing Production	y/y	Feb	-2.2%	-3.0%	-1.8%	*	Equity bearish, bond bullish
Brazil	IBGE Inflation IPCA	y/y	Mar	4.14%	3.81%	4.02%	***	Equity and bond neutral

Financial Markets

The table below highlights some of the indicators that we follow daily. Again, the color coding is similar to the foreign news description above. We will add a paragraph below if a certain move merits further explanation.

Fixed Income	Today	Prior	Change	Trend
3-mo T-bill yield (bps)	358	359	-1	Up
U.S. Sibor/OIS spread (bps)	368	367	1	Flat
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.29	4.28	0.01	Down
Euribor/OIS spread (bps)	215	216	-1	Up
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Up
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Up
Central Bank Action	Actual	Prior	Expected	
Bank of Korea Base Rate	2.50%	2.50%	2.50%	On Forecast

Commodity Markets

The commodity section below shows some of the commodity prices and their change from the prior trading day, with commentary on the cause of the change highlighted in the last column.

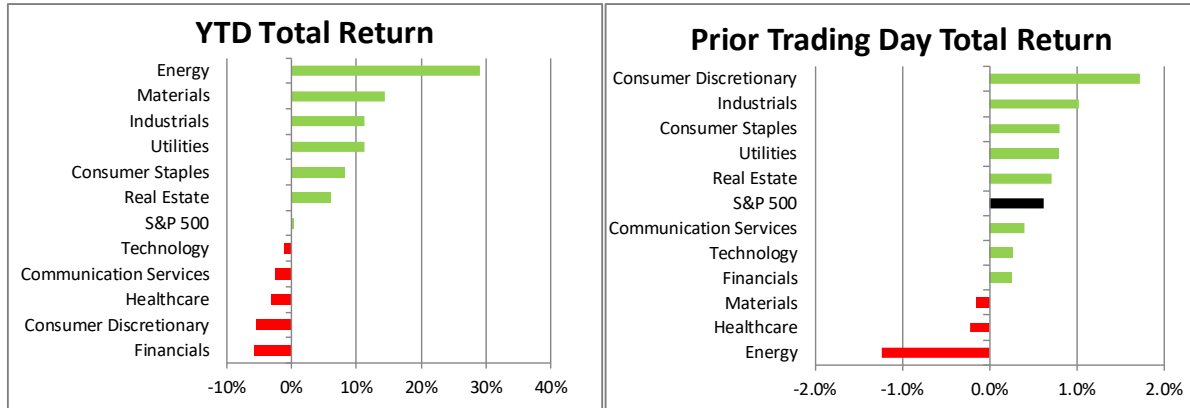
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$95.90	\$95.92	-0.02%	
WTI	\$97.82	\$97.87	-0.05%	
Natural Gas	\$2.67	\$2.67	-0.04%	
Crack Spread	\$40.95	\$41.27	-0.76%	
12-mo strip crack	\$35.91	\$35.78	0.38%	
Ethanol rack	\$2.14	\$2.15	-0.31%	
Metals				
Gold	\$4,760.99	\$4,766.89	-0.12%	
Silver	\$75.60	\$75.34	0.34%	
Copper Contract	\$582.80	\$576.45	1.10%	
Grains				
Corn contract	\$443.50	\$444.00	-0.11%	
Wheat contract	\$570.25	\$574.50	-0.74%	
Soybeans contract	\$1,184.00	\$1,181.00	0.25%	
Shipping				
Baltic Dry Freight	2,161	2,139	22	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	3.08	0.50	2.58	
Gasoline (mb)	-1.59	-1.55	-0.04	
Distillates (mb)	-3.14	-1.25	-1.89	
Refinery run rates (%)	-0.01%	0.75%	-0.76%	
Natural gas (bcf)	50	48	2	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Desert Southwest, the central and southern Great Plains, and everywhere east of the Mississippi River, with cooler-than-normal temperatures in the Pacific Northwest, northern Montana, North Dakota, and northern Minnesota. The outlook calls for wetter-than-normal conditions in California, Nevada, Idaho, western Montana, the Great Plains, and the Midwest, with dry conditions in the Southeast.

Data Section

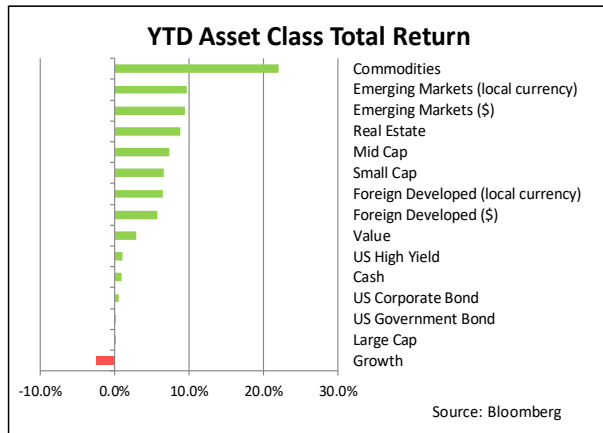
US Equity Markets – (as of 4/9/2026 close)



(Source: Bloomberg)

These S&P 500 and sector return charts are designed to provide the reader with an easy overview of the year-to-date and prior trading day total return. Sectors are ranked by total return; green indicating positive and red indicating negative return, along with the overall S&P 500 in black. These charts represent the new sectors following the 2018 sector reconfiguration.

Asset Class Performance – (as of 4/9/2026 close)

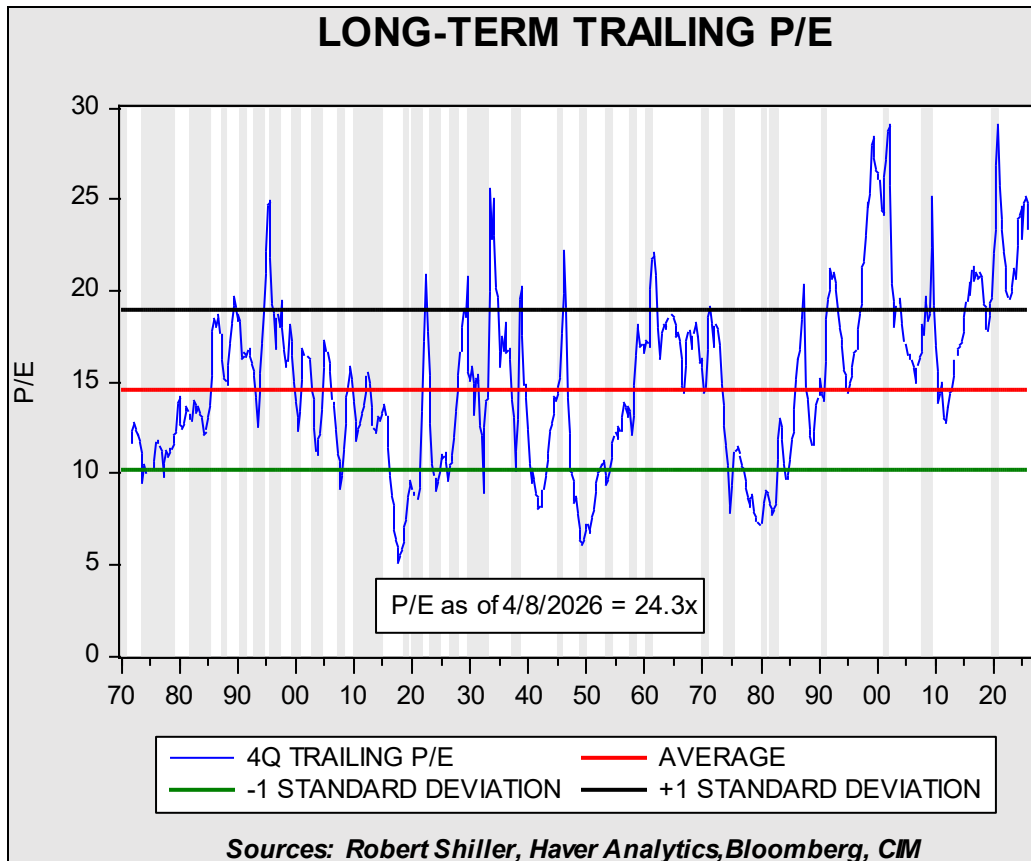


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

Asset classes are defined as follows: Large Cap (S&P 500 Index), Mid Cap (S&P 400 Index), Small Cap (Russell 2000 Index), Foreign Developed (MSCI EAFE (USD and local currency) Index), Real Estate (FTSE NAREIT Index), Emerging Markets (MSCI Emerging Markets (USD and local currency) Index), Cash (iShares Short Treasury Bond ETF), US Corporate Bond (iShares iBoxx \$ Investment Grade Corporate Bond ETF), US Government Bond (iShares 7-10 Year Treasury Bond ETF), US High Yield (iShares iBoxx \$ High Yield Corporate Bond ETF), Commodities (Bloomberg total return Commodity Index), Value (S&P 500 Value), Growth (S&P 500 Growth).

P/E Update

April 9, 2026



Based on our methodology,¹ the current P/E is 24.3x, down 0.3 from the previous report. Last week, the stock price index average fell sharply due to the changing of the quarter, earnings expectations for Q1 2026 were also down from the previous period.

This report was prepared by Confluence Investment Management LLC and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change. This is not a solicitation or an offer to buy or sell any security.

¹ This chart offers a running snapshot of the S&P 500 P/E in a long-term historical context. We are using a specific measurement process, similar to *Value Line*, which combines earnings estimates and actual data. We use an adjusted operating earnings number going back to 1870 (we adjust as-reported earnings to operating earnings through a regression process until 1988), and actual operating earnings after 1988. For the current quarter, we use the Bloomberg estimates which are updated regularly throughout the quarter; currently, the four-quarter earnings sum includes three actual quarters (Q1, Q2, Q4) and one estimate (Q3). We take the S&P average for the quarter and divide by the rolling four-quarter sum of earnings to calculate the P/E. This methodology isn't perfect (it will tend to inflate the P/E on a trailing basis and deflate it on a forward basis), but it will also smooth the data and avoid P/E volatility caused by unusual market activity (through the average price process). Why this process? Given the constraints of the long-term data series, this is the best way to create a long-term dataset for P/E ratios.