Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 14, 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 2.9%. Chinese markets were higher, with the Shanghai Composite up 1.0% and the Shenzhen Composite up 1.4%. 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	"Wars, Price Shocks, and Inventories" (4/13/26)	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.

Our *Comment* today opens with an update on the war in Iran, where a tanker loaded with Iranian cargo has passed through the Strait of Hormuz today to challenge the new US blockade on the country. We next review several other international and US developments with the potential to affect the financial markets today, including data showing a marked decline in China's trade surplus and Canadian Prime Minister Carney's success in finally cobbling together a majority in his country's parliament.

United States-Israel-Iran: Less than a day after the US began enforcing its blockade against Iranian ports, reports today say Saudi Arabia is urging the US to reverse course. According to the reports, the Saudis fear Iran will carry out its threat to retaliate against the blockade by attacking ports in Saudi Arabia and elsewhere in the region or closing the Bab el-Mandeb — a Red Sea chokepoint crucial for the kingdom's remaining oil exports.

- In an early test of the blockade, the shadow-fleet tanker Elpis this morning passed through the Strait of Hormuz after taking on a cargo in Iran. The transit of the Elpis is likely intended to see just how strongly the US will enforce its blockade. As of this moment, we've seen no indication of whether the US Navy will stop the ship or not.

- New reports say one key point of contention in the talks to end the war is that the US is insisting on a 20-year moratorium on Iran's nuclear activity, including uranium enrichment. In response, Iran is insisting it will not commit to more than five years. While that sounds like an unbridgeable gap, it does suggest that an eventual compromise could be reached with a moratorium somewhere in the middle, such as 10 years.
- Separately, the Organization of the Petroleum Exporting Countries said oil production in March was down 27.5% to just 20.8 million barrels per day, marking the biggest OPEC output drop on record. The decline in production illustrates how dramatically the war has disrupted output and exports in the region.
- Meanwhile, the International Energy Agency today said global oil demand fell 3.4% in March and is expected to drop a further 1.1% in April to just 100.4 million barrels per day, reflecting price hikes and supply disruptions from the war in Iran. Excluding the coronavirus pandemic, the quarterly drop in demand was the steepest since the Great Financial Crisis and will leave demand at its lowest in more than three years.
- Even as the US and Iran engage in negotiations to end the war, commentators in recent days have increasingly warned that Israel's effort to create strategic buffer zones in southern Lebanon, Syria, and Gaza could lead to it being involved in "forever wars" similar to the US experience in Iraq and Afghanistan. If such a scenario comes to pass, it could threaten social cohesion in Israel and tarnish the country's hard-won reputation as a rising star in stock sectors such as technology.

China: The March trade surplus totaled just $51.0 billion, less than half the surplus in March 2025. Exports in March were up just 2.5% on the year, slowing sharply from the 22.0% rise in January and February. The slowdown in exports reflected not only the continued fall in Chinese exports to the US, but also a decline in shipments to the Middle East because of the war in Iran. Meanwhile, Chinese imports in March were up 28.0% year-over-year, accelerating from their increase in January and February. In sum, the data points to more economic headwinds.

China-Philippines: The Philippine government today said it found cyanide on Chinese boats seized around a disputed shoal where Manila had grounded a warship to use as a base and assert its sovereignty. According to Philippine officials, it appears that the Chinese planned to poison the local fish population to deny a vital food source for the troops on the grounded ship and also weaken the reef supporting the vessel. The incident could signal renewed China-Philippine territorial tensions in the South China Sea and a renewed risk of conflict.

Singapore: Citing higher energy prices caused by the war in Iran, the Monetary Authority of Singapore yesterday said it would allow the country's currency to appreciate more than previously expected, essentially implementing a tightening of monetary policy. That marked Singapore's first monetary tightening in approximately four years. The move will likely threaten to slow economic growth in Singapore and could weigh on the country's stock prices.

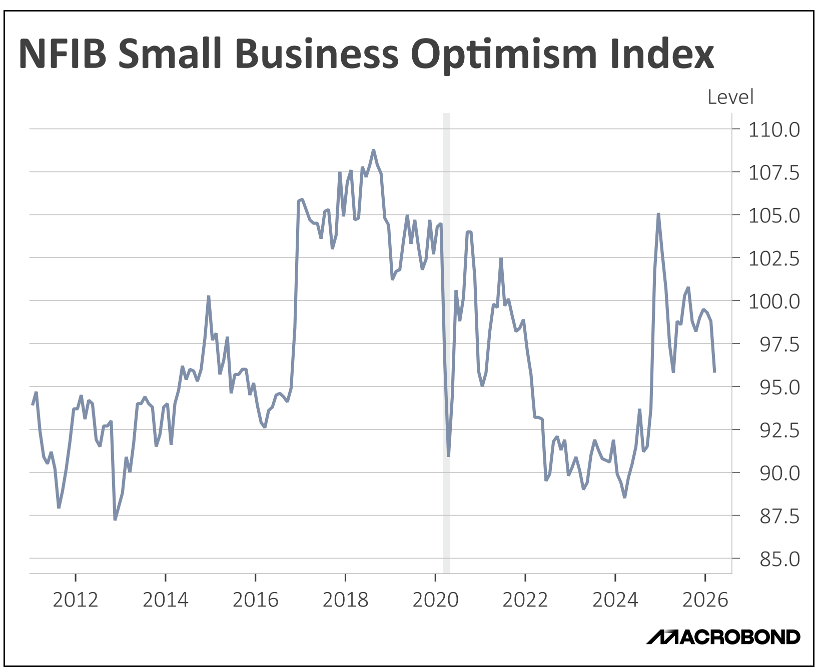
Canada: In by-elections yesterday, Prime Minister Carney's Liberal Party was expected to win enough seats to take a slim majority in the national parliament. Carney was also able to convince several lawmakers to switch parties to join the Liberals in recent months. If Carney is successful in achieving a majority for the Liberals, he would be more likely to pass economic reforms that could help Canada weather the US administration's tougher trade policies against Canada.

US Economic Growth: New studies from Goldman Sachs and Stanford University suggest the boost in consumers' tax refunds this year will be essentially offset by the rise in energy and other commodity prices because of the war in Iran. As a result, many economists are now tempering their expectations for US economic growth this year. Importantly, while the increased tax refunds will be matched by the rise in energy prices on a macro basis, the research suggests that lower-income households' refunds will be more than offset by their increased energy costs.

US Electric Utility Industry: New research says a group of 51 investor-owned utilities now plan a combined $1.4 trillion in capital spending in the coming five years, up from a five-year projection of $1.1 trillion just last year. The jump largely reflects a need to upgrade the national power grid for data centers and other facilities related to the artificial intelligence boom. For the utility companies, a key risk is whether state regulators will approve the plans. For consumers, approval of the plans threatens to raise electric rates and boost price inflation.

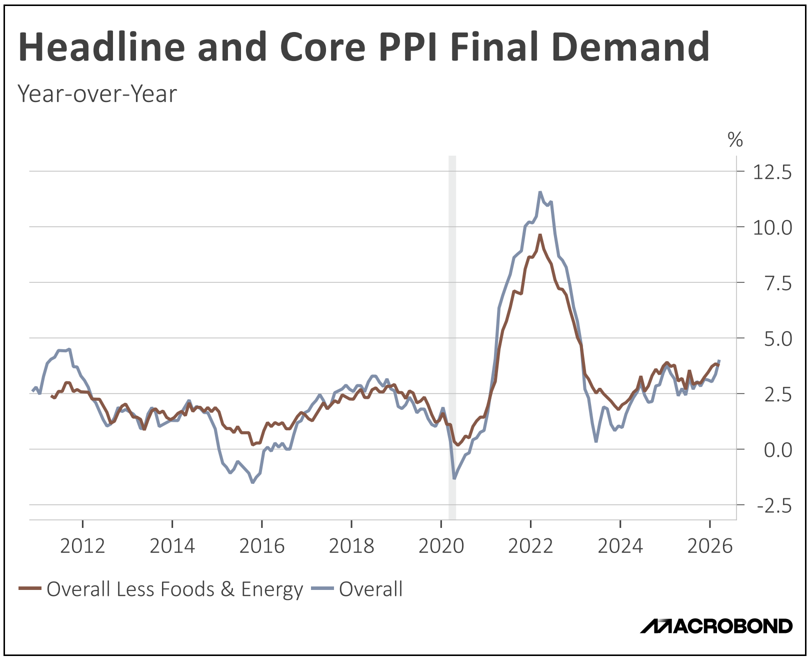
US Economic Releases

The ***NFIB Small Business Optimism Index*** dropped in March, slipping from 98.8 to 95.8, below the 98.6 consensus expectation. This dip reflects concerns over rising geopolitical risks due to the conflict with Iran. However, overall sentiment is now below the historical average of 98.0.



As the chart above illustrates, the index has experienced fluctuations since 2011, but the latest reading shows that firms are becoming more concerned about rising input costs due to the conflict.

Separately, the March ***producer price index (PPI)*** jumped by a seasonally adjusted 0.5%, well below estimates of 1.1% and in line with the previous month's increase. Excluding the volatile food and energy components, the March ***"core" PPI*** rose 0.1%, also well below estimates of 0.5%, and slower than the 0.3% jump in the previous month.



The chart above looks at the year-over-year change in core and headline PPI. The overall PPI in March was up 4.0% from the same month one year earlier, while the core PPI was up 3.8%.

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

Economic Releases		
No economic releases for the rest of today		
Federal Reserve		
EST	**Speaker or Event**	**District or Position**
9:45	Austan Goolsbee on AP Livestream	President of the Federal Reserve Bank of Chicago
22:15	Austan Goolsbee on Yahoo Finance	President of the Federal Reserve Bank of Chicago
12:10	Austan Goolsbee Speaks at Semafor World Economy 2026	President of the Federal Reserve Bank of Chicago
12:15	Michael Barr Speaks on Rural Economic Development	Members of the Board of Governors
13:00	Anna Paulson, Collins, Barkin and Barr in Fireside Chat	President of the Federal Reserve Bank of Philadelphia

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	Capacity Utilization	y/y	Feb	-0.1%	2.9%		**	Equity and bond neutral
	Industrial Production	y/y	Feb F	0.4%	0.3%		***	Equity and bond neutral
Australia	Westpac Consumer Conf SA	m/m	Apr	-12.5%	1.2%		**	Equity and bond neutral
	Westpac Consumer Conf Index	m/m	Apr	80.1	91.6		**	Equity and bond neutral
	NAB Business Confidence	m/m	Mar	-29	0		***	Equity and bond neutral
	NAB Business Conditions	m/m	Mar	6	6		***	Equity and bond neutral
China	Trade Balance	m/m	Mar	$51.13b	$90.98b	$107.55b	***	Equity and bond neutral
	Exports	y/y	Mar	2.5%	39.6%	8.6%	**	Equity bearish, bond bullish
	Imports	y/y	Mar	27.8%	13.8%	13.9%	**	Equity bullish, bond bearish
EUROPE								
Germany	Wholesale Price Index	y/y	Mar	4.1%	1.2%		*	Equity and bond neutral
Russia	Trade Balance	m/m	Feb	5.4b	6.5b		**	Equity and bond neutral
	Exports	m/m	Feb	30.1b	27.5b		*	Equity and bond neutral
	Imports	m/m	Feb	24.8b	21.0b		*	Equity and bond neutral
AMERICAS								
Canada	Building Permits	m/m	Feb	-8.4%	3.5%	-2.40	**	Equity bearish, bond bullish

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)	359	360	-1	Up
U.S. Sibor/OIS spread (bps)	368	368	0	Up
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.29	4.29	0.00	Flat
Euribor/OIS spread (bps)	220	220	0	Up
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Up
Yen	Up	Japan		Down
Pound	Up	UK		Up
Franc	Up	Switzerland		Up

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.

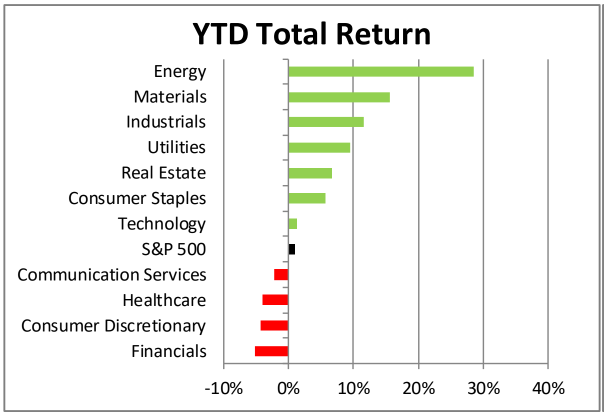
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$99.25	$99.36	-0.11%	
WTI	$97.68	$99.08	-1.41%	
Natural Gas	$2.60	$2.63	-0.91%	
Crack Spread	$43.17	$42.46	1.67%	
12-mo strip crack	$36.76	$36.96	-0.54%	
Ethanol rack	$2.14	$2.14	-0.01%	
Metals				
Gold	$4,779.85	$4,740.31	0.83%	
Silver	$77.55	$75.61	2.57%	
Copper Contract	$609.15	$604.95	0.69%	
Grains				
Corn contract	$452.75	$451.00	0.39%	
Wheat contract	$595.00	$591.25	0.63%	
Soybeans contract	$1,180.25	$1,177.50	0.23%	
Shipping				
Baltic Dry Freight	2,250	2,201	49	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		0.50		
Gasoline (mb)		-1.55		
Distillates (mb)		-1.25		
Refinery run rates (%)		0.75%		
Natural gas (bcf)		48		

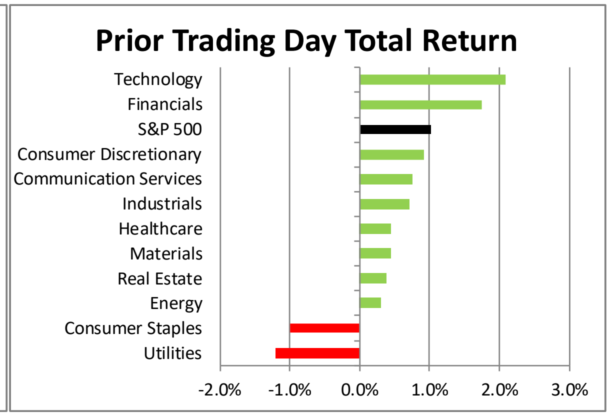
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in most states west of the Rocky Mountains, 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 most of the country, with near normal conditions in the Mid-Atlantic and Southeast regions as well as Arizona.

Data Section

US Equity Markets – (as of 4/13/2026 close)

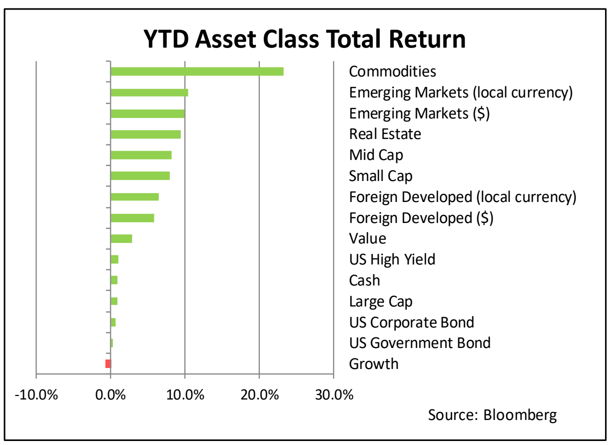




(Source: Bloomberg)

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 4/13/2026 close)

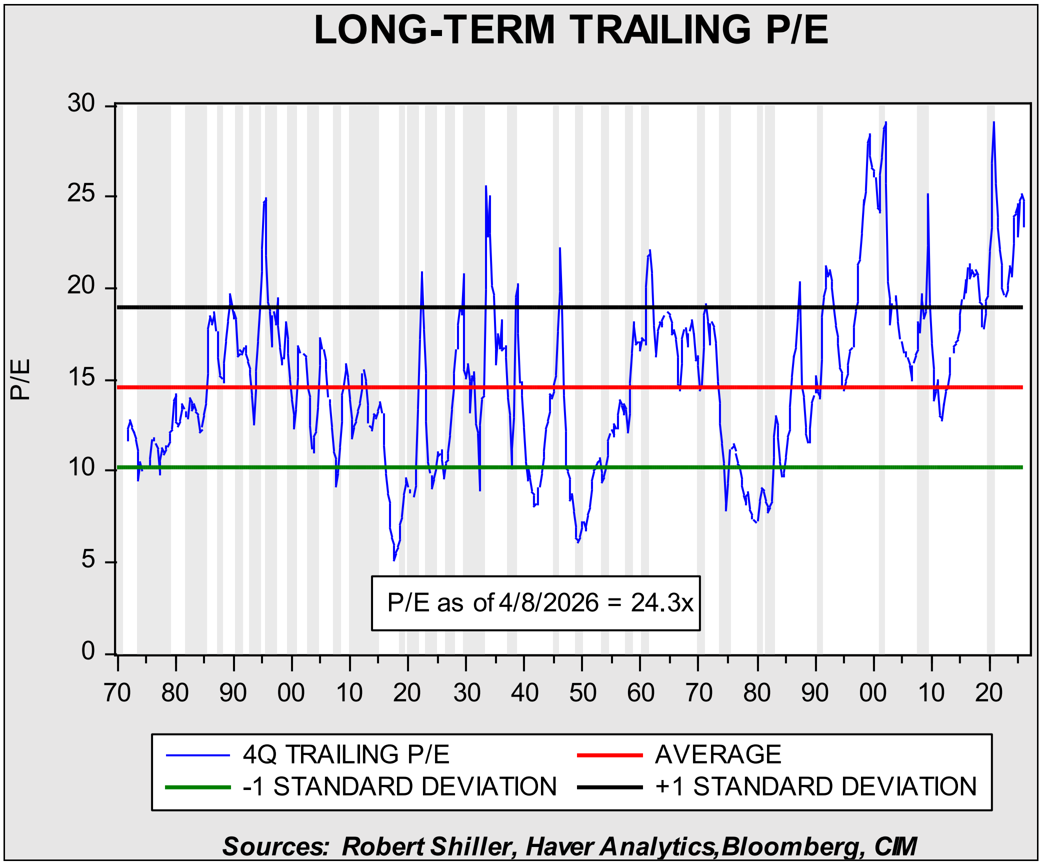


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.