



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 16, 2026 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.8%. Chinese markets were mixed, with the Shanghai Composite up 0.7% and the Shenzhen Composite up 1.8%. US equity index futures are signaling a higher open.

With 33 companies having reported so far, S&P 500 earnings for Q1 are running at \$72.20 per share, compared to estimates of \$72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 78.8% exceeded expectations while 12.1% fell short of expectations.

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 |

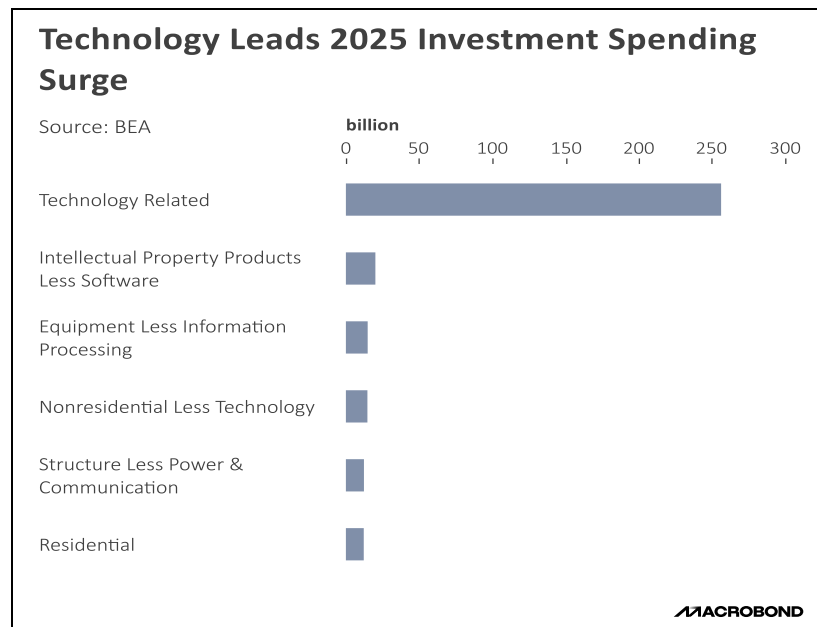
Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Our *Comment* opens with a discussion on the renewed surge in AI enthusiasm as a key market theme. We then share our perspective on the EU’s push to strengthen its competitiveness and strategic autonomy from the US. Next, we provide an update on the ongoing conflict in Iran, outline potential implications for the broader Persian Gulf region, and assess why the Fed chair nominee may encounter obstacles in the coming weeks. As always, we include an overview of recent domestic and international economic data.

AI Momentum: As the market's focus shifts away from the conflict in Iran, AI momentum has begun to resurge. On Wednesday, footwear company [Allbirds announced that it was abandoning sneakers to enter the AI infrastructure space under the rebrand NewBird AI](#). The move arrives as

investors grow increasingly fixated on the transformative, and potentially disruptive, impact of AI on traditional business models. While this shift fuels “bubble” concerns, it also underscores the market's growing consensus that AI will play a foundational role in the future economy.

- The decision by a company once known for making shoes for Silicon Valley to pivot from footwear to data centers underscores the growing centrality of AI. Before the shift, the firm [sold its apparel business to a brand management company for \\$39 million](#). It now plans to channel those proceeds into AI infrastructure projects, specifically, graphics processing units, to meet the increasing demand. Although the pivot seemed to come out of left field, investors responded enthusiastically, sending the stock up as much as sevenfold.
- Allbirds' move into AI infrastructure comes amid surging demand to expand AI capacity. The need for cloud computing and chips has driven a wave of investment, with businesses racing to increase supply. That demand has also drawn in [Elon Musk, who is raising funds to build Terafab](#), a venture aimed at supplying chips to tech companies. Meanwhile, [Jane Street, a quantitative trading firm, has invested in CoreWeave](#) in order to gain access to its cloud services.



- The growing ubiquity of AI investment has become a crucial pillar supporting the broader economy. In fact, when looking at overall investment spending, the tech sector has dwarfed all other segments of the economy throughout 2025. This high level of spending is likely to continue into the current year, [as major tech companies — including Alphabet, Meta, Amazon, and Microsoft — have all revised their capex expectations upward](#) to meet the demand for AI.
- While overall AI momentum has cooled from last year's levels, the technology remains a key pillar supporting the economy and markets. Allbirds' surprising shift into AI infrastructure may have raised eyebrows, but the market's enthusiastic reaction signals

that its risk appetite hasn't faded. With the Iran conflict showing signs of ending, we expect risk-taking to pick up, likely lifting equities in the short term. This momentum could persist, especially given signs of limited supply chain impact.

EU Autonomy: The European Union continues to take steps to reduce its overall dependence on the US. In terms of security, [Brussels has attempted to promote a “buy European” approach](#) as it looks to develop its own domestic defense industries and ramp up military spending. Additionally, there are signs that Europe may be moving toward deregulation to improve competitiveness and foster its own national champions. These changes suggest that European markets may become more attractive over the coming years.

- Europe's need for autonomy has started to create friction within NATO. Following threats from the White House over Greenland and pressure on the EU to spend more on its own security, the bloc has decided to create a fund to raise \$1 trillion in additional funding for its rearmament. The push has come at the expense of some of its allies, as Europe looks not only to build up its own military capabilities but also to make its supply chains more resilient, which could come at the expense of its NATO partners.
- Additionally, there have been signs that the European Union has started to loosen its regulations. On Thursday, [Brussels proposed relaxing merger rules in an effort to better compete with the US and China](#). This shift marks a major change for a region that has long prioritized regulation to protect consumers from the outsized power of corporations and suggests that Europe may now be looking to establish its own national champions.
- Europe's push for greater autonomy is a response to the realization that it can no longer build its economy on the back of US security protection and trade access. As a result, European nations will have to rely on one another to meet those needs. The EU's decentralized nature, where influence is balanced regardless of country size, complicates this interdependence. While the proposed Capital Markets Union aims to ease tensions, a true fiscal union may be the necessary endgame for stability.
- While the US is still an attractive destination given its deep capital markets, large consumer base, and overall technological advantages, Europe presents a major opportunity, particularly for those looking for value. The EU's transition may not be as smooth or as quick as investors would like, but we believe the trend is clearly underway. That is why we see significant opportunities for growth in the European market going forward.

Iran Update: Tensions in the Middle East appear to be easing. [Lebanon and Israel are weighing a potential ceasefire](#), while the [US and Iran are reportedly discussing a two-week extension](#) to their existing ceasefire agreement as talks continue. Still, a peace deal does not seem imminent. Iran and the US remain far apart on a broader agreement that would address the reopening of the Strait of Hormuz, Iran's nuclear program, and sanctions relief for Tehran. Despite the lack of a comprehensive deal, markets already appear to be pricing in the belief that conditions will not worsen.

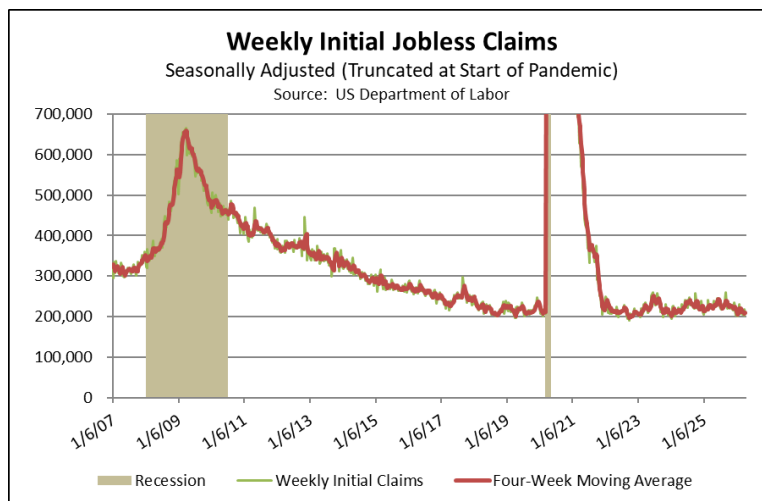
Next Phase for the Middle East: With signs that tensions between Iran and the US are easing, Gulf Coast countries are already looking for ways to repair some of the damage incurred during

the conflict. Several nations, [including Qatar, Abu Dhabi, and Kuwait, have turned to private markets as a way to raise funds](#) for their rebuilding efforts. Meanwhile, [Saudi Arabia is considering canceling its struggling LIV Golf franchise](#) as it seeks money to rebuild its territory. The push is likely a sign that some of the damage caused by the conflict will take a while to fix.

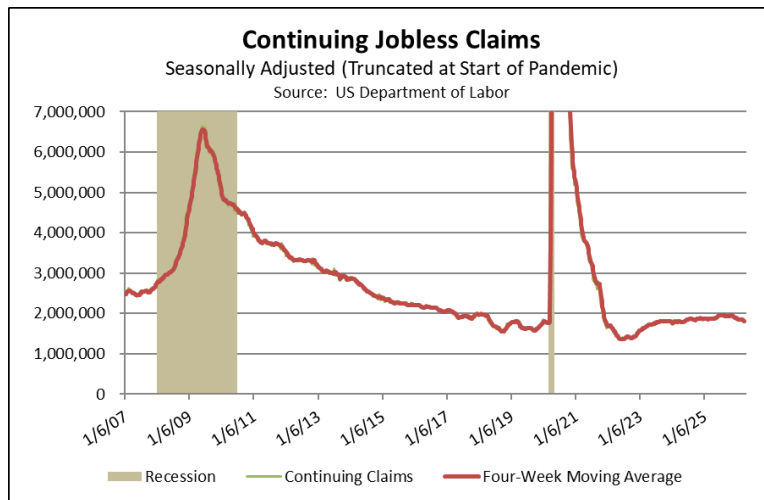
Fed Chair Hold Up: [Senator Thom Tillis continues to threaten to hold up the confirmation of Fed chair nominee Kevin Warsh](#). The outgoing senator has pushed the White House to drop its investigation into the Federal Reserve; otherwise, he will stall the confirmation process. Tillis currently holds the deciding vote and could potentially delay the confirmation, which might force Jerome Powell to stay on beyond the end of his term in May, something the White House is urgently looking to avoid.

US Economic Releases

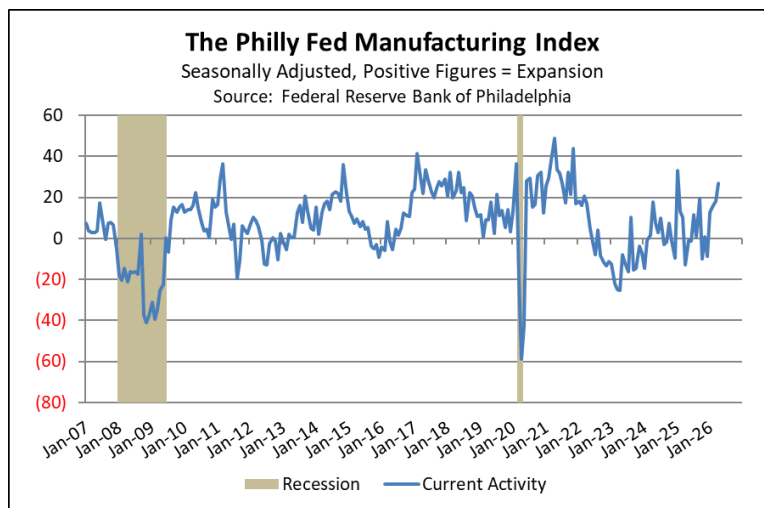
In the week ended April 11, *initial claims for unemployment benefits* fell to a seasonally adjusted 207,000, below both the expected level of 213,000 and the revised level of 218,000 in the previous week. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, rose to 209,750. The chart below shows how initial jobless claims have fluctuated since just before the Great Financial Crisis. The chart is truncated through much of the pandemic period because of the extremely high level of claims at that time.



In the week ended April 4, the number of *continuing claims for unemployment benefits* (people continuing to draw benefits) rose to a seasonally adjusted 1.818 million, above both the anticipated reading of 1.810 million and the prior week’s revised reading of 1.787 million. Nevertheless, the four-week moving average of continuing claims fell to 1,813,250. The chart below shows how continuing claims have fluctuated since the GFC. It is also truncated during the pandemic period because of the high level of claims at the time.



Separately, the Philadelphia FRB said its April *Philly Fed Index* rose to a seasonally adjusted 26.7, beating the expected level of 10.0 and the March level of 18.1. The index, officially designated as the Philadelphia FRB Manufacturing Activity Index, is designed so that positive readings point to expanding factory activity in the mid-Atlantic region. At its current level, the index suggests mid-Atlantic manufacturing is now growing better than at any time since January 2025. The chart below shows how the index has fluctuated since just before the GFC.



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 |
| 8:35 | John Williams Gives Keynote Remarks | President of the Federal Reserve Bank of New York |
| 10:35 | Stephen Miran Speaks in Moderated Discussion | Members of the Board of Governors |

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 | Japan Buying Foreign Bonds | w/w | 24-Jan | ¥696.2b | -¥2480.9b | | * | Equity and bond neutral |
| | Japan Buying Foreign Stocks | w/w | 24-Jan | ¥255.5b | ¥1434.3b | | * | Equity and bond neutral |
| | Foreign Buying Japan Bonds | w/w | 24-Jan | ¥707.2b | ¥2376.2b | | * | Equity and bond neutral |
| | Foreign Buying Japan Stocks | w/w | 25-Jan | ¥3943.3b | ¥2951.8b | | * | Equity and bond neutral |
| Australia | Consumer Inflation | m/m | Apr | 5.90% | 5.20% | | * | Equity and bond neutral |
| | Employment Change | m/m | Mar | 17.9k | 49.7k | 20.0k | *** | Equity and bond neutral |
| | Unemployment Rate | m/m | Mar | 4.3% | 4.3% | 4.3% | *** | Equity and bond neutral |
| | Participation Rate | m/m | Mar | 66.8% | 66.9% | 66.9% | ** | Equity and bond neutral |
| China | GDP | y/y | 1Q | 5.0% | 4.5% | 4.8% | *** | Equity and bond neutral |
| | Retail Sales | y/y | Mar | 1.7% | - | 2.4% | ** | Equity and bond neutral |
| | Industrial Production | y/y | Mar | 5.7% | - | 5.3% | *** | Equity and bond neutral |
| | Fixed Assets Ex Rural YTD | y/y | Mar | 1.7% | 1.8% | 1.9% | ** | Equity and bond neutral |
| EUROPE | | | | | | | | |
| Eurozone | CPI | y/y | Mar F | 2.6% | 2.5% | 2.5% | *** | Equity and bond neutral |
| | Core CPI | y/y | Mar F | 2.3% | 2.3% | 2.3% | ** | Equity and bond neutral |
| Italy | CPI, EU Harmonized | y/y | Mar F | 1.6% | 1.5% | 1.5% | *** | Equity and bond neutral |
| | CPI NIC Including Tobacco | y/y | Mar F | 1.7% | 1.7% | 1.7% | ** | Equity and bond neutral |
| UK | GDP | m/m | Feb | 0.5% | 0.1% | 0.1% | * | Equity and bond neutral |
| | Industrial Production | y/y | Feb | -0.4% | 0.5% | -1.0% | *** | Equity bullish, bond bearish |
| | Manufacturing Production | y/y | Feb | -0.5% | 1.3% | -0.3% | ** | Equity and bond neutral |
| | Index of Services 3M/3M | m/m | Feb | 0.5% | 0.3% | 0.3% | ** | Equity and bond neutral |
| | Construction Output | y/y | Feb | -1.0% | -1.9% | -1.0% | * | Equity and bond neutral |
| | Visible Trade Balance GBP/Mn | m/m | Feb | £18791m | £15077m | £20500m | ** | Equity and bond neutral |
| | Trade Balance GBP/Mn | m/m | Feb | £720m | £3018m | -£1300m | ** | Equity and bond neutral |
| Switzerland | Producer & Import Prices | y/y | mar | -2.7% | -2.7% | | ** | Equity and bond neutral |
| AMERICAS | | | | | | | | |
| Canada | Manufacturing Sales | m/m | Feb | 3.6% | -3.1% | 3.8% | ** | Equity and bond neutral |
| | Wholesale Sales ex Petroleum | m/m | Mar | 2.0% | -1.1% | 2.30 | ** | Equity and bond neutral |
| Brazil | FGV CPI IPC-S | w/w | 15-Apr | 0.96% | 0.91% | | ** | Equity and bond neutral |
| | Economic Activity | y/y | Feb | -0.3% | 1.1% | 0.2% | ** | 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) | 361 | 362 | -1 | Up |
| U.S. Sibor/OIS spread (bps) | 367 | 368 | -1 | Up |
| U.S. Libor/OIS spread (bps) | 366 | 366 | 0 | Up |
| 10-yr T-note (%) | 4.27 | 4.29 | -0.02 | Down |
| Euribor/OIS spread (bps) | 224 | 224 | 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.

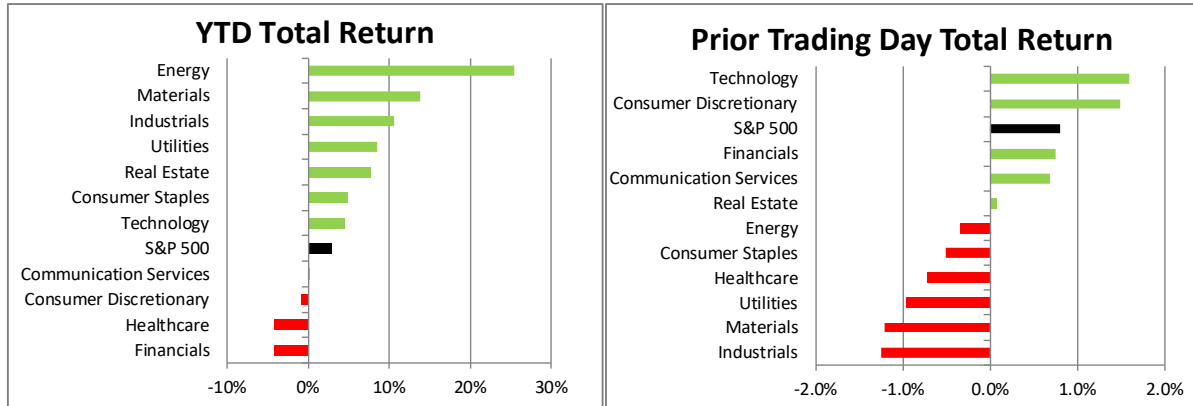
| | Price | Prior | Change | Explanation |
|-----------------------------|---------------|-----------------|-------------------|-------------|
| Energy Markets | | | | |
| Brent | \$95.68 | \$94.93 | 0.79% | |
| WTI | \$91.63 | \$91.29 | 0.37% | |
| Natural Gas | \$2.61 | \$2.61 | -0.11% | |
| Crack Spread | \$47.78 | \$47.16 | 1.31% | |
| 12-mo strip crack | \$37.34 | \$36.79 | 1.51% | |
| Ethanol rack | \$2.13 | \$2.13 | -0.19% | |
| Metals | | | | |
| Gold | \$4,819.81 | \$4,791.04 | 0.60% | |
| Silver | \$79.65 | \$78.96 | 0.87% | |
| Copper Contract | \$613.20 | \$614.50 | -0.21% | |
| Grains | | | | |
| Corn contract | \$460.75 | \$460.50 | 0.05% | |
| Wheat contract | \$608.75 | \$601.75 | 1.16% | |
| Soybeans contract | \$1,180.75 | \$1,183.25 | -0.21% | |
| Shipping | | | | |
| Baltic Dry Freight | 2,484 | 2,354 | 130 | |
| DOE Inventory Report | | | | |
| | Actual | Expected | Difference | |
| Crude (mb) | -0.91 | 1.90 | -2.81 | |
| Gasoline (mb) | -6.33 | -2.01 | -4.32 | |
| Distillates (mb) | -3.12 | -2.14 | -0.98 | |
| Refinery run rates (%) | -0.24% | 0.44% | -0.68% | |
| Natural gas (bcf) | | 59 | | |

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Great Plains, the Midwest, and the Southeast, with cooler-than-normal temperatures in the northern Rocky Mountains. The outlook calls for wetter-than-normal conditions everywhere except the Southwest and New England, where conditions will be near normal.

Data Section

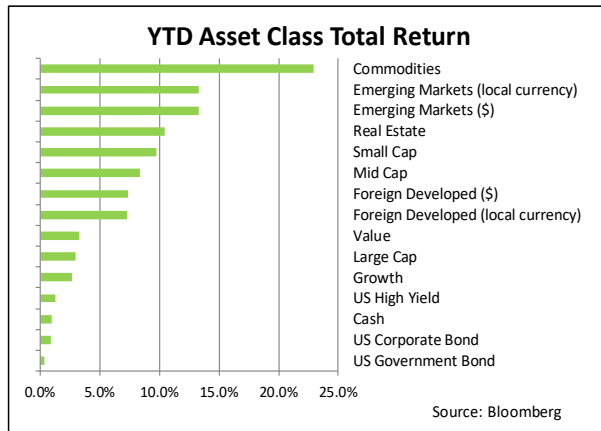
US Equity Markets – (as of 4/15/2026 close)



(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 4/15/2026 close)

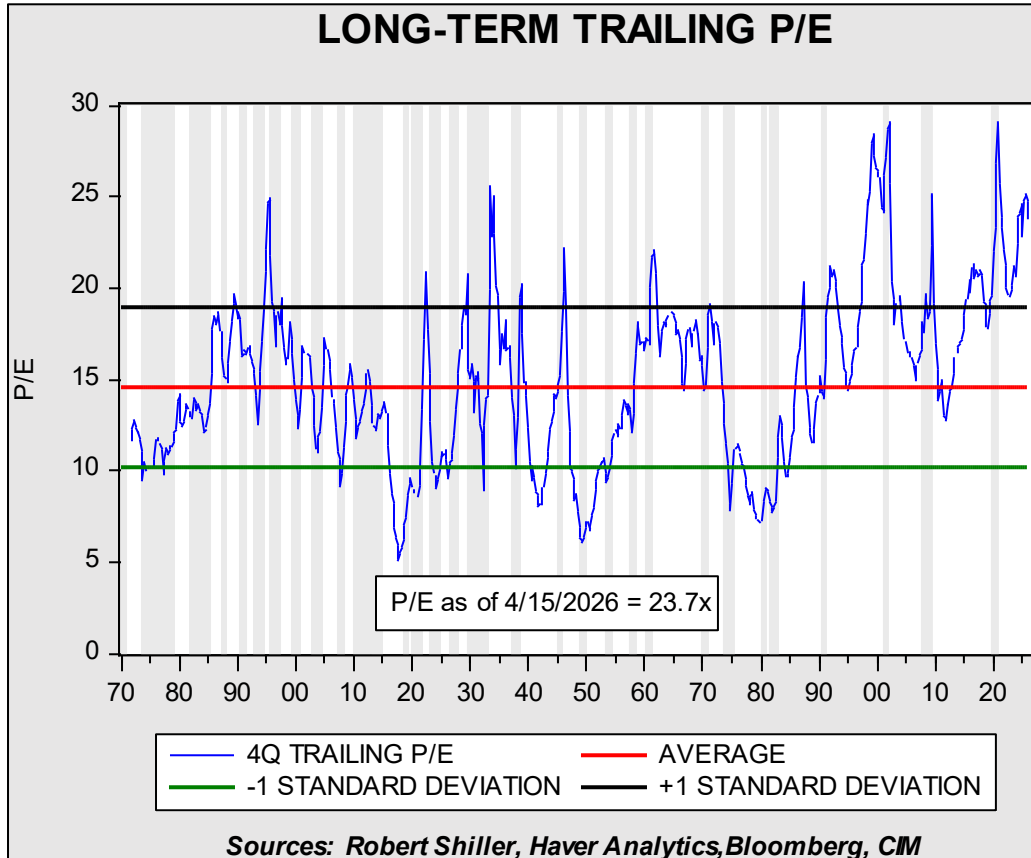


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 16, 2026



Based on our methodology,¹ the current P/E is 23.7x, down 0.6 from the previous report. Last week, the stock price index average was relatively unchanged, while earnings expectations were revised upwards.

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.