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[Posted: April 20, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 1.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.8%. Chinese markets were higher, with the Shanghai Composite up 0.8% and the Shenzhen Composite up 0.7%. US equity index futures are signaling a lower open.

With 48 companies having reported so far, S&P 500 earnings for Q1 are running at \$72.40 per share, compared to estimates of \$72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 81.3% exceeded expectations while 10.4% 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) + podcast 4/17/26	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 the US has seized an Iranian-flagged container ship, and the Iranians say they have again stopped traffic through the Strait of Hormuz. We next review several other international and US developments with the potential to affect the financial markets today, including the election of a pro-Russia government in Europe and new research projecting that productivity increases associated with artificial intelligence will cause price inflation to plummet.

United States-Israel-Iran: President Trump yesterday [said the US has seized an Iran-flagged vessel in the Gulf of Oman, marking the first known use of force in the US blockade](#) of ship traffic into and out of Iranian ports. In retaliation, the Iranian government said it is closing the

Strait of Hormuz to shipping again. However, in a sign that peace talks may still proceed, US negotiators reportedly traveled to Pakistan yesterday for a new round of negotiations. It is [unclear whether the Iranians will participate](#).

- The Iranian announcement that the strait is closed again has reportedly stopped additional ship traffic through the waterway.
- According to reports, the United Arab Emirates' central bank last week [approached US officials, including Treasury Secretary Scott Bessent, to discuss a currency-swap deal](#) that would allow the UAE to access dollars if the Iran war continues to constrict its oil exports. The talks highlighted the UAE's concern that the war could inflict major damage on its economy and its position as a global financial hub, potentially depleting its foreign reserves and scaring away investors.

Germany: The *Wall Street Journal* over the weekend carried an interesting article on how the German government's recent fiscal reforms and rearmament effort [are combining to transform the economy's focus from industrial manufacturing for export to advanced defense goods](#). The analysis is generally consistent with our longstanding view that the threat of Russian aggression and the US's growing reluctance to stand by its allies will force precisely this kind of change, giving a further boost to German and other European defense stocks.

Bulgaria: In elections yesterday, the leftist Progressive Bulgaria Party [came in first with 130 of the 240 seats in parliament](#), ensuring that Russia-leaning party chief and former President Rumen Radev will become the new prime minister. Now that Hungary's Russia-leaning government has been replaced, the result could mean that Bulgaria takes the lead in pushing Moscow's interests in the European Union and the North Atlantic Treaty Organization. In turn, tensions with the EU and NATO could weigh on Bulgarian economic growth.

China: Technology giant ByteDance, the parent company of TikTok and Douyin, today [said its net profit plummeted by more than 70% in 2025 as it poured money into artificial intelligence](#). The report underscores the massive switch in financial performance for the world's top tech firms as they shift to costlier, more capital-intensive AI. The firm also said revenue growth in China slowed to only about 20%, underscoring the domestic economy's continued economic headwinds. On a more positive note, revenue from overseas markets surged by nearly 50%.

Emerging Markets: In a speech today, the head of the Bank for International Settlements [warned that the growing use of US-dollar stablecoins by less developed countries could undermine their control of money flows](#) and open the door to criminal activity. Specifically, the BIS chief, former Spanish central bank governor Pablo Hernández de Cos, said stablecoins will make it easier for people and companies to evade capital controls or tax obligations, raising the risk of financial crises or economic problems.

US Artificial Intelligence Industry: The asset-management arm of Northern Trust [has released a new report projecting that widescale adoption of AI will be "massively disinflationary"](#) due to expected productivity gains. Just as important, the report urges the Federal Reserve to avoid making any major policy moves until AI's impact on prices is known. While the warning seems

a bit premature, the report’s specific reference to the Fed highlights how all manner of federal policies could be disrupted as AI rolls out and its impact become clearer.

US Economic Releases

There were no economic releases prior to the publication of this report. There are no economic releases or Fed events scheduled for the rest of the day.

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	Tertiary Industry Index	m/m	Feb	-0.4%	2.0%	-0.5%	***	Equity and bond neutral
	Tokyo Condominiums for Sale	y/y	Mar	-35.5%	36.8%		*	Equity and bond neutral
New Zealand	Trade Balance NZD	m/m	Mar	698m	-365m		**	Equity and bond neutral
	Exports NZD	m/m	Mar	7.94b	6.52b		**	Equity and bond neutral
	Imports NZD	m/m	Mar	7.25b	6.88b		**	Equity and bond neutral
EUROPE								
Eurozone	Construction Output	y/y	Feb	-1.9%	-4.1%		*	Equity and bond neutral
Germany	PPI	y/y	Mar	-0.2%	-3.3%	-1.2%	**	Equity bullish, bond bearish
UK	Rightmove House Prices	y/y	Apr	-0.9%	-0.2%		**	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	17-Apr	433.3b	437.5b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	17-Apr	453.6b	461.3b		*	Equity and bond neutral
AMERICAS								
Canada	Housing Starts	m/m	Mar	235.9k	251.0k	258.0k	**	Equity and bond neutral
	Int'l Securities Transactions	m/m	Feb	6.17b	46.79b	--	**	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)	360	360	0	Up
U.S. Sibor/OIS spread (bps)	367	366	1	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.27	4.25	0.02	Down
Euribor/OIS spread (bps)	220	224	-4	Up
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Up
Yen	Up	Japan		Down
Pound	Up	UK		Up
Franc	Up	Switzerland		Up
Central Bank Action	Actual	Prior	Expected	
PBOC 5-Year Loan Prime Rate	3.50%	3.50%	3.50%	On Forecast
PBOC 1-Year Loan Prime Rate	3.00%	3.00%	3.00%	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.

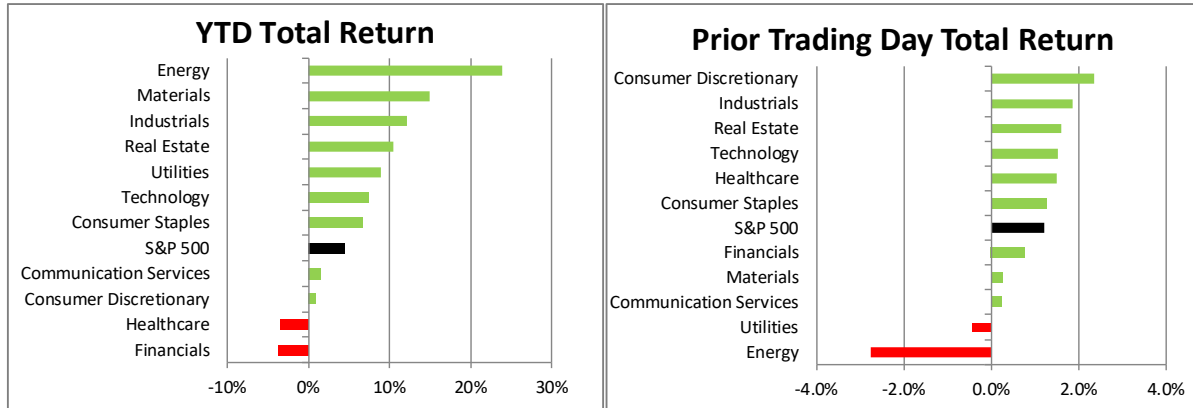
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$95.27	\$90.38	5.41%	Middle East Conflict
WTI	\$89.07	\$83.85	6.23%	Middle East Conflict
Natural Gas	\$2.73	\$2.67	2.06%	
Crack Spread	\$47.84	\$47.05	1.68%	
12-mo strip crack	\$36.67	\$36.32	0.96%	
Ethanol rack	\$2.10	\$2.11	-0.49%	
Metals				
Gold	\$4,788.31	\$4,830.34	-0.87%	
Silver	\$79.28	\$80.89	-1.99%	
Copper Contract	\$608.05	\$617.35	-1.51%	
Grains				
Corn contract	\$458.25	\$457.50	0.16%	
Wheat contract	\$606.75	\$599.25	1.25%	
Soybeans contract	\$1,183.50	\$1,183.00	0.04%	
Shipping				
Baltic Dry Freight	2,567	2,523	44	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures west of the Rockies and in the Southeast region, with cooler-than-normal temperatures in most of the central states shifting toward the Mid-Atlantic in the latter period. Wetter-than-normal conditions are expected across most of the country, while drier-than-normal weather is expected in North Dakota, Minnesota, and along the northern Pacific coast.

Data Section

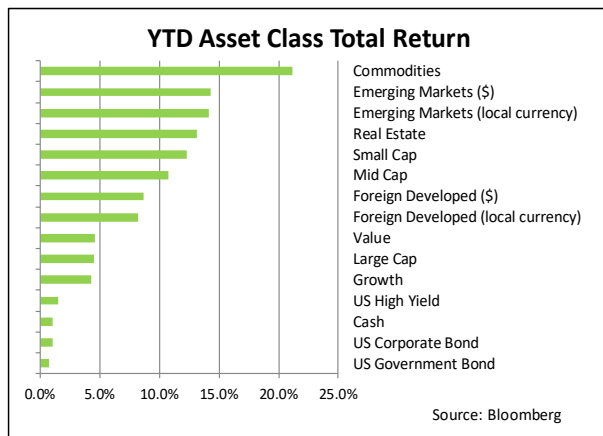
US Equity Markets – (as of 4/17/2026 close)



(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 4/17/2026 close)

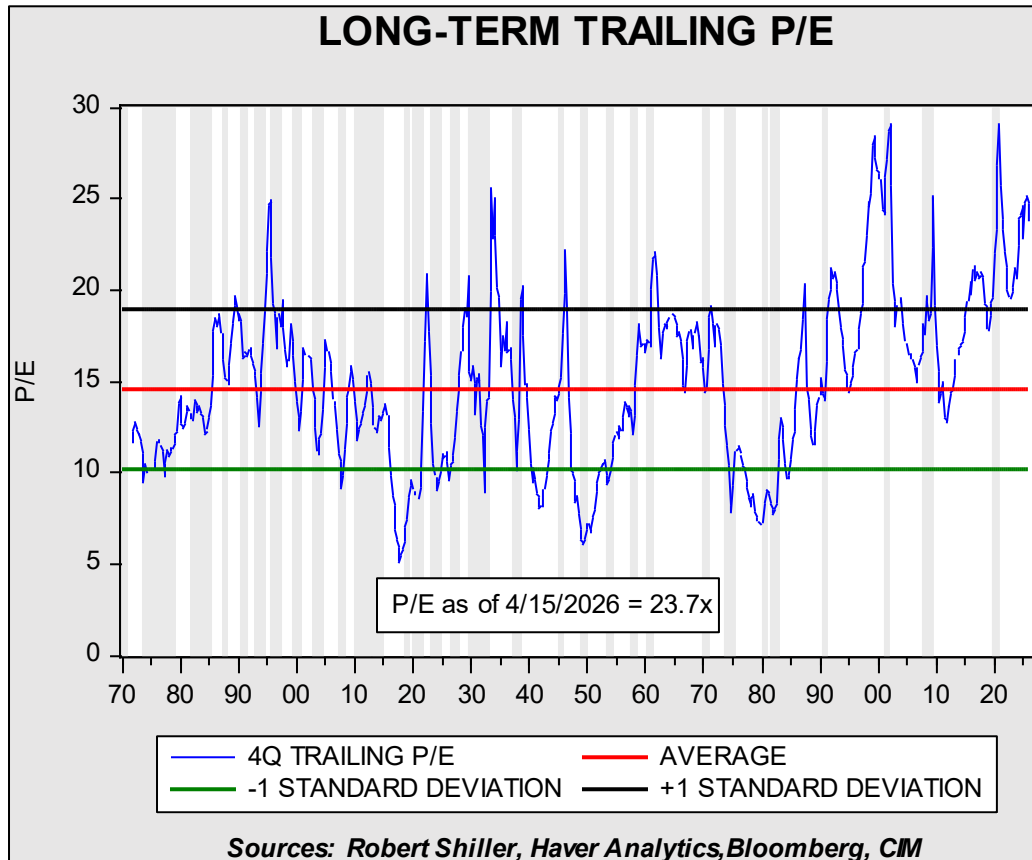


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.