



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: April 21, 2026 – 9:30 AM ET]** Global equity markets are generally higher 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 1.6%. Chinese markets were mixed, with the Shanghai Composite up 0.1% and the Shenzhen Composite relatively unchanged. US equity index futures are signaling a higher open.

With 49 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, 79.6% exceeded expectations while 12.2% fell short of expectations.

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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
<a href="#">“The War in Iran and the End of US Hegemony”</a> (4/20/26) + <a href="#">podcast</a>	<a href="#">“Wars, Price Shocks, and Inventories”</a> (4/13/26) + <a href="#">podcast</a> 4/17/26	<a href="#">Q1 2026 Report</a>  <a href="#">Q1 2026 Rebalance Presentation</a>	<a href="#">Confluence of Ideas podcast</a>

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](mailto:mailbag@confluenceim.com).

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Our *Comment* today opens with an update on the war in Iran, where it remains unclear whether a new round of US-Iran peace talks will be held this week. We next review several other international and US developments that could affect the financial markets today, including a move by Japan to dismantle its longstanding restrictions on arms exports and Kevin Warsh’s confirmation hearing in the US Senate this morning.

**United States-Israel-Iran:** As of this writing, a new round of US-Iran peace talks [is still up in the air, with Iranian officials reportedly telling regional mediators they are prepared to send a negotiating team to Pakistan](#) but not yet saying so in public. It is unclear whether a complete US

team is on the ground in Islamabad. At the same time, reports today say the US military in the Indo-Pacific region has boarded an oil tanker known for working with the Iranians. That move was likely designed to put further pressure on the Iranians to negotiate.

- Separately, the *Wall Street Journal* today carries a story highlighting how Iran-backed militias in Iraq and other countries [have been launching missiles and drones at US allies in the region, including Saudi Arabia](#), creating a kind of war within a war. The militias sometimes coordinate with the Iranian military but other times operate independently. That will complicate whether and how peace can be brought to the region.
- Other new reports by energy consultants say US refiners [are reaping enormous profits from the spike in global diesel and jet fuel prices touched off by the war](#). According to the reports, a major advantage for US refiners is the relatively cheaper domestic oil feedstock, allowing them to sell dear at low cost.

**Japan:** The cabinet of Prime Minister Takaichi today [approved a measure ending Japan's ban on exporting lethal military equipment](#). Weapons exports will be approved by the National Security Council and will be limited to countries that have a defense and tech transfer deal with Japan. There are currently 17 such countries, and the number is expected to grow. The new rules are widely expected to transform Japan's defense industry into a strong competitor for global arms sales — a development that will likely create interesting new opportunities for investors.

**European Union-United Kingdom:** JPMorgan Chase yesterday [said it will include the EU and UK in its 10-year, \\$1.5-trillion lending program for defense and critical industries](#). The program aims to funnel capital to sectors deemed essential to national security, including defense, energy, infrastructure, pharmaceuticals, quantum computing, and AI. The bank's move is consistent with our view that investors will still find opportunities in Europe's rearmament and resilience efforts despite the economic headwinds from higher energy prices caused by the war in Iran.

**United Kingdom:** Prime Minister Starmer yesterday [said he unintentionally misled parliament when he said his former ambassador to the US, Peter Mendelson, had full security clearance](#). Starmer was forced to fire Mendelson last year after it was discovered that he had extensive ties with Jeffrey Epstein, and press reports last week revealed that Mendelson had failed the security vetting process.

- The scandal further weakens Starmer's political position, raising the risk that Labour Party rivals will try to replace him.
- If Starmer is ultimately replaced, current British economic policy could shift, including the prime minister's current effort to rebuild trade and investment ties with the European Union.

**Poland:** Rejecting the recent proposal by President Nawrocki and central bank chief Glapiński to sell Polish gold reserves to finance military expenditure, Finance Minister Domański yesterday [said Warsaw would move forward with its plan to tap the European Union's 150-billion EUR \(\\$176 billion\) Security Action for Europe defense fund](#) to buy needed weapons. However, it isn't clear how the government can get around Nawrocki's veto of the needed legislation.

- In any case, the dispute shows how the Polish gold-sale proposal is tied to internal political disputes between the right-wing Nawrocki and Glapiński, who want to weaken Poland's ties to the EU, and the government of Prime Minister Tusk, who advocates for stronger ties with the EU.
- All the same, it remains true that many central banks and other investors have recently sold gold amid the tumult of the war in Iran. Much of that gold selling likely reflects efforts to raise liquidity to pay for higher energy costs.

**US Monetary Policy:** Kevin Warsh, President Trump's nominee to be the next Fed chair, [will face a confirmation hearing in the Senate today at 10:00 AM ET](#). The Senators are expected to focus on whether Warsh has promised the president to cut interest rates aggressively, even if economic and financial market conditions argue for higher rates. Any statement by Warsh could have a big impact on bond and stock values today as the testimony proceeds.

**US Antitrust Policy:** Yesterday afternoon, the Department of Justice [said it had launched a criminal price-fixing investigation into major beef processors including Tyson Foods, Cargill, JBS, and National Beef](#). The probe into possible criminal wrongdoing was more stringent than expected and suggests the administration is willing to act quite aggressively against firms to either bring down consumer prices or shift the blame for high prices onto producers ahead of the November mid-term elections.

- Agriculture experts and economists generally attribute today's high beef prices to a drought that has prompted farmers to trim their herds, reducing supply.
- Nevertheless, the administration's stance is likely to raise regulatory risks for a range of consumer firms.

**US Labor Market Policy:** The White House late yesterday [announced that Labor Secretary Lori Chavez-DeRemer has resigned to return to the private sector](#). Reports indicate Chavez-DeRemer resigned under pressure after months of accusations centered on misuse of funds and a potential inappropriate relationship. Her resignation marks the third time President Trump has ousted a cabinet member in the last two months, perhaps signaling heightened political concerns ahead of the mid-term elections.

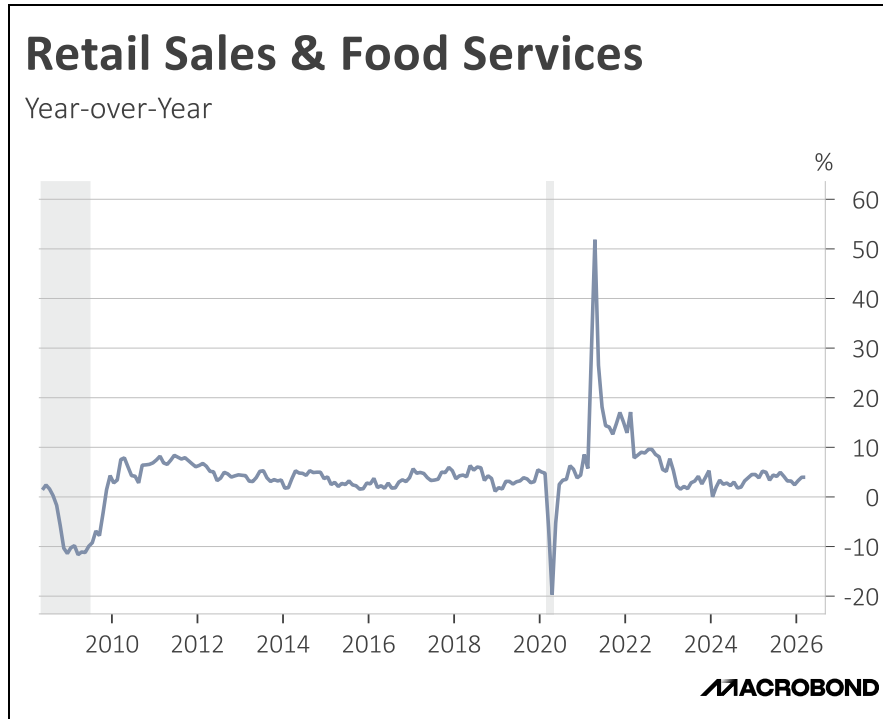
**US Artificial Intelligence Industry:** In the latest high-profile AI deal, Amazon yesterday [said it would invest at least \\$5 billion in AI giant Anthropic in return for Anthropic's commitment](#) to buy more than \$100 billion worth of cloud computing services from Amazon. The deal could help ensure that the massive new data-center capacity that Amazon is building will actually be used. Amazon shares therefore jumped sharply in response to the news.

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## US Economic Releases

March *retail sales* rose 1.7% on a seasonally adjusted basis, surpassing expectations of 1.4% and accelerating from February's 0.7% gain. While headline retail sales are often influenced by the volatile auto and auto parts category — which accounts for nearly one-fifth of the total — core

figures were more stable. **Retail sales excluding autos and gas** increased 0.6%, matching February’s pace. Meanwhile, the **retail sales control group**, which feeds directly into GDP calculations, rose 0.7%, beating forecasts of 0.2% and improving on the prior month’s 0.6% increase.



The chart above shows how retail sales have changed since just before the GFC. Overall retail sales in March were up 4.0% from the same month one year earlier.

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	Business Inventories	m/m	Feb	0.3%	-0.1%	*
10:00	Pending Home Sales	m/m	Mar	0.5%	1.8%	**
10:00	Pending Home Sales NSA	y/y	Mar	-3.0%	-0.6%	*
Federal Reserve						
EST	Speaker or Event	District or Position				
10:00	Fed Chair Nominee Kevin Warsh Testifies in Confirmation Hearing	Federal Reserve Board				
14:30	Christopher Waller Speaks on Fed Operations	Member 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
<b>ASIA-PACIFIC</b>								
New Zealand	CPI	y/y	Q1	3.1%	3.1%	2.9%	**	Equity and bond neutral
<b>EUROPE</b>								
Eurozone	ZEW Survey Expectations	m/m	Apr	-20.4	-8.5		**	Equity and bond neutral
Germany	ZEW Survey Expectations	m/m	Apr	-17.2	-0.5	-5.8	**	Equity bearish, bond bullish
	ZEW Survey Current Situation	m/m	Apr	-73.7	-62.9	-70.5	**	Equity bearish, bond bullish
France	Retail Sales SA	y/y	Mar	0.1%	-0.5%		*	Equity and bond neutral
UK	Average Weekly Earnings 3M/YoY	m/m	Feb	3.80%	4.10%	3.60%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Feb	4.90%	5.20%	5.20%	**	Equity and bond neutral
	Claimant Count Rate	m/m	Mar	4.40%	4.30%		**	Equity and bond neutral
	Jobless Claims Change	m/m	Mar	26.8k	17.1k		**	Equity and bond neutral
Switzerland	Real Exports	m/m	Mar	-3.4%	-0.1%		*	Equity and bond neutral
	Real Imports	m/m	Mar	3.1%	-5.1%		*	Equity and bond neutral
	M3 Money Supply	y/y	Mar	4.4%	4.8%		**	Equity and bond neutral
<b>AMERICAS</b>								
Canada	CPI	y/y	Mar	2.4%	1.8%	2.6%	***	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	360	-2	Up
U.S. Sibor/OIS spread (bps)	367	367	0	Down
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.26	4.25	0.01	Up
Euribor/OIS spread (bps)	219	220	-1	Up
<b>Currencies</b>	<b>3 Mo</b>			
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.

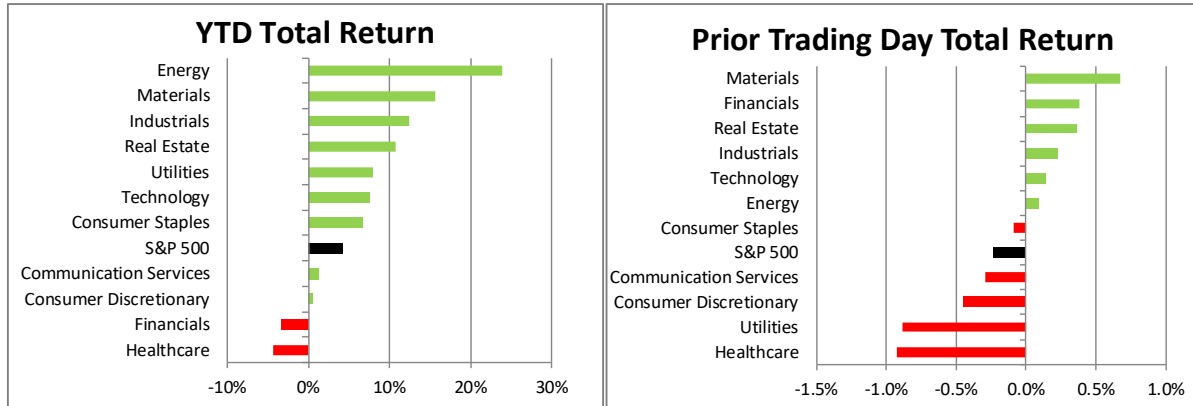
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$94.36	\$95.48	-1.17%	
WTI	\$88.36	\$89.61	-1.39%	
Natural Gas	\$2.67	\$2.69	-0.56%	
Crack Spread	\$48.32	\$47.23	2.30%	
12-mo strip crack	\$37.31	\$37.99	-1.79%	
Ethanol rack	\$2.10	\$2.10	0.08%	
<b>Metals</b>				
Gold	\$4,787.22	\$4,820.66	-0.69%	
Silver	\$78.93	\$79.73	-1.00%	
Copper Contract	\$611.25	\$610.65	0.10%	
<b>Grains</b>				
Corn contract	\$459.25	\$460.25	-0.22%	
Wheat contract	\$605.75	\$606.00	-0.04%	
Soybeans contract	\$1,187.00	\$1,181.75	0.44%	
<b>Shipping</b>				
Baltic Dry Freight	2,633	2,567	66	
<b>DOE Inventory Report</b>				
	<b>Actual</b>	<b>Expected</b>	<b>Difference</b>	
Crude (mb)		1.90		
Gasoline (mb)		-2.01		
Distillates (mb)		-2.14		
Refinery run rates (%)		0.44%		
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 Pacific 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 in the Great Lakes region.

## Data Section

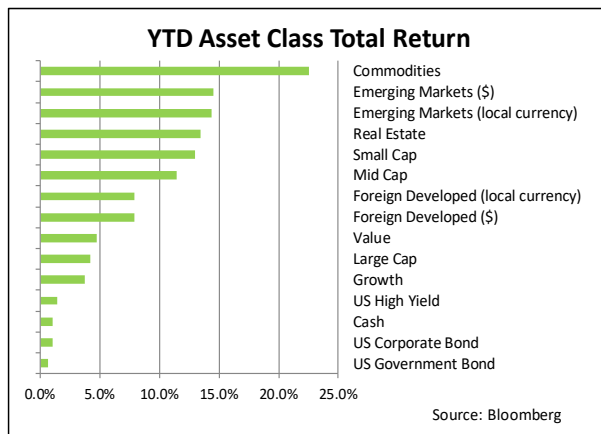
### US Equity Markets – (as of 4/20/2026 close)



(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 4/20/2026 close)

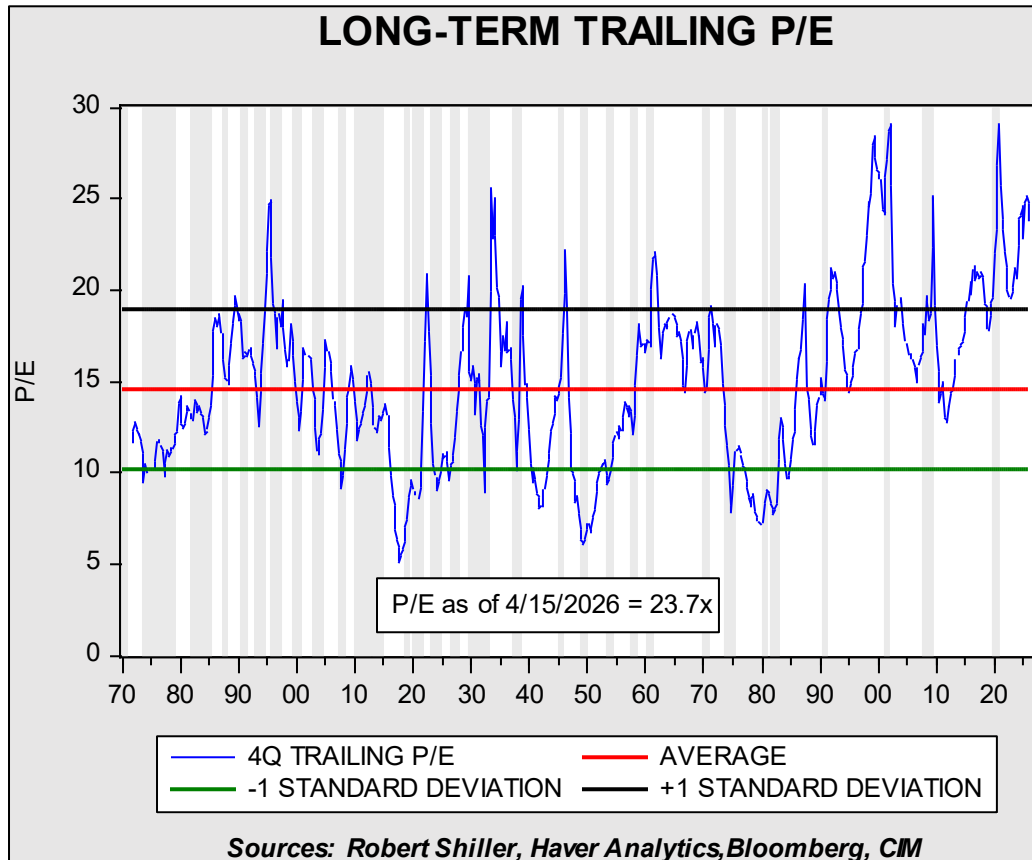


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,<sup>1</sup> 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.*

<sup>1</sup> 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.