Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: April 22, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.8%. Chinese markets were higher, with the Shanghai Composite up 0.5% and the Shenzhen Composite up 1.0%. US equity index futures are signaling a higher open.

With 71 companies having reported so far, S&P 500 earnings for Q1 are running at $72.60 per share, compared to estimates of $72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 81.7% exceeded expectations while 11.3% 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
"The War in Iran and the End of US Hegemony" (4/20/26) + podcast	"Wars, Price Shocks, and Inventories" (4/13/26) + podcast 4/17/26	Q1 2026 Report Q1 2026 Rebalance Presentation	Confluence of Ideas podcast

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 our takeaways from the Senate hearing for the Federal Reserve chair confirmation. We then update the situation in Iran, emphasizing our concerns that the extended truce remains fragile. Next, we discuss the reported unauthorized access to a powerful cybersecurity-focused AI system, outline the EU's emerging plans to cushion households from rising utility costs, and explain why Canada now feels more confident pursuing trade talks. As always, we include an overview of recent domestic and international economic data.

Warsh Goes to Washington: On Tuesday, Fed Chair nominee Kevin Warsh faced the Senate Banking Committee for his confirmation hearing. During his testimony, he was pressed with difficult questions about how he would lead the Federal Reserve and manage his relationship with the president. Though his answers remained largely vague and predictable, Warsh did offer a glimpse into how he might change the central bank if he were to take the helm. That said, his confirmation remains far from certain.

- Several lawmakers pressed Kevin Warsh on whether he could remain independent of the White House in setting monetary policy and whether any of his financial investments posed a conflict of interest. He denied that the president had ever pressured him to cut interest rates and said that if such pressure arose, he would refuse. Additionally, he stated that he is prepared to divest from any holdings flagged by ethics officials. His assurances appeared to be sufficient to satisfy most on the committee.
- Warsh also fielded questions about how he would manage the Fed's day-to-day operations and its balance sheet strategy. He offered few specifics, but suggested the central bank should rethink its communications approach, hinting at possible changes to press conferences and forward guidance. He also signaled support for aggressively reducing the Fed's balance sheet, a stance shared by some other FOMC members, including Fed Governor Stephen Miran.
- Warsh's testimony raised no major alarms, but his confirmation remains uncertain. Senator Thom Tillis has vowed to block a committee vote until the Justice Department's investigation into Chair Jerome Powell concerning the costly headquarters renovation is resolved. Tillis said he wants to support Warsh, but only if the "vindictive" prosecution of Powell ends. Though Tillis has suggested shifting oversight of the renovation to Congress, the White House backs the Justice Department's probe, leaving Warsh's nomination on hold.
- A delay in Kevin Warsh's confirmation could extend Jerome Powell's tenure at the Federal Reserve, as Powell has indicated he would serve as chair pro tempore if a successor is not in place when his term ends. In that scenario, the White House could intensify efforts to remove him, further heightening concerns about presidential influence over Fed policy and, in turn, adding to financial market volatility. We remain cautiously optimistic that cooler heads will prevail, and the confirmation will proceed on schedule.

Iran Truce Extended: The White House announced it has extended the cease-fire with Iran indefinitely to keep negotiations on track. President Trump explained that this extension reflects internal divisions within the Iranian government, which have thus far prevented a final agreement. Iran, however, maintains that the deadlock persists due to its refusal to hold talks while the US continues its naval blockade in the strait. Although the extension has increased confidence that conflict will not resume, the truce remains fragile.

- The decision to extend the talks comes as both sides seek to prevent further fighting while they review each other's proposals. The move to allow a grace period follows Vice President JD Vance's cancellation of his planned trip to Pakistan for negotiations, after Iran signaled reluctance to proceed with the meeting. For now, the White House has emphasized that it is waiting for Iran to submit a new proposal.
- Although markets have breathed a sigh of relief that the US has not resumed strikes on Iran, it remains unclear how long the current truce will hold. On Wednesday, Iran attacked three ships and seized two that were transiting the Strait of Hormuz, in what

appears to be retaliation for a US operation against an Iranian vessel over the weekend. The attack has likely called into question whether or not the ceasefire will hold.

- One of the main obstacles to a deal appears to be the growing influence of Iranian hardliners over the negotiation process. Reports suggest that the Islamic Revolutionary Guard Corps has effectively sidelined President Masoud Pezeshkian and assumed control over key state functions in Tehran. If confirmed, this would mark a significant escalation, implying that moderates have less say in the talks, which could increase the risk that fighting between the US and Iran will resume.
- Recent weeks have seen markets adopt a more optimistic view of the conflict, and any further signs of diplomatic progress should help sustain that momentum. That said, a sudden breakdown in talks and/or renewed fighting would likely deliver a sharp blow to risk sentiment. While growth stocks have performed well as tensions have eased, we continue to see a compelling case for value given the high level of market uncertainty surrounding the conflict.

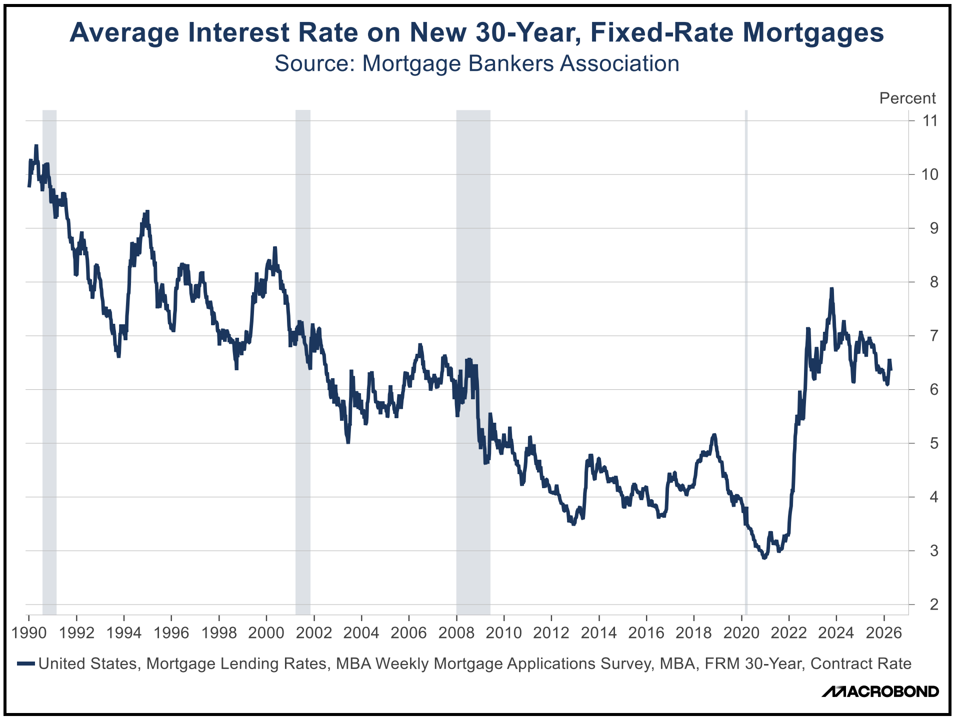
Anthropic Breach: The company believes unauthorized users may have gained access to its newest AI system, Mythos. The breach has heightened concerns that a malicious actor could exploit the model to enhance or automate cyberattacks. Anthropic has kept Mythos tightly restricted amid internal worries that its capabilities are powerful enough to pose meaningful safety risks if misused. Although there is no confirmation that a bad actor actually accessed the system, the prospect of an AI-enabled cyberattack remains a serious market risk.

EU Energy Package: The EU is preparing an emergency energy package that would give national governments more scope to shield households from rising energy prices. The bloc is encouraging member states to rely on existing rules, or introduce targeted adjustments, that would allow them to borrow more in order to finance subsidies to help households cover power bills. While this should provide some support to growth, it is also likely to push public debt higher, adding to upward pressure on euro-area government bond yields.

Canada Trade Deals: After securing a parliamentary majority, Canada is weighing separate trade deals with the United States and China. Prime Minister Mark Carney argues that the majority gives him the mandate to reopen USMCA negotiations with the US and Mexico, set for review on July 30. Meanwhile, he faces domestic pushback on a potential China trade deal over fears it could hurt Canada's manufacturing base. Holding talks with both economic powers could boost Canada's leverage in each negotiation.

US Economic Releases

The Mortgage Bankers Association said ***mortgage applications*** in the week ended April 17 rose 7.9%, accelerating from a 1.8% rise the week before. Applications for home purchase mortgages jumped 10.1%, easily erasing their 1.0% decline in the prior week. Applications for refinancing mortgages rose 5.8%, after rising 5.1% in the previous week. According to the report, the average interest rate on a 30-year, fixed-rate mortgage fell 7 basis points to 6.35%. The chart below shows how mortgage rates have changed over time.



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	Trade Balance	y/y	Mar	¥667.0b	¥57.3b	¥1058.2b	**	Equity and bond neutral
	Exports	y/y	Mar	11.7%	4.2%	11.0%	*	Equity and bond neutral
	Imports	y/y	Mar	10.9%	10.9%	7.0%	*	Equity bullish, bond bearish
Australia	Westpac Leading Index	m/m	Mar	-0.09%	-0.06%		**	Equity and bond neutral
South Korea	PPI	y/y	Mar	4.1%	2.5%		**	Equity and bond neutral
EUROPE								
UK	CPI	y/y	Mar	3.3%	3.0%	3.3%	***	Equity and bond neutral
	CPI Core	y/y	Mar	3.1%	3.2%	3.2%	***	Equity and bond neutral
	Retail Price Index	m/m	Mar	411.4	408.2	410.6	**	Equity and bond neutral
	RPI	y/y	Mar	4.1%	3.6%	3.9%	**	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	17-Apr	$257131m	$256213m		*	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)	359	360	-1	Up
U.S. Sibor/OIS spread (bps)	367	367	0	Flat
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.28	4.29	-0.01	Down
Euribor/OIS spread (bps)	217	219	-2	Up
Currencies	**3 Mo**			
Dollar	Down	US		Flat
Euro	Up	Euro		Flat
Yen	Up	Japan		Down
Pound	Up	UK		Flat
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.

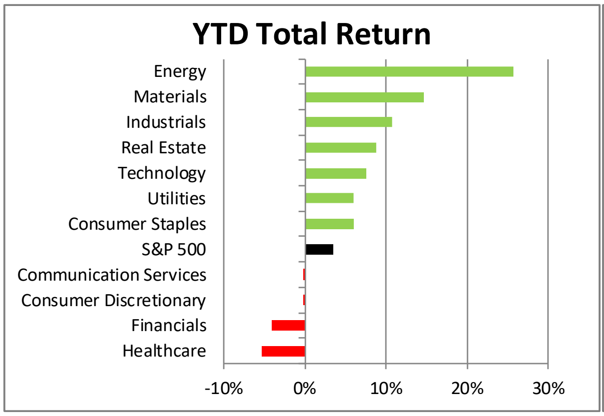
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$99.53	$98.48	1.07%	
WTI	$90.49	$89.67	0.91%	
Natural Gas	$2.73	$2.70	1.30%	
Crack Spread	$50.42	$49.95	0.94%	
12-mo strip crack	$38.16	$37.90	0.68%	
Ethanol rack	$2.10	$2.10	-0.06%	
Metals				
Gold	$4,757.24	$4,720.04	0.79%	
Silver	$78.10	$76.73	1.79%	
Copper Contract	$611.30	$607.15	0.68%	
Grains				
Corn contract	$464.75	$462.00	0.60%	
Wheat contract	$613.75	$612.75	0.16%	
Soybeans contract	$1,197.50	$1,190.25	0.61%	
Shipping				
Baltic Dry Freight	2,640	2,633	7	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-2.00		
Gasoline (mb)		-2.00		
Distillates (mb)		-1.80		
Refinery run rates (%)		0.50%		
Natural gas (bcf)		97		

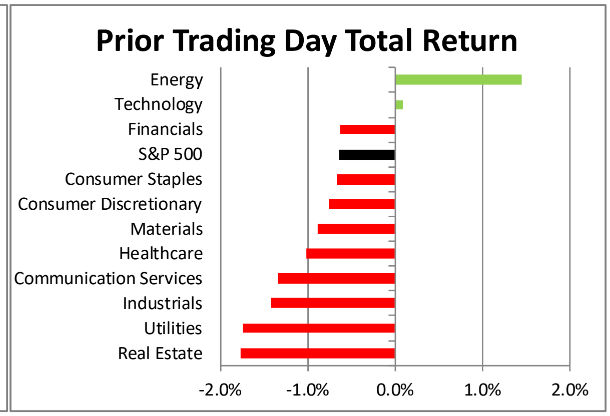
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Pacific Northwest and the Southeast, with cooler-than-normal temperatures in the northern Rocky Mountains and Great Plains. The outlook calls for wetter-than-normal conditions in the entire southern half of the country, with near-normal conditions elsewhere.

Data Section

US Equity Markets – (as of 4/21/2026 close)

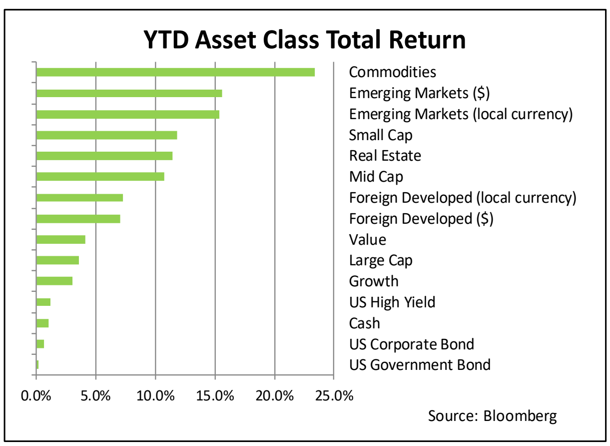




(Source: Bloomberg)

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 4/21/2026 close)

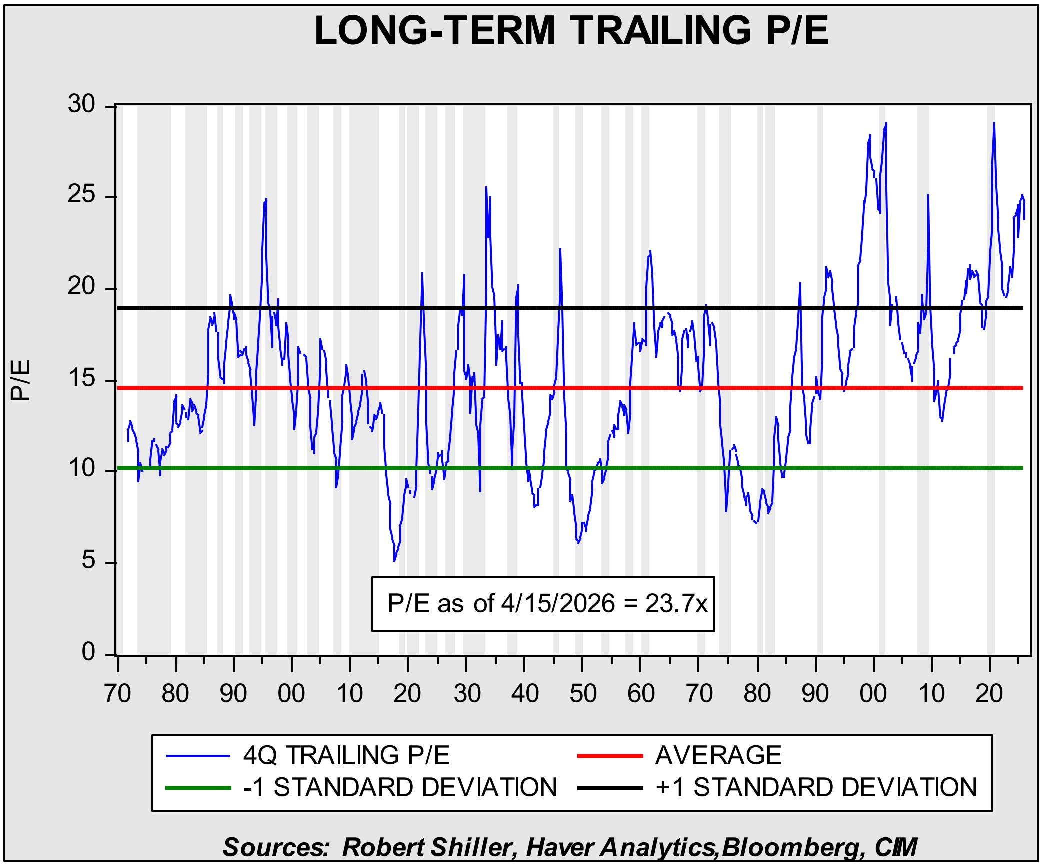


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.

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[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.