Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 24, 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 1.5%. Chinese markets were lower, with the Shanghai Composite down 0.3% and the Shenzhen Composite down 0.6%. US equity index futures are signaling a higher open.

With 123 companies having reported so far, S&P 500 earnings for Q1 are running at $72.70 per share, compared to estimates of $72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 80.5% exceeded expectations while 13.0% 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	Q2 Reports will be released next week	Keller Quarterly April 2026

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 by examining early evidence that AI is beginning to reshape labor markets in select sectors. We then turn to Spirit Airlines and how its distress could serve as a gauge of how the US might respond if the war begins to weigh more heavily on the economy. Next, we provide an update on Iran, explain why Beijing is pushing back against US investment, and highlight new signs that states are advancing redistricting efforts. As always, we include an overview of recent domestic and international economic data.

AI Job Cuts: The growing adoption of AI has prompted many firms to reduce headcount as they reallocate resources toward investment in the technology. Companies are increasingly restructuring operations to better capture AI-driven efficiencies and enhance profitability. The impact has been most pronounced in service-oriented sectors, particularly within technology and finance. A recent uptick in layoffs, especially in industries historically associated with strong wage growth, is likely to intensify broader concerns about AI's effect on employment.

- Tech and finance companies are leading the charge to reduce headcount as a way to offset rising AI-related spending. Meta recently announced plans to lay off 10% of its workforce while also scaling back hiring. Microsoft, meanwhile, has begun offering early retirement packages to employees whose combined age and years of service total 70 or more, as it targets a 7% reduction in staff. In financial services, KPMG has not only cut its number of audit partners by 10% but also reduced employee benefits and paid time off.
- The push by technology and financial firms reflects their heavier investment in AI, which has also contributed to disproportionately large workforce reductions in these sectors. According to Ramp's AI Index, 77% of technology companies have already adopted AI, compared with roughly 68% in finance, both well above the estimated nationwide adoption rate of around 50%. At the same time, employment in these sectors has been on a steady decline since 2024.
- The drive to reduce headcount reflects efforts by technology and financial firms to fund expanding AI initiatives and improve overall efficiency. This is especially evident in the tech sector, where companies are ramping up spending on AI infrastructure and building out data center capacity across the country. In finance, firms are likewise using workforce reductions to cut costs while automating a growing share of routine and analytical tasks through the use of AI tools.
- The move by technology and financial firms to offset AI investments with reductions in headcount has not yet spread broadly across the US corporate landscape. As AI adoption becomes more widespread, however, similar strategies are likely to emerge in other industries. We expect that deeper AI integration will boost profitability over time, but it could also heighten the risk of labor pushback. That dynamic could turn AI into an increasingly salient political issue, introducing additional volatility for the sector in the period ahead.

Takeover of Spirit? Discussions between the federal government and struggling airline Spirit over a potential bailout have intensified, as the White House has entertained the possibility of a takeover. The move comes as the airline industry is showing strain due to the impact that higher energy prices, driven by the ongoing conflict, are having on certain businesses. The White House's decision to intervene is a reminder of the government's increasingly interventionist approach as it looks to shield the economy from external shocks.

- The government had initially been weighing a roughly $500 million loan package in exchange for warrants that would give it an equity stake in the airline. However, as Spirit edges closer to potential liquidation, the administration has shifted its stance. On Thursday, the president indicated that any rescue could involve the government purchasing the company outright and selling it once jet fuel prices retreat.
- While Spirit Airlines' latest bankruptcy is its second in less than a year, it comes at a time when the broader industry is under mounting pressure from rising fuel costs. The strain is

especially severe for low-cost carriers, which have limited room to absorb higher input costs, forcing them to raise fares and cut flights as margins are squeezed. Major carriers such as American Airlines, Alaska Airlines, and United Airlines have all reported dimmer earnings outlooks due to higher jet fuel prices.

- That said, there is still little evidence that other industries outside of airlines are facing the same degree of strain. However, the situation could worsen if shortages become more widespread and companies are forced to scale back production in response to rising costs. At the same time, the federal government's talks over a potential Spirit takeover suggest that the White House is increasingly willing to intervene when it believes sector-specific stress could spill over into the broader economy.

Iran Update: The White House announced that Israel and Lebanon have extended their ceasefire agreement by three weeks, while Iran has said it will send representatives to Pakistan for discussions, though the United States has yet to confirm its participation. These developments suggest there is little appetite for a return to full-scale hostilities, even as each side seeks to preserve leverage at the negotiating table. In our view, markets should remain relatively calm so long as the ceasefire holds and active fighting does not resume.

Beijing Says No: Chinese regulators are moving to curb US investment in certain domestic private firms by tightening approval requirements. Authorities have instructed companies considering funding from American investors to obtain government approval before proceeding with any deals. The shift follows Meta's unreported acquisition of Manus, which has prompted a regulatory probe in China, and reflects Beijing's efforts to limit US capital flows into businesses that it deems sensitive to national security.

Redistricting Fight: Florida may be positioning itself to redraw its congressional map in a way that further favors Republicans. The move follows similar efforts in Virginia earlier this week and builds on Texas's push to reshape its electoral map. While these changes are often framed as attempts to influence the balance of power in the upcoming November elections, they could also carry significant implications for the 2028 cycle. Even so, in our view, Democrats remain strongly favored to retake the House in the midterms.

US Economic Releases

No major US economic reports have been released so far today.

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	National CPI	y/y	Mar	1.5%	1.3%	1.4%	***	Equity and bond neutral
	National CPI Ex-Fresh Food	y/y	Mar	1.8%	1.6%	1.7%	**	Equity and bond neutral
	National CPI Ex-Fresh Food & Energy	y/y	Mar	2.4%	2.5%	2.4%	*	Equity and bond neutral
	PPI Services	y/y	Mar	3.1%	2.7%	2.9%	*	Equity and bond neutral
	Nationwide Dept Sales	y/y	Mar	3.2%	1.6%	--	***	Equity and bond neutral
EUROPE								
Germany	IFO Business Climate	m/m	Apr	84.4	86.3	85.5	***	Equity and bond neutral
	IFO Current Assessment	m/m	Apr	85.4	86.7	86.2	**	Equity and bond neutral
	IFO Expectations	m/m	Apr	83.3	85.9	85.0	**	Equity and bond neutral
France	Consumer Confidence	m/m	Apr	84.0	89	88	***	Equity bearish, bond bullish
UK	Retail Sales	y/y	Mar	1.7%	1.8%	1.1%	***	Equity bullish, bond bearish
	Retail Sales Ex-Auto Fuel	y/y	Mar	1.7%	2.7%	2.0%	**	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	17-Apr	$779.5b	$7748b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	17-Apr	20.52t	20.34t		*	Equity and bond neutral
AMERICAS								
Canada	Industrial Product Price	m/m	Mar	2.4%	0.6%	1.9%	**	Equity bearish, bond bullish
	Raw Material Prices	m/m	Mar	12.0%	0.9%	9.4%	*	Equity bearish, bond bullish
Mexico	Unemployment Rate NSA	m/m	Mar	2.42%	2.59%	2.31%	***	Equity and bond neutral
	Economic Activity IGAE	y/y	Feb	-0.26%	-0.30%	0.70%	**	Equity bearish, bond bullish
Brazil	FGV Consumer Confidence	m/m	Apr	89.1	88.1		*	Equity and bond neutral
	Current Account Balance	m/m	Mar	-$6036m	-$5592m	-$6300m	**	Equity and bond neutral
	Foreign Direct Investment	m/m	Mar	$6037m	$6754m	$6999m	**	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 (%)	4.30	4.33	-0.03	Up
Euribor/OIS spread (bps)	217	216	1	Up
Currencies	**3 Mo**			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down
Central Bank Action	**Actual**	**Prior**	**Expected**	
Bank of Russia Key Rate	14.50%	15.00%	14.50%	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.

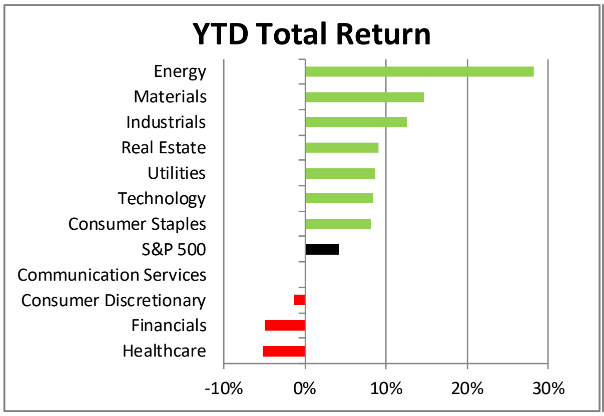
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$105.10	$105.07	0.03%	
WTI	$95.20	$95.85	-0.68%	
Natural Gas	$2.55	$2.61	-2.37%	
Crack Spread	$51.43	$51.00	0.85%	
12-mo strip crack	$39.25	$38.76	1.27%	
Ethanol rack	$2.12	$2.12	0.08%	
Metals				
Gold	$4,714.61	$4,694.14	0.44%	
Silver	$76.13	$75.44	0.91%	
Copper Contract	$607.25	$614.25	-1.14%	
Grains				
Corn contract	$464.50	$463.75	0.16%	
Wheat contract	$618.75	$620.25	-0.24%	
Soybeans contract	$1,175.75	$1,174.75	0.09%	
Shipping				
Baltic Dry Freight	2,673	2,675	-2	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	1.93	-2.00	3.93	
Gasoline (mb)	-4.57	-2.00	-2.57	
Distillates (mb)	-3.43	-1.80	-1.63	
Refinery run rates (%)	-0.05%	0.50%	-0.55%	
Natural gas (bcf)	103	96	7	

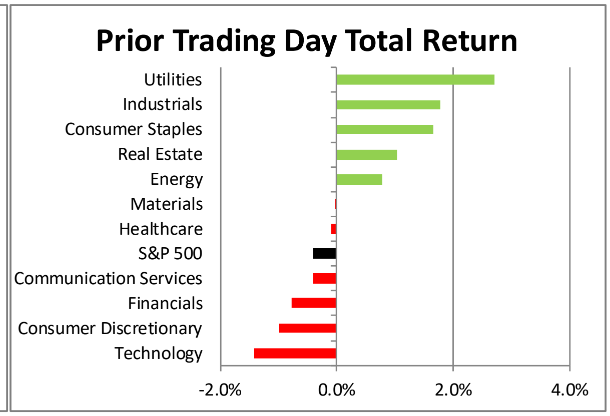
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Far West and southern Florida, with cooler-than-normal temperatures in the Great Plains, the Midwest, the Northeast, and the Deep South north of Florida. The outlook calls for wet conditions in the central and southern Rocky Mountains, New England, and Florida.

Data Section

US Equity Markets – (as of 4/23/2026 close)

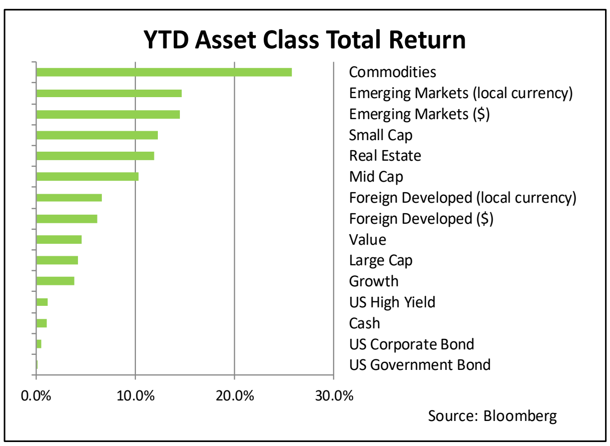




(Source: Bloomberg)

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 4/23/2026 close)

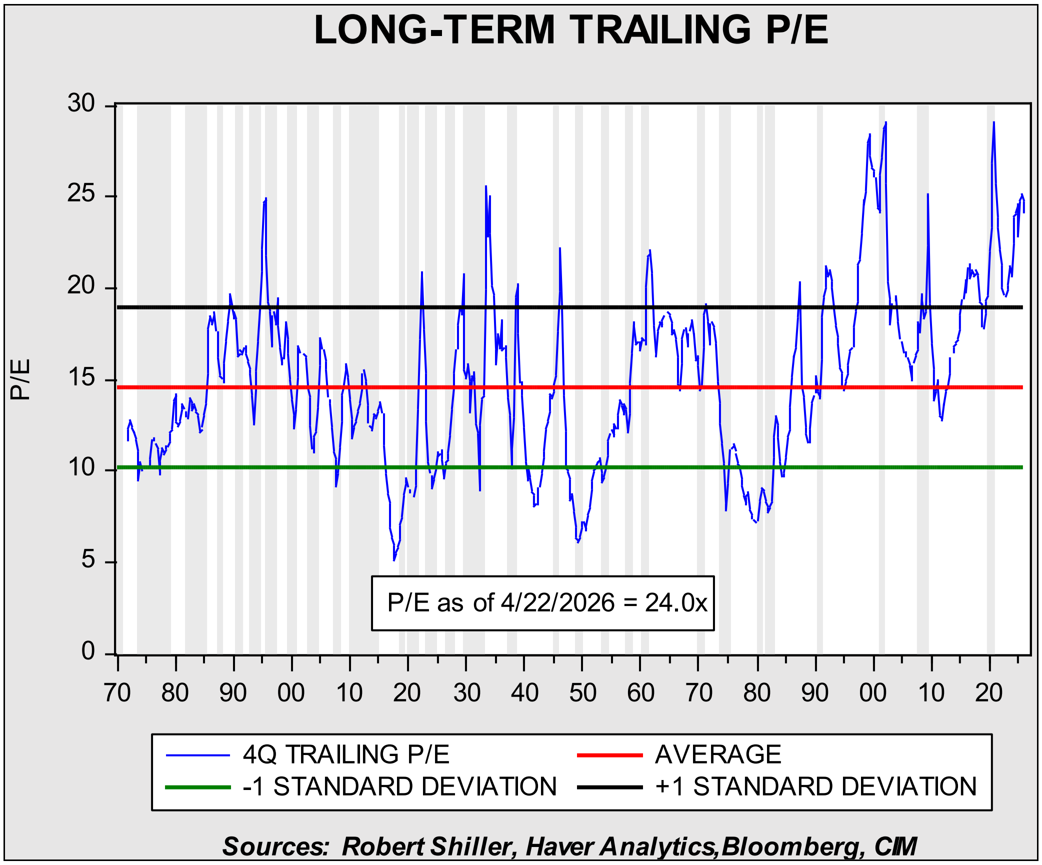


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 23, 2026



Based on our methodology,[1] the current P/E is 24.0x, up 0.3 from the previous report. Last week, the rise in the stock price index average outpaced the increase in earnings.

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.