Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 30, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.5%. Chinese markets were higher, with both the Shanghai Composite and the Shenzhen Composite up 0.1%. US equity index futures are signaling a higher open.

With 247 companies having reported so far, S&P 500 earnings for Q1 are running at $78.50 per share, compared to estimates of $72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 79.8% 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
"The War in Iran and the End of US Hegemony" (4/20/26) + podcast	"The Consensus Builder" (4/27/26) + podcast	Q2 2026 Report	Keller Quarterly April 2026 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 our views on Powell's final meeting as Fed chair. We then examine AI earnings and provide an update on developments in Iran. Next, we briefly discuss the prospect of Japanese intervention in currency markets and the possibility that the US may withdraw troops from Germany. As always, we include an overview of recent domestic and international economic data.

Powell's Farewell: Federal Reserve Chair Jerome Powell held his final press conference on Wednesday following the FOMC's two-day meeting. Fed officials voted to hold rates unchanged at a range of 3.5% to 3.75%. The decision drew dual-sided dissents by four members, which hasn't occurred since 1992. One member favored a rate cut, while the others preferred language that would remove any suggestion of future easing. The meeting highlights the growing divide among Fed officials as they prepare for the next Fed chair.

- The Fed statement showed an overall shift in sentiment regarding how the conflict in Iran is affecting its outlook on the economy and inflation. Specifically, the statement removed the qualifier "somewhat" when describing elevated inflation, in part due to rising energy prices. It also changed its assessment of the Middle East, now stating that developments are "contributing to uncertainty in the economic outlook." This is a shift from its previous statement, which showed hesitancy about whether the conflict would impact the economy.
- While the statement did not reference the future direction of monetary policy, it featured unusual dissents over a perceived easing bias. Three Fed officials dissented against the statement's language. These dissents likely served as a counterweight to Stephen Miran's vote in favor of a cut, which, if left unchallenged, could have led markets to interpret the FOMC as having greater appetite for rate cuts than most Fed officials actually had during the two-day meeting.
- Powell used the press conference to narrow the apparent divide by stressing that policy is not on a preset course. He said the FOMC currently sees no need for a rate hike but left the door open to one if conditions warrant. He also indicated that the scope for additional cuts may be limited, given where rates stand relative to the neutral rate, the theoretical level at which policy is neither stimulating nor restraining economic growth.
- In other news, Powell clarified his post-chairship plans. Although his tenure as Fed chair is ending, his term as a governor extends through January 2028. Powell intends to remain on the Board for the duration of any potential investigations into the Fed. While he hasn't set a firm departure date, he noted that his remaining time as governor will be low-profile to ensure he does not overshadow his likely successor, Kevin Warsh.
- The transition from Powell's chairship to Kevin Warsh is likely to be bumpy as markets reassess the future path of policy. Warsh has signaled discomfort with the current degree of transparency and may seek to scale it back, potentially by holding fewer press conferences. In our view, the combination of heightened internal disagreement at the Fed and a possible reduction in public communication could add to bond-market volatility.

AI Earnings: Several big-tech names reported earnings on Wednesday to a mixed reception, as investors continue to press for greater shareholder returns. Each company delivered strong results, with Alphabet, Meta, Amazon, and Microsoft all posting solid earnings growth, particularly in their cloud businesses. However, investors were unimpressed, as these firms are still prioritizing higher capital-expenditure plans, which will likely delay a more meaningful return of capital to shareholders.

- Alphabet emerged as the clear winner on the night, while Meta lagged. Alphabet distinguished itself from several peers by demonstrating that its cloud business continues to consistently beat market expectations. Meta, by contrast, does not operate a cloud-computing platform and has ramped up capital spending without yet convincingly showing that it can translate its AI investments into comparably strong financial results.

- With hyperscalers on pace to spend over $725 billion in capex, the market is clearly signaling a strong appetite for these tech firms. This surge in spending will likely force investors to start questioning the underlying valuations of these companies, as it remains unclear whether stock prices have room to grow given their substantial rise over the past few years. That said, we believe the preference for tech will likely shift toward companies that benefit directly from this increase in spending.

Iran Update: The fragile truce between the United States and Iran is fraying as the two sides remain unable to agree on a deal. The White House now appears more willing to contemplate the use of additional force to break the deadlock. Tensions escalated after Washington rejected Tehran's request to reopen the strait while nuclear talks continue, insisting instead that Iran end uranium enrichment as a condition for lifting the blockade. The standoff has already contributed to higher oil prices.

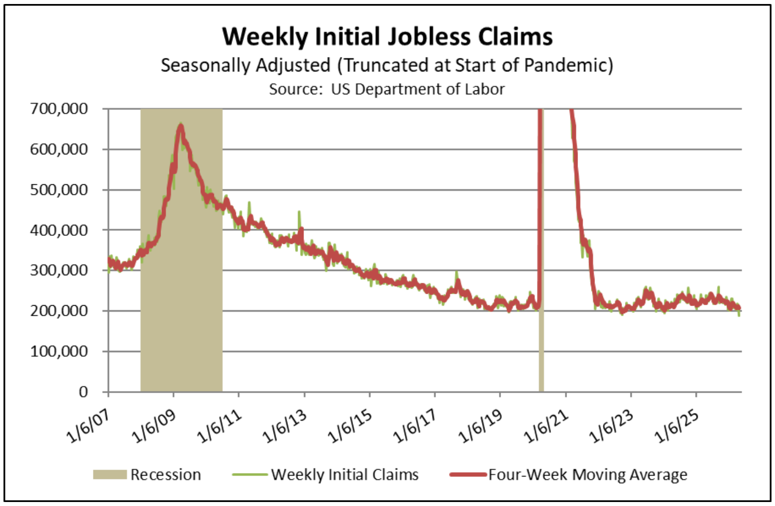
- Tensions are escalating as the United States searches for ways to break Iran's grip on the strait. White House officials have reportedly discussed the possible use of hypersonic missiles to signal the level of force Washington is prepared to deploy to reopen the waterway. At the same time, the US is seeking international support to build a coalition aimed at restoring freedom of navigation through the strait.
- The ceasefire has not been formally revoked, but there are mounting signs it is fraying. On Wednesday, the United States indicated that Israel will retain the right to carry out limited strikes in Lebanon under any agreement, a position that is likely to deepen tensions with Iran, which insists that Israeli attacks on Lebanon must stop as a condition for sustaining the truce.
- Rising US-Iran tensions are likely to add to economic uncertainty and provide support for commodity prices. While risk assets have remained relatively resilient so far, they could start to show signs of moderating if direct fighting between the two sides resumes. We continue to believe that, although the growth outlook for equities remains attractive, the risk of conflict-related shocks means that maintaining exposure to value-oriented sectors is important for investors seeking a more balanced portfolio.

BOJ Intervention: The Bank of Japan has signaled that it may intervene in currency markets to defend the yen against speculative pressure. The warning comes as the Japanese currency has weakened against the US dollar amid doubts over how far policymakers are willing to tighten policy in response to rising inflation. Any move to lean against further yen depreciation would likely act as a modest headwind for the US dollar, which has been strengthening in recent weeks.

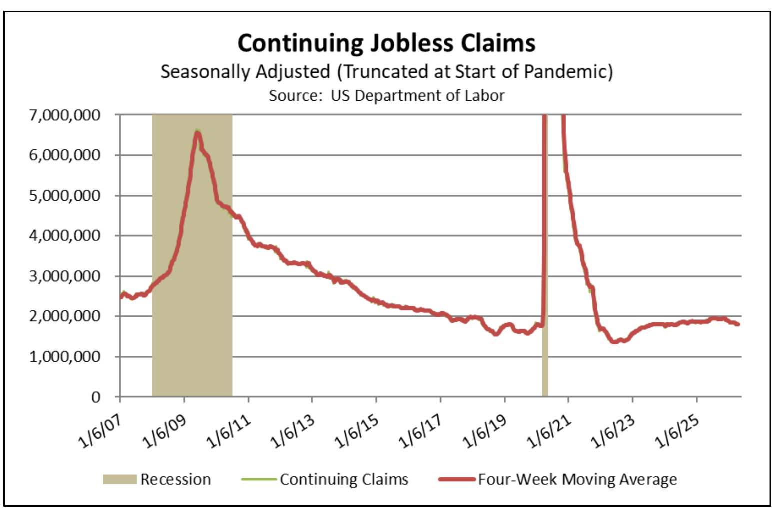
Troop Withdrawal: The US is weighing the withdrawal of some troops from Germany after Chancellor Friedrich Merz criticized Washington's lack of a cohesive strategy on Iran. Yet, even amid these tensions, the US has reinforced defense ties by deploying officers to support military integration, suggesting the withdrawal threat may be more rhetorical than real. Still, repeated talk of pulling back US forces could spur Europe to increase defense spending, potentially boosting the region's defense sector.

US Economic Releases

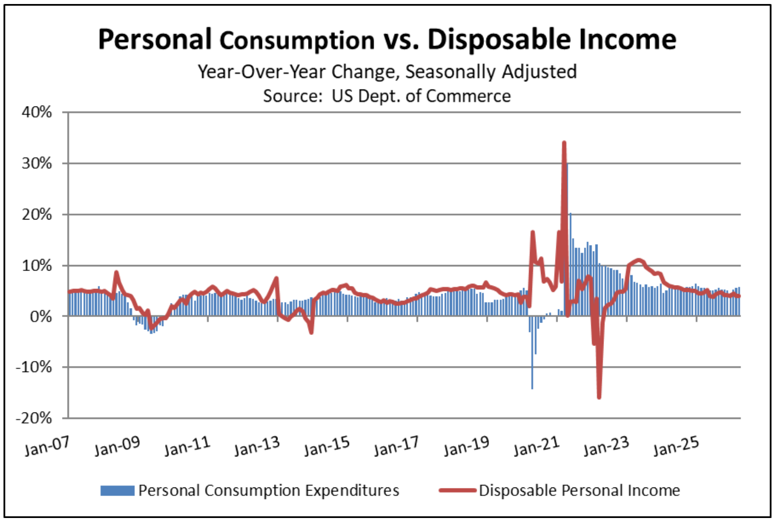
In the week ended April 25, ***initial claims for unemployment benefits*** fell to a seasonally adjusted 189,000, well below both the expected level of 212,000 and the revised level of 215,000 in the previous week. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, fell to a low 207,500. 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.



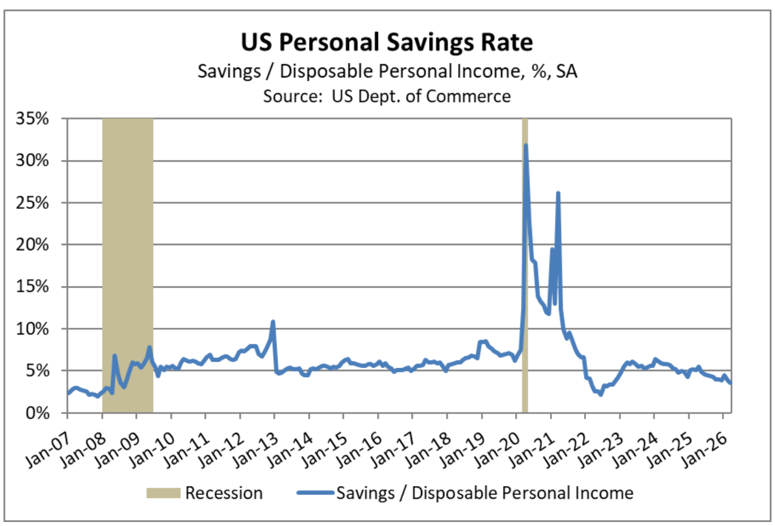
In the week ended April 18, the number of ***continuing claims for unemployment benefits*** (people continuing to draw benefits) fell to a seasonally adjusted 1.785 million, below both the anticipated reading of 1.815 million and the revised reading of 1.808 in the prior week. The four-week moving average of continuing claims fell to a nearly two-year low of 1,797,250. 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.



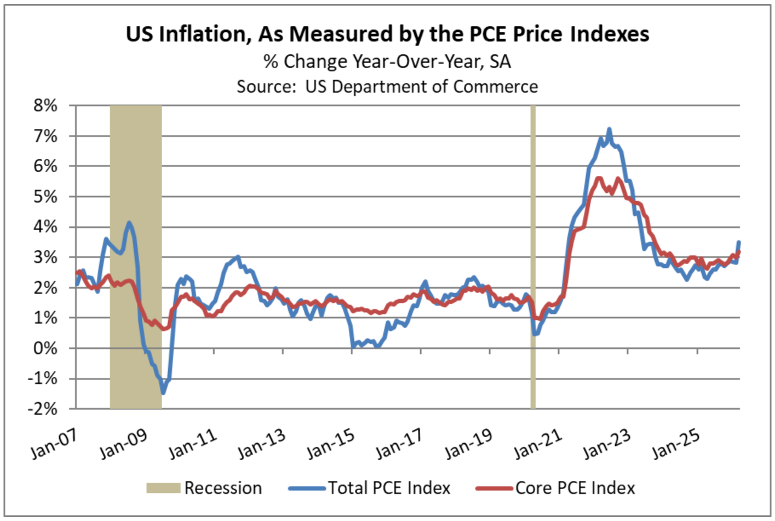
Separately, March ***personal income*** rose by a seasonally adjusted 0.6%, twice the expected growth of 0.3% and much better than the flat performance in February. Meanwhile, March ***personal consumption expenditures (PCE)*** rose 0.9%, matching expectations and accelerating from their revised February gain of 0.6%. Personal income in March was up 3.7% from the same month one year earlier, while PCE was up 5.7%. The chart below shows the year-over-year change in personal income and PCE since just before the GFC.



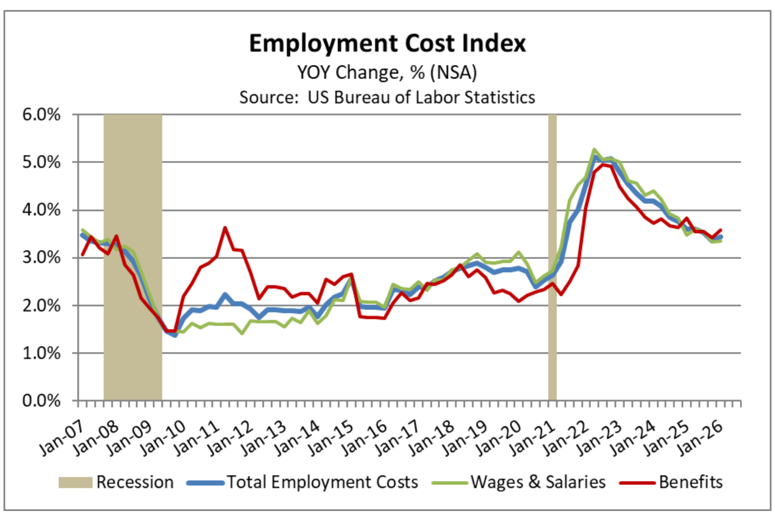
The personal income and spending report also includes a measure of personal saving, defined as disposable (after tax) income less consumption spending on goods and services. The March ***personal savings rate*** fell to a seasonally adjusted 3.6%, its lowest level since the high-inflation period of autumn 2022. The chart below shows how the personal savings rate has fluctuated since just before the GFC.



The income and spending report includes the Fed's preferred measure of consumer price inflation. After stripping out the volatile food and energy components, the report showed that the March ***Core PCE Deflator*** was up 3.5% from the same month one year earlier, matching expectations but still much higher than the Fed's target of 2.0%. The chart below shows the year-over-year change in the Core PCE Deflator since just before the GFC.

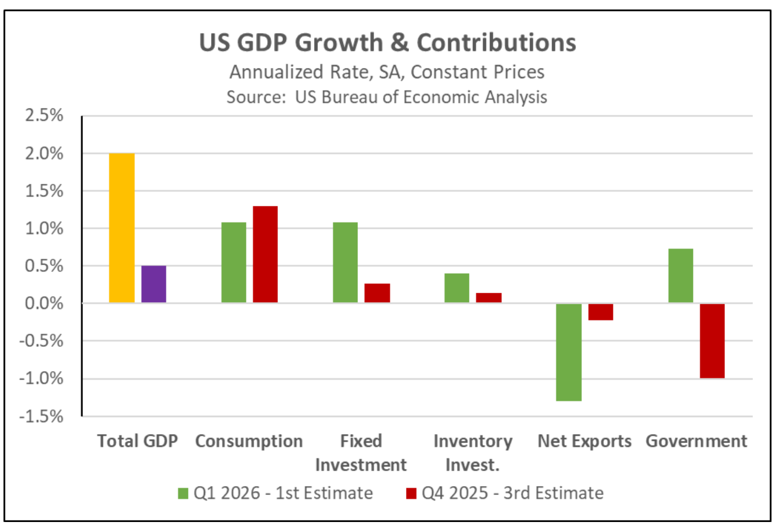


In another report today, the first-quarter ***Employment Cost Index (ECI)*** rose by a seasonally adjusted 0.9%, slightly worse than both the expected increase of 0.8% and the 0.7% increase in the previous quarter. The subindex on wages and salaries rose 0.8%, while the subindex on benefits rose 1.2%. Compared with the same period one year earlier, the overall ECI in the first quarter was up 3.4%. The subindex on wages and salaries was up 3.4% year-over-year, while the subindex on benefits was up 3.6%. The chart below shows the year-over-year change in the ECI since just before the GFC.



In a final major report today, the Commerce Department released its initial estimate of economic activity in the first quarter. After stripping out seasonal factors and price changes, first-quarter ***gross domestic product (GDP)*** rose at an annualized rate of just 2.0%, weaker than the expected growth rate of 2.3% but still much better than the final estimated growth rate of 0.5% in the fourth quarter of 2025. The chart below shows the annualized growth rate of US GDP since just before the GFC; the horizontal red line indicates the average growth rate of 2.0% over the last two decades.

A close look at the details in the report shows that the main source of growth in the quarter was personal consumption and fixed investment. The main drag on growth was net exports. The chart below shows the contributions to the annualized growth rate in the first quarter.



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	Leading Economic Index	m/m	Jul	-0.2%		***
Federal Reserve						
No Fed speakers or events for the rest of 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	Retail Sales	y/y	Mar	1.7%	-0.2%	1.0%	**	Equity bullish, bond bearish
	Depart. Store & Supermarket	y/y	Mar	1.1%	1.8%		*	Equity and bond neutral
	Industrial Production	y/y	Mar P	2.3%	0.4%	2.2%	***	Equity and bond neutral
	Housing Starts	y/y	Mar	-29.3%	-4.9%	-28.3%	**	Equity bearish, bond bullish
	Annualized Housing Starts	y/y	Mar	0.736m	0.751m	0.750m	*	Equity and bond neutral
	Consumer Confidence Index	m/m	Apr	32.2	33.3	32.8	*	Equity and bond neutral
Australia	Private Sector Credit	y/y	Mar	8.1%	7.8%		**	Equity and bond neutral
New Zealand	ANZ Activity Outlook	m/m	Apr	19.6	39.3		*	Equity and bond neutral
	ANZ Business Confidence	m/m	Apr	-10.6	32.5		**	Equity and bond neutral
South Korea	Industrial Production	y/y	Mar	3.6%	-2.3%	4.0%	***	Equity and bond neutral
China	Official Manufacturing PMI	m/m	Apr	50.3	50.4	50.1	***	Equity and bond neutral
	Official Services PMI	m/m	Apr	49.4	50.1	49.8	**	Equity and bond neutral
	Official Composite PMI	m/m	Apr	50.1	50.5		*	Equity and bond neutral
	RatingDog China PMI Mfg	m/m	Apr	52.2	80.8	51.1	***	Equity bullish, bond bearish
EUROPE								
Eurozone	GDP	y/y	Q1 A	0.8%	1.2%	0.9%	***	Equity and bond neutral
	CPI	y/y	Apr P	3.0%	2.6%	3.0%	***	Equity and bond neutral
	Core CPI	y/y	Apr P	2.2%	2.3%	2.2%	**	Equity and bond neutral
	Unemployment Rate	m/m	Mar	6.2%	6.3%	6.2%	**	Equity and bond neutral
Germany	Import Price Index	y/y	Mar	2.3%	-2.3%	1.6%	**	Equity bearish, bond bullish
	Retail Sales	y/y	Mar	0.9%	0.9%	0.5%	*	Equity and bond neutral
	Unemployment Change	m/m	Apr	20.0k	3.0k	4.3k	***	Equity bearish, bond bullish
	Unemployment Claims Rate	m/m	Apr	6.4%	6.4%	6.3%	**	Equity and bond neutral
	GDP NSA	y/y	Q1 P	0.5%	0.5%	0.3%	**	Equity and bond neutral
	GDP WDA	y/y	Q1 P	0.3%	0.4%	0.2%	**	Equity and bond neutral
France	Consumer Spending	m/m	Mar	0.5%	-1.6%		*	Equity and bond neutral
	GDP	y/y	Q1 P	1.1%	1.3%	1.3%	**	Equity and bond neutral
	CPI, EU Harmonized	y/y	Apr F	2.5%	2.0%	2.3%	**	Equity and bond neutral
	CPI	y/y	Apr F	2.2%	1.7%	2.0%	***	Equity and bond neutral
	PPI	y/y	Mar	0.2%	-2.4%		*	Equity and bond neutral
Italy	GDP WDA	y/y	Q1 P	0.7%	0.9%	0.6%	**	Equity and bond neutral
	Unemployment Rate	m/m	Mar	5.2%	5.4%	5.3%	**	Equity and bond neutral
	CPI, EU Harmonized	y/y	Apr P	2.9%	1.6%	2.6%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Apr P	2.8%	1.7%	2.5%	**	Equity and bond neutral
Switzerland	KOF Leading Indicator	m/m	Apr	97.9	95.6	95.7	*	Equity and bond neutral
Russia	Retail Sales Real	m/m	Mar	6.2%	2.0%	0.0%	**	Equity bullish, bond bearish
	Unemployment Rate	m/m	Mar	2.20%	2.10%	2.10%	***	Equity and bond neutral
AMERICAS								
Mexico	GDP NSA	y/y	Q1 P	0.1%	1.8%		***	Equity and bond neutral
Brazil	Central Govt Budget Balance	m/m	Mar	-73.8b	-30.1b	-72.4b	*	Equity and bond neutral
	Primary Budget Balance	y/y	Mar	-807b	-16.4b	-67.7b	*	Equity and bond neutral
	Net Debt % GDP	m/m	Mar	66.8%	65.5%	66.1%	**	Equity and bond neutral
	National Unemployment Rate	m/m	Mar	6.1%	5.8%	6.1%	*	Equity and bond neutral
	Formal Job Creation Total	m/m	Mar	228208	268384	148576	*	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)	366	367	-1	Down
U.S. Libor/OIS spread (bps)	365	366	-1	Up
10-yr T-note (%)	4.39	4.43	-0.04	Up
Euribor/OIS spread (bps)	215	215	0	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**	
FOMC Rate Decision (Upper Bound)	3.75%	3.75%	3.75%	On Forecast
FOMC Rate Decision (Lower Bound)	3.50%	3.50%	3.50%	On Forecast
FOMC Rate on Reserve Balances	3.65%	3.65%	3.65%	On Forecast
Bank of England Bank Rate	3.75%	3.75%	3.75%	On Forecast
ECB Deposit Facility Rate	2.00%	2.00%	2.00%	On Forecast
ECB Main Refinancing Rate	2.15%	2.15%	2.15%	On Forecast
ECB Marginal Lending Facility	2.40%	2.40%	2.40%	On Forecast
Bank of Canada Rate Decision	2.25%	2.25%	2.25%	On Forecast
Brazil Selic Rate	14.50%	14.75%	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.

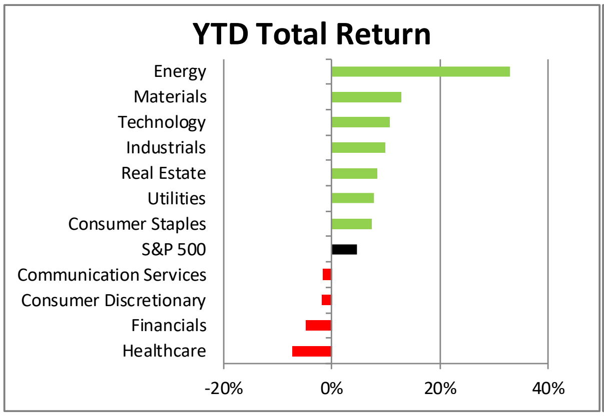
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$114.99	$118.03	-2.58%	
WTI	$105.13	$106.88	-1.64%	
Natural Gas	$2.62	$2.65	-0.87%	
Crack Spread	$50.98	$50.12	1.72%	
12-mo strip crack	$40.79	$40.72	0.16%	
Ethanol rack	$2.21	$2.20	0.61%	
Metals				
Gold	$4,633.91	$4,547.95	1.89%	
Silver	$73.81	$71.29	3.52%	
Copper Contract	$600.85	$593.30	1.27%	
Grains				
Corn contract	$475.25	$477.75	-0.52%	
Wheat contract	$643.00	$653.00	-1.53%	
Soybeans contract	$1,193.00	$1,197.00	-0.33%	
Shipping				
Baltic Dry Freight	2,670	2,677	-7	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	-6.23	-0.19	-6.04	
Gasoline (mb)	-6.08	-2.79	-3.29	
Distillates (mb)	-4.49	-2.15	-2.34	
Refinery run rates (%)	0.05%	0.39%	-0.34%	
Natural gas (bcf)		83		

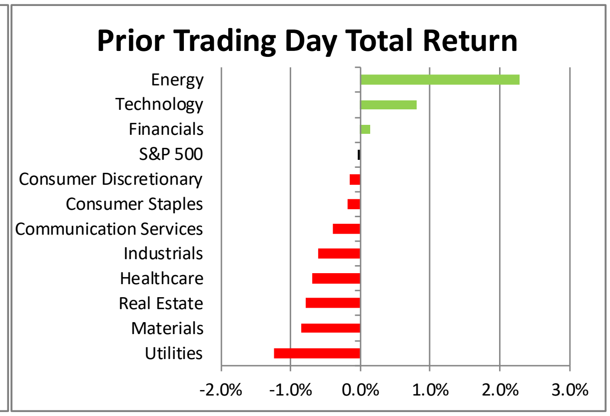
Weather

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 Mississippi Valley, and the mid-Atlantic states. The outlook calls for wetter-than-normal conditions in the Desert Southwest, the southern Great Plains, and all points east of the Mississippi Valley, with dry conditions in the Dakotas.

Data Section

US Equity Markets – (as of 4/29/2026 close)

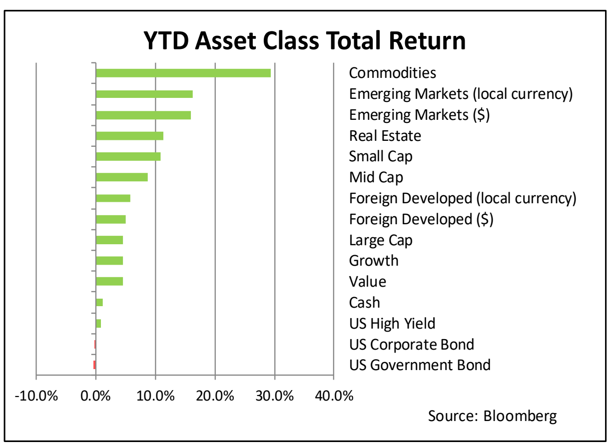




(Source: Bloomberg)

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 4/29/2026 close)

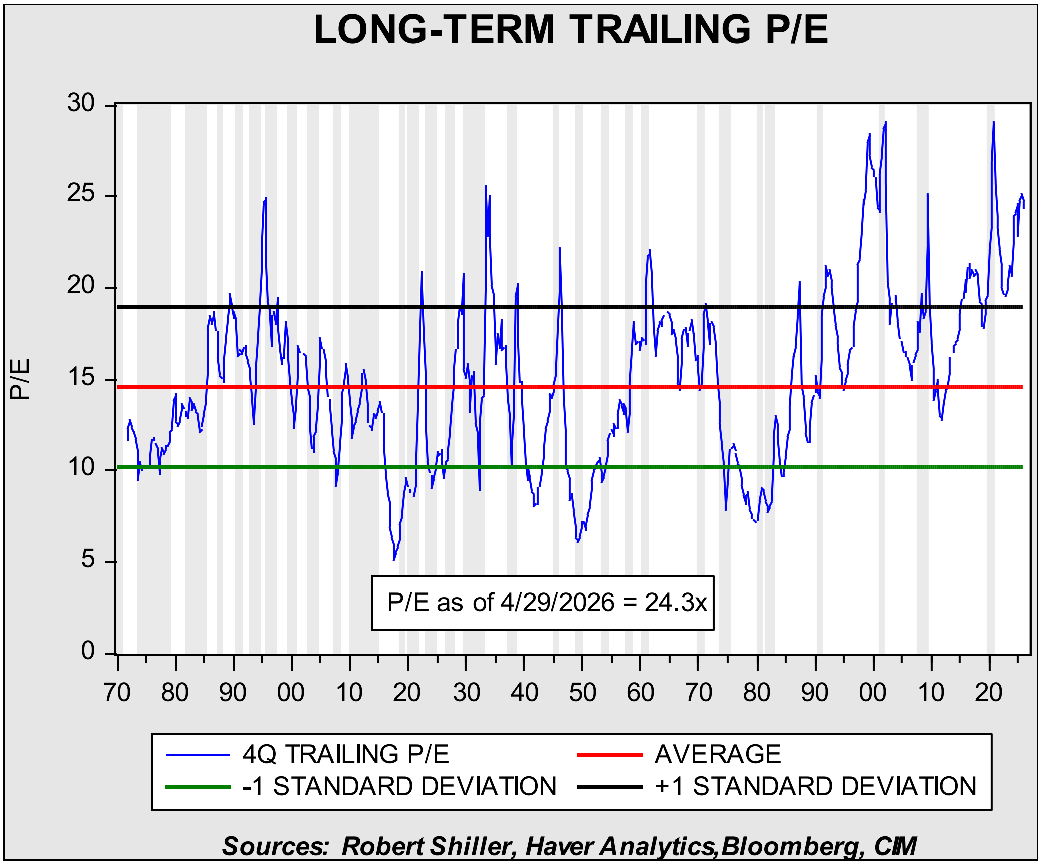


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 30, 2026



Based on our methodology,[1] the current P/E is 24.3x, 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.

[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.