



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 6, 2026 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.7% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.8%. Chinese markets were lower, with the Shanghai Composite down 1.0% and the Shenzhen Composite down 1.5%. US equity index futures are signaling a higher open.

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.

<b>Bi-Weekly Geopolitical Report</b>	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
<a href="#">“From the Shah to the Strait”</a> (3/23/26) + <a href="#">podcast</a>	<a href="#">“The Strategic Petroleum Reserve: A Primer”</a> (3/30/26) + <a href="#">podcast</a>	<a href="#">Q1 2026 Report</a>  <a href="#">Q1 2026 Rebalance Presentation</a>	<a href="#">Confluence of Ideas podcast</a>  <a href="#">Confluence Mailbag</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).

**Note: Due to the holiday, the Bi-Weekly Geopolitical Report will not be published this week.**

Our *Comment* today opens with an update on the war in Iran, where the US is again threatening a massive attack on the Iranian electricity sector if the country doesn’t open the Strait of Hormuz by tomorrow evening. We next review several other international and US developments that could affect the financial markets today, including an unusual closure of airspace off the Chinese coast that has raised worries of imminent military activity there. Being Easter Monday, with much of the world on holiday today, it has been a very light news day so far.

**United States-Israel-Iran:** In perhaps the most dramatic moment of the war so far, the wounded US fighter pilot lost in Iran [was recovered over the weekend](#), eliminating the risk of a hostage or prisoner-of-war situation. Nevertheless, the downing of the F-15 illustrates how the Iranian military maintains important capabilities, despite White House assurances that it has been “obliterated.”

- Reports say the US-Iranian talks that had been going on to end the war hit an impasse on Friday and are now suspended.
- Also, today marks the end of the 10-day deadline that President Trump gave the Iranians late last month to open the Strait of Hormuz to all shipping. That hasn't happened, so the president has set his new deadline of Tuesday evening.
- By our count, the president has set more than a dozen deadlines for the Iranians to open the strait, so it would be tempting for many investors to assume that he won't follow through with his threat to destroy Iran's electricity generating capacity. However, reports [say the US and Israel have drawn up concrete plans for just such an attack](#), and the political and military pressures on the US could lead to the strike actually happening. Such an offensive, and Iranian reprisals, would likely be a further risk for the markets.
- The risk of more Iranian reprisal attacks on Middle Eastern energy infrastructure and further closure of the strait will continue to threaten a major energy crisis in Asia and Europe. For example, Malaysian budget airline AirAsia today [said it has cut about 10% of its flights and will boost fuel surcharges by about 20%](#) and base ticket prices by as much as 40%.
- Separately, reports this morning say Turkey, Egypt, and Pakistan [have given the US and Iran a proposal for a 45-day ceasefire](#), which has provided a bit of a lift to US stock futures this morning and pushed energy prices down slightly. However, it appears that the proposal is simply a re-submittal of a previous proposal, so it could ultimately have little impact on the war.

**China-Taiwan:** The Chinese military [has announced two unusual 40-day airspace restrictions covering areas off the coast of Shanghai and north of Taiwan](#), with no explanation of what's behind them. Press reports have raised the possibility that the restrictions could be related to an effort to seize control of Taiwan now that the US is tied down with the war in Iran. However, the location of the restricted areas doesn't seem consistent with that hypothesis. In any case, the new restrictions will likely have investors on edge about a possible new geopolitical crisis.

**China-Cuba:** The *Financial Times* reports that Chinese exports of green-energy technology to Cuba [have soared in recent months and are on track to rise even further to help the island cope with the effective US oil embargo](#) on it. In our view, the development provides added evidence that one result of the new US foreign policy and the war in Iran will be to rekindle the demand for green energy around the world as a way to diversify energy supplies. In turn, that could boost the value of green-energy stocks.

**Japan-Philippines-China:** Japanese combat troops today [have begun drills in the Philippines as part of the annual US-Philippines military exercises known as Salaknib](#). That marks the first time Japanese combat troops have been involved in drills in the Philippines since World War II and illustrates the new cooperation between Japan and the Philippines as they face the threat of Chinese territorial aggression in Taiwan and the South China Sea.

- Separately, Japanese Defense Minister Koizumi earlier today [visited Iwo Jima, the site of the iconic US-Japanese battle](#).

- During his visit, Koizumi decried what he described as a “defense vacuum” over a vast swath of the Pacific and vowed that Japan would continue to partner with like-minded countries to strengthen its deterrence capabilities.

**US Financial Markets:** In his annual letter to shareholders, JPMorgan Chase CEO Jamie Dimon warned that when the credit cycle finally turns, soured loans to the private-credit industry [are likely to be higher than investors now expect](#). Dimon specifically flagged loosening lending standards amid the explosive growth of private lending. More broadly, Dimon assessed the US economy to still be resilient, but he warned of higher inflation and interest rates because of the war in Iran.

## US Economic Releases

There were no economic releases prior to the publication of this report. 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	ISM Services Index	m/m	Mar	54.9	56.1	***
10:00	ISM Services Prices Paid	m/m	Mar	67.0	63.0	*
10:00	ISM Services New Orders	m/m	Mar	56.8	58.6	*
10:00	ISM Services Employment	m/m	Mar	51.0	51.8	*
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
<b>ASIA-PACIFIC</b>								
Japan	S&P Global Japan Composite PMI	m/m	Mar F	53.0	52.5		*	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Mar F	53.4	52.8		*	Equity and bond neutral
South Korea	Foreign Reserves	m/m	Mar	423.66b	427.62b		**	Equity and bond neutral
China	RatingDog China PMI Composite	m/m	Mar	515.0	55.4		**	Equity and bond neutral
	RatingDog China PMI Services	m/m	Mar	52.1	56.7	53.6	**	Equity bearish, bond bullish
India	HSBC India PMI Composite	m/m	Mar F	57.0	56.5		**	Equity and bond neutral
	HSBC India PMI Services	m/m	Mar F	57.5	57.2		**	Equity and bond neutral
<b>EUROPE</b>								
France	Industrial Production	y/y	Feb	-0.3%	1.9%	1.6%	***	Equity bearish, bond bullish
	Manufacturing Production	y/y	Feb	0.8%	2.1%		**	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	27-Mar	\$755.4b	\$776.8b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	27-Mar	19.98t	20.0t		*	Equity and bond neutral
	S&P Global Russia Composite PMI	m/m	Mar	48.8	50.8		**	Equity and bond neutral
	S&P Global Russia Services PMI	m/m	Mar	49.5	51.3		**	Equity and bond neutral
<b>AMERICAS</b>								
Canada	International Merchandise Trade	m/m	Feb	-5.74b	-4.18b	-2.50b	*	Equity and bond neutral
Mexico	Gross Fixed Investment NSA	y/y	Jan	-3.3%	0.0%	-2.0%	**	Equity bearish, bond bullish

## 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)	361	362	-1	Up
U.S. Sibor/OIS spread (bps)	368	368	0	Up
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.36	4.35	0.01	Up
Euribor/OIS spread (bps)	210	208	2	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down

## 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.

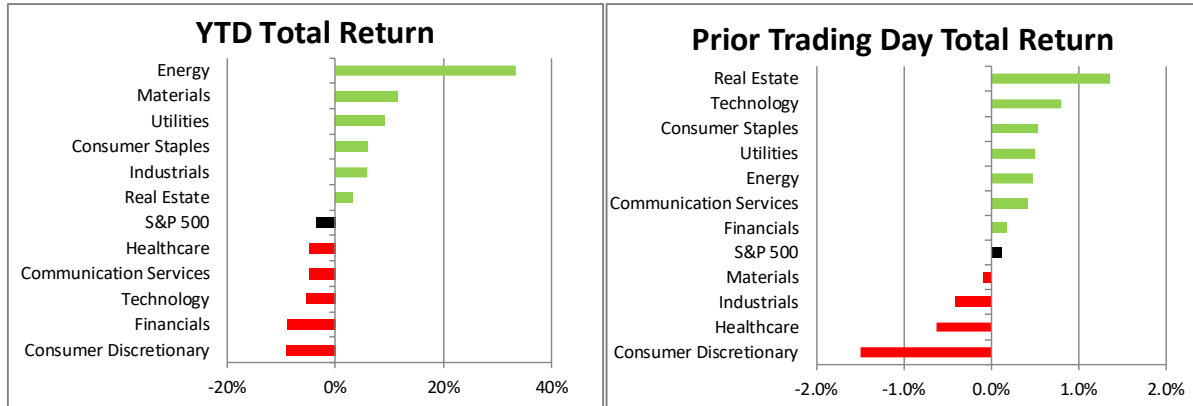
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$108.83	\$109.03	-0.18%	
WTI	\$110.27	\$111.54	-1.14%	
Natural Gas	\$2.83	\$2.80	0.96%	
Crack Spread	\$42.89	\$41.12	4.30%	Middle East Conflict
12-mo strip crack	\$36.84	\$36.53	0.85%	
Ethanol rack	\$2.18	\$2.18	0.06%	
<b>Metals</b>				
Gold	\$4,680.13	\$4,676.76	0.07%	
Silver	\$73.40	\$73.02	0.52%	
Copper Contract	\$568.50	\$558.35	1.82%	
<b>Grains</b>				
Corn contract	\$451.25	\$452.25	-0.22%	
Wheat contract	\$594.00	\$598.25	-0.71%	
Soybeans contract	\$1,168.50	\$1,163.50	0.43%	
<b>Shipping</b>				
Baltic Dry Freight	2,066	2,030	36	

## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for the entire country. The outlook calls for wetter-than-normal conditions in most states, with dry conditions on the Southeast coast.

## Data Section

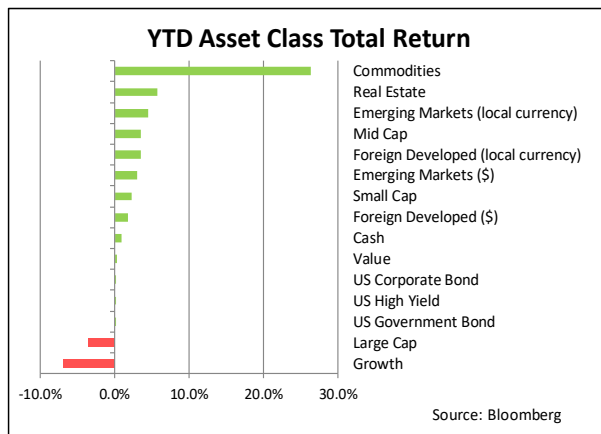
### US Equity Markets – (as of 4/2/2026 close)



(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 4/2/2026 close)

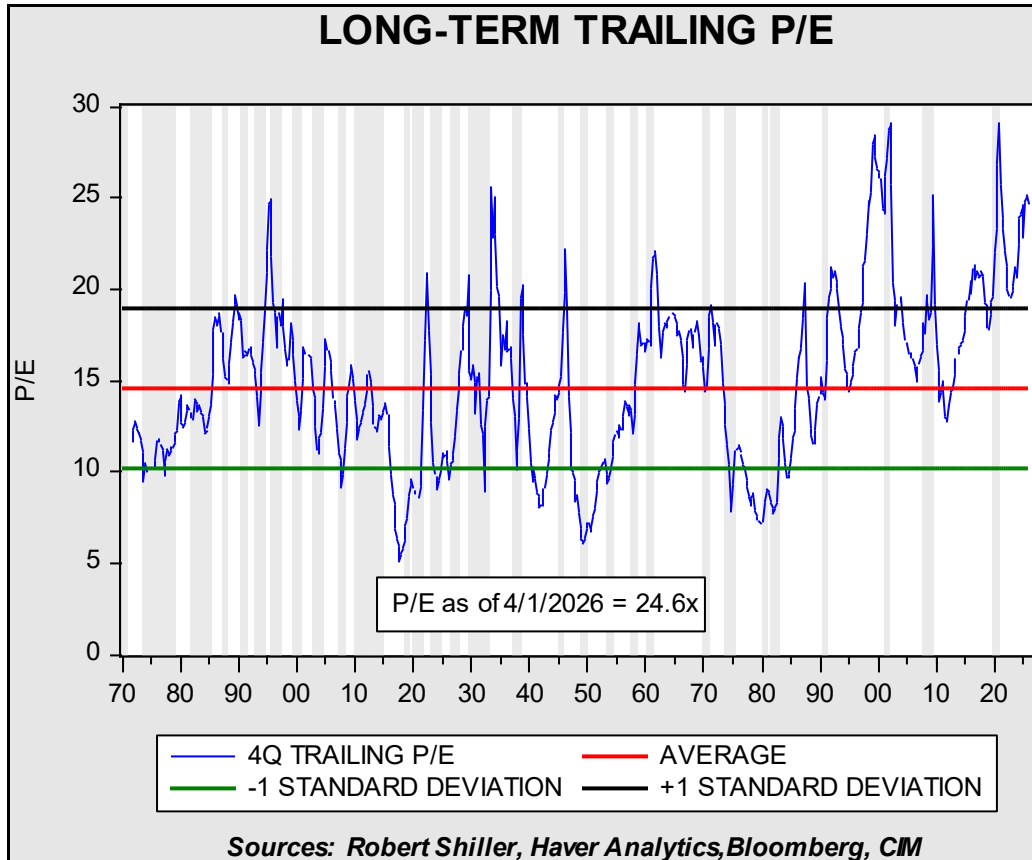


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 2, 2026



Based on our methodology,<sup>1</sup> the current P/E is 24.6x, unchanged from the previous report. Last week, the stock price index fell slightly, while earnings were relatively unchanged from the previous week.

*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.