



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 7, 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 up 1.5%. Chinese markets were higher, with the Shanghai Composite up 0.3% and the Shenzhen Composite 0.8%. US equity index futures are signaling a lower 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.

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

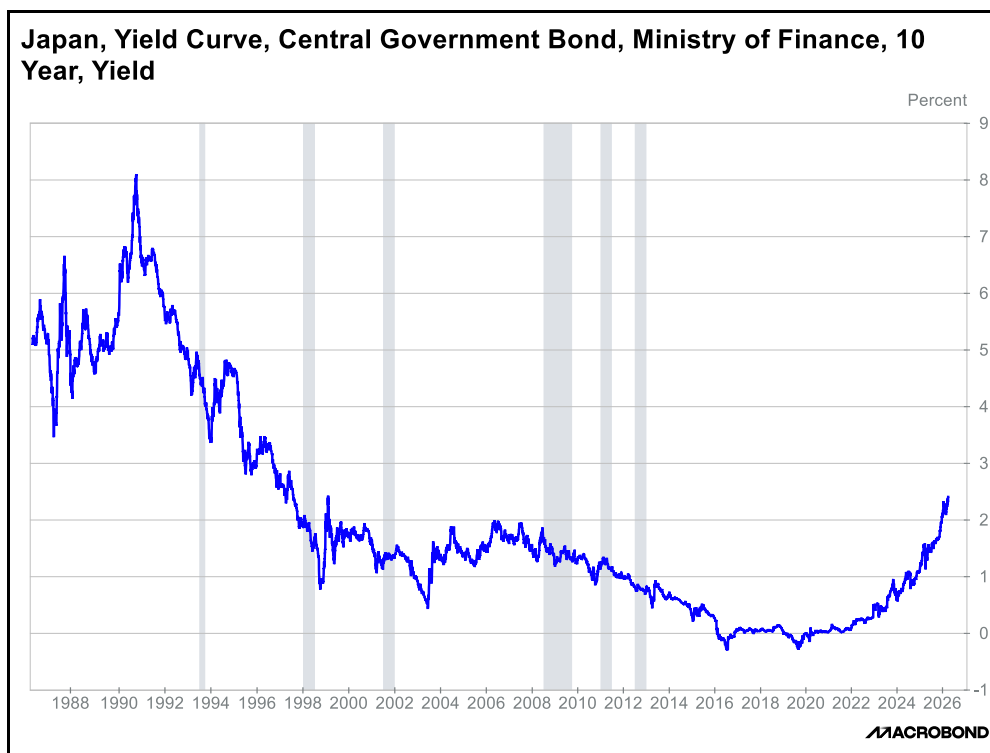
Note: Due to the holiday, the Bi-Weekly Geopolitical Report will not be published this week.

Our *Comment* today opens with an update on the war in Iran, where it increasingly appears that the Iranian leadership won’t meet President Trump’s 8:00 PM ET deadline to open the Strait of Hormuz. We next review several other international and US developments that could affect the financial markets today, including a slump in Japanese government bond prices that has pushed yields on the benchmark 10-year JGB to a 27-year high and new details on President Trump’s proposal for a massive hike in US defense spending.

United States-Israel-Iran: In a press conference yesterday afternoon, President Trump reiterated his threat [to have the US military destroy Iran’s electricity plants and bridges if it doesn’t open the Strait of Hormuz by Tuesday evening](#), despite the likelihood that such a broad targeting of civilian infrastructure would violate international law. At the same time, a peace deal proposed by Middle Eastern mediators failed to gain the support of both the US and Iran, which raises the chance that the president will follow through with his threat tonight.

- The widescale destruction of Iran’s electricity plants and bridges could well invite the country’s leaders to intensify and broaden their attacks on regional energy facilities and civilian infrastructure, potentially worsening the developing global energy crisis and driving up commodity prices around the world. We believe such Iranian retaliation could be a catalyst for renewed aggressive stock selling by investors.
- As a reminder that disrupted energy supplies and higher fuel prices will likely drive up food prices worldwide, a report in the *South China Morning Post* today says some farmers in the Philippines [have elected to let their crops rot in the fields](#) rather than incur the fuel cost needed to harvest and transport them to market.
- Separately, a report late last week said the US [has informed Japan that its planned purchase of about 400 Tomahawk cruise missiles will be disrupted by the war in Iran](#). According to the report, the US is burning through its arsenal of Tomahawks so quickly that the Pentagon needs to prioritize rebuilding the US inventory once the war ends. As a result, Japan will take longer to develop the long-range strike capability that it has decided is needed to help deter Chinese aggression in the Western Pacific Ocean.

Japan: Little noticed amid all the news from the Iran war, the yield on 10-year Japanese government bonds have been rising and today [surged to 2.43%, reaching their highest level since 1999](#). The jump in yields reflects not only inflation concerns driven by the war, but also the Bank of Japan’s gradual rate hikes and the Takaichi government’s big budget increases. Meanwhile, the yen has weakened to nearly 160 per dollar as investors get more skittish about the impact of rising prices and the general policy stance in Japan.



China-Taiwan: Cheng Li-wun, the leader of Taiwan's opposition Kuomintang Party, [is visiting China today in hopes of meeting General Secretary Xi](#). Given that the Kuomintang has traditionally been China-friendly, the visit will likely be used by Beijing for propaganda purposes to suggest that many Taiwanese support reunification with the mainland. Cheng's visit could also embolden the Kuomintang's current effort to block the Taiwan's government from implementing its planned surge in defense spending to deter a Chinese takeover.

Vietnam: The National Assembly [elected Communist Party chief To Lam today as the country's new president, making him the first Vietnamese leader to be elected to hold both positions](#), consolidating control over party and state. The former police officer is expected to continue pursuing his key policy goals, including a crackdown on corruption and reforms to the public and private sectors to further boost Vietnam's manufacturing sector. In turn, that could further Vietnam's goal of becoming an alternative production center to China.

US Politics: While it now appears that the key issues in November's mid-term Congressional elections will be the war in Iran, consumer prices, and artificial intelligence, reports today say a controversial new book on the Trump administration [will be out on June 23](#) and may also reveal secrets that could help swing the election. The book, *Regime Change*, by Maggie Haberman and Jonathan Swan of the *New York Times*, could potentially reveal politically charged information just as voters are starting to focus more on the upcoming balloting.

US Fiscal Policy: In a development from late last week, President Trump's proposed federal budget for the fiscal year starting in October [would hike the US defense budget by a massive 44%, or \\$441 billion, to a total of about \\$1.5 trillion](#). Key program hikes would include the president's "Golden Dome" missile defense system and doubling the number of navy ships to be ordered. Congress is unlikely to pass the budget as proposed, but the draft plan suggests a massive hike in defense spending that could benefit key defense stocks.

US Artificial Intelligence Industry: Yesterday, AI lab Anthropic [said it has entered a deal in which it will buy billions of dollars of computer chips and cloud services from Google](#). Some of the associated chips will come from semiconductor giant Broadcom as well. The announcement shows that big AI deals are still happening, despite growing investor pushback over the huge costs and circular deals that may not make economic sense. In turn, that could potentially be a harbinger of a rebound in AI stock values.

- Separately, Samsung Electronics last night [projected that its operating profit would increase eightfold](#) in its first quarter, largely reflecting surging AI-related demand for its memory chips.
- The guidance was much better than analysts had anticipated, boosting Samsung's share price by about 5% in South Korean trading.

US Healthcare Industry: The government yesterday [said its Medicare Advantage payment rates will rise 2.48% in 2027, far better than its January proposal](#) to keep the payments unchanged. The increase is expected to boost payments to health insurers by about \$13 billion next year. The

news therefore gave a boost to health insurers' stock prices yesterday, with additional follow-through possible in the coming sessions.

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 |
| 15:00 | Consumer Credit | m/m | Jul | \$10.25b | \$8.05b | * |
| Federal Reserve | | | | | | |
| EST | Speaker or Event | District or Position | | | | |
| 8:30 | John Williams Appears on Bloomberg TV | President of the Federal Reserve Bank of New York | | | | |
| 12:35 | Austan Goolsbee Speaks on Monetary Policy | President of the Federal Reserve Bank of Chicago | | | | |
| 13:45 | Austan Goolsbee Speaks in Radio Interview | President of the Federal Reserve Bank of Chicago | | | | |
| 17:00 | Philip Jefferson Speaks on Economic Outlook | Vice-Chair 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 |
|---------------------|------------------------------------|-----|-------|------------|------------|------------|--------|------------------------------|
| ASIA-PACIFIC | | | | | | | | |
| Japan | Household Spending | y/y | Feb | -1.8% | -1.0% | -0.7% | ** | Equity bearish, bond bullish |
| | Leading Economic Index | m/m | Feb P | 112.4 | 112.1 | 112.4 | ** | Equity and bond neutral |
| | Coincident Index | y/y | Feb P | 116.3 | 117.9 | 116.4 | ** | Equity and bond neutral |
| Australia | S&P Global Australia Composite PMI | m/m | Mar F | 46.6 | 47.0 | | * | Equity and bond neutral |
| | S&P Global Australia Services PMI | m/m | Mar F | 46.3 | 55.6 | | * | Equity and bond neutral |
| | Melbourne Institute Inflation | y/y | Mar | 4.3% | 3.6% | | *** | Equity and bond neutral |
| | Household Spending | y/y | Feb | 4.6% | 4.5% | 4.6% | * | Equity and bond neutral |
| New Zealand | ANZ Commodity Price | m/m | Mar | 4.1% | 4.2% | | ** | Equity and bond neutral |
| China | Foreign Reserves | m/m | Mar | \$3342.12b | \$3427.80b | \$3387.95b | ** | Equity and bond neutral |
| EUROPE | | | | | | | | |
| Eurozone | S&P Global Eurozone Services PMI | m/m | Mar F | 50.2 | 50.1 | 50.1 | ** | Equity and bond neutral |
| | S&P Global Eurozone Composite PMI | m/m | Mar F | 50.7 | 50.5 | 50.5 | ** | Equity and bond neutral |
| Germany | S&P Global Germany Services PMI | m/m | Mar F | 50.9 | 51.2 | 51.2 | ** | Equity and bond neutral |
| | S&P Global Germany Composite PMI | m/m | Mar F | 51.9 | 51.9 | 51.9 | ** | Equity and bond neutral |
| France | S&P Global France Services PMI | m/m | Mar F | 48.8 | 48.3 | 48.3 | ** | Equity and bond neutral |
| | S&P Global France Composite PMI | m/m | Mar F | 48.8 | 48.3 | 48.3 | ** | Equity and bond neutral |
| Italy | S&P Global Italy Services PMI | m/m | Mar F | 48.8 | 52.3 | 50.9 | ** | Equity bearish, bond bullish |
| | S&P Global Italy Composite PMI | m/m | Mar F | 49.2 | 51.1 | 51.3 | ** | Equity bearish, bond bullish |
| UK | Official Reserves Changes | m/m | Mar | -\$7884m | \$2022m | | * | Equity and bond neutral |
| | S&P Global UK Services PMI | m/m | Mar F | 50.5 | 51.2 | 51.2 | *** | Equity bearish, bond bullish |
| | S&P Global UK Composite PMI | m/m | Mar F | 50.3 | 51.0 | 51.0 | ** | Equity bearish, bond bullish |
| Switzerland | Foreign Currency Reserves | m/m | Mar | 721.2b | 710.1b | | *** | Equity and bond neutral |
| | Domestic Sight Deposits CHF | w/w | 3-Apr | 429.9b | 433.1b | | * | Equity and bond neutral |
| | Total Sight Deposits CHF | w/w | 3-Apr | 464.3b | 461.0b | | * | Equity and bond neutral |
| AMERICAS | | | | | | | | |
| Canada | S&P Global Canada Services PMI | m/m | Mar | 47.2 | 46.5 | | * | Equity and bond neutral |
| | S&P Global Canada Composite PMI | m/m | Mar | 47.6 | 47.1 | | * | Equity and bond neutral |
| Mexico | Vehicle Domestic Sales | y/y | Mar | 131548 | 118308 | | *** | Equity and bond neutral |
| | Leading Indicators | y/y | Feb | 0.09 | 0.10 | | ** | Equity and bond neutral |
| Brazil | S&P Global Brazil Composite PMI | m/m | Mar | 49.9 | 51.3 | | *** | Equity and bond neutral |
| | S&P Global Brazil Services PMI | m/m | Mar | 50.1 | 53.1 | | *** | 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) | 362 | 362 | 0 | 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 (%) | 4.34 | 4.33 | 0.01 | Up |
| Euribor/OIS spread (bps) | 210 | 208 | 2 | Up |
| Currencies | 3 Mo | | | |
| 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.

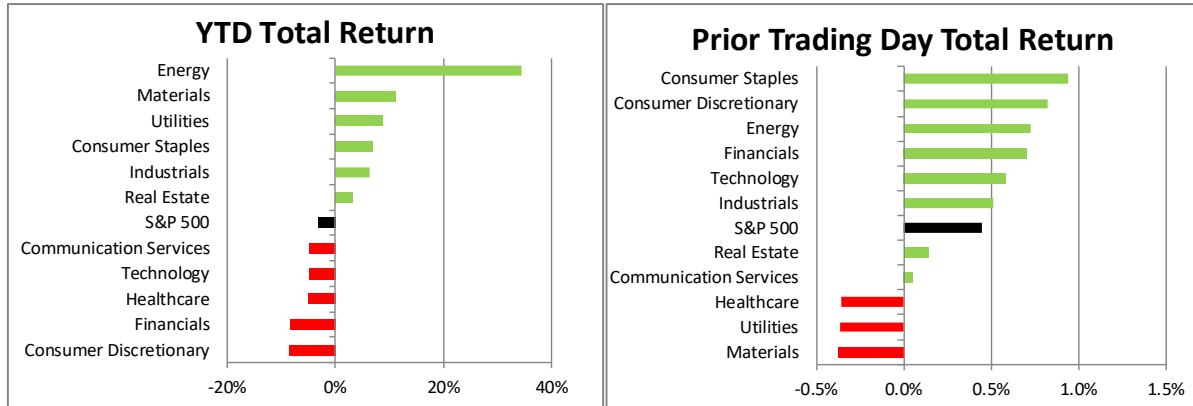
| | Price | Prior | Change | Explanation |
|-----------------------------|---------------|-----------------|-------------------|----------------------|
| Energy Markets | | | | |
| Brent | \$110.29 | \$109.77 | 0.47% | |
| WTI | \$114.37 | \$112.41 | 1.74% | |
| Natural Gas | \$2.81 | \$2.81 | -0.14% | |
| Crack Spread | \$42.25 | \$40.73 | 3.73% | Middle East Conflict |
| 12-mo strip crack | \$37.78 | \$36.23 | 4.28% | Middle East Conflict |
| Ethanol rack | \$2.19 | \$2.19 | 0.08% | |
| Metals | | | | |
| Gold | \$4,639.00 | \$4,649.85 | -0.23% | |
| Silver | \$72.00 | \$72.82 | -1.13% | |
| Copper Contract | \$559.30 | \$560.10 | -0.14% | |
| Grains | | | | |
| Corn contract | \$452.25 | \$454.00 | -0.39% | |
| Wheat contract | \$593.25 | \$595.25 | -0.34% | |
| Soybeans contract | \$1,168.50 | \$1,166.75 | 0.15% | |
| Shipping | | | | |
| Baltic Dry Freight | 2,066 | 2,030 | 36 | |
| DOE Inventory Report | | | | |
| | Actual | Expected | Difference | |
| Crude (mb) | | 2.00 | | |
| Gasoline (mb) | | -2.37 | | |
| Distillates (mb) | | -0.05 | | |
| Refinery run rates (%) | | 0.60% | | |
| Natural gas (bcf) | | 37 | | |

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

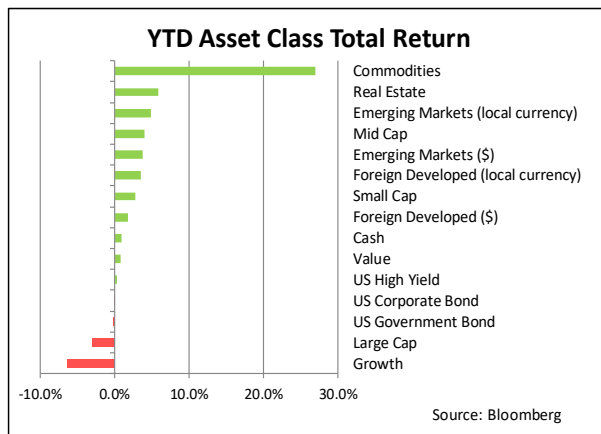
US Equity Markets – (as of 4/6/2026 close)



(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 4/6/2026 close)

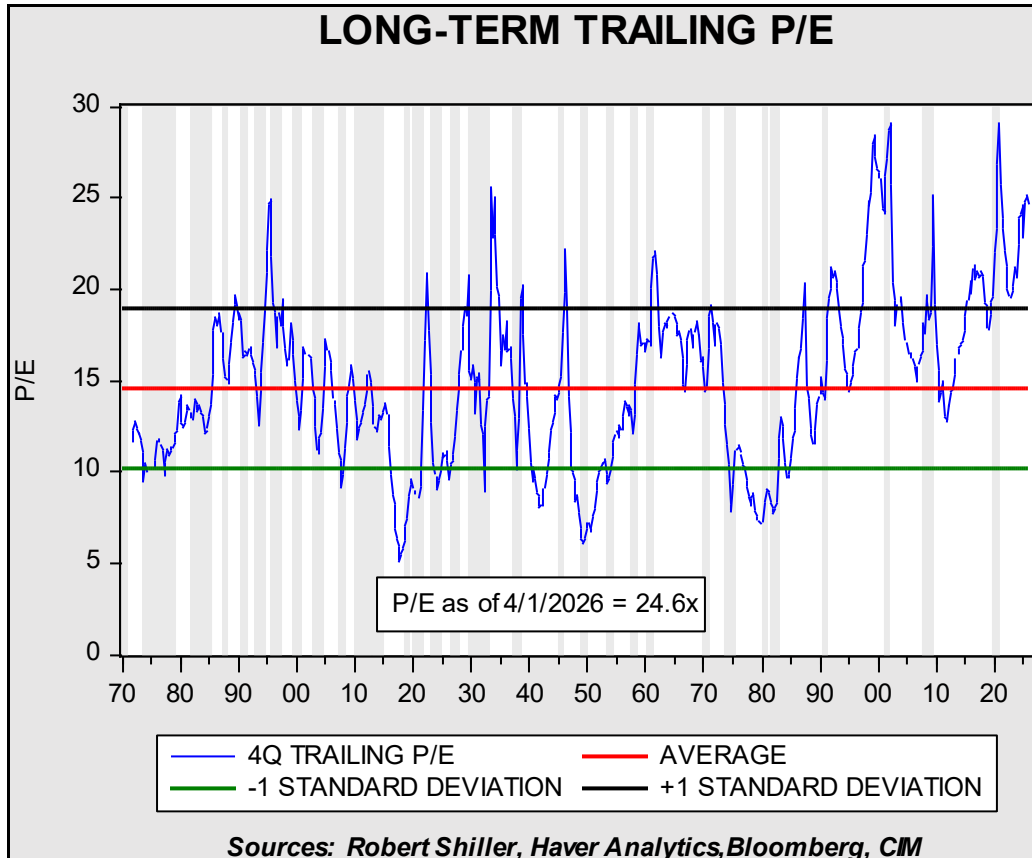


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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.