



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 9, 2026 — 9:30 AM ET] Global equity markets are lower 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 down 1.3%. Chinese markets were lower, with the Shanghai Composite down 0.7% and the Shenzhen Composite down 0.6%. 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Note: Due to the holiday, the Bi-Weekly Geopolitical Report will not be published this week.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* opens with an analysis of the next phase of the conflict following the cease-fire agreement. We then examine the latest FOMC meeting minutes and their implications for monetary policy. Other discussions include the inroads that the US is making in South America, the potential impact of low fertility rates on economic growth, and signs of backlash against higher energy prices in the EU. As always, we include a summary of recent domestic and international economic data.

The New Phase: A day after the United States and Iran agreed to a two-week ceasefire, it remains unclear whether the lull in fighting will hold, as early signs suggest both sides are not fully adhering to the deal. On Wednesday, [Saudi Arabia reported that its east-west pipeline had been struck by Iranian drones](#), while [Israel has continued its strikes against Hezbollah targets](#) in Lebanon. The uncertainty [has not derailed the planned talks scheduled for Friday](#), but it has prompted Iran to impose additional restrictions on shipments transiting the Strait of Hormuz.

- The renewed hostilities appear to be driven in part by factions that never fully embraced the ceasefire. [Vice President JD Vance has said the US–Iran agreement applied only to Iran, not Lebanon](#), underscoring Washington’s view that Israeli operations against Hezbollah can continue under the deal. At the same time, Iran-aligned proxy groups are widely suspected of being behind continued drone and missile attacks on Gulf states and regional infrastructure.
- The ongoing attacks have raised the stakes for both sides ahead of Friday’s talks. It appears that Washington and Tehran are exploring an arrangement to jointly oversee trade through the Strait of Hormuz, with [Iran reportedly pressing for a \\$1 per-barrel transit toll paid in crypto-assets](#) and the United States floating a joint-venture structure that would also entitle it to a share of shipping fees.
- The talks also appear likely to center on Iran’s nuclear program. Vice President Vance, who is set to lead the US delegation on Friday, has stressed that Washington’s stance on uranium enrichment remains unchanged, with meaningful sanctions and tariff relief conditioned on strict limits that prevent Tehran from obtaining a nuclear weapon. Meanwhile, Iran’s [10-point proposal asserts its right to continue uranium enrichment](#), which underscores the significant gap that negotiators will need to bridge at the table.
- Additionally, Europe is expected to play a major role in helping secure the strait. The US [has asked a UK-led coalition of European allies](#), as well as Canada and Japan, to present a plan to help manage the strait. At the same time, Iran has pushed for Europe to help ensure that the US and Israel are able to follow through on their commitments to the ceasefire. Europe, which had previously agreed to assist in keeping the strait open prior to the ceasefire, [has also backed Iran in its effort to stop attacks in Lebanon](#).
- Although market sentiment has improved, a sustained recovery will ultimately depend on companies' earnings outlooks, particularly as they offer insight into their overall exposure to the conflict and how they plan to address these vulnerabilities. In this environment, we think firms that have a solid history of having resilient earnings as well as those who issue dividends should do well as investors are likely to start to prioritizing value over growth.

Fed Divided: The latest [FOMC meeting minutes revealed that Fed officials remain divided](#) on how best to approach policy going forward. While most officials seem to favor holding rates steady for now and cutting later in the year, there was pushback from some members over whether there should be a reference to the possibility of a rate hike, given that inflation continues to run above target. The wide range of opinions reflects the reality that Fed policy could change quite radically over the next few months, depending on the data.

- The main concern stated by Fed officials was the trajectory of inflation. Many argued that price pressures had not eased enough to justify cutting rates even before the recent conflict. They paid particular attention to core goods and especially core services, with the latter seen as more worrisome given its historical stickiness. Others expressed confidence that the adoption of new technologies and ongoing deregulation could lift productivity over time, helping to relieve some of the upward pressure on prices.

- Views on the labor market also appear somewhat divided. Some committee members have voiced concern that job gains remain relatively modest and are concentrated in sectors such as education and health services. Others have emphasized that the unemployment rate has changed little and argue that recent payroll growth is broadly consistent with a cooling labor market and slowing labor-force growth, suggesting conditions are roughly in line with expectations.
- On the Middle East conflict, Fed officials commented on the risks but acknowledged it was too early to draw firm conclusions. They noted that the recent spike in oil prices could complicate progress toward the 2% inflation target, while also warning that higher energy costs might weaken the labor market by squeezing household consumption. In all, there seems to be more concern with the potential downside risk to employment, even as officials recognized the twin risks of higher inflation and softer labor conditions.
- The latest minutes suggest the Fed is inclined to keep policy on hold for now, while preserving the option to cut rates later if conditions warrant. The officials note the possibility of further tightening but offer little indication if the committee is seriously considering a rate hike this year. This stance is likely to cap further upside in the dollar, especially as other major central banks, including the Bank of Japan and the ECB, appear to be gradually tilting in a more restrictive or less dovish direction.

US-Ecuador: In a sign of Washington’s growing clout in South America, Ecuador has moved to deepen security cooperation with the United States. In a recent interview, [President Daniel Noboa said he would support the deployment of US troops in the country](#) to help combat powerful drug cartels. His comments underscore Washington’s efforts to rebuild influence in the region and tighten security ties, which over time could translate into increased US investment and broader market opportunities across South America.

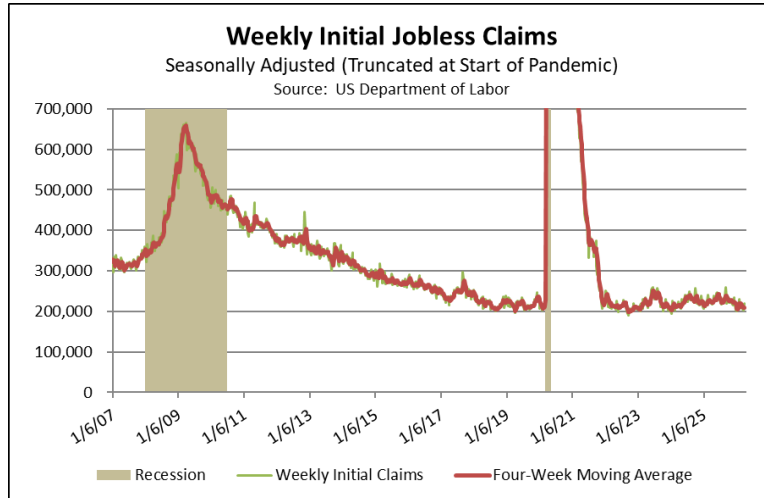
Low Fertility Rates: [US fertility fell to a record low in 2025](#), signaling that population growth is continuing to slow. The decline largely reflects women having children later in life, which tends to reduce lifetime birth rates. Combined with tighter immigration policies, a persistently low birth rate is likely to slow overall population growth, making the economy increasingly reliant on gains in productivity rather than demographics to drive long-term output.

Energy Outrage: The [rise in energy prices has begun to trigger public backlash in Ireland](#). Protesters have blocked oil refineries in an effort to force officials to address the soaring energy costs that are being driven by the conflict. This outrage reflects the growing pressure that European lawmakers face as they try to soften the impact of higher energy prices. In our view, this could lead to increased efforts to offer subsidies aimed at reducing cost pressures, but it might also prompt the EU to loosen regulations to allow more mining and drilling.

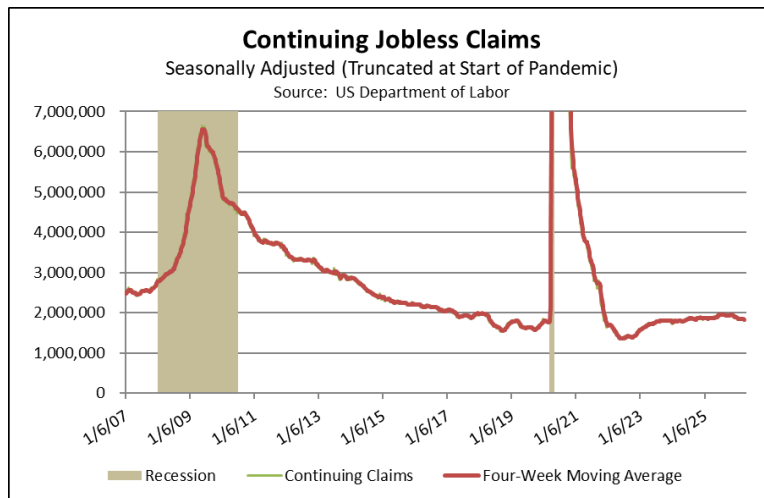
US Economic Releases

In the week ended April 4, *initial claims for unemployment benefits* rose to a seasonally adjusted 219,000, above both the expected level of 210,000 and the prior week’s revised level of 203,000. The four-week moving average of initial claims, which helps smooth out some of the

volatility in the series, rose to 209,500. 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.

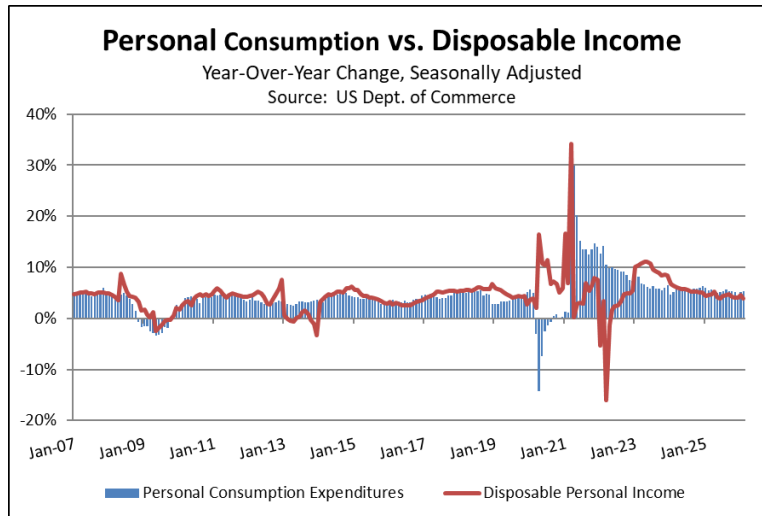


In the week ended March 27, the number of *continuing claims for unemployment benefits* (people continuing to draw benefits) fell to a seasonally adjusted 1.794 million, below both the anticipated reading of 1.828 million and previous week’s revised reading of 1.832 million. The four-week moving average of continuing claims fell to 1,823,250. 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.

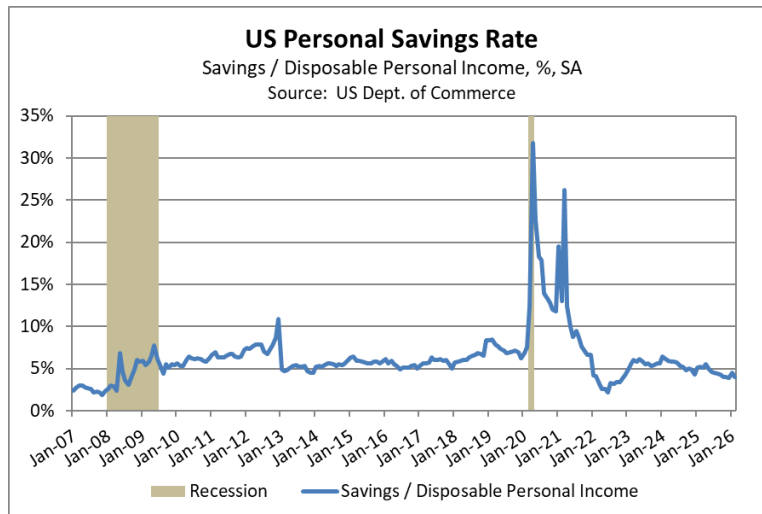


Separately, February *personal income* declined by a seasonally adjusted 0.1%, well short of both the expected rise of 0.3% and the January increase of 0.4%. In dramatic contrast, however, February *personal consumption expenditures (PCE)* rose 0.5%, almost matching the expected increase of 0.6% and accelerating from the revised January increase of 0.3%. Personal income in

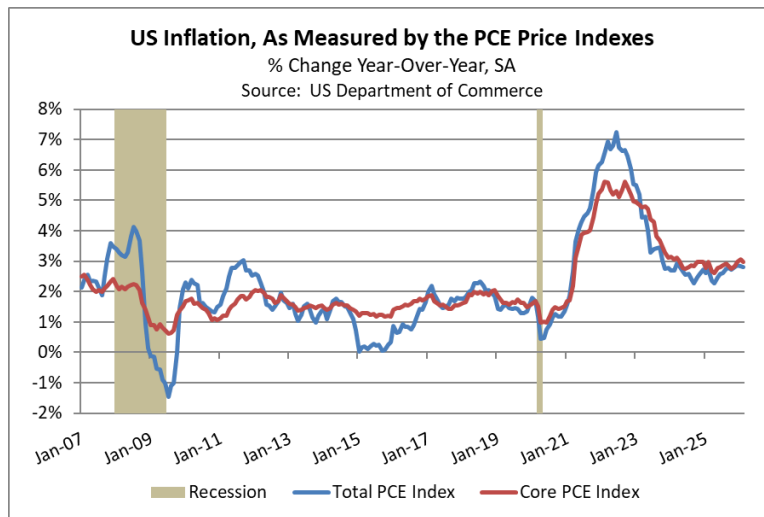
February was up 3.7% from the same month one year earlier, while PCE was up 5.3%. The chart below shows the year-over-year change in personal income and PCE since just before the GFC.



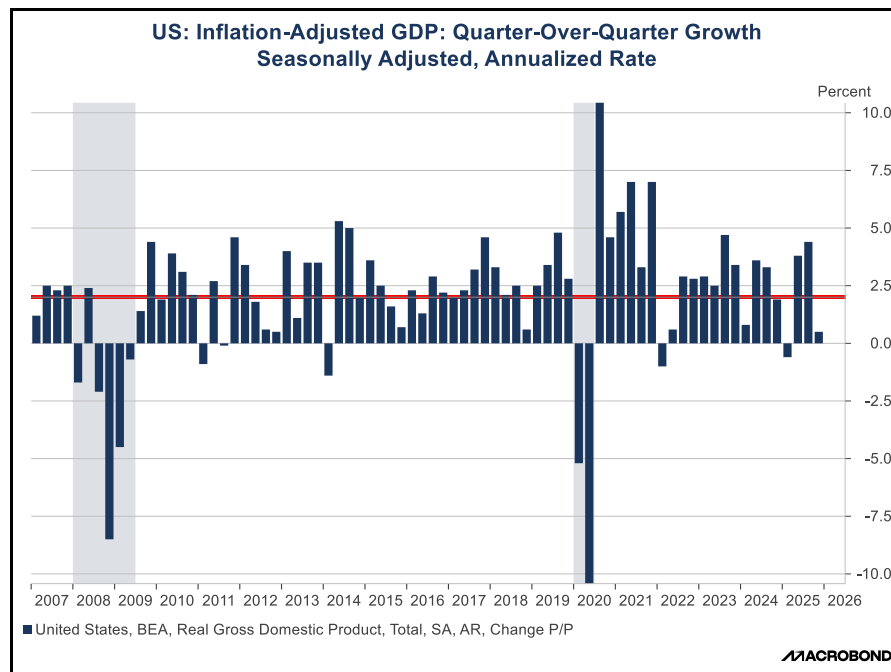
The personal income and spending report also includes a measure of personal saving, defined as disposable (after tax) income less consumption spending on goods and services. The February *personal savings rate* fell to a seasonally adjusted 4.0%. The chart below shows how the personal savings rate has fluctuated since just before the GFC.



Of course, the income and spending report also includes the Federal Reserve’s preferred measure of consumer price inflation. After stripping out the volatile food and energy components, the *Core PCE Deflator* for February was up 3.0% from the same month one year earlier, still well above 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.

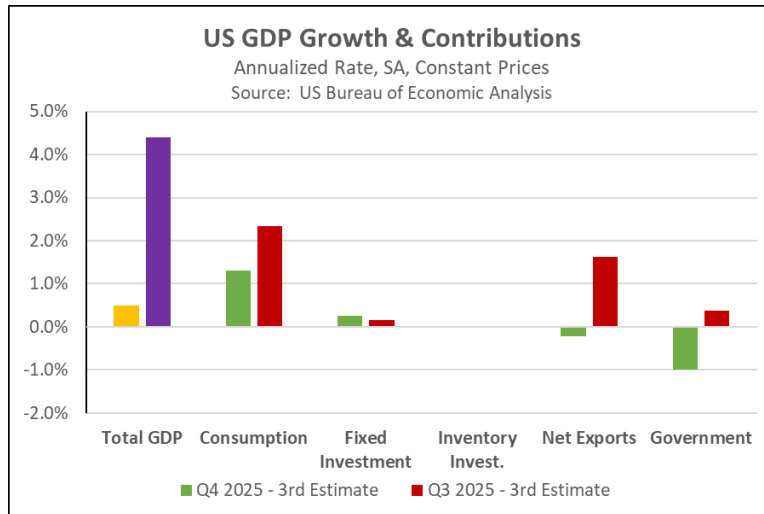


Finally, the Commerce Department released its third and final regular estimate of economic activity in the fourth quarter of 2025. After stripping out seasonal factors and price changes, fourth-quarter **gross domestic product (GDP)** rose at an annualized rate of 0.5%, a bit weaker than expectations that the growth rate would be unchanged from the previous estimate of 0.7%. 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 consumer spending. Because of the federal government shutdown and the administration’s ongoing effort to shrink federal outlays, falling government spending was the main drag on

growth. The chart below shows the contributions to the annualized growth rate in the fourth 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	Wholesale Inventories	m/m	Feb F	-1.0%	-0.5%	***
10:00	Wholesale Trade Sales	m/m	Feb	0.6%	0.5%	*
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	Japan Buying Foreign Bonds	w/w	3-Apr	-¥2462.4b	-¥945.5b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	3-Apr	¥1437.4b	¥140.6b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	3-Apr	¥2421.4b	-¥2646.1b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	3-Apr	¥29596b	-¥4448.1b		*	Equity and bond neutral
	Consumer Confidence Index	m/m	Mar	33.3	39.7	38.0	*	Equity bearish, bond bullish
	Machine tool orders	y/y	Mar P	28.1%	24.2%		**	Equity and bond neutral
Australia	Foreign Reserves	m/m	Mar	A\$106.8b	A\$1058		**	Equity and bond neutral
EUROPE								
Germany	Trade Balance	m/m	Feb	19.8b	20.3b	18.5b	*	Equity and bond neutral
	Exports	m/m	Feb	3.6%	-1.5%	1.3%	*	Equity bullish, bond bearish
	Imports	m/m	Feb	4.7%	-5.1%	3.5%	*	Equity bullish, bond bearish
	Industrial Production WDA	y/y	Feb	0.0%	-0.9%	0.8%	**	Equity bearish, bond bullish
UK	RICS House Price Balance	y/y	Mar	-23%	-14%	-18%	**	Equity bearish, bond bullish
Switzerland	Unemployment Rate	m/m	Mar	3.1%	3.2%	3.1%	**	Equity and bond neutral
AMERICAS								
Mexico	CPI	y/y	Mar	4.59%	4.02%	4.64%	***	Equity and bond neutral
	Core CPI	y/y	Mar	4.45%	4.50%	4.47%	**	Equity and bond neutral
	Vehicle Production	y/y	Mar	343520	311457		*	Equity and bond neutral
	Consumer Confidence	m/m	Mar	44.1	444	43.7	*	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	Down
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)	216	217	-1	Up
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Up
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.

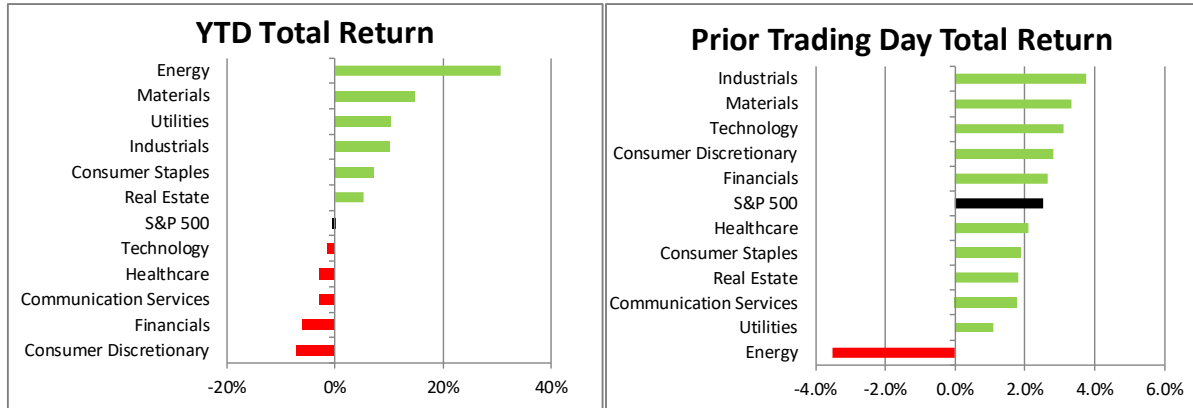
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$98.46	\$94.75	3.92%	Middle East Conflict
WTI	\$99.37	\$94.41	5.25%	Middle East Conflict
Natural Gas	\$2.73	\$2.72	0.15%	
Crack Spread	\$42.91	\$41.90	2.42%	
12-mo strip crack	\$36.62	\$35.27	3.80%	Middle East Conflict
Ethanol rack	\$2.16	\$2.17	-0.18%	
Metals				
Gold	\$4,744.52	\$4,719.15	0.54%	
Silver	\$74.25	\$74.12	0.18%	
Copper Contract	\$570.00	\$577.70	-1.33%	
Grains				
Corn contract	\$449.25	\$447.25	0.45%	
Wheat contract	\$588.00	\$580.25	1.34%	
Soybeans contract	\$1,165.25	\$1,162.00	0.28%	
Shipping				
Baltic Dry Freight	2,139	2,095	44	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	3.08	0.50	2.58	
Gasoline (mb)	-1.59	-1.55	-0.04	
Distillates (mb)	-3.14	-1.25	-1.89	
Refinery run rates (%)	-0.01%	0.75%	-0.76%	
Natural gas (bcf)		48		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except the Pacific Northwest, North Dakota, and northern Minnesota, where temperatures will be near normal. The outlook calls for wetter-than-normal conditions in the Far West, the Great Plains, and the Midwest, with dry conditions in the Southeast.

Data Section

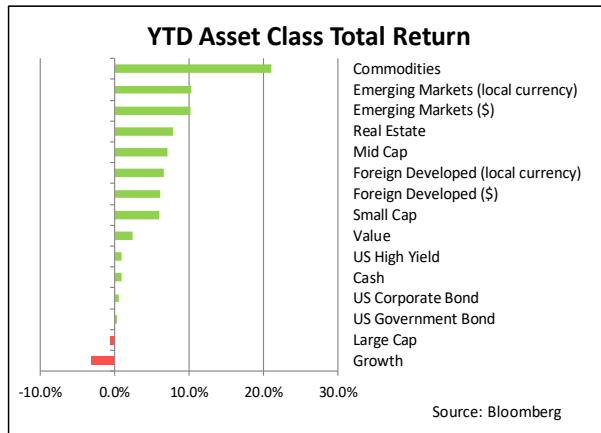
US Equity Markets – (as of 4/8/2026 close)



(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 4/8/2026 close)

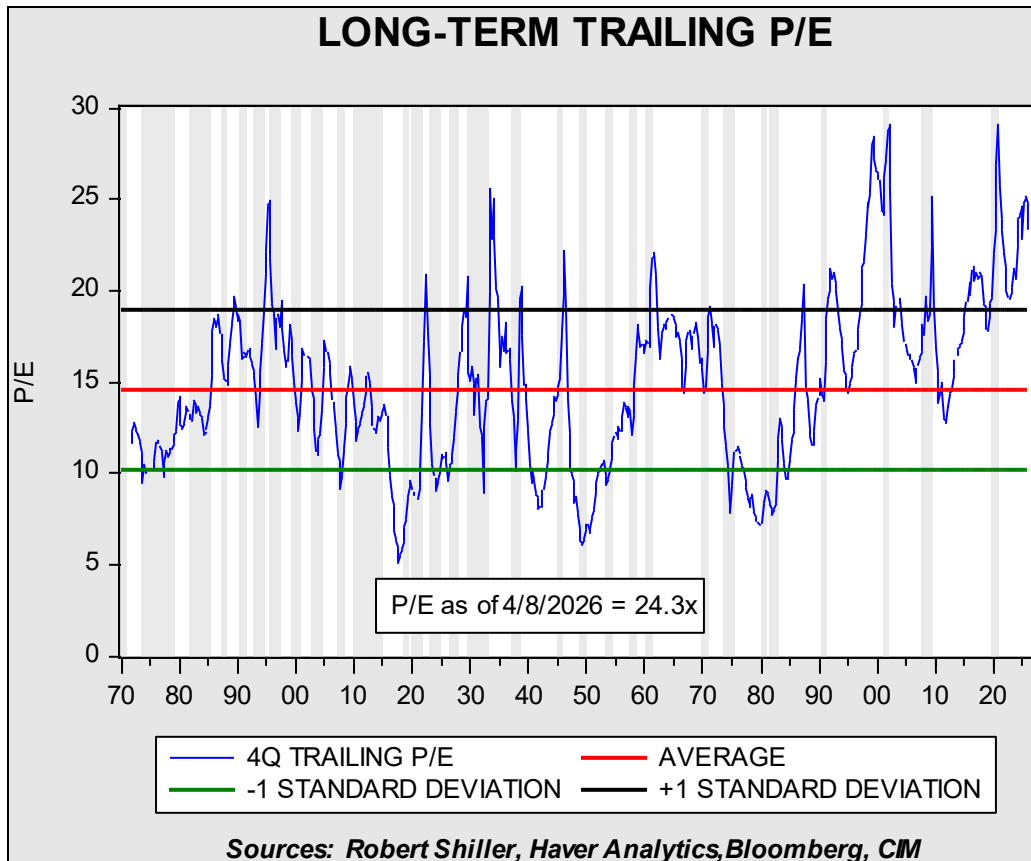


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 9, 2026



Based on our methodology,¹ the current P/E is 24.3x, down 0.3 from the previous report. Last week, the stock price index average fell sharply due to the changing of the quarter, earnings expectations for Q1 2026 were also down from the previous period.

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.