# Daily Comment

Confluence Investment Management

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: August 10, 2026 — 9:30 AM ET] Global equity markets are higher 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 0.8%. Chinese markets were higher, with the Shanghai Composite up 0.7% and the Shenzhen Composite up 0.6%. US equity index futures are signaling a higher open.

With 444 companies having reported so far, S&P 500 earnings for Q2 are running at $87.50 per share, compared to an estimate of $82.54, which is up 23.3% from Q2 2025. Of the companies that have reported thus far, 85.4% have exceeded expectations while 10.8% have fallen short.

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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 Corporatist State" (7/27/26) + podcast | "The PCE Makeover" (8/3/26) + **podcast** | Q3 2026 Report | Business Cycle Report<br>Mailbag Podcast<br>VE Insights: A Narrow Market |

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.

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Our *Comment* today opens with an update on the war in Iran, including news that Tehran has demanded a number of conditions the US must meet before it will allow free shipping through the Strait of Hormuz. We next review several other international and US developments that could affect the financial markets today, including a worsening spat over immigration in Europe and a new effort by the US administration to remove Federal Reserve board member Lisa Cook.

**United States-Israel-Iran:** Exercising the leverage it enjoys by keeping the Strait of Hormuz essentially closed, Tehran on Saturday issued a list of demands that the US must meet before Iran would open the waterway. The demands would require the US to lift its naval blockade and sanctions on Iran's oil and petrochemical exports, withdraw the US military from around Iran, pay war reparations, release frozen Iranian assets, and stop threatening the country or attacking its proxies in the region. Negotiations on Iran's nuclear program would only come later.

- Most of Iran's weekend demands were already agreed to by the US in the two sides' June ceasefire, but the insistence on reparations is new.
- The demand issuance underscores how advantageous Iran's position now is. With its ability to keep the strait essentially closed, it can put continued upward pressure on global energy prices, keep the US looking impotent, and prolong the political problems the US administration has created for itself by starting an unpopular war.
- Some analysts argue Iran would let shipping in the strait flow freely again once the US gives it strong guarantees that it will meet its demands. However, we think Iran will hold out for permanent power to regulate and charge tolls on shipping in the waterway. We think the increased power and confidence Iran has gained from the war will continue driving global energy prices higher in the coming years.

**Japan-North Korea:** Tokyo's metropolitan government has announced plans to build a large missile shelter for civilians in an underground parking lot next to a major train station. The shelter would aim to protect civilians in the event of attack by North Korea, though it could also come in handy in case of a future conflict with China. While the world is now focused on the wars in Ukraine and Iran and the potential for a US-China conflict, the Tokyo plan is a reminder that North Korea's rapid military advances are making it increasingly dangerous.

**China-Europe:** Chinese container-shipping company Sea Legend this week will launch the first regular container shipping service through the Arctic Ocean between China and Europe. The voyage between Ningbo on China's eastern coast and Felixstowe in the UK is expected to take as little as 20 days, or only about half as long as the standard route. The new service shows how melting sea ice in the Arctic is creating new commercial opportunities, not to mention new geopolitical tensions between the major powers.

**Spain-Italy:** In retaliation for Italy's imposition last week of border checks on arrivals from Spain, the Spanish government on Saturday imposed temporary new checks on arrivals from Italy. The tit-for-tat travel barriers are the latest fallout from the mass incursion of migrants into Spain's exclave of Ceuta in North Africa at the beginning of August. Many European countries have criticized Spain for overly lenient immigration policies, sparking sharp political fractures among countries and likely spurring greater acceptance of right-wing, populist politicians.

**Colombia:** The country's conservative new president, Abelardo de la Espriella, was inaugurated on Friday and now plans to quickly get tough on cocaine traffickers who had become much more numerous and powerful under the previous leftist government. The law-and-order president is also expected to have better relations with the US than the previous president did.

**Russia-United States:** After Federal Bureau of Investigation Director Patel scheduled a visit to the Russian capital this fall, Kremlin commentator Vladimir Vasiliev has warned that the Russians may use the meeting to provide Patel with "dirt" on prominent Democrats to undermine them in the November mid-term elections. Whether or not that is true, the report may rekindle controversial concerns about Russia trying to interfere in US elections — a development that would likely make the mid-term election campaigns even more acrimonious than usual.

**United States-Australia:** The US government today said it will lend $400 million to Australian firm Sunrise Energy to help finance its new mine to produce scandium, a rare earth mineral that is important to energy and defense products. In return, the US will get right of first offer for the mine's output. As with many rare earth minerals, China dominates the world's scandium production and processing, so the new mine will help cut the US's dependence on its geopolitical rival.

- The loan also illustrates the US administration's willingness to fund foreign firms for that purpose, rather than just US companies.
- In response to the news, Sunrise Energy's share price rose approximately 18% on the Sydney stock market today, continuing a long upward trend.

**US Politics:** A new poll by Reuters/Ipsos shows political independents are now surprisingly open to progressive policies like those being promoted by the left wing of the Democratic Party. Some 43% of independents still say they wouldn't vote for a Democratic Socialist. However, 64% said they support tax hikes on billionaires and corporations, and 60% said they support government-provided healthcare for all citizens. As the mid-term elections approach, the poll suggests the Democrats' drift to the left may not hurt them as much as Republicans think.

- Of course, many establishment Democrats remain at least skeptical of left-wing messaging, and if the party drifts too far to the left, some will likely sit out the balloting.
- In any case, Republican leaders from President Trump downward reportedly plan to brand the Democrats as "socialists" and "communists" as a key part of their election strategy.

**US Monetary Policy:** The White House late Friday renewed its effort to remove Fed board member Lisa Cook, despite its previous effort being invalidated by the Supreme Court. In its first attack on Cook, the administration had accused her of mortgage fraud, but the court threw out the effort to fire her on grounds that she wasn't given notice or a chance to respond. In a letter sent to Cook last week, the administration again accused her of mortgage fraud but gave her 21 days to defend herself.

- The new effort to fire Cook will probably rekindle investor concerns about the Fed's independence.
- Those concerns could build on the developing investor anxiety over Chair Warsh's effort to reduce Fed guidance for the markets. The resulting increase in uncertainty already appears to have nudged up longer-term bond yields.

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## US Economic Releases

No major US economic reports have been released so far today. The table below lists the economic releases and Fed events scheduled for the rest of the day.

| Economic Releases | | |
|---|---|---|
| No economic releases for the rest of today | | |
| **Federal Reserve** | | |
| **EST** | **Speaker or Event** | **District or Position** |
| **15:00** | Beth Hammack Appears on Yahoo Finance | President of the Federal Reserve Bank of Cleveland |

## 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** | BoP Current Account Balance | m/m | Jun | -¥92.3b | ¥3968.3b | ¥1512.0b | *** | Equity and bond neutral |
| | BoP Trade Balance | m/m | Jun | -¥135.2b | ¥6.9b | -¥70.2b | ** | Equity and bond neutral |
| **Australia** | Foreign Reserves | m/m | Jul | A$106.7b | A$102.5b | | ** | Equity and bond neutral |
| **China** | Foreign Reserves | m/m | Jul | $3418.78b | $3416.26b | $3426.00b | ** | Equity and bond neutral |
| | PPI | y/y | Jul | 3.5% | 4.1% | 3.9% | ** | Equity and bond neutral |
| | CPI | y/y | Jul | 0.5% | 1.0% | 0.8% | ** | Equity and bond neutral |
| **EUROPE** | | | | | | | | |
| **Switzerland** | Domestic Sight Deposits CHF | w/w | 7-Aug | 432.6b | 435.3b | | * | Equity and bond neutral |
| | Total Sight Deposits CHF | w/w | 7-Aug | 462.4b | 465.2b | | * | Equity and bond neutral |
| **AMERICAS** | | | | | | | | |
| **Canada** | Net Change in Employment | m/m | Jul | 75.1k | 18.2k | 20.0k | *** | Equity and bond neutral |
| | Unemployment Rate | m/m | Jul | 6.4% | 6.5% | 6.5% | *** | Equity and bond neutral |
| | Participation Rate | m/m | Jul | 65.1% | 65.0% | 65.0% | * | Equity and bond neutral |
| **Brazil** | FGV Inflation IGP-DI | y/y | Jul | 2.77% | 3.59% | 2.65% | ** | 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)** | 371 | 371 | 0 | Up |
| **U.S. Sibor/OIS spread (bps)** | 374 | 374 | 0 | Up |
| **U.S. Libor/OIS spread (bps)** | 373 | 372 | 1 | Up |
| **10-yr T-note (%)** | 4.67 | 4.65 | 0.02 | Down |
| **Euribor/OIS spread (bps)** | 247 | 248 | -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 |

## 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 | $84.71 | $83.55 | 1.39% | |
| WTI | $79.29 | $78.18 | 1.42% | |
| Natural Gas | $2.76 | $2.66 | 3.68% | |
| Crack Spread | $61.90 | $60.09 | 3.01% | |
| 12-mo strip crack | $47.28 | $46.40 | 1.90% | |
| Ethanol rack | $2.11 | $2.11 | 0.05% | |
| **Metals** | | | | |
| Gold | $4,335.91 | $4,341.56 | -0.13% | |
| Silver | $64.03 | $63.56 | 0.74% | |
| Copper Contract | $662.35 | $659.10 | 0.49% | |
| **Grains** | | | | |
| Corn contract | $463.00 | $462.00 | 0.22% | |
| Wheat contract | $666.25 | $658.25 | 1.22% | |
| Soybeans contract | $1,182.50 | $1,176.25 | 0.53% | |
| **Shipping** | | | | |
| Baltic Dry Freight | 3,089 | 3,057 | 32 | |

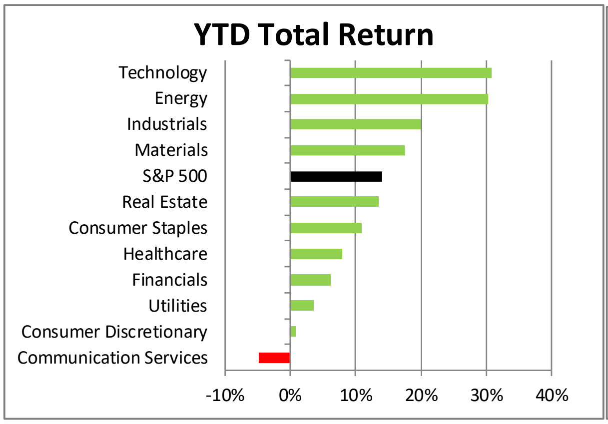
## Weather

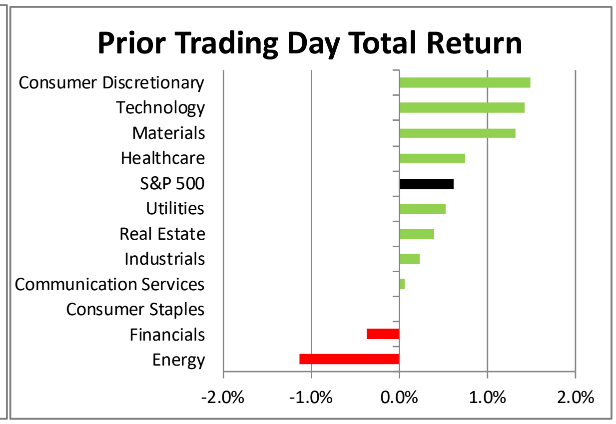
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Pacific Northwest, the southern Rocky Mountains, the central and southern Great Plains, and the Deep South, with cooler-than-normal temperatures in New England. The outlook calls for wetter-than-normal conditions in the Far West and the Northeast, with dry conditions throughout the Gulf Coast states.

There is now a new tropical disturbance in the Atlantic Ocean north of Bermuda, but it is moving eastward and is assessed to have only a 10% chance of cyclonic formation in the next seven days. A second disturbance is in the Atlantic midway between Africa and South America, and while it is moving westward, it is also assessed to have only a 10% chance of cyclonic formation in the next seven days. A final new disturbance is west of Africa and moving northwesterly toward the Caribbean, and it is assessed to have a 60% chance of cyclonic formation in the next seven days.

## Data Section

### **US Equity Markets** – (as of 8/7/2026 close)

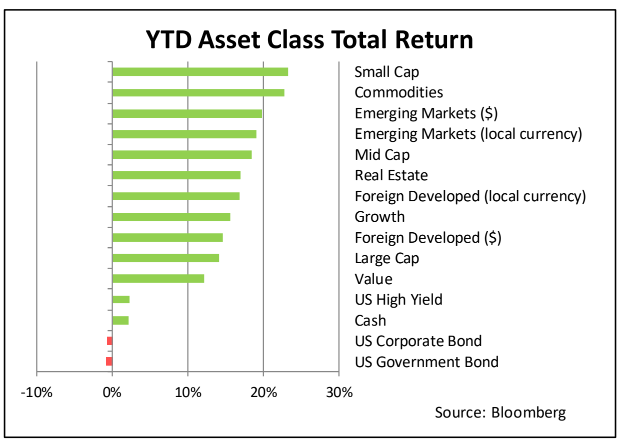



*(Source: Bloomberg)*

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 8/7/2026 close)

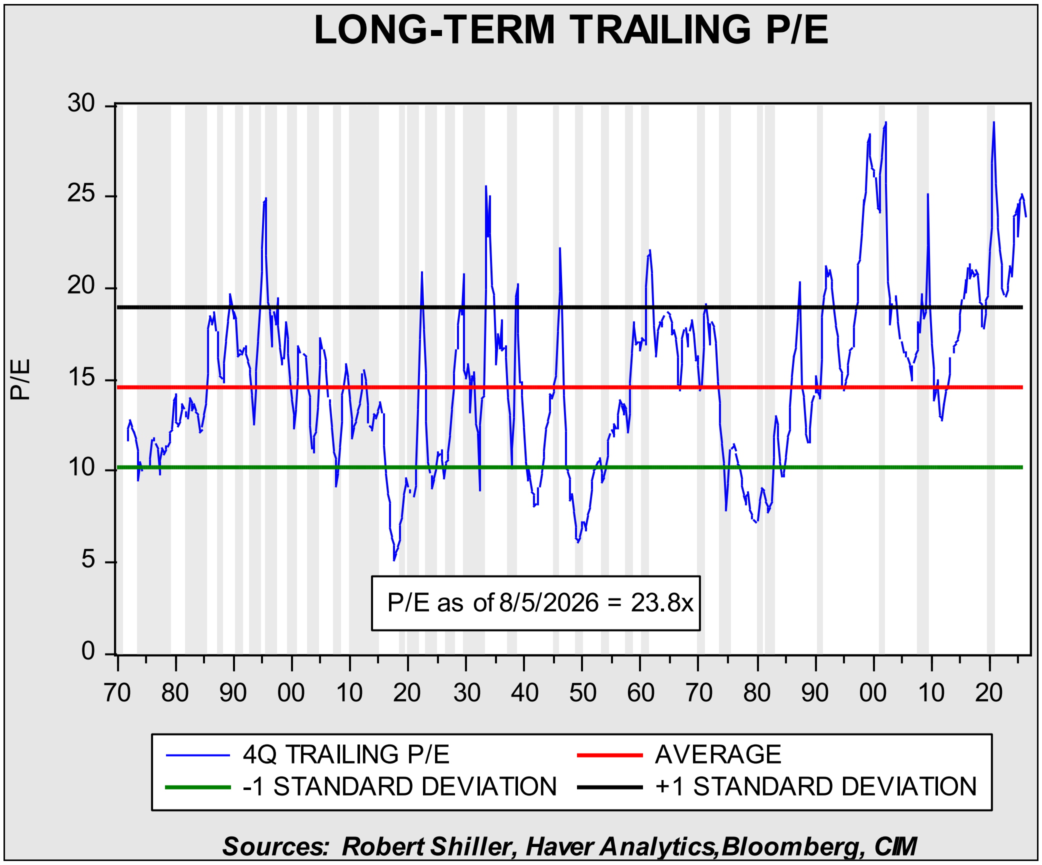



This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

August 6, 2026




Based on our methodology,[1] the current P/E is 23.8x, down 0.1 from the previous report. The multiple contraction was driven by an increase in earnings and a decline in the stock price index.

*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 ( Q3, Q4, Q1) and one estimate (Q2). 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.