# Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: August 13, 2026 — 9:30 AM ET]** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.7%. Chinese markets were lower, with the Shanghai Composite down 0.5% and the Shenzhen Composite down 1.0%. US equity index futures are signaling a higher open.

With 452 companies having reported so far, S&P 500 earnings for Q2 are running at $87.80 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, 85.2% 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 |
|---|---|---|---|
| "Meet Andy Burnham" (8/10/26) + podcast | "The PCE Makeover" (8/3/26) + podcast | Q3 2026 Report<br>Q3 2026 Rebalance Presentation | **Value Equity Quarterly Update**<br>Mailbag Podcast |

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Our *Comment* today opens with a concerning new development in the Russia-Ukraine war, where heightened attacks by both sides in the Black Sea are now threatening global grain supplies as well as energy shipments. We next review several other international and US developments that could affect the financial markets today, including a report of healthy economic growth in the United Kingdom despite the impact of the Iran war and new data confirming that tariff refunds are now boosting profits and economic growth in the US.

**Russia-Ukraine War:** As Russia and Ukraine step up their attacks on each other around the Black Sea, reports say a Ukrainian drone strike last night has closed three important grain terminals at the Russian port of Novorossiysk. Coupled with new attacks on oil tankers in the area, the strikes suggest the globally important Black Sea chokepoint may now be closing. If so, both oil and grain exports could be affected, putting further upward pressure on global energy and food prices but benefiting energy and food producers outside the region.

**Russia-Japan:** President Putin has sparked new tensions with Japan today by visiting the disputed Kuril Islands, which the Soviet Union seized from Japan at the end of World War II. In a move that suggests the visit was meant to be provocative, Putin preceded the trip by attending military drills, criticizing Japan's government, and donning a naval uniform to meet senior officers to discuss protecting Russia's eastern borders. The visit has prompted a sharp rebuke by the Japanese government and risks new discord that could threaten bilateral trade.

**Japan:** The yen weakened modestly again early today, approaching the important benchmark of 160 per dollar as traders continue to test the resolve of US and Japanese officials to further support the currency following the intervention on July 31. That intervention had helped take the yen from about 162.80 per dollar to around 155, but it has retreated from that territory. If the currency breaks 160 again, it would probably prompt the US and Japan to embark on another intervention to support it.

**South Korea:** In an effort aimed at reining in the country's hugely volatile stock prices, the government has imposed a new requirement that investors must complete a week-long course before they can trade in exchange-traded funds that invest in a single stock. Investors wanting to trade single-stock ETFs must now complete at least one hour of simulated trading a day for five days. The move comes as South Korean stock prices jumped 76% in 2025, doubled again from January to June this year, and then plunged 22% in July.

**United Kingdom:** Second-quarter gross domestic product rose by a seasonally adjusted 0.4%, essentially matching expectations but decelerating a bit from the 0.6% increase in the first quarter. The main source of growth was the UK's dominant service sector, with particular strength in information and communications services and professional and scientific activity. The relatively strong growth suggests the economy is on track to meet the Bank of England's forecast that full-year GDP growth will come in at 1.1%.

**United States-China:** In a speech in Manila earlier this week, US Undersecretary of Defense for Policy Elbridge Colby avoided naming Beijing or addressing escalating tensions in the South China Sea, prompting concern among commentators and Philippine officials. In our view, Colby's failure to name the key threat to an important US treaty ally or discuss its territorial issues with China is additional evidence that the White House is trying hard to avoid ruffling Beijing's feathers ahead of General Secretary Xi's visit to the US next month.

- At this point, it's still not clear whether the US administration wants a long-term détente with China or just a short-term one to ensure the summit is a success.
- In any case, the effort to avoid stepping on China's toes is likely being noticed by US allies and will raise further questions about whether the US would live up to its commitments to help defend them. The uncertainty is likely to keep boosting defense budgets around the globe.

**US Fiscal Policy:** The *Wall Street Journal* last night released an analysis showing that over 40 S&P 500 companies have reported some $9.6 billion in tariff refunds in the past quarter or so, including at least $2.1 billion in cash already received. The refunds, resulting from the Supreme Court's invalidation of many of the administration's initial tariffs, have given the firms a meaningful boost to earnings in some cases. That's consistent with other analyses suggesting the refunds are acting as a kind of stimulus to the economy while also boosting the budget deficit.

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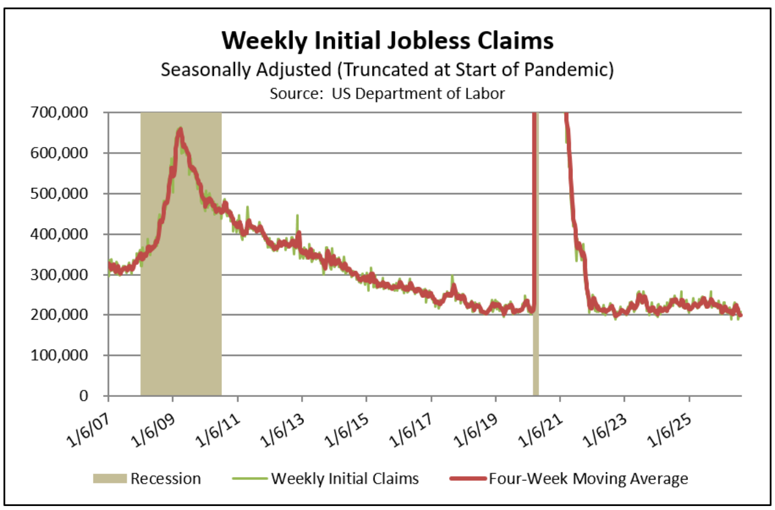
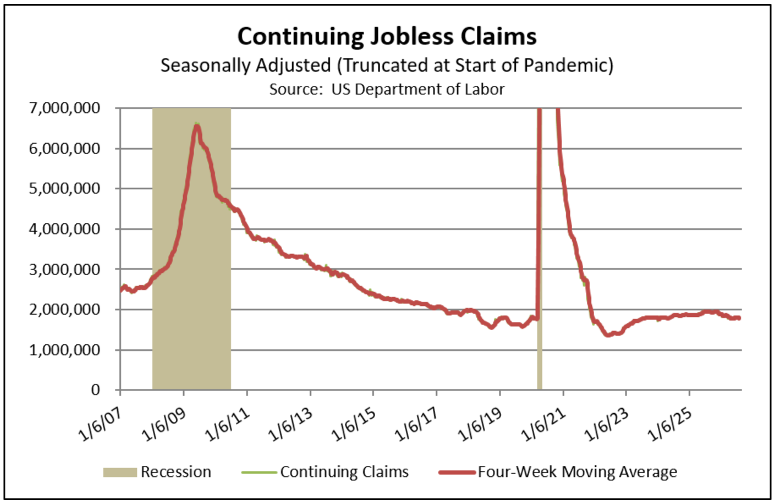
## US Economic Releases

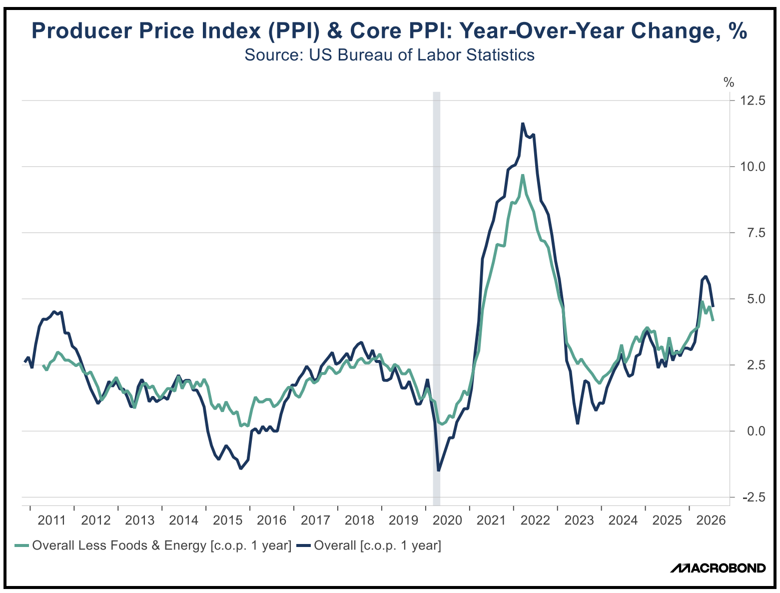
In the week ended August 8, ***initial claims for unemployment benefits*** rose to a seasonally adjusted 209,000, above both the expected level of 202,000 and the prior week's revised level of 200,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, was unchanged at 199,000. 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 August 1, the number of ***continuing claims for unemployment benefits*** (people continuing to draw benefits) fell to a seasonally adjusted 1.777 million, below both the anticipated reading of 1.794 million and the previous week's revised reading of 1.799 million. The four-week moving average of continuing claims fell to 1,785,500. 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, the July ***producer price index (PPI)*** came in unchanged on a seasonally adjusted basis, versus expectations that it would increase 0.2% after a revised decline of 0.1% in June. Excluding the volatile food and energy components, the July ***"core" PPI*** rose 0.2%, less than both the expected increase of 0.3% and the revised June rise of 0.4%. The overall PPI in July was up 4.7% from the same month one year earlier, while the core PPI was up 4.2%. The chart below shows the year-over-year change in the PPI and the core PPI since 2011.




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** |
| **8:15** | Beth Hammack Speaks in Moderated Discussion | President of the Federal Reserve Bank of Cleveland |
| **8:40** | Thomas Barkin Speaks on Economic Outlook | President of the Federal Reserve Bank of Richmond |

## 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** | Machine tool orders | y/y | Jul P | 50.4% | 52.7% | | ** | Equity and bond neutral |
| | PPI | y/y | Jul | 7.2% | 7.3% | 7.4% | *** | Equity and bond neutral |
| **New Zealand** | 2-Year Inflation Expectations | q/q | 3Q | 2.34% | 2.53% | | ** | Equity and bond neutral |
| **India** | Trade Balance | m/m | Jul | -$31980m | -$30428m | $30500m | ** | Equity and bond neutral |
| | Exports | y/y | Jul | 19.6% | 15.5% | | ** | Equity and bond neutral |
| | Imports | y/y | Jul | 17.5% | 31.0% | | ** | Equity and bond neutral |
| **EUROPE** | | | | | | | | |
| **Eurozone** | Industrial Production WDA | y/y | Jun | 0.1% | -0.1% | -0.6% | ** | Equity bullish, bond bearish |
| **UK** | RICS House Price Balance | y/y | Jul | -30% | -32% | -30% | ** | Equity and bond neutral |
| | GDP | y/y | 2Q P | 1.2% | 0.9% | 1.1% | *** | Equity and bond neutral |
| | Total Business Investment | y/y | 2Q P | 0.8% | -1.3% | -1.3% | * | Equity bullish, bond bearish |
| | Industrial Production | y/y | Jun | -0.2% | 1.0% | 0.3% | *** | Equity and bond neutral |
| | Manufacturing Production | y/y | Jun | 0.5% | 2.0% | 1.2% | ** | Equity and bond neutral |
| | Index of Services 3M/3M | m/m | Jun | 0.5% | 0.6% | 0.5% | ** | Equity and bond neutral |
| | Trade Balance GBP/Mn | m/m | Jun | -£5537m | £1044m | £2700m | ** | Equity and bond neutral |
| | Visible Trade Balance GBP/Mn | m/m | Jun | -£23007m | £18660m | £20400m | ** | Equity and bond neutral |
| **Switzerland** | Producer & Import Prices | y/y | Jul | -2.1% | -2.1% | | ** | Equity and bond neutral |
| **Russia** | GDP | y/y | 2Q A | 1.3% | -0.2% | 0.9% | ** | Equity and bond neutral |
| | CPI | y/y | Jul | 5.98% | 6.02% | 6.10% | *** | Equity and bond neutral |
| | Core CPI | y/y | Jul | 5.22% | 5.02% | | ** | Equity and bond neutral |
| **AMERICAS** | | | | | | | | |
| **Canada** | Building Permits | m/m | Jun | 18.5% | -3.0% | 0.8% | ** | Equity bullish, bond bearish |
| **Brazil** | Retail Sales | y/y | Jun | 2.9% | 4.0% | 2.1% | *** | Equity bullish, bond bearish |

## 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)** | 370 | 371 | -1 | 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 | 4.70 | -0.03 | Down |
| **Euribor/OIS spread (bps)** | 251 | 249 | 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 | $87.26 | $88.98 | -1.93% | |
| WTI | $81.44 | $83.27 | -2.20% | |
| Natural Gas | $2.77 | $2.80 | -1.21% | |
| Crack Spread | $66.22 | $65.87 | 0.53% | |
| 12-mo strip crack | $49.29 | $49.83 | -1.08% | |
| Ethanol rack | $2.13 | $2.12 | 0.34% | |
| **Metals** | | | | |
| Gold | $4,389.77 | $4,408.29 | -0.42% | |
| Silver | $64.89 | $65.32 | -0.66% | |
| Copper Contract | $657.65 | $661.55 | -0.59% | |
| **Grains** | | | | |
| Corn contract | $478.75 | $480.75 | -0.42% | |
| Wheat contract | $672.75 | $669.75 | 0.45% | |
| Soybeans contract | $1,185.00 | $1,183.25 | 0.15% | |
| **Shipping** | | | | |
| Baltic Dry Freight | 2,939 | 3,046 | -107 | |
| **DOE Inventory Report** | | | | |
| | **Actual** | **Expected** | **Difference** | |
| Crude (mb) | 17.42 | -1.80 | 19.22 | |
| Gasoline (mb) | -0.97 | -1.10 | 0.13 | |
| Distillates (mb) | -0.01 | -2.00 | 1.99 | |
| Refinery run rates (%) | -0.03% | -0.40% | 0.37% | |
| Natural gas (bcf) | | 31 | | |

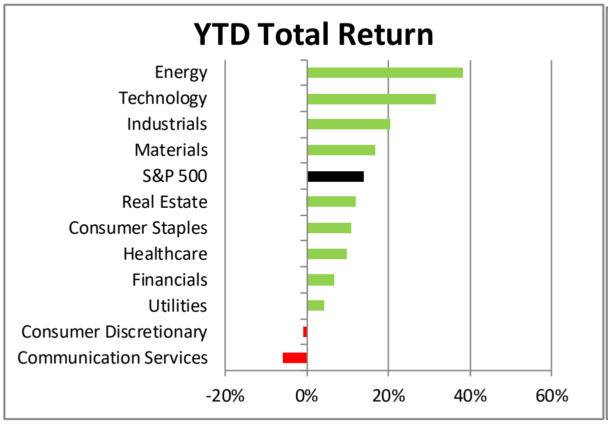
## Weather

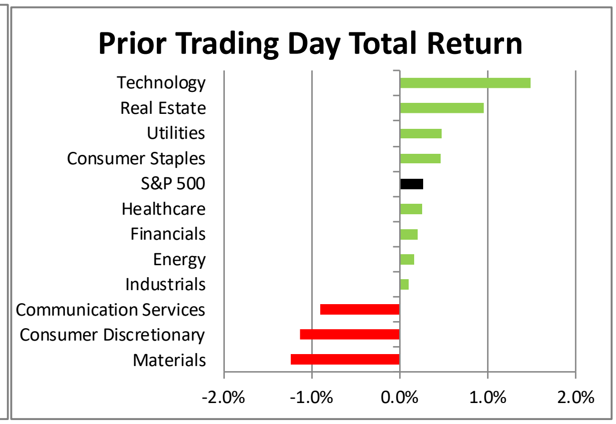
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except along the border with Canada from Montana eastward, with cooler-than-normal temperatures in New England. The outlook calls for wetter-than-normal conditions in the Far West and the Northeast, with dry conditions in the Deep South.

There are now three atmospheric disturbances in the Atlantic Ocean area. Tropical Depression Cristobal is in the central Atlantic and moving eastward. Another disturbance is midway between Africa and South America and moving northwesterly toward the Caribbean, with an 80% chance of cyclonic formation in the next seven days. The final disturbance is just off the coast of Africa and moving northwesterly toward the Caribbean, and it is assessed to have a 50% chance of cyclonic formation in the next week.

## Data Section

**US Equity Markets** – (as of 8/12/2026 close)

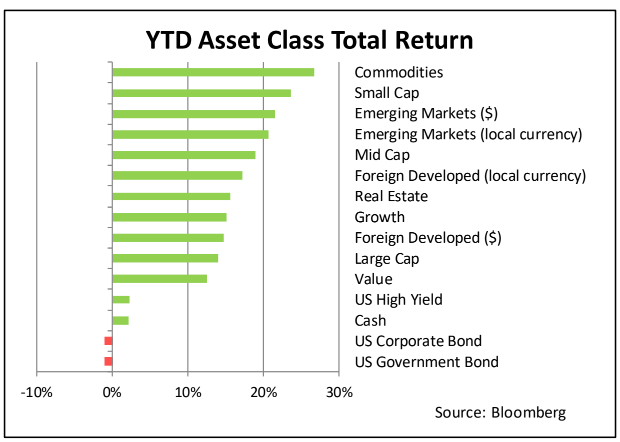



*(Source: Bloomberg)*

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 8/12/2026 close)

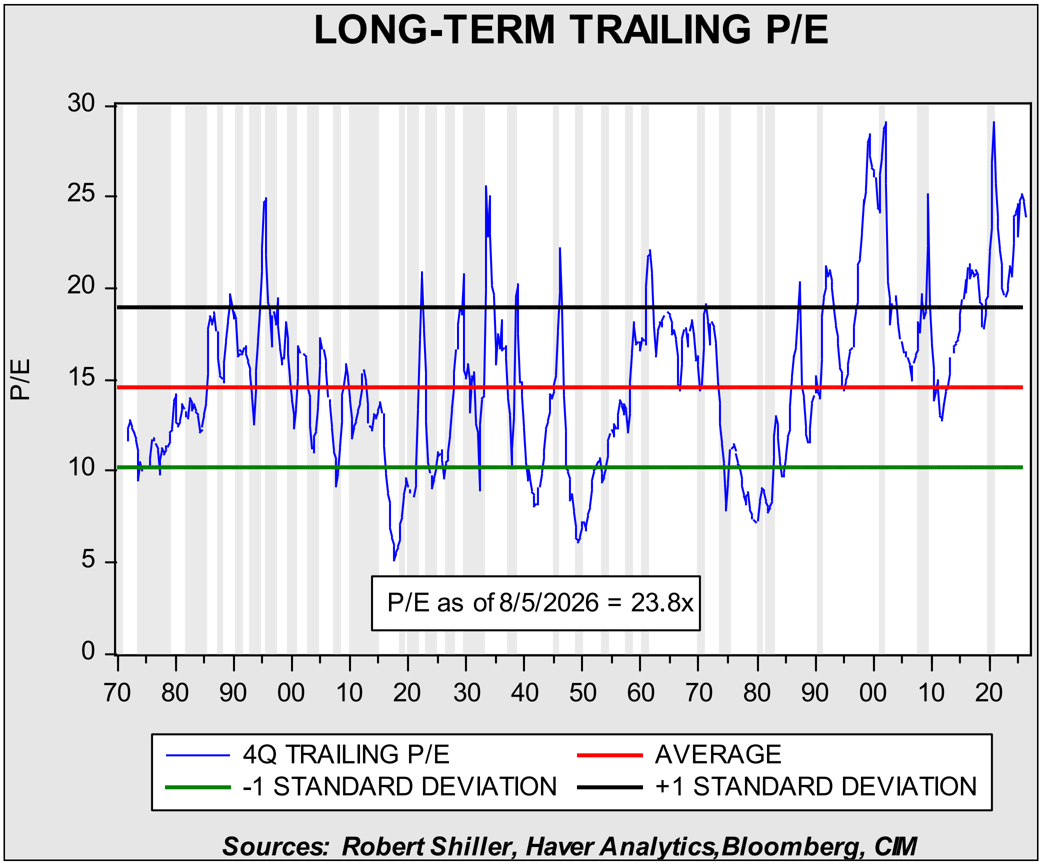



This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.