Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: August 28, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.8% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.2%. Chinese markets were lower, with the Shanghai Composite down 0.1% and the Shenzhen Composite down 0.4%. US equity index futures are signaling a higher open.

With 486 companies having reported so far, S&P 500 earnings for Q2 are running at $88.00 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, 86.0% have exceeded expectations, while 10.3% have fallen short.

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.

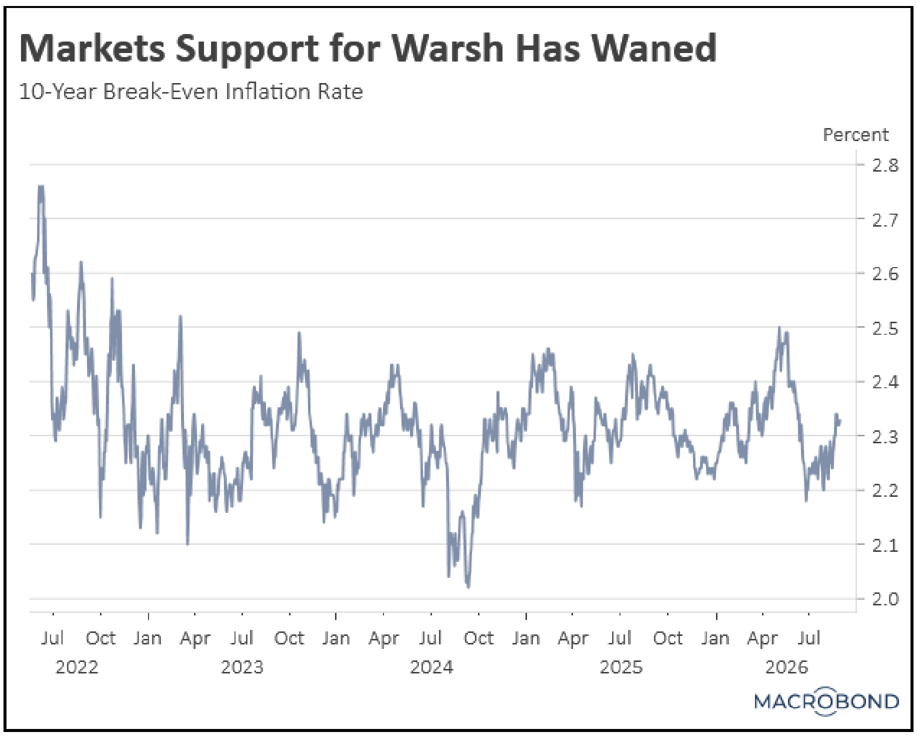
Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
"On Lessons Learned: China and Consumption Policy" (8/24/26)	"China's Threat to the AI Investment Boom" (8/17/26) + podcast	Q3 2026 Report Q3 2026 Rebalance Presentation	Confluence of Ideas Podcast **Business Cycle Report**

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.

Our *Comment* opens with our views on Fed Chair Kevin Warsh as markets await his speech at Jackson Hole. We then turn to Venezuela where the US is pushing for stakes in the oil fields there. Following that, we briefly cover several other topics: Iran's openness to reengaging with the US in talks, the backlash against EU industrial policy, and Anthropic's court victory against the Pentagon. As usual, the report concludes with a summary of today's domestic economic releases.

Forward Guidance in Focus: All eyes will be on Fed Chair Kevin Warsh's upcoming speech at the Jackson Hole symposium today. His remarks arrive against a backdrop of climbing bond yields, driven in part by mounting uncertainty over the central bank's policy trajectory. Following two consecutive meetings that exposed deepening divisions within the FOMC regarding the appropriate path forward, markets are increasingly skeptical about the committee's resolve to steer inflation back to its 2% target.

- Warsh's address will be closely scrutinized as a key signal for clarifying the Fed's reaction function and near-term policy bias. While the chair has been consistent in reaffirming the Fed's commitment to its price-stability mandate, he has remained notably less forthcoming on the specific conditions that would prompt the committee to tighten monetary policy. During the last FOMC press conference, he refrained from stating whether or not the central bank would raise rates even after three dissents.
- Additionally, a growing number of committee members have signaled that a rate hike should at least be on the table, citing the recent stickiness in inflation. On Thursday, Cleveland Fed President Beth Hammack, one of the dissenters, publicly stated that the time for raising rates may be nearing. Earlier this month, Governor Lisa Cook similarly warned that with inflation persisting above target, the risk of entrenched price pressures remains elevated.



- A lack of clear direction from the Federal Reserve is rattling markets and eroding confidence in the Fed's ability to contain future inflation. Kevin Warsh's initial honeymoon period appears to be over; the 10-year breakeven rate has climbed markedly since he took office, signaling deepening inflation anxiety. This shift is particularly striking given Warsh's historical advocacy for price stability as the central bank's singular mandate, yet it now suggests that the market is beginning to question his credibility.

- The friction between markets and Fed Chair Warsh has likely not escaped the central bank's attention. Reports indicate that Warsh has privately acknowledged missteps during his first months in office. While we do not anticipate a sharp reversal of his lean communication strategy, we do expect him to offer the market greater clarity regarding his approach to achieving price stability. His success — or failure — in assuaging market fears will therefore be a key focus for markets today.

Donroe Doctrine: Months after the US formally removed dictator Nicolás Maduro from power in Venezuela, the two countries have moved to rebuild ties. On Thursday, officials announced that the US is in discussions to take a stake in the country's oil fields. The move is part of a broader US strategy to deepen engagement with South America. This is both to secure critical resources and to reinforce its sphere of influence as it seeks to prevent China from gaining a stronger foothold in the region.

- Under the proposed arrangement, US companies would gain access to develop certain Venezuelan oil fields with proven reserves, while returning a share of the resulting revenue to the Venezuelan government. Although the details remain under negotiation, US officials hope an agreement could strengthen the country's strategic energy position as it rebuilds resources depleted by the ongoing conflict with Iran.
- The move is part of the US's broader effort to forge closer ties with South American nations, particularly those with right-leaning governments, as it seeks to counter China's influence in the region. Over the past several years, Washington has adopted a more interventionist posture across the continent, offering swap lines to Argentina to alleviate its dollar liquidity crunch while coordinating financing efforts in Chile for lithium and rare earth mining projects.
- A growing US presence abroad is likely to bring both advantages and drawbacks. On the positive side, closer ties with foreign governments could diversify US access to critical minerals and energy supplies, strengthening overall resource security and reducing reliance on any single supplier. However, greater dependence on overseas partnerships could also make the United States more vulnerable to political instability and policy shifts in partner countries.
- The White House push reinforces our view of a growing corporatist state approach to expanding US influence abroad. In South America specifically, we expect the Trump administration to continue advancing American interests overseas in hopes of building stronger domestic supply chains. That said, the impact of taking oil stakes in Venezuela will likely not be felt immediately in markets but should begin to bear fruit once projects come online.

Iran Talks: An Iranian diplomat has signaled a willingness to hold talks with the United States in an effort to break the impasse between the two sides. The remarks follow a series of discussions between Iran and Qatar aimed at identifying a path toward resuming negotiations with Washington. It remains unclear whether the United States is prepared to engage. Still, Iran's outreach suggests that the conditions for renewed talks may be beginning to take shape.

EU's Industrial Backlash: European trading partners have begun pushing back against the EU's demands that they comply with its regulations and contribute to its programs in exchange for market access. The backlash comes as smaller countries are increasingly being forced to choose sides among major powers — the EU, China, and the US — as each pursues ambitious reindustrialization agendas.

Anthropic Battle: The AI provider has prevailed in its Pentagon lawsuit, preserving its government contract. A judge ruled Thursday that while the government has wide discretion in choosing partners, it cannot retaliate against a company for exercising First Amendment rights. The decision seems to stem from Anthropic's public criticism of Pentagon access to its models without safeguards. Though the fight may not be over, the ruling could establish an important precedent for future government contractors.

US Economic Releases

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

Economic Releases						
EST	**Indicator**			**Expected**	**Prior**	**Rating**
9:45	MNI Chicago PMI	m/m	Aug	57.9	57.6	***
10:00	U. of Michigan Consumer Sentiment	m/m	Aug F	51.0	51.0	***
10:00	U. of Michigan Current Conditions	m/m	Aug F	52.0	51.8	**
10:00	U. of Michigan Future Expectations	m/m	Aug F	51.4	50.6	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Aug F	4.4%	4.3%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Aug F	3.3%	3.3%	*
11:00	Kansas City Fed Services Activity	m/m	Aug	10	14	*
Federal Reserve						
9:00	**Speaker or Event**	**District or Position**				
14:30	Beth Hammack Speaks on BTV	President of the Federal Reserve Bank of Cleveland				
10:00	Kevin Warsh Speaks at Jackson Hole Symposium	Chairman of the Board of Governors				
20:00	Austan Goolsbee Speaks on CNBC	President of Federal Reserve Banks of Chicago				

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	Tokyo CPI	y/y	Aug	1.9%	1.8%	1.9%	**	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food	y/y	Aug	1.8%	1.7%	1.8%	***	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food & Energy	y/y	Aug	2.0%	1.8%	2.0%	*	Equity and bond neutral
	Jobless Rate	m/m	Jul	2.4%	2.5%	2.5%	***	Equity bullish, bond bearish
	Job-To-Applicant Ratio	m/m	Jul	1.18%	1.18%	1.19%	***	Equity bullish, bond bearish
New Zealand	ANZ Consumer Confidence Index	m/m	Jun	98.0	99.3		*	Equity bearish, bond bullish
India	Industrial Production	y/y	Jul	6.7%	8.8%	6.0%	***	Equity bullish, bond bearish
EUROPE								
Eurozone	Economic Confidence	m/m	Aug	98.4	96.9	97.5	***	Equity bullish, bond bearish
	Industrial Confidence	m/m	Aug	-5.3	-6.1	-5.1	***	Equity bearish, bond bullish
	Services Confidence	m/m	Aug	5.8	5.1	4.9	**	Equity bullish, bond bearish
	Consumer Confidence	m/m	Aug F	-15.5	-15.5	-15.5	**	Equity and bond neutral
Germany	Import Price Index	y/y	Jul	6.8%	6.1%	6.9%	**	Equity and bond neutral
	Unemployment Change	m/m	Aug	4.0k	6.0k	4.8k	***	Equity bearish, bond bullish
	Unemployment Claims Rate	m/m	Aug	6.4%	6.4%	6.4%	**	Equity and bond neutral
France	CPI	y/y	Aug P	2.4%	2.1%	2.4%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Aug P	2.7%	2.4%	2.6%	**	Equity and bond neutral
	GDP	y/y	Q2 F	0.5%	0.7%	0.7%	**	Equity bearish, bond bullish
Italy	Industrial Sales WDA	y/y	Jun	3.1%	5.2%		*	Equity bearish, bond bullish
	Consumer Confidence	m/m	Aug	94.5	94.2	94.6	***	Equity and bond neutral
	Economic Sentiment	m/m	Aug	96.9	95.7		**	Equity bullish, bond bearish
	Manufacturing Confidence	m/m	Aug	89.9	89.7	90.0	***	Equity and bond neutral
Switzerland	KOF Leading Indicator	m/m	Aug	106.7	104.2	103.0	**	Equity bullish, bond bearish
AMERICAS								
Canada	GDP	y/y	Jun	2.0%	1.6%	2.0%	**	Equity and bond neutral
Brazil	FGV Inflation IGPM	y/y	Aug	2.16%	2.76%	2.10%	***	Equity and bond neutral
	Total Outstanding Loans	m/m	Jul	7372b	7353b		**	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)	368	368	0	Up
U.S. Sibor/OIS spread (bps)	376	376	0	Up
U.S. Libor/OIS spread (bps)	375	374	1	Up
10-yr T-note (%)	4.68	4.68	0.00	Down
Euribor/OIS spread (bps)	256	255	1	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Flat
Yen	Down	Japan		Down
Pound	Up	UK		Up
Franc	Down	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	$89.23	$89.70	-0.52%	
WTI	$82.79	$83.53	-0.89%	
Natural Gas	$2.85	$2.91	-2.13%	
Crack Spread	$60.01	$58.64	2.34%	
12-mo strip crack	$49.56	$49.01	1.13%	
Ethanol rack	$2.18	$2.18	-0.01%	
Metals				
Gold	$4,596.04	$4,599.15	-0.07%	
Silver	$70.54	$69.25	1.87%	
Copper Contract	$673.15	$668.90	0.64%	
Grains				
Corn contract	$539.25	$533.50	1.08%	
Wheat contract	$771.00	$760.75	1.35%	
Soybeans contract	$1,279.25	$1,268.00	0.89%	
Shipping				
Baltic Dry Freight	3,107	3,056	51	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	95	1580	-1485	
Gasoline (mb)	-2536	-1100	-1436	
Distillates (mb)	-2228	-1900	-328	
Refinery run rates (%)	0.20%	-0.50%	0.70%	
Natural gas (bcf)	15	15	0	

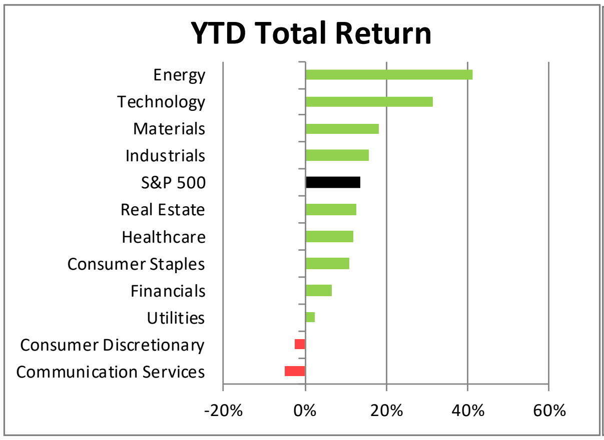
Weather

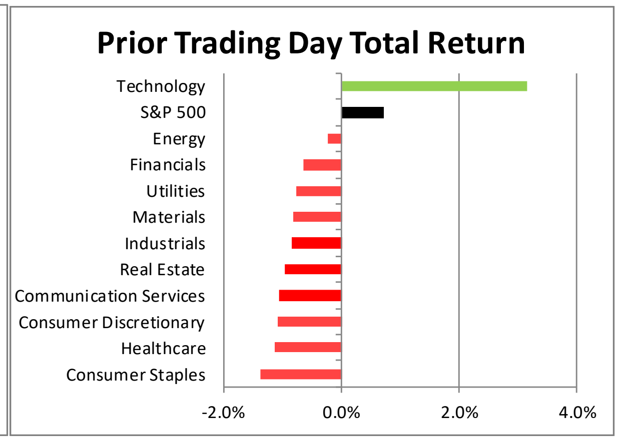
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Rocky Mountains to the East Coast, with cooler-than-normal temperatures only in the Pacific Northwest. The outlook calls for wetter-than-normal conditions in the Far West, the northern Great Plains, and New England, with dry conditions in Texas, Oklahoma, and Arkansas.

The atmospheric disturbance in the Atlantic Ocean area has now become Hurricane Dolly. The storm is in the central Atlantic and moving westward toward the Caribbean Sea. It is expected to reach the Caribbean islands over the weekend.

Data Section

US Equity Markets – (as of 8/27/2026 close)

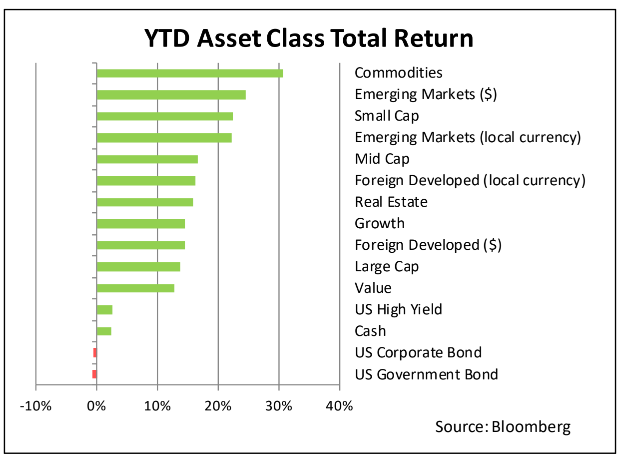




(Source: Bloomberg)

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 8/27/2026 close)

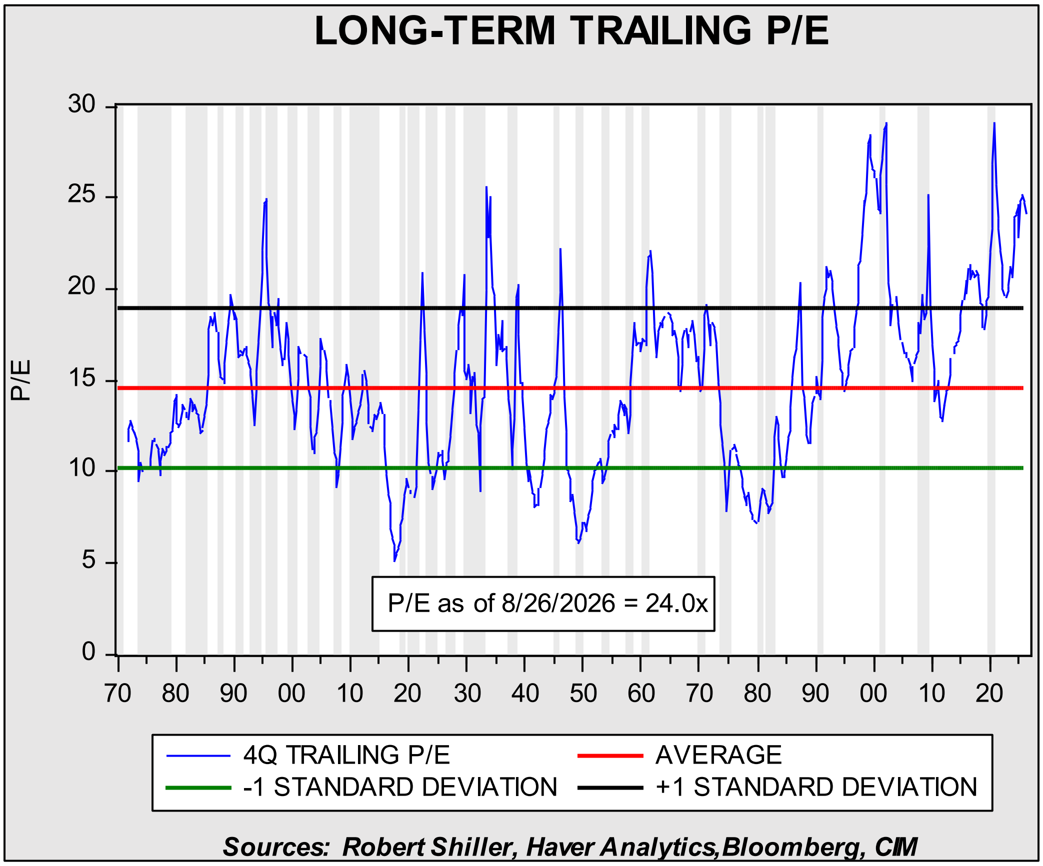


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 27, 2026



Based on our methodology,[1] the current P/E is 24.0x, unchanged from the previous report. The increase in the stock price index was offset by a rise in earnings.

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 (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.