



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: February 20, 2026 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.3%. Chinese markets remain closed for the Lunar New Year and Spring Festival holiday. US equity index futures are signaling a lower open.

With 425 companies having reported so far, S&P 500 earnings for Q4 are running at \$73.90 per share compared to estimates of \$71.07, which is up 8.3% from Q4 2024. Of the companies that have reported thus far, 74.4% have exceeded expectations, while 20.7% have fallen short of expectations.

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
“US Foreign Policy: Comparing the New vs. Old” (2/9/26) + podcast	“The Warsh Doctrine” (2/17/26) + podcast	Q1 2026 Report Q1 2026 Rebalance Presentation	Confluence of Ideas podcast The Case for Hard Assets

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* begins with an analysis of the US pressure campaign on Iran, then examines the growing concerns surrounding private credit firms. We next explore signs of a “New Monroe Doctrine” emerging in South America and discuss speculation over the ECB president’s potential departure. We also include a summary of key economic data from the US and global markets.

Iran Pressure: While talks between the US and Iran over Tehran’s nuclear program are ongoing, the stakes for reaching a deal are rising. President Donald Trump warned on [Thursday that Iran has “10 to 15 days” to agree to terms on its nuclear program](#), sharpening the diplomatic deadline. Adding further fuel to tensions, Washington has ordered its largest military buildup in

the Middle East since the Iraq war, a move widely seen as preparation for potential action if diplomacy fails. The heightened military posture has increased the risk of open conflict.

- The latest US moves appear aimed at signaling to Iran that it has limited leverage at the negotiating table. The renewed talks are reportedly centered on Iran's ballistic missile program, which Tehran sees as essential to its regional power projection, but which neighbors view as a serious security threat. Iran has indicated that it is unwilling to give up these capabilities, yet Washington seems intent on testing whether that position can be softened.
- That said, it remains unclear what level of force the US is prepared to employ against Iran. Reports suggest the administration [may be favoring a limited strike as a catalyst to advance diplomatic talks](#), an initial attack could occur within days that would likely target military and government sites. Should that prove insufficient, the strategy could escalate into a broader campaign aimed at regime change.
- The threat of a potential conflict has already drawn international involvement. Russia has vowed to respond to any new US strikes against Iran, while both Moscow and Beijing have initiated joint military exercises with Tehran. These maneuvers, aimed at ensuring operational readiness, signal that both powers could provide strategic support should a full-scale conflict with the US erupt.
- While we remain cautiously optimistic that a full-scale conflict can be avoided, the margin for miscalculation remains high. Although Iran lacks the leverage to dictate terms, the US has little appetite for a repeat of the Iraq War — a scenario that could mirror the chaos of a potential regime collapse in Tehran. Given this backdrop, we believe rising geopolitical uncertainty will provide a significant tailwind for commodity prices and precious metals.

Private Credit Concerns: Financial stability concerns around private credit have intensified following fresh restrictions at a major debt fund. On Wednesday, [Blue Owl permanently restricted withdrawals from its retail-focused private credit vehicle](#), underscoring mounting anxiety over weakening consumer loan performance and significant exposure to software companies seen as vulnerable to AI-driven disruption. Despite the recent scrutiny, there is little evidence so far that private credit funds are being forced into large write downs on their assets.

- That said, there is likely to be growing concern about the broader private credit market, increasing the odds that it becomes a target for tighter oversight. Recent commentary from Senator Elizabeth Warren and other lawmakers has emphasized the need for stronger safeguards around complex non-bank lending, while recent Fed meeting minutes flagged vulnerabilities in the “opaque” private credit sector and its exposure to higher risk borrowers.
- For now, we assess the risk of a private credit bubble triggering broad market turmoil as low. Yet, we doubt this is the last we will hear of underlying vulnerabilities, given the trajectory of consumer credit delinquencies and the structural threat AI poses to established players. Although we expect any fallout to be limited in scope, we believe increased international exposure could serve as a useful hedge against potential vulnerabilities in the US and technology sectors.

New Monroe Doctrine: President Santiago [Peña of Paraguay has emerged as a supportive voice for US policy in South America](#). He characterized US actions regarding Venezuela as a necessary, if imperfect, step toward restoring democracy and expressed confidence in the country's democratic prospects. Peña has also backed US stances on Israel and anti-cartel operations. These statements support our thesis that the United States is actively seeking to solidify its regional footprint and counter China's deepening influence.

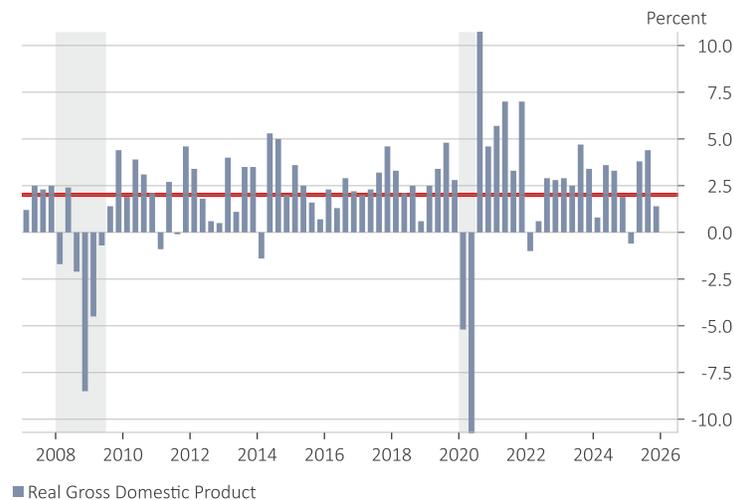
Lagarde to Stay? ECB President Christine Lagarde [has pushed back against speculation that she could step down before her term expires in 2027](#), telling the *Wall Street Journal* that her baseline is to serve out her full mandate. While she stopped short of categorically ruling out an early exit, her comments suggest no decision has been taken to leave ahead of schedule. Any premature departure would give EU leaders a chance to install a successor who is likely to focus on preserving the integrity of the currency bloc while reaffirming the ECB's commitment to price stability.

US Economic Releases

The Commerce Department released its advanced 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 1.4%, much worse than expectations of 3.0%. 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 about 2.0% over the last two decades.

US: Inflation-Adjusted GDP: Quarter-Over-Quarter Growth

Seasonally Adjusted, Annualized Rate

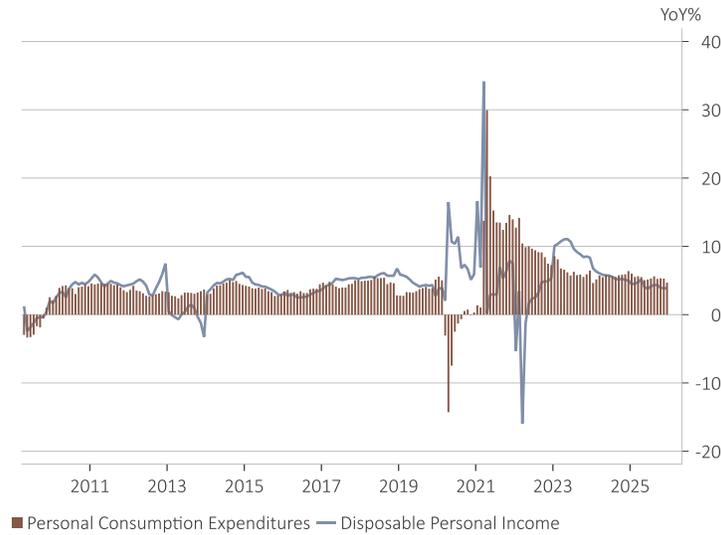


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Separately, December **personal income** rose by a seasonally adjusted 0.3%, in line with market expectations. **Personal consumption expenditures (PCE)** rose 0.4%, also in line with market

expectations. Personal income in December was up 3.8% from the same month one year earlier, while PCE was up 4.7%. The chart below shows the year-over-year change in personal income and PCE since just before the Great Financial Crisis.

Personal Consumption vs. Disposable Income



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The personal income and spending report also includes a measure of personal savings, defined as disposable (after tax) income less consumption spending on goods and services. The December **personal savings rate** fell to a seasonally adjusted 3.6%, its lowest since September 2022. The chart below shows how the personal savings rate has fluctuated since just before the GFC.

United States, Income Approach, Total, Personal Saving Rate, SA, AR

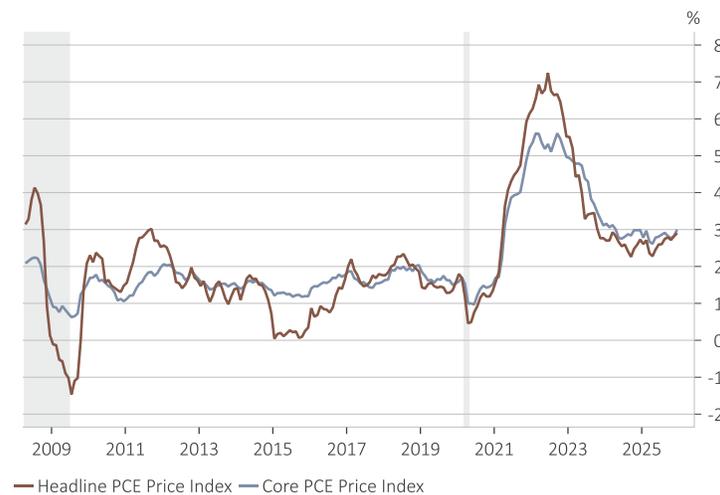


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Finally, the income and spending report includes the Fed’s preferred measure of consumer price inflation. Overall PCE price index rose 2.8% from the previous year, in line with market expectations. After stripping out the volatile food and energy components, the **Core PCE Deflator** for December was up 2.9% from the same month one year earlier, matching expectations. This key measure of inflation remains significantly 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.

Personal Consumption Expenditures: Headline and Core Inflation

% Change - Year to Year SA, 2017=100



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The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
9:45	S&P Global US Manufacturing PMI	m/m	Feb P	52.4	52.4	***
9:45	S&P Global US Services PMI	m/m	Feb P	53.0	52.7	***
9:45	S&P Global US Composite PMI	m/m	Feb P	53.1	53.0	***
10:00	New Home Sales	m/m	Dec	730k		***
10:00	New Home Sales MoM	m/m	Dec	0.0%		**
10:00	U. of Michigan Consumer Sentiment	m/m	Feb F	57.3	57.3	***
10:00	U. of Michigan Current Conditions	m/m	Feb F	58.0	58.3	**
10:00	U. of Michigan Future Expectations	m/m	Feb F	56.6	56.6	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Feb F	3.5%	3.5%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Feb F	3.4%	3.4%	*
10:00	Building Permits	m/m	Dec F		1448k	**
Federal Reserve						
EST	Speaker or Event	District or Position				
9:45	Raphael Bostic in Moderated Conversation	President of the Federal Reserve Bank of Atlanta				
12:45	Lorie Logan Speaks at Bank Regulation Conference	President of the Federal Reserve Bank of Dallas				
15:30	Alberto Musalem Appears on Fox Business	President of the Federal Reserve Bank of St. Louis				

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	National CPI	y/y	Jan	1.5%	2.1%	1.6%	***	Equity and bond neutral
	National CPI Ex-Fresh Food	y/y	Jan	2.0%	2.4%	2.0%	**	Equity and bond neutral
	National CPI Ex-Fresh Food & Energy	y/y	Jan	2.6%	2.9%	2.7%	*	Equity and bond neutral
	S&P Global Japan Composite PMI	m/m	Feb P	53.8	53.1		*	Equity and bond neutral
	S&P Global Japan Manufacturing PMI	m/m	Feb P	52.8	51.5		***	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Feb P	53.8	53.7		*	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Feb P	52.0	55.7		*	Equity and bond neutral
	S&P Global Australia Manufacturing	m/m	Feb P	51.5	52.3		***	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Feb P	52.2	56.3		*	Equity and bond neutral
New Zealand	Trade Balance NZD	m/m	Jan	-519m	-88m		**	Equity and bond neutral
	Exports NZD	m/m	Jan	6.21b	7.51b		**	Equity and bond neutral
	Imports NZD	m/m	Jan	6.73b	7.60b		**	Equity and bond neutral
India	HSBC India PMI Composite	m/m	Feb P	59.3	58.4		**	Equity and bond neutral
	HSBC India PMI Mfg	m/m	Feb P	57.5	55.4		***	Equity and bond neutral
	HSBC India PMI Services	m/m	Feb P	58.4	58.5		**	Equity and bond neutral
EUROPE								
Eurozone	Consumer Confidence	m/m	Feb P	-12.2	-12.4	-12.0	**	Equity and bond neutral
	HCOB Eurozone Manufacturing PMI	m/m	Feb P	50.8	49.5	50.0	***	Equity and bond neutral
	HCOB Eurozone Services PMI	m/m	Feb P	51.8	51.6	51.9	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	Feb P	51.9	51.3	51.5	*	Equity and bond neutral
Germany	PPI	y/y	Jan	-3.0%	-2.5%	-2.2%	**	Equity bearish, bond bullish
	HCOB Germany Services PMI	m/m	Feb P	53.4	52.4	52.4	**	Equity bullish, bond bearish
	HCOB Germany Composite PMI	m/m	Feb P	53.1	52.1	52.3	**	Equity bullish, bond bearish
France	HCOB France Manufacturing PMI	m/m	Feb P	50.7	49.1	49.5	***	Equity bullish, bond bearish
	HCOB France Manufacturing PMI	m/m	Feb P	49.9	51.2	50.9	***	Equity bearish, bond bullish
	HCOB France Services PMI	m/m	Feb P	49.6	48.4	49.2	**	Equity and bond neutral
UK	HCOB France Composite PMI	m/m	Feb P	49.9	49.1	49.6	**	Equity and bond neutral
	Public Finances (PSNCR)	m/m	Jan	-59.3b	16.8b		*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	Jan	-30.4b	13.4b	-24.0b	*	Equity and bond neutral
Russia	PSNB ex Banking Groups	m/m	Jan	-30.4b	11.6b		**	Equity and bond neutral
	Retail Sales	y/y	Jan	4.5%	1.9%	2.8%	***	Equity bullish, bond bearish
	Retail Sales Ex-Auto Fuel	y/y	Jan	5.5%	2.5%	3.6%	**	Equity bullish, bond bearish
	S&P Global UK Services PMI	m/m	Feb P	53.9	54.0	53.5	**	Equity and bond neutral
	S&P Global UK Manufacturing PMI	m/m	Feb P	52.0	51.8	51.5	***	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Feb P	53.9	53.7	53.2	**	Equity and bond neutral
AMERICAS	Gold and Forex Reserves	m/m	13-Feb	\$806.1b	\$797.5b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	13-Feb	19.61t	19.49t		*	Equity and bond neutral
Canada	International Merchandise Trade	m/m	Dec	-1.31b	-2.59b	-2.20b	*	Equity and bond neutral
Mexico	Retail Sales	y/y	Dec	4.3%	4.4%	3.7%	***	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)	359	360	-1	Down
U.S. Sibor/OIS spread (bps)	367	366	1	Down
U.S. Libor/OIS spread (bps)	363	363	0	Down
10-yr T-note (%)	4.06	4.07	-0.01	Up
Euribor/OIS spread (bps)	202	201	1	Down
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Up
Yen	Up	Japan		Up
Pound	Up	UK		Up
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.

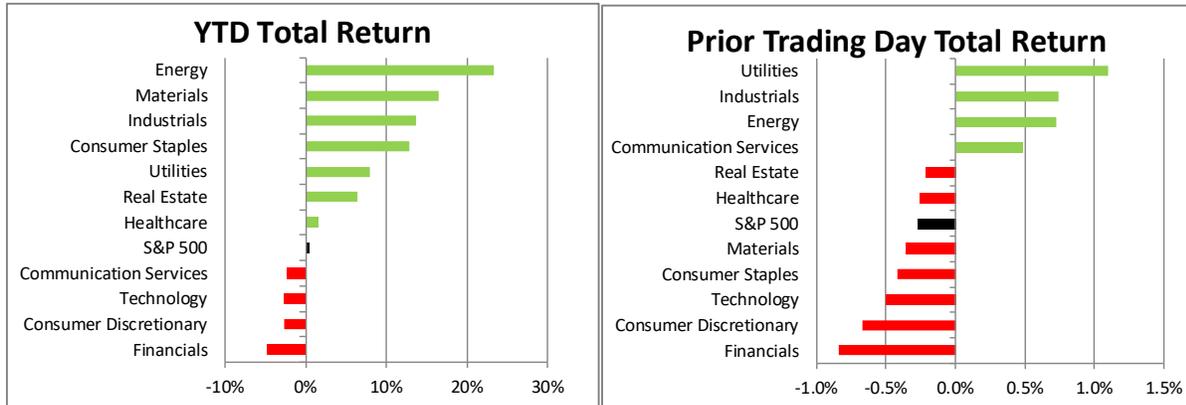
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$71.29	\$71.66	-0.52%	
WTI	\$66.15	\$66.43	-0.42%	
Natural Gas	\$2.98	\$3.00	-0.63%	
Crack Spread	\$26.80	\$26.36	1.65%	
12-mo strip crack	\$27.33	\$26.89	1.65%	
Ethanol rack	\$1.83	\$1.82	0.57%	
Metals				
Gold	\$5,021.13	\$4,996.10	0.50%	
Silver	\$80.34	\$78.51	2.33%	
Copper Contract	\$580.45	\$579.85	0.10%	
Grains				
Corn contract	\$438.00	\$436.25	0.40%	
Wheat contract	\$571.25	\$566.75	0.79%	
Soybeans contract	\$1,154.00	\$1,156.00	-0.17%	
Shipping				
Baltic Dry Freight	2,019	2,063	-44	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-9.01	1.65	-10.66	
Gasoline (mb)	-3.21	-0.33	-2.88	
Distillates (mb)	-4.57	-1.95	-2.62	
Refinery run rates (%)	0.16%	0.95%	-0.79%	
Natural gas (bcf)	-144	-149	5	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in almost the entire country. The precipitation outlook calls for wetter-than-normal conditions throughout the northern half of the country, with dry conditions throughout the Southwest and Texas.

Data Section

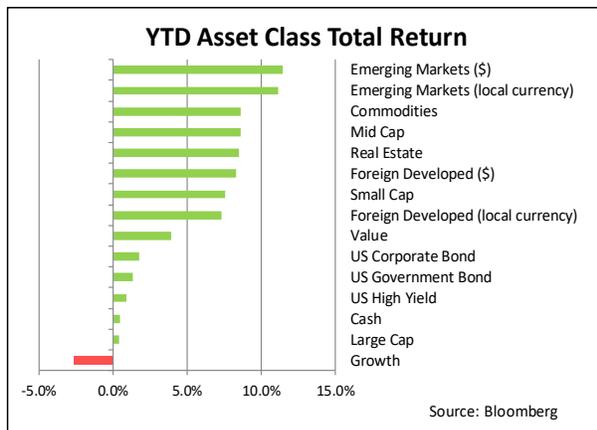
US Equity Markets – (as of 2/19/2026 close)



(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 2/19/2026 close)

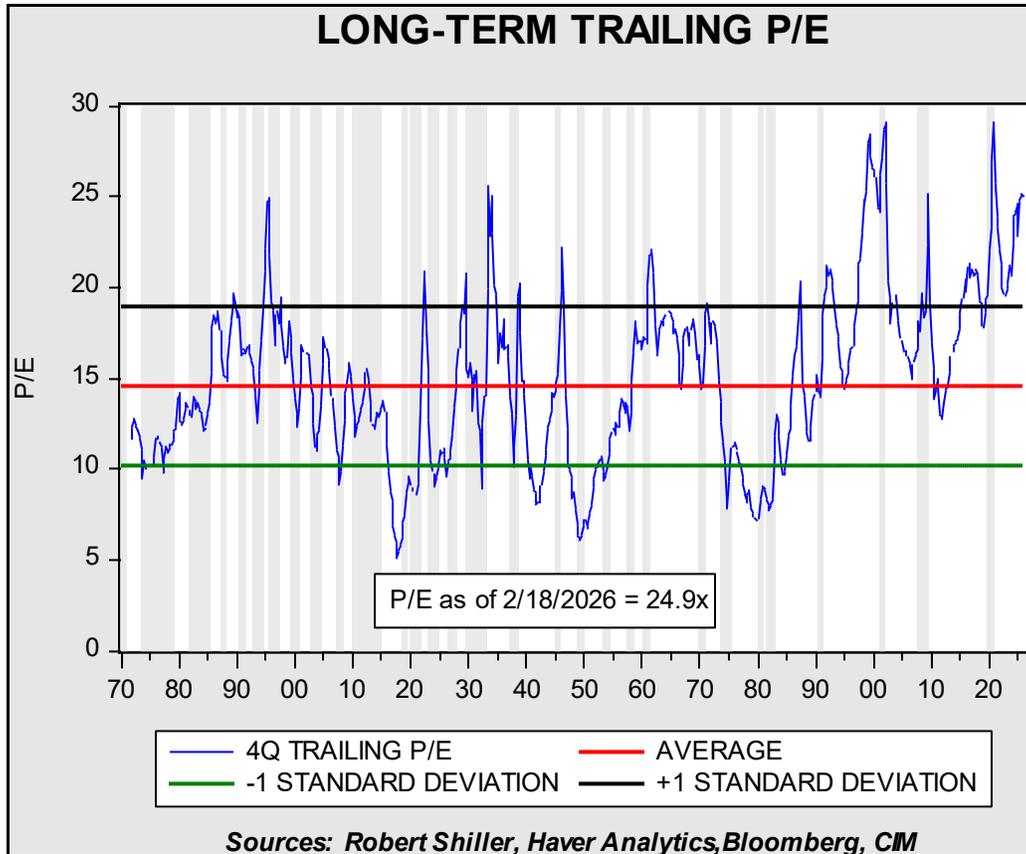


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

February 19, 2026



Based on our methodology,¹ the current P/E is 24.9x and is down 0.1 from the previous report. Last week, the stock price index fell slightly while earnings were relatively unchanged.

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.