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**[Posted: February 23, 2026 — 9:30 AM ET]** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.1%. Chinese markets remain closed for the Lunar New Year and Spring Festival holiday. US equity index futures are signaling a lower open.

With 427 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, 74.2% have exceeded expectations, while 20.6% have fallen short of expectations.

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

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](mailto:mailbag@confluenceim.com).

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Our *Comment* today opens with an update on the US’s evolving foreign trade policy now that the Supreme Court has invalidated much of the administration’s tariffs. We next review several other international and US developments that could affect the financial markets today, including moves that will likely boost Japan’s defense industry and a spike in violence in Mexico after its government killed a major drug lord.

**US Tariff Policy:** Responding to the Supreme Court’s decision on Friday invalidating the import tariffs that President Trump had based on an emergency law, the president on Saturday said he will impose a blanket 10% tariff on all countries based on a different law that would allow them to stay in place for 150 days, effective Tuesday. [He later said he would raise that tariff to 15%.](#)

For some countries that would actually be higher than the rate they had previously negotiated with the US.

- We had long argued that if the Supreme Court ruled against the original tariffs, the administration would pivot to other legal justifications for them. The new legal basis isn't as advantageous as the one initially used, but the administration is still likely to use it to its maximum effect.
- As a result, we expect that trade policy uncertainty will increase again, especially since the court ruling now raises a question about rebates of the previous tariffs and the validity of foreign countries' investment pledges to the US.
- Indeed, the renewed trade uncertainty appears to be weighing on global equity prices so far today.

**US Nuclear Energy Industry:** In a weekend interview with the *Financial Times*, the CEO of enriched uranium firm Centrus Energy [warned that the US nuclear energy industry will face a shortage of the fuel when new sanctions outlaw sourcing it from Russia](#) beginning in 2028. The CEO, Amir Vexler, said his firm is racing to build new enrichment capacity but may not be able to keep up with the demand from planned reactor installations or restarts.

- Vexler's warning is consistent with our view that increased demand for nuclear energy around the world is likely to put upward pressure on uranium prices at different stages of the fuel's supply chain. That alone should support robust pricing for uranium going forward.
- In addition, investors should keep in mind that China's effort to rapidly build up its arsenal of nuclear weapons will also demand a significant chunk of global uranium mine output. That will likely put added upward pressure on uranium prices.

**US Airline Industry:** The Department of Homeland Security yesterday [said it would suspend the TSA PreCheck and Global Entry expedited security programs at US airports](#) due to the partial government shutdown, but later backtracked and said only Global Entry would be suspended. On top of the blizzard that has already canceled or delayed hundreds of flights in the Northeast, the news points to painful, if temporary, disruptions for the US airline industry in the coming weeks.

**Japan:** The ruling Liberal Democratic Party at the weekend [approved a draft law that would scrap the current rules limiting Japan's defense equipment exports](#) and allow lethal arms shipments. The party is expected to present the draft bill to the government as early as this week. Prime Minister Takaichi can then use her supermajority in parliament to push it into law. In our view, the legislation is likely to spur the development of an important new industry for Japan, potentially helping improve economic growth and boost stock market opportunities.

- Under Japan's current rules, defense equipment exports are limited to five categories: rescue, transportation, vigilance, surveillance, and minesweeping.
- The proposed rules would assign defense equipment to two categories: arms such as tanks and howitzers, and non-arms equipment such as bulletproof vests. The National

Security Council, attended by the prime minister and relevant ministers, would have the authority to approve or disapprove arms exports.

**China:** New satellite photos analyzed by Janes show that China [has launched the first of its next-generation Sui-class attack submarines](#). The photos show that the nuclear-powered Type 095 sub exhibits advanced acoustic stealth and strike technologies, such as an X-tail rudder configuration and pump-jet propulsion. The new sub illustrates how China continues to rapidly build and improve its armed forces in an effort to dominate at least the Indo-Pacific region and force the US into economic and geopolitical retreat.

**Mexico:** Under pressure from the US, the Mexican military yesterday [killed the country's top drug lord, Nemesio "Mencho" Oseguera](#). In response, his Jalisco New Generation Cartel has begun lashing out with a series of attacks on civilian and government targets. It isn't clear whether the cartel will continue trying to get revenge against President Scheinbaum for her cooperation with the US, or whether it will devolve into an intra-cartel power struggle. Either way, the resulting violence could be a headwind for Mexican stocks in the near term.

**United States-Israel-Middle East:** In a weekend interview, the US Ambassador to Israel, Mike Huckabee, [said Israel has a right to seize vast swaths of land from "the Wadi of Egypt" to the Euphrates](#), based on the biblical verse in which God granted it to the descendants of Abraham. Huckabee later backtracked, but the statement raises concerns that the US could be working to extend Israeli sovereignty beyond its borders. If so, the policy would likely portend renewed tensions or even war between Israel and the rest of the Middle East in the coming years.

**United States-Iceland-European Union:** Even though the US administration's push to take over Greenland has cooled a bit recently, the government in neighboring Iceland [is reportedly considering a vote to restart EU membership talks as early as August in order to bolster its security](#). The move illustrates how the US's new, more forward-leaning foreign policy is forcing dramatic realignments between countries around the world.

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## US Economic Releases

No major US data 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						
EST	Indicator			Expected	Prior	Rating
10:00	Factory Orders	m/m	Dec	-0.6%	2.7%	***
10:00	Factory Orders Ex Transportation	m/m	Dec	0.3%	0.2%	**
10:00	Durable Goods Orders	m/m	Dec F	-1.4%	-1.4%	***
10:00	Durable Goods Orders ex Transportation	m/m	Dec F	0.9%	0.9%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Dec F	0.6%	0.6%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Dec F		0.9%	*
10:30	Dallas Fed Manufacturing Activity	m/m	Feb	-0.8	-1.2	**
Federal Reserve						
EST	Speaker or Event	District or Position				
8:00	Christopher Waller Speaks on Economic Outlook	Member of the Board of Governors				

## 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
<b>ASIA-PACIFIC</b>								
<b>New Zealand</b>	Retail Sales Ex Inflation	q/q	4Q	0.90%	1.90%	0.60%	***	Equity and bond neutral
<b>EUROPE</b>								
<b>Germany</b>	Ifo Business Climate	m/m	Feb	88.6	87.6	88.3	***	Equity and bond neutral
	Ifo Current Assessment	m/m	Feb	86.7	85.7	86.2	**	Equity and bond neutral
<b>Germany</b>	Ifo Expectations	m/m	Feb	90.5	89.6	90.0	**	Equity and bond neutral
<b>Italy</b>	CPI, EU Harmonized	y/y	Jan F	1.0%	1.0%	1.0%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Jan F	1.0%	1.0%	1.0%	**	Equity and bond neutral
<b>Switzerland</b>	Producer & Import Prices	y/y	Jan	-2.2%	-1.8%		**	Equity and bond neutral
	M3 Money Supply	y/y	Jan	5.1%	4.5%		**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	20-Feb	440.6b	437.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	20-Feb	457.6b	452.7b		*	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	Retail Sales	m/m	Dec	-0.4%	1.2%	-0.5%	**	Equity and bond neutral
	Industrial Product Price	m/m	Jan	2.7%	-0.9%	0.2%	**	Equity bullish, bond bearish
	Raw Material Prices	m/m	Jan	7.7%	0.3%	0.7%	*	Equity bullish, bond bearish
<b>Mexico</b>	GDP NSA	y/y	Q4 F	1.8%	1.6%	1.6%	***	Equity and bond neutral
	Economic Activity IGAE	y/y	Dec	3.26%	-0.11%	2.55%	**	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	Down
U.S. Sibor/OIS spread (bps)	367	367	0	Down
U.S. Libor/OIS spread (bps)	364	364	0	Down
10-yr T-note (%)	4.07	4.08	-0.01	Up
Euribor/OIS spread (bps)	202	202	0	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.

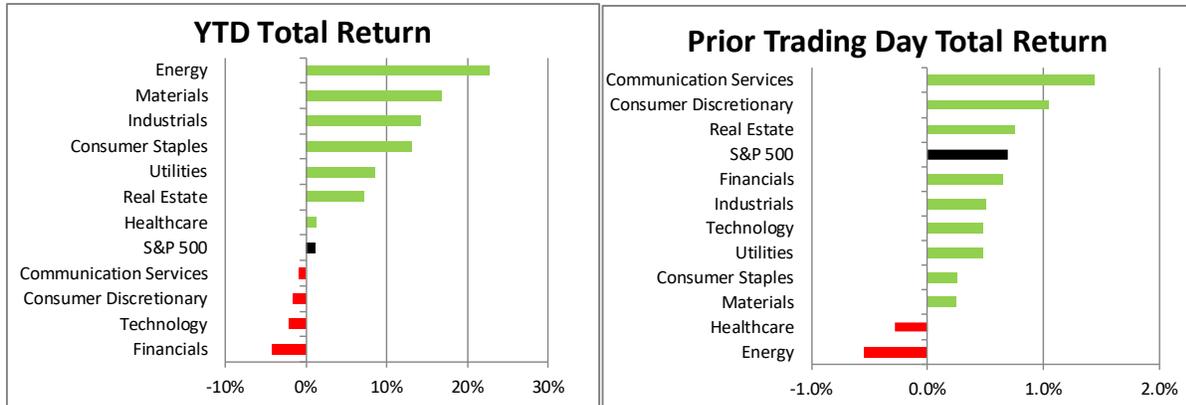
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$71.89	\$71.76	0.18%	
WTI	\$66.60	\$66.48	0.18%	
Natural Gas	\$3.15	\$3.05	3.28%	
Crack Spread	\$31.42	\$25.69	22.27%	Roll Distortion
12-mo strip crack	\$26.80	\$26.93	-0.49%	
Ethanol rack	\$1.86	\$1.84	0.62%	
<b>Metals</b>				
Gold	\$5,148.05	\$5,107.45	0.79%	
Silver	\$86.61	\$84.65	2.32%	
Copper Contract	\$588.35	\$589.95	-0.27%	
<b>Grains</b>				
Corn contract	\$438.75	\$439.75	-0.23%	
Wheat contract	\$576.00	\$580.25	-0.73%	
Soybeans contract	\$1,144.25	\$1,153.25	-0.78%	
<b>Shipping</b>				
Baltic Dry Freight	2,043	2,019	24	

## **Weather**

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except northern Minnesota and the Northeast, where temperatures will be near normal. The precipitation outlook calls for wetter-than-normal conditions in the southern Rocky Mountains, the Great Plains, the Mississippi Valley, and the Northeast, with dry conditions in California.

## Data Section

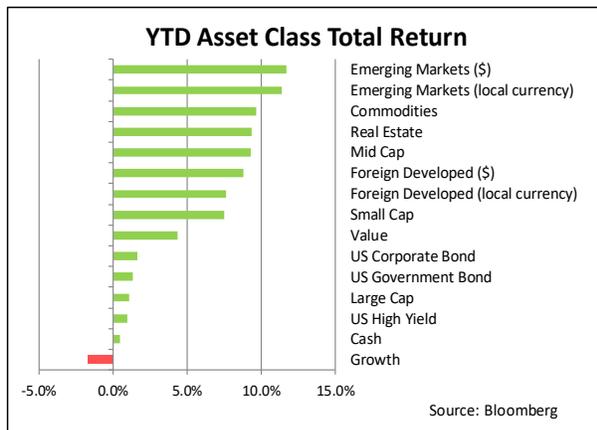
### US Equity Markets – (as of 2/20/2026 close)



(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 2/20/2026 close)

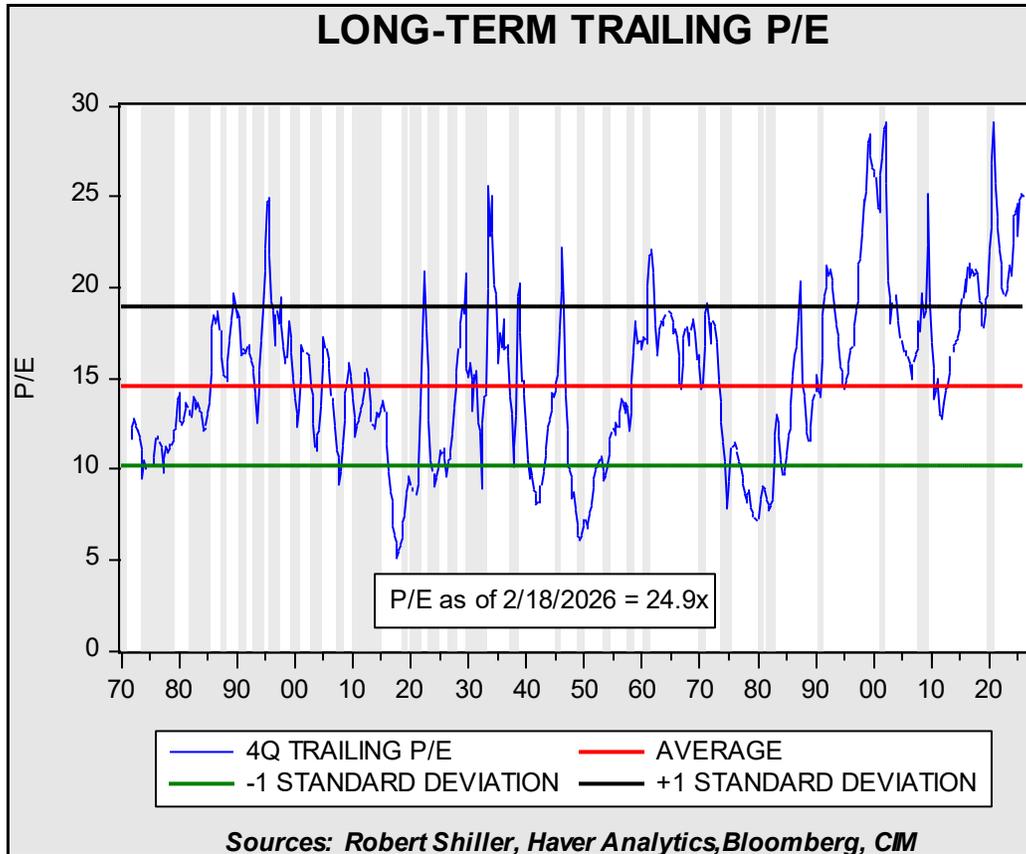


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,<sup>1</sup> 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.*

<sup>1</sup> 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.