



Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: February 9, 2026 – 9:30 AM ET] Global equity markets are generally higher 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 2.5%. Chinese markets were higher, with the Shanghai Composite up 1.4% and the Shenzhen Composite up 1.9%. Conversely, US equity index futures are signaling a lower open.

With 293 companies having reported so far, S&P 500 earnings for Q4 are running at \$73.40 per share compared to estimates of \$71.07, which is up 8.3% from Q4 2024. Of the companies that have reported thus far, 78.8% have exceeded expectations, while 16.4% 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 “Bloc, Spheres, Empires, and Colonies” (1/26/26) + podcast	Asset Allocation Bi-Weekly “The Erosion of Exorbitant Privilege” (2/2/26) + podcast	Asset Allocation Quarterly Q1 2026 Report	Of Note Confluence Mailbag The Case for Hard Assets
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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* today opens with some quick notes on the monumental election in Japan yesterday. We next review several other international and US developments with the potential to affect the financial markets today, including a recap of elections in Thailand and Portugal, growing signs that UK Prime Minister Starmer may need to resign, and new data confirming that US software firms are facing increased financial stress.

Japan: In elections yesterday, the ruling Liberal Democratic Party of Prime Minister Takaichi [won in a landslide, securing an estimated 316 of the 465 seats in the lower house](#), up from 198 seats previously. This marks the first time since World War II that a party has won a 2/3 super

majority in the Diet. The conservative Takaichi will also have support of her coalition partner, the Japan Innovation Party. The result is likely to be positive for Japanese stocks and the yen, as it supports Takaichi's plan for more stimulative fiscal and monetary policies.

- Indeed, Japanese stocks are soaring so far this morning, with the Nikkei 225 price index up about 3.9% to a new record high.
- The yen has strengthened about 0.8% to 155.99 per dollar (\$0.0064).

Thailand: In another election at the weekend, the conservative Bhumjaithai Party [came out on top with an estimated 194 seats in the 500-seat legislature](#), while the progressive People's Party will end up with only about 115. The results mark a dramatic return to conservatism after many years of liberal rule in Thailand.

Portugal: In yet another weekend election, Socialist António José Seguro [won the presidency with approximately 65% of the vote, holding off right-wing nationalist André Ventura](#). All the same, the presence of the far-right Ventura on the ballot is being taken as a warning that populist conservatives have a following in Portugal and could drive policy to the right in the coming years.

United Kingdom: Prime Minister Starmer [has now lost two high-level aides over their part in recommending that he name Lord Peter Mandelson as UK ambassador to the US](#) — a toxic nomination given Mandelson's prominent place in the Epstein files recently released by the Justice Department. Today's resignation was from Tim Allan, who was Starmer's communication director. Just one day earlier, Morgan McSweeney resigned as chief of staff. As a result, Starmer is coming under increasing political pressure to resign.

- Even though Starmer had already sacked Mandelson, the new staff resignations are adding to the political pressure from a series of scandals and policy missteps.
- Nevertheless, the potential exit of the Labour Party prime minister has so far been taken in stride by investors, with UK stock indexes and the pound continuing to appreciate. Those trends suggest investors could well look favorably on a political change in the UK, despite some short-term volatility if Starmer is forced to resign.

US Immigration Policy: According to the *Financial Times*, the US Embassy in London and other embassies around the world [have begun to deny visas to even top business executives on the basis of past arrests for relatively minor criminal infractions](#), such as barfights and marijuana possession. Some visas to visit the US have reportedly been denied even for minor arrests as far back as the 1970s.

- Of course, the administration's barriers to trade, technology, and capital flows are much higher in profile.
- Nevertheless, the new restrictions would presumably slow cross-border economic activity, including the inbound investment that the White House is seeking.

US Software Industry: New research from Axios shows that an increasing share of the loans backing software firms [are trading at "distressed" levels, or below 80 cents on the dollar](#). The data indicates that \$25 billion in software loan volume was marked at distressed levels by the end of January, more than double what it was in December. While technology leaders have begun to push back on the recent concerns that artificial intelligence will devastate software companies, these hard data points would suggest that real problems exist.

Chinese Food Policy: New data shows the proportion of soybean meal in domestically produced animal feed [stood at 13.4% in 2025, unchanged from the previous year](#) despite government efforts to replace the largely imported material with other sources of protein. The government's effort aims to make China less reliant on foreign food supplies, but the new figures suggest the country remains quite reliant on supplies from the US and Brazil, giving them some leverage in trade negotiations and other disputes.

Chinese Demographics: As the country continues struggling to arrest its steep drop in birth rates, which has led to an aging population and outright population declines, the government [has reportedly imposed a 13% value-added tax on condoms and other contraceptives](#), ending their previous tax-free status. However, we haven't seen the intimate details of the change, so we won't comment further.

US Economic Releases

No major US economic data has 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
13:30	Christopher Waller Speaks on Digital Assets	Member of the Board of Governors
14:30	Stephen Miran in Moderated Conversation	Members of the Board of Governors
15:15	Raphael Bostic Speaks in Moderated Conversation	President of the Federal Reserve Bank of Atlanta
17:00	Stephen Miran in Podcast Interview	Members 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
ASIA-PACIFIC								
Japan	Real Cash Earnings	m/m	Dec	-0.1%	-2.8%	0.8%	*	Equity bearish, bond bullish
	Labor Cash Earnings	y/y	Dec	2.4%	0.5%	3.2%	**	Equity bearish, bond bullish
	BoP Current Account Balance	m/m	Dec	¥728.8b	¥3674.1b	¥1081.2b	***	Equity and bond neutral
	BoP Trade Balance	m/m	Dec	¥134.9b	¥625.3b	¥307.2b	**	Equity and bond neutral
Australia	Household Spending	y/y	Dec	5.0%	6.0%	5.8%	*	Equity bearish, bond bullish
China	Foreign Reserves	m/m	Jan	\$3399.08b	\$3357.87b	\$3370.00b	**	Equity and bond neutral
EUROPE								
Switzerland	Domestic Sight Deposits CHF	w/w	6-Feb	430.6b	436.6b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	6-Feb	447.4b	452.7b		*	Equity and bond neutral
Russia	Industrial Production	y/y	Dec	3.7	0.4	-1.9	***	Equity and bond neutral
	Retail Sales	m/m	Dec	3.90%	3.90%	3.30%	***	Equity bullish, bond bearish
	Unemployment Rate	m/m	Dec	2.20%	2.10%	2.20%	***	Equity and bond neutral
AMERICAS								
Canada	Net Change in Employment	m/m	Jan	-24.8k	8.2k	5.0k	***	Equity bearish, bond bullish
	Unemployment Rate	m/m	Jan	6.5%	6.8%	6.8%	***	Equity and bond neutral
	Participation Rate	m/m	Jan	65.0%	65.4%	64.4%	*	Equity and bond neutral
Mexico	CPI	y/y	Jan	3.79%	3.69%	3.82%	***	Equity and bond neutral
	Core CPI	y/y	Jan	4.52%	4.33%	4.50%	**	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)	357	358	-1	Down
U.S. Sibor/OIS spread (bps)	364	363	1	Down
U.S. Libor/OIS spread (bps)	362	361	1	Down
10-yr T-note (%)	4.20	4.18	0.02	Down
Euribor/OIS spread (bps)	202	204	-2	Flat
Currencies				
Dollar	Down			Down
Euro	Up			Up
Yen	Down			Down
Pound	Up			Up
Franc	Down			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.

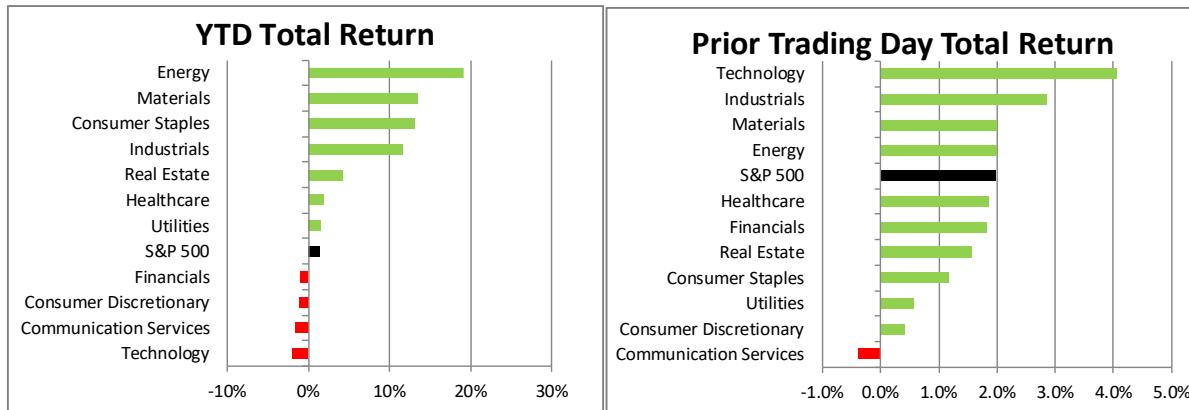
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$68.26	\$68.05	0.31%	
WTI	\$63.74	\$63.55	0.30%	
Natural Gas	\$3.20	\$3.42	-6.58%	Demand pessimism
Crack Spread	\$25.16	\$24.91	1.01%	
12-mo strip crack	\$25.81	\$25.75	0.22%	
Ethanol rack	\$1.78	\$1.77	0.17%	
Metals				
Gold	\$5,017.33	\$4,964.36	1.07%	
Silver	\$80.44	\$77.84	3.35%	
Copper Contract	\$588.80	\$588.20	0.10%	
Grains				
Corn contract	\$429.00	\$430.25	-0.29%	
Wheat contract	\$528.25	\$529.75	-0.28%	
Soybeans contract	\$1,113.50	\$1,115.25	-0.16%	
Shipping				
Baltic Dry Freight	1,923	1,936	-13	

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 in the Pacific region. The outlook calls for wetter-than-normal conditions everywhere but the southernmost reaches of Texas and Florida where conditions will be normal-to-dry.

Data Section

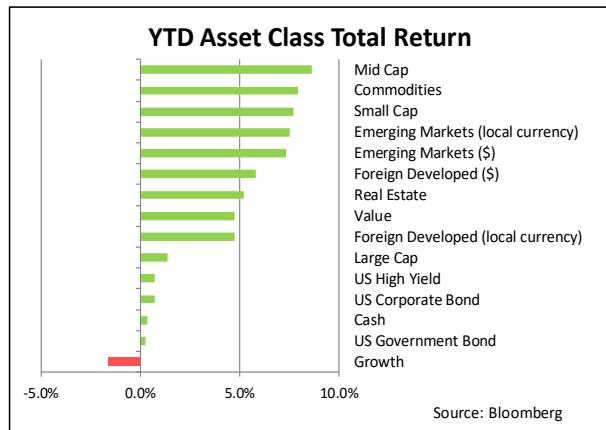
US Equity Markets – (as of 2/6/2026 close)



(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 2/6/2026 close)

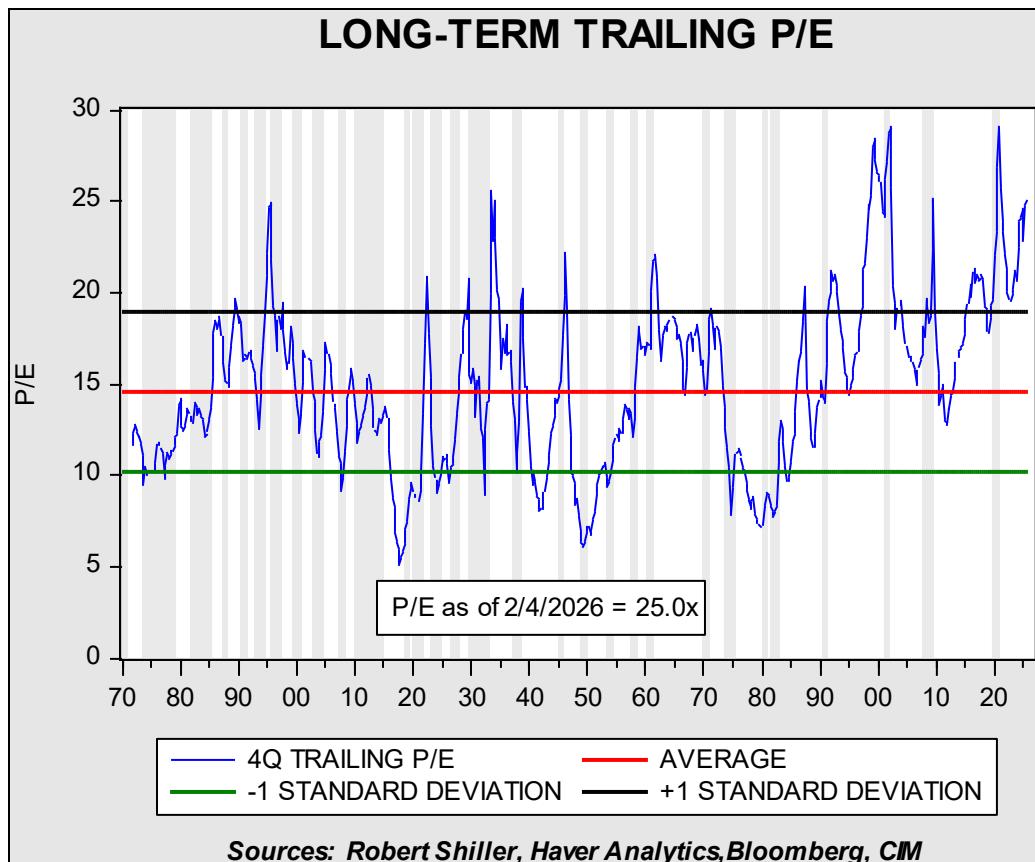


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 5, 2026



Based on our methodology,¹ the current P/E is 25.0x, down 0.1 from the previous report. Last week, the stock price index was relatively slightly while earnings were revised upward.

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.