Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: January 15, 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 down 0.4%. Chinese markets were lower, with the Shanghai Composite down 0.3% and the Shenzhen Composite down 0.1%. US equity index futures are signaling a higher open.

With 25 companies having reported so far, S&P 500 earnings for Q4 are running at $71.00 per share compared to estimates of $71.07, which is up 8.3% from Q4 2024. Of the companies that have reported thus far, 88.0% have exceeded expectations, while 12.0% 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
"Investment Implications of the New National Security Strategy" (1/12/26) + podcast	"America's AI Buildout and Its Market Risks" (1/5/26) + podcast	Q4 2025 Report Q4 2025 Rebalance Presentation	The 2026 Outlook Confluence of Ideas Podcast

Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our new monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Our *Comment* begins with an analysis of the White House's discussions on Greenland and their implications for NATO's future. We then transition to other developments, including a breakdown of the latest Fed Beige Book and the de-escalation of tensions between the US and Iran. Additionally, we provide a brief overview of the recent decline in silver prices. The report also includes a roundup of essential domestic and international data.

Greenland Talks: Tensions between the United States and its NATO allies have escalated as the White House continues to pursue the acquisition of Greenland. On Thursday, foreign ministers from Denmark and Greenland met with US officials to discuss Arctic security concerns. While the meeting established a formal dialogue, significant disagreements remain. In a sign of sharply deteriorating relations following the visit, NATO deployed its navy to the waters surrounding Greenland.

- The primary disagreement centers on the US rationale for the takeover. The White House claims the move would enhance security for all NATO allies; however, the logic is questionable. While ownership might slightly improve the US's ability to counter Russian and Chinese threats, the 1951 defense treaty already provides the US with the necessary access to defend the region.
- A more plausible explanation for the US action is a deep-seated distrust of multilateral organizations, particularly NATO. The White House has long criticized the alliance over chronic underinvestment in defense by member states and clear deficits in military readiness for a major conflict. Consequently, US leadership doubts that these allies would fulfill their treaty obligations to defend the United States in the event of an attack.
- Under this view, the US may perceive Greenland as a de facto protectorate, despite it being under Danish sovereignty and the NATO security umbrella. This perception has likely fostered a sense of entitlement toward the territory and its strategic assets, particularly its vast reserves of rare earth elements.
- In short, the US push to acquire Greenland may signal a broader departure from the traditional framework of alliance building toward a foreign policy defined by territorial and resource accumulation. Consequently, this move represents a more assertive — and perhaps unilateral — America than the world has encountered in recent decades.
- The fracturing of relationships with European allies represents a pivotal shift in foreign policy, perhaps signaling a transition from a benevolent to a malevolent hegemon, which we've written on in the past. This adjustment suggests a future where the US prioritizes resource security over diplomatic alliances, a move likely to drive a surge in the demand for industrial commodities over the coming years.

Beige Book: The Federal Reserve's latest summary of regional economic conditions shows a slight rebound in sentiment following a period of pessimism from respondents. According to the Beige Book, a majority of districts reported that growth has accelerated from "slight" to "moderate," while the remaining regions saw no change and one noted a marginal decline. This upswing in sentiment, emerging in the wake of the government shutdown, may signal a shift in momentum after a year characterized by persistent uncertainty.

- The improvement in economic activity appears to be driven by increased consumer spending. Much of this surge followed the end of the government shutdown, with the holiday season providing additional momentum. However, the rise in purchases appears largely concentrated among high-income households, while low-income households continue to show signs of growing price sensitivity.
- Improved sentiment has also translated into a more stable employment outlook. Most districts reported that employment levels remained unchanged from the previous period, an improvement over November's survey, which had indicated that employment was in decline. Contributing factors include firms' strategic shifts from aggressively limiting headcount to now prioritizing the use of temporary workers and AI implementation.

- Despite an overall positive report, price pressures remain a focal point of concern. A majority of districts reported moderate cost increases, largely attributed to ongoing tariff anxieties. As pre-tariff inventories are exhausted, an increasing number of firms have expressed a willingness to pass these costs through to the consumer. Conversely, sectors such as retail remain hesitant, fearing a pullback from price-sensitive customers.
- The rise in optimism appears to be part of a broader trend, as firms begin to look beyond immediate tariff concerns to focus on future growth. Provided there are no material changes to regulation or fiscal policy, this change should bolster the prospects for a stronger economy. While it is too soon to recommend an increase in risk tolerance, these conditions could significantly enhance the investment climate, provided this sentiment persists.

Iran Strike Avoided: Tensions between Iran and the US have slightly eased following pledges from Tehran to halt protester executions. On Wednesday, the White House signaled it would withhold planned military strikes in response to these assurances, a move that coincided with the reopening of Iranian airspace. This cautious de-escalation comes as the Iranian regime continues its crackdown on domestic protests now entering their third week. While this easement has calmed global markets and lowered commodity prices, the risk of renewed conflict remains significant.

Data Center Consumption: PJM Interconnection, the largest US grid operator, has lowered its 2027 peak power demand forecast from 164 to 160 gigawatts. This revision serves as a reality check for the "AI boom," as PJM cited a lack of firm construction commitments or electrical service agreements for many projected data centers. The new outlook is likely to pressure energy companies whose valuations have rallied on near-term AI energy demand.

Silver Prices Decline: The White House has deferred the imposition of new tariffs on silver, a move expected to alleviate immediate price pressures on the metal. This decision follows a November directive to study silver's national security implications under Section 232. While the president has not ruled out future duties, he has signaled a shift toward protecting domestic producers through price floors rather than broad-based tariffs. This pivot has already begun to cool "bubble" concerns that had previously sent silver prices to record highs.

US Economic Releases

In the week ended January 10, ***initial claims for unemployment benefits*** fell to a seasonally adjusted 198,000, below both the expected level of 215,000 and the prior week's level of 208,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, fell to 205,000. The chart below shows how initial jobless claims have fluctuated since just after 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.

Four-Week Moving Average Initial Claims

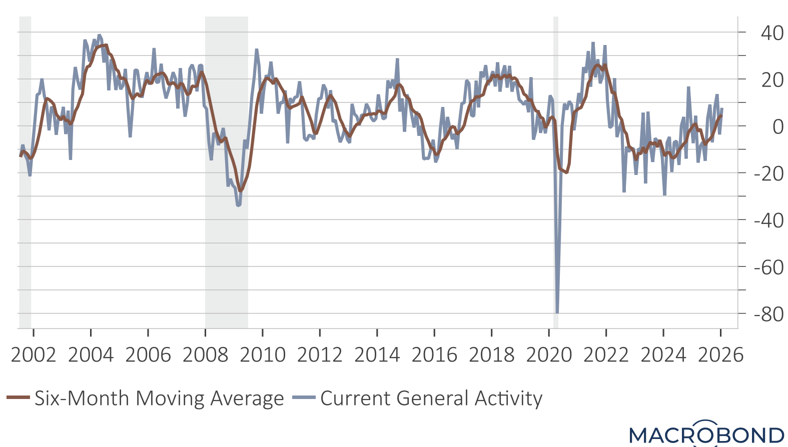
Department of Labor

In the week ended January 3, the number of ***continuing claims for unemployment benefits*** (people continuing to draw benefits) fell to a seasonally adjusted 1.884 million, below both the anticipated reading of 1.897 million and the previous week's revised reading of 1.903 million.

Separately, the New York FRB said its January ***Empire State Manufacturing Index*** rose to a seasonally adjusted 7.7, far better than both the expected reading of 1.0 and the revised December reading of -3.7. This index is designed so that positive readings point to expanding factory activity in New York state. At its current level, the index suggests manufacturing in the state is growing smartly again. The chart below shows how the index has fluctuated since 2002.

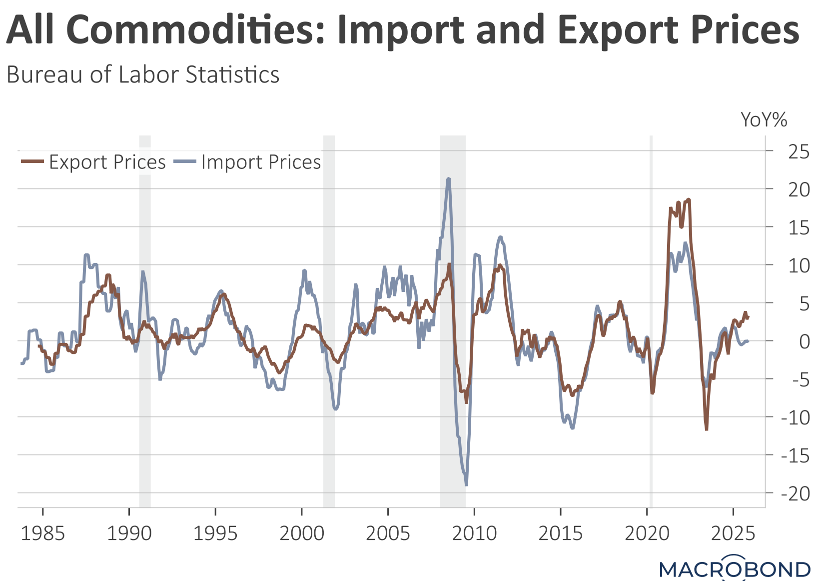
Federal Reserve Bank of New York, Empire State Manufacturing Survey

Current General Activity, SA



In another report, the Philadelphia FRB said its January ***Philly Fed Index*** rose to a seasonally adjusted 12.6, much better than both its expected reading of -1.4 and its revised December reading of -3.7. The index, officially designated as the Philadelphia FRB Manufacturing Activity Index, is designed so that positive readings point to expanding factory activity in the mid-Atlantic region. At its current level, the index suggests manufacturing in the region is growing quite robustly again.

Finally, November ***import prices*** were up 0.1% from the same month one year earlier, versus expectations they would fall 0.2%. November ***export prices*** were up 3.3% from one year earlier. The chart below compares the year-over-year change in U.S. export and import prices over recent decades.



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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
16:00	Net Long-Term TIC Flows	m/m	Nov		-$37.3b	**
16:00	Total Net TIC Flows	m/m	Nov		$17.5b	**
Federal Reserve						
EST	Speaker or Event	District or Position				
8:30	Austan Goolsbee Speaks on CNBC	President of the Federal Reserve Bank of Chicago				
8:35	Raphael Bostic Delivers Remarks at Metro Atlanta Chamber	President of the Federal Reserve Bank of Atlanta				
9:15	Michael Barr in Penal Discussion on Stablecoins	Members of the Board of Governors				
12:40	Thomas Barkin Speaks on Virginia Economic Outlook	President of the Federal Reserve Bank of Richmond				
13:30	Jeffrey Schmid Speaks on Econom and Monetary Policy	President of the Federal Reserve Bank of Kansas City				

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	PPI	y/y	Dec	2.4%	2.7%	2.4%	***	Equity and bond neutral
Australia	Consumer Inflation Expectation	m/m	Jan	4.6%	4.7%		*	Equity and bond neutral
China	Money Supply M2	y/y	Dec	8.5%	8.0%	8.0%	***	Equity and bond neutral
	Money Supply M1	y/y	Dec	3.8%	4.9%	3.9%	*	Equity and bond neutral
	Money Supply M0	y/y	Dec	10.2%	10.6%		*	Equity and bond neutral
	Aggregate Financing CNY YTD	y/y	Dec	35600.0b	33390.0b	35295	**	Equity and bond neutral
	New Yuan Loans CNY YD	m/m	Dec	16270.0b	15360.0b	16161.7b	**	Equity and bond neutral
India	Trade Balance	m/m	Dec	-$25040m	-$24532m	-$25000m	**	Equity and bond neutral
	Exports	y/y	Dec	1.9%	19.4%		**	Equity and bond neutral
	Imports	y/y	Dec	8.8%	-1.9%		**	Equity and bond neutral
	Unemployment Rate	y/y	Dec	4.8%	4.7%		***	Equity and bond neutral
EUROPE								
Eurozone	Industrial Production WDA	y/y	Nov	2.5%	1.7%	2.0%	**	Equity and bond neutral
	Trade Balance SA	m/m	Nov	10.7	13.7b		**	Equity and bond neutral
France	CPI	y/y	Dec F	0.8%	0.8%	0.8%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Dec F	0.7%	0.7%	0.7%	**	Equity and bond neutral
	CPI Ex-Tobacco Index	q/q	Dec	119.76	119.67	119.8	*	Equity and bond neutral
Italy	Industrial Production WDA	y/y	Nov	1.4%	-0.2%	-0.2%	***	Equity bullish, bond bearish
UK	RICS House Price Balance	y/y	Dec	-14%	-14%	-17%	**	Equity bearish, bond bullish
	Industrial Production	y/y	Nov	2.3%	0.4%	-0.4%	***	Equity bullish, bond bearish
	Manufacturing Production	y/y	Nov	2.1%	-0.2%	-0.3%	**	Equity bullish, bond bearish
	Index of Services 3M/3M	m/m	Nov	0.2%	0.1%	0.0%	**	Equity and bond neutral
	Construction Output	y/y	Nov	-1.1%	0.9%	-0.1%	*	Equity bearish, bond bullish
	Visible Trade Balance GBP/Mn	m/m	Nov	£23711m	£24174m	£20400m	**	Equity and bond neutral
	Trade Balance GBP/Mn	m/m	Nov	£6116m	£6531m	£2500m	**	Equity and bond neutral
AMERICAS								
Mexico	Gross Fixed Investment NSA	y/y	Oct	-5.5%	-6.8%	-3.9%	**	Equity bearish, bond bullish
Brazil	Retail Sales	y/y	Nov	1.3%	0.9%	0.1%	***	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)	355	356	-1	Down
U.S. Sibor/OIS spread (bps)	367	367	0	Down
U.S. Libor/OIS spread (bps)	363	363	0	Down
10-yr T-note (%)	4.15	4.13	0.02	Down
Euribor/OIS spread (bps)	202	202	0	Down
Currencies	**Direction**			
Dollar	Up			Up
Euro	Down			Down
Yen	Flat			Down
Pound	Down			Flat
Franc	Up			Down
Central Bank Action	**Actual**	**Prior**	**Expected**	
Bank of Korea Base Rate	2.50%	2.50%	2.50%	On Forecast

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.

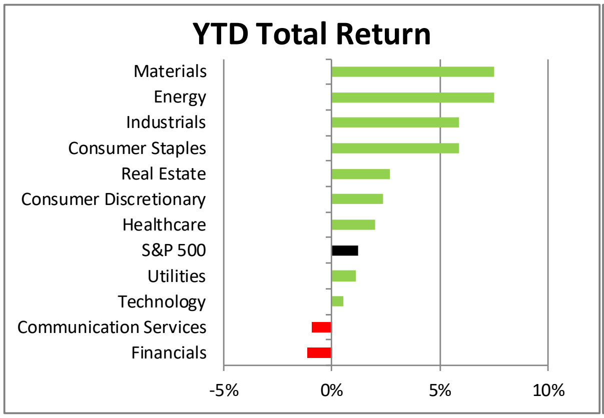
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$64.31	$66.52	-3.32%	
WTI	$59.94	$62.02	-3.35%	
Natural Gas	$3.19	$3.12	2.18%	
Crack Spread	$21.07	$21.55	-2.22%	
12-mo strip crack	$24.08	$24.78	-2.80%	
Ethanol rack	$1.72	$1.73	-0.43%	
Metals				
Gold	$4,616.46	$4,626.58	-0.22%	
Silver	$91.12	$93.16	-2.20%	
Copper contract	$600.50	$605.55	-0.83%	
Grains				
Corn contract	$425.00	$422.00	0.71%	
Wheat contract	$516.00	$512.50	0.68%	
Soybeans contract	$1,045.00	$1,042.50	0.24%	
Shipping				
Baltic Dry Freight	1,566	1,608	-42	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	3.39	-1.68	5.07	
Gasoline (mb)	8.98	2.00	6.98	
Distillates (mb)	-0.03	-0.66	0.63	
Refinery run rates (%)	0.06%	-0.50%	0.56%	
Natural gas (bcf)		-91		

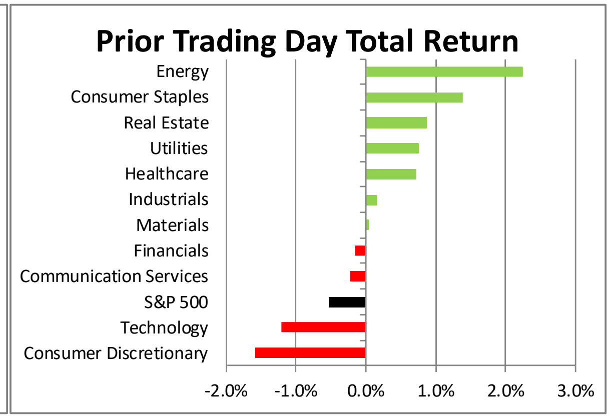
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for cooler-than-normal temperatures in the Northern Tier states, the Midwest, and the Northeast, with warmer-than-normal temperatures in California, the central and southern Rocky Mountains, Texas, and the Southeast. The forecasts initially call for wetter-than-normal conditions in the Rocky Mountains, the Southeast, and the Northeast, with dry conditions in southern Florida.

Data Section

US Equity Markets – (as of 1/14/2026 close)

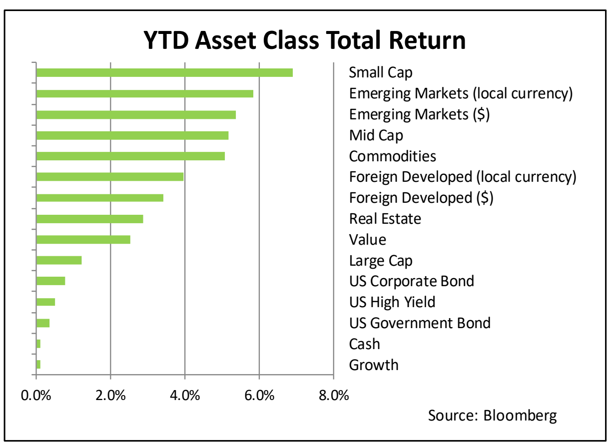




(Source: Bloomberg)

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 1/14/2026 close)

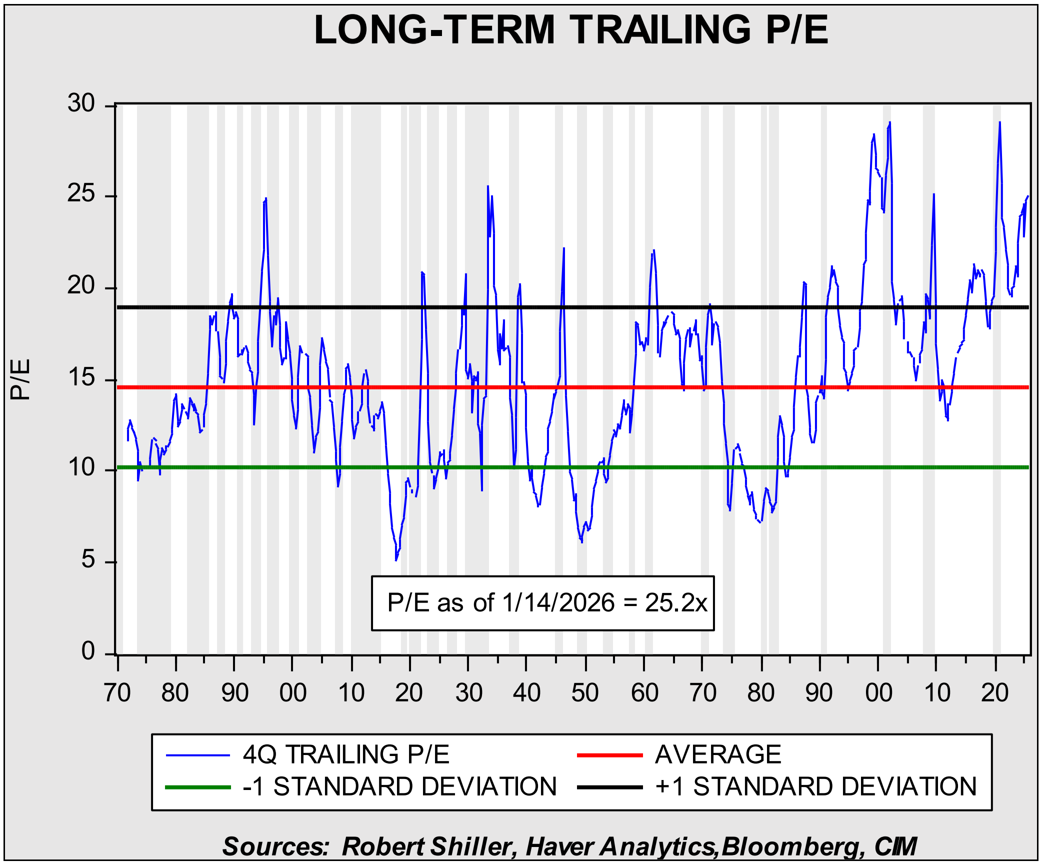


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

January 15, 2026



Based on our methodology,[1] the current P/E is 25.2x, up 0.5 from the previous report. This expansion was driven by a higher numerator, resulting from a methodological correction that now accounts exclusively for the stock price index of the most recent quarter.

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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 (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.