

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: January 26, 2026 – 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.1%. Chinese markets were lower, with the Shanghai Composite down 0.1% and the Shenzhen Composite down 0.9%. US equity index futures are signaling a lower open.

With 64 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, 78.1% have exceeded expectations, while 14.1% 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.

<p><b>Bi-Weekly Geopolitical Report</b></p> <p><b><a href="#">“Investment Implications of the New National Security Strategy”</a></b> (1/12/26) + <a href="#">podcast</a></p>	<p><b>Asset Allocation Bi-Weekly</b></p> <p><b><a href="#">“The Great Silver Short Squeeze”</a></b> (1/20/26)</p>	<p><b>Asset Allocation Quarterly</b></p> <p>New report to be released later this week</p>	<p><b>Of Note</b></p> <p><a href="#">The Keller Quarterly</a> <a href="#">VE Insight: Understanding the R1000 Value Index</a></p>
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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](mailto:mailbag@confluenceim.com).

Our *Comment* today opens with notes on the new record price for gold above \$5,000 per ounce and a related drop in the value of the dollar today. We next review several other international and US developments with the potential to affect the financial markets today, including an additional purge of a high-level Chinese general and the unexpected risk of another, partial government shutdown in the US.

**Global Gold Market:** Gold prices today [have surged above the \\$5,000-per-ounce mark](#) for the first time, and the metal is changing hands at \$5,084 per ounce at this writing. In our view, the current upward pressure on gold prices reflects a range of factors, from concerns about currency debasement to geopolitical tensions and uncertainty about the future of US economic and

international policy. Because of those factors, we continue to hold gold in all five of our Asset Allocation strategies and in our Global Hard Assets portfolio.



**Global Currency Market:** In another major market disruption today, the US dollar [has slumped approximately 0.4%, as measured by the US Dollar Index](#). That means the greenback has now depreciated by about 2.1% just over the last week. Much of the downward pressure today comes from speculation that the Japanese government will intervene in the currency markets to prop up the yen. As we have noted in the past, a falling dollar tends to be bullish for foreign stocks.

**United States-Canada-China:** In a Saturday social media post, President Trump [said he would impose a new 100% tariff on imports from Canada if Ottawa strikes a trade deal with Beijing](#). The move follows Canadian Prime Minister Carney’s recent trip to China, where he and General Secretary Xi agreed to cut their trade barriers on electric vehicles and canola oil — a move seemingly at odds with Carney’s historic speech in Davos, where he said “middle powers” like Canada must stick together instead of making deals with the Great Powers.

- Coupled with the president’s threat to hit eight European countries with tariffs because of their resistance to his desire for the US to take over Greenland, the new threat against Canada is a reminder that the administration could return to its aggressive trade policies at any time.
- That’s likely to further raise concerns among foreigners about the wisdom of investing in US assets or holding the dollar. If so, it could lead to further capital flight from the US, weighing on stock and bond values, pushing up interest rates, and reducing the value of

the dollar. That scenario would also put added upward pressure on the prices for foreign stocks and precious metals.

**Chinese Military:** The People’s Liberation Army [announced on Saturday that Zhang Youxia, vice chairman of the Central Military Commission, is under investigation](#) for “serious discipline violations,” along with another top general. That suggests General Secretary Xi is continuing to press his long campaign to uproot deep-seated corruption in the armed forces. It also suggests Xi may have trouble trusting his military leaders’ advice and willingness to carry out orders — a concern that would likely impede any effort by Xi to take control of Taiwan.

- According to press reports, government officials said in a confidential briefing over the weekend that Zhang [was being probed not only for political reasons and graft, but also for leaking details about China’s nuclear weapons](#) to the West.
- If true, the accusation of selling nuclear secrets could suggest the Central Intelligence Agency has had some success in rebuilding its human spy network in China after having its previous network rolled up in conjunction with a mole at the agency over a decade ago. That would be consistent with our oft-stated belief that a US-China intelligence war was in full swing in recent years, at least until the administration’s recent effort to establish détente between the two countries.

**Chinese Tech Industry:** According to Bloomberg late last week, tech giants Alibaba and Baidu [both plan to list their semiconductor-design units in the near future](#). Other Chinese firms are also reportedly planning chip-design IPOs or have recently completed them. The IPOs illustrate how China is making rapid progress developing its indigenous ability to produce chips for artificial intelligence. Indeed, the capital raised in these deals [will likely accelerate the Chinese firms’ ability to compete with US tech giants such as Nvidia](#).

**United Kingdom:** Suella Braverman, the Conservative Party’s former home secretary, today [became the latest prominent politician to defect from the center-right party to join the right-wing populist Reform UK Party](#) run by Nigel Farage. With Reform UK leading in the public opinion polls ahead of key elections on May 7, many Conservative politicians see better electoral prospects by joining the new party, putting the future of the Conservative Party in doubt and strengthening Britain’s far-right.

**US Fiscal Policy:** After Immigration and Citizenship Enforcement officers shot and killed a US citizen in Minneapolis, Democratic Party leaders over the weekend [said they may vote against a major appropriations bill that would fund the Department of Homeland Security](#) as well as the Departments of Defense, Health and Human Services, Transportation, and Labor. Such a protest vote would shut down much of the federal government and potentially furlough thousands of workers again when the current stopgap funding bill runs out on January 31.

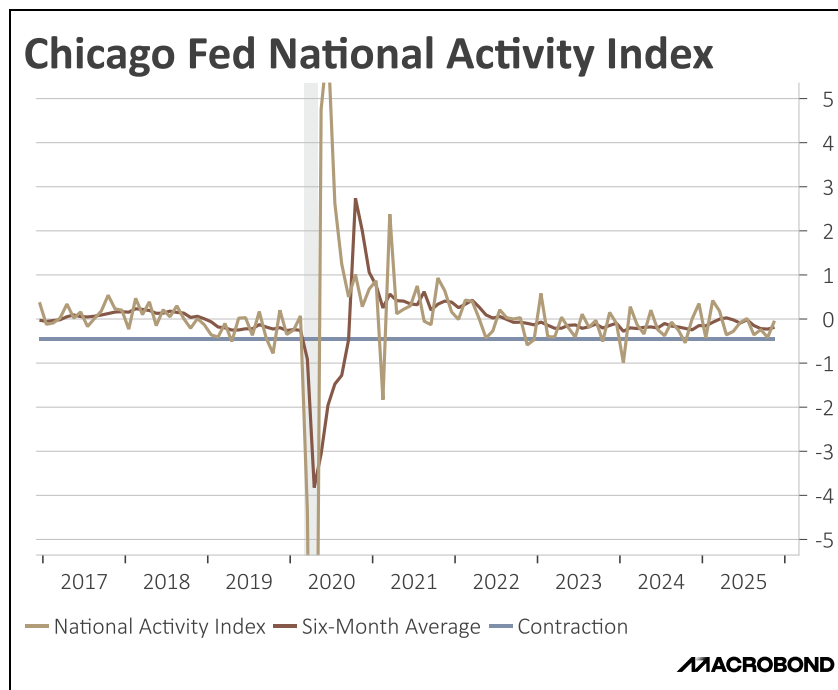
- The impact on the economy would likely be less than in last year’s broader shutdown.
- All the same, shutting down a department such as Labor could again disrupt the compilation of key economic data.

**US Defense Strategy:** The Pentagon on Friday [released its new National Defense Strategy](#), which complements the administration’s December National Security Strategy. Focusing on how the administration plans to use the US military, the document raises “homeland defense” to the top priority and downgrades countering China to second place. It also says the administration will keep pushing US allies to take primary responsibility for their own defense. All the same, it vows to revitalize the US defense industrial base, which could be positive for US defense stocks.

**US Weather:** The big winter storm that struck from the Southwest to the Northeast over the weekend [continues to disrupt life for up to 200 million US residents](#). At this point, the storm has caused almost 12,000 flight cancellations and has left approximately 900,000 people without power, mostly in the South. So far, it looks like Nashville is the hardest hit city, with 200,000 people going without electricity today. As always, we expect that any economic disruptions from such a large storm will prove temporary and have little lasting effect on the economy.

## US Economic Releases

The Chicago Fed said its November *National Activity Index (CFNAI)* declined to -0.04, beating expectations of -0.4. The CFNAI, which encompasses dozens of separate indicators to capture all aspects of current economic activity, is designed so that readings above 0.00 reflect the economy growing at trend. Our analysis shows that when the six-month moving average of the CFNAI falls below -0.45, it suggests the economy is in recession. With the latest reading, the index suggests the economy is growing below its historical trend. The chart below shows how the CFNAI has fluctuated over the last several decades.



Separately, November ***durable goods orders*** jumped by a seasonally adjusted 5.3%, far better than the expected rise of 3.7% and just enough to offset the revised October drop of 2.1%. Durable goods orders are often driven by transportation equipment, where just a few airliner orders can have a big impact. November ***durable goods orders excluding transportation*** rose 0.5%, beating expectations of a gain of 0.3% and October’s rise of 0.1%. Finally, the durable goods report also includes a key proxy for corporate capital investment. In November, ***nondefense capital goods orders ex-aircraft*** rose 0.7%, beating expectations of 0.5%.



The chart above shows the progression of durable goods orders since just before the previous recession. Compared with the same month one year earlier, overall durable goods orders in November were up 7.3%, while durable orders ex-transport were up 2.4%. Nondefense capital goods orders ex-aircraft were up 3.1%.

No major economic 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
10:30	Dallas Fed Manufacturing Activity	m/m	Jan	-8.6	-10.9	**
Federal Reserve						
No Fed speakers or events for the rest of today						

### 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>Japan</b>	Tokyo Condominiums for	y/y	Dec	-6.0%	-14.4%		*	Equity and bond neutral
	Leading Economic Index	m/m	Nov F	109.9	110.5		**	Equity and bond neutral
	Coincident Index	y/y	Nov F	114.9%	115.2%		*	Equity and bond neutral
<b>EUROPE</b>								
<b>Germany</b>	IFO Business Climate	m/m	Jan	87.6	87.6	88.2	***	Equity bearish, bond bullish
	IFO Current Assessment	m/m	Jan	85.7	85.6	86.0	**	Equity and bond neutral
	IFO Expectations	m/m	jan	89.5	89.7	90.3	**	Equity bearish, bond bullish
<b>Switzerland</b>	Domestic Sight Deposits	w/w	23-Jan	433.6b	439.9b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	23-Jan	449.3b	456.2b		*	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	Retail Sales	m/m	Nov	1.3%	-0.3%	1.2%	**	Equity and bond neutral
<b>Canada</b>	Retail Sales Ex-Autos	m/m	Nov	1.7%	-0.5%	1.0%	**	Equity and bond neutral
<b>Mexico</b>	Unemployment Rate NSA	m/m	Dec	2.39%	2.66%	2.51%	***	Equity and bond neutral
<b>Brazil</b>	Current Account Balance	m/m	Dec	-3363m	-\$4943m	-\$5000m	**	Equity and bond neutral
<b>Brazil</b>	Foreign Direct Investment	m/m	Dec	-5248m	\$9820m	\$950m	**	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
<b>3-mo T-bill yield (bps)</b>	358	359	-1	Down
<b>U.S. Sibor/OIS spread (bps)</b>	367	367	0	Down
<b>U.S. Libor/OIS spread (bps)</b>	363	363	0	Down
<b>10-yr T-note (%)</b>	4.21	4.23	-0.02	Down
<b>Euribor/OIS spread (bps)</b>	204	203	1	Down
Currencies	Direction			
Dollar	Down			Down
Euro	Up			Up
Yen	Down			Down
Pound	Flat			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
<b>Energy Markets</b>				
Brent	\$65.86	\$65.88	-0.03%	
WTI	\$61.01	\$61.07	-0.10%	
Natural Gas	\$6.08	\$5.28	15.17%	
Crack Spread	\$24.08	\$24.13	-0.22%	
12-mo strip crack	\$24.84	\$24.97	-0.53%	
Ethanol rack	\$1.77	\$1.77	0.06%	
<b>Metals</b>				
Gold	\$5,079.40	\$4,987.49	1.84%	
Silver	\$109.81	\$103.19	6.42%	
Copper contract	\$599.95	\$594.75	0.87%	
<b>Grains</b>				
Corn contract	\$428.75	\$430.50	-0.41%	
Wheat contract	\$531.00	\$529.50	0.28%	
Soybeans contract	\$1,070.75	\$1,067.75	0.28%	
<b>Shipping</b>				
Baltic Dry Freight	1,762	1,761	1	

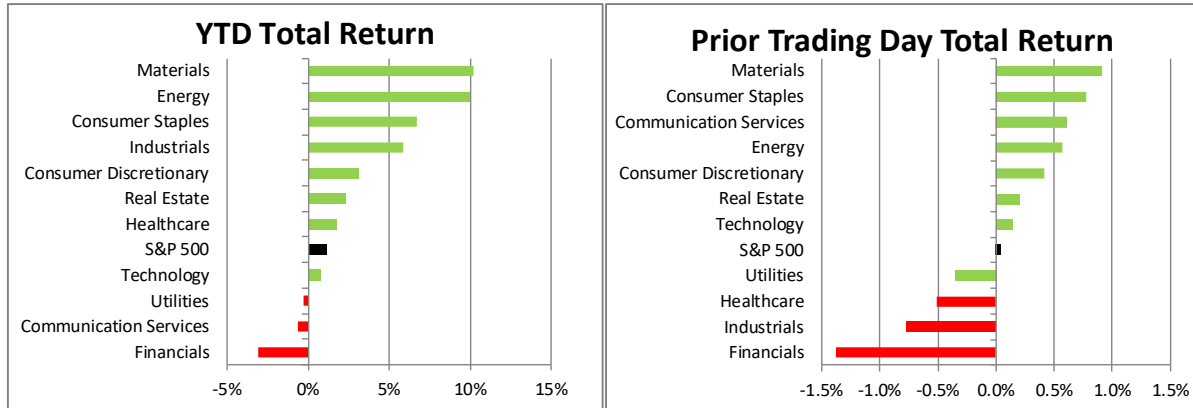
## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most states west of the Mississippi River, with cooler temperatures everywhere else. The precipitation outlook calls for drier-than-normal conditions for most of the country with wetter conditions expected in Southern Texas.



**Data Section**

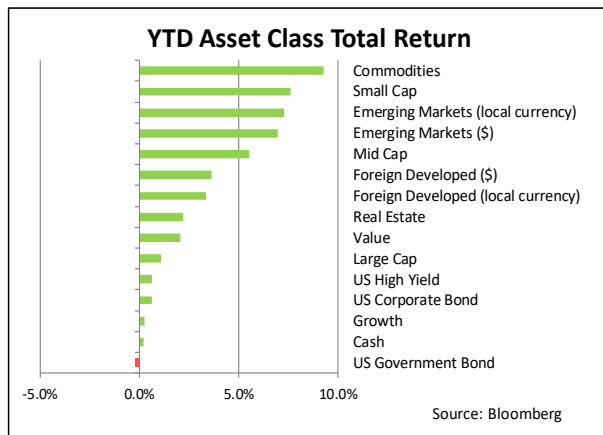
**US Equity Markets – (as of 1/23/2026 close)**



(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 1/23/2026 close)**



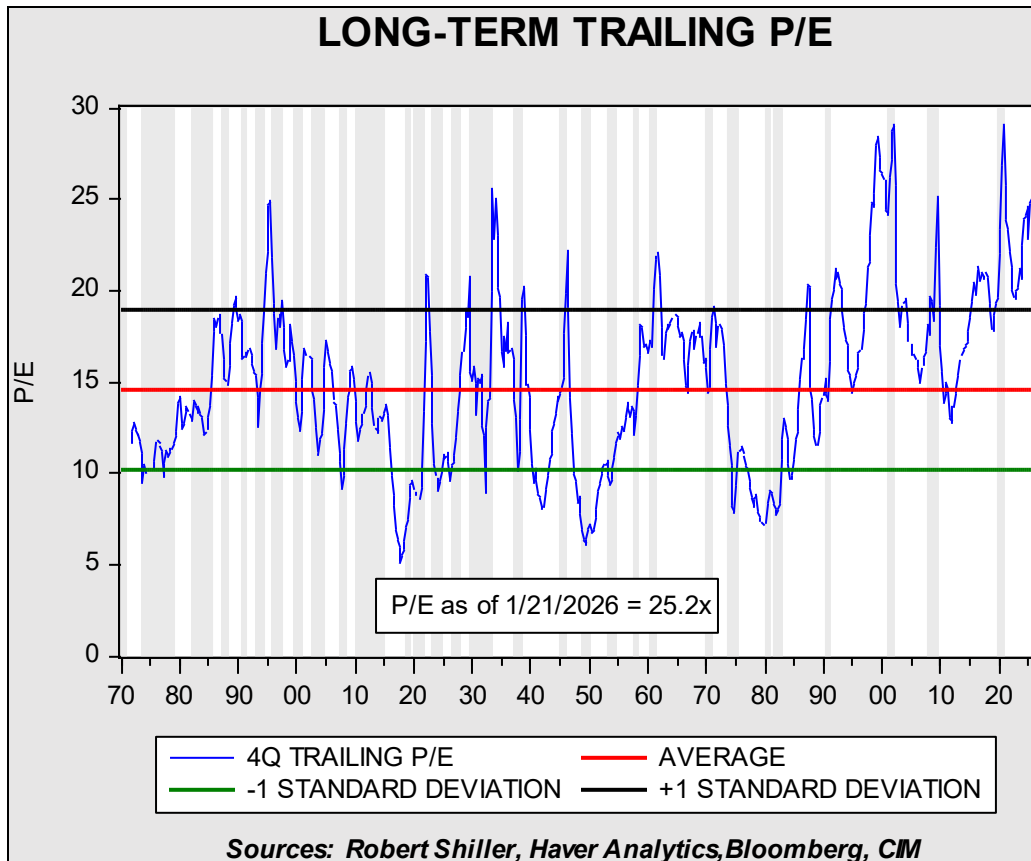
This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 22, 2026



Based on our methodology,<sup>1</sup> the current P/E is 25.2x, unchanged from the previous report. The stock price index and earnings were little changed from the previous week.

*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.