



# Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: January 27, 2026 – 9:30 AM ET]** Global equity markets are generally higher 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 up 2.1%. Chinese markets were mixed, with the Shanghai Composite up 0.2% and the Shenzhen Composite down 0.1%. US equity index futures are signaling a higher open.

With 69 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, 76.8% have exceeded expectations, while 14.5% 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.

<b>Bi-Weekly Geopolitical Report</b>  <a href="#"><u>Blocs, Spheres, Empires and Colonies</u></a> <b>(1/26/26)</b> + <a href="#"><u>podcast</u></a>	<b>Asset Allocation Bi-Weekly</b>  <a href="#"><u>The Great Silver Short Squeeze</u></a> <b>(1/20/26)</b>	<b>Asset Allocation Quarterly</b>  New report to be released later this week	<b>Of Note</b>  <a href="#"><u>The Keller Quarterly</u></a>  <a href="#"><u>VE Insight: Understanding the R1000 Value Index</u></a>
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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).

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Our *Comment* today opens with a renewed threat of US tariff hikes against South Korea, illustrating how global trade tensions could rekindle at any time. We next review several other international and US developments with the potential to affect the financial markets today, including a new free-trade deal between the European Union and India and a US decision to limit Medicare payments to health insurers — a move that has put intense downward pressure on health insurance stocks.

**United States-South Korea:** President Trump late yesterday [said he will hike the US tariff on South Korea's imports to 25% to punish the country for its slow approval of the bilateral trade](#)

deal reached by Washington and Seoul last year. The tariff hike would apply to all goods covered by Trump's reciprocal tariffs, along with cars, lumber and pharmaceutical goods. As with the president's weekend threat to impose new tariffs against Canada, the development shows that trade tensions remain a potential threat to financial markets.

**United States-Iran:** Reports yesterday said the *USS Gerald R. Ford* aircraft carrier and her strike group have arrived in the Middle East, greatly enhancing the US military presence in the region if President Trump wants to launch his threatened attack on Iran to retaliate for its brutal crackdown on protestors. There is no certainty that such an attack will happen, but investors should be aware that it remains possible. If it happens, there is some risk that it could spark a regional war that would disrupt the global economy and financial markets.

**European Union-India:** Officials from the EU and India today signed a free-trade deal that is expected to cut or remove tariffs on more than 96% of EU exports to India, including machinery, autos, and alcohol. However, sensitive agricultural exports on each side won't be affected. For EU exporters, the deal is expected to yield savings of about 4 billion EUR (\$4.8 billion). The deal is also expected to help boost EU exports to India, helping Brussels diversify its foreign sales away from the US as the trans-Atlantic relationship sours.

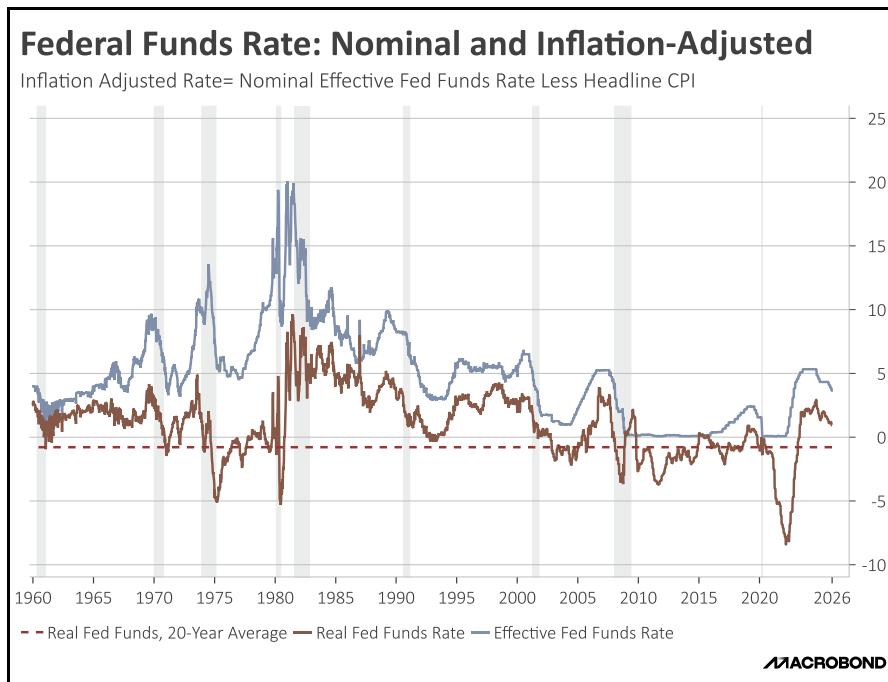
**Canada-China:** Top Chinese mining company Zijin Mining Group yesterday announced that it is buying Canadian miner Allied Gold in an all-cash deal valued at about \$4 billion. The deal, which still requires shareholder and regulatory approval, illustrates how Prime Minister Carney has quickly moved to boost ties with China as a counterweight to the increasingly fraught relationship between the US and Canada. Of course, such deals probably raise the chance that the Trump administration will impose new tariffs or trade barriers on Canada in retaliation.

**United Kingdom-China:** The British government is reportedly planning to place tighter curbs on Chinese agencies and companies operating in the UK. The enhanced scrutiny will likely focus on China's Ministry of State Security, the Chinese Communist Party, and state-owned Chinese firms operating or investing in sensitive sectors. The move comes despite UK Prime Minister Starmer's effort to improve relations with China in order to diversify British trade away from the US, illustrating the risks inherent as countries embark on that strategy.

**United Kingdom:** As top Conservative Party politicians continue to defect to the right-wing populist Reform UK Party, pulling the Conservative Party to the right, several moderate Conservative officials yesterday launched a new centrist movement called Prosper UK to drag the Conservatives back toward the centrists. The officials said Prosper UK is also designed to counter the way the Labour Party has been pulled to the left. The development is further evidence that the British political system is fracturing, which will likely paralyze policy going forward.

**US Monetary Policy:** The Fed's policy committee begins its latest conclave today, with its decision expected tomorrow at 2:00 PM ET. Based on interest-rate futures trading, investors are almost unanimous in expecting the officials to hold their benchmark fed funds rate unchanged at 3.50% to 3.75%, after cutting rates at each of the previous three meetings. We expect that the

officials will resume cutting rates at some point this year, but we continue to think that the bulk of any further cuts will be backloaded in the second half of the year.



**US Health Insurance Industry:** The administration yesterday [said it would hike Medicare reimbursements to health insurers by a paltry 0.09% in 2027, versus their 5.0% increase in 2026](#). In response, health insurance giants UnitedHealthcare and Humana both saw their share prices fall by at least 10%. CVS and Elevance saw their share prices drop by more than 5%. The news illustrates how any firm that relies on federal reimbursement or fees, [including defense contractors](#), is now at risk as the administration refocuses on cutting government spending.

**US Airline Industry:** Today marks the beginning of a new era as Southwest Airlines finally [abandons open seating for assigned seating](#). For Southwest customers who love the airline's extensive flight network (like yours truly), the move will put an end to the "seating roulette" that most travelers endured until now.

## US Economic Releases

There were no economic releases prior to the publication of this report. The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
<b>10:00</b>	Richmond Fed Manufact. Index	m/m	Jan	-5	-7	**
<b>10:00</b>	Conf. Board Consumer Confidence	m/m	Jan	91.0	89.1	***
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>								
Japan	Machine tool orders	y/y	Dec	10.9%	2.7%		**	Equity and bond neutral
	PPI Services	y/y	Dec F	2.6%	10.6%	2.7%	*	Equity and bond neutral
China	Industrial Profits	y/y	Dec	5.3%	-13.1%		*	Equity and bond neutral
<b>EUROPE</b>								
Eurozone	EU27 New Car Registrations	y/y	Dec	5.8%	2.1%		***	Equity and bond neutral
France	Consumer Confidence	m/m	Jan	90.0	90.0	90.0	***	Equity and bond neutral
<b>AMERICAS</b>								
Mexico	Exports	m/m	Dec	60651m	56412m		*	Equity and bond neutral
	Imports	m/m	Dec	58221m	55749m		*	Equity and bond neutral
	Trade Balance	m/m	Dec	24296m	662.8m	2500.0m	**	Equity and bond neutral
Brazil	IBGE Inflation IPCA-15	m/m	Jan	4.50%	4.41%	4.52%	***	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)	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 (%)	4.23	4.21	0.02	Down
Euribor/OIS spread (bps)	204	204	0	Down
Currencies	Direction			
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
<b>Energy Markets</b>				
Brent	\$65.54	\$65.59	-0.08%	
WTI	\$60.64	\$60.63	0.02%	
Natural Gas	\$6.44	\$6.80	-5.26%	Increased Production
Crack Spread	\$23.60	\$23.51	0.37%	
12-mo strip crack	\$24.56	\$24.44	0.48%	
Ethanol rack	\$1.80	\$1.79	0.43%	
<b>Metals</b>				
Gold	\$5,083.31	\$5,008.70	1.49%	
Silver	\$111.11	\$103.78	7.06%	Demand Optimisms, Supply Pessimism
Copper contract	\$589.00	\$602.05	-2.17%	
<b>Grains</b>				
Corn contract	\$429.00	\$428.25	0.18%	
Wheat contract	\$523.00	\$522.50	0.10%	
Soybeans contract	\$1,063.25	\$1,061.75	0.14%	
<b>Shipping</b>				
Baltic Dry Freight	1,780	1,762	18	
<b>DOE Inventory Report</b>				
	Actual	Expected	Difference	
Crude (mb)		-0.11		
Gasoline (mb)		1.47		
Distillates (mb)		0.00		
Refinery run rates (%)		-0.65%		
Natural gas (bcf)		-98		

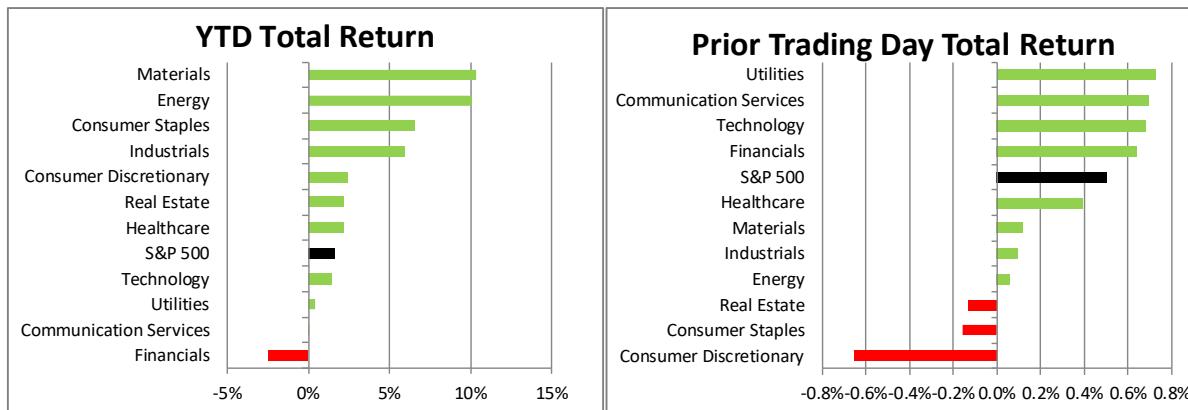


## Weather

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

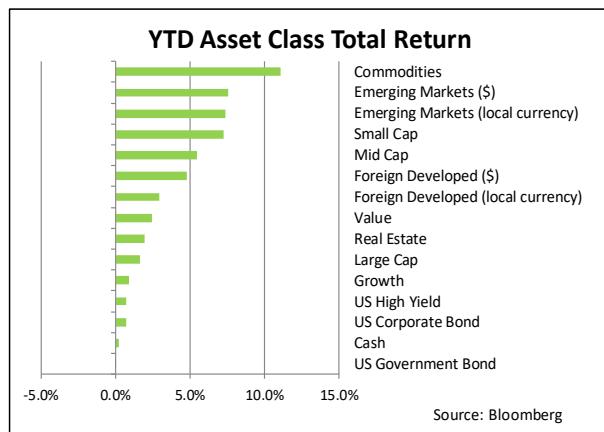
### US Equity Markets – (as of 1/26/2026 close)



(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 1/26/2026 close)

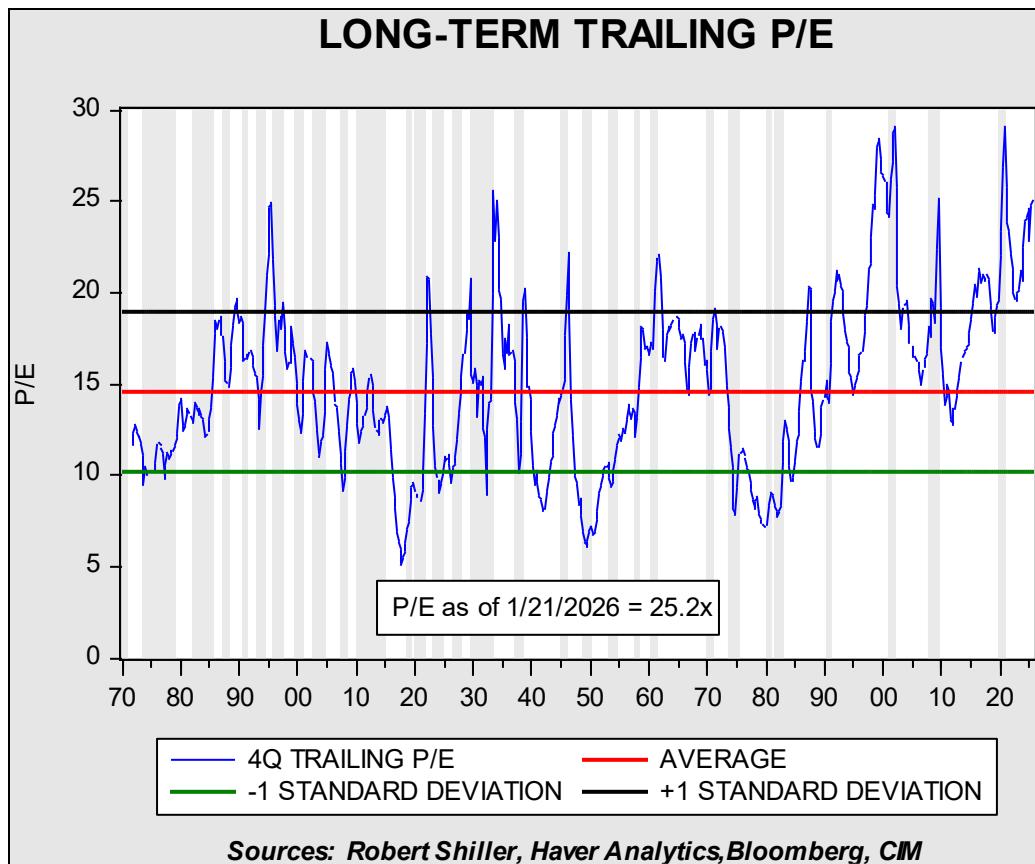


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.