Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: July 13, 2026 — 9:30 AM ET] Global equity markets are mostly lower 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 down 3.3%. Chinese markets were lower with the Shanghai Composite down 2.1% and the Shenzhen Composite down 4.0%. US equity index futures are signaling a lower open.

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
"Mid-Year Geopolitical Outlook" (6/22/26) + podcast	"The Evolution of the Tech Life Cyle" (6/29/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Confluence Mailbag Podcast VE Insights: A Narrow Market

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 an update on the on-again, off-again war in Iran (it now appears to be on again, driving up global energy prices today and weighing on stock values). We next review several other international and US developments that could affect the financial markets today, including a plunge in South Korean technology stocks that is weighing on the global tech sector and a few words on the implications of South Carolina Sen. Lindsay Graham's death over the weekend.

United States-Israel-Iran: After former Supreme Leader Ali Khamenei's weeklong funeral procession and Saturday's burial ceremony, new Leader Mojtaba Khamenei warned that revenge for his father's assassination "will most certainly be carried out." According to other recent reports, Israel has also warned the US that it has intelligence that Iran is actively developing plans to assassinate President Trump. Separately, the US continued to launch renewed strikes against Iran over the weekend, and Iran responded with attacks against the US and its allies.

- Giving credence to the assassination threat, reports say that after last week's NATO summit in Turkey, the president had to fly to the UK in the old Air Force One to ensure his safety. Consistent with longstanding security concerns about the new, luxurious Air Force One gifted to the president by Qatar, the new aircraft reportedly doesn't have the same level of air-defense and other security equipment as the old one.
- The risk of the US president being assassinated by Iran is probably very small. All the same, if it happened, the event would likely cause a sharp downturn in global financial markets as investors braced for a sudden change in US policy and a high risk of a major US military strike to punish Tehran.
- In any case, the renewed fighting suggests that the celebrated June ceasefire has effectively collapsed, even though US and Iranian officials reportedly continue to talk. Importantly, Iran has threatened to shut down shipping through the Strait of Hormuz again, and its strikes against commercial vessels in the area over the weekend suggest it is serious. That means it remains too early to call the "all clear" for the global economy and markets.
- Indeed, the renewed fighting has pushed up global oil prices about 3.3% so far this morning, with near Brent futures trading at $78.55 per barrel. The jump in energy prices is also apparently contributing to a pullback in global technology shares.

China-Australia: New analysis by the *Financial Times* shows Australia has suddenly become a huge importer of large-scale batteries, mostly from China. According to the report, Australia accounted for almost 10% of new global battery capacity in March, with about 2,000 home batteries being installed every day this year. The report says the surge in battery installations is even starting to impact the nation's peak electricity prices.

- Australia's battery boom reflects multiple influences, including a subsidy implemented last year, extensive solar panel installations, unreliable coal-fired electricity generation, and connectivity issues between states.
- The surge of imports from China makes Australia even more dependent on economic ties with its huge neighbor to the north. It also reflects China's huge excess industrial capacity and its ability, or even requirement, to unload its enormous output abroad.

South Korea: SK Hynix's share price plummeted approximately 15% in Seoul today, helping drive the overall South Korea index down some 9%. The plunge came just one trading day after the company's initial offering of American Depositary Receipts in the US on Friday. The ADRs traded up 13% on their first trading day, but premarket prices are down about 9% so far today.

- There is no apparent change in the firm's fundamentals to account for today's price drop. Rather, the pullback appears to reflect investors normalizing their positions now that the IPO is complete.
- For now, the artificial intelligence boom continues apace, buoying the value of just about anything related to AI data centers and other infrastructure, including processing and memory chips.

United States-Canada: In a sign of cooling bilateral trade tensions, President Trump over the weekend said he would allow the new Gordie Howe International Bridge linking Michigan and Ontario to open on July 27. Previous reports had suggested that Trump's initial hold reflected a major political donation by the owner of the rival Ambassador Bridge at Detroit. However, according to the Canadian government, the president lifted his hold on the opening after the two sides agreed on changes in how toll revenue would be managed.

US Politics: Sen. Lindsay Graham of South Carolina died unexpectedly on Saturday, setting the stage for a quick Republican process to replace him on the November ballot. Republican Gov. McMaster can name a replacement for Graham, but he or she would only serve until January 3. Thus, the party is expected to hold a primary on August 11 and a potential run-off on August 25. It's not yet clear who the frontrunner in the primary will be, but because South Carolina is so conservative, the winner would have the advantage over Democratic candidate Annie Andrews.

US Monetary Policy: Fed Chair Warsh will deliver his first Semiannual Monetary Report to Congress tomorrow morning at 10:00 am ET, giving investors a chance to potentially get more insight into his goals for interest rates, the Fed's balance sheet, forward guidance, bank regulation, and other key issues. How he performs under the Congressional grilling could potentially prompt some market volatility today and tomorrow.

US Regulatory Policy: The *Financial Times* today carries a useful article showing that firms are increasingly concerned about populist policies in the US. The article highlights the president's recent assertion that he has pressured Walmart to cut prices on thousands of goods, but other concerns include the government's effort to push companies into investments, secure equity stakes, and extract payments in return for regulatory approval.

- While such efforts to intervene in the economy are especially notable for a Republican administration, given the party's long embrace of private property and free markets, we reiterate our long-held view that both parties are increasingly influenced by populism. Republicans and Democrats both seem much more willing to intervene in the economy to advance working-class interests than they were in recent decades.
- Importantly, the threat of government intervention in corporate pricing, investment, and other decisions will likely weigh on stock values at some point. Indeed, government pressure to hold down highly visible consumer prices could be one reason why consumer staples stocks have been so out of favor recently.

US Economic Releases

No major US 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	
14:00	Federal Budget Balance	m/m	Jun	-$128.36b	-$292.6b	**	
Federal Reserve							
EST	Speaker or Event	District or Position					
5:25	Michelle Bowman Speaks on Financial Regulation	Member of the Board of Governors					
12:30	Christopher Waller Speaks at NYABE	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
ASIA-PACIFIC								
India	Trade Balance	m/m	Jun	-$30428m	-$28210m	-$26500m	**	Equity and bond neutral
	Exports	y/y	Jun	15.5%	18.0%		**	Equity and bond neutral
	Imports	y/y	Jun	31.0%	20.6%		**	Equity and bond neutral
	CPI	y/y	Jun	4.4%	3.9%	4.2%	***	Equity and bond neutral
EUROPE								
Switzerland	Domestic Sight Deposits CHF	w/w	10-Jul	444.8	440.9b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	10-Jul	471.3	479.2b		*	Equity and bond neutral
Russia	CPI	y/y	Jun	6.02%	5.31%	6.00%	***	Equity and bond neutral
	Core CPI	y/y	Jun	5.02%	4.90%		**	Equity and bond neutral
AMERICAS								
Canada	Net Change in Employment	m/m	Jun	18.2k	87.8k	10.0k	***	Equity and bond neutral
	Unemployment Rate	m/m	Jun	6.5%	6.6%	6.6%	***	Equity and bond neutral
	Building Permits	m/m	May	-1.7%	-6.6%	1.00	**	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)	369	370	-1	Up
U.S. Sibor/OIS spread (bps)	377	377	0	Up
U.S. Libor/OIS spread (bps)	375	375	0	Up
10-yr T-note (%)	4.57	4.56	0.01	Up
Euribor/OIS spread (bps)	241	238	3	Up
Currencies	**3 Mo**			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down

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	$78.55	$76.01	3.34%	
WTI	$73.84	$71.41	3.40%	
Natural Gas	$2.88	$2.94	-1.90%	
Crack Spread	$63.03	$61.57	2.38%	
12-mo strip crack	$44.76	$43.89	1.97%	
Ethanol rack	$2.09	$2.09	0.01%	
Metals				
Gold	$4,066.90	$4,119.93	-1.29%	
Silver	$58.72	$59.87	-1.92%	
Copper Contract	$627.35	$628.20	-0.14%	
Grains				
Corn contract	$466.25	$461.00	1.14%	
Wheat contract	$637.00	$640.25	-0.51%	
Soybeans contract	$1,197.25	$1,190.75	0.55%	
Shipping				
Baltic Dry Freight	2,944	2,910	34	

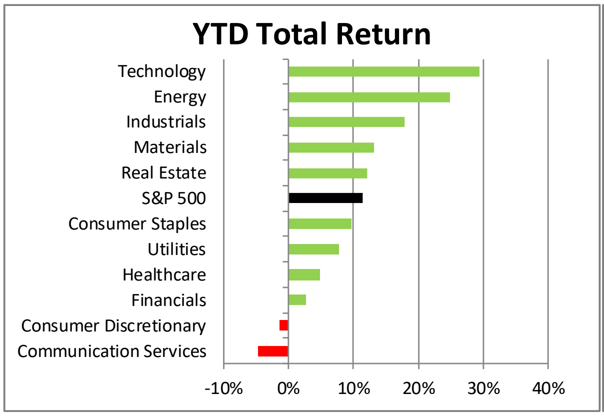
Weather

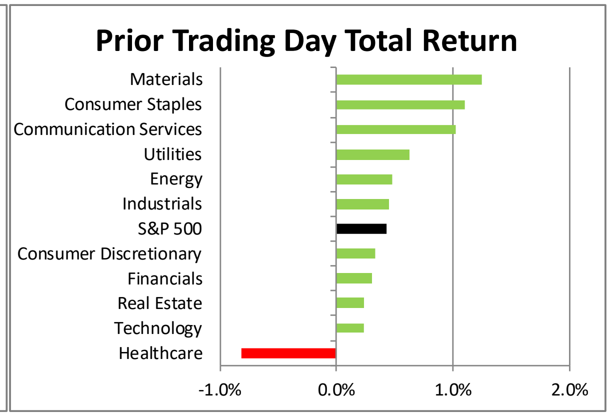
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near-normal temperatures in New England and parts of the Midwest. The outlook calls for wetter-than-normal conditions in most states outside of the Mississippi valley.

No tropical cyclone activity is expected in the Atlantic area within the next seven days.

Data Section

US Equity Markets – (as of 7/10/2026 close)

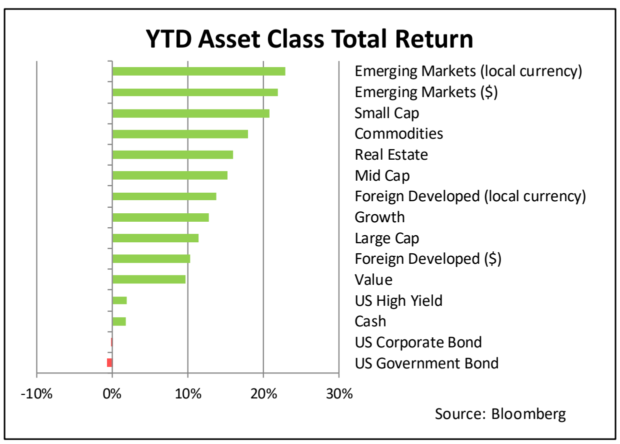




(Source: Bloomberg)

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 7/10/2026 close)

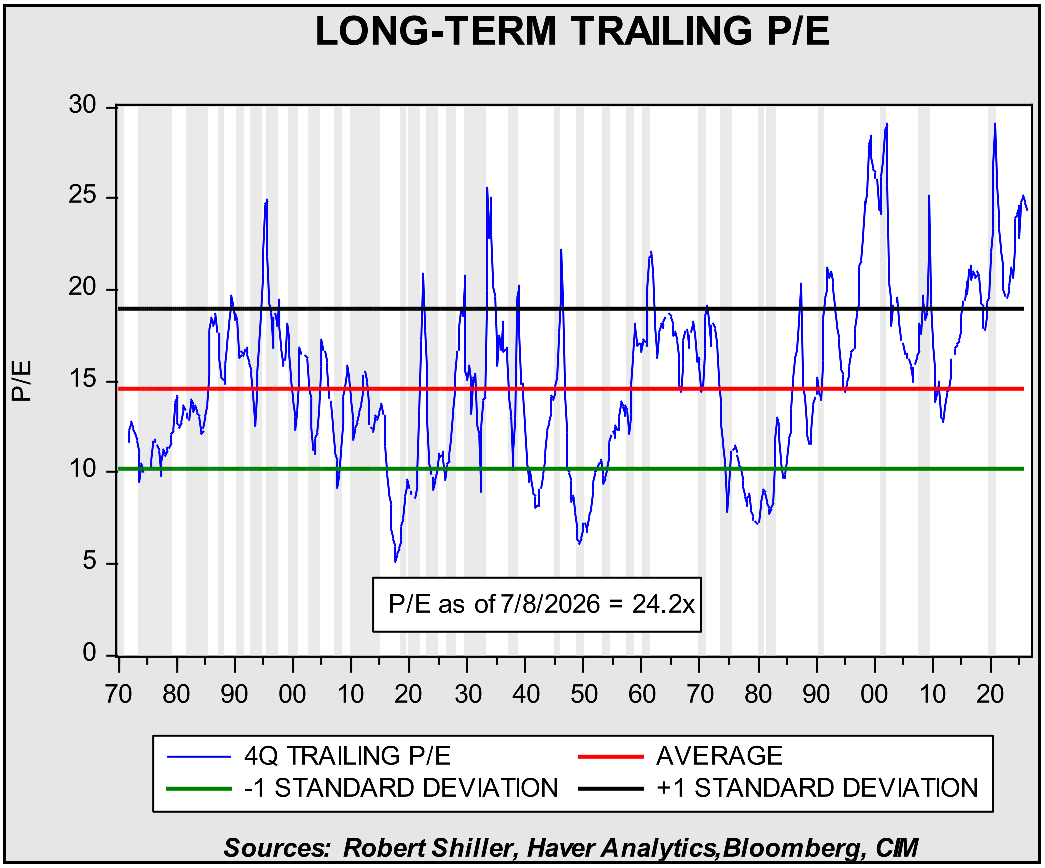


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

July 9, 2026



Based on our methodology,[1] the current P/E is 24.2x, down 0.5 from the previous report. The decline in the multiple was due to the increase in earnings outpacing the increase in the stock price index.

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.

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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 (Q3, Q4, Q1) and one estimate (Q2). 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.