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[Posted: July 9, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 0.7% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.5%. Chinese markets were higher with the Shanghai Composite up 1.7% and the Shenzhen Composite up 2.2%. US equity index futures are signaling a higher 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)	“The Evolution of the Tech Life Cycle” (6/29/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Confluence Mailbag Podcast Confluence of Ideas Podcast

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* begins with key takeaways from the latest escalation between the US and Iran. We then turn to the Federal Reserve, providing a breakdown of the most recent meeting minutes. Next, we briefly cover the US decision to expand support for Ukraine, China’s move to permit limited purchases of US chips, and forthcoming changes to key inflation measures. As always, we conclude with a review of recent domestic and international economic data.

Iran Escalation: Concerns of a possible breakdown in ceasefire negotiations continue to weigh on markets. On Wednesday, [the US carried out a second consecutive day of strikes on Iran](#), aiming to degrade the country’s ability to control transit through the Strait of Hormuz. The escalation has provoked a response from Iran, which has signaled [it has no clear red lines when it comes to defending its interests](#). These developments are reinforcing doubts about the durability of the ceasefire, adding to broader market uncertainty.

- The escalating back-and-forth increasingly points toward a renewed slide into open conflict. As of Thursday morning, [the US reported that its latest round of strikes targeted](#)

[90 sites, up from 80 the previous day](#). In response, Iran launched strikes on military installations in Kuwait, Bahrain, and Qatar.

- The latest escalation in tensions follows President Trump's declaration that he believed the ceasefire was over, though he later clarified that he would allow negotiations to continue, stating he did not want a resumption of war. In the wake of the attacks, [maritime traffic through the strait appears limited](#). Ships authorized by Iran have been able to transit the waterway, while the US-supported shipping corridor along Oman has remained quiet.
- Despite rising friction in the Strait of Hormuz, the markets have remained relatively stable compared to the onset of the conflict. Oil prices continue to fluctuate between \$70 and \$80 per barrel, well below the \$100 peak seen earlier. Equities closed only slightly lower on Wednesday, with the Nasdaq even managing to finish higher. Meanwhile, the bond market showed the greatest anxiety, driven by lingering concerns over elevated inflation.
- At this stage, we believe the market is interpreting the recent skirmish as a sign that both sides will remain engaged in dialogue. However, any escalation in hostilities could trigger a significantly stronger negative reaction. In light of this uncertainty, we continue to advocate for a well-balanced portfolio. Specifically, we recommend limiting duration risk to help mitigate volatility, while favoring dividend-paying equities, which can provide a stable income stream during turbulent periods.

Fed Speak: The Federal Reserve released the first set of minutes following Kevin Warsh's assumption of leadership, [offering additional insight into the June 16-17 policy meeting](#). The minutes highlighted a notable divergence of views among policymakers regarding the outlook for the economy, inflation, and the labor market, though the overall tone carried a hawkish tilt. While the decision to hold rates steady was unanimous, several members signaled openness to a rate increase at that meeting.

- The minutes indicated that Fed officials remain confident that inflation will return to the 2% target over the intermediate to longer term. Policymakers attributed the recent uptick in inflation to factors including the AI investment cycle, Middle East tensions, and tariff pass-through effects. While there was broad agreement that the worst of the geopolitical disruption may be behind them, concerns persist that inflationary pressures could reemerge over time due to the other lingering factors.
- AI-related demand has emerged as a growing area of concern. While some policymakers expressed confidence that productivity gains from AI could ultimately help ease inflationary pressures, there was recognition that, in the near term, the buildout is contributing to price pressures, particularly through increased demand for technology goods and rising electricity costs. Additionally, some officials noted that elevated AI-related capital spending could risk contributing to broader economic overheating.
- With respect to the labor market, the tone within the Fed appeared more constructive. Overall, the committee expressed confidence that labor market conditions remain solid, citing firmer hiring trends, an unemployment rate broadly in line with its long-run average, and relatively low jobless claims. However, some policymakers noted lingering

concerns about a lack of dynamism in the job market, as well as the risk that geopolitical developments could trigger layoffs.

- While concerns about persistent inflation alongside a stable labor market point to a hawkish bias, the committee does not appear firmly committed to that stance. The minutes suggest policymakers are still seeking additional data before altering the policy path, with most indicating that holding rates steady, or potentially cutting, remains feasible moving forward. However, if the labor market continues to show resilience and inflation proves more persistent, many expressed openness to future policy tightening.

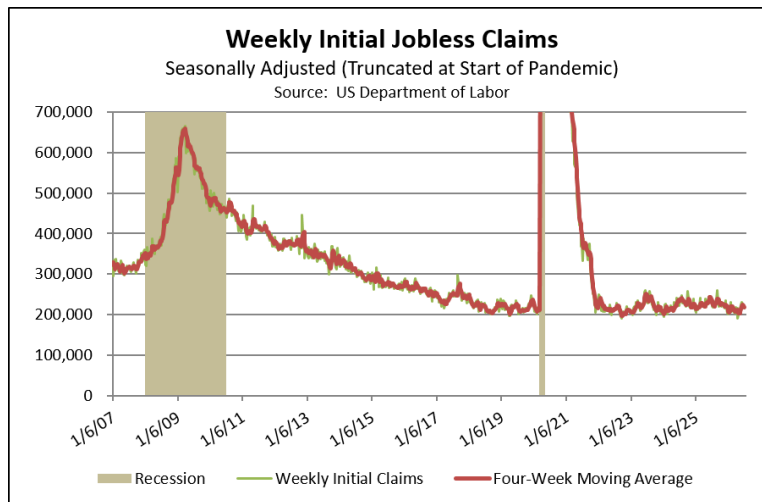
Ukraine Boost: The US has provided Ukraine with a fresh boost in its fight against Russia. On Wednesday, [President Trump authorized Ukraine to coproduce Patriot missile systems](#), a move aimed at strengthening its air defense capabilities. The decision comes amid growing confidence in Ukraine’s recent battlefield momentum. While the US still appears to favor a negotiated end to the conflict, the move suggests diminishing faith in Russia’s willingness to return to meaningful talks.

China Loosens Restrictions: Beijing is expected to ease restrictions on firms seeking to purchase US-made chips. On Wednesday, [Chinese officials informed leading AI companies that they may acquire a limited number of Nvidia’s H200 chips](#), subject to prior approval. The decision to relax these controls suggests a modest de-escalation in tensions between China and the United States, even as both sides continue to compete for leadership in AI.

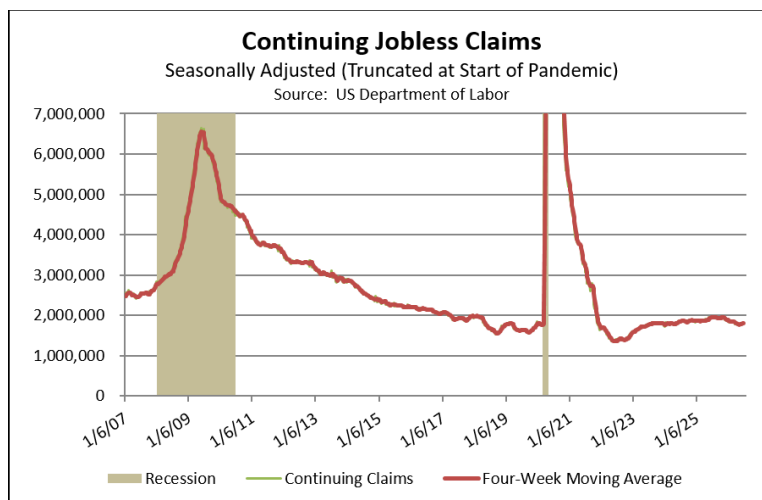
Inflation Makeover: The Fed’s preferred inflation gauge, the Personal Consumption Expenditures (PCE) price index, [is set to undergo methodological updates that could result in more favorable inflation readings](#). While the changes are not expected to take effect until September, the BEA has announced revisions to components including legal services, software, and investment advice — categories that have drawn criticism for exerting an outsized influence on measured inflation. The change could reduce the urgency for rate hikes.

US Economic Releases

In the week ended July 4, *initial claims for unemployment benefits* fell to a seasonally adjusted 215,000, slightly below expectations they would be unchanged at the previous week’s revised level of 217,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, fell to 218,750. The chart below shows how initial jobless claims have fluctuated since just before 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.



In the week ended June 27, the number of *continuing claims for unemployment benefits* (people continuing to draw benefits) rose to a seasonally adjusted 1.814 million, matching expectations but rising a bit from the prior week’s revised reading of 1.806 million. The four-week moving average of continuing claims rose to a still-modest 1.808 million. The chart below shows how continuing claims have fluctuated since the GFC. It is also truncated during the pandemic period because of the high level of claims at the time.



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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:00	Existing Home Sales	m/m	Jun	4.2m	4.17m	***
10:00	Existing Home Sales MoM	m/m	Jun	1.0%	3.2%	*
Federal Reserve						
EST	Speaker or Event		District or Position			
9:00	John Williams in Moderated Discussion		President of the Federal Reserve Bank of New York			
13:30	Lorie Logan Moderates Panel on Market Liquidity		President of the Federal Reserve Bank of Dallas			

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	Machine tool orders	y/y	Jun P	52.8%	37.5%		**	Equity and bond neutral
	Money Stock M2	y/y	Jun	2.2%	2.4%		**	Equity and bond neutral
	Money Stock M3	y/y	Jun	1.5%	1.7%		**	Equity and bond neutral
	Japan Buying Foreign Bonds	w/w	3-Jul	-¥218.1b	-¥277.5b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	3-Jul	¥824.5b	¥147.8b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	3-Jul	-¥5.9b	-¥502.3b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	3-Jul	-¥22.2b	-¥1817.5b		*	Equity and bond neutral
New Zealand	BusinessNZ Manufacturing PMI	m/m	Jun	59.7	51.3		***	Equity and bond neutral
China	PPI	y/y	Jun	4.1%	3.9%	4.1%	**	Equity and bond neutral
	CPI	y/y	Jun	1.0%	1.2%	1.1%	**	Equity and bond neutral
EUROPE								
Germany	Trade Balance	m/m	May	191b	14.7b	14.8b	*	Equity and bond neutral
	Exports	m/m	May	0.9%	0.8%	-0.4%	*	Equity bullish, bond bearish
	Imports	m/m	May	-2.5%	1.1%	-0.8%	*	Equity bearish, bond bullish
UK	RICS House Price Balance	y/y	Jun	-33%	-34%	-30%	**	Equity bearish, bond bullish
AMERICAS								
Mexico	CPI	y/y	Jun	3.37%	3.94%	3.50%	***	Equity and bond neutral
	Core CPI	y/y	Jun	4.03%	4.19%	4.10%	**	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)	371	373	-2	Up
U.S. Sibor/OIS spread (bps)	374	376	-2	Up
U.S. Libor/OIS spread (bps)	373	374	-1	Up
10-yr T-note (%)	4.58	4.58	0.00	Up
Euribor/OIS spread (bps)	235	231	4	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	\$78.58	\$78.02	0.72%	
WTI	\$74.02	\$73.52	0.68%	
Natural Gas	\$3.20	\$3.21	-0.31%	
Crack Spread	\$65.01	\$63.85	1.82%	
12-mo strip crack	\$45.37	\$45.38	-0.03%	
Ethanol rack	\$2.08	\$2.08	0.00%	
Metals				
Gold	\$4,104.22	\$4,077.43	0.66%	
Silver	\$58.93	\$58.30	1.08%	
Copper Contract	\$621.45	\$610.75	1.75%	
Grains				
Corn contract	\$452.00	\$456.25	-0.93%	
Wheat contract	\$607.25	\$607.75	-0.08%	
Soybeans contract	\$1,188.00	\$1,192.25	-0.36%	
Shipping				
Baltic Dry Freight	2,871	2,875	-4	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	3.00	-1.90	4.90	
Gasoline (mb)	-1.90	-1.72	-0.18	
Distillates (mb)	-4.98	1.05	-6.03	
Refinery run rates (%)	-0.08%	-0.24%	0.16%	
Natural gas (bcf)		58		

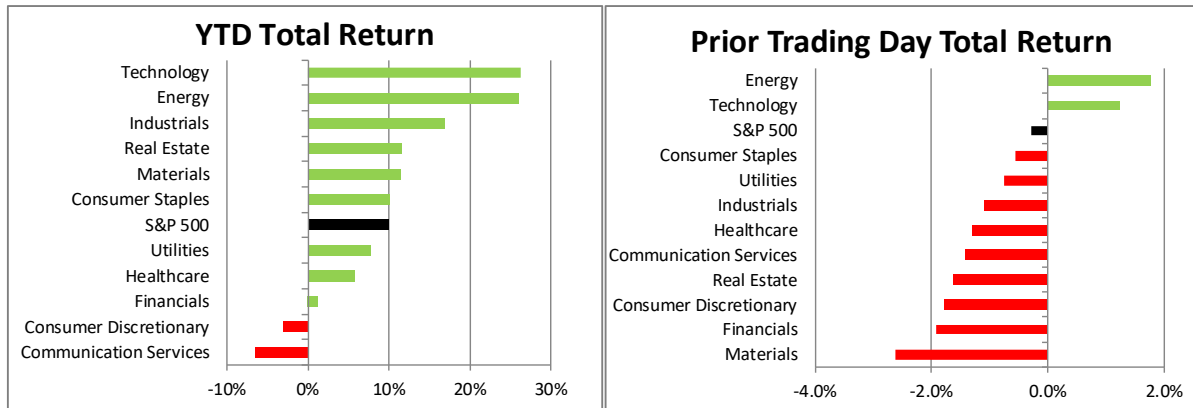
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in all areas except for southern New Mexico, western Texas, and the Northeast, where temps will be near normal. The outlook calls for wetter-than-normal conditions in the Desert Southwest, Texas, and the Gulf Coast excluding southern Florida, with dry conditions in the northern parts of the Great Plains and in the Upper Midwest.

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

Data Section

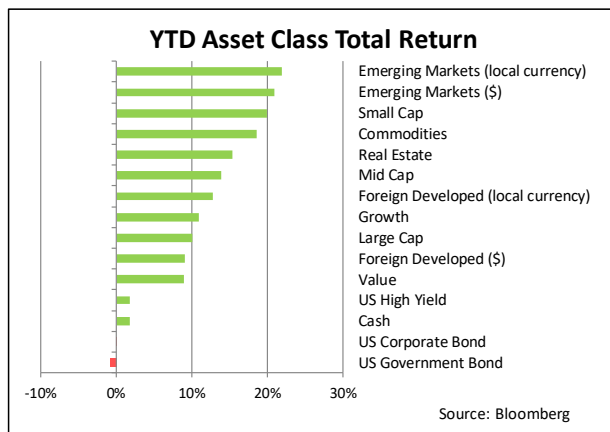
US Equity Markets – (as of 7/8/2026 close)



(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 7/8/2026 close)

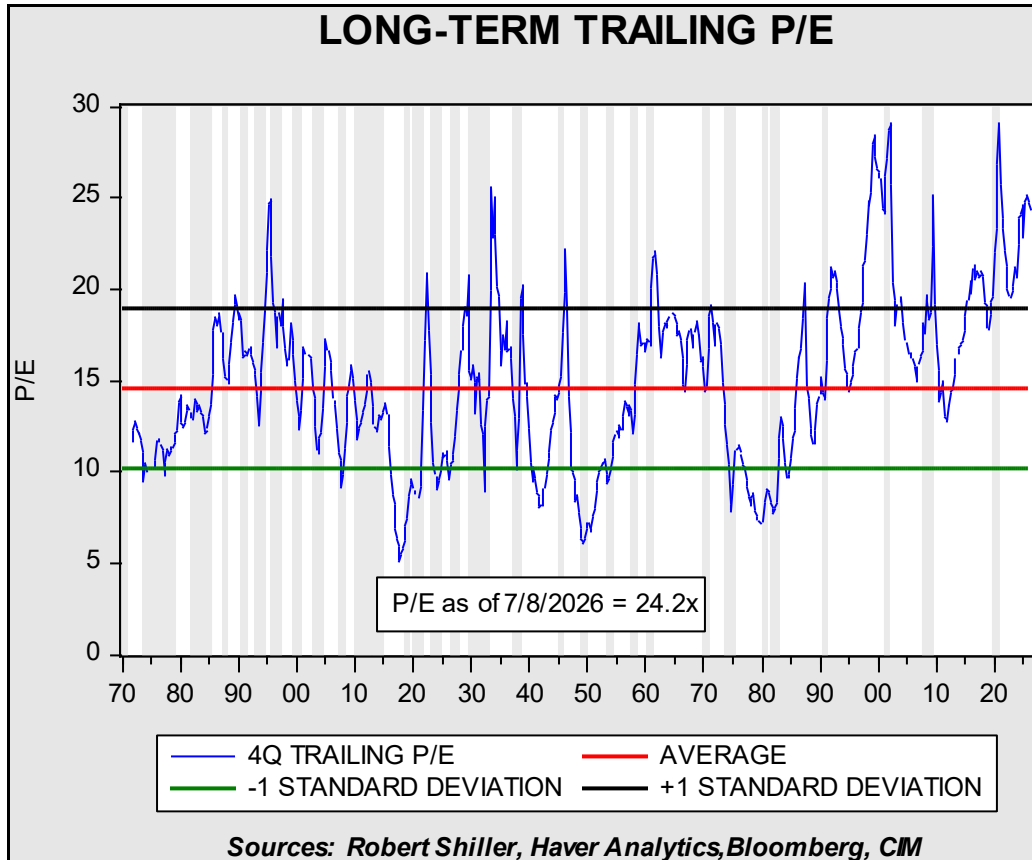


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.

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.