



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 10, 2026 – 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 0.7% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 3.8%. Chinese markets were lower with the Shanghai Composite down 0.4% and the Shenzhen Composite down 2.0%. 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
“Excess Capacity and Policy Change” (6/8/26)	“The UAE’s Exit From OPEC” (6/1/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Confluence Mailbag Value Equity: “Déjà vu for Dividends?”

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* opens with our thoughts on the growing concerns about AI. We then turn to geopolitics, examining the latest developments in the conflict between the US and Iran. Next, we briefly cover the EU cracking down on Meta, Middle Eastern countries looking to build new oil pipelines, and the latest AI tool developed by Anthropic. As always, we conclude with a review of recent domestic and international economic data.

AI Uncertainty: There are growing concerns about the cash needs of Big Tech companies as they look to build out their AI infrastructure. Over the last few weeks, several high-profile companies have sought to tap equity markets for capital. [Private companies SpaceX, OpenAI, and Anthropic are moving forward with IPO preparations](#). Meanwhile, public tech giants like Alphabet have announced new equity offerings, while Meta is also exploring one. The push to issue equity has led to concerns that future earnings may not be enough to justify current valuations.

- Over the past few weeks, several banks have raised concerns about the durability of the AI trade. On Tuesday, [Bank of America strategist Savita Subramanian noted that while parts of the tech sector remain healthy](#), a clear shift has emerged since November. Specifically, cash flow conversion and buybacks have slowed, while capex, debt, and equity issuance have increased. Her view aligns with [similar warnings from Wells Fargo and JPMorgan](#) that the AI trade is showing signs of frothiness.
- The unease may reflect how readily many tech firms have turned to issuing equity for cash, even though borrowing remains relatively cheap. With corporate bond spreads still well below their long-term averages, these companies could easily tap the debt markets instead. Their choice to lean on equity issuance suggests that management sees stock as the cheaper form of financing, which can also be read as a signal that they view their shares as fully valued, if not overvalued.
- The recent AI-driven market scare likely highlights growing fragility within growth stocks, driven by an overweight allocation to the technology sector. During Tuesday's sell-off, equity markets rotated toward more defensive stocks, attracted by their better valuations and the perception that these sectors are more likely to preserve value over the long term. This rotation mirrors similar episodes seen over the past few months, where even minor jitters prompted investors to flee major tech names in search of safety.
- While AI is likely to remain a dominant market narrative, there are emerging signs that its momentum may be moderating. The recent wave of equity issuance by technology firms, while not inherently negative, can be interpreted as opportunistic due to the elevated valuations. Given this context, along with our broader concerns around market fragility, the current environment may present an opportunity for investors to reassess positioning and consider increasing exposure to value-oriented assets.

Mideast Tensions: Developments in Iran suggest that while Middle East tensions remain elevated, energy supply chains are showing resilience. Following Iran's downing of a US helicopter, the two sides exchanged attacks on Wednesday, highlighting ongoing escalation risks. However, oil prices remained contained, with Pentagon officials signaling improved success in maintaining flows through the Strait of Hormuz. Despite continued hostilities, these dynamics point to a reduced near-term risk of major supply disruption.

- On Wednesday, the US and Iran exchanged missile strikes [following Iran's downing of a US Apache helicopter](#), marking a renewed escalation in tensions. The recent clashes come as both sides attempt to break the negotiating impasse and reopen the strait, with US efforts focused on countering Iran's attempts to assert control over the waterway. The fighting underscores the fragility of the ceasefire, which has been repeatedly tested in recent weeks.
- However, despite ongoing fighting around the strait, US officials have expressed growing confidence in their ability to sustain transit through the waterway. [Energy Secretary Chris Wright noted that traffic through the strait is increasing meaningfully](#) and is expected to continue rising. His remarks appeared to reassure markets, contributing to a pullback in oil prices, with WTI futures falling below \$90 and holding at those levels despite the overnight escalation in US-Iran tensions.

- While some progress is being made, [concerns around oil inventories are building](#). Since the conflict began, oil markets have been well supplied by increased US exports, subdued Chinese imports, and strategic reserve releases by several governments. These measures have helped cap prices by narrowing the gap between physical tightness and futures pricing. However, the longer the conflict drags on, the greater the risk that these buffers erode and higher oil prices re-emerge.
- We remain cautiously optimistic that conditions in the Strait of Hormuz will improve. Despite the recent escalation, both sides continue to engage in talks aimed at reopening the waterway, and much of the current posturing appears geared toward extracting additional concessions. This dynamic could invite further tactical attacks, but it also leaves room for a potential breakthrough in the coming weeks. In the meantime, we expect oil prices to remain volatile until a more durable agreement is reached.

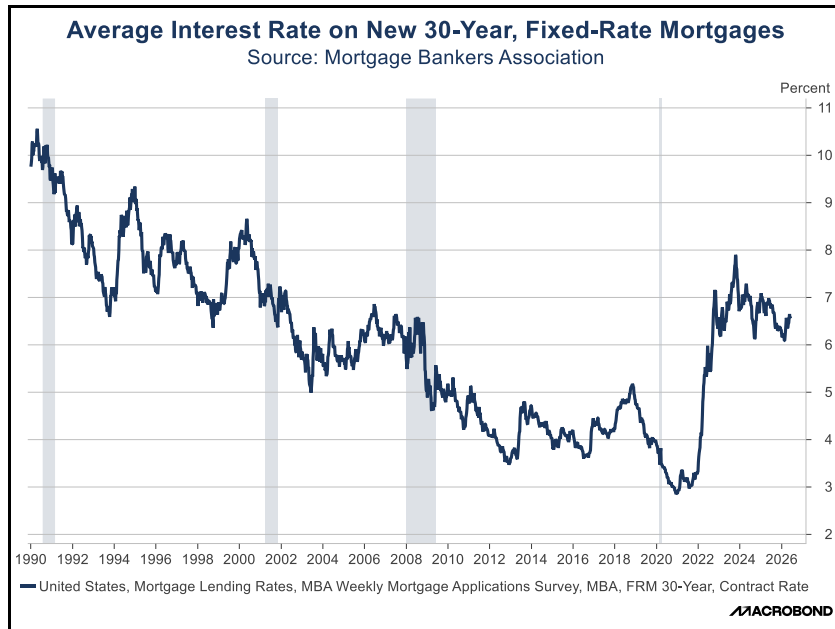
Pipeline Alternative: Kuwait is [looking to build an additional pipeline that would allow it to transport oil without relying on the Strait of Hormuz](#). The state-owned oil producer is working with Saudi Arabia and the United Arab Emirates to increase pipeline capacity, enabling exports to different markets. This effort comes as other Middle Eastern nations have also turned to alternative pipelines to transport their oil. The move signals that oil markets could shift due to the ongoing conflict over the strait.

EU Restrictions: EU regulators have ordered Meta [to stop restricting AI rivals from operating within WhatsApp](#). The European Commission has warned that Meta must restore access for general-purpose AI assistants within five working days or risk penalties under the bloc's antitrust rules, potentially including a fine of up to 10% of its global annual revenue. The move underscores the EU's determination to prevent its digital ecosystem from being dominated by US tech giants and could further strain relations between Brussels and the White House.

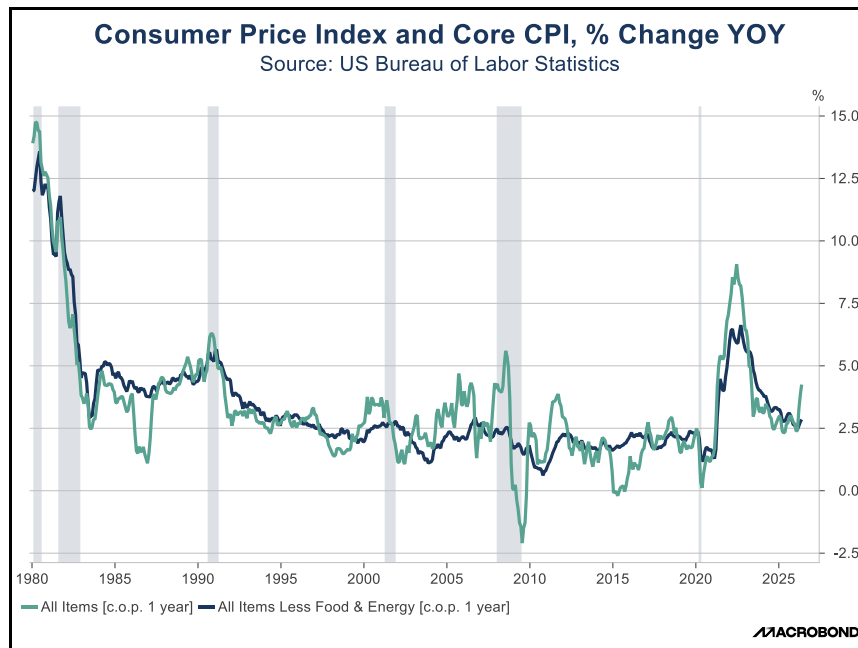
Mythos Update: AI provider Anthropic [has released a new general-use version of its AI tool](#), Mythos, which is expected to be less powerful than the original version. The new model, Fabel 5, has similar capabilities to Mythos but includes built-in safeguards that prevent it from carrying out a cyberattack or developing a bioweapon. The release highlights the danger these AI tools pose to the broader world and could eventually pave the way for future regulation.

US Economic Releases

The Mortgage Bankers Association said *mortgage applications* in the week ended June 5 jumped 10.8%, almost erasing the previous three straight weekly declines. Applications for home purchase mortgages rose 7.3%, after a 2.9% decline in the prior week. Applications for refinancing mortgages surged 15.3%, after falling 2.3% the week before. The average interest rate on a 30-year, fixed-rate mortgage rose 3 basis points to 6.60%. The chart below shows how mortgage rates have changed over time.



Separately, the May *consumer price index (CPI)* rose by a seasonally adjusted 0.5%, matching expectations and decelerating a bit from the 0.6% increase in April. Excluding the volatile food and energy components, the “*core*” *CPI* rose 0.2%, less than both the expected increase of 0.3% and the April rise of 0.4%. The overall CPI in May was up 4.2% from the same month one year earlier, while the core CPI was up 2.9%. The chart below shows the year-over-year change in the CPI and the core CPI since 1980.



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	May	-\$283.1b	\$215.0b	**
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
ASIA-PACIFIC								
Japan	PPI	y/y	May	6.3%	5.3%	5.6%	***	Equity bearish, bond bullish
China	PPI	y/y	May	3.9%	2.8%	3.9%	**	Equity and bond neutral
	CPI	y/y	May	1.2%	1.2%	1.3%	**	Equity and bond neutral
	CPI Core	y/y	May	1.1%	1.2%	1.2%	***	Equity and bond neutral
EUROPE								
Italy	Industrial Production WDA	y/y	Apr	1.3%	1.4%	0.5%	***	Equity and bond neutral
AMERICAS								
Canada	International Merchandise Trade	m/m	Apr	2.72b	1.75b	2.55b	*	Equity and bond neutral
Mexico	International Reserves Weekly	w/w	5-Jun	\$255731m	\$256600m		*	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)	363	362	1	Up
U.S. Sibor/OIS spread (bps)	366	366	0	Down
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.54	4.52	0.02	Up
Euribor/OIS spread (bps)	237	235	2	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.

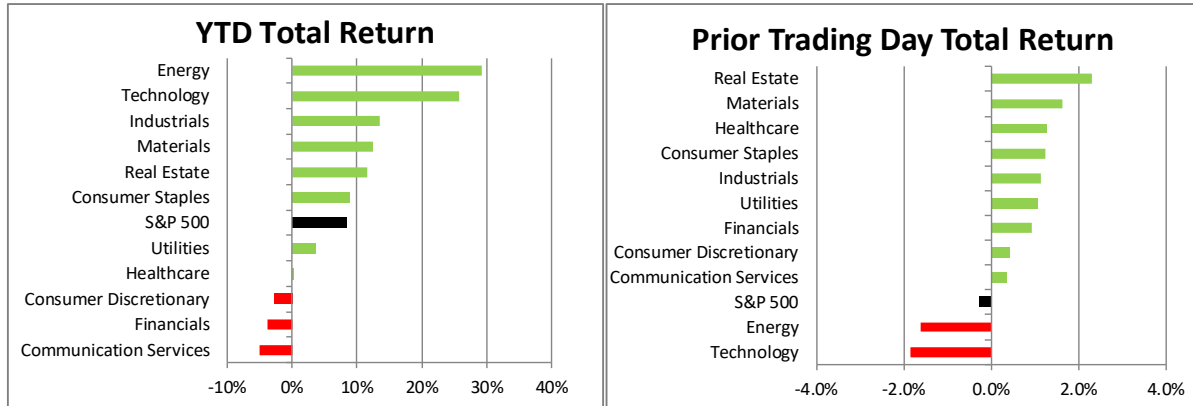
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$92.51	\$91.45	1.16%	
WTI	\$89.41	\$88.20	1.37%	
Natural Gas	\$3.22	\$3.14	2.61%	
Crack Spread	\$45.47	\$45.98	-1.09%	
12-mo strip crack	\$40.53	\$40.86	-0.81%	
Ethanol rack	\$2.12	\$2.12	0.00%	
Metals				
Gold	\$4,170.36	\$4,260.85	-2.12%	
Silver	\$64.35	\$65.36	-1.55%	
Copper Contract	\$623.50	\$632.20	-1.38%	
Grains				
Corn contract	\$449.50	\$445.25	0.95%	
Wheat contract	\$597.25	\$585.25	2.05%	
Soybeans contract	\$1,137.50	\$1,132.00	0.49%	
Shipping				
Baltic Dry Freight	2,818	2,916	-98	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-2.20		
Gasoline (mb)		1.00		
Distillates (mb)		0.17		
Refinery run rates (%)		0.10%		
Natural gas (bcf)		101		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures on the West Coast, the Gulf Coast, and the East Coast, with cooler temperatures in the northern and central Rocky Mountains and Great Plains, as well as in the Midwest. The outlook calls for wetter-than-normal conditions in the Rocky Mountains, the central and southern Great Plains, and in all areas east of the Mississippi River except for Florida, with dry conditions in the Pacific Northwest.

Data Section

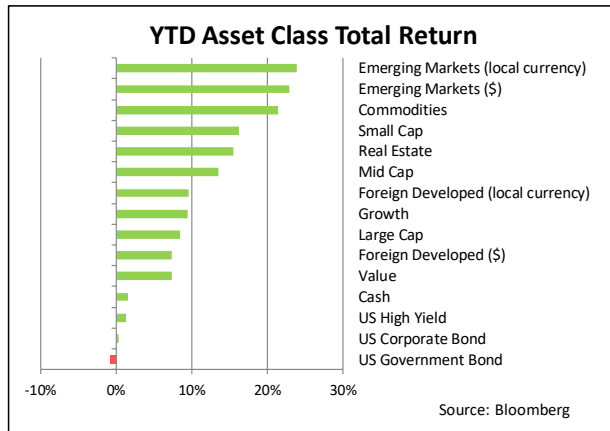
US Equity Markets – (as of 6/9/2026 close)



(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 6/9/2026 close)

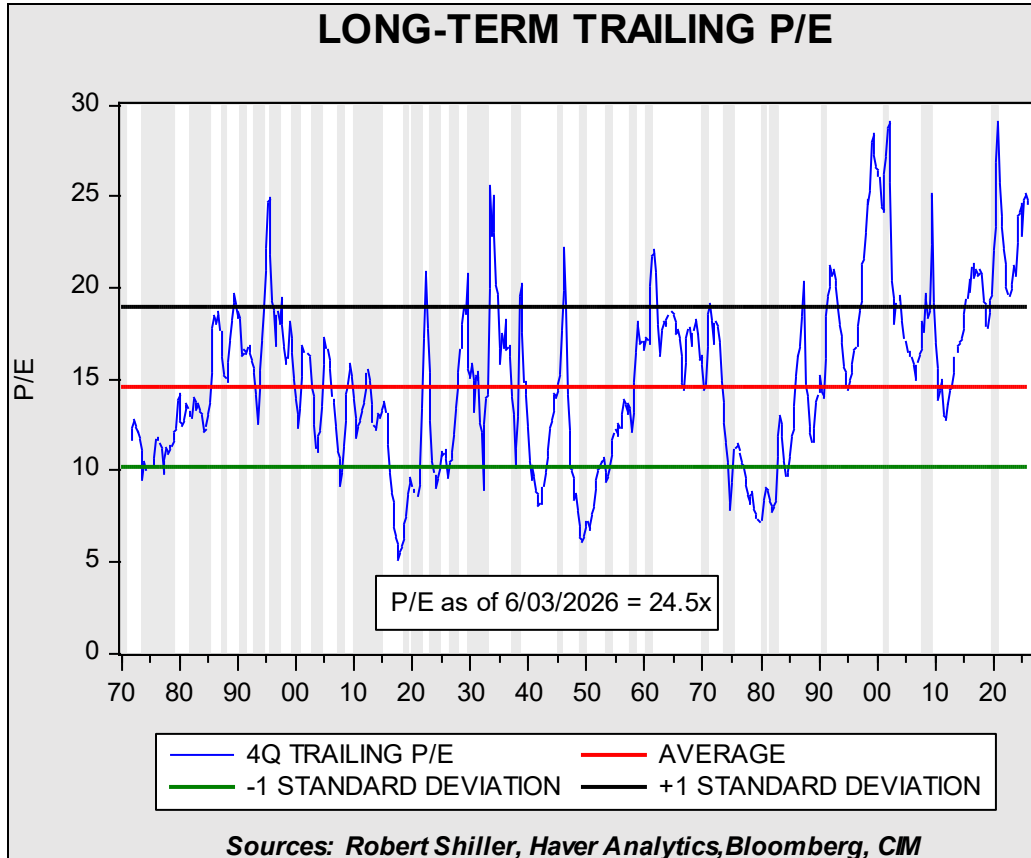


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

June 3, 2026



Based on our methodology,¹ the current P/E is 24.5x, up 0.2 from the previous report. Last week, the increase in the stock price index outpaced the rise in earnings.

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 (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.