



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: June 12, 2026 — 9:30 AM ET]** Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 1.8% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 3.4%. Chinese markets were higher with the Shanghai Composite up 1.1% and the Shenzhen Composite up 1.0%. 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
<a href="#">“Excess Capacity and Policy Change”</a> (6/8/26)	<a href="#">“The UAE’s Exit From OPEC”</a> (6/1/26) + <a href="#">podcast</a>	<a href="#">Q2 2026 Report</a>  <a href="#">Q2 2026 Rebalance Presentation</a>	<a href="#">Confluence Mailbag</a>  <a href="#">Value Equity: “Déjà vu for Dividends?”</a>

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Our *Comment* opens with a discussion of the ECB's decision to raise rates and its potential implications for other central banks. We then turn to the ongoing talks of renewing the USMCA before covering SpaceX's anticipated IPO, and the latest developments in US-Iran peace negotiations. As always, we conclude with a review of recent domestic and international economic data.

**Global Pivot:** The sudden surge in inflation has paved the way for central banks to consider raising interest rates in a bid to restore price stability. On Thursday, the European Central Bank made history as [the first monetary authority within the G-7 to announce a rate hike of 25 bps](#), raising its deposit rate to 2.25%. The decision comes in direct response to soaring energy prices, which have driven inflation across the bloc to three-year highs. By raising rates, the ECB may be paving the way for a shift in global monetary policy from a dovish lean to a more hawkish stance.

- The ECB's decision reflects a broader trend among central banks navigating the aftermath of the Iran war amid heightened concerns over potential pass-through effects from rising energy prices. The [Bank of Japan is projected to follow suit at its next meeting](#), while the Bank of England is anticipated to implement a rate hike in September. Meanwhile, an increasing number of Federal Reserve officials have openly signaled their readiness to support tighter monetary policy should inflation continue to accelerate.
- The Bank of Japan and the ECB have shown the greatest willingness to raise rates due to their heightened vulnerability to an energy shock stemming from the continued closure of the Strait of Hormuz. Both regions source a disproportionate share of their oil from the Middle East, leaving them very exposed to the risks of a prolonged conflict. The US and Canada, by contrast, enjoy greater energy independence, explaining why both central banks are expected to exercise more patience before committing to a rate hike.
- The potential policy pivot is likely to reverberate across bond markets and exchange rates. Rising short-term rates have historically acted as a floor for long-term yields during expansions, and a similar dynamic is expected to play out here. Exchange rates have proven particularly sensitive to shifts in Fed policy expectations with fears that the conflict could force a rate hike providing a tailwind for the dollar.
- The ECB's decision signals how central banks intend to respond to inflationary pressures from the conflict in Iran. Countries most exposed to oil price shocks are expected to tighten first, while those with greater energy independence are likely to be more patient. A resolution could take hikes off the table, though the bar for cuts remains considerably higher than before the conflict, likely requiring clear evidence that the inflation spike is transitory rather than structural.

**USMCA Trade Talks:** The US has entered trade talks with Mexico and Canada as the three nations assess the future of their free trade agreement ahead of the July 1 renewal deadline. Earlier this week, [President Trump signaled a potential unwillingness to renew the deal](#), a stance that could trigger a formal, decade-long withdrawal process and spark a lengthy renegotiation. These comments have introduced significant uncertainty into America's relationships with its two largest trading partners, elevating the risk of renewed trade tensions.

- While the president has stopped short of saying he wants to leave the agreement, his comments have triggered a push for changes to the deal. On Thursday, [the US ambassador to Canada expressed optimism that a deal could be reached](#), provided that there is no escalation. His optimism appears to be driven by Canadian Prime Minister Mark Carney's push to establish a North American economic bloc, a vision of a unified trade front among the three countries under the existing agreement.
- Despite the optimism, talks to renew the trade agreement are expected to yield a more tailored arrangement as a way to keep the US on board. According to a Canadian trade official, any renewal of the [USMCA will likely be accompanied by additional bilateral agreements between Canada and the US](#). The official also expects Mexico to pursue a similar arrangement. Although it is unclear as to what concessions these countries will make, it does appear that they are more open to appeasing the US than challenging it.

- A central theme emerging from these talks is the push for a unified trade policy. The White House has long sought to align Canada and Mexico with its stance on trade with China, and the current negotiations are expected to address the gaps between the three nations on this front. This alignment may take the form of coordinated restrictions on Chinese investment and trade in strategic industries, as well as tighter controls on sourcing requirements.
- Although the president has raised the prospect of not renewing the USMCA, there is currently little evidence of a planned US withdrawal. While negotiations will likely introduce temporary uncertainty as all sides work toward a new deal, this friction is unlikely to have a lasting impact on markets, provided investors remain confident the agreement will stay in place. Any credible signs of a US withdrawal, however, could weigh on market sentiment.

**Hottest IPO:** SpaceX has seen record demand for its shares leading up to its debut on NASDAQ. On Thursday, [the company raised over \\$75 billion for its IPO](#), marking the largest stock opening on record. Demand was four times greater than the available supply, demonstrating robust investor interest. This surge partially reflects the inclusion of retail investors, who were allocated over 20% of the shares. The stellar performance suggests that other highly anticipated IPOs, such as Anthropic and OpenAI, may also see strong market demand.

**Deal Imminent?** The president has decided to call off a planned strike on Iran amid progress in ongoing peace talks. The decision comes as the president indicated [that an agreement could be signed as soon as this weekend in Europe](#). While the details have yet to be released, the president announced that Iran's Supreme Leader has agreed to a deal. The current arrangement would extend the ceasefire by 60 days, reopen the Strait of Hormuz without tolls, and provide Iran with sanctions relief contingent on compliance.

## 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
10:00	U. of Michigan Consumer Sentiment	m/m	Jun P	46.0	44.8	***
10:00	U. of Michigan Current Conditions	m/m	Jun P	46.1	45.8	**
10:00	U. of Michigan Future Expectations	m/m	Jun P	44.9	44.1	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Jun P	4.9%	4.8%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Jun P	3.8%	3.9%	*
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>								
Japan	Capacity Utilization	y/y	Apr F	-0.8%	-1.2%		**	Equity and bond neutral
	Industrial Production	y/y	Apr F	2.0%	2.3%		***	Equity and bond neutral
New Zealand	BusinessNZ Manufacturing PMI	m/m	May	49.9	50.4		***	Equity and bond neutral
China	New Yuan Loans CNY YTD	m/m	May	9110.0b	8590.0b	9040.0b	**	Equity and bond neutral
	Aggregate Financing CNY YTD	m/m	May	17480.0b	15450.0b	17150.0b	**	Equity and bond neutral
	Money Supply M2	y/y	May	8.6%	8.6%	8.6%	***	Equity and bond neutral
	Money Supply M1	y/y	May	5.5%	5.0%	5.0%	*	Equity and bond neutral
	Money Supply M0	y/y	May	11.9%	12.2%		*	Equity and bond neutral
India	CPI	y/y	May	3.93%	3.48%	4.02%	***	Equity and bond neutral
<b>EUROPE</b>								
Germany	CPI	y/y	May F	2.6%	2.6%	2.6%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	May F	2.7%	2.7%	2.7%	**	Equity and bond neutral
France	CPI	y/y	May F	2.4%	2.4%	2.4%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	May F	2.8%	2.8%	2.8%	**	Equity and bond neutral
	CPI Ex-Tobacco Index	q/q	May	102.4%	102.24%	102.4%	*	Equity and bond neutral
UK	GDP	m/m	Apr	-0.1%	0.3%	-0.1%	**	Equity and bond neutral
	Industrial Production	y/y	Apr	-0.2%	0.0%	-0.1%	***	Equity and bond neutral
	Manufacturing Production	y/y	Apr	1.0%	1.2%	0.5%	**	Equity and bond neutral
	Index of Services 3M/3M	m/m	Apr	-0.2%	0.3%	0.8%	**	Equity bearish, bond bullish
	Construction Output	y/y	Apr	-1.00%	-0.30%	-1.70%	*	Equity bullish, bond bearish
	Visible Trade Balance GBP/Mn	m/m	Apr	-£26046m	-£27218m	-£22500m	**	Equity and bond neutral
	Trade Balance GBP/Mn	m/m	Apr	-£8435m	-£9658m	-£5744m	**	Equity and bond neutral
Russia	Money Supply, Narrow Definition	w/w	5-Jun	21.11t	20.98t		*	Equity and bond neutral
	Trade Balance	m/m	Apr	11.4b	11.43b		**	Equity and bond neutral
	Exports	m/m	Apr	38.8b	41.5b		*	Equity and bond neutral
	Imports	m/m	Apr	27.4b	27.2b		*	Equity and bond neutral
	Gold and Forex Reserves	m/m	5-Jun	\$749.7b	\$748.7b		***	Equity and bond neutral
<b>AMERICAS</b>								
Canada	Building Permits	m/m	Apr	-7.6%	10.6%	-3.90	**	Equity bearish, bond bullish
Brazil	IBGE Inflation IPCA	y/y	May	4.72%	4.39%	4.67%	***	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)	361	362	-1	Up
U.S. Sibor/OIS spread (bps)	367	366	1	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.46	4.46	0.00	Down
Euribor/OIS spread (bps)	240	240	0	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Flat
Euro	Up	Euro		Up
Yen	Up	Japan		Down
Pound	Up	UK		Up
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.

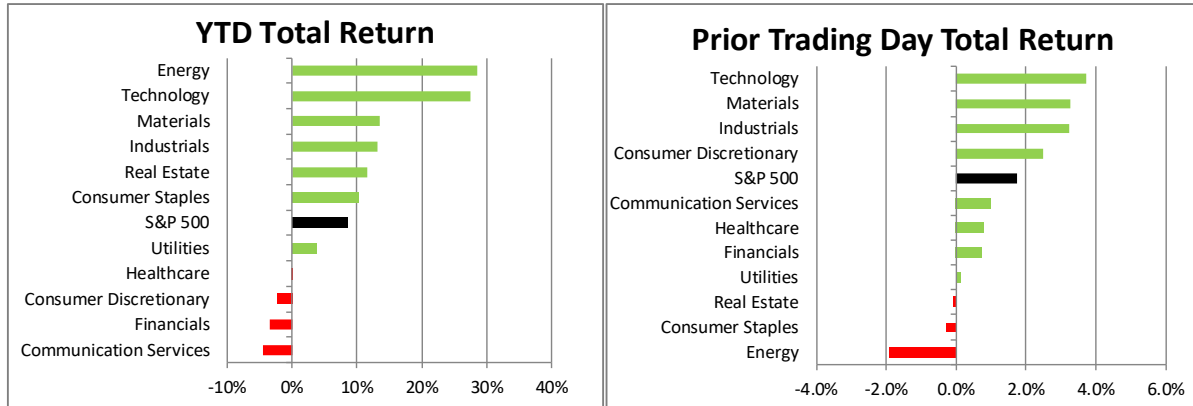
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$86.92	\$90.38	-3.83%	Easing Macroeconomic Tensions
WTI	\$84.21	\$87.71	-3.99%	Easing Macroeconomic Tensions
Natural Gas	\$3.04	\$3.09	-1.46%	
Crack Spread	\$46.14	\$48.97	-5.78%	Easing Macroeconomic Tensions
12-mo strip crack	\$39.19	\$41.32	-5.14%	Easing Macroeconomic Tensions
Ethanol rack	\$2.09	\$2.09	-0.01%	
<b>Metals</b>				
Gold	\$4,201.76	\$4,212.26	-0.25%	
Silver	\$66.93	\$67.31	-0.55%	
Copper Contract	\$639.90	\$627.50	1.98%	
<b>Grains</b>				
Corn contract	\$436.50	\$439.50	-0.68%	
Wheat contract	\$582.75	\$586.75	-0.68%	
Soybeans contract	\$1,131.00	\$1,134.00	-0.26%	
<b>Shipping</b>				
Baltic Dry Freight	2,729	2,771	-42	
<b>DOE Inventory Report</b>				
	Actual	Expected	Difference	
Crude (mb)	-7.23	-2.20	-5.03	
Gasoline (mb)	0.19	1.00	-0.81	
Distillates (mb)	-0.20	0.17	-0.37	
Refinery run rates (%)	0.06%	0.10%	-0.04%	
Natural gas (bcf)	108	100	8	

## **Weather**

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout the Far West, the southern Great Plains, and in the Southeast, with cooler-than-normal temperatures in the Midwest and the Northeast. The outlook calls for wetter-than-normal conditions in all areas from the Rocky Mountains to the East Coast except for Florida, where conditions will be dry.

## Data Section

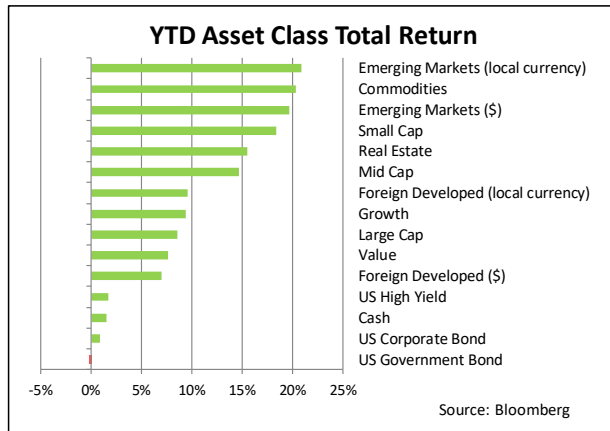
### US Equity Markets – (as of 6/11/2026 close)



(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 6/11/2026 close)

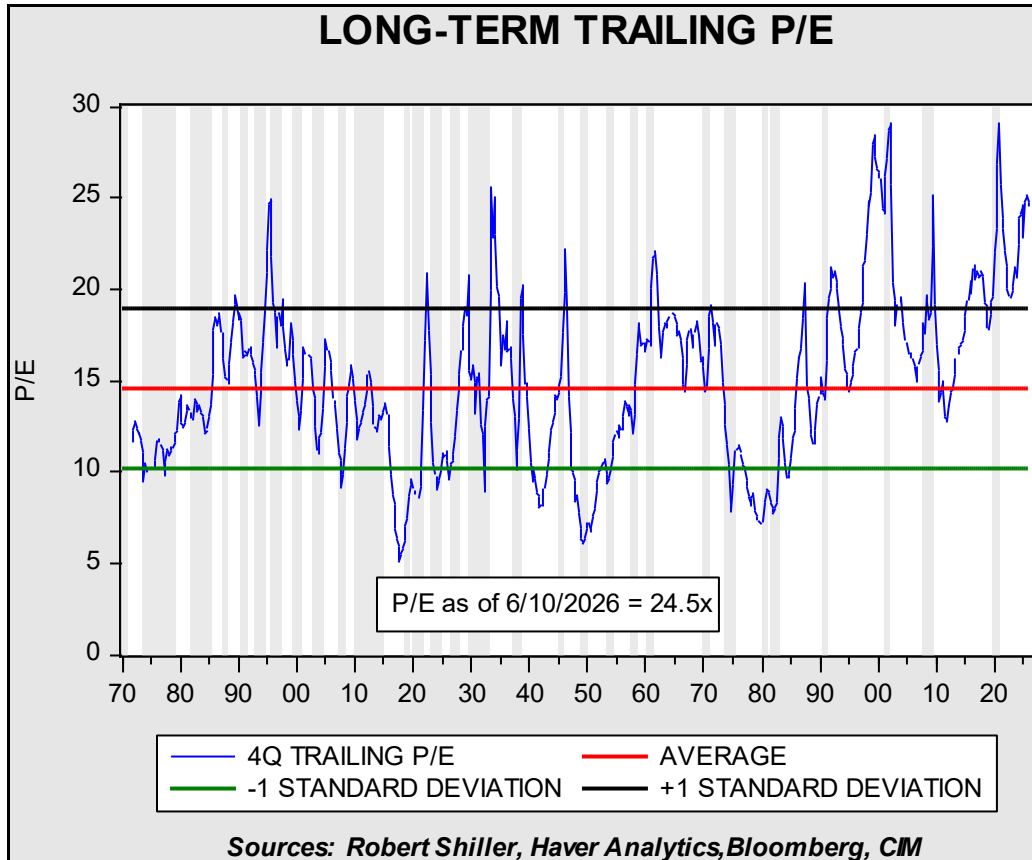


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 11, 2026



Based on our methodology,<sup>1</sup> the current P/E is 24.5x, 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.