



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: June 15, 2026 — 9:30 AM ET]** Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 1.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 3.3%. Chinese markets were higher with the Shanghai Composite up 1.6% and the Shenzhen Composite up 3.4%. 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="#">podcast</a> (6/11/26)	<a href="#">“China Cuts Its Energy Imports”</a> <b>(6/15/26)</b> + <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>

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](mailto:mailbag@confluenceim.com).

Our *Comment* today opens with some observations about the reported US-Iran deal to extend their current ceasefire. Importantly, we think investors should consider the deal highly fragile and not necessarily enough to prevent a further spike in energy prices. On a news day that is otherwise very slow, we next review several other international and US developments that could affect the financial markets today, including an effort by the UK to stop young teens from using social media and a sudden US export ban on Anthropic’s most powerful AI model.

**United States-Israel-Iran:** The US and Iran yesterday [said they have agreed on a deal to extend the current ceasefire for 60 days, with the signing of the agreement to come this Friday](#). Once the deal is signed, Iran will stop attacking ships trying to transit the Strait of Hormuz and the US would lift its naval blockade of Iranian ports. Within the 60-day ceasefire extension, the US and Iran would also enter negotiations over the future of Iran’s nuclear program. In response, stock futures prices are surging today, while crude oil prices are down about 5%.

- Throughout the US-Israeli war against Iran, financial market participants have been taking an overly optimistic view of when and how the conflict will end. Time after time, they have been disappointed. We, in contrast, have been much more cautious, assessing that the advantage lies much more with Iran than people realize. The Iranians have therefore been dragging the conflict out. We would caution that the slightest provocation, such as renewed Israeli strikes on Lebanon, could well prompt Iran to scuttle the deal.
- Even if the deal is signed and implemented, we would also caution that it will likely take months to normalize the shipments of oil, natural gas, and other commodities through the Strait of Hormuz. Until then, the world's commodity inventories are likely to be drawn down further, keeping prices high.
- Indeed, top oil company executives [have been warning that the stockpile drawdown to date already threatens to cause a new spike in energy prices](#) in the coming weeks. The drawdown has affected not just the US's Strategic Petroleum Reserve, but also commercial inventories.
- In sum, the announced deal is positive on its face, but investors should consider it highly fragile. Renewed attacks by the US, Israel, or Iran could lead to the ceasefire breaking down. Failure of the upcoming talks on Iran's nuclear program could probably also lead to the deal being abandoned. In any case, we think the war will permanently raise investor perceptions of risk in the region and the need to stockpile more energy and other commodities, which will likely keep prices higher than before the war.

**US Artificial Intelligence Industry:** Late Friday, Commerce Secretary Lutnick sent a letter to Anthropic CEO Dario Amodei [informing him that the firm's Mythos 5 and Fable 5 models would be subject to export controls](#) to any location outside of the US and to all foreign persons within the country, based on national security concerns.

- The move forced Anthropic to make the models unavailable to all users while it and the government hammer out measures to implement the controls.
- The incident illustrates how security concerns will likely lead to significant restrictions on the most advanced models and affect major US companies in the AI space. In turn, that could affect the firms' ability to commercialize their products broadly and limit potential profits.

**US Defense Industry:** In an interview with the *Financial Times*, Anduril Chief Executive Officer Brian Schimpf [called for a "reset" of the US's strict arms-export rules](#) to make it easier for defense contractors to produce inexpensive weaponry at scale. According to Schimpf, making it easier to export or co-produce weapons with allies is essential to helping the US deter foreign adversaries. We also remain optimistic about US and foreign defense stocks going forward, and deregulation of arms exports would likely bolster the case for those equities.

**US Stock Market:** SpaceX shares [started trading on Friday and closed at \\$160.95](#), up 19.2% from their offering price. That gives the company a market capitalization of \$2.2 trillion. If it were included in the S&P 500 today, the company would be the fifth largest in the index, with a

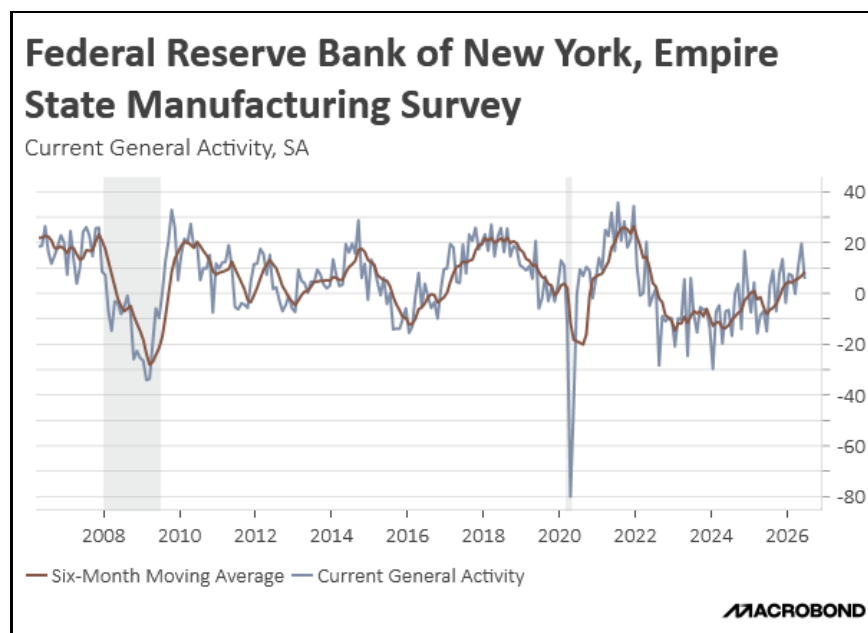
weight of about 5%. It would also have one of the most extreme valuations in the US stock market, given that the closing price on Friday is equivalent to about 107x SpaceX’s sales.

**United Kingdom:** Following Australia’s lead, the British government today [will announce new rules to force leading social media companies to restrict access to their sites for teens under 16 years of age](#). The new rules will come into effect early next year. Similar restrictions are now being considered in about a dozen other countries, potentially creating marketing and operational challenges for companies such as Snapchat, TikTok, YouTube, Instagram, Facebook, and X.

**China-Taiwan:** In a little noticed development over recent weeks, the Chinese military [has stepped up its provocative territorial moves in the South China Sea](#), including by sending coast guard and law enforcement ships into the area around Taiping Island and around the Donsha Islands, which are midway between the Chinese mainland, Taiwan, and the Philippines. The renewed territorial intrusions are likely designed to assert Chinese sovereignty over the disputed waters. The risk is that they could also spark outright military conflict that could draw in the US.

## US Economic Releases

The New York FRB said its May *Empire State Manufacturing Index* rose to a seasonally adjusted 5.7, well below the expected reading of 14.0 and the May reading of 19.6. This index is designed so that positive readings point to expanding factory activity in the state of New York. At its current level, the index suggests New York manufacturing is now holding steady, while the six-month moving average continues to gain momentum. The chart below shows how the index has fluctuated since just before the Great Financial Crisis.



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	NAHB Housing Market Index	m/m	Jun	37	37	*
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	Tertiary Industry Index	m/m	Apr	1.30%	-0.60%	0.60%	***	Equity bullish, bond bearish
India	Trade Balance	m/m	May	-\$28210m	-\$28383m	-\$27000m	**	Equity and bond neutral
	Exports	y/y	May	18.0%	13.8%		**	Equity and bond neutral
	Imports	y/y	May	20.6%	10.0%		**	Equity and bond neutral
	Unemployment Rate	m/m	May	5.5%	5.2%		***	Equity and bond neutral
	Wholesale Prices	m/m	May	9.68%	8.26%	9.55%	*	Equity and bond neutral
<b>EUROPE</b>								
Eurozone	Industrial Production WDA	y/y	Apr	0.3%	-2.8%	0.4%	**	Equity and bond neutral
	Trade Balance SA	m/m	Apr	1.3b	0.6b		**	Equity and bond neutral
Italy	Trade Balance Total	m/m	Apr	4293m	4813m		*	Equity and bond neutral
UK	Rightmove House Price Index	y/y	Jun	-0.50%	-0.30%		**	Equity and bond neutral
Switzerland	Producer & Import Prices	y/y	May	-1.8%	-2.0%		**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	12-Jun	434.0b	433.2b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	12-Jun	468.5b	469.6b		*	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)	366	366	0	Down
U.S. Libor/OIS spread (bps)	365	365	0	Flat
10-yr T-note (%)	4.45	4.48	-0.03	Down
Euribor/OIS spread (bps)	238	240	-2	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Down
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.

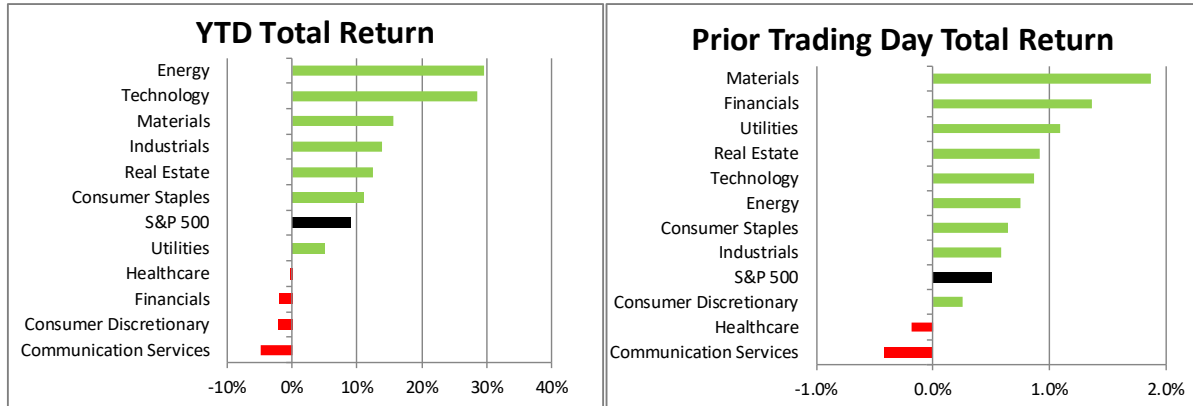
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$83.00	\$87.33	-4.96%	Easing Geopolitical Tensions
WTI	\$80.32	\$84.88	-5.37%	Easing Geopolitical Tensions
Natural Gas	\$3.04	\$3.12	-2.60%	
Crack Spread	\$48.10	\$48.49	-0.80%	
12-mo strip crack	\$39.41	\$40.08	-1.68%	
Ethanol rack	\$2.09	\$2.09	0.00%	
<b>Metals</b>				
Gold	\$4,344.93	\$4,219.33	2.98%	
Silver	\$70.96	\$68.02	4.32%	
Copper Contract	\$655.40	\$650.65	0.73%	
<b>Grains</b>				
Corn contract	\$435.75	\$440.25	-1.02%	
Wheat contract	\$586.00	\$595.75	-1.64%	
Soybeans contract	\$1,127.25	\$1,132.00	-0.42%	
<b>Shipping</b>				
Baltic Dry Freight	2,729	2,729	0	

## 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 most states east of the Rocky Mountains to the East Coast, with dry conditions expected on the north Pacific Coast.

## Data Section

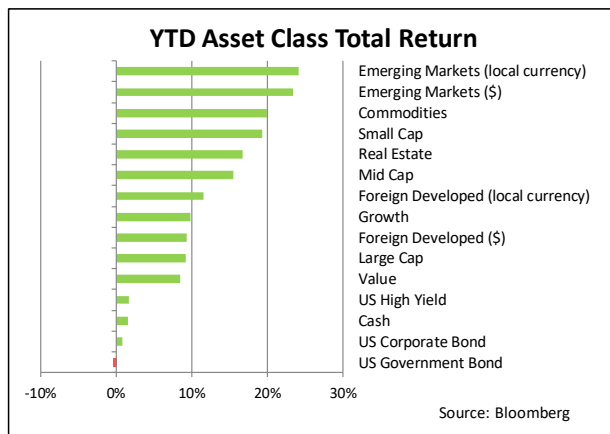
### US Equity Markets – (as of 6/12/2026 close)



(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 6/12/2026 close)

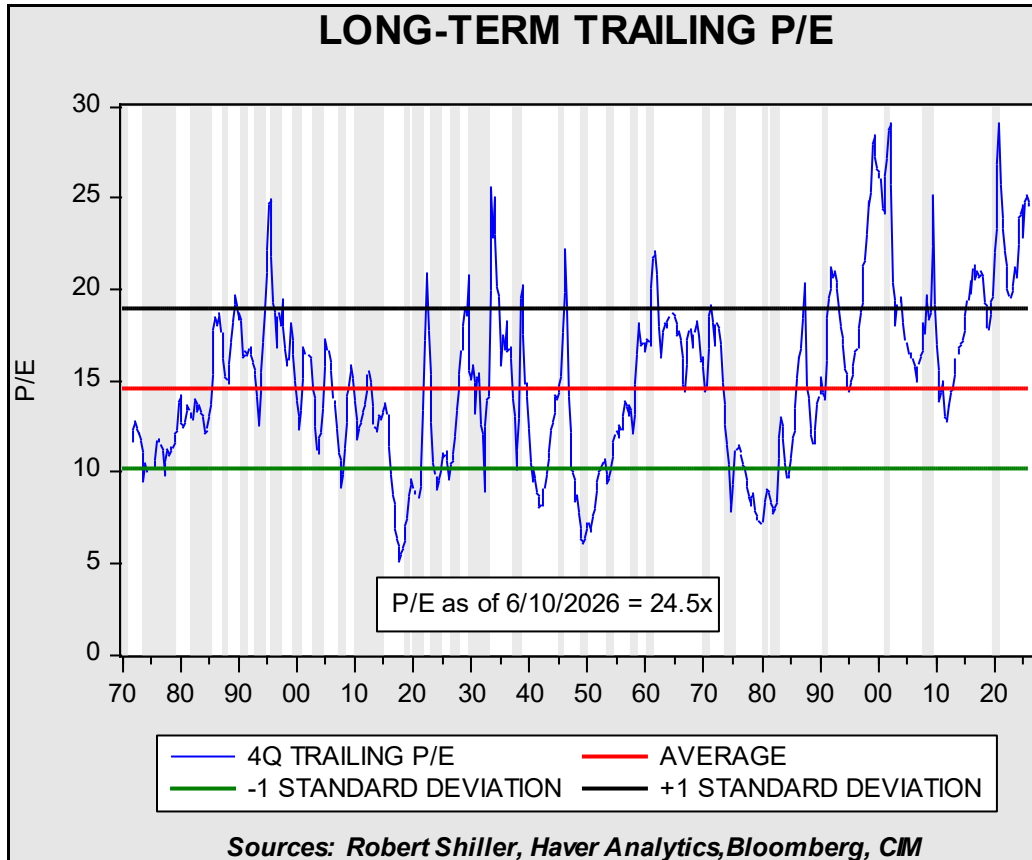


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.