



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 16, 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 up 1.2%. Chinese markets were mixed with the Shanghai Composite down 0.1% 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 |
|---|---|--|--|
| “Excess Capacity and Policy Change” (6/8/26) + podcast (6/11/26) | “China Cuts Its Energy Imports” (6/15/26) + 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* today opens with the latest on the US-Israeli war against Iran, including news that the US will support a rebuilding fund for Iran. We next review several other international and US developments that could affect the financial markets today, including the European Parliament’s formal approval of last year’s trade deal between the US and the EU and a few words about the Federal Reserve today as it starts its first policy meeting helmed by new Chair Kevin Warsh.

United States-Israel-Iran: Citing an unidentified senior US official, the *Financial Times* late yesterday said the Trump administration [is prepared to allow the private sector to establish a \\$300-billion investment fund for Iran if Tehran agrees to a final settlement](#) to end the war that includes a nuclear deal. According to the official, sanctions relief and the fund “to rebuild their country” would be connected to Iran’s “performance” in adhering to the framework of the US-Iran ceasefire extension that is to be formally signed on Friday.

- If the reporting is accurate, it could draw criticism as payment of reparations to Iran or bribing the country to get a nuclear deal. Even though the proposed fund would

apparently be financed by private companies, Washington could offer tax or regulatory incentives for companies to participate, essentially transforming the fund into a US institution.

- Separately, the chief executive of Mitsui OSK Lines, the world's biggest operator of oil tankers, [has warned that shippers will not resume transit through the Strait of Hormuz for weeks until they are confident](#) that the US-Iran deal is "material." That being the case, he estimated that shipping through the strait probably won't start in earnest until at least two weeks after the new US-Iran ceasefire extension is formally signed on Friday. Such a delay would further raise the risk of new surges in energy prices.

United States-European Union: The European Parliament today finally [approved the trade deal reached last year between President Trump and European Commission President von der Leyen](#). Under the deal as it now stands, the US is relying on temporary emergency legislation to impose a 10% levy on top of existing duties, putting the total US duty north of 15% for some products. Meanwhile, the EU will cut its duties on US industrial goods and some farm products to 0%. The formal parliamentary approval will now provide more certainty in US-EU trade.

US Monetary Policy: The Fed [starts its latest two-day policy meeting today](#), with its decision due tomorrow at 2:00 PM ET. This will be the first policy meeting led by new Fed Chair Warsh, with former Chair Powell also at the table. Based on the latest futures trading, investors are nearly unanimous in expecting the policymakers to hold their benchmark fed funds rate steady at a range of 3.50% to 3.75%. In fact, investors appear to be assuming rates will be held steady through the end of the year.

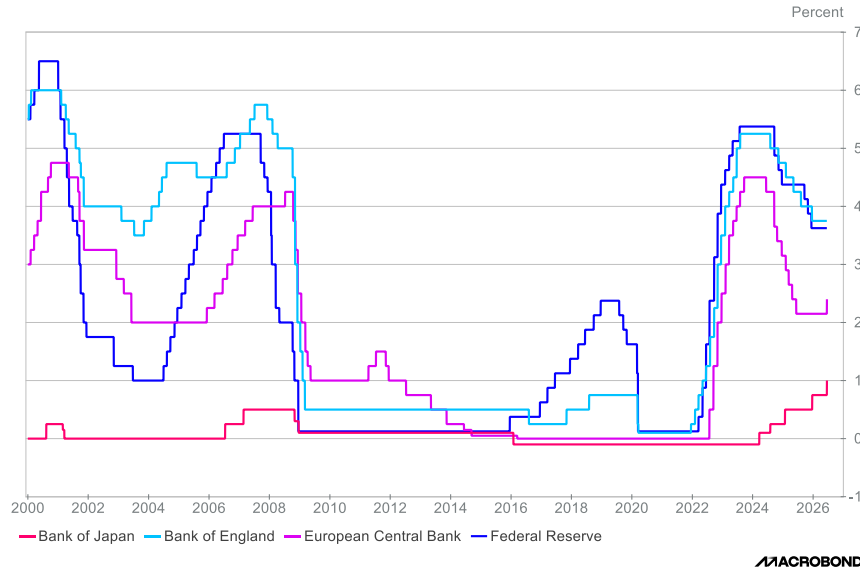
US Defense Industry: In a scoop last night, the *Wall Street Journal* said auto giant General Motors [is in talks with Lockheed Martin about making parts for the defense contractor's weapons](#). Under the arrangement, GM would manufacture commonly used parts that could help Lockheed bolster munitions output. The companies are currently discussing which components GM could potentially make.

- The potential deal harkens back to the World War II era, when many civilian firms shifted rapidly to military production to leverage their manufacturing expertise and excess capacity.
- The potential Lockheed-GM deal echoes developments that we've also seen in Europe, where firms with idle civilian production lines have made their workers and facilities available to support the Continent's rearmament.
- In sum, the phenomenon illustrates how increasing defense budgets around the world are creating financial opportunities for firms far beyond the defense sector.

Japan: As widely expected, the Bank of Japan today [raised its benchmark short-term interest rate to a 31-year high of 1.00%, compared with 0.75% previously](#). The hike reflects Japan's new experience of continued high price inflation, as well as concerns about the weakness of the yen. The move follows the European Central Bank's rate increase last week, which was also driven in

large part by inflation concerns as global energy and commodity prices have jumped in response to the war in Iran.

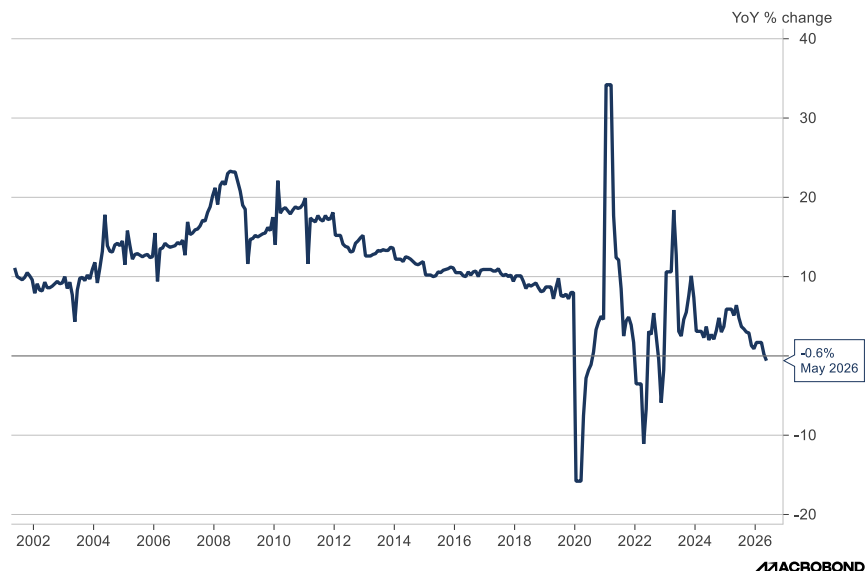
Key Benchmark Interest Rates
Federal Reserve, European Central Bank, Bank of England, Bank of Japan



China: May retail sales [were down 0.6% from the same month one year earlier, marking their first annual decline since 2022](#) and illustrating the country’s persistently weak domestic demand. Meanwhile, fixed-asset investment in January through May was down 4.1% on the year, largely because of an ongoing slump in property investment. The weakness in Chinese domestic demand will likely encourage the government to keep emphasizing exports for growth, which in turn will keep pressuring foreign firms and raising international trade tensions.

China: Retail Sales, Current Prices

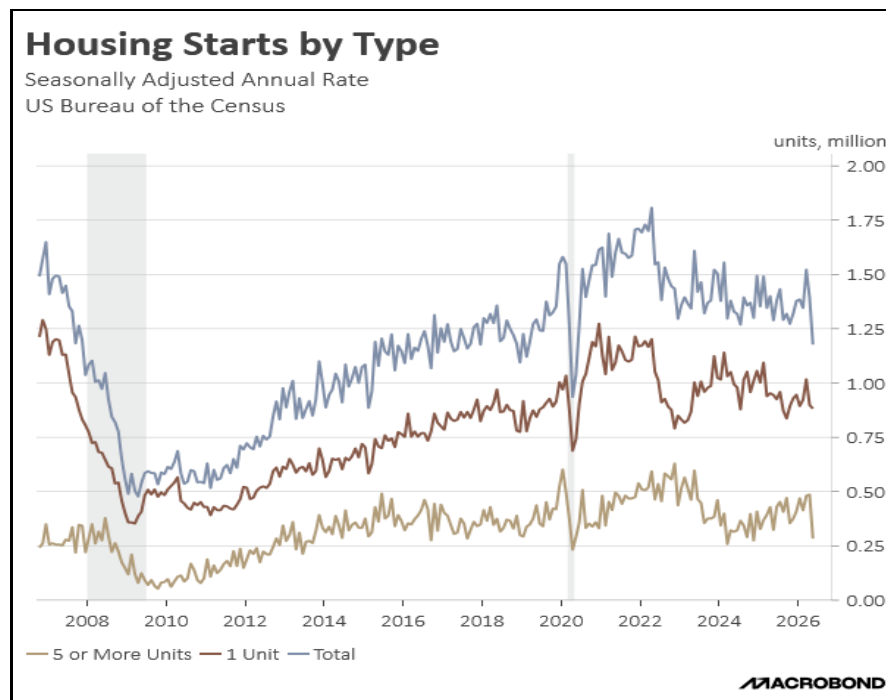
Source: NBS



Global Gold Market: A survey by the World Gold Council shows many major central banks, including those of France and India, [have been pulling their gold reserves out of New York and London as they worry more about the security of their holdings](#). The finding illustrates just how concerned central bank reserve managers have become about geopolitical risk. Although central banks and some other major market participants have sold gold in recent months to raise liquidity, that concern suggests they will resume buying once the US-Iran conflict eases.

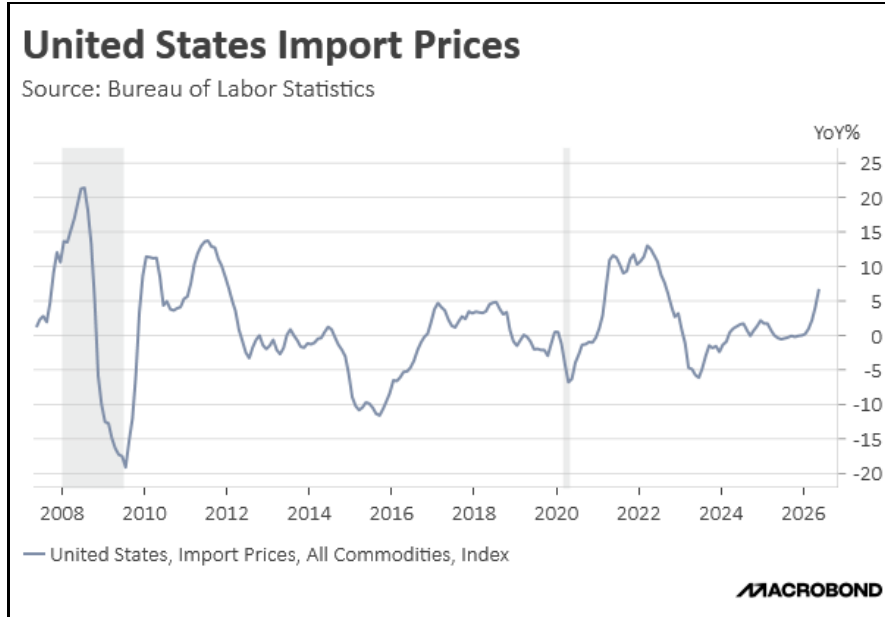
US Economic Releases

May **housing starts** fell to a seasonally adjusted, annualized rate of 1.177 million units, below the anticipated rate of 1.430 million units and the revised April rate of 1.392 million units. The rate of housing starts in May was down 15.4% from the rate in the previous month. May **housing permits** rose to a rate of 1.413 million units, slightly below both their expected rate of 1.420 million units and the revised April rate of 1.423 million units. Permits issued for new housing units in May were down 0.7% from the previous month. Compared with the same month one year earlier, housing starts in May were down 8.7%, while permits were down 0.2%. The chart below shows the growth in new home starts by type of property since just before the Great Financial Crisis.

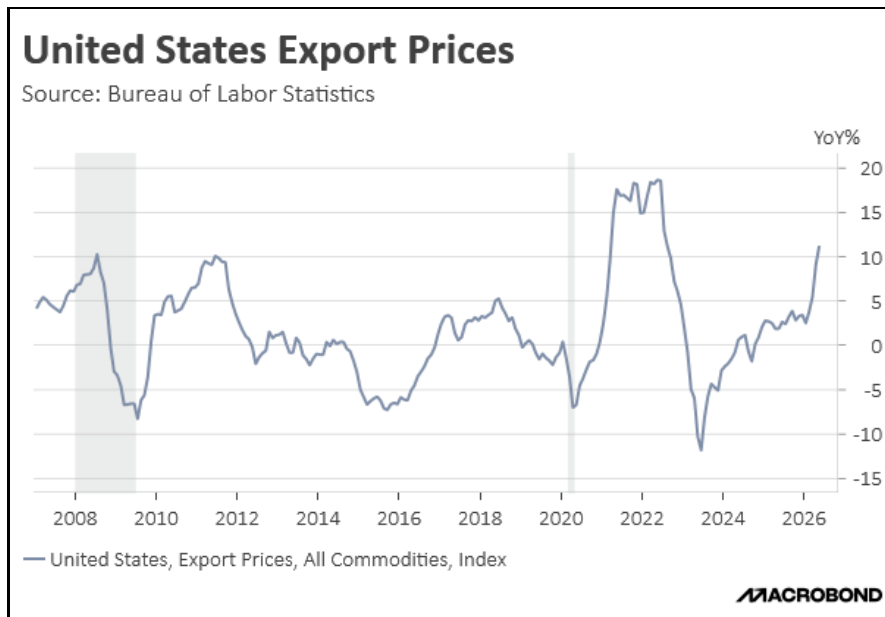


Finally, May **import prices** were up a strong 1.9% from the previous month, almost double the expected rise of 1.0% but slightly less than the revised April increase of 2.0%. Import prices are often driven by volatility in the petroleum fuels category. May **import prices excluding fuels** were up just 0.8%, but that was still higher than their expected increase of 0.5% and the revised

0.6% reading in April. Overall import prices in May were up 6.7% year-over-year, while import prices excluding fuels were up 3.7%. The chart below shows the year-over-year change in import prices since just before the GFC.



The report showed *export prices* in May were up 11.2% from one year earlier. Comparing the annual change in export prices versus import prices provides a sense of the US “terms of trade,” or the relative advantage or disadvantage the country is facing because of trends in international trade prices. The chart below compares the year-over-year change in US export and import prices since just before the GFC.



There are no economic releases or Fed events scheduled for the rest of the day.

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 | | | | | | | | |
| New Zealand | Food Prices | m/m | May | 1.0% | 0.0% | | *** | Equity and bond neutral |
| South Korea | Export Price Index | y/y | May | 46.9% | 41.3% | | * | Equity and bond neutral |
| | Import Price Index | y/y | May | 24.8% | 20.5% | | * | Equity and bond neutral |
| China | Retail Sales | y/y | May | -0.6% | 0.2% | -0.2% | ** | Equity and bond neutral |
| | Industrial Production | y/y | May | 4.5% | 4.1% | 4.5% | *** | Equity and bond neutral |
| | Fixed Assets Ex Rural YTD | y/y | May | -4.1% | -1.6% | -2.3% | ** | Equity bearish, bond bullish |
| EUROPE | | | | | | | | |
| Eurozone | ZEW Survey Expectations | m/m | Jun | 9.5 | -9.1 | | ** | Equity and bond neutral |
| Germany | ZEW Survey Expectations | m/m | Jun | 10.5 | -10.2 | -5.5 | ** | Equity bullish, bond bearish |
| | ZEW Survey Current Situation | m/m | Jun | -81.0 | -77.8 | -78.0 | ** | Equity and bond neutral |
| Italy | CPI, EU Harmonized | y/y | May F | 3.2% | 3.3% | 3.3% | *** | Equity and bond neutral |
| | CPI NIC Including Tobacco | y/y | May F | 3.2% | 3.2% | 3.2% | ** | Equity and bond neutral |
| AMERICAS | | | | | | | | |
| Canada | Housing Starts | m/m | May | 261.4k | 278.4k | 255.1k | ** | Equity and bond neutral |
| | Manufacturing Sales | m/m | Apr | 4.2% | 3.4% | 4.5% | ** | Equity and bond neutral |
| | Wholesale Sales ex Petroleum | m/m | Apr | 0.6% | 1.6% | 0.1% | ** | Equity and bond neutral |
| Mexico | ANTAD Same-Store Sales | y/y | May | 0.8% | 4.4% | | * | Equity and bond neutral |
| Brazil | FGV Inflation IGP-10 | m/m | Jun | 2.15% | 1.46% | 2.73% | ** | Equity bearish, bond bullish |
| | Retail Sales | y/y | Apr | 1.0% | 4.0% | 2.0% | *** | Equity bearish, bond bullish |

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) | 362 | 363 | -1 | Up |
| U.S. Sibor/OIS spread (bps) | 367 | 367 | 0 | Down |
| U.S. Libor/OIS spread (bps) | 366 | 365 | 1 | Up |
| 10-yr T-note (%) | 4.44 | 4.47 | -0.03 | Down |
| Euribor/OIS spread (bps) | 241 | 238 | 3 | Up |
| Currencies | 3 Mo | | | |
| Dollar | Down | US | | Down |
| Euro | Up | Euro | | Up |
| Yen | Up | Japan | | Down |
| Pound | Up | UK | | Up |
| Franc | Up | Switzerland | | Down |
| Central Bank Action | Actual | Prior | Expected | |
| BOJ Target Rate | 1.00% | 0.75% | 1.00% | On Forecast |
| RBA Cash Rate Target | 4.35% | 4.35% | 4.35% | On Forecast |

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.

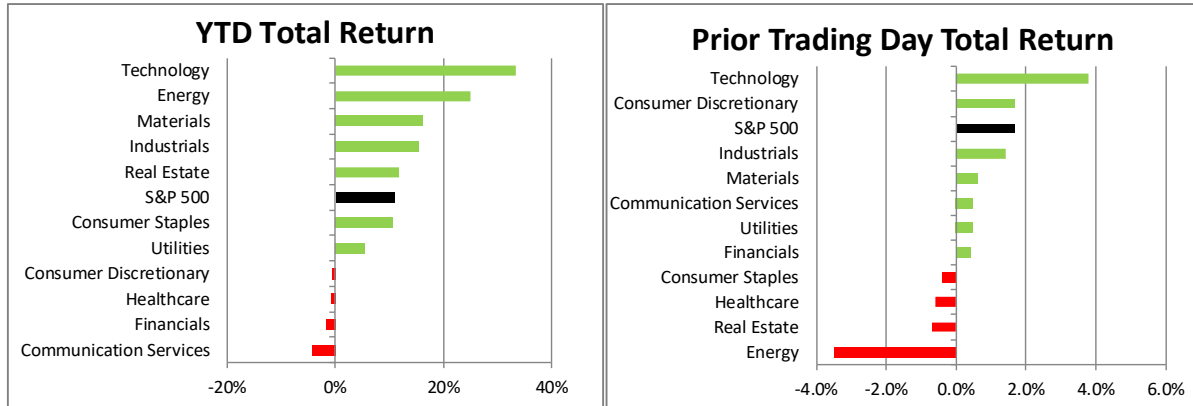
| | Price | Prior | Change | Explanation |
|-----------------------------|---------------|-----------------|-------------------|-------------|
| Energy Markets | | | | |
| Brent | \$81.06 | \$83.17 | -2.54% | |
| WTI | \$78.33 | \$80.75 | -3.00% | |
| Natural Gas | \$3.18 | \$3.15 | 1.05% | |
| Crack Spread | \$47.72 | \$47.15 | 1.21% | |
| 12-mo strip crack | \$39.05 | \$39.47 | -1.04% | |
| Ethanol rack | \$2.07 | \$2.08 | -0.48% | |
| Metals | | | | |
| Gold | \$4,340.70 | \$4,311.69 | 0.67% | |
| Silver | \$70.39 | \$70.00 | 0.55% | |
| Copper Contract | \$655.90 | \$655.85 | 0.01% | |
| Grains | | | | |
| Corn contract | \$441.75 | \$441.75 | 0.00% | |
| Wheat contract | \$603.50 | \$600.50 | 0.50% | |
| Soybeans contract | \$1,126.00 | \$1,134.75 | -0.77% | |
| Shipping | | | | |
| Baltic Dry Freight | 2,720 | 2,729 | -9 | |
| 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) | | 100 | | |

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, New England and the Northeast. The precipitation outlook calls for wetter-than-normal conditions for most of the country, with dry conditions expected in the Pacific region.

Data Section

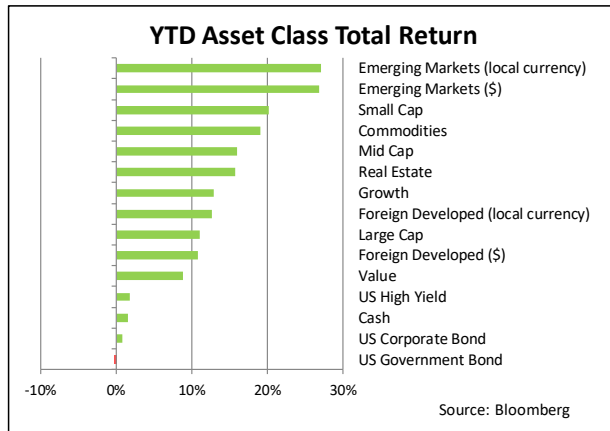
US Equity Markets – (as of 6/15/2026 close)



(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 6/15/2026 close)

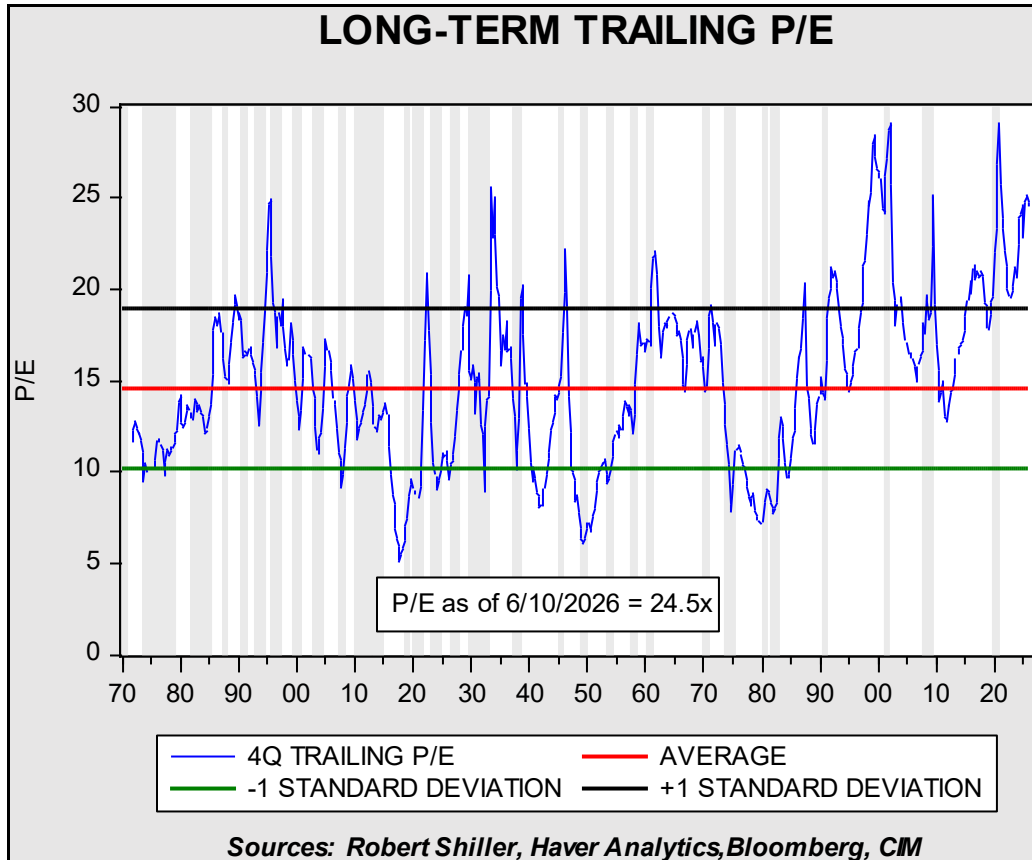


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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.