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[Posted: June 18, 2026 – 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.0%. Chinese markets were mixed with the Shanghai Composite down 0.4% and the Shenzhen Composite up 0.5%. 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.

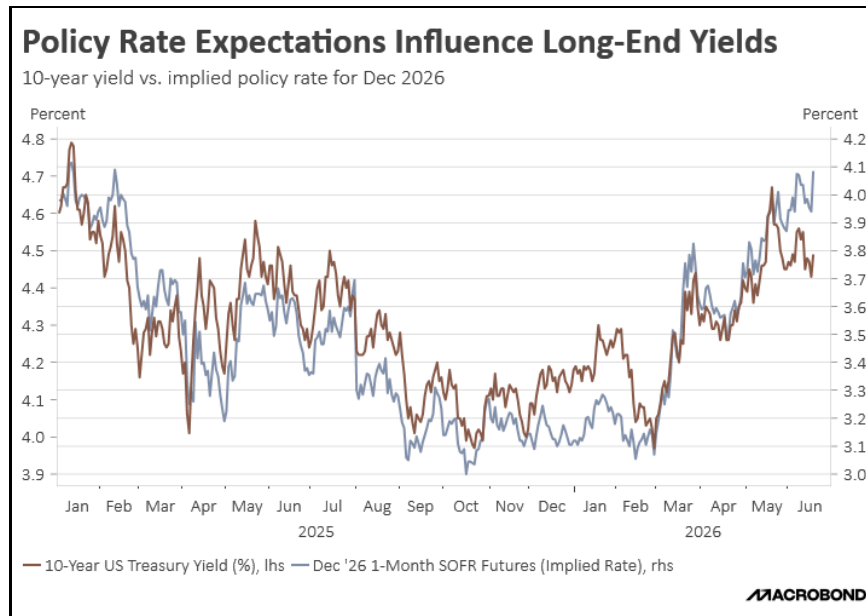
Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“Excess Capacity and Policy Change” (6/8/26) + podcast (6/11/26)	“China Cuts Its Energy Imports” (6/15/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Confluence Mailbag Value Equity: “Déjà vu for 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* will focus primarily on the Federal Reserve meeting and the outlook for monetary policy under new leadership. We begin by examining potential shifts in the Fed’s operating framework, including a possible pullback in forward guidance. We then turn to the policy decision itself and its implications for rates. Finally, we briefly assess the agreement between the United States and Iran to reopen the strait. As usual, we include a review of recent domestic and global economic data.

First Meeting: Fed Chair Kevin Warsh held the first FOMC meeting of his term and signaled a potential shift in the Federal Reserve’s relationship with financial markets. During his press conference, [Warsh indicated that he plans to establish a task force to review several aspects of the Fed’s operations](#). He also suggested a move away from forward guidance, marking a significant departure from recent communication strategy. If implemented, these changes could materially alter how markets interpret and respond to Fed policy decisions.

- While Warsh has announced his intention to implement changes, they are not expected to occur overnight. The new Fed chair has stated that he will establish a task force to examine the central bank’s communications, balance sheet management, inflation framework, data sources and uses, as well as productivity and its impact on the economy. Although he has not yet named the individuals who will lead these efforts, he expects the work to be completed by the end of the year.
- Chair Warsh has made it clear that he wants to reduce forward guidance to limit the central bank's market footprint. While he didn't outline specific changes, he consistently refused to comment on the Fed's future policy path during the press conference. Furthermore, the official statement was drastically shortened, removing individual voters' names. He was also non-committal about the future of the Summary of Economic Projections (SEP) as well as whether he would maintain a press conference after every meeting.
- Given his past statements, Warsh appears to be aiming to return the Federal Reserve to its pre-financial crisis roots. This would likely entail less communication about policy decisions, a reduced influence over the bond market, and greater flexibility in interpreting economic data; specifically, becoming less reactive to any single report. During the press conference, Warsh mentioned that he envisions the bank focusing more on underlying trends.

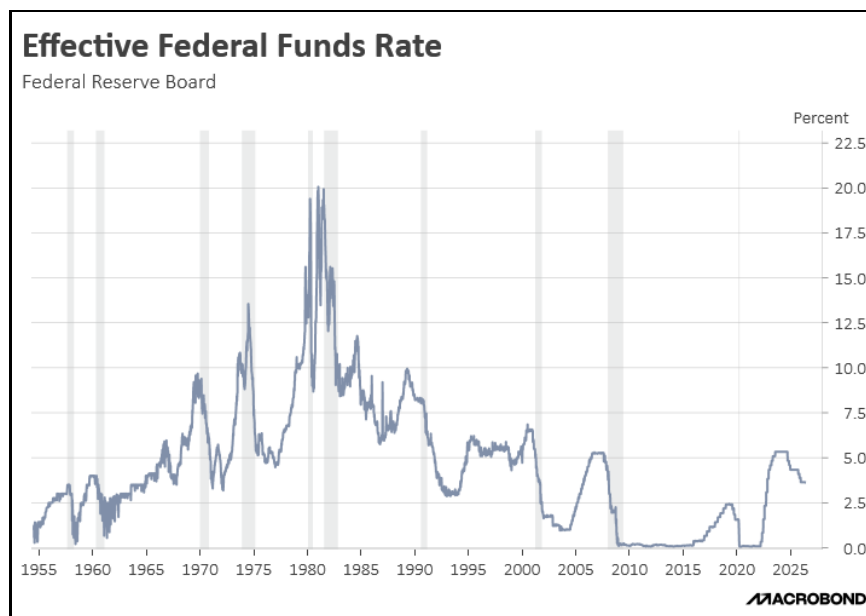


- While the push for change is notable, its durability is uncertain — particularly in a rising inflation environment. In 2022, both the ECB and the Federal Reserve attempted to step back from forward guidance after upside inflation surprises allowed for larger-than-expected rate hikes. However, both central banks ultimately retained the tool to manage market volatility and mitigate recession fears.
- As he settles into leading the Fed, the more important test will be how Warsh responds to market reactions, particularly if investors perceive a decline in transparency. The 10-year

Treasury yield has been especially sensitive to shifts in expectations around Fed policy, underscoring the importance of clear communication. As a result, while we expect some adjustments to operations and forward guidance, these changes are unlikely to be as aggressive as Warsh may prefer at this stage.

Rate Decision: The latest two-day FOMC meeting concluded with a notable hawkish shift. Although the [Federal Reserve voted to hold rates steady at 3.5%–3.75%](#), the accompanying statement and forward guidance revealed growing policymaker unease. Officials are increasingly concerned that recent inflationary upticks may necessitate an additional rate hike later this year. Yet, the Fed resisted locking in that outcome, choosing to keep its options open while it works through pending changes to its policy-setting approach.

- The [SEP reveals that much of the hawkish shift stems from rising inflation anxiety](#) and diminishing growth concerns among Fed officials. The latest forecasts show upward revisions to inflation across all three projection horizons, with the most striking adjustment coming this year. Core PCE is now expected to reach 3.3%, up from the previous 2.7% estimate. By contrast, GDP and employment projections remained largely unchanged, underscoring that inflation, not growth, is driving the current policy debate.
- The latest projections underscore [how sharply Fed sentiment has shifted since March](#). Back then, when the Iran conflict was still in its early stages, the median SEP path still pointed to one rate cut in 2026, with no support for hikes. By contrast, the latest projection now shows a clear hawkish tilt, with roughly half of participants anticipating at least one rate increase, and most of those expecting more than one, while only a single member still projects a cut this year.



- That said, Chair Warsh reiterated that the Fed’s overriding goal is to return inflation to target, while cautioning that markets should not prejudge policy on the basis of the projections alone, since the dots do not represent a preset path for rates. He noted that

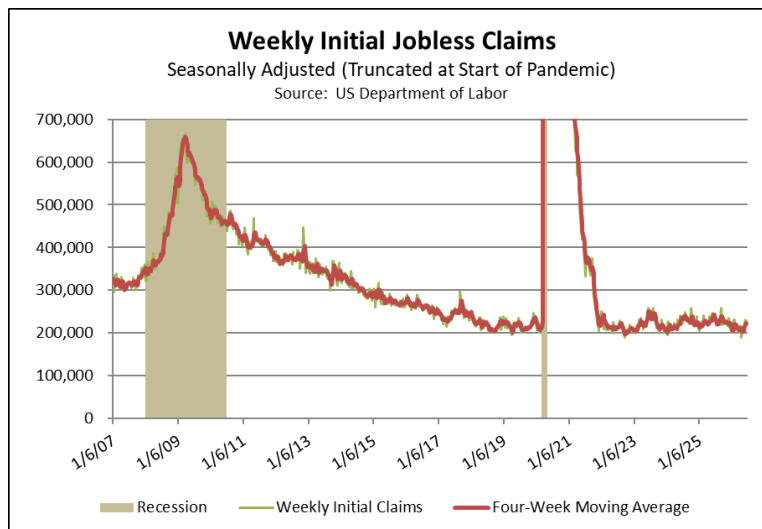
views on 2026 remain divided and stressed that much could change before the Committee meets again, underscoring that policymakers’ preferences are conditional and likely to evolve with the data and the outlook.

- Although the Federal Reserve has clearly turned more hawkish since its last meeting, it does not appear to be in a rush to raise rates. The outcome of the next FOMC meeting will likely hinge on how the recent Iran-US ceasefire agreement feeds through to inflation in the coming weeks. If the data suggests that the worst of the inflationary pressure has passed, the Fed may step back from further hikes and keep rates on hold. However, if inflation remains stubborn, then policymakers could opt to raise rates before year’s end.

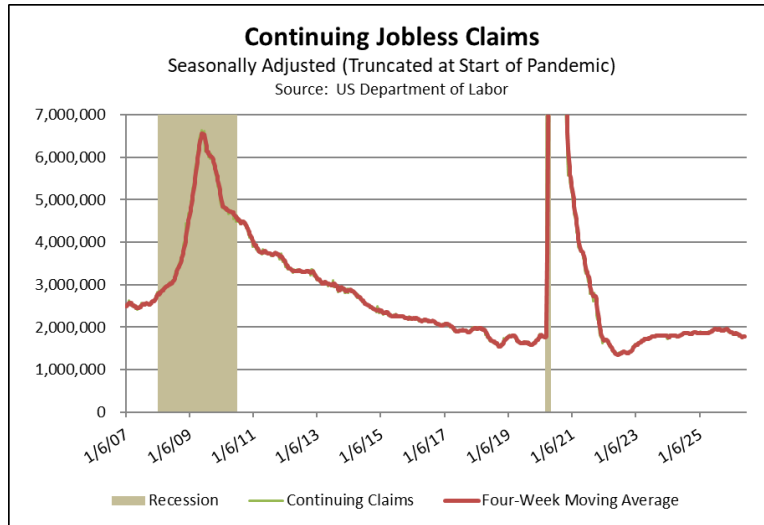
Deal Signed: The [US and Iran have signed a memorandum of understanding](#) regarding the conflict in the Strait of Hormuz. The decision to sign came ahead of schedule and will take effect immediately. [The agreement follows the release of a 14-point plan](#) and will likely be followed by discussions over Iran’s nuclear program. While the waterway is set to reopen immediately, [ships may not move until it is safe](#), as there are signs that mines still remain in the strait and need to be removed before shipping can commence.

US Economic Releases

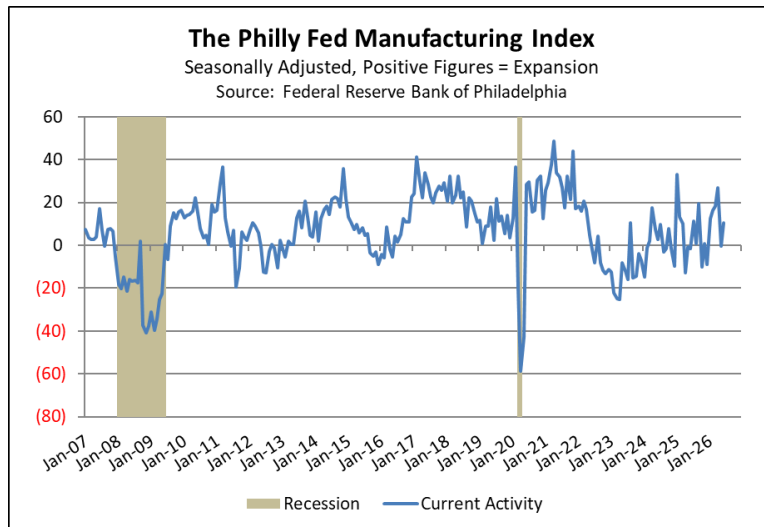
In the week ended June 13, *initial claims for unemployment benefits* fell to a seasonally adjusted 226,000, matching expectations but down from a revised 230,000 in the previous week. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, rose to a still-modest 223,250. 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 6, the number of *continuing claims for unemployment benefits* (people continuing to draw benefits) rose to a seasonally adjusted 1.810 million, up from a revised figure of 1.786 million in the prior week. The four-week moving average of continuing claims rose to 1.788 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.



Separately, the Philadelphia FRB said its June *Philly Fed Index* rose to a seasonally adjusted 10.3, beating the anticipated reading of 10.0 but much better than the May reading of -0.4. The index, officially designated as the Philadelphia FRB Manufacturing Activity Index, is designed so that positive readings point to expanding factory activity in the mid-Atlantic region. At its current level, the index suggests mid-Atlantic manufacturing is growing modestly again. The chart below shows how the index has fluctuated since just before the GFC.



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	Leading Economic Index	m/m	May	0.1%	0.1%	***
16:00	Net Long-Term TIC Flows	m/m	Apr		\$150.7b	**
16:00	Total Net TIC Flows	m/m	Apr		\$81.3b	**
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	Japan Buying Foreign Bonds	w/w	12-Jun	¥382.6b	¥212.1b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	12-Jun	-¥418.3b	-¥953.2b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	12-Jun	-¥531.0b	-¥1038.6b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	12-Jun	-¥785.1b	-¥700.6b		*	Equity and bond neutral
	Tokyo Condominiums for Sale	y/y	May	12.3%	15.6%		*	Equity and bond neutral
New Zealand	GDP	y/y	Q1	1.5%	1.5%	1.0%	***	Equity bullish, bond bearish
EUROPE								
Eurozone	ECB Current Account SA	m/m	Apr	€15.7b	€14.9b		*	Equity and bond neutral
	Construction Output	y/y	Apr	0.6%	0.2%		*	Equity and bond neutral
Italy	Current Account Balance	m/m	Apr	2258m	1830m		*	Equity and bond neutral
UK	Average Weekly Earnings 3M/YoY	m/m	Apr	4.40%	4.40%	4.00%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Apr	4.90%	5.00%	5.00%	**	Equity and bond neutral
	Claimant Count Rate	m/m	May	4.50%	4.40%		**	Equity and bond neutral
	Jobless Claims Change	m/m	May	31.2k	8.3k		**	Equity and bond neutral
Switzerland	Real Exports	m/m	May	5.0%	2.3%		*	Equity and bond neutral
	Real Imports	m/m	May	0.2%	3.8%		*	Equity and bond neutral
Russia	PPI	y/y	May	9.4%	5.5%		***	Equity and bond neutral
	GDP	y/y	1Q P	-0.2%	-0.2%		**	Equity and bond neutral
AMERICAS								
Mexico	Aggregate Supply and Demand	y/y	1Q	5.0%	4.5%		*	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)	366	367	-1	Up
U.S. Sibor/OIS spread (bps)	373	372	1	Up
U.S. Libor/OIS spread (bps)	371	370	1	Up
10-yr T-note (%)	4.46	4.49	-0.03	Flat
Euribor/OIS spread (bps)	242	241	1	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Flat
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down
Central Bank Action	Actual	Prior	Expected	
FOMC Rate Decision (Upper Bound)	3.75%	3.75%	3.75%	On Forecast
FOMC Rate Decision (Lower Bound)	3.50%	3.50%	3.50%	On Forecast
FOMC Rate on Reserve Balances	3.65%	3.65%	3.65%	On Forecast
Bank of England Bank Rate	3.75%	3.75%	3.75%	On Forecast
Swiss National Bank Policy Rate	0.00%	0.00%	0.00%	On Forecast
Brazil Selic Rate	14.25%	14.75%	14.25%	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	\$78.48	\$79.55	-1.35%	
WTI	\$75.29	\$76.79	-1.95%	
Natural Gas	\$3.15	\$3.15	0.16%	
Crack Spread	\$50.03	\$49.40	1.26%	
12-mo strip crack	\$38.99	\$39.60	-1.55%	
Ethanol rack	\$2.04	\$2.04	-0.19%	
Metals				
Gold	\$4,242.47	\$4,256.93	-0.34%	
Silver	\$66.67	\$67.93	-1.85%	
Copper Contract	\$642.65	\$655.80	-2.01%	
Grains				
Corn contract	\$445.00	\$448.75	-0.84%	
Wheat contract	\$618.50	\$621.25	-0.44%	
Soybeans contract	\$1,139.25	\$1,149.25	-0.87%	
Shipping				
Baltic Dry Freight	2,653	2,670	-17	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-8.26	-3.00	-5.26	
Gasoline (mb)	-0.91	-1.00	0.09	
Distillates (mb)	0.95	-0.50	1.45	
Refinery run rates (%)	0.14%	0.06%	0.08%	
Natural gas (bcf)		76		

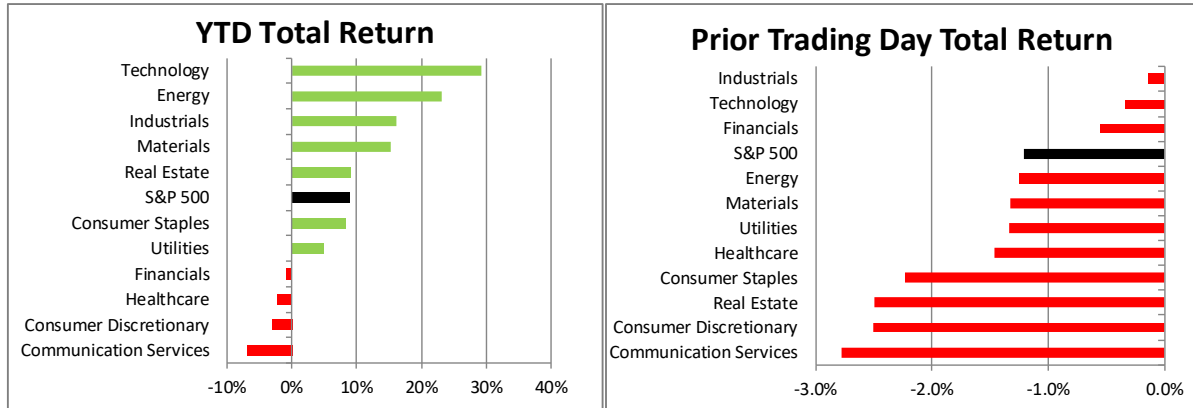
Weather

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. The outlook calls for wetter-than-normal conditions in the Great Plains, the Midwest, and the Northeast, with dry conditions in Washington, Oregon, and northern California.

Now that we're into hurricane season, we also note that Tropical Storm Arthur is bringing up to 45-mph winds and several inches of rain to the Texas coast today. There are currently no other atmospheric disturbances in the Atlantic Ocean area.

Data Section

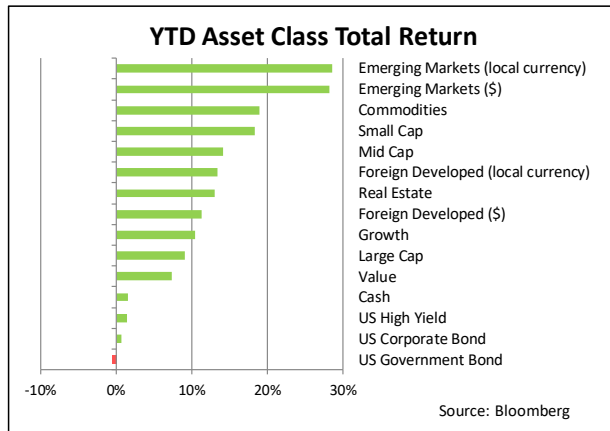
US Equity Markets – (as of 6/17/2026 close)



(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 6/17/2026 close)

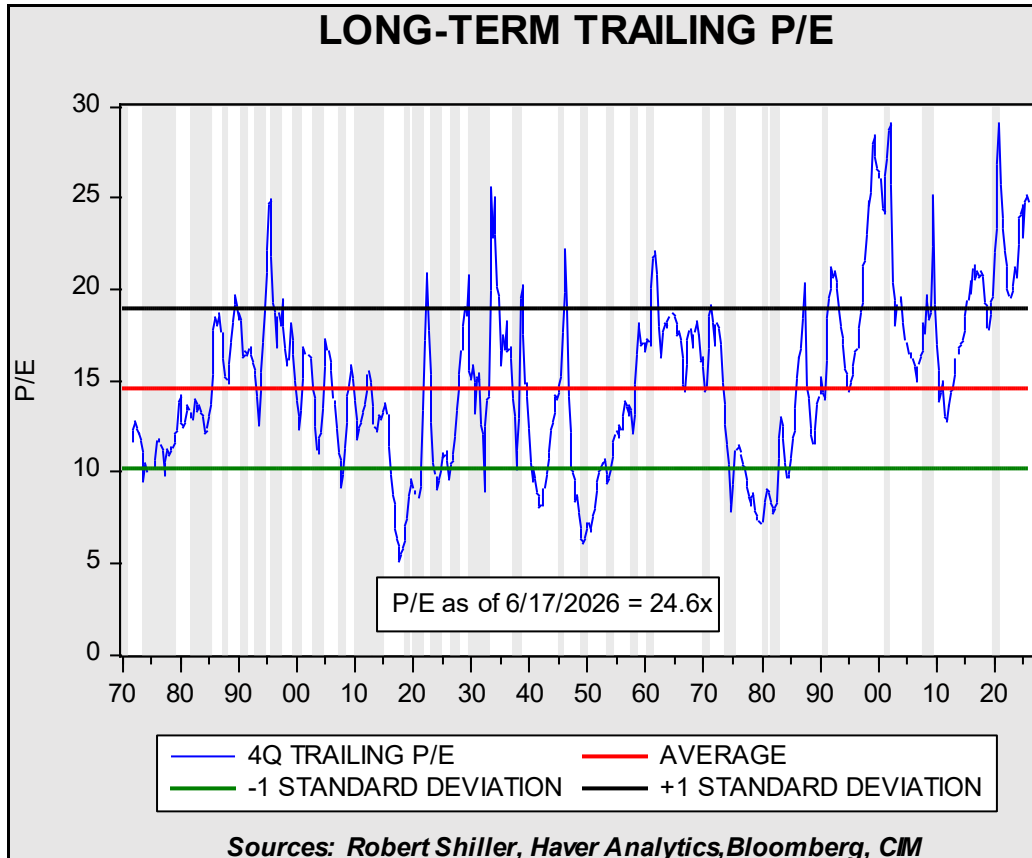


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 18, 2026



Based on our methodology,¹ the current P/E is 24.6x, was up 0.1 from the previous report. The increase in multiple was driven by a sharp rise in the stock price index outweighing the increase 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.