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**[Posted: June 1, 2026 — 9:30 AM ET]** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 2.1%. Chinese markets were lower, with the Shanghai Composite down 0.3% and the Shenzhen Composite down 0.8%. 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="#">“The Trade Trilemma Revisited”</a> (5/18/26) + <a href="#">podcast</a> (5-21/26)	<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 of Ideas podcast</a>  <a href="#">Confluence Mailbag</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 an update on the war in Iran, where a hoped-for peace deal is looking increasingly at risk. We next review several other international and US developments that could affect the financial markets today, including a warning from China that it would retaliate if the EU proceeds with protectionist trade barriers against it and a US autoworkers’ strike that threatens to disrupt the production of key pickup trucks.

**United States-Israel-Iran:** At a meeting on Friday to look at the draft US-Iranian peace deal, President Trump [reportedly asked for several changes](#), especially regarding Iran’s nuclear program. The requested amendments are likely to spur several days of additional negotiations and delay any final deal until later this week. The continued talks will further postpone any normalization of energy and other commodity shipments through the Strait of Hormuz, which will in turn keep alive the risk of further price hikes for energy and other commodities.

- Separately, the US and Iran [exchanged fresh attacks over the weekend](#), with the US striking Iranian air defense and drone sites and Iran retaliating with attacks on Kuwait.

- The continued back-and-forth regarding a peace deal and the threat to it from the new attacks have pushed energy prices higher today. As of this writing, near Brent crude oil futures are trading at \$93.67 per barrel, up 2.8%.

**China-European Union:** After EU leaders met on Friday to discuss new trade barriers against the current wave of cheap Chinese exports, Beijing on Saturday [warned that it would retaliate against any additional restrictions](#). The warning highlights the dilemma faced by the EU: It can either remain wide open to Chinese imports, putting domestic industries at risk, or it can put up trade barriers and possibly invite devastating retaliation.

- Separately, the Organization for Economic Cooperation and Development has released new research [showing that nearly 60% of Chinese firms' global market share gains since 2005 could be attributed to unfair subsidies](#) and cheap loans. The research reflects company-level analysis across 15 industrial sectors.
- The report suggests that Chinese firms received three to eight times more government support on average in 2024 than companies in the other 38 OECD countries.
- The report will likely help incentivize leaders in Europe and beyond to push back more strenuously against China's enormous excess capacity and predatory trade policies.

**China:** More broadly, Beijing today also [published new rules limiting outbound corporate investment and operations that could result in the transfer of critical technologies](#). Under the rules, the government will have the authority to conduct reviews of overseas investments that could affect national security. For unapproved investments that have already been made, authorities may order entities to halt investment activities and divest related shares and assets. The rules also allow bans on foreign operations or personnel assignments that risk the transfer of technologies.

- Beijing's move today shows how the fracturing of the world into relatively separate geopolitical and economic blocs isn't just about trade barriers.
- Driven by the US-China geopolitical rivalry, restrictions on cross-border investment, technology transfers, and personnel assignments will also have the effect of making the global economy less efficient than it otherwise would be. In turn, that will likely keep price inflation higher and more volatile than in the past.

**Japan:** New data over the weekend [showed that the Japanese government spent the equivalent of \\$73.6 billion over the last month to prop up the yen](#) as it slid past 160 JPY per dollar. The figure was larger than expected, highlighting how Prime Minister Takaichi's government is prioritizing its defense of the yen, at least in part to forestall criticism from the US.

**France:** Japanese tech investor Softbank has [announced that it will invest 75 billion EUR \(\\$87 billion\) in a fleet of data centers in France as the country tries to catch up](#) to the artificial intelligence infrastructure enjoyed in the US and China. Although Europe, in general, is far behind in the AI infrastructure race, the deal seeks to leverage France's unique combination of plentiful nuclear power and fast-tracked approval for AI facilities. In our recent [Bi-Weekly](#)

[Geopolitical Report](#) from May 4, 2026, we argued that investors shouldn't yet write off Europe's ability to build up its AI sector.

**Colombia:** In the first round of the presidential election yesterday, far-right candidate Abelardo de la Espriella [came in first with 43.7% of the vote, while Iván Cepeda of the current president's leftist party came in second with 40.9%](#). The two will compete in a run-off election on June 21. De la Espriella's unexpected victory suggests Colombia could be the next Latin American country to see its traditional center-right parties eclipsed by populist far-right parties.

**US Labor Market:** Almost 1,000 employees with the United Auto Workers [are set to walk out on strike over a labor contract at American Axle today](#). The strike is expected to be especially painful for General Motors, as the targeted plant is a key supplier for GM's mid- and full-size pickup trucks.

**US Artificial Intelligence Industry:** AI semiconductor giant Nvidia today [announced its new RTX Spark chip, which will be a key component for the first personal laptop computers](#) designed to run artificial intelligence agents. According to Nvidia, new computers using the chip will be "targeted at creators, AI developers and gamers" and priced at the premium end of the market. The new chip and AI computers illustrate how the frenzy over AI is continuing to touch more products and sectors in the economy, suggesting the AI investment craze could continue for now.

## US Economic Releases

There were no economic releases prior to the publication of this report. The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
9:45	S&P Global US Manufacturing PMI	m/m	Jul F	55.3	53.3	***
10:00	ISM Manufacturing	m/m	Jul	53.0	52.7	**
10:00	ISM Prices Paid	m/m	Jul	85.0	84.6	**
10:00	ISM New Orders	m/m	Jul	54.8	54.1	**
10:00	ISM Employment	m/m	Jul	48.4	46.4	*
10:00	Construction Spending	m/m	Jun	0.3%	0.6%	**
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>								
<b>Japan</b>	Housing Starts	y/y	Apr	11.4%	-29.3%	14.8%	**	Equity bearish, bond bullish
	Annualized Housing Starts	y/y	Apr	0.724m	0.736m	0.737m	*	Equity and bond neutral
	Consumer Confidence Index	m/m	May	33.6	32.2	32.4	***	Equity and bond neutral
	Capital Spending	y/y	1Q	0.0%	6.5%	4.0%	**	Equity bearish, bond bullish
	S&P Global Japan Manufacturing PMI	m/m	May F	54.5	54.5		***	Equity and bond neutral
<b>Australia</b>	S&P Global Australia Composite PMI	m/m	May F	50.7	50.2		*	Equity and bond neutral
	Melbourne Institute Inflation	y/y	May	4.4%	4.3%		***	Equity and bond neutral
	ANZ-Indeed Job Advertisements	m/m	May	1.8	-0.6		*	Equity and bond neutral
<b>South Korea</b>	Trade Balance	m/m	May	\$26949m	\$23771m	\$24100m	*	Equity and bond neutral
	Exports	y/y	May	53.2%	48.0%	49.3%	***	Equity and bond neutral
	Imports	y/y	May	20.8%	16.7%	21.5%	**	Equity and bond neutral
	S&P Global South Korea PMI Manufacturing	m/m	May	54.8	53.6		***	Equity and bond neutral
<b>China</b>	Official Manufacturing PMI	m/m	May	50.0	50.3	50.0	***	Equity and bond neutral
	Official Services PMI	m/m	May	50.1	49.4	49.5	**	Equity and bond neutral
	Official Composite PMI	m/m	May	50.5	50.1		*	Equity and bond neutral
	RatingDog China PMI Mfg	m/m	May	51.8	52.2	51.3	***	Equity and bond neutral
<b>India</b>	HSBC India PMI Mfg	m/m	May F	55.0	54.3		***	Equity and bond neutral
	Industrial Production	y/y	Apr	4.9%	--	3.9%	***	Equity bullish, bond bearish
<b>EUROPE</b>								
<b>Eurozone</b>	S&P Global Eurozone Manufacturing PMI	m/m	May F	51.6	51.4	51.4	***	Equity and bond neutral
	M3 Money Supply	y/y	Apr	2.7%	3.2%	3.1%	***	Equity and bond neutral
	Unemployment Rate	m/m	Apr	6.3%	6.2%	6.2%	**	Equity and bond neutral
<b>Germany</b>	Retail Sales	y/y	Apr	-2.7%	2.7%	-1.6%	*	Equity bearish, bond bullish
	S&P Global/BME Germany Manufacturing PMI	m/m	May F	50.1	49.9	49.9	***	Equity and bond neutral
<b>France</b>	S&P Global France Manufacturing PMI	m/m	May F	49.7	48.9	48.9	***	Equity bullish, bond bearish
<b>Italy</b>	S&P Global Italy Manufacturing PMI	m/m	May	52.9	52.1	52.0	***	Equity and bond neutral
<b>UK</b>	Nationwide House Price NSA	y/y	May	1.7%	3.0%	2.3%	***	Equity bearish, bond bullish
	S&P Global UK Manufacturing PMI	m/m	May F	53.9	53.7	53.7	***	Equity and bond neutral
<b>Switzerland</b>	Real Retail Sales	y/y	Apr	1.6%	1.3%		**	Equity and bond neutral
	GDP	y/y	1Q	0.5%	1.0%	0.4%	**	Equity and bond neutral
	PMI Manufacturing	m/m	May	57.3	54.5	53.8	***	Equity bullish, bond bearish
	PMI Services	m/m	May	56.0	54.8		*	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	29-May	433.5b	437.9b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	29-May	468.6b	468.9b		*	Equity and bond neutral
<b>Russia</b>	S&P Global Russia Manufacturing PMI	m/m	May	48.8	48.1		***	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	GDP	y/y	Mar	0.4%	0.8%	0.9%	**	Equity and bond neutral
<b>Mexico</b>	Net Outstanding Loans	m/m	Apr	7359b	7359b		*	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)	359	359	0	Up
U.S. Sibor/OIS spread (bps)	366	365	1	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.46	4.44	0.02	Down
Euribor/OIS spread (bps)	227	223	4	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Up
Euro	Up	Euro		Down
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.

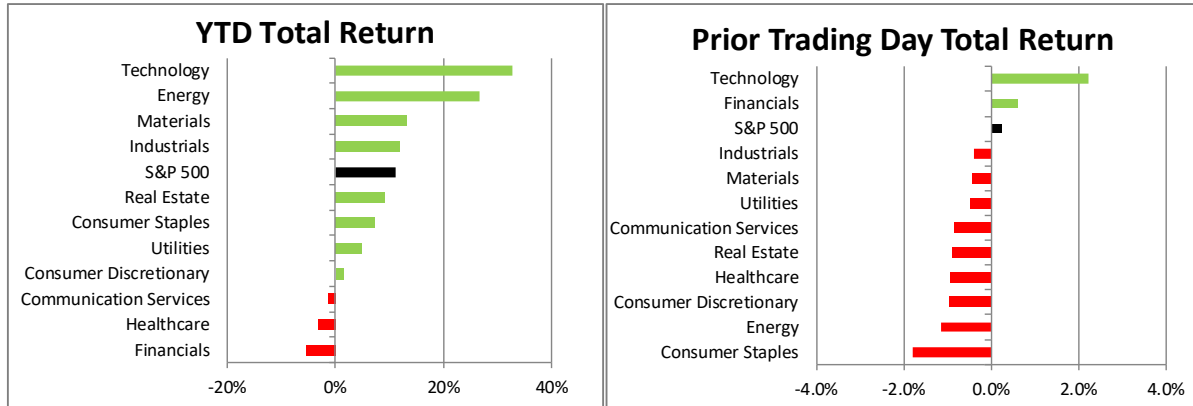
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$93.80	\$91.12	2.94%	
WTI	\$90.42	\$87.36	3.50%	
Natural Gas	\$3.33	\$3.29	1.25%	
Crack Spread	\$47.32	\$46.67	1.39%	
12-mo strip crack	\$40.00	\$39.19	2.08%	
Ethanol rack	\$2.21	\$2.21	-0.01%	
<b>Metals</b>				
Gold	\$4,507.11	\$4,540.26	-0.73%	
Silver	\$75.81	\$75.30	0.68%	
Copper Contract	\$654.15	\$638.90	2.39%	
<b>Grains</b>				
Corn contract	\$446.00	\$446.75	-0.17%	
Wheat contract	\$613.50	\$610.50	0.49%	
Soybeans contract	\$1,189.75	\$1,186.75	0.25%	
<b>Shipping</b>				
Baltic Dry Freight	3,224	3,226	-2	

## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout the entire country, with cooler temperatures in the northern Pacific region. The outlook calls for wetter-than-normal conditions in the southern Rocky Mountains, Midwest, and the Southeast, with dry conditions in northern Maine.

## Data Section

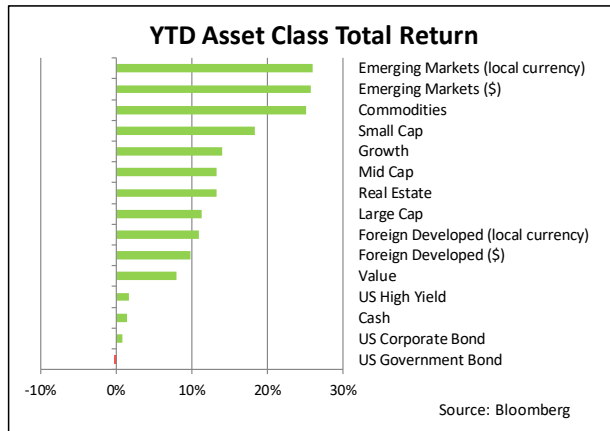
### US Equity Markets – (as of 5/29/2026 close)



(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 5/29/2026 close)

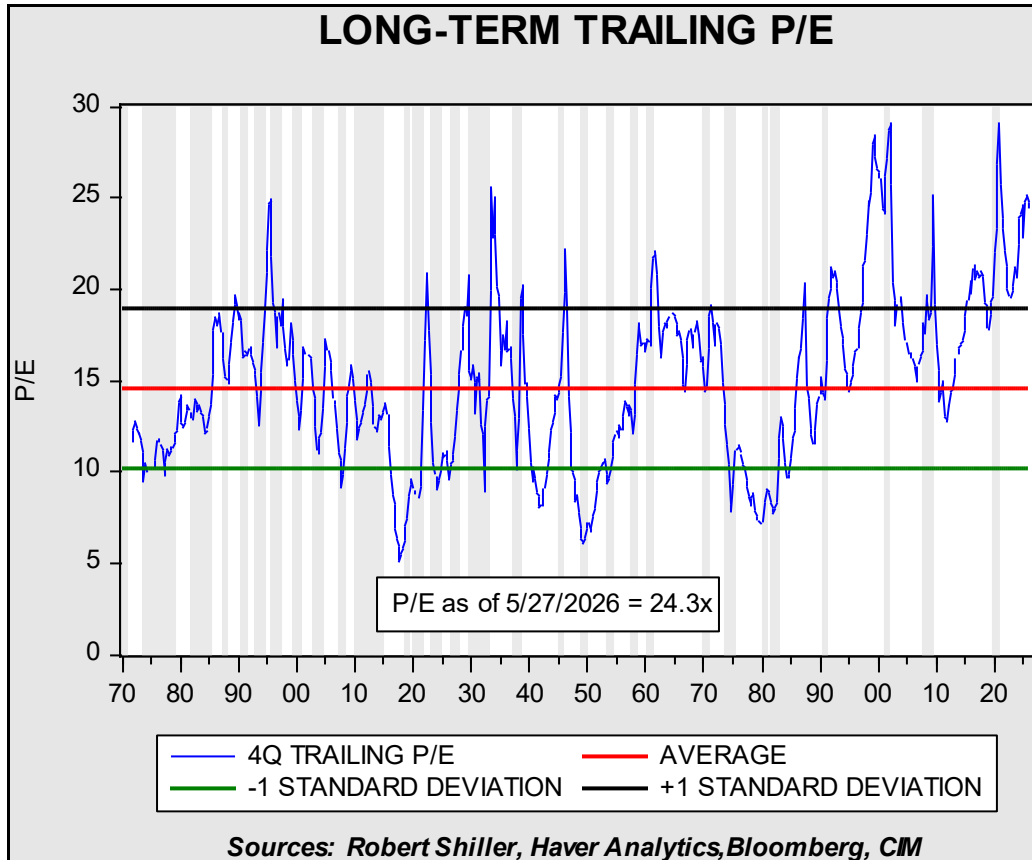


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

May 28, 2026



Based on our methodology,<sup>1</sup> the current P/E is 24.3x, up 0.1 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.*

<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.