



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 22, 2026 – 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.8%. Chinese markets were higher with the Shanghai Composite up 1.8% and the Shenzhen Composite up 1.7%. Conversely, US equity index futures are signaling a lower 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 a recap of key events over the weekend in the US-Israeli war against Iran. We next review several other international and US developments that could affect the financial markets today, including the increasing risk of a trade war between China and the European Union and news of yet another new, innovative deal to provide energy to a data center focused on artificial intelligence.

United States-Israel-Iran: While the 60-day ceasefire signed last week between the US and Iran continues to hold, fighting between Israeli forces and Hezbollah militants in Lebanon over the weekend [appears to have left it hanging by a thread](#). In response to the Israeli attacks and the US’s decision to threaten Iran anew over its support for Hezbollah, the Iranians say they have again shut the Strait of Hormuz, although it isn’t clear that they have really done so. In any case, Vice President Vance and Iranian leaders have now begun direct negotiations in Switzerland.

- Reports this morning say that the Switzerland talks have yielded a mechanism to end the Israeli-Hezbollah fighting, but it is still too early to know if it will be effective. If not, the ceasefire will likely be quite fragile, as both Israel and Hezbollah have reasons to scuttle it and keep the US-Iran fight going.
- In any case, the Strait of Hormuz [remains effectively closed](#). For example, the latest satellite imagery shows more than 400 large tanker-sized vessels waiting to enter the strait from the East, as shippers remain reluctant to send their vessels through the waterway until the US-Iran ceasefire is more certain. The continued effective closure of the strait will likely keep alive the possibility of further price spikes for energy and other commodities.
- Under the ceasefire agreement, the direct talks in Switzerland are supposed to center on Iran's nuclear program. The 60 days allotted are already exceedingly short for a deal as technically complicated as a nuclear one, but with every day that the talks are focused on Israeli-Hezbollah fighting in Lebanon, there will be even less time to discuss Iran's nuclear program.

China-Japan: New customs data shows China [continues to limit or ban exports of tungsten and rare earth minerals to Japan](#), months after it began to punish the country for Prime Minister Takaichi's statement that a Chinese effort to take over Taiwan would require Japan to respond. The dispute has largely fallen out of the news, but the latest Chinese customs data shows that Japan-bound exports of some key types of tungsten, as well as rare earths dysprosium and terbium, stayed at zero in May, and some other rare-earth categories were also at unusually low levels.

- The selective Chinese embargo has forced some Japanese industrial firms to find costlier alternative supplies, but it hasn't necessarily caused production of any key items to cease.
- All the same, the Chinese action illustrates its newfound economic leverage when it comes to key supplies of minerals and other industrial inputs. It also shows China's recent willingness to use that leverage to punish adversaries — a willingness that helps explain why the US administration is working to establish a kind of détente with China.

Japan: Defense Minister Koizumi [has announced that the Japanese armed forces recruited over 11,000 personnel in fiscal 2025, up 14.9% from the previous year](#). Officer candidate recruitment rose by roughly 35%. The results reflect efforts to improve pay, working conditions, and career opportunities to offset the challenges of Japan's shrinking population. Still, as in other countries, the shrinking pool of potential recruits will probably further incentivize the use of automation in the military, which in turn should boost Japan's prospects as a major arms exporter.

China-Philippines: In an interview with the *Financial Times*, the Philippine defense minister [said his country is increasingly concerned that China will try to take permanent control over the disputed Scarborough Shoal](#) in the South China Sea, based on recent naval maneuvers. The recent aggressive moves by China have raised concerns that the US's effort to ease bilateral frictions may have emboldened Beijing to take even more aggressive territorial measures against its Indo-Pacific neighbors, raising the risk of miscalculation that leads to a security crisis.

European Union-China: At a summit on Friday, national leaders from the EU [directed the European Commission to prepare a revised strategy](#) to protect the bloc's producers from China's predatory competition. Importantly, even German Chancellor Merz [delivered a blistering criticism of China for flooding foreign markets through the use of "high subsidies" and an artificially weak currency](#). The tough talk suggests an EU-China trade war could evolve in the coming months, threatening companies on both sides.

China: New reports show that China's rapid shift to electric vehicles [has created a fiscal problem for local governments, as heavier electric cars boost the cost of road maintenance and repair](#). Now that EVs make up more than 60% of the nation's automobiles, local governments are also facing a drop in the gas-tax revenues that once covered more than 80% of road upkeep costs. The report suggests that China's enormous problem with local-government debt could continue to worsen and create financial risks for the broader economy.

United Kingdom: Ballot results on Friday showed Manchester Mayor Andy Burnham decisively [won a parliamentary by-election that would return him to the national legislature and allow him](#) to challenge the unpopular Keir Starmer for prime minister and head of the Labour Party. Saddled with Labour's dismal polling and seeing the writing on the wall, Starmer today announced that he will immediately resign as party leader but stay on as prime minister until Burnham secures the post in a leadership process that could wrap up as early as mid-July.

- Importantly, Burnham has marketed himself as being to the left of Starmer. In the past, he has talked up the idea of "business-friendly socialism" and insisted on the need to decentralize power from London, have greater public control over utilities, and re-industrialize left-behind regions of the country.
- Even though investors are wary that Burnham might increase borrowing and raise taxes to boost social spending and military outlays, British markets today are celebrating the likely end of the recent political instability. British stocks and the pound have appreciated modestly so far today. UK government bond prices have also risen a bit, pushing yields modestly downward.

Indonesia: Index provider MSCI [has announced that it is increasingly concerned about transparency, operational procedures, and other issues](#) in the Indonesian stock market, raising the risk that it will soon downgrade the country from "emerging" to "frontier" market as early as next week. If MSCI does downgrade the country, investors would likely pull billions of dollars out of the market, driving down stock prices and potentially causing broader economic problems.

Colombia: In the second and final round of presidential elections yesterday, right-wing populist Abelardo de la Espriella [appears to have won with about 49.7% of the vote](#). If confirmed, it would mean that Colombia will swing back toward its more traditional conservative policies after four years of leftist rule under outgoing President Gustavo Petro. De la Espriella's pro-business agenda includes a crackdown on crime, an opening up of the countryside to fracking for oil and gas, an easing of restrictions on mining, and improvement in relations with the US.

US Energy and Artificial Intelligence Industries: In the latest example of how the AI data center boom is prompting increased energy demand, Chevron and a partner [have struck a deal to provide 2.7 gigawatts of electricity to a new Microsoft data center in the Permian Basin](#). The electricity will be generated on site by turbines fueled with natural gas from Chevron’s wells in the region. The deal shows how data-center developers are increasingly focused on having assured local power generation.

US Economic Releases

There were no domestic 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		
No economic releases for the rest of today		
Federal Reserve		
EST	Speaker or Event	District or Position
9:00	Christopher Waller Delivers Opening Remarks	Member of the Board of Governors

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	National CPI	y/y	May	1.5%	1.4%	1.5%	***	Equity and bond neutral
	National CPI Ex-Fresh Food	y/y	May	1.4%	1.4%	1.4%	**	Equity and bond neutral
	National CPI Ex-Fresh Food & Energy	y/y	May	1.8%	1.9%	1.8%	*	Equity and bond neutral
New Zealand	Exports NZD	m/m	May	8.88b	8.27b		**	Equity and bond neutral
	Imports NZD	m/m	May	80.0b	6.67b		**	Equity and bond neutral
	Trade Balance NZD	m/m	May	-3367m	-3065m		**	Equity and bond neutral
EUROPE								
UK	Public Finances (PSNCR)	m/m	May	24.1b	9.5b	--	*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	May	23.3b	23.0b	18.9b	*	Equity and bond neutral
	PSNB ex Banking Groups	m/m	May	23.3b	23.0b	--	**	Equity and bond neutral
	Retail Sales	y/y	May	1.2%	-0.1%	0.3%	***	Equity bullish, bond bearish
	Retail Sales Ex-Auto Fuel	y/y	May	4.6%	1.1%	3.1%	**	Equity bullish, bond bearish
Switzerland	M3 Money Supply	y/y	May	4.5%	4.3%	4.4%	**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	19-Jun	437.5b	434.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	19-Jun	471.9b	468.5b		*	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	12-Jun	\$729.3b	\$749.7b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	12-Jun	21.28t	21.11t		*	Equity and bond neutral
AMERICAS								
Canada	Industrial Product Price	m/m	May	1.2%	1.6%	1.0%	**	Equity and bond neutral
	Raw Material Prices	m/m	May	0.7%	2.6%	1.1%	*	Equity and bond neutral
	Retail Sales	m/m	Apr	0.5%	0.9%	0.6%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Apr	0.1%	1.2%	0.8%	**	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	366	0	Up
U.S. Sibor/OIS spread (bps)	373	373	0	Up
U.S. Libor/OIS spread (bps)	372	371	1	Up
10-yr T-note (%)	4.49	4.46	0.03	Up
Euribor/OIS spread (bps)	233	239	-6	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down
Central Bank Action	Actual	Prior	Expected	
Bank of Russia Key Rate	14.25%	14.50%	14.00%	Above Forecast
PBOC 5-Year Loan Prime Rate	3.50%	3.50%	3.50%	On Forecast
PBOC 1-Year Loan Prime Rate	3.00%	3.00%	3.00%	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	\$79.26	\$80.57	-1.63%	
WTI	\$76.84	\$76.60	0.31%	
Natural Gas	\$3.30	\$3.23	1.98%	
Crack Spread	\$51.97	\$51.30	1.31%	
12-mo strip crack	\$39.84	\$39.60	0.61%	
Ethanol rack	\$2.04	\$2.05	-0.03%	
Metals				
Gold	\$4,204.31	\$4,155.71	1.17%	
Silver	\$66.37	\$64.90	2.26%	
Copper Contract	\$644.00	\$644.95	-0.15%	
Grains				
Corn contract	\$443.00	\$444.00	-0.23%	
Wheat contract	\$608.50	\$614.00	-0.90%	
Soybeans contract	\$1,144.50	\$1,142.75	0.15%	
Shipping				
Baltic Dry Freight	2,722	2,659	63	

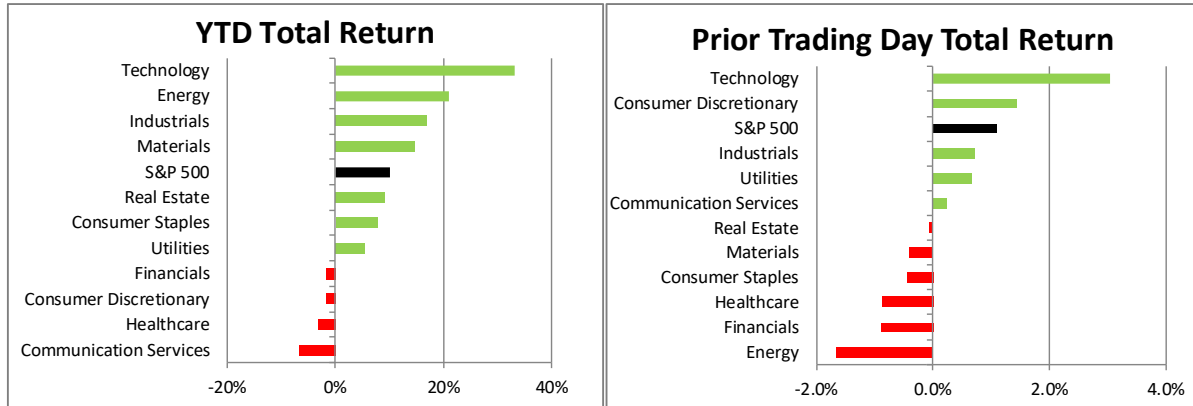
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout most of the country, with cooler temps expected in the Pacific region. The precipitation outlook calls for wetter-than-normal conditions in most of the northern half of the country, with dry conditions in the southern Great Plains and Gulf Coast regions.

There are no tropical cyclones expected within the next seven days in the Atlantic region.

Data Section

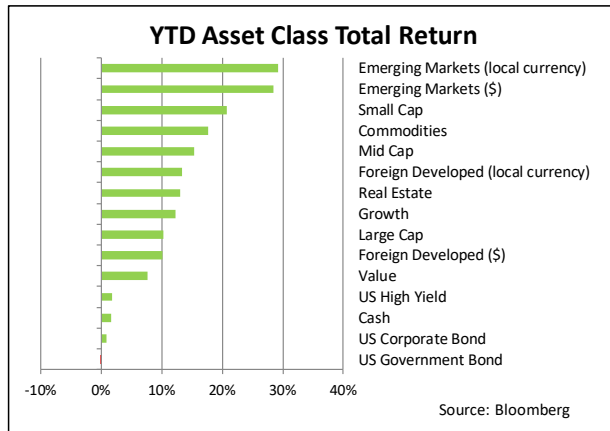
US Equity Markets – (as of 6/18/2026 close)



(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 6/18/2026 close)

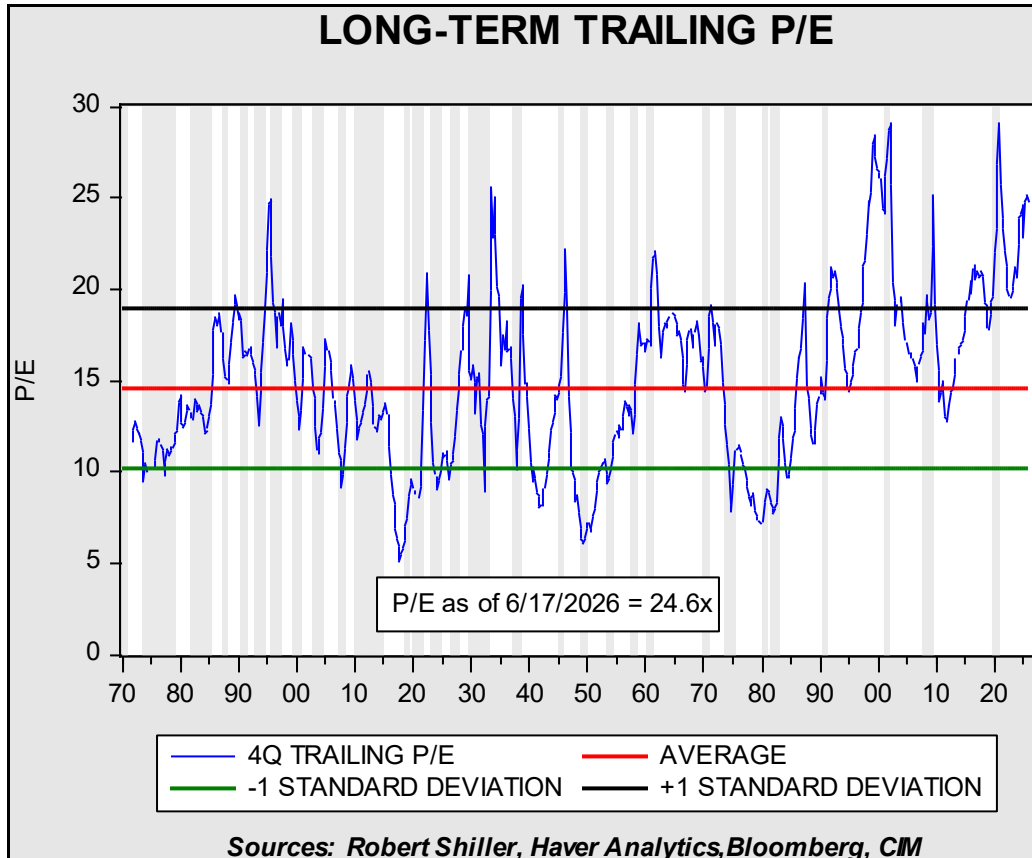


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.