Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 24, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.2%. Chinese markets were higher with the Shanghai Composite up 0.1% and the Shenzhen Composite up 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
"Mid-Year Geopolitical Outlook" (6/22/26)	"China Cuts Its Energy Imports" (6/15/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Value Equity: "Déjà vu for Dividends?" **Confluence of Ideas Podcast**

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* focuses primarily on Venezuela's efforts to reassert itself on the global stage following the removal of Nicolás Maduro. We then examine rising concerns around AI and monetary policy as investors reassess valuations. Finally, we briefly review the latest developments in US-Iran talks, a major chipmaker's equity issuance, and the evolving political landscape in US cities. As usual, we include a summary of recent domestic and global economic data.

Venezuela Comeback: Venezuela is seeking to shed its pariah status after a recent thaw in relations with the United States. In a bid to repair its fractured finances, the government has announced plans to restructure its sovereign debt, marking its first major step toward re-entry into international capital markets after nearly a decade of isolation. The rapprochement highlights the economic dividends of stronger US ties in South America and offers a potential roadmap for Cuba, if it follows suit.

- The country is expected to unveil over $240 billion in bond sales, significantly surpassing initial estimates of $150 billion to $200 billion. Official plans to place the government on solid fiscal footing are slated for release by early July, with its macroeconomic framework due to be published in the coming days. The economy is currently estimated at roughly $100 billion, while its debt-to-GDP ratio remains above 200%.
- While Venezuela's improving fiscal outlook is a welcome development, the political landscape merits equally close attention. Although no election date has yet been set, interim leader Delcy Rodríguez appears to be already mobilizing support for her presidential bid, with María Corina Machado expected to mount a challenge. Recent polling underscores the scale of that challenge. Machado leads by a staggering margin, with 82.6% of voters backing her compared to just 4.5% for Rodríguez.
- Venezuela's reemergence onto the global stage could offer a roadmap for Cuba's own potential return from the diplomatic and economic isolation it has endured since 1962. Notably, Havana has already pushed through a series of free-market reforms, a shift accelerated by President Trump's decision to tighten the embargo and cut off energy imports as part of his "maximum pressure" campaign aimed at forcing the regime to overhaul its economic and political systems.
- We see the United States actively working to draw Latin America back into its strategic orbit, a dynamic we have described as a modern Monroe Doctrine, or "Donroe Doctrine." As regional governments deepen ties with Washington, they are likely to benefit from preferential access to trade, capital, and policy support. Coupled with prospective structural reforms, this shift supports increasingly attractive opportunities across South America.

AI Angst: Major tech stocks sold off on Tuesday amid growing concerns that persistently high interest rates could derail the artificial intelligence infrastructure build-out. The sell-off was triggered by renewed anxiety over Federal Reserve policy, following the central bank's latest Summary of Economic Projections, which showed that an overwhelming majority of officials favor raising rates later this year to curb inflation. The market's reaction underscores a broader unease about how restrictive monetary policy will impact tech valuations moving forward.

- The market response appears to be a reaction to mounting signs that the labor market is regaining momentum. ADP's four-week moving average of private payrolls shows that the economy has added an average of 30,750 jobs per week. While this pickup is not particularly unusual, it does suggest that the labor market is less strained than it was a year ago, thereby increasing the likelihood that the Federal Reserve may be more inclined to prioritize price stability over maximum employment.
- Interest rates have become an increasingly critical factor in the markets, particularly as more hyperscalers turn to debt financing to fund their AI infrastructure build-outs. Earlier this week, SpaceX announced a $25 billion bond issuance, less than two weeks after its public debut, in a move that underscores just how capital-intensive the AI race has become. The development raises questions about whether these companies may take longer to deliver returns to shareholders as their debt burdens grow.

- Despite Tuesday's sell-off, we see little evidence that the Fed has committed to a preset rate path. As Chair Kevin Warsh underscored in last week's press conference, the committee intends to prioritize underlying trends over any single data release. In our view, this suggests investors may be over-interpreting the latest labor market print and extrapolating too much about the policy outlook from one month of data. As a result, we think the event may be short-lived.

US-Iran: Concerns are mounting over the fate of the peace deal amid confusion surrounding the conditions under which Iran would gain access to frozen funds. According to President Trump, Iran would be permitted to use the money solely for food and medical supplies. Iran must also allow the International Atomic Energy Agency (IAEA) to inspect its nuclear sites. Tehran, however, has rejected both claims as false. While we expect tensions to remain calm, uncertainty about talks could push up energy prices.

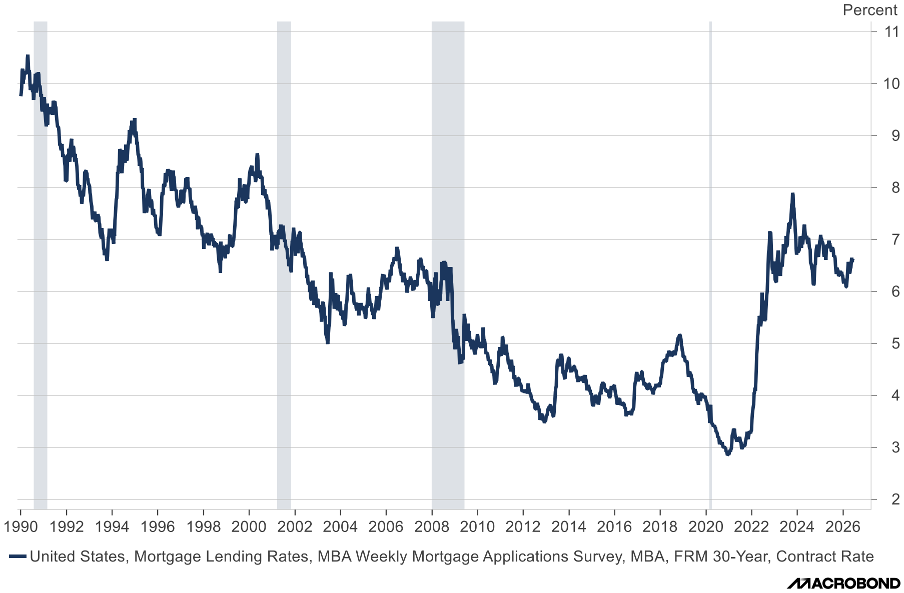
AI Spending: SK Hynix is the latest tech name to tap public markets for expansion, targeting a $29.4 billion US listing. The deal would be one of history's largest, following recent equity raises by SpaceX and Alphabet, plus upcoming IPOs from Anthropic and OpenAI to fuel AI spending. The shift toward equity over debt suggests companies may see stock sales as cheaper financing, possibly because they view their own shares as overvalued.

Democratic Socialism? Left-wing populism appears to be gaining momentum in US cities. On Tuesday, three democratic socialist candidates in New York secured their primary victories following endorsements from New York City Mayor Zohran Mamdani. This comes just a week after a democratic socialist mayoral candidate won the party's primary in Washington, DC. While these wins may ultimately make it easier for conservatives to compete in deep-blue urban areas, they also underscore the nation's deepening political polarization.

US Economic Releases

The Mortgage Bankers Association said ***mortgage applications*** in the week ended June 19 rose 1.0%, erasing only a small part of their 3.8% decline in the previous week. Applications for home purchase mortgages edged down 0.6%, after falling 3.4% in the prior week. Applications for refinancing mortgages rose 3.0%, after declining 4.5% the week before. The average interest rate on a 30-year, fixed-rate mortgage fell 1 basis point to 6.59%. The chart below shows how mortgage rates have changed over time.

Average Interest Rate on New 30-Year, Fixed-Rate Mortgages
Source: Mortgage Bankers Association



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	New Home Sales	m/m	May	640k	622k	***
10:00	New Home Sales MoM	m/m	May	3.2%	-6.2%	**
10:00	Building Permits	m/m	May F	1418k	1413k	**
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
14:00	Lisa Cook Gives Pre-Recorded Opening Remarks	Members 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	PPI Services	y/y	May	3.3%	3.3%	3.3%	*	Equity and bond neutral
Australia	CPI	y/y	May	4.0%	4.2%	4.3%	**	Equity and bond neutral
South Korea	Retail Sales	y/y	May	9.0%	7.2%		**	Equity and bond neutral
	Depart. Store Sales	y/y	May	24.5%	21.7%		*	Equity and bond neutral
	Discount Store Sales	y/y	May	-5.1%	-6.6%		*	Equity and bond neutral
EUROPE								
Germany	IFO Business Climate	m/m	Jun	85.6	85.0	85.5	***	Equity and bond neutral
	IFO Current Assessment	m/m	Jun	87.0	86.1	86.3	**	Equity and bond neutral
	IFO Expectations	m/m	Jun	84.1	83.9	84.8	**	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	19-Jun	$255236m	$255183m		*	Equity and bond neutral
Brazil	FGV Consumer Confidence	m/m	Jun	88.7	88.8		**	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)	368	368	0	Up
U.S. Sibor/OIS spread (bps)	375	374	1	Up
U.S. Libor/OIS spread (bps)	372	372	0	Up
10-yr T-note (%)	4.48	4.50	-0.02	Down
Euribor/OIS spread (bps)	232	231	1	Up
Currencies	**3 Mo**			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
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
Energy Markets				
Brent	$75.56	$77.08	-1.97%	
WTI	$71.85	$73.21	-1.86%	
Natural Gas	$3.17	$3.15	0.79%	
Crack Spread	$50.59	$50.50	0.19%	
12-mo strip crack	$38.53	$38.62	-0.25%	
Ethanol rack	$2.03	$2.03	-0.01%	
Metals				
Gold	$4,045.49	$4,117.19	-1.74%	
Silver	$59.88	$61.58	-2.76%	
Copper Contract	$611.30	$621.20	-1.59%	
Grains				
Corn contract	$439.25	$437.25	0.46%	
Wheat contract	$600.00	$597.00	0.50%	
Soybeans contract	$1,144.00	$1,141.75	0.20%	
Shipping				
Baltic Dry Freight	2,667	2,684	-17	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-3.60		
Gasoline (mb)		-1.10		
Distillates (mb)		-1.05		
Refinery run rates (%)		-0.34%		
Natural gas (bcf)		66		

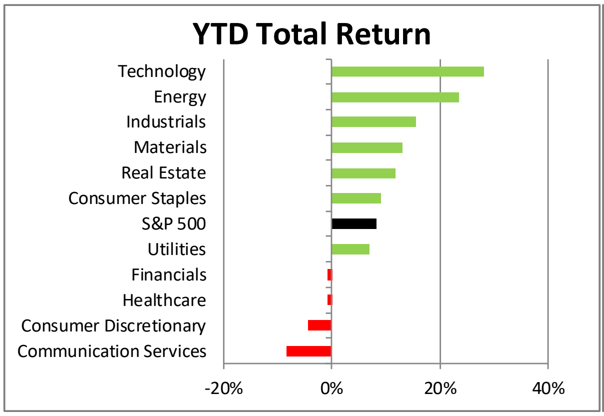
Weather

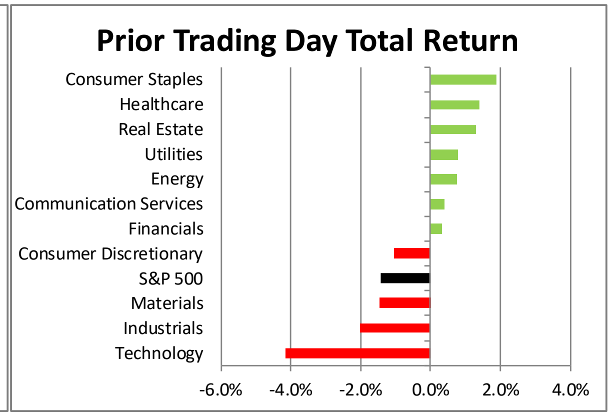
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Great Plains to the East Coast, with cooler temps expected in the Pacific Northwest. The outlook calls for wetter-than-normal conditions in the Pacific Northwest, the Northeast, and the Desert Southwest, with dry conditions in the central Great Plains.

No tropical cyclone activity is expected in the Atlantic region within the next seven days.

Data Section

US Equity Markets – (as of 6/23/2026 close)

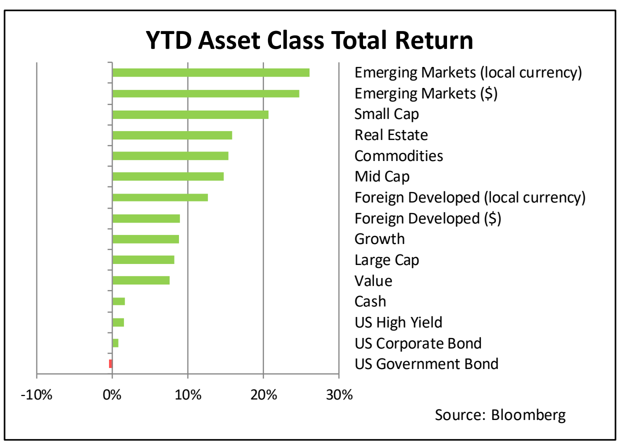




(Source: Bloomberg)

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 6/23/2026 close)

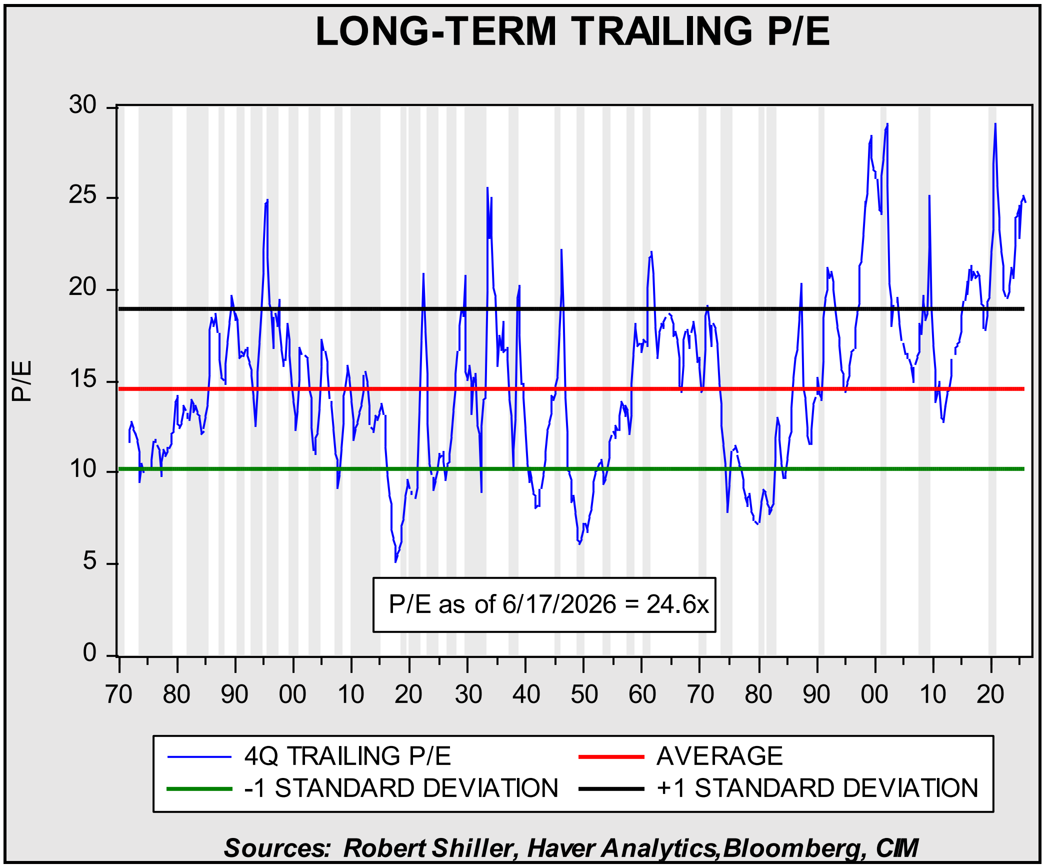


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.

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[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.