



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 26, 2026 – 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 0.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.0%. Chinese markets were lower with the Shanghai Composite down 2.3% and the Shenzhen Composite down 3.1%. 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
“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.

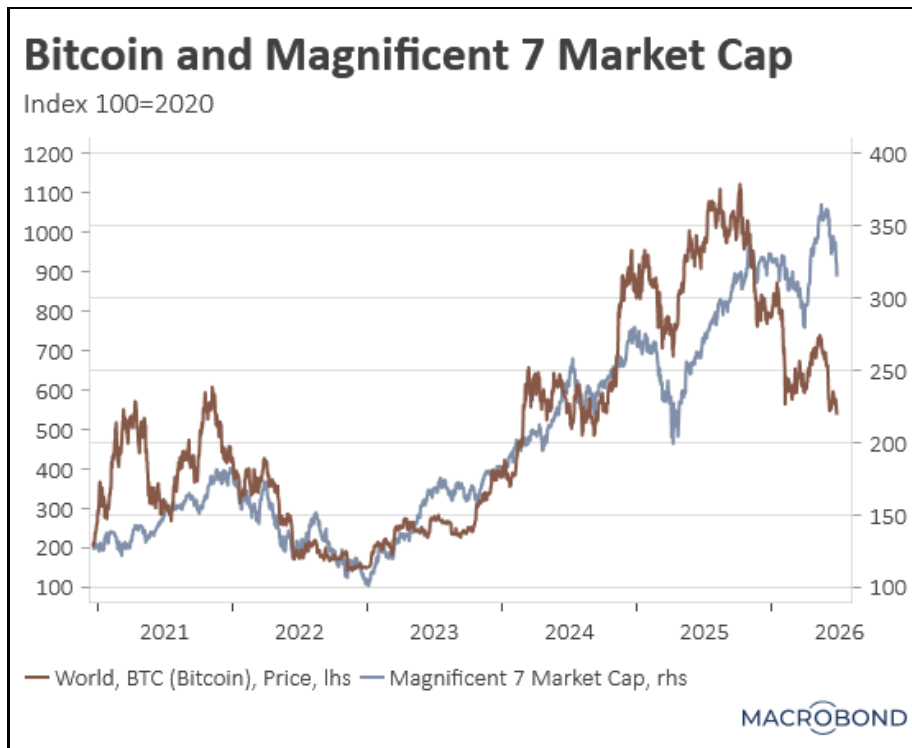
Our *Comment* begins with our view on speculation that OpenAI may delay its IPO. We then turn to rising tensions over tolls in the Strait of Hormuz. Next, we briefly discuss Italy’s push to overhaul its electoral system and the US government’s decision to restrict the use of another AI tool. As always, we include a review of recent domestic and international economic data.

IPO Doubts: While robust earnings continue to buoy tech stocks, lingering valuation concerns are casting a shadow over the sector. On Thursday, [The New York Times reported that OpenAI is considering a delay to its initial public offering](#), following advice that current sector volatility could dampen investor sentiment. The report is likely to intensify fresh worries that the sector has become frothy, underscoring a growing unease among investors regarding tech valuations and highlighting a shifting appetite toward other market sectors.

- The reported delay of OpenAI’s IPO appears tied in part to the recent performance of SpaceX. After an initial surge, shares in the Elon Musk–led company have fallen over 20% from their post-IPO high, [declining from around \\$202 to roughly \\$153](#) as early

enthusiasm faded. The pullback has raised concerns about the durability of demand for high-profile IPOs, particularly in segments where valuations are already stretched.

- Concerns are also mounting over the availability of liquidity to absorb new IPOs. Given the scale of the [SpaceX offering — the largest on record](#) — there is growing unease that retail investors may have limited capacity to support additional deals, particularly with Alphabet also planning its own equity issuance. The fear is that another large offering could prove too much for investors, who have already grown more risk-averse in recent months.



- Bitcoin, which is heavily influenced by retail sentiment, offers a useful barometer for shifts in risk appetite. During the post-pandemic period, bitcoin and the Magnificent 7 stocks largely moved in tandem. However, that correlation began to break down in late 2025, when bitcoin peaked and subsequently failed to recover. The Magnificent 7, by contrast, have also lost some momentum but have since managed to hit new highs.
- The decoupling of bitcoin and the Magnificent 7 likely underscores the primacy of earnings in today's market. Mega-cap tech companies have proven that, even with stretched valuations, underlying product demand remains resilient. This dynamic suggests that the AI-led rally still has room to run in the near term, even if appetite for IPOs has begun to fade. That said, rising volatility across the space strengthens the case for adding exposure to sectors outside of tech as a way to diversify risk.

Strait of Hormuz: The reopening of maritime transit has come under strain as the United States and Iran continue to negotiate the terms governing passage through the strait. On Thursday, [Iran](#)

[reportedly intercepted vessels and forced them to turn back](#), insisting that ships not transit the waterway without prior authorization. The resulting uncertainty is likely to heighten concerns about the durability of the ceasefire, particularly as Washington and Tehran remain at odds over whether transit fees or tolls will be imposed.

- The dispute centers on Oman, a key US partner that also works with Iran on securing navigation in the Strait of Hormuz. On Thursday, [Oman reportedly allowed internationally coordinated vessels to use a coastal corridor](#) to facilitate passage, which Iran appears to view as violating its requirement that ships obtain prior authorization from its Persian Gulf maritime authority before entering the waterway.
- The episode underscores how much of the ceasefire framework over the strait relies on strategic ambiguity. Earlier in the day, Secretary of State Rubio reiterated that the United States will not accept Iranian tolls for navigating the waterway under any circumstances, a stance that appears to have prompted Tehran to adopt a more assertive posture in projecting control over the strait.
- While the recent conflict has introduced uncertainty, conditions in the strait are beginning to stabilize following the US-Iran ceasefire agreement. Earlier this week, [oil prices retracted to pre-conflict levels](#), while transit volumes through the [strait have recovered to roughly 25% of pre-war levels](#). This improvement suggests that, although the waterway remains contested, access has meaningfully improved relative to conditions just a few weeks ago.
- Rising geopolitical tensions over the strait are poised to drive further volatility in energy prices, as the probability of direct conflict between the two sides remains elevated. Although attacks on commercial shipping have reduced vessel traffic through the chokepoint, the ceasefire appears to be holding for now. This is largely attributed to the US reluctance to escalate militarily while the two sides negotiate a long-term agreement. That said, markets are expected to remain on edge until a final deal is formally secured.

Italy Vote Overhaul: Italian PM Giorgia Meloni is facing criticism over plans to overhaul Italy's electoral system in ways that could favor her party in future elections. [The proposal would grant a minority coalition additional seats if it secures at least 42% of the vote](#). Supporters argue that the change would enhance political stability by reducing fragmentation, while critics contend it is primarily designed to help Meloni consolidate power. The proposal reflects a wider pattern of incumbent governments tweaking voting rules to shore up their positions.

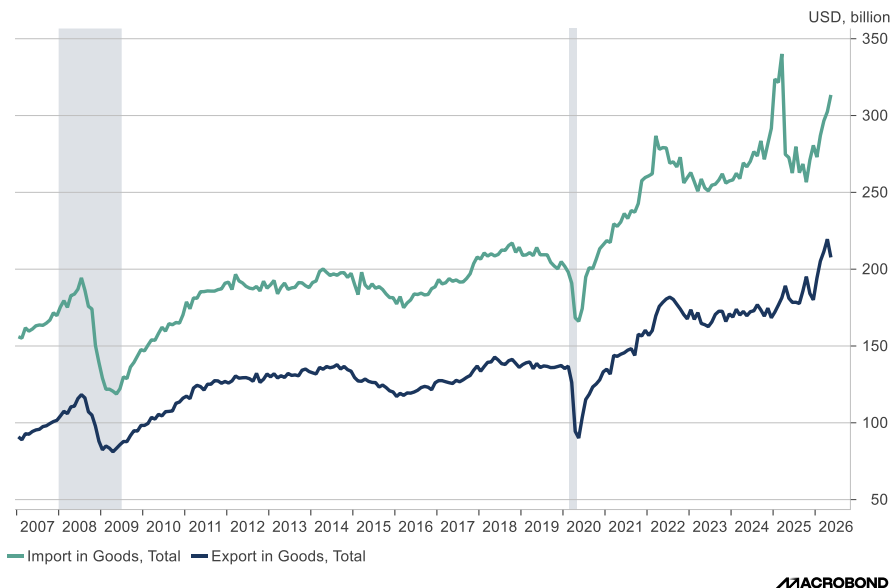
AI Tools Restriction: Security concerns are driving tighter limits on advanced AI systems. The White House [has asked OpenAI to restrict its latest model, GPT-5.6, to a small group of government agencies because of security risks](#). If implemented, this would be the first time a government has constrained release of a major technology before launch. The request follows earlier efforts to limit foreign access to Anthropic's Fable 5 and Mythos 5 models, signaling a firmer government grip on frontier AI.

US Economic Releases

In a preliminary estimate today, the US *merchandise trade balance* in May showed a seasonally adjusted deficit of \$105.8 billion, far worse than both the expected deficit of \$85.0 billion and the revised April shortfall of \$83.0 billion. According to the data, total merchandise exports fell 5.4%, while imports rose 3.6%. The chart below shows the monthly value of US exports and imports since just before the Great Financial Crisis.

US Exports and Imports (Seasonally Adjusted)

Source: US Bureau of the Census



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	U. of Michigan Consumer Sentiment	m/m	Jun F	50.0	48.9	***
10:00	U. of Michigan Current Conditions	m/m	Jun F	49.0	48.4	**
10:00	U. of Michigan Future Expectations	m/m	Jun F	49.6	49.3	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Jun F	4.6%	4.6%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Jun F	3.3%	3.4%	*
11:00	Kansas City Fed Services Activity	m/m	Jun	8	10	*
Federal Reserve						
EST	Speaker or Event	District or Position				
11:30	Neel Kashkari in Aspen Ideas Panel	President of the Federal Reserve Bank of Minneapolis				

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	Tokyo CPI	y/y	Jun	1.7%	1.4%	1.6%	**	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food	y/y	Jun	1.6%	1.3%	1.6%	***	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food & Energy	y/y	Jun	1.9%	1.6%	1.8%	*	Equity and bond neutral
China	BoP Current Account	q/q	1Q F	\$184.3b	\$184.1b		**	Equity and bond neutral
EUROPE								
Italy	Consumer Confidence	m/m	Jun	92.4	93.4	94.3	***	Equity bearish, bond bullish
	Manufacturing Confidence	m/m	Jun	95.2	94.2		***	Equity and bond neutral
	Economic Sentiment	m/m	Jun	88.4	87.9	88.3	**	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	19-Jun	\$743.8b	\$729.3b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	19-Jun	21.36t	21.28t		*	Equity and bond neutral
AMERICAS								
Mexico	Trade Balance	m/m	May	2259.2m	4520.0m		**	Equity and bond neutral
	Exports	m/m	May	69545m	72042m		*	Equity and bond neutral
	Imports	m/m	May	67285m	67522m		*	Equity and bond neutral
Brazil	Current Account Balance	m/m	May	-\$3185m	-\$1724m	-\$4450m	**	Equity and bond neutral
	Foreign Direct Investment	m/m	May	\$7974m	\$8912m	\$6000m	**	Equity and bond neutral
	National Unemployment Rate	m/m	May	5.60%	5.80%	5.60%	*	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)	367	368	-1	Up
U.S. Sibor/OIS spread (bps)	373	373	0	Up
U.S. Libor/OIS spread (bps)	372	372	0	Up
10-yr T-note (%)	4.38	4.39	-0.01	Down
Euribor/OIS spread (bps)	229	230	-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
Central Bank Action	Actual	Prior	Expected	
Bank of Mexico Overnight Rate	6.50%	6.50%	6.50%	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	\$72.82	\$75.26	-3.24%	
WTI	\$69.69	\$71.92	-3.10%	
Natural Gas	\$3.40	\$3.34	1.59%	
Crack Spread	\$53.42	\$54.73	-2.38%	
12-mo strip crack	\$38.73	\$39.62	-2.25%	
Ethanol rack	\$2.05	\$2.04	0.45%	
Metals				
Gold	\$4,052.21	\$4,026.73	0.63%	
Silver	\$58.36	\$57.86	0.86%	
Copper Contract	\$618.45	\$613.75	0.77%	
Grains				
Corn contract	\$442.75	\$443.00	-0.06%	
Wheat contract	\$591.75	\$601.50	-1.62%	
Soybeans contract	\$1,151.25	\$1,157.00	-0.50%	
Shipping				
Baltic Dry Freight	2,591	2,634	-43	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-6.09	-3.60	-2.49	
Gasoline (mb)	2.06	-1.10	3.16	
Distillates (mb)	3.06	-1.05	4.11	
Refinery run rates (%)	-0.06%	-0.34%	0.28%	
Natural gas (bcf)	76	69	7	

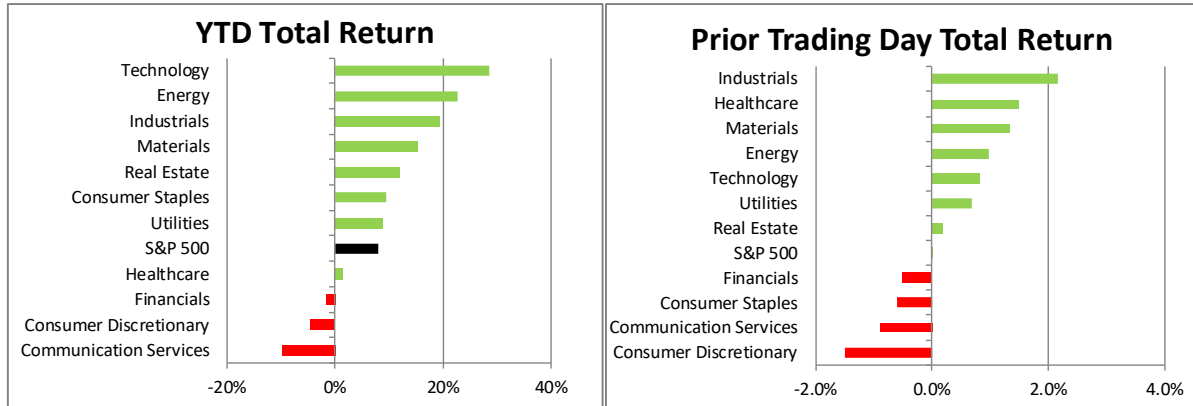
Weather

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 near-normal temperatures elsewhere. The outlook calls for wetter-than-normal conditions in the Pacific Northwest, the Northeast, the Desert Southwest, southern Texas, and the Gulf Coast, with dry conditions in Nevada.

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

Data Section

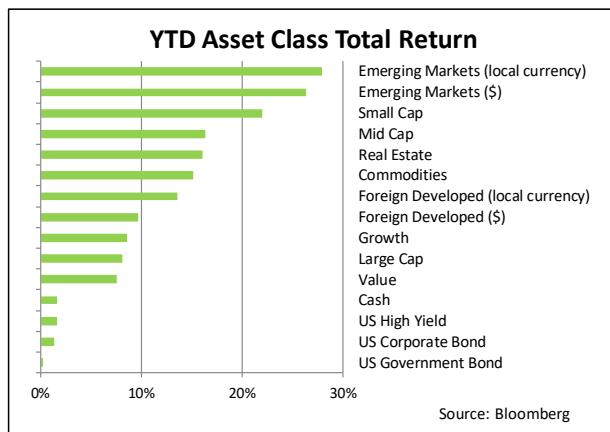
US Equity Markets – (as of 6/25/2026 close)



(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 6/25/2026 close)

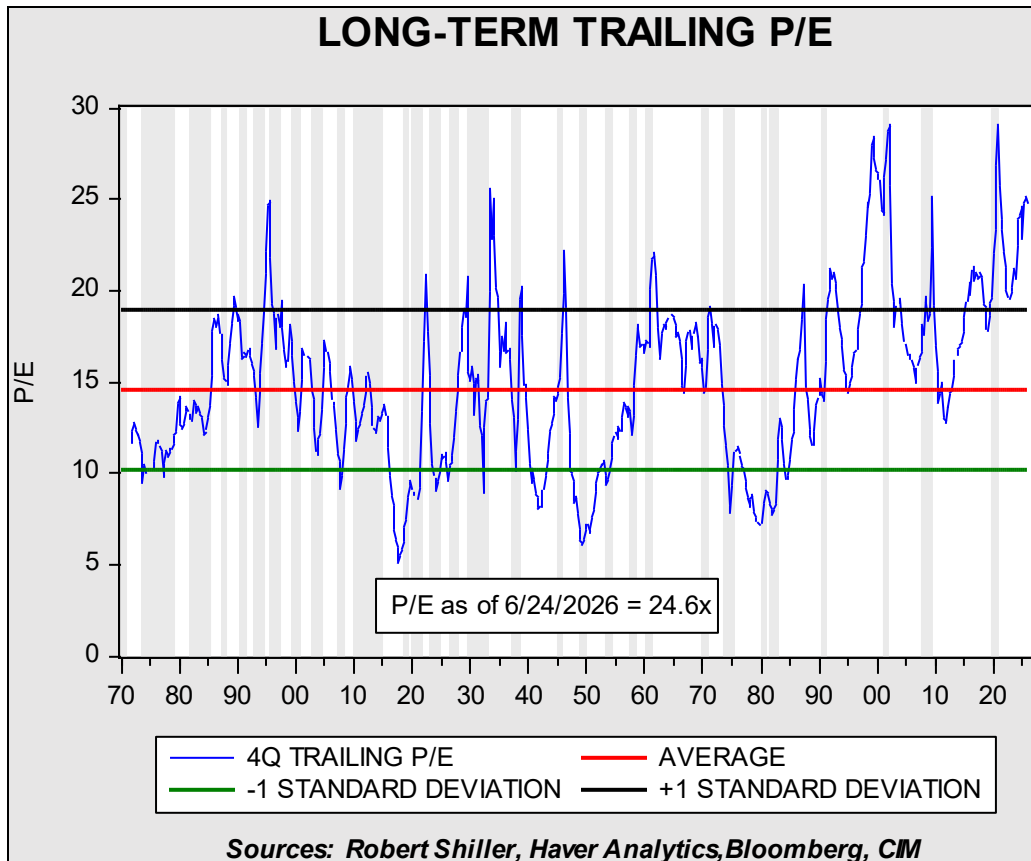


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 25, 2026



Based on our methodology,¹ the current P/E is 24.6x, was unchanged from the previous report. The rise in the stock price index was offset by an 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.