



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 29, 2026 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.2%. Chinese markets were mixed with the Shanghai Composite up 1.2% and the Shenzhen Composite down 0.1%. 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.

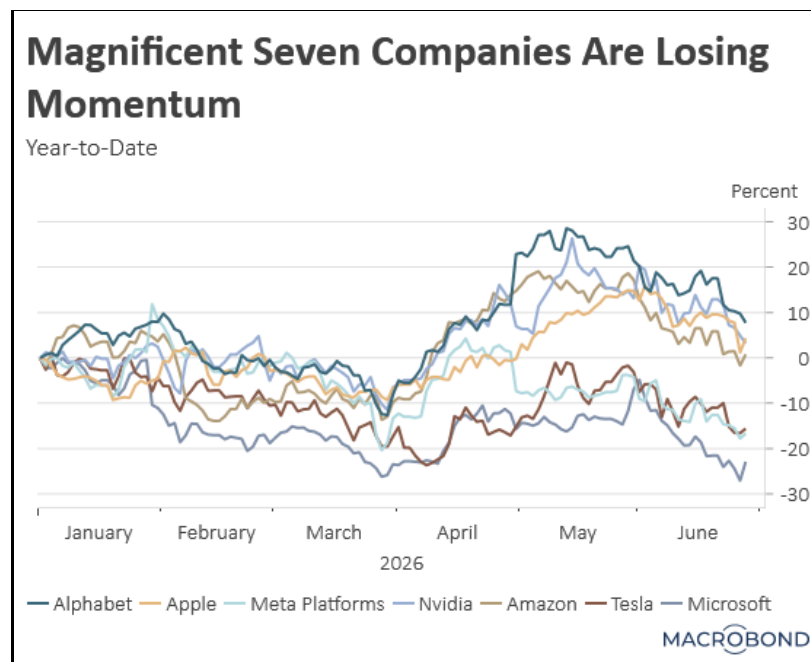
Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“Mid-Year Geopolitical Outlook” (6/22/26)	“The Evolution of the Tech Life Cycle” (6/29/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Value Equity: “Déjà vu for Dividends?” Confluence of Ideas Podcast

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 key takeaways from Apple’s push to ease restrictions on the purchase of Chinese semiconductors. We then turn to the US-Iran conflict, outlining our assessment of the ceasefire’s durability. Next, we briefly examine Volkswagen’s restructuring efforts, the policy agenda of the leading UK prime minister candidate, and President Putin’s recent and notable admission. As always, we conclude with a review of the latest domestic and international economic data.

Chip Shortage: The scale of the AI buildout is pushing firms to seek regulatory waivers to alleviate mounting supply constraints. Over the weekend, reports indicated [that Apple is lobbying the US government for permission to source memory chips](#) from a blacklisted Chinese supplier. The effort comes as Apple has already begun raising prices on key products in response to higher input costs, underscoring growing concerns that AI-related demand is beginning to exert upward pressure on inflation and may eventually weigh on earnings.

- Apple’s push to secure access to Chinese-made chips follows recent price increases across its MacBook and iPad lineup. The company attributed these hikes to constrained access to suitable components, ultimately passing higher input costs on to consumers. In the wake of the rare price increase, Apple’s [stock recorded its second-largest single-day loss in company history](#).
- The iPhone maker’s push to access Chinese-made chips comes as it seeks to navigate US policy constraints amid escalating competition with China over AI dominance. While US rules do not explicitly prohibit commercial purchases from blacklisted Chinese firms, [companies that engage with these entities risk losing eligibility to do business with the Department of Defense](#), creating a meaningful compliance and reputational tradeoff.
- Apple is not alone in passing higher costs on to consumers. Electronics manufacturers including Hewlett-Packard, Dell, Microsoft, and Nintendo have either implemented price increases or signaled upcoming ones to protect margins. Beyond consumer electronics, [industries such as automotive, retail, and medical devices have also lobbied the government for relief](#) due to mounting pricing pressure tied to ongoing chip shortages.



- The AI buildout is reinforcing inflationary pressures from both directions. On the demand side, government incentives, particularly tax credits and subsidies, are draining inventories. On the supply side, trade restrictions and tariffs are boosting competition for inputs. These distortions are beginning to filter into consumer prices; while unlikely to trigger a sharp spike, they point to more persistent inflation and could weigh on margins, raising renewed questions around current valuations.
- Apple’s push to ease restrictions on sourcing Chinese chips underscores how the US drive for supply-chain resiliency is already impacting firm profitability. While firms have

successfully raised prices to protect profit margins so far, mounting consumer pushback suggests this strategy cannot be sustained indefinitely. As a result of heightened policy and economic uncertainty, we continue to advocate for a balanced portfolio approach.

Ceasefire Tightrope: Tensions between the United States and Iran remain elevated as both sides contest control over the Strait of Hormuz while simultaneously engaging in longer-term diplomatic negotiations. Over the weekend, hostilities escalated, with [both sides exchanging strikes](#) after Iran moved to require shipping vessels to seek permission before transiting the strait. Although the two parties have agreed to continue talks and pause further strikes heading into the week, the episode underscores the fragility of the current ceasefire agreement.

- The dispute appears to center on whether Iran has the authority to impose fees on vessels transiting the Strait of Hormuz. Last week, [Iran targeted ships operating along the Oman coast](#), including vessels involved in a UN-backed effort to assist stranded shipping vessels. In response, the [United States launched two-day strikes on Iranian targets](#), while Iran retaliated [by targeting US military bases in Bahrain and Kuwait](#).
- Although both sides agreed to a temporary halt in military strikes, the resumption of trade flows remains limited. Under the current framework, vessels are permitted to use the UN-backed maritime corridor off the coast of [Oman; however, Muscat has reportedly informed European leaders that a transit toll may be imposed](#). This ongoing friction over potential fees is highly likely to spark another flare-up as both Washington and Tehran attempt to assert leverage in diplomatic talks.
- Washington and Tehran appear intent on continuing talks despite ongoing tensions. Both sides have shown a willingness to use force but also to pursue a longer-term deal, and we expect intermittent tit-for-tat activity as details are negotiated. Our base case is that an agreement is ultimately reached, allowing the conflict-related risk premium in commodity prices to gradually ease, though a breakdown in negotiations would sharply increase market volatility.

VW Overhaul: The German automaker's proposed restructuring is weighing on sentiment across Europe. The company has proposed a [layoff of over 100,000 workers and closure of four plants](#) as profits are squeezed by Chinese competition, US tariffs, and softer European demand. Drawing comparisons to GM's 2009 overhaul, the move would significantly reshape its operations; even if not yet final, it highlights how European firms must adapt to a changing global environment.

Burnham's Plan: The prospective [UK Prime Minister Andy Burnham is set to lay out his vision for the country on Monday](#). In his speech, he is expected to advocate devolving more power from London to the regions and to launch a 10-year mission aimed at lifting living standards through re-industrialization, housing, infrastructure investment, and utility reform. Although he is currently the only declared candidate for the premiership, he is widely seen as the frontrunner in the leadership contest.

Russia Feels Pain: On Sunday, [Russian President Vladimir Putin announced that Russia may begin importing energy resources](#) following sustained damage from Ukrainian drone strikes. This

rare admission marks one of the first times the Kremlin has publicly acknowledged the extent of the war's impact on domestic energy infrastructure, potentially signaling a shift in battlefield dynamics away from Moscow's favor. Despite this development, we continue to view a ceasefire between the parties as a plausible near-term outcome.

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						
EST	Indicator			Expected	Prior	Rating
10:30	Dallas Fed Manufacturing Activity	m/m	Jun	1.0	0.4	**
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	Retail Sales	y/y	May	5.3%	2.1%	3.0%	**	Equity bullish, bond bearish
China	Industrial Profits	y/y	Mar	21.1%	24.7%		*	Equity and bond neutral
India	Industrial Production	y/y	May	5.1%	4.9%	4.5%	***	Equity bullish, bond bearish
EUROPE								
Eurozone	M3 Money Supply	y/y	May	3.2%	2.7%	2.7%	***	Equity and bond neutral
	Economic Confidence	m/m	Jun	95.0	93.7	94.2	***	Equity and bond neutral
	Industrial Confidence	m/m	Jun	-7.7	-7.9	-7.1	***	Equity bearish, bond bullish
	Services Confidence	m/m	Jun	3.2	2.6	2.9	**	Equity and bond neutral
	Consumer Confidence	m/m	Jun	-17.7	-17.7		**	Equity and bond neutral
UK	Net Lending Sec. on Dwellings	m/m	May	2.9b	4.4b	4.2b	*	Equity and bond neutral
	Mortgage Approvals	m/m	May	56.2k	66.0k	63.0k	***	Equity and bond neutral
	M4 Money Supply	y/y	May	4.3%	4.5%		*	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	26-Jun	440.6	437.5b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	26-Jun	474.7b	471.9b		*	Equity and bond neutral
AMERICAS								
Brazil	FGV Inflation IGPM	y/y	Jun	3.16%	1.95%	3.16%	***	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)	372	371	1	Up
10-yr T-note (%)	4.38	4.37	0.01	Down
Euribor/OIS spread (bps)	229	229	0	Up
Currencies	3 Mo			
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
Energy Markets				
Brent	\$72.33	\$71.99	0.47%	
WTI	\$69.75	\$69.23	0.75%	
Natural Gas	\$3.28	\$3.28	-0.06%	
Crack Spread	\$54.14	\$53.41	1.37%	
12-mo strip crack	\$38.96	\$38.61	0.89%	
Ethanol rack	\$2.08	\$2.07	0.60%	
Metals				
Gold	\$4,033.33	\$4,088.74	-1.36%	
Silver	\$57.67	\$59.15	-2.51%	
Copper Contract	\$618.75	\$620.70	-0.31%	
Grains				
Corn contract	\$432.75	\$441.50	-1.98%	
Wheat contract	\$583.75	\$589.75	-1.02%	
Soybeans contract	\$1,144.75	\$1,156.25	-0.99%	
Shipping				
Baltic Dry Freight	2,524	2,591	-67	

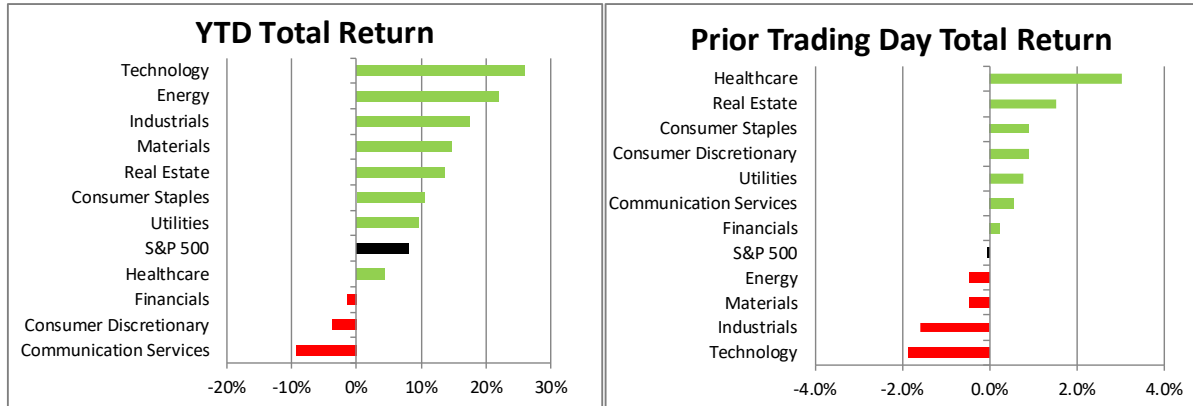
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for the entire country. The precipitation outlook forecasts wetter-than-normal conditions across the Midwest, South, Rockies, and the eastern third of the country, with dry conditions in parts of the Great Plains.

A tropical disturbance is forming near the Carolina coast, but it has only a 10% chance of developing into a cyclone over the next seven days.

Data Section

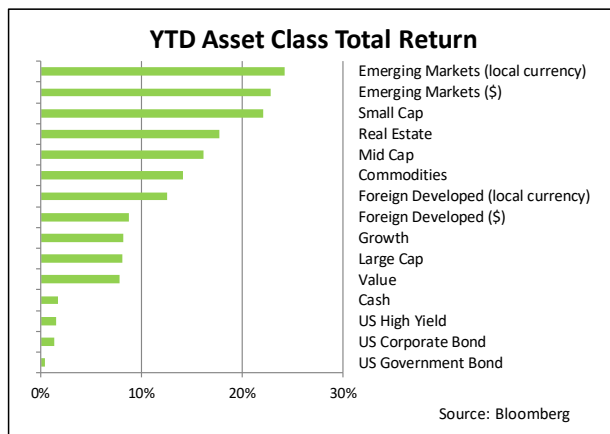
US Equity Markets – (as of 6/26/2026 close)



(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 6/26/2026 close)

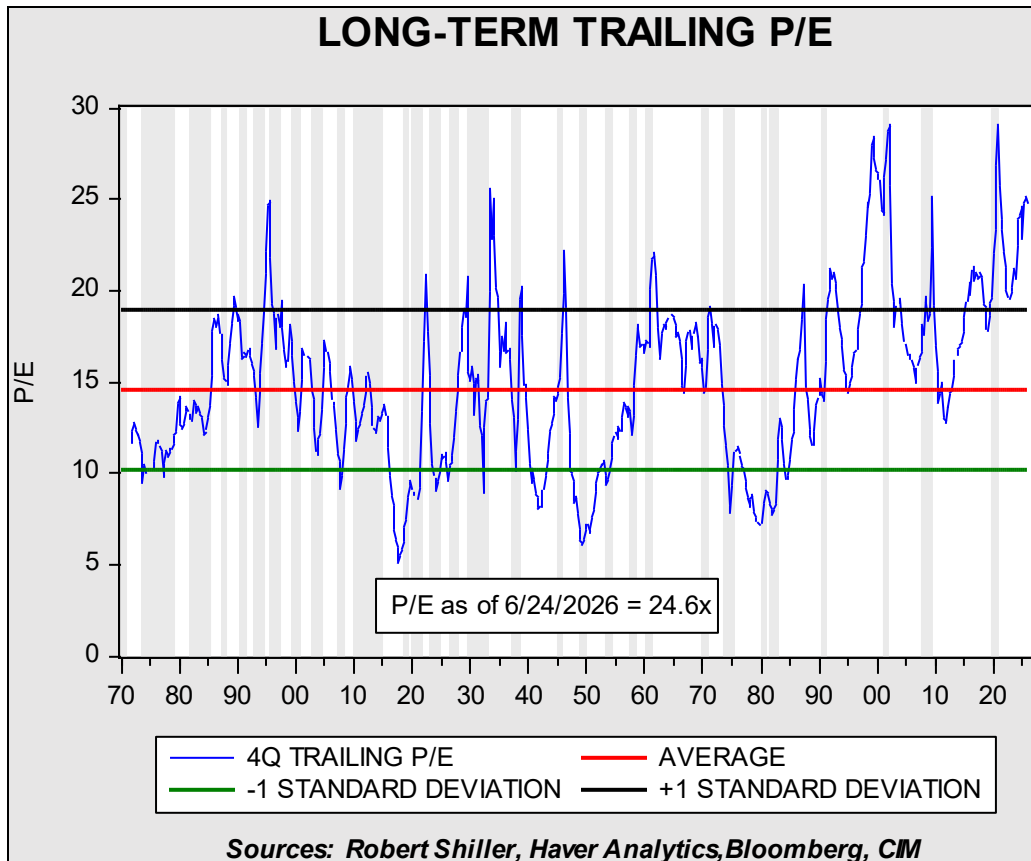


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.