



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 2, 2026 – 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 1.0% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.4%. Chinese markets were higher, with the Shanghai Composite up 0.4% and the Shenzhen Composite up 0.8%. 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
“The Trade Trilemma Revisited” (5/18/26) + podcast (5-21/26)	“The UAE’s Exit From OPEC” (6/1/26) + podcast	Q2 2026 Report Q2 2026 Rebalance Presentation	Confluence Mailbag Value Equity Quarterly Update

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.

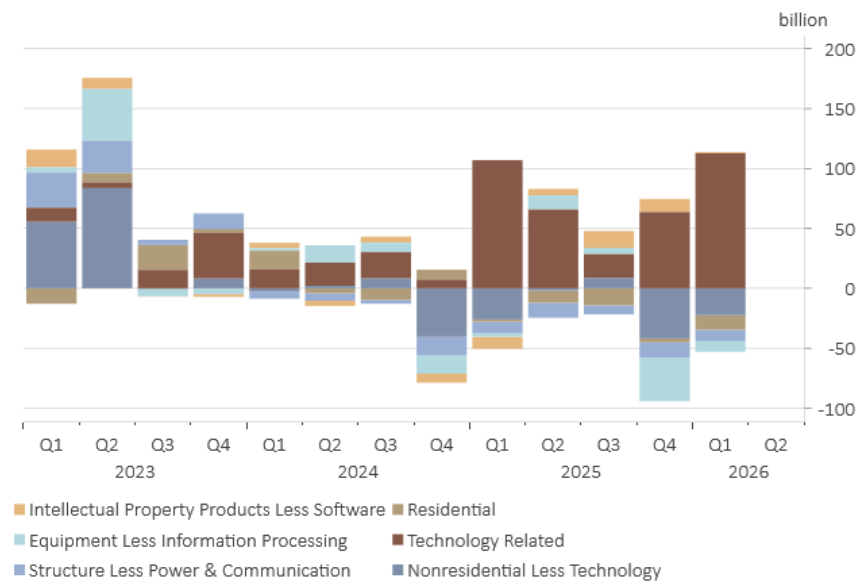
Our *Comment* opens with a discussion of Big Tech’s escalating bet on AI and its implications for the broader economy. We then turn abroad to examine the latest developments in Russia’s invasion of Ukraine. Next, we provide updates on negotiations between the US and Iran, Anthropic’s push toward an IPO, and the White House’s decision to lower select tariffs. We conclude, as always, with a review of recent domestic and international economic data.

AI Build Out: Heavy infrastructure spending remains a top priority as companies race to meet accelerating demand for compute capacity. On Monday, [Google announced plans to issue equity to help finance additional data center expansion](#), becoming the latest firm to tap external funding for these capital-intensive projects. This wave of investment, driven by AI, continues to provide incremental support for economic growth. However, as investment continues to build, there is a risk that the economy may become increasingly dependent on AI as a key source of growth.

- Alphabet, Google’s parent company, plans to raise more than \$80 billion in its first equity offering in over two decades, marking a notable shift in how large technology firms are financing elevated capital spending. Historically, these companies have relied on cash reserves and debt to fund investment. Turning to equity issuance suggests that management views its stock as a relatively attractive, lower-cost source of capital compared with traditional alternatives.
- Alphabet’s AI spending reflects a broader push across the technology sector to expand capacity in response to surging cloud demand. Major players — including Meta, Microsoft, and Amazon — [are collectively committing roughly \\$750 billion in capital expenditures this year to scale infrastructure, raising the possibility that such spending may begin to crowd out other forms of investment. Notably, \[investment in data centers has already exceeded spending on public transportation in 2026.\]\(#\)](#)

Technology Dominates Overall Investment Spending

Source: Bureau of Economic Analysis



MACROBOND

- This scale of spending remains a key pillar of investment growth, significantly outpacing most other sectors. Recent GDP data shows that since 2025, technology investment — defined here as software, power, and communications infrastructure, and technology equipment — has largely crowded out other forms of investment. This dominance underscores both the magnitude of the AI-driven shift in the economy and the increasing reliance on it as a primary engine of growth.
- As long as the buildout continues, it should provide a stabilizing force and reduce the likelihood of a meaningful downturn. However, if that momentum were to reverse, replacing this primary engine of growth would be challenging. While we think

technology exposure is good for its growth potential, we also recommend an allocation to value as a source of capital preservation, particularly during periods of heightened uncertainty.

Russia Under Pressure: There are growing signs that the tide may be turning against Moscow. Reports on Monday indicated that [financial officials warned President Putin that the war in Ukraine is becoming increasingly unaffordable](#), with concerns it could push the fiscal deficit to unsustainable levels. Mounting tension within the Kremlin over how to continue financing a conflict now well into its fourth year highlights the difficult trade-offs facing the Russian economy and may begin to reopen the door to renewed peace negotiations.

- Pressure to rein in spending comes as Russia’s fiscal position shows clear signs of deterioration. The economy is facing a combination of [weaker GDP growth, declining oil and gas revenues, and rising debt-servicing costs](#). While authorities have attempted to cut expenditures outside of defense and social programs, it remains uncertain whether these measures will provide a durable, long-term solution.
- While negotiations between Russia and Ukraine have largely stalled, there are signs of renewed momentum toward resuming talks. This shift comes as [Russia faces mounting setbacks, with Ukraine demonstrating an ability to defend its territory](#) and push back Russian forces. Ukrainian President [Volodymyr Zelenskyy has indicated a desire to see meaningful progress by winter](#). At the same time, reports suggest President Trump has sought to enlist Xi Jinping’s support in pressuring Putin to return to the negotiating table.
- However, Moscow is showing little sign of backing down. On Tuesday, [Russia launched a large-scale barrage of missiles and drones against Kyiv](#) and other Ukrainian cities, following through on earlier warnings that it would carry out “systematic” strikes after urging foreign nationals and diplomatic staff to leave the capital. These attacks are part of Moscow’s effort to intensify operations and try to tilt the battlefield momentum back in its favor as it looks to regain leverage.
- There are growing indications that some form of a deal may be possible in the coming months. Given mounting economic and military strains on Russia and increasing US pressure on all parties to move toward a negotiated outcome, we see a roughly 50% probability of a ceasefire or framework agreement emerging over the next 6-12 months. If we are correct, it could provide a tailwind for global risk assets, particularly in Europe, and especially if any agreement includes easing of sanctions on Russian energy.

US-Iran Tensions: Despite renewed strikes over the weekend, both sides remain engaged in talks, though there is little sign of substantive progress. Iran has [warned that hostilities could resume if Washington continues](#) to insist on what it describes as unconditional surrender. At the same time, the [White House is seeking to rein in Israeli strikes on Lebanon](#) amid concerns that further escalation could derail negotiations. A return to open conflict would likely weigh on risk sentiment and add to volatility in energy and broader asset markets.

Anthropic IPO: Anthropic [appears to be moving closer to a public offering](#). Reports on Monday indicated that the company submitted draft paperwork for a listing, suggesting an accelerated timeline that may be part of a broader effort to reach public markets ahead of OpenAI. Such a

move could help strengthen its positioning in the race to become a leading AI provider. At the same time, the IPO will serve as an important test of investor appetite for AI, where a weak reception could begin to challenge the durability of the AI rally.

Lower Tariffs: The White House has announced plans to lower tariffs on farm and construction equipment in an effort to support industrial investment. Under the proposal, [headline tariff rates would be cut from 25% to 15%](#), with foreign manufacturers that source at least 85% of their steel from US producers eligible for a reduced 10% rate. The measure is aimed at easing trade-related cost pressures on the economy while simultaneously boosting demand for American steel.

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
10:00	JOLTS Job Openings	m/m	Apr	6866k	6866k	*
10:00	Wards/Omdia Total Vehicle Sales	m/m	May	16.00m	15.92m	*
Federal Reserve						
EST	Speaker or Event	District or Position				
8:30	Beth Hammack Speaks on Monetary Policy	President of the Federal Reserve Bank of Cleveland				
23:00	Austan Goolsbee Speaks on CBS Chicago	President of the Federal Reserve Bank of Chicago				

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	Monetary Base	y/y	May	-12.2%	-11.3%		**	Equity and bond neutral
	Monetary Base, End of Period	m/m	May	¥571.9t	¥590.9t		*	Equity and bond neutral
Australia	BoP Current Account Balance	q/q	1Q	-A\$27.1b	-A\$23.0b	-A\$23.4b	***	Equity and bond neutral
	Building Approvals	m/m	Apr	-3.4%	-10.5%	-1.6%	***	Equity bearish, bond bullish
South Korea	CPI	m/m	May	3.1%	2.6%	2.9%	***	Equity and bond neutral
EUROPE								
Eurozone	CPI	y/y	May P	3.2%	3.0%	3.2%	***	Equity and bond neutral
	Core CPI	y/y	May P	2.5%	2.2%	2.4%	**	Equity and bond neutral
France	Budget Balance YTD	y/y	Apr	-69.9b	-42.9b		***	Equity and bond neutral
Italy	New Car Registrations	y/y	May	7.6%	11.58%		*	Equity and bond neutral
UK	Net Lending Sec. on Dwellings	m/m	Apr	4.4b	6.8b	5.4b	*	Equity and bond neutral
	Mortgage Approvals	m/m	Apr	65.9k	64.0k	62.0k	***	Equity and bond neutral
	M4 Money Supply	y/y	Apr	4.5%	4.3%		*	Equity and bond neutral
Switzerland	Real Exports	m/m	Apr	3.0%	-3.6%		*	Equity and bond neutral
	Real Imports	m/m	Apr	4.1%	2.1%		*	Equity and bond neutral
AMERICAS								
Canada	S&P Global Canada Manufacturing PMI	m/m	May	52.9	53.3		***	Equity and bond neutral
Mexico	Remittances Total	m/m	Apr	\$4978.1m	\$5394.2m	\$5170.0m	*	Equity and bond neutral
	S&P Global Mexico Manufacturing PMI	m/m	May	49.6	47.7		***	Equity and bond neutral
	IMEF Manufacturing Index SA	m/m	May	48.5	49.0	49.1	*	Equity and bond neutral
	IMEF Non-Manufacturing Index SA	m/m	May	48.7	48.8	49.9	*	Equity and bond neutral
Brazil	S&P Global Brazil Manufacturing PMI	m/m	May	49.1	52.6		***	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)	360	362	-2	Up
U.S. Sibor/OIS spread (bps)	365	365	0	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.43	4.45	-0.02	Down
Euribor/OIS spread (bps)	225	227	-2	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.

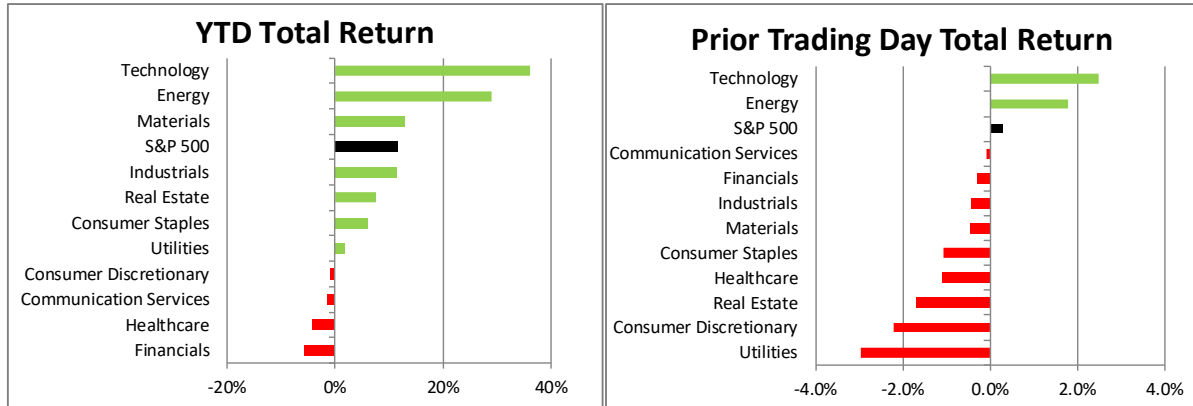
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$93.84	\$94.98	-1.20%	
WTI	\$91.11	\$92.16	-1.14%	
Natural Gas	\$3.19	\$3.18	0.35%	
Crack Spread	\$44.99	\$44.95	0.07%	
12-mo strip crack	\$39.65	\$39.81	-0.42%	
Ethanol rack	\$2.20	\$2.20	-0.01%	
Metals				
Gold	\$4,530.24	\$4,484.98	1.01%	
Silver	\$76.44	\$74.84	2.14%	
Copper Contract	\$661.70	\$655.25	0.98%	
Grains				
Corn contract	\$441.75	\$444.00	-0.51%	
Wheat contract	\$604.25	\$608.75	-0.74%	
Soybeans contract	\$1,176.75	\$1,180.75	-0.34%	
Shipping				
Baltic Dry Freight	3,222	3,224	-2	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-3.00		
Gasoline (mb)		-2.00		
Distillates (mb)		-2.00		
Refinery run rates (%)		0.40%		
Natural gas (bcf)		93		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout the entire country. The precipitation outlook calls for wetter-than-normal conditions in most states, with dry conditions expected in the Pacific region and northern Maine.

Data Section

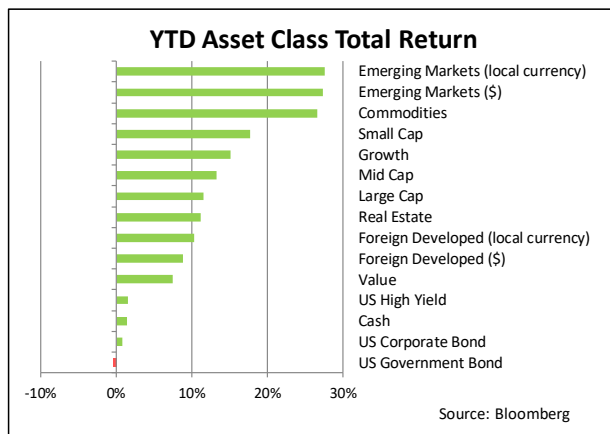
US Equity Markets – (as of 6/1/2026 close)



(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 6/1/2026 close)

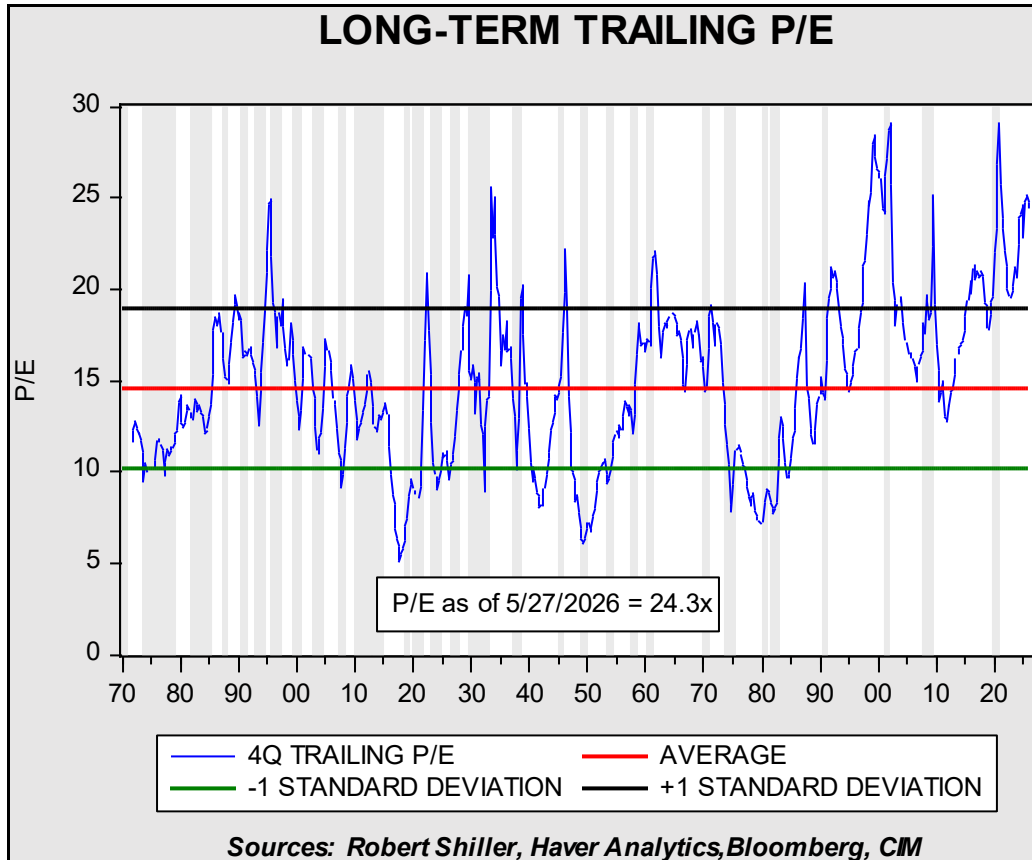


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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.