



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: June 30, 2026 — 9:30 AM ET]** Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 1.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.6%. Chinese markets were higher with the Shanghai Composite up 0.5% and the Shenzhen Composite up 2.1%. 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
<a href="#">“Mid-Year Geopolitical Outlook”</a> (6/22/26)	<a href="#">“The Evolution of the Tech Life Cycle”</a> (6/29/26) + <a href="#">podcast</a>	<a href="#">Q2 2026 Report</a> <a href="#">Q2 2026 Rebalance Presentation</a>	<a href="#">Value Equity: “Déjà vu for Dividends?”</a> <a href="#">Confluence of Ideas Podcast</a>

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](mailto:mailbag@confluenceim.com).

Our *Comment* begins with an analysis of the growing political backlash Russian President Vladimir Putin faces over the war in Ukraine. We then examine recent Supreme Court rulings and their implications for executive authority. Next, we briefly cover a proposal to regulate AI agents, the continued weakening of the Japanese yen against the dollar, and a Swiss vote to ease restrictions on weapons exports. As always, we include a review of recent domestic and international economic data.

**Putin in Trouble:** President Vladimir Putin is facing his most significant political test in nearly two decades as the war in Ukraine drags on. On Monday, [Putin was forced to acknowledge the impact of Ukrainian drone strikes on Russia’s energy infrastructure](#), a rare public admission of vulnerability. The acknowledgment comes amid growing domestic pressure on the ruling United Russia party as the economic and fiscal costs of the war continue to mount with no clear end in sight.

- The [Kremlin has increasingly sought to bind Putin's political fortunes to those of the ruling United Russia party](#) in an effort to sustain his appeal with the public. According to a government-aligned poll, his popularity has fallen to 69%, its lowest level since the war began in 2022. The survey was conducted shortly after Ukraine's drone attacks on Moscow and St. Petersburg, which forced Russian citizens to confront the war more directly and underscored growing public unease about the protracted conflict.
- Putin's rare admission comes at a time when the country is forced to deal with rationing and intermittent internet blackouts. Ukrainian drone attacks have impacted Russia's ability to produce oil, leading to domestic price spikes. To ease the supply burden, Russia [has loosened its fuel quality regulations and permitted fuel import](#), a practice that was virtually non-existent prior to the conflict, given the country's history as a major energy exporter.
- The growing domestic pushback Putin faces regarding the conflict will likely make it harder for him to ignore increasing calls for a ceasefire. Historically, Putin has been reluctant to accept any deal that falls short of an outright victory, fearing that compromise could undermine his political legitimacy. Consequently, a resolution to the conflict may ultimately require a change in Russian leadership.
- While Ukraine's leverage has grown in recent weeks due to its successful drone strikes, it is worth remembering that Russia has not yet deployed its full military capabilities. If Putin feels threatened by a potential coup, similar to the mutiny he faced earlier in the conflict, he could begin taking much greater risks. Consequently, while a ceasefire remains the most rational outcome on the table, the risk of further escalation cannot be ruled out.

**Supreme Court Rules:** Recent Supreme Court decisions have significantly reshaped presidential control over executive branch agencies. Most notably, the [Court overturned a 90-year precedent that had restricted presidents from firing certain independent agency](#) officials at will. Ultimately, these rulings underscore the Supreme Court's expanding influence over executive authority.

- These rulings represent a major victory for the White House, which has consistently championed the unitary executive theory, the principle that the president should exert complete control over all agencies within the executive branch. Ultimately, the decisions are poised to significantly streamline [the administration's ability to direct federal regulators](#), paving the way for a more rapid rollback of key environmental, anti-trust, and financial regulations.
- While the Supreme Court backed the White House's push for greater executive oversight elsewhere, it shielded the Federal Reserve's traditional independence. In a 5-4 vote, the [Court allowed Fed Governor Lisa Cook to retain her seat while her lawsuit over mortgage fraud allegations plays out](#). This critical exception honors the historical precedent of insulating the central bank's monetary policymaking from direct presidential control.
- That said, the Supreme Court's decision to grant a stay, thereby returning the case to the lower court, still leaves the question of the White House's authority to remove Federal Reserve officials unanswered. The president has maintained that he still believes he has

the power to reshape the Federal Reserve, suggesting that he may look to challenge the ruling further.

- The recent Supreme Court rulings will likely empower the Federal Reserve to carry out its policy agenda in the near term. However, the potential for shifts in leadership across future administrations could amplify the broader impact of these decisions. As a result, markets may face increased volatility going forward. In addition, the president's continued push to reshape the Fed is likely to weigh on the dollar.

**Growing AI Resistance:** In a sign of growing momentum to regulate AI, Senator Mark Warner (D-VA) has introduced legislation targeting AI agents. The [proposal would establish new privacy safeguards and give users greater control over how their data is used](#) and shared across platforms. Although the bill is unlikely to advance in Congress with midterms approaching, it underscores how AI governance is becoming an increasingly salient political issue that could shape the debate heading into the 2028 presidential election.

**Yen Troubles:** The Japanese currency [has fallen to its weakest level against the dollar in nearly four decades](#), reflecting persistent pressure on the yen. The sharp depreciation is being driven in part by concerns over the economic fallout from the war involving Iran and Japan's ongoing struggle to contain elevated inflation. The renewed weakness is likely to fuel speculation that the Bank of Japan could step in again to support the currency through market intervention.

**European Defense:** [Switzerland has scheduled a vote on easing its neutrality rules to permit arms exports](#) to select Western countries. The move underscores a broader shift across Europe toward strengthening domestic defense capabilities amid heightened security concerns tied to Russia and increasing strategic friction with the United States. If approved, the policy change would reinforce structural demand for European defense manufacturers.

## 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
9:45	MNI Chicago PMI	m/m	Jun	55.1	62.7	***
10:00	Conf. Board Consumer Confidence	m/m	Jun	94.4	93.1	***
10:00	JOLTS Job Openings	m/m	May	7296k	7618k	*
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
<b>ASIA-PACIFIC</b>								
<b>Japan</b>	Jobless Rate	m/m	May	2.5%	2.5%	2.5%	***	Equity and bond neutral
	Job-To-Applclicant Ratio	m/m	May	1.2%	1.2%	1.2%	***	Equity and bond neutral
	Industrial Production	y/y	May P	-1.7%	2.0%	1.2%	***	Equity bearish, bond bullish
	Housing Starts	y/y	May	33.9%	11.4%	31.8%	**	Equity and bond neutral
	Annualized Housing Starts	y/y	may	0.757m	0.724m	0.730m	*	Equity and bond neutral
<b>Australia</b>	Private Sector Credit	y/y	May	8.2%	8.0%		**	Equity and bond neutral
<b>New Zealand</b>	ANZ Activity Outlook	m/m	Jun	36.9	25.6		*	Equity and bond neutral
	ANZ Business Confidence	m/m	Jun	36.6	10.0		**	Equity and bond neutral
<b>South Korea</b>	Industrial Production	y/y	May	-0.9%	1.5%	3.6%	***	Equity bearish, bond bullish
<b>China</b>	Official Manufacturing PMI	m/m	Jun	50.3	50.0	50.1	***	Equity and bond neutral
	Official Services PMI	m/m	Jun	50.2	50.1	49.9	**	Equity and bond neutral
	Official Composite PMI	m/m	Jun	50.6	50.5		*	Equity and bond neutral
<b>EUROPE</b>								
<b>Germany</b>	Import Price Index	y/y	May	6.8%	5.3%	6.5%	**	Equity and bond neutral
	Retail Sales	y/y	May	1.8%	-2.7%		*	Equity and bond neutral
	Unemployment Change	m/m	Jun	-1.0k	-12.0k	5.0k	***	Equity and bond neutral
	Unemployment Claims Rate	m/m	Jun	6.3%	6.3%	6.3%	**	Equity and bond neutral
	CPI	y/y	Jun P	2.3%	2.6%	2.6%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Jun P	2.4%	2.7%	2.5%	**	Equity and bond neutral
<b>France</b>	Consumer Spending	m/m	May	0.3	-0.3	0.1	*	Equity and bond neutral
	CPI	y/y	Jun P	1.8%	2.4%	2.0%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Jun P	2.0%	2.8%	2.3%	**	Equity and bond neutral
	PPI	y/y	Mar	3.0%	2.3%		*	Equity and bond neutral
<b>Italy</b>	PPI	y/y	May	9.1%	8.8%		**	Equity and bond neutral
	CPI, EU Harmonized	y/y	Jun p	3.1%	3.2%	3.2%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Jun p	3.0%	3.2%	3.2%	**	Equity and bond neutral
<b>UK</b>	GDP	y/y	1Q F	0.9%	1.1%	1.1%	***	Equity and bond neutral
	Private Consumption	q/q	1Q F	0.6%	0.6%	0.6%	***	Equity and bond neutral
	Government Spending	q/q	1Q F	1.3%	0.4%	0.4%	**	Equity bullish, bond bearish
	Exports	q/q	1Q F	0.2%	0.1%	0.1%	**	Equity and bond neutral
	Imports	q/q	1Q F	1.4%	0.6%	0.6%	**	Equity bullish, bond bearish
	Total Business Investment	y/y	1Q F	-1.30%	-1.80%	-1.80%	**	Equity and bond neutral
	Current Account Balance	q/q	1Q	-22.1b	-27.2b	-21.3b	*	Equity and bond neutral
<b>Switzerland</b>	KOF Leading Indicator	m/m	Jun	101.2	98.6	99.0	**	Equity and bond neutral
<b>AMERICAS</b>								
<b>Brazil</b>	Primary Budget Balance	y/y	May	-56.1b	24.6b	-53.0b	*	Equity and bond neutral
	Central Govt Budget Balance	m/m	May	-53.3b	25.2b	-53.2b	*	Equity and bond neutral
	Net Debt % GDP	m/m	May	67.9%	67.2%	68.0%	**	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)	372	373	-1	Up
U.S. Sibor/OIS spread (bps)	374	373	1	Up
U.S. Libor/OIS spread (bps)	372	372	0	Up
10-yr T-note (%)	4.38	4.38	0.00	Down
Euribor/OIS spread (bps)	232	229	3	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Flat
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
<b>Energy Markets</b>				
Brent	\$72.96	\$73.15	-0.26%	
WTI	\$70.76	\$70.75	0.01%	
Natural Gas	\$3.23	\$3.18	1.48%	
Crack Spread	\$55.70	\$55.39	0.55%	
12-mo strip crack	\$39.44	\$39.70	-0.65%	
Ethanol rack	\$2.07	\$2.08	-0.19%	
<b>Metals</b>				
Gold	\$4,032.54	\$4,015.91	0.41%	
Silver	\$59.04	\$58.26	1.34%	
Copper Contract	\$624.75	\$616.35	1.36%	
<b>Grains</b>				
Corn contract	\$429.50	\$430.00	-0.12%	
Wheat contract	\$579.00	\$579.75	-0.13%	
Soybeans contract	\$1,137.00	\$1,139.00	-0.18%	
<b>Shipping</b>				
Baltic Dry Freight	2,490	2,524	-34	
<b>DOE Inventory Report</b>				
	Actual	Expected	Difference	
Crude (mb)		-3.60		
Gasoline (mb)		-1.10		
Distillates (mb)		-1.05		
Refinery run rates (%)		-0.34%		
Natural gas (bcf)		69		

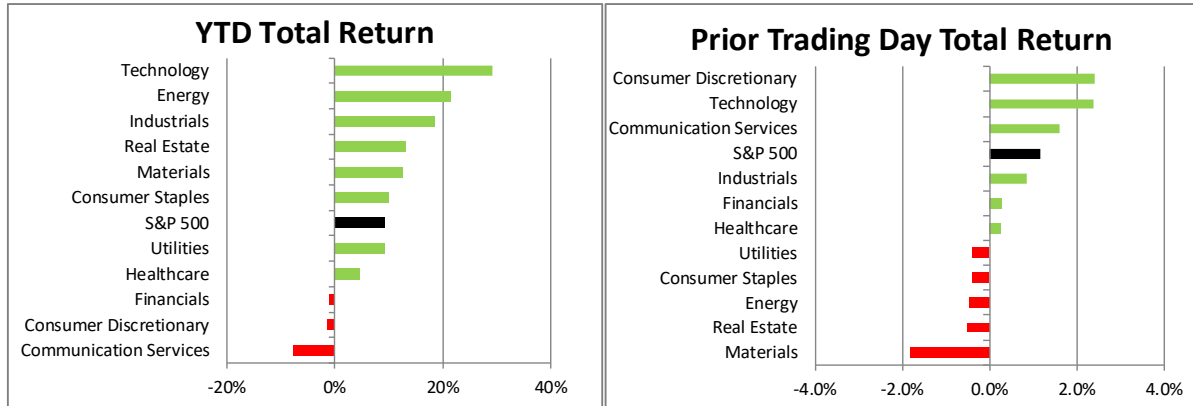
## **Weather**

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 South, Rockies, and the eastern third of the country, with dry conditions in the Midwest, Great Lakes, and parts of the central Pacific region.

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

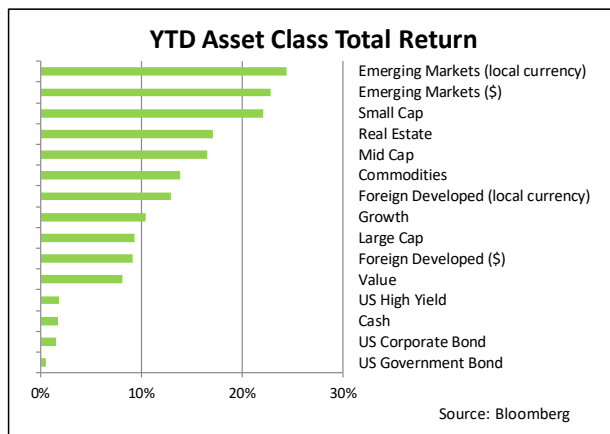
### US Equity Markets – (as of 6/29/2026 close)



(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 6/29/2026 close)

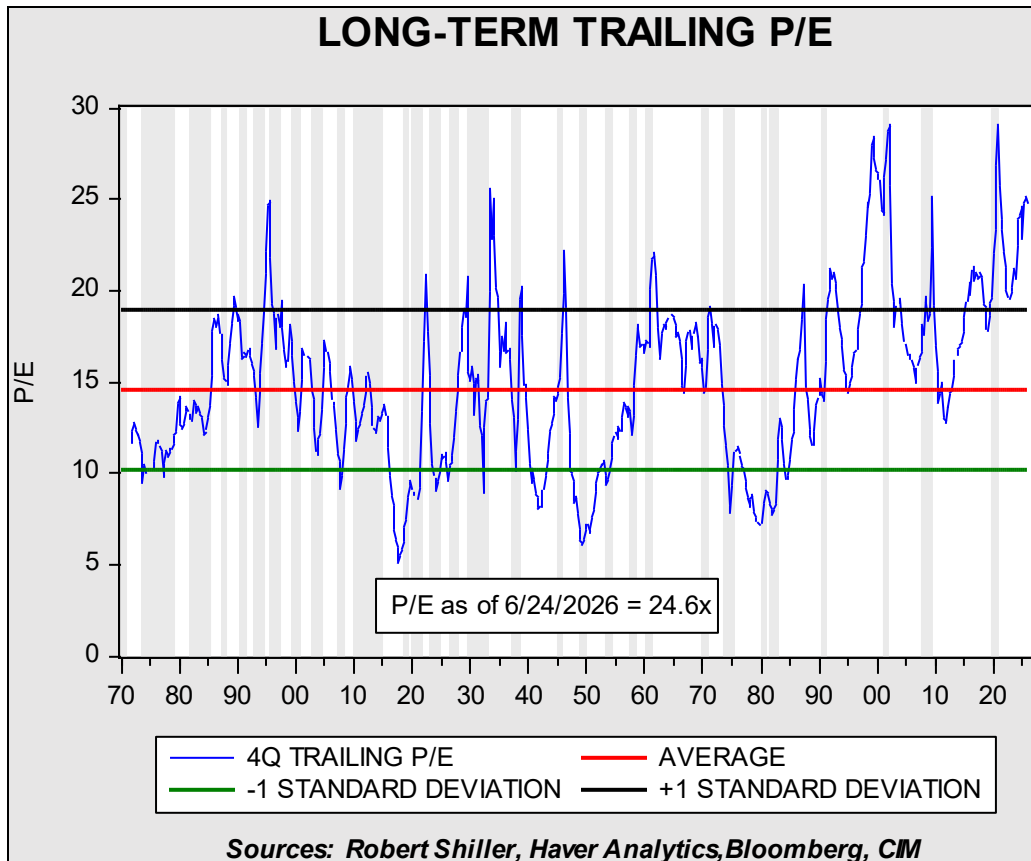


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,<sup>1</sup> 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.*

<sup>1</sup> 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.