



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: June 3, 2026 – 9:30 AM ET]** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.04%. Chinese markets were higher, with the Shanghai Composite up 0.2% and the Shenzhen Composite up 0.3%. 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
<a href="#">“The Trade Trilemma Revisited”</a> (5/18/26) + <a href="#">podcast</a> (5-21/26)	<a href="#">“The UAE’s Exit From OPEC”</a> (6/1/26) + <a href="#">podcast</a>	<a href="#">Q2 2026 Report</a>  <a href="#">Q2 2026 Rebalance Presentation</a>	<a href="#">Confluence Mailbag</a>  <a href="#">Value Equity Quarterly Update</a>

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Our *Comment* opens with our views on the newly proposed trade tariffs. We then turn to the SpaceX IPO and its implications for AI-related trades. Next, we briefly address the recent executive order on AI risks and the progress of the US-EU trade agreement. We also provide updates on tensions in the Middle East and the war between Russia and Ukraine. As always, we conclude with a review of recent domestic and international economic data releases.

**Trade Tariffs:** The [White House has proposed a new round of tariffs on foreign goods](#) as it seeks to reinstate the import taxes that were struck down by the Supreme Court earlier this year. The move follows an investigation into trade practices that alleged certain partners were handling goods produced with forced labor. Under the proposal, tariffs would be set at 10% for imports from Canada, Mexico, the European Union, Taiwan, and the UK, while imports from China, India, Japan, South Korea, and Brazil would face a 12.5% rate.

- The new tariffs come as the US seeks to maintain pressure on trade partners to honor agreements reached last year. After the [Supreme Court ruled that tariffs imposed under](#)

[the International Emergency Economic Powers Act were unconstitutional](#), the White House began searching for replacement levies grounded in a legal framework more likely to withstand judicial scrutiny, aiming to preserve its ability to use tariffs as an enforcement tool.

- The latest tariffs [were introduced under Section 301 of the Trade Act of 1974](#). Under this framework, the administration must conduct a country-specific investigation and provide opportunities for consultation and hearings before any measures take effect. The new tariffs are expected to begin in July, [as the levies imposed under Section 122 of the Trade Act expire](#), and are likely to include exemptions for selected products, such as beef and coffee, depending on the country of origin.
- The overall impact of these tariffs is likely to be limited, as most firms have already adapted to similar measures. Many companies that could pass higher costs on to consumers have largely done so, while others have developed workarounds in response to last year's tariff regime. Consequently, we do not expect a lasting or material market reaction to the new measures.

**SpaceX IPO:** The Musk-owned company is positioning itself to become the first major satellite and artificial intelligence firm to go public, potentially establishing a blueprint for future IPOs from companies such as Anthropic and OpenAI. The company [is reportedly targeting a share price of \\$135, aiming to raise approximately \\$75 billion](#), an amount that would make it the largest IPO on record. A SpaceX IPO would likely serve as a key gauge of investor appetite for AI-driven businesses as the sector moves toward public markets.

- [SpaceX is expected to set the terms of its IPO this week](#). Market participants generally anticipate that SpaceX and other AI-focused firms will be met with strong demand when they come to market. The company has already used the deal's prominence to push underwriting banks to accept lower fees, while employees have organized to secure specialized advisory and wealth-management services designed to maximize the value of their post-IPO equity.
- A move to the public markets will inevitably sharpen the focus on valuation. The [company is expected to list at a multiple in excess of 100x](#). Recent disclosures show its [AI segment posted an operating loss of \\$6.4 billion in 2025](#) and a further \$2.5 billion loss in the first quarter of the current year. At the same time, SpaceX has secured sizable commitments from Anthropic that are projected to generate more than \$1.25 billion in monthly payments through 2029.
- While the IPO will likely generate substantial excitement, it may also suggest that AI enthusiasm is nearing a cyclical peak. Historically, many IPOs see strong first-day gains before fading in subsequent weeks, with some even dropping below their opening-day levels.

**AI Order:** President Trump [signed an order aimed at addressing AI-related cybersecurity risks without putting the US at a competitive disadvantage](#). The measure is lighter than what many experts had sought, making testing of advanced AI tools subject only to a voluntary 30-day government review rather than the tougher 90-day process that was floated in May. Although

relatively modest, it still helps lay the groundwork for more stringent AI regulations as associated risks become clearer.

**Europe Trade Deal:** The European Parliament [has advanced the trade agreement it reached with the US, moving it closer to final approval](#). The deal still requires a plenary vote scheduled for June 16. Under the agreement, the EU would remove tariffs on US industrial products, while EU exports to the US would face a tariff cap of 15%. The deal is expected to help prevent a deterioration in transatlantic relations, as the White House has signaled it would move to impose new tariffs if the pact is not approved by July 4.

**Iran Attacks:** Tensions clearly remain elevated despite the ceasefire between the US and Iran, as [evidenced by the Iranian missile strike on an airport in Kuwait](#). The attack follows a cooling in peace talks, with Tehran reportedly viewing Washington's stance as an attempt to force an unconditional surrender. It also underscores the risk that any renewed fighting could spill over into neighboring states, broadening the conflict across the Middle East. The shaky ceasefire continues to support high energy prices.

**Ukraine Responds:** Ukrainian drones [struck an oil terminal in St. Petersburg](#) in apparent retaliation for recent Russian attacks on Ukrainian cities. In our view, the conflict cannot continue indefinitely given the constraints both sides face. Ukraine is limited by ammunition and manpower while Russia is operating under growing fiscal and economic pressure. Recent strikes of this kind look less like an escalation toward total war and more like an attempt by Kyiv to improve its leverage ahead of an eventual return to negotiations.

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## US Economic Releases

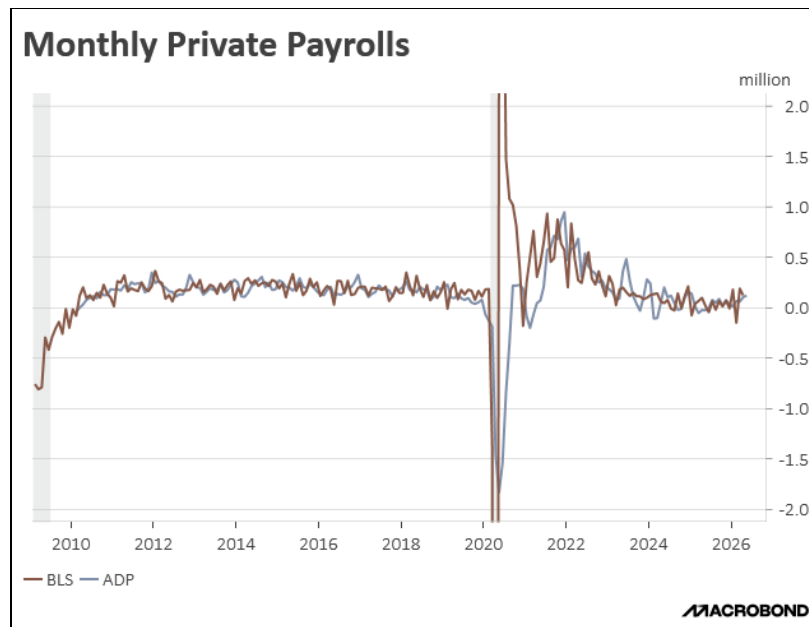
The Mortgage Bankers Association said *mortgage applications* in the week ended May 29 fell 2.5%, following their 8.5% decline in the previous week. Applications for home purchase mortgages edged down 2.9%, after falling 0.4% in the prior week. Applications for refinancing mortgages fell 2.4%, after falling 18.1% the week before. Consistent with the recent jump in mortgage interest rates, applications for refinancing mortgages have now declined for six straight weeks. In the latest week, the average interest rate on a 30-year, fixed-rate mortgage fell 8 basis points to 6.57%. 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



Separately, the ADP Research Institute estimated that *private payroll employment* rose in May by a seasonally adjusted 120,000, beating the expected rise of 117,000 and above the revised April gain of 105,000. ADP’s estimate is widely seen as an indicator of what to expect when the Labor Department releases its measure of nonfarm payrolls on Friday. The chart below shows the Labor Department’s figure for total nonfarm payrolls and ADP’s estimate of private payrolls since 2010.



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	S&P Global US Services PMI	m/m	May	51.0	50.9	***
9:45	S&P Global US Composite PMI	m/m	May	51.7	51.7	***
10:00	ISM Services Index	m/m	May	53.8	53.6	***
10:00	ISM Services Prices Paid	m/m	May	72.3	70.7	*
10:00	ISM Services New Orders	m/m	May	53.4	53.5	*
10:00	ISM Services Employment	m/m	May	48.8	48.0	*
10:00	Factory Orders	m/m	Apr	4.6%	1.5%	***
10:00	Factory Orders Ex Transportation	m/m	Apr	0.8%	1.6%	**
10:00	Durable Goods Orders	m/m	Apr F	7.9%	7.9%	***
10:00	Durable Goods Orders ex Transportation	m/m	Apr F	1.1%	1.1%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Apr F	-1.1%	-1.1%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Apr F	0.4%	0.4%	*
Federal Reserve						
EST	Speaker or Event	District or Position				
9:00	Michael Barr in Moderated Discussion	Members of the Board of Governors				
14:00	U.S. Federal Reserve Releases Beige Book	Federal Reserve Board				
16:00	Lorie Logan in Moderated Discussion	President of the Federal Reserve Bank of Dallas				

## 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>								
Japan	S&P Global Japan Composite PMI	m/m	May F	51.1	51.1		*	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	May F	50.0	50.0		*	Equity and bond neutral
Australia	Private Sector Credit	y/y	Apr	8.0%	8.1%		**	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	May F	48.7	47.8		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	May F	48.7	47.7		*	Equity and bond neutral
	GDP	y/y	Q1	2.5%	2.5%	2.6%	**	Equity and bond neutral
New Zealand	Terms of Trade Index	q/q	Q1	-2.0%	3.7%	-1.0%	*	Equity bullish, bond bullish
China	Official Services PMI	m/m	May	54.4	52.6	52.3	**	Equity bullish, bond bearish
	Official Composite PMI	m/m	May	54.0	53.1		*	Equity and bond neutral
India	HSBC India PMI Composite	m/m	May F	59.3	58.1		**	Equity and bond neutral
	HSBC India PMI Services	m/m	May F	59.8	58.9		**	Equity and bond neutral
<b>EUROPE</b>								
Eurozone	S&P Global Eurozone Services PMI	m/m	May F	47.7	46.4	46.4	**	Equity and bond neutral
	S&P Global Eurozone Composite PMI	m/m	May F	48.5	47.5	47.5	*	Equity and bond neutral
	PPI	y/y	Apr	4.9%	2.0%	4.9%	**	Equity and bond neutral
Germany	S&P Global Germany Services PMI	m/m	May F	48.1	47.8	47.8	**	Equity and bond neutral
	S&P Global Germany Composite PMI	m/m	May F	48.6	48.6	48.6	**	Equity and bond neutral
France	S&P Global France Services PMI	m/m	May F	44.3	42.9	42.9	**	Equity and bond neutral
	S&P Global France Composite PMI	m/m	May F	44.7	43.5	43.5	**	Equity and bond neutral
Italy	S&P Global Italy Services PMI	m/m	May	49.4	49.8	49.2	**	Equity and bond neutral
	S&P Global Italy Composite PMI	m/m	May	50.4	50.5	50.0	**	Equity and bond neutral
UK	S&P Global UK Services PMI	m/m	May F	49.3	47.9	47.9	**	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	May F	49.7	48.5	48.5	**	Equity and bond neutral
	Official Reserves Changes	m/m	May	-\$537m	\$1263m		*	Equity and bond neutral
Russia	S&P Global Russia Composite PMI	m/m	May	49.2	49.1		**	Equity and bond neutral
	S&P Global Russia Services PMI	m/m	May	48.7	49.7		**	Equity and bond neutral
<b>AMERICAS</b>								
Mexico	International Reserves Weekly	w/w	29-May	\$256600m	\$255816m		*	Equity and bond neutral
	Vehicle Domestic Sales	y/y	May	127100	118859		***	Equity and bond neutral
	Leading Indicators	y/y	Apr	0.04	0.05		**	Equity and bond neutral
Brazil	Industrial Production	y/y	Apr	2.7%	4.4%	1.9%	***	Equity bullish, bond bearish

## 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)	361	362	-1	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 (%)	4.48	4.44	0.04	Down
Euribor/OIS spread (bps)	228	225	3	Up
<b>Currencies</b>				
	<b>3 Mo</b>			
Dollar	Down	US		Up
Euro	Up	Euro		Flat
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.

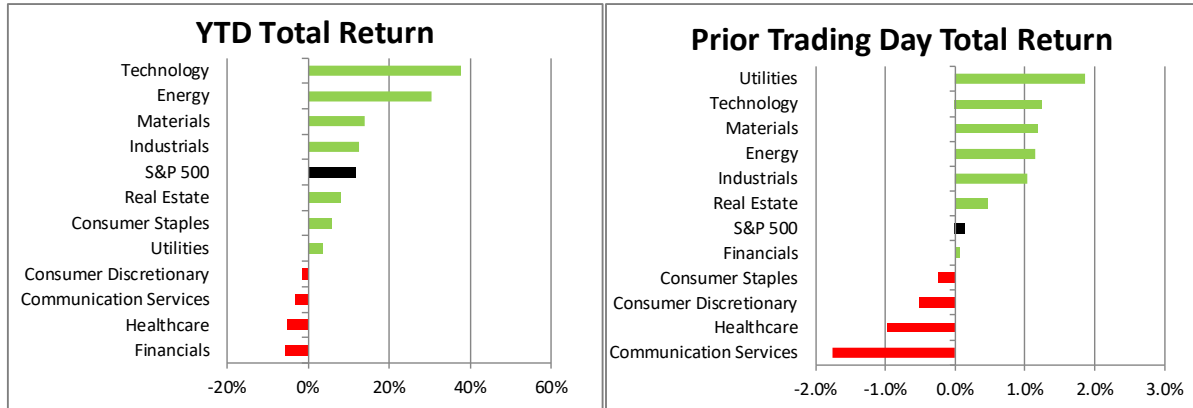
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$98.05	\$96.00	2.14%	
WTI	\$95.74	\$93.76	2.11%	
Natural Gas	\$3.23	\$3.17	1.96%	
Crack Spread	\$46.78	\$46.22	1.20%	
12-mo strip crack	\$41.51	\$41.27	0.58%	
Ethanol rack	\$2.18	\$2.18	-0.01%	
<b>Metals</b>				
Gold	\$4,466.26	\$4,488.86	-0.50%	
Silver	\$74.51	\$75.10	-0.78%	
Copper Contract	\$660.85	\$667.65	-1.02%	
<b>Grains</b>				
Corn contract	\$440.00	\$440.50	-0.11%	
Wheat contract	\$602.75	\$603.00	-0.04%	
Soybeans contract	\$1,170.25	\$1,165.25	0.43%	
<b>Shipping</b>				
Baltic Dry Freight	3,205	3,222	-17	
<b>DOE Inventory Report</b>				
	<b>Actual</b>	<b>Expected</b>	<b>Difference</b>	
Crude (mb)		-3.05		
Gasoline (mb)		-2.45		
Distillates (mb)		-1.95		
Refinery run rates (%)		0.22%		
Natural gas (bcf)		100		

## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout the entire country, with near normal temperatures in the Southeast and West Coast. The precipitation outlook calls for wetter-than-normal conditions in most states, with dry conditions expected in the Pacific and New England regions.

## Data Section

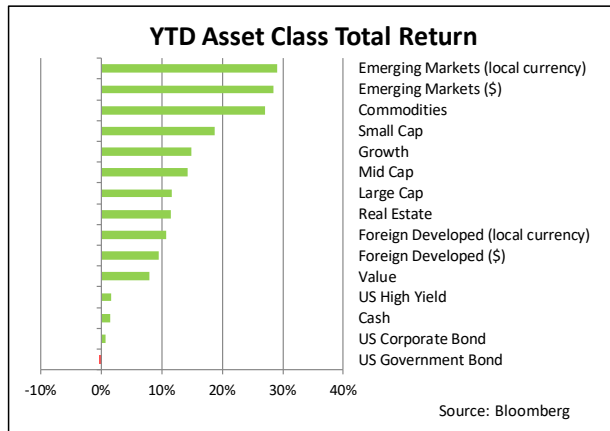
### US Equity Markets – (as of 6/2/2026 close)



(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 6/2/2026 close)

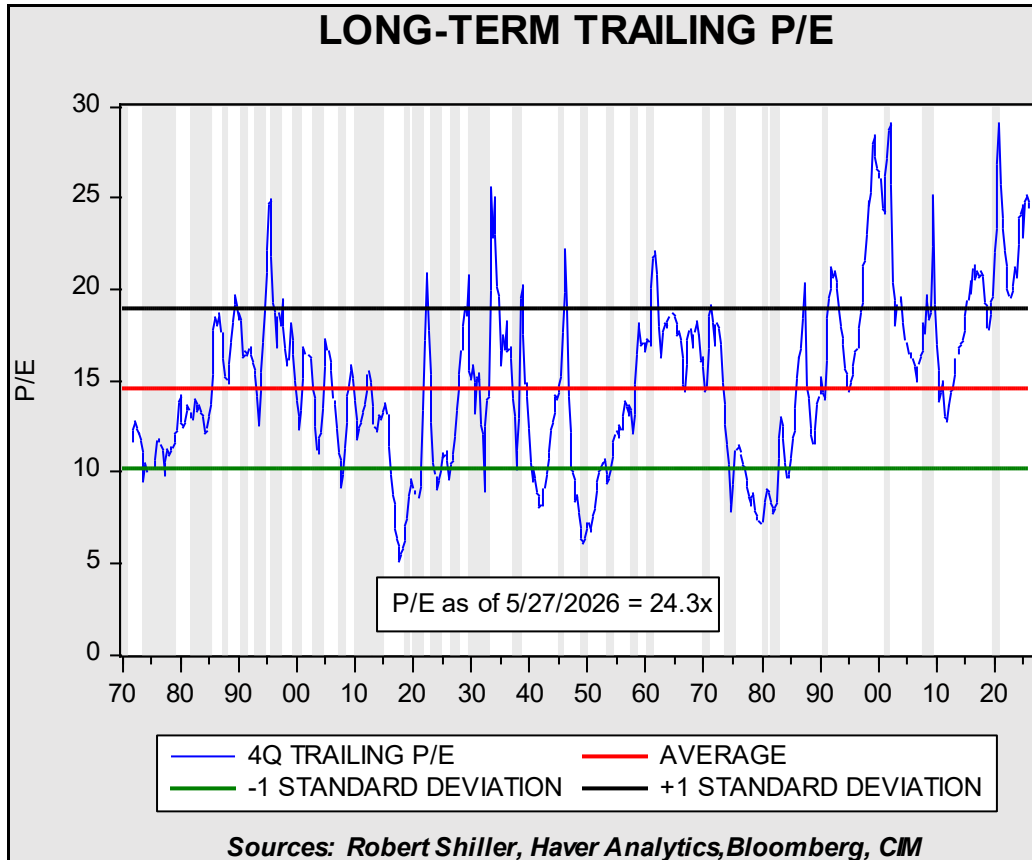


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,<sup>1</sup> 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.*

<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.