



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: June 5, 2026 – 9:30 AM ET]** Global equity markets are mostly lower this morning. In Europe, the Euro Stoxx 50 is up 0.04% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 3.2%. Chinese markets were lower with the Shanghai Composite down 0.7% and the Shenzhen Composite down 1.3%. 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* today opens with new research that helps confirm our belief that China’s growing comprehensive power — political, military, economic, and technological — is giving it much more geopolitical leverage. We next review several other international and US developments that could affect the financial markets today, including the latest on the war in Iran and a U-turn by S&P Global on when it will include the upcoming SpaceX shares in the S&P 500 index.

**Global Pharmaceutical Industry:** New research by the Council on Foreign Relations [has found that China dominates the global supply of key medicines and pharmaceutical inputs](#) nearly as much as it dominates the global supply of critical minerals such as rare earths. That validates our view that Beijing has probably developed multiple sources of economic leverage over the US and its allies.

- Beijing could therefore restrict its exports of key products to force the US or other countries to bow to Chinese demands, as it did with critical minerals during the US-China tariff spat in 2025.

- Even if the US and other countries successfully build their own critical mineral mines and processing facilities in the coming years, the analysis suggests China will still have important tools to impose economic pain on its adversaries.
- Coupled with its other sources of increased power, such as China's rapidly growing arsenal of nuclear weapons, Beijing now has a level of total, comprehensive power that is at least starting to rival that of the US. In turn, that will likely undermine US companies' market opportunities going forward.

**United States-Israel-Iran:** Islamic militant group Hezbollah yesterday [rejected the US-brokered ceasefire deal between Israel and Lebanon, which was announced on Wednesday](#). The deal was aimed at stopping the Israeli attacks on Iran-aligned militant groups in Lebanon, which Israel launched in conjunction with its participation in the US war against Iran. Stopping the attacks on its proxies in Lebanon has been a key Iranian demand in order to accept a peace deal with the US. Therefore, the development provides added reason to think the Iran war will continue.

**United Kingdom:** As long anticipated, Manchester mayor Andy Burnham yesterday [confirmed that he will try to replace Keir Starmer as prime minister if he wins a parliamentary by-election](#) on June 18. Labour Party rules require that anyone launching a leadership contest must be a member of parliament. However, the district Burnham will be contesting has not traditionally voted Labour, so it is still uncertain if he will have the chance to unseat the unpopular Starmer.

**European Union-China-India:** In a new survey by The Conference Board and the European Round Table for Industry, only 34% of corporate chief executives in the EU [were optimistic that business conditions in China would improve in three or more years](#), while 34% were neutral and 23% were pessimistic. In contrast, 70% of the respondents were optimistic or very optimistic about conditions in India, with only 4% pessimistic.

- The figures underscore how India is increasingly being seen as a more attractive place to do business versus China.
- In turn, that could suggest better prospects for Indian stocks as well.

**India:** To shore up the depreciating rupee, New Delhi today [said it will end a 12.5% capital gains tax on government bonds held by foreigner institutions](#), allow foreigners to buy government bonds with maturities up to 40 years (compared with 10 years currently), and raise the current 10.0% cap on foreign ownership of publicly traded Indian companies. The investor-friendly measures are aimed at offsetting the downward pressure on the rupee that has resulted from the war in Iran and the associated spike in India's oil import bill.

**US National Security:** The *Financial Times* yesterday [revealed that AI-giant Anthropic is already making its powerful Mythos model available to the National Security Agency](#) to launch offensive cyberattacks against US adversaries. The company is helping the NSA despite its continuing dispute with the Pentagon over what its AI models can be used for. The news suggests Mythos is so capable that the Pentagon can't pass up the opportunity to use it despite the continued dispute.

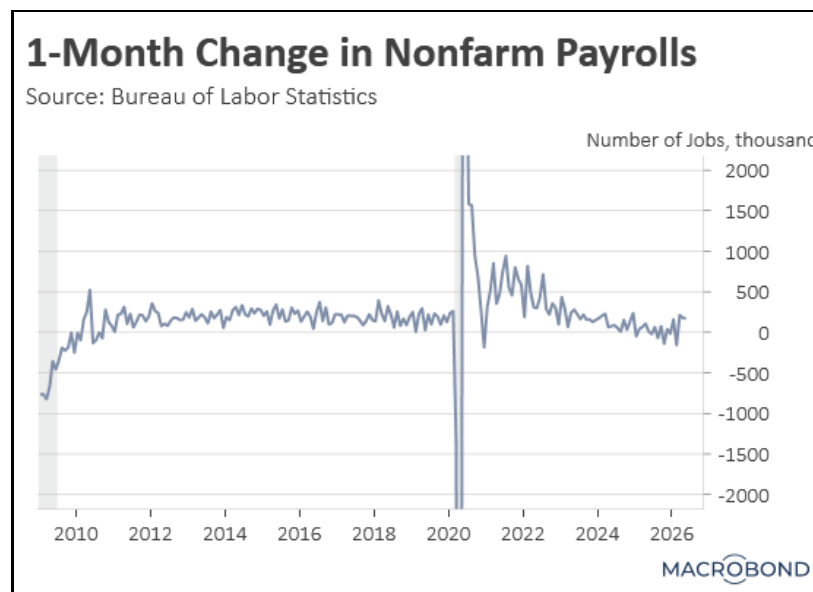
**US Stock Market:** In a statement yesterday, S&P Global [said it will abandon its earlier plan to change its rules for inclusion in the S&P 500](#) to quickly move SpaceX into the key stock index once it completes its initial public offering. By maintaining its current rules, SpaceX will have to go through a one-year seasoning period before it becomes part of the S&P 500. In turn, that will mean that index-fund investors won't automatically have exposure to the company until sometime in 2027.

**US Private Credit Industry:** Investment giant Blackstone yesterday said investors in its large BCRED private credit fund [had requested to redeem 10% of the fund's assets during its most recent quarter, up from 8% in the previous quarter](#). The company said it would therefore reverse its previous lenient policy and start enforcing a 5% cap on quarterly withdrawals going forward. The clamp-down apparently eased investor concerns about a mass wave of redemptions, allowing the firm's share price to jump 7.5%.

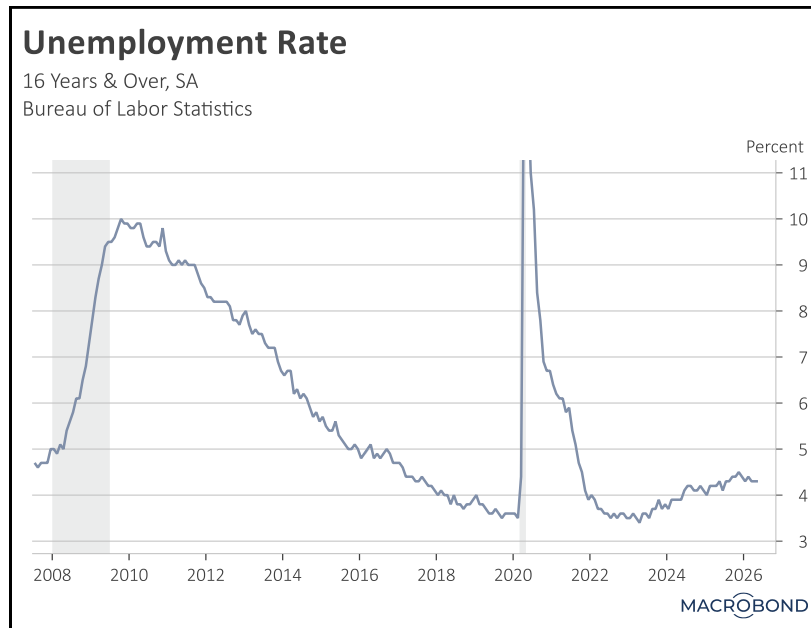
**US Banking Industry:** In an exclusive new article yesterday, the *Wall Street Journal* said JPMorgan Chase, Bank of America, Wells Fargo, and other large commercial banks [are planning to launch a tokenized deposit network to help them compete for assets](#) as the White House pushes to reduce restrictions on cryptocurrencies. Importantly, the new tokenized deposit network would allow real-time, 24/7 settlements.

## US Economic Releases

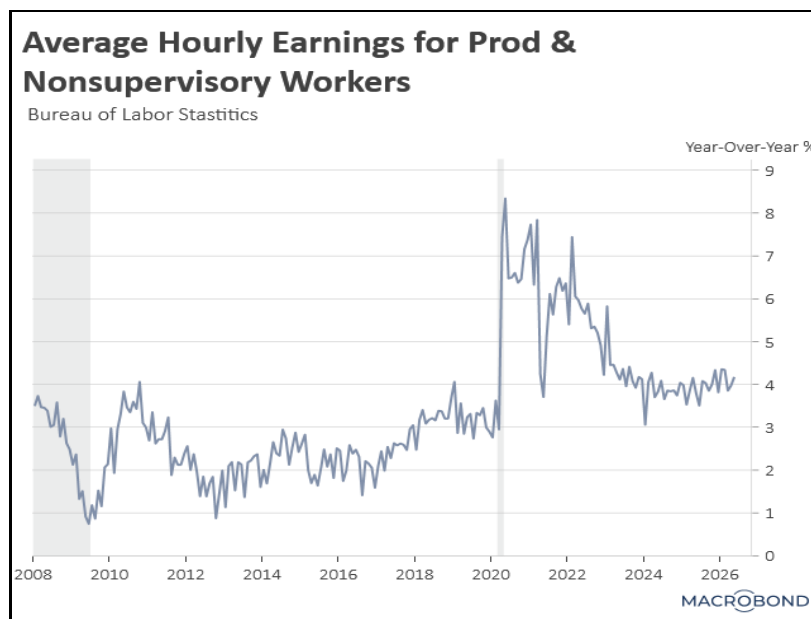
May *nonfarm payrolls* rose by a seasonally adjusted 172,000, beating their expected increase of 88,000 and the revised April gain of 120,000. The chart below shows the change in nonfarm payrolls since shortly before the Great Financial Crisis.



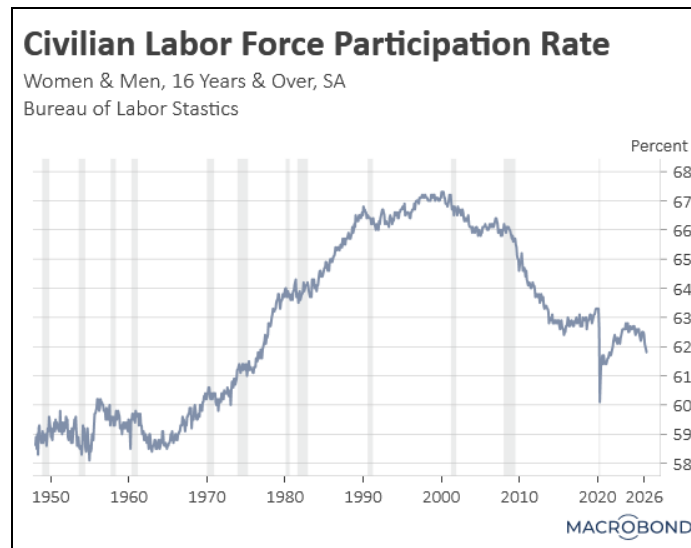
The May **unemployment rate** was unchanged at a seasonally adjusted 4.3%, as anticipated. The chart below shows how the unemployment rate has evolved since just before the GFC.



In May, **average hourly earnings** on a seasonally adjusted basis were up 3.4% from the same month one year earlier, in line with market expectations. The chart below shows the year-over-year growth in average hourly earnings of nonsupervisory workers since just before the GFC. Last month, earnings for production and nonsupervisory workers rose 4.2% from the previous year.



A final key indicator in the monthly employment report focuses on the share of the adult, civilian, non-institutionalized population that is either working or looking for work. The May **labor force participation rate (LFPR)** was unchanged at a seasonally adjusted 61.8%. Excluding the pandemic period, the LFPR is now at its lowest level since the mid-1970s, at least in part reflecting legions of baby boomers retiring or otherwise falling out of the labor market. The chart below shows how the LFPR has changed over the last several decades.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
15:00	Consumer Credit	m/m	Apr	\$17.670b	\$24.855b	*
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>	Labor Cash Earnings	y/y	Apr P	3.5%	2.7%	3.1%	**	Equity and bond neutral
	Real Cash Earnings	m/m	Apr P	1.9%	1.0%	1.7%	*	Equity and bond neutral
	Household Spending	y/y	Apr	-0.5%	-2.9%	-1.5%	**	Equity bullish, bond bearish
	Leading Economic Index	m/m	Apr P	115.9	115.4	114.5	**	Equity and bond neutral
	Coincident Index	y/y	Apr P	117.9	116.8	117.4	**	Equity and bond neutral
<b>Australia</b>	Foreign Reserves	m/m	May	A\$100.6	A\$102.9b		**	Equity and bond neutral
<b>South Korea</b>	BoP Current Account Balance	m/m	Apr	\$28292.3m	\$37928.4m		**	Equity and bond neutral
	BoP Goods Balance	m/m	Apr	\$33884.8m	\$35676.5m		*	Equity and bond neutral
<b>India</b>	GDP	y/y	1Q	7.8%	8.0%	7.3%	*	Equity bullish, bond bearish
<b>EUROPE</b>								
<b>Eurozone</b>	GDP	y/y	Q1 T	0.3%	0.8%	0.8%	***	Equity bearish, bond bullish
<b>France</b>	Current Account Balance	m/m	Apr	-0.2b	-0.9b		*	Equity and bond neutral
	Trade Balance	m/m	Apr	-5640m	-6414m		*	Equity and bond neutral
	Industrial Production	y/y	Apr	2.8%	1.3%	1.8%	***	Equity bullish, bond bearish
	Manufacturing Production	y/y	Apr	2.5%	1.7%		**	Equity and bond neutral
<b>Italy</b>	Retail Sales	y/y	Apr	1.6%	3.8%		**	Equity and bond neutral
<b>Switzerland</b>	Foreign Currency Reserves	m/m	May	710.8b	715.8b		***	Equity and bond neutral
<b>Russia</b>	Gold and Forex Reserves	m/m	12-Jun	\$748.7b	606.5b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	29-May	20.98t	453.8b		*	Equity and bond neutral
<b>AMERICAS</b>								
<b>Mexico</b>	Consumer Confidence	m/m	May	43.5	44.4		***	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
<b>3-mo T-bill yield (bps)</b>	362	362	0	Up
<b>U.S. Sibor/OIS spread (bps)</b>	365	365	0	Down
<b>U.S. Libor/OIS spread (bps)</b>	365	365	0	Up
<b>10-yr T-note (%)</b>	4.47	4.47	0.00	Up
<b>Euribor/OIS spread (bps)</b>	231	230	1	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Down
Euro	Up	Euro		Up
Yen	Up	Japan		Down
Pound	Up	UK		Up
Franc	Up	Switzerland		Down
<b>Central Bank Action</b>	<b>Actual</b>	<b>Prior</b>	<b>Expected</b>	
RBI Repurchase Rate	5.25%	5.25%	5.25%	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.

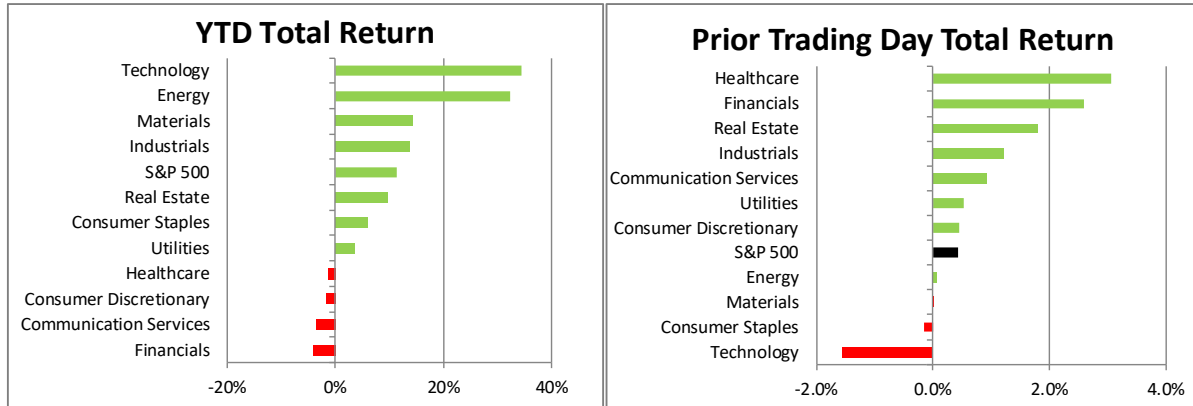
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$94.93	\$95.03	-0.11%	
WTI	\$93.03	\$93.04	-0.01%	
Natural Gas	\$3.31	\$3.34	-0.87%	
Crack Spread	\$44.13	\$43.51	1.45%	
12-mo strip crack	\$40.62	\$40.34	0.70%	
Ethanol rack	\$2.14	\$2.14	0.00%	
<b>Metals</b>				
Gold	\$4,464.74	\$4,474.80	-0.22%	
Silver	\$72.67	\$73.88	-1.64%	
Copper Contract	\$644.05	\$653.50	-1.45%	
<b>Grains</b>				
Corn contract	\$420.50	\$424.50	-0.94%	
Wheat contract	\$583.25	\$581.75	0.26%	
Soybeans contract	\$1,127.50	\$1,129.50	-0.18%	
<b>Shipping</b>				
Baltic Dry Freight	3,037	3,124	-87	
<b>DOE Inventory Report</b>				
	<b>Actual</b>	<b>Expected</b>	<b>Difference</b>	
Crude (mb)	-7.97	-3.05	-4.92	
Gasoline (mb)	3.36	-2.45	5.81	
Distillates (mb)	1.50	-1.95	3.45	
Refinery run rates (%)	0.02%	0.22%	-0.20%	
Natural gas (bcf)	95	99	-4	

## 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 on the northwest Pacific coast and New England.

## Data Section

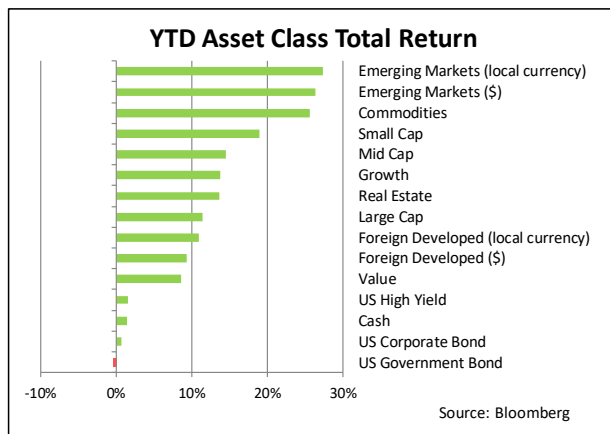
### US Equity Markets – (as of 6/4/2026 close)



(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 6/4/2026 close)

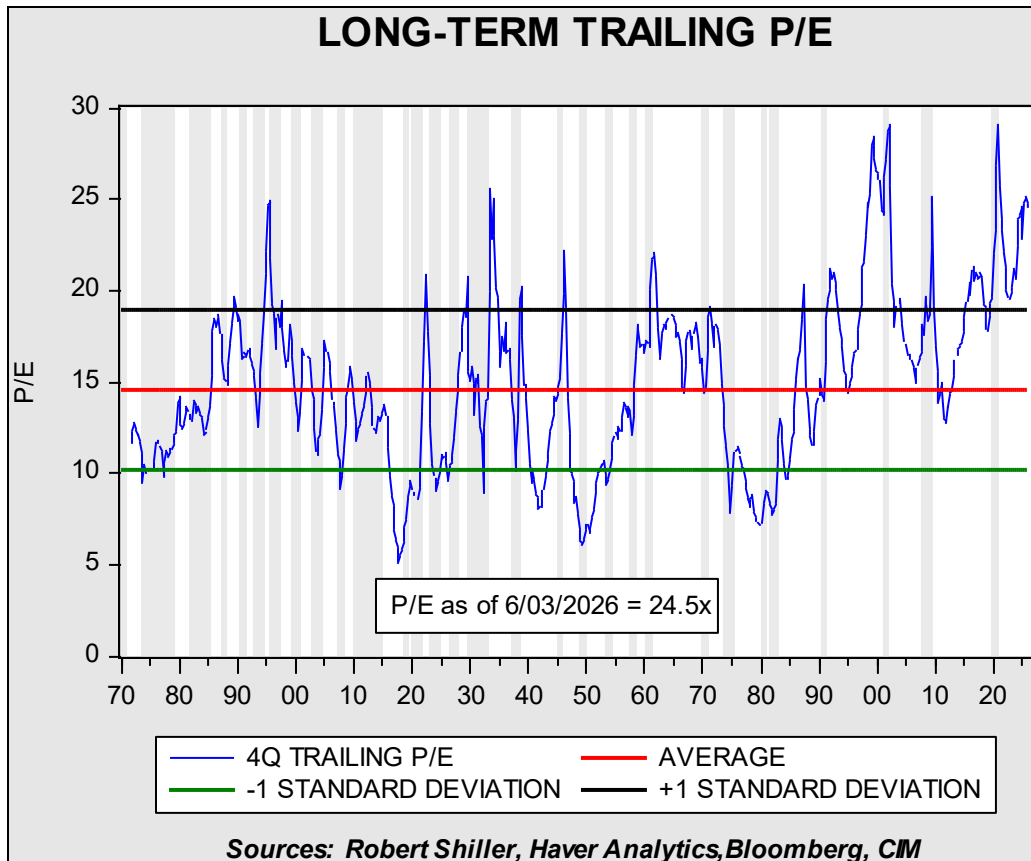


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 3, 2026



Based on our methodology,<sup>1</sup> the current P/E is 24.5x, up 0.2 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.