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[Posted: June 8, 2026 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.5%. Chinese markets were lower with the Shanghai Composite down 1.7% and the Shenzhen Composite down 3.1%. 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
“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 few words on the apparent rebound in risk-asset markets so far today. We next review several other international and US developments that could affect the financial markets, including an update on the war in Iran and further evidence that the US administration wants the federal government to take ownership stakes in major companies involved with artificial intelligence.

US Stock Market: After Friday’s rout across risk markets, including a 4.2% drop in the NASDAQ price index, US stocks look set for a significant rebound today. That makes sense to us, as Friday’s strong data on nonfarm payrolls, which helped spark the sell-off, [was likely distorted by hospitality firms and local governments going on a hiring binge to prepare for the World Cup](#). Other parts of the employment report were tame, such as modest wage growth and continued weakness in the number of workers saying they’ve found jobs.

- It’s true that the Federal Reserve is now much less likely to cut interest rates as much as we previously thought over the rest of the year.

- Nevertheless, it's probably too early to assume that rate hikes are coming due to new Fed Chair Kevin Warsh taking over.
- Of course, the other major source of the stock-market volatility late last week was concern about the future of the artificial intelligence business. That issue is likely to remain a source of risk and volatility going forward.

United States-Israel-Iran: Over the weekend, Iran [launched attacks on Israel for the first time since the current ceasefire took effect in April](#), saying the strikes were to retaliate for Israeli attacks on the Iran-aligned Islamic militant group Hezbollah in Lebanon. Israel responded with its own attacks on Iran, including a strike on Iran's energy infrastructure. The strikes threatened to undermine the ceasefire, but both Iran and Israel today [said they would suspend their attacks](#). Restoration of the fragile truce is likely also supporting stock prices so far today.

United States-Israel: Reports over the weekend said the Defense Intelligence Agency (DIA) [has raised its threat assessment of Israeli espionage against the US to the "critical" level](#). Israel has long been known as an especially aggressive espionage threat, but the reports say it has now gone so far as to install spying software on telephones and computers of US military personnel in Israel and has tried to install listening devices at DIA headquarters in Washington and in a Secret Service vehicle. The DIA action could further fray US-Israeli relations and disrupt the war against Iran.

Japan: Confirming our view that Japan could rapidly become a major arms exporter now that it has dropped its decades-long ban on selling lethal weapons abroad, Tokyo late Friday [said it has entered negotiations to sell modern Asagiri-class destroyers to Indonesia](#). That follows previous reports that Japan will sell Mogami-class frigates to Australia and [is in talks to sell anti-ship missiles to the Philippines](#). The rapid spate of deals since dropping the arms export ban in April suggests Japan's heavy industries and their suppliers could see a flood of new defense orders.

South Korea: The Bank of Korea and the Financial Supervisory Service today [ordered the country's major banks to take stronger steps to prevent their clients from engaging in "speculative market-disrupting behavior"](#) that capitalizes on a weaker currency. The order comes as the won continues to depreciate in response to higher fuel import costs and the risk of higher interest rates in the US. The won has now lost 11.4% of its value against the dollar over the last year, despite a technology-driven jump in South Korean exports.

China: Chang Xin Memory Technologies (CXMT), China's leading producer of dynamic random-access memory (DRAM) semiconductors, reportedly [won approval last week for an initial public offering in Shanghai](#). Meanwhile, Chinese flash-memory champion Yangtze Memory Technologies Corp. (YMTC) reportedly began IPO preparations and could formally submit a listing application later this month.

- The potential IPOs suggest Chinese memory makers could soon become more serious challengers for South Korea's world-leading makers, such as Samsung and SK Hynix.

- Of course, China’s typical trade strategy would suggest that the government will heavily subsidize CXMT and YMTC to help them eventually gain a dominant position in the global memory chip market.
- If successful, that would give China yet another key source of economic leverage over the US and its allies.

United States-China: President Trump’s eldest son, Donald Trump, Jr., late last week [warned against investing in China](#), mostly because its legal system is tilted against foreigners. He added that, “I don’t think we can pretend they’re an ally. That would be, I think, foolish.” The same day, US Agriculture Secretary Brooke Rollins [testified before Congress that dependence on China for food, fertilizer, and other agricultural inputs poses an “existential” threat](#) to the US.

- The statements come as President Trump continues trying to establish a kind of détente with China after its bruising pushback to his tariff war last year.
- The statements illustrate how, despite the president’s effort to cool tensions, many investors, businessmen, economists, and policymakers see risk in drawing too close to Beijing.

India: The youth-oriented Cockroach Janta Party (CJP), which has drawn millions of followers after starting out as a joke on social media, [held its first real-life protest march in New Delhi](#) on Saturday. The move from social media to real life suggests that the Cockroaches, as they have become known, could become a viable opposition movement against Prime Minister Modi and his increasingly repressive Hindu-nationalist government. If so, it could undermine policy stability in India and potentially damage the country’s improving investment environment.

US Artificial Intelligence Industry: President Trump on Friday provided further evidence that he may push for the government to take ownership stakes in major AI firms, telling reporters that, ["There's something very interesting about it, where it almost becomes a partnership with the American public."](#) While the president appeared to base the idea on the opportunity for US citizens to participate in the vast value creation some expect from the technology, industry leaders also believe public ownership could ease public opposition to it.

- Of course, government “ownership of the means of production” is one definition of socialism, an epithet that right-wing politicians often apply to left-wing policies. Indeed, Democratic Socialist Sen. Bernie Sanders has proposed that the federal government take 50% ownership stakes in top AI companies.
- On the other hand, *populist* policies that focus on the interests of working-class people are increasingly embraced by both the right and the left. Indeed, when asked about the Sanders proposal, Trump responded, "As far as economics is concerned, we have certain things that aren't that far apart. People are surprised."

US Economic Releases

There are no economic releases or Fed events scheduled for the rest of the day.

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	GDP SA	q/q	1Q F	0.50%	0.50%	0.30%	***	Equity and bond neutral
	GDP Deflator	q/q	1Q F	3.20%	3.40%	3.40%	***	Equity and bond neutral
	BoP Current Account Balance	m/m	Apr	¥3907.8b	¥4681.5b	¥3119.0b	***	Equity and bond neutral
	BoP Trade Balance	m/m	Apr	¥395.7b	¥830.5b	¥512.6b	**	Equity and bond neutral
EUROPE								
Germany	Factory Orders WDA	y/y	Apr	1.6%	6.1%	4.8%	***	Equity bearish, bond bullish
Switzerland	Domestic Sight Deposits CHF	w/w	5-Jun	433.2b	433.5b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	5-Jun	469.6b	468.6b		*	Equity and bond neutral
AMERICAS								
Canada	Net Change in Employment	m/m	May	87.8k	-17.7k	10.0k	***	Equity and bond neutral
	Unemployment Rate	m/m	May	6.6%	6.9%	6.9%	***	Equity and bond neutral
	Participation Rate	m/m	May	65.0%	65.0%	65.0%	*	Equity and bond neutral
Mexico	Vehicle Production	y/y	May	342926	329878		*	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)	362	363	-1	Up
U.S. Sibor/OIS spread (bps)	366	366	0	Down
U.S. Libor/OIS spread (bps)	366	365	1	Up
10-yr T-note (%)	4.55	4.53	0.02	Up
Euribor/OIS spread (bps)	231	231	0	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
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.

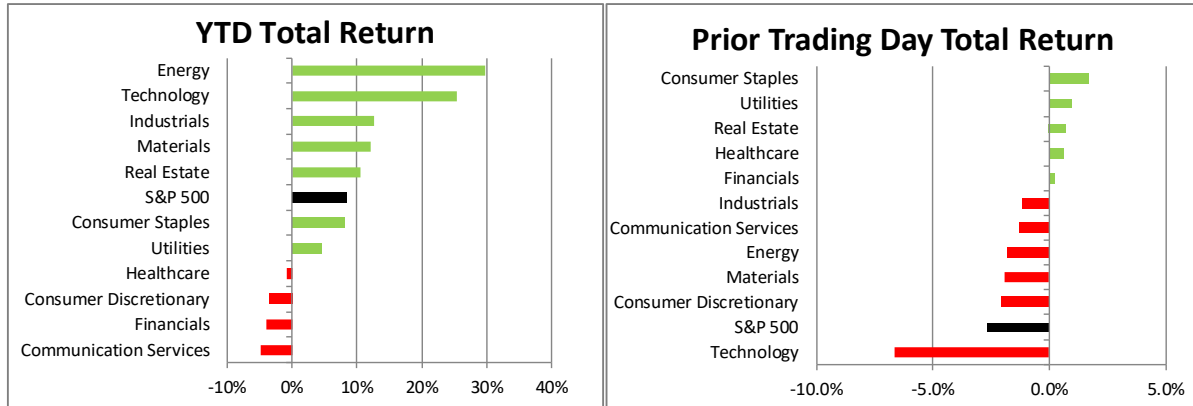
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$96.33	\$93.09	3.48%	
WTI	\$93.95	\$90.54	3.77%	
Natural Gas	\$3.13	\$3.23	-3.10%	
Crack Spread	\$46.05	\$45.49	1.22%	
12-mo strip crack	\$41.47	\$40.99	1.17%	
Ethanol rack	\$2.14	\$2.14	0.00%	
Metals				
Gold	\$4,298.29	\$4,328.45	-0.70%	
Silver	\$67.06	\$67.83	-1.14%	
Copper Contract	\$633.95	\$628.45	0.88%	
Grains				
Corn contract	\$444.50	\$446.00	-0.34%	
Wheat contract	\$580.00	\$580.00	0.00%	
Soybeans contract	\$1,116.00	\$1,121.50	-0.49%	
Shipping				
Baltic Dry Freight	2,981	3,037	-56	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Pacific, South, and East Coast, with cooler temperatures in all of the states in between. The precipitation outlook calls for wetter-than-normal conditions throughout most of the country, with dry conditions expected in the Pacific Northwest.

Data Section

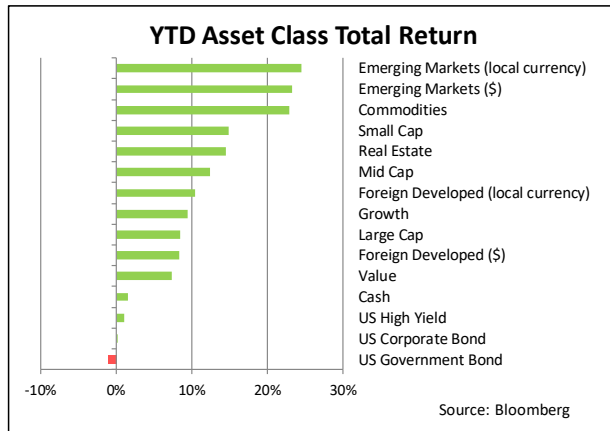
US Equity Markets – (as of 6/5/2026 close)



(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 6/5/2026 close)

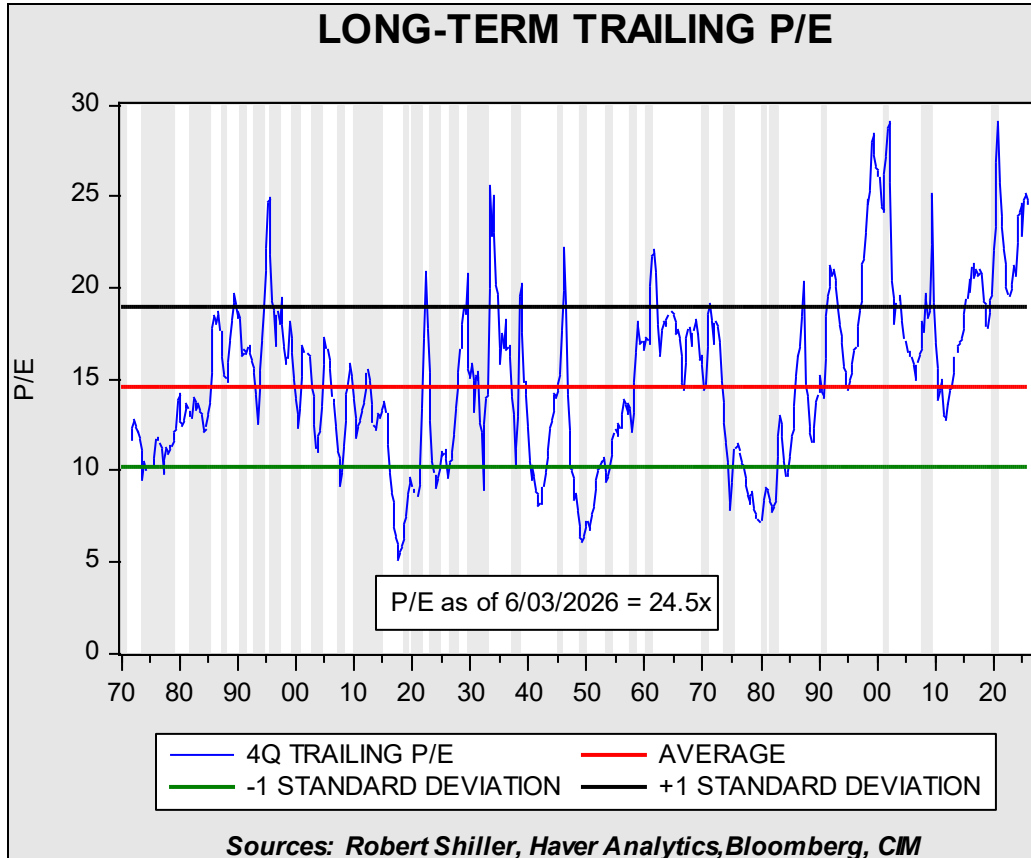


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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.