Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: June 9, 2026 — 9:30 AM ET] Global equity markets are decidedly 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 4.6%. Chinese markets were higher with the Shanghai Composite up 1.3% and the Shenzhen Composite up 2.4%. 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
"Excess Capacity and Policy Change" **(6/8/26)**	"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.

On a slow news day, our short *Comment* today opens with early signs of relatively disappointing demand for World Cup tickets, which could mean the economic stimulus from the event will be less than expected. We next review several other international and US developments that could affect the financial markets today, including an unexpected interest rate hike in Indonesia and a US blacklisting of more Chinese firms as suppliers to Beijing's military.

FIFA World Cup: New data from FIFA shows it still has some 15,000 initial tickets available for first-round "group" games during the US-Canada-Mexico tournament, as well as a whopping 176,000 resale tickets available. Analysis by the *Financial Times* suggests demand is so weak that most resale tickets are being released at a loss after fees.

- The apparent shortfall in enthusiasm could mean that the economic jolt for cities hosting the games will be less than hoped for.

- It could also mean that the surge in hospitality and local government hiring and other preparations for the tournament will be reversed quickly, leading to some potentially weak economic reports for June and July.

China-North Korea: Chinese General Secretary Xi today wrapped up his visit to North Korean paramount leader Kim. While few substantial, concrete agreements or other developments have been noted, one key observation is that there was no significant reference to North Korea's nuclear program. That suggests Xi no longer sees North Korea's denuclearization as feasible. In turn, the US may not be able to rely on China for additional pressure on Pyongyang to scrap its nuclear weapons. North Korea will therefore remain a security risk for Asia and its investors.

United States-China: The Pentagon today designated about two dozen additional Chinese companies as suppliers to Beijing's armed forces. The newly designated firms include tech giants Alibaba Group and Baidu, electric car manufacturer BYD, pharmaceutical firm WuXi AppTec, and humanoid robotics company Unitree. The designation means the firms can't do business with the Pentagon, but it can also lead to reputational risk that can be a headwind for their overall business in the US.

US Artificial Intelligence Industry: Late yesterday afternoon, ChatGPT creator OpenAI announced that it has filed for an initial public offering that will likely come sometime this autumn. That means that OpenAI, its rival Anthropic, and SpaceX are all now planning big IPOs (at mammoth valuations) in the coming weeks and months. Reports indicate that some investors have already begun selling shares in other companies to raise cash and be ready to buy the new tech shares. In turn, that could weigh on share prices for targeted sectors or firms.

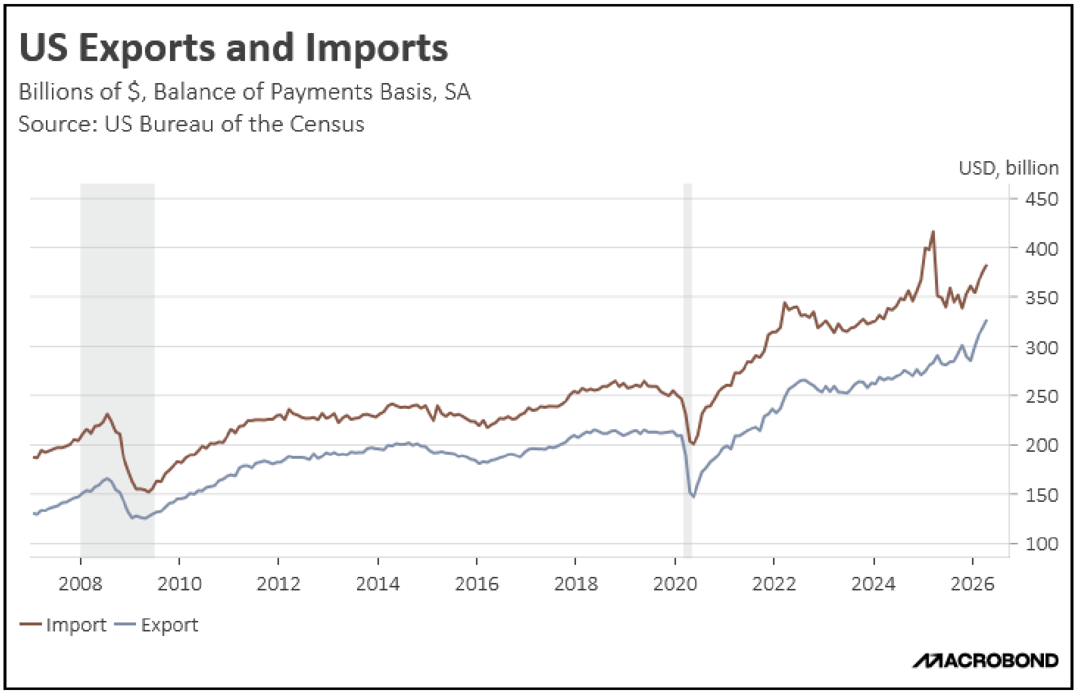
- Interestingly, some major college endowments that invested in SpaceX via private equity funds in recent years are now set to earn billions of dollars from its IPO.
- For some institutions, including Washington University in St. Louis, equity in SpaceX makes up more than 10% of their endowment portfolio. (We don't expect any windfall to lead to lower tuition rates, unfortunately.)

US Housing Market: The *Financial Times* today carries an interesting article showing that buy-now, pay-later firms are starting to offer so-called "rent-split loans," in which the lenders cover a tenant's monthly payment to their landlord and receive the money back in installments spread over the course of the month. The loans effectively split up the borrower's rent bill into smaller sums. The new product reflects the financial challenges that many lower-income consumers are facing because of rising living costs.

Indonesia: In an off-cycle move today, Bank Indonesia unexpectedly boosted its benchmark short-term interest rate to 5.50%, up from 5.25% previously. The hike followed a 0.50% increase just three weeks ago, which had been the first rate hike in about two years. According to the policymakers, the rate increases aim to support the rupiah, which has been losing value against the dollar and other major currencies as investors begin to project possible rate hikes in the US and other countries because of the war in Iran.

US Economic Releases

The April ***trade balance*** showed a seasonally adjusted deficit of $55.9 billion, narrower than the expected shortfall of $56.1 billion and the revised March deficit of $56.6 billion. According to the data, total ***exports*** rose 2.6%, while ***imports*** rose 2.0%. Compared with the same month one year earlier, exports in April were up 12.6%, while imports were up 9.1%. The chart below shows the monthly value of US exports and imports since just before the GFC.



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	Existing Home Sales	m/m	May	4.07m	4.02m	***
10:00	Existing Home Sales MoM	m/m	May	1.1%	0.2%	*
10:00	Wholesale Inventories	m/m	Apr F	0.6%	0.5%	**
10:00	Wholesale Trade Sales	m/m	Apr	1.2%	2.8%	*
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
ASIA-PACIFIC								
Japan	Money Stock M2	y/y	May	2.5%	2.3%		**	Equity and bond neutral
	Money Stock M3	y/y	May	1.7%	1.7%		**	Equity and bond neutral
	Machine tool orders	y/y	May P	37.4%	45.1%		**	Equity and bond neutral
Australia	Westpac Consumer Conf Index	m/m	Jun	80.6	83.0		**	Equity and bond neutral
	Westpac Consumer Conf SA	m/m	Jun	-2.9%	3.5%		**	Equity and bond neutral
	NAB Business Confidence	m/m	May	-14	-23		***	Equity and bond neutral
	NAB Business Conditions	m/m	May	3	3		***	Equity and bond neutral
New Zealand	Mfg Activity Volume	q/q	1Q	3.6%	-0.4%		**	Equity and bond neutral
	Mfg Activity SA	q/q	1Q	2.8%	0.8%		*	Equity and bond neutral
South Korea	GDP	q/q	1Q P	3.8%	3.6%	3.6%	**	Equity and bond neutral
China	Exports	y/y	May	19.4%	14.1%	15.0%	**	Equity bullish, bond bearish
	Imports	y/y	May	27.4%	25.3%	26.0%	**	Equity bullish, bond bearish
	Trade Balance	m/m	May	$105.43b	$84.82b	$92.30b	***	Equity and bond neutral
EUROPE								
Germany	Trade Balance	m/m	Apr	14.5b	14.7b	15.9b	*	Equity and bond neutral
	Exports	m/m	Apr	0.9%	0.3%	-0.5%	*	Equity bullish, bond bearish
	Imports	m/m	Apr	1.2%	4.5%	-2.0%	*	Equity bullish, bond bearish
	Industrial Production WDA	y/y	Apr	-0.5%	-3.4%	-1.1%	**	Equity bullish, bond bearish
AMERICAS								
Mexico	CPI	y/y	May	3.94%	4.45%	4.05%	***	Equity and bond neutral
	Core CPI	y/y	May	4.19%	4.26%	4.21%	**	Equity and bond neutral
Brazil	FGV Inflation IGP-DI	y/y	May	2.53%	0.78%	2.40%	**	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)	361	362	-1	Up
U.S. Sibor/OIS spread (bps)	366	367	-1	Down
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.55	4.56	-0.01	Up
Euribor/OIS spread (bps)	235	231	4	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.

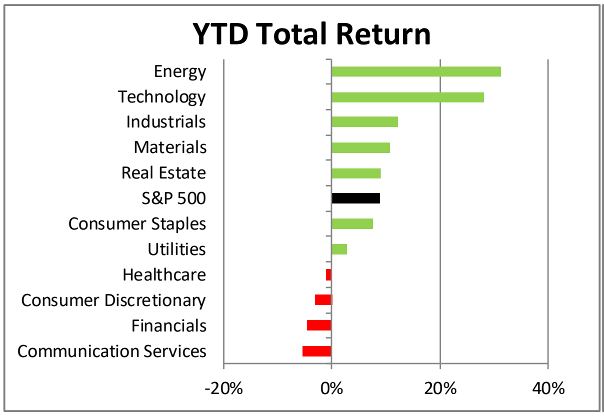
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$92.72	$94.25	-1.62%	
WTI	$89.54	$91.30	-1.93%	
Natural Gas	$3.18	$3.15	1.08%	
Crack Spread	$45.94	$45.08	1.91%	
12-mo strip crack	$40.86	$40.72	0.34%	
Ethanol rack	$2.13	$2.14	-0.34%	
Metals				
Gold	$4,339.98	$4,330.17	0.23%	
Silver	$68.59	$68.19	0.59%	
Copper Contract	$642.40	$635.00	1.17%	
Grains				
Corn contract	$448.25	$446.00	0.50%	
Wheat contract	$589.75	$583.25	1.11%	
Soybeans contract	$1,114.50	$1,115.75	-0.11%	
Shipping				
Baltic Dry Freight	2,916	2,981	-65	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-3.05		
Gasoline (mb)		-2.45		
Distillates (mb)		-1.95		
Refinery run rates (%)		0.22%		
Natural gas (bcf)		99		

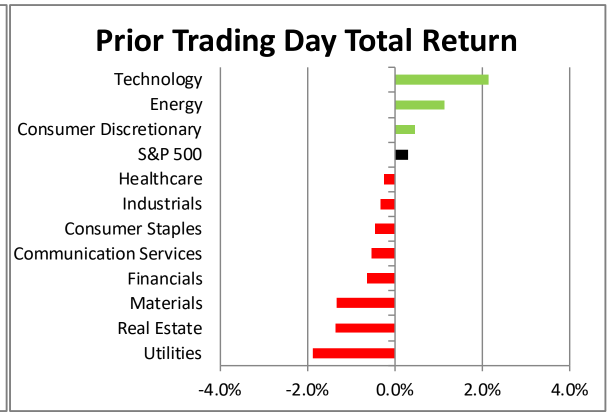
Weather

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.

Data Section

US Equity Markets – (as of 6/8/2026 close)

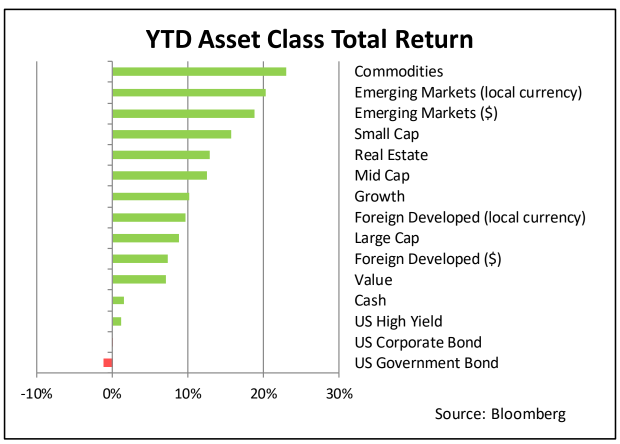




(Source: Bloomberg)

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 6/8/2026 close)

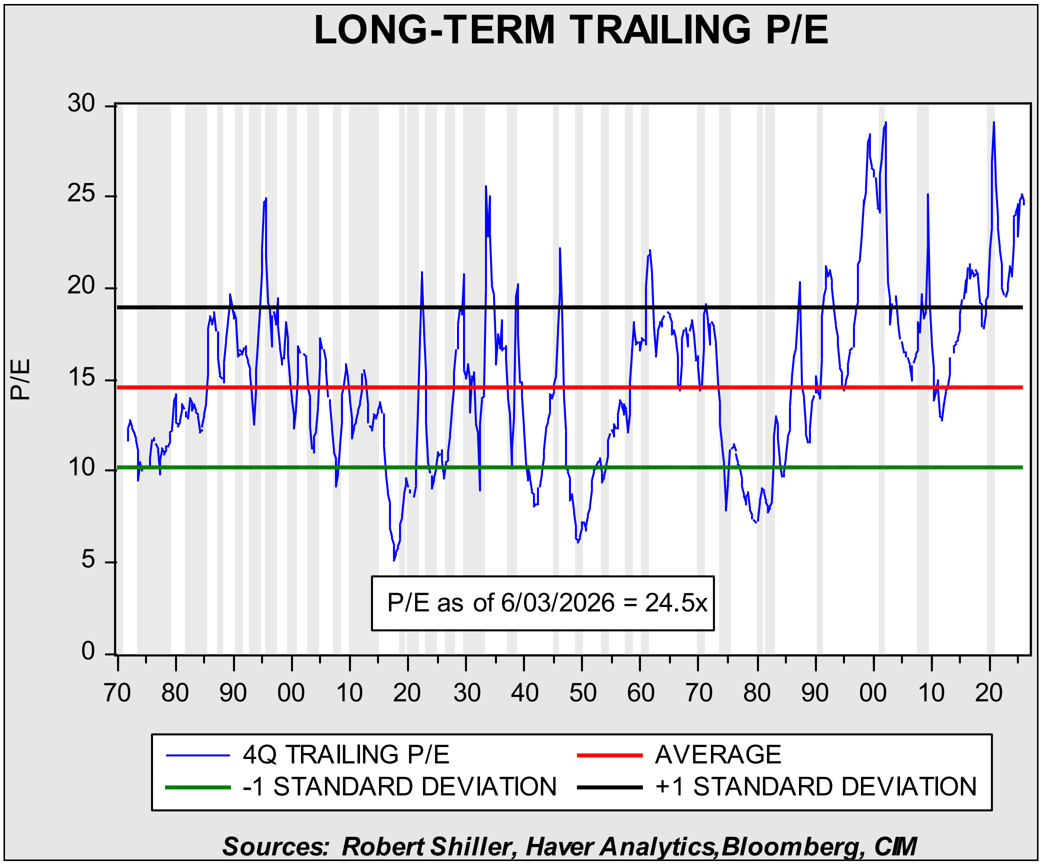


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.