Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 10, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 2.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 4.4%. Chinese markets were higher, with the Shanghai Composite up 0.7% and the Shenzhen Composite up 1.8%. Conversely, US equity index futures are signaling a lower open.

With 492 companies having reported so far, S&P 500 earnings for Q4 are running at $74.20 per share compared to estimates of $71.07, which is up 8.3% from Q4 2024. Of the companies that have reported thus far, 74.0% exceeded expectations, while 21.1% fell short of expectations.

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 Geopolitics of US Dollar Stablecoins" **(3/9/26)**	"The Dip That Didn't Bounce" (3/2/26) + podcast (3/6/26)	Q1 2026 Report Q1 2026 Rebalance Presentation	Confluence of Ideas podcast The Case for Hard Assets

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* today opens with the latest news on the Iran War and discusses how challenging it will be to end the conflict in the near term. We next review several other international and US developments with the potential to affect the financial markets today, including the European Union's plans to adjust its environmental and tax policies to shield investors from higher energy prices and new survey results suggesting artificial intelligence isn't having much impact on corporate hiring plans just yet.

United States-Israel-Iran: After global stocks tanked early yesterday on a surge in energy prices related to the war in Iran, they reversed and ended with decent price gains after President Trump said in an interview that the war was substantially finished. We recognize that the threat of much higher gasoline prices and other economic disruptions could force the president to wind down the war. However, we think ending the war and dislodging US forces will be easier said than done. Geopolitical and economic tensions in the region are likely to continue.

- Separately, the *Wall Street Journal* reported last night that some of President Trump's advisors have privately urged him to look for an exit plan amid spiking oil prices and concerns that a lengthy conflict could spark political backlash.
- However, as long as Tehran continues to attack regional countries and Israel still wants to strike Iranian targets, it is unlikely that the US could easily withdraw from the war. That's especially the case if Iran continues to threaten the shipment of oil, gas, and other mineral products through the Strait of Hormuz.
- One official also reportedly said that the president won't withdraw US forces until he can claim a satisfactory victory. That alone raises the risk that the war could continue, since Iran could well continue to stage asymmetric attacks regionally or around the world for some time to come. Indeed, Iranian officials yesterday insisted they won't discuss a ceasefire with the US or Israel.
- Separately, after the International Energy Agency yesterday convened a meeting of the finance ministers of top countries, a spokesman said the group is prepared to take all necessary measures, including drawing on strategic stock reserves, in order to stabilize the market. Historically, substantial drawdowns of strategic reserves during geopolitical crises have helped bring down energy prices.
- Despite the difficulty of ending the war soon, investors today appear to be responding to the president's assurances that it is winding down. Global oil prices are down some 7% so far today, with Brent crude currently trading at about $92.18 per barrel. In turn, that has given a lift to global stock values so far this morning.

European Union: As the Iran War continues to buoy global oil and gas prices, officials in the European Commission have begun exploring adjustments to the EU's environmental and tax rules to help hold down energy costs for consumers. The national governments of France, Italy, Spain, and other countries are also showing signs they may intervene in their markets to hold down energy costs for consumers. For example, the French government has ordered a series of checks on gasoline stations to root out price gouging.

Japan: New reporting says the government of conservative Prime Minister Takaichi is launching a survey of Japanese ground-water resources that will include tracking the nationalities of users. The initiative has alarmed foreign nationals in the country who fear that Japan's current wave of anti-immigrant fervor could dispossess them of water needed for personal or industrial uses. The move threatens to scare away foreign workers and investors needed to make up for the country's ongoing population challenges.

China: The total dollar value of exports in January and February rose 21.8% from the same period one year earlier, triple the expected increase and far more than the 6.6% rise in December. With imports up a relatively more muted 19.8%, the January-February trade balance showed a record surplus of $213.6 billion. The continuing imbalance reflects China's weak domestic demand and the government's encouragement for firms to sell their excess production overseas. The record surplus will likely continue to spur trade tensions with other countries.

United States-China: At a forum yesterday, Assistant Secretary of Energy Audrey Robertson asserted that recycling rare metals, materials, and magnets within the US is one of the fastest ways the country can boost its access to critical minerals and sidestep China's near monopoly on some of them. As the federal government works frantically to boost US critical minerals supplies, the statement suggests investors could find opportunities among recyclers and processors, rather than just critical-mineral miners.

- According to Robertson, "New technology in this space will be a game changer … I think you will see significant gains in the output from recycled black mass and material in the coming 12 months."
- Black mass is the powdery residue from lithium-ion batteries that contain valuable critical minerals.

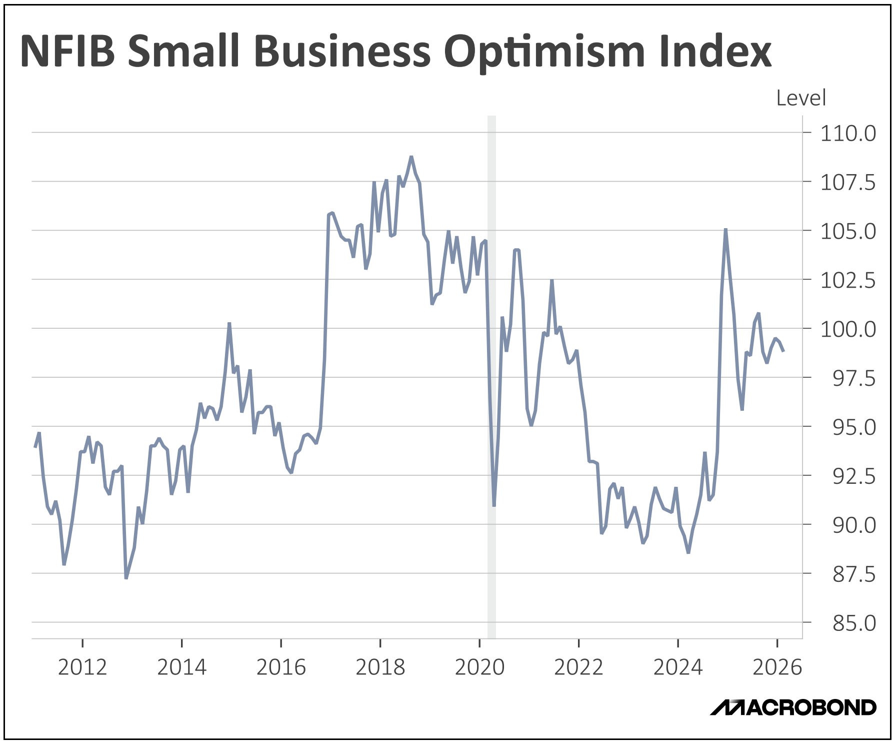
US Stock Market: Nasdaq yesterday said it is working with crypto exchange Kraken to offer tokenized stocks on Kraken's platform. The firms are apparently focusing on the legal and governance details that would give the owners of tokenized stocks the same governance rights as holders of the underlying securities, including proxy voting and dividend payments. Issuing companies would have to opt into the plan. According to reports, Nasdaq and Kraken hope to have the plan up and running by early 2026.

US Labor Market: According to KPMG's new *CEO Outlook Pulse* for 2026, only 9% of surveyed chief executives plan to cut their workforce this year because of artificial intelligence. Indeed, fully 55% expect to increase their hiring in 2026 as a direct result of AI, while 36% expect no change in hiring. The data provides a counter-narrative to widespread corporate, individual, and investor concerns about job losses due to AI.

US Airline Industry: The *Wall Street Journal* reports that the ongoing funding standoff for the Department of Homeland Security has begun to seriously slow security checkpoints at some major airports, including Houston, New Orleans, and Atlanta. Although Transportation Security Administration officers are supposedly working without pay, staff shortages have slowed wait times for security checks to as much as several hours at some airports. The disruptions are increasingly raising the political stakes for the administration.

US Economic Releases

The NFIB Small Business Optimism Index edged lower in February, slipping from 99.3 to 98.8, below the 99.1 consensus expectation. This dip reflects concerns over rising competition from big businesses. However, overall sentiment remains above the historical average of 98.0. Notably, the share of firms that are expecting higher earnings was the fastest-growing component among the index's 10 metrics.



As the chart above illustrates, the index has experienced fluctuations since 2011, but the latest reading shows that upward momentum remains as firms gain greater confidence in the overall economy.

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	Feb	3.88m	3.91m	***
10:00	Existing Home Sales MoM	m/m	Feb	-0.8%	-8.4%	*
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	Household Spending	y/y	Jan	-1.0%	-2.6%	2.4%	**	Equity bearish, bond bullish
	GDP SA	q/q	4Q F	0.3%	0.1%	0.3%	***	Equity and bond neutral
	GDP Deflator	q/q	4Q F	3.4%	3.4%	3.4%	***	Equity and bond neutral
	Money Stock M2	y/y	Feb	1.7%	1.6%		**	Equity and bond neutral
	Money Stock M3	y/y	Feb	1.2%	1.0%		**	Equity and bond neutral
	Machine tool orders	y/y	Feb P	24.2%	25.3%		**	Equity and bond neutral
Australia	Westpac Consumer Conf SA	m/m	Mar	1.2%	-2.6%		**	Equity and bond neutral
	Westpac Consumer Conf Index	m/m	Mar	91.6	90.5		**	Equity and bond neutral
	NAB Business Confidence	m/m	Feb	-1	3	4	***	Equity bearish, bond bullish
	NAB Business Conditions	m/m	Feb	7	7		***	Equity and bond neutral
South Korea	GDP	q/q	4Q P	1.6%	1.5%	1.5%	**	Equity and bond neutral
EUROPE								
Germany	Trade Balance	m/m	Jan	21.2b	17.4b	15.4b	*	Equity bullish, bond bearish
	Exports	m/m	Jan	-2.3%	3.9%	-1.5%	*	Equity bearish, bond bullish
	Imports	m/m	Jan	-5.9%	1.3%	0.2%	*	Equity bearish, bond bullish
France	Trade Balance	m/m	Jan	-1843m	-4298m		*	Equity and bond neutral
	Current Account Balance	m/m	Jan	2.1b	0.1b		*	Equity and bond neutral
Italy	PPI	y/y	Jan	-2.1%	-2.0%		**	Equity and bond neutral
AMERICAS								
Brazil	FIPE CPI	w/w	7-Mar	0.36%	0.19%		*	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)	359	359	0	Up
U.S. Sibor/OIS spread (bps)	367	367	0	Down
U.S. Libor/OIS spread (bps)	364	364	0	Flat
10-yr T-note (%)	4.13	4.10	0.03	Up
Euribor/OIS spread (bps)	208	205	3	Down
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Up
Franc	Up	Switzerland		Up

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.

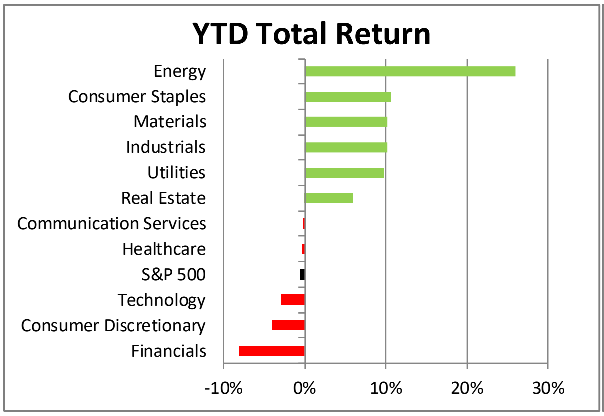
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$91.23	$98.96	-7.81%	Middle East Conflict
WTI	$88.33	$94.77	-6.80%	Middle East Conflict
Natural Gas	$3.11	$3.12	-0.29%	
Crack Spread	$36.99	$36.55	1.21%	
12-mo strip crack	$29.25	$30.12	-2.90%	Middle East Conflict
Ethanol rack	$2.00	$2.00	-0.02%	
Metals				
Gold	$5,177.31	$5,138.53	0.75%	
Silver	$88.25	$86.96	1.49%	
Copper Contract	$591.30	$584.85	1.10%	
Grains				
Corn contract	$451.25	$453.75	-0.55%	
Wheat contract	$597.25	$603.25	-0.99%	
Soybeans contract	$1,195.00	$1,196.25	-0.10%	
Shipping				
Baltic Dry Freight	2,066	2,010	56	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		2.75		
Gasoline (mb)		-2.02		
Distillates (mb)		-0.22		
Refinery run rates (%)		0.04%		
Natural gas (bcf)		-124		

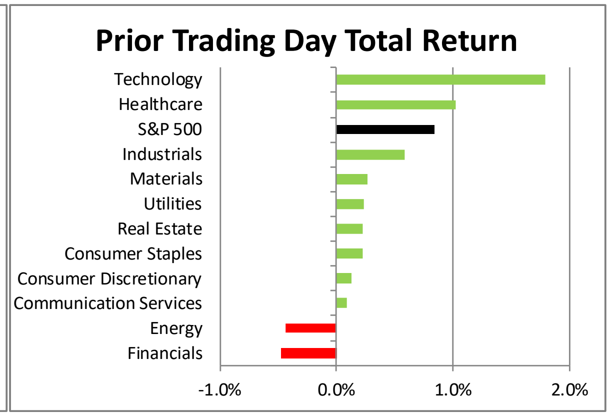
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for cooler-than-normal temperatures in states east of the Mississippi River, with warmer temperatures expected for the rest of the country. The outlook calls for wetter-than-normal conditions in northern states as well as the eastern third of the country, with dry conditions expected in the Southwest.

Data Section

US Equity Markets – (as of 3/9/2026 close)

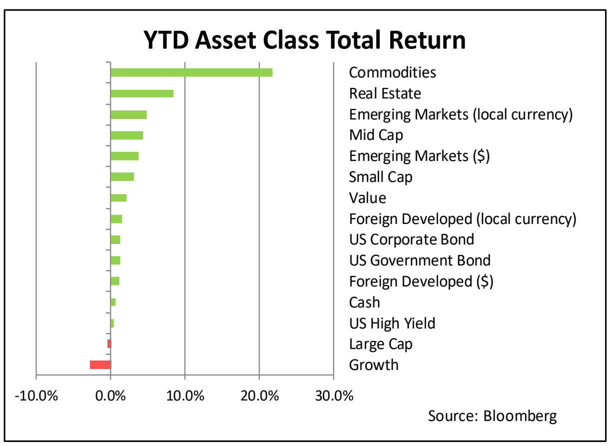




(Source: Bloomberg)

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 3/9/2026 close)

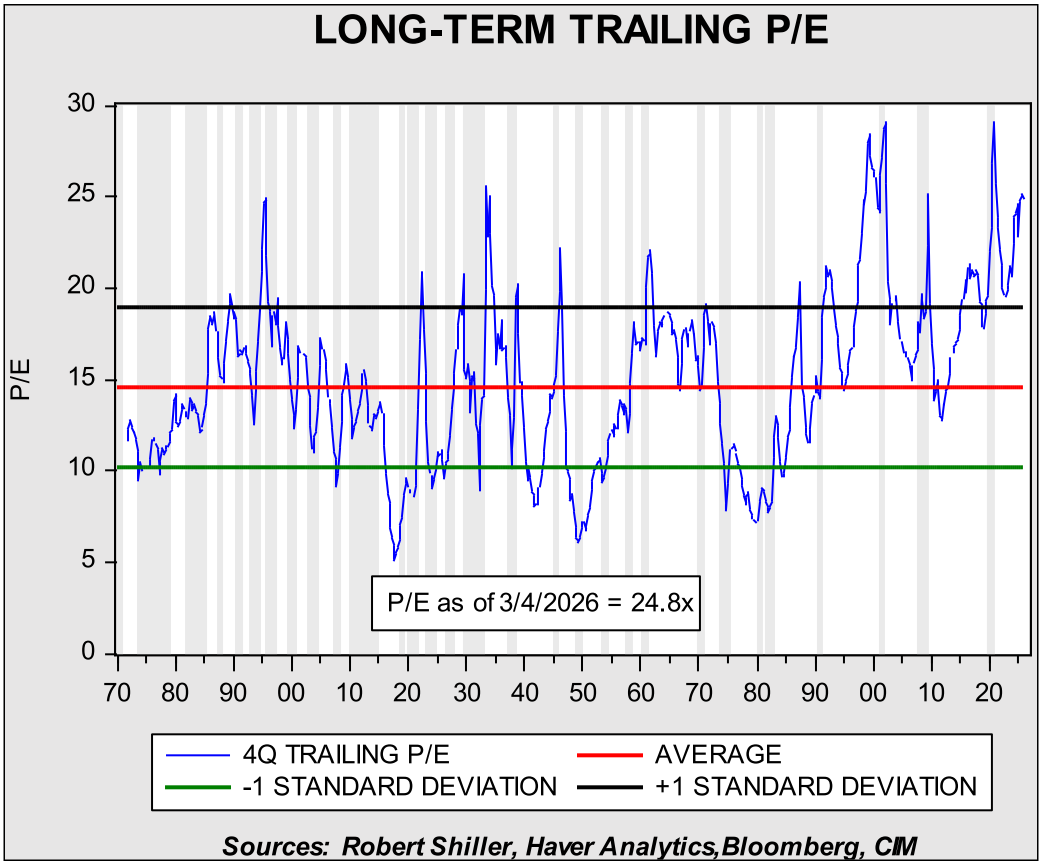


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

March 5, 2026



Based on our methodology,[1] the current P/E is 24.8x, down 0.1 from the previous report. Last week, the stock price index fell, while earnings were relatively unchanged from the previous week.

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.

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[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.