



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 13, 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 1.4%. Chinese markets were lower, with the Shanghai Composite down 0.8% and the Shenzhen Composite down 0.9%. US equity index futures are signaling a higher open.

With 496 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, 73.8% exceeded expectations, while 21.4% 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* opens with our perspective on why private credit exposure to software companies has attracted heightened scrutiny. We then examine how the White House is seeking to ease war-related supply chain stresses. Next, we highlight key market developments, including signs of a potential broadening of the Middle East conflict, rating agency views on software-sector debt, and new consumer efforts to secure tariff refunds. As always, we include a summary of recent US and international economic data releases.

Private Credit & AI: Concerns about private credit are deepening as AI-related risks to software companies weigh on sentiment. On Thursday, [JPMorgan Chase announced it would restrict lending to several private credit institutions](#) following a preemptive markdown of loan portfolios, particularly those exposed to the software sector. This tightening follows a turbulent

few weeks for the \$2 trillion market, with several major funds forced to cap redemptions or [offload assets to manage a surge in withdrawal requests](#).

- JPMorgan’s decision to curb lending to certain private credit funds follows a move to mark down the value of loans linked to those vehicles on a portfolio-by-portfolio basis. Unlike typical markdowns driven by missed interest or principal payments, these adjustments are largely tied to loans made to software companies that the bank views as particularly vulnerable to disruption from advances in artificial intelligence, which has pressured valuations and collateral quality.
- The write-down appears to reflect the bank’s evolving view of AI-related risks. Under lending agreements with the affected funds, the bank can periodically re-evaluate leverage based on the overall quality and valuation of the collateral backing the facilities. In this case, the markdown was applied to a relatively small subset of borrowers and is therefore not considered large enough to pose any meaningful systemic risk.
- JPMorgan’s decision to limit lending underscores that, even if major banks are not the primary lenders in private credit markets, they still provide an important backstop by financing those lenders. Large banks supply critical liquidity to private credit funds through credit lines and other financing facilities, enabling those funds to extend loans, often on more flexible terms than tightly regulated banks can offer directly to borrowers.
- A pullback in this type of bank financing, therefore, points more toward a gradual tightening in overall financial conditions than an immediate deterioration in the underlying quality of corporate debt. However, the optics of the move are likely to compound negative sentiment, especially in the wake of recent stresses in parts of the consumer loan market. In our view, as long as credit remains accessible to private borrowers, any retrenchment by private funds should remain relatively limited in scope.

Resolving Supply Chains: The White House has explored alternative strategies to address disruptions in trade through the Strait of Hormuz, which have pushed crude oil prices [above \\$100 per barrel for the first time since August 2022](#). The president has called for a temporary suspension of the Jones Act to facilitate additional crude shipments and, in parallel, authorized the purchase of Russian oil cargoes already en route. These measures aim to mitigate rising costs as supply disruptions from the ongoing conflict continue to worsen.

- The Jones Act is a century-old maritime law that requires cargo transported between US ports to move on vessels that are US-built, US-owned, and US-crewed. The proposed 30-day exemption would specifically apply to ships carrying petroleum products and would mark the first such waiver since 2022. The measure is expected to increase shipping capacity and ease bottlenecks by allowing a broader fleet to operate, particularly on routes serving East Coast ports.
- Additionally, mounting concerns over supply disruptions have encouraged the United States to modestly soften its stance on Russia. On Thursday, [Washington issued a second authorization allowing the sale and delivery of Russian crude](#) that was already loaded on vessels and stranded at sea. While most of these cargoes are not expected to head to the United States, they are intended to help ease global prices by enabling key buyers such as India to absorb the stranded barrels and reduce competition for new supplies.

- Beyond these measures, the White House is evaluating additional strategies to mitigate the supply-side shocks triggered by the conflict. The Department of Energy has already committed to releasing 172 million barrels from the Strategic Petroleum Reserve, with the potential for further drawdowns. Additionally, the administration is weighing an unprecedented move to intervene in financial markets [by directly purchasing oil futures contracts to dampen price volatility](#).
- White House efforts to stabilize energy prices have created a temporary ceiling on volatility, with \$100 a barrel emerging as a key pivot point for Brent crude. However, this stability is fragile. As long as the Strait of Hormuz remains blocked, the persistent deficit in physical supply will force increasingly costly supply chain adjustments, likely worsening the inflationary outlook for the coming months.

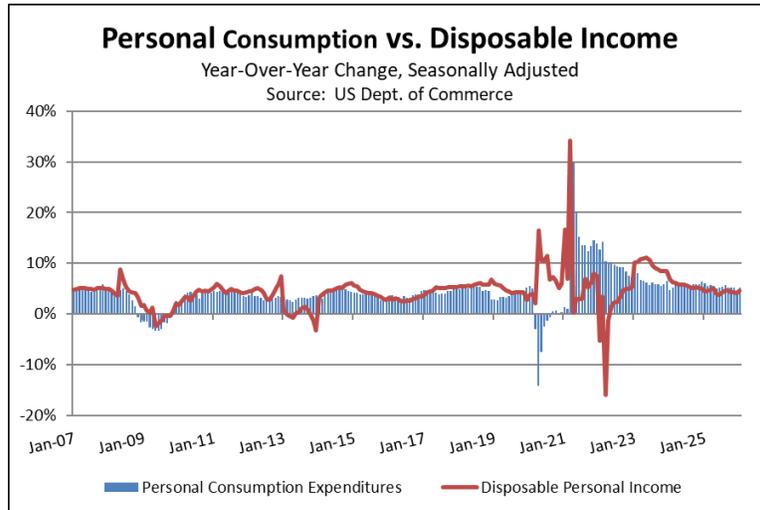
War Broadening: The conflict in the Middle East continues to show signs of spilling beyond the Gulf. On Friday, [Turkey reported that NATO forces intercepted a third Iranian missile that had entered its airspace](#). These incidents are likely to reinforce concerns that the war will be prolonged and could draw in additional countries, with any further widening of the conflict likely to put upward pressure on oil prices by heightening the risk of new supply disruptions.

Software Assured? Ratings agency S&P Global [has offered some reassurance that the debt backing software firms is unlikely to face broad, sector-wide downgrades](#). In a report published this week, it said that while AI has the potential to fundamentally reshape parts of the software industry, the impact on credit quality is expected to play out on a case-by-case basis and over a longer period, rather than triggering an immediate, uniform shock.

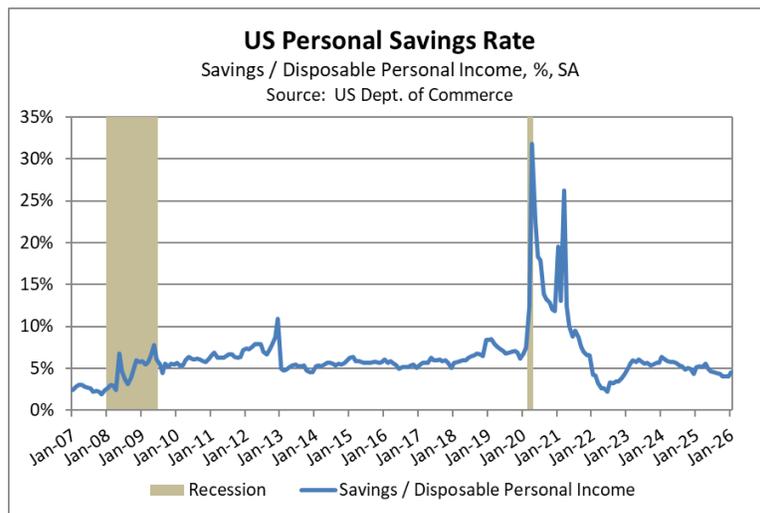
Tariff Refund: Retailers are facing a [new wave of consumer litigation following the Supreme Court's invalidation of IEEPA tariffs](#). A proposed class-action suit against Costco asserts that shoppers should receive any tariff refunds the company recovers from the federal government, arguing that higher retail prices effectively forced consumers to pay those duties. This case highlights the broader regulatory and accounting mess following the February ruling, as both the government and private sector struggle to interpret how to process and distribute refunds.

US Economic Releases

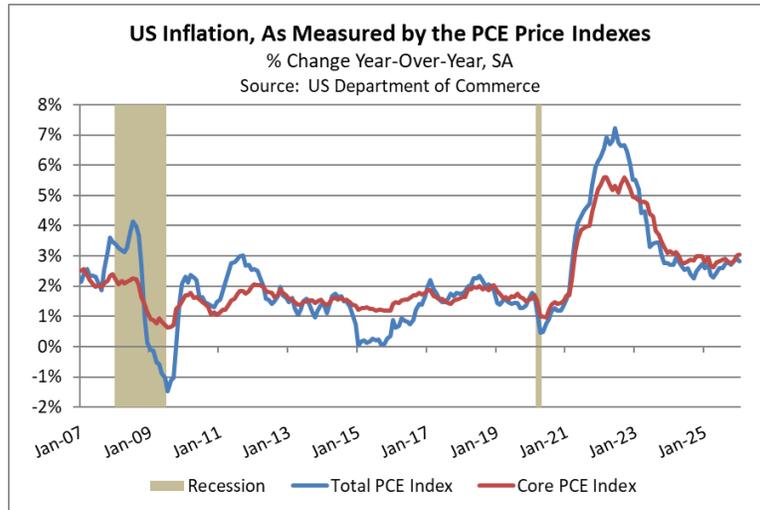
January *personal income* rose by a seasonally adjusted 0.4%, slightly missing the expected increase of 0.5% but still enough to mark an improvement from the 0.3% rise in December. Meanwhile, January *personal consumption expenditures (PCE)* also rose 0.4%, beating their anticipated gain of 0.3% and matching their 0.4% increase in the previous month. Personal income in January was up 4.4% from the same month one year earlier, while PCE was up 5.3%. The chart below shows the year-over-year change in personal income and PCE since just before the Great Financial Crisis.



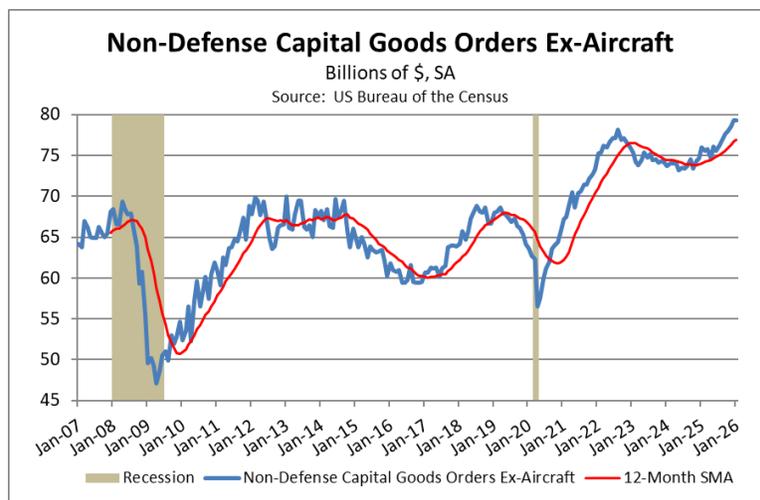
The personal income and spending report also includes a measure of personal saving, defined as disposable (after tax) income less consumption spending on goods and services. The January **personal savings rate** rose to a seasonally adjusted 4.5%. The chart below shows how the personal savings rate has fluctuated since just before the GFC.



Finally, the income and spending report includes the Federal Reserve’s preferred measure of consumer price inflation. After stripping out the volatile food and energy components, January’s **Core PCE Deflator** was up 3.1% from the same month one year earlier, compared with a 3.0% increase in the year to December. The chart below shows the year-over-year change in the Core PCE Deflator since just before the GFC.

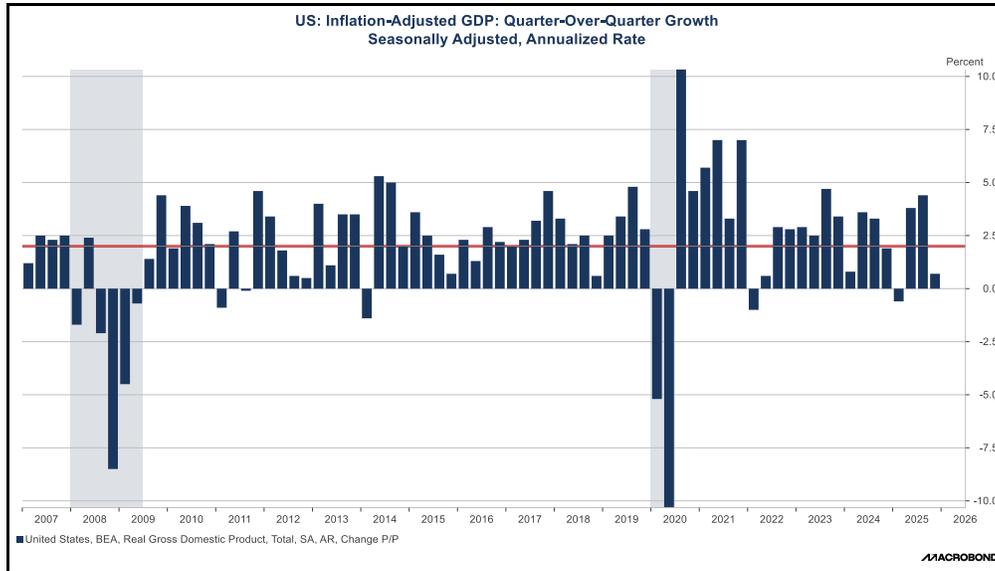


January **durable goods orders** were unchanged on a seasonally adjusted basis, far short of the expected rise of 1.1% but still better than the revised decline of 0.9% in December. Durable goods orders are often driven by transportation equipment, where just a few airliner orders can have a big impact. January **durable goods orders excluding transportation** rose 0.4%, missing the expected gain of 0.5% and far less than the revised 1.3% increase in December. Finally, the durable goods report also includes a key proxy for corporate capital investment. In January, nondefense capital goods orders ex-aircraft were unchanged, far short of the anticipated increase of 0.5% and the December gain of 0.8%. Compared with the same month one year earlier, overall durable goods orders in January were up 9.0%, while durable orders ex-transport were up 4.4%. Nondefense capital goods orders ex-aircraft were up 2.9%. The chart below shows the progression of nondefense capital goods orders ex-aircraft since just before the GFC.

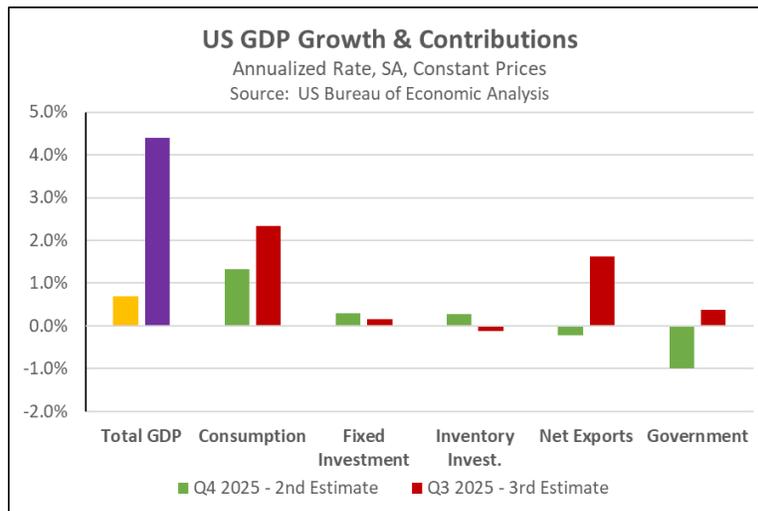


Finally, the Commerce Department released its second regular estimate of economic activity in the fourth quarter of 2025. After stripping out seasonal factors and price changes, fourth-quarter **gross domestic product (GDP)** rose at an annualized rate of just 0.7%, only half the 1.4% growth rate in the previous estimate. The chart below shows the annualized growth rate of US GDP

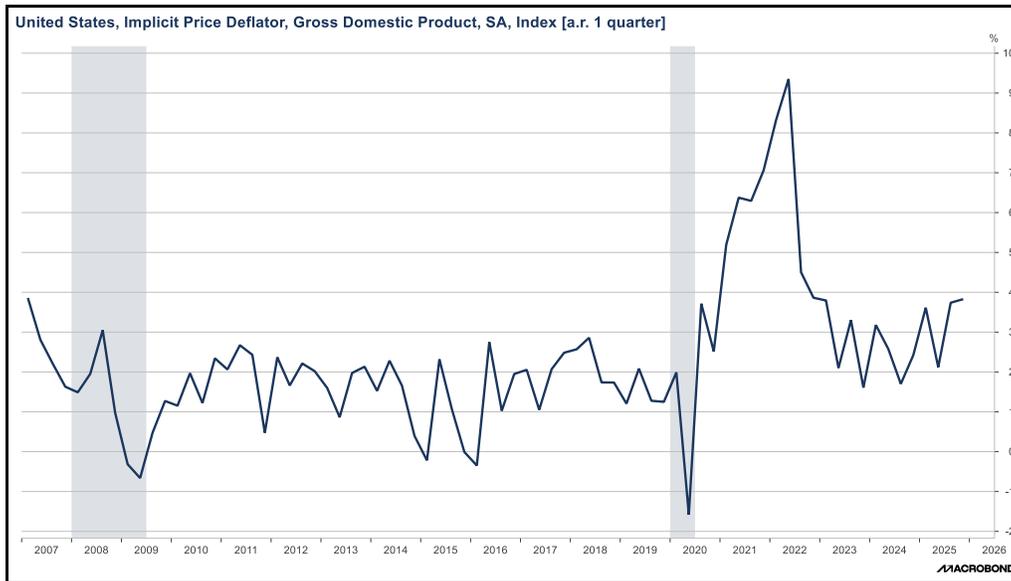
since just before the GFC; the horizontal gray line indicates the average growth rate of 2.0% over the last two decades.



A close look at the details in the report shows that the main source of growth in the quarter was consumer spending, but that was largely offset by a big drop in government spending (mostly at the state and local levels). The chart below shows the contributions to the annualized growth rate in the fourth quarter.



The GDP report also includes the broadest measure of US price inflation. The fourth-quarter **GDP Price Index** rose at an annualized rate of 3.8%. The chart below shows the year-over-year change in the GDP Price Index since 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	U. of Michigan Consumer Sentiment	m/m	Mar P	54.8	56.6	***
10:00	U. of Michigan Current Conditions	m/m	Mar P	54.9	56.6	**
10:00	U. of Michigan Future Expectations	m/m	Mar P	54.5	56.6	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Mar P	3.7%	3.4%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Mar P	3.4%	3.3%	*
10:00	JOLTS Job Openings	m/m	Jan	6750k	6542k	*
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								
New Zealand	BusinessNZ Manufacturing PMI	m/m	Feb	55.0	55.1		***	Equity and bond neutral
China	New Yuan Loans CNY YTD	m/m	Feb	5610.0b	4710.0b	5576.0b	**	Equity and bond neutral
	Aggregate Financing CNY YTD	q/q	Feb	9600.0b	7220.0b	9245.4b	**	Equity and bond neutral
	Money Supply M2	y/y	Feb	9.0%	9.0%	8.9%	***	Equity and bond neutral
	Money Supply M1	y/y	Feb	5.9%	4.9%	5.1%	*	Equity and bond neutral
	Money Supply M0	y/y	Feb	14.1%	2.7%		*	Equity and bond neutral
EUROPE								
Eurozone	Industrial Production WDA	y/y	Jan	-1.2%	2.2%	1.3%	**	Equity bearish, bond bullish
Germany	Wholesale Price Index	y/y	Feb	1.2%	1.2%		**	Equity and bond neutral
France	CPI	y/y	Feb F	0.9%	1.0%	1.0%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Feb F	1.1%	1.1%	1.1%	**	Equity and bond neutral
	CPI Ex-Tobacco Index	q/q	Feb	100.2%	99.57%	100.3%	*	Equity and bond neutral
Italy	Industrial Production WDA	y/y	Jan	-0.6%	2.7%	0.8%	***	Equity bearish, bond bullish
UK	GDP	m/m	Jan	0.0%	0.1%	0.2%	***	Equity and bond neutral
	Industrial Production	y/y	Jan	0.4%	0.5%	0.6%	***	Equity and bond neutral
	Manufacturing Production	y/y	Jan	1.3%	0.5%	1.5%	**	Equity and bond neutral
	Index of Services 3M/3M	m/m	Jan	0.2%	0.0%	0.3%	**	Equity and bond neutral
	Construction Output	y/y	Jan	-0.2%	-0.3%	-0.1%	*	Equity and bond neutral
	Visible Trade Balance GBP/Mn	m/m	Jan	-£14449m	-£22724m	-£22150m	**	Equity and bond neutral
	Trade Balance GBP/Mn	m/m	Jan	-£3900m	-£4340m	-£3900m	**	Equity and bond neutral
Russia	Money Supply, Narrow Definition	w/w	6-Mar	19.81t	19.63t		*	Equity and bond neutral
AMERICAS								
Canada	International Merchandise Trade	m/m	Jan	-3.65b	-1.30b	-1.30b	*	Equity and bond neutral
	Wholesale Sales ex Petroleum	m/m	Jan	-1.0%	1.8%	-0.6%	**	Equity and bond neutral
	Building Permits	m/m	Jan	4.8%	6.1%	-2.0%	**	Equity bullish, bond bearish
Mexico	Industrial Production	y/y	Jan	-1.1%	2.4%	1.6%	***	Equity bearish, bond bullish
	Manufacturing Production	y/y	Jan	-1.1%	0.1%	0.1%	*	Equity bearish, bond bullish
Brazil	IBGE Services Volume	y/y	Jan	3.3%	3.6%	2.7%	*	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)	360	361	-1	Up
U.S. Sibor/OIS spread (bps)	369	368	1	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.25	4.26	-0.01	Up
Euribor/OIS spread (bps)	215	212	3	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
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.

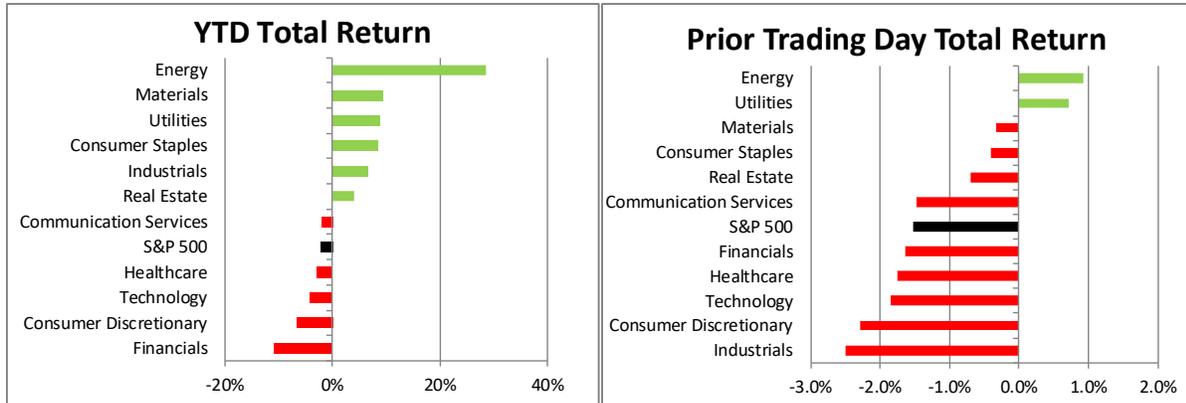
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$99.95	\$100.46	-0.51%	
WTI	\$94.44	\$95.73	-1.35%	
Natural Gas	\$3.28	\$3.23	1.30%	
Crack Spread	\$41.69	\$41.27	1.01%	
12-mo strip crack	\$31.38	\$31.00	1.23%	
Ethanol rack	\$2.01	\$2.00	0.32%	
Metals				
Gold	\$5,095.00	\$5,079.21	0.31%	
Silver	\$83.26	\$83.84	-0.70%	
Copper Contract	\$580.35	\$586.80	-1.10%	
Grains				
Corn contract	\$461.00	\$462.50	-0.32%	
Wheat contract	\$598.75	\$598.50	0.04%	
Soybeans contract	\$1,218.00	\$1,227.25	-0.75%	
Shipping				
Baltic Dry Freight	1,972	1,926	46	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	3.82	2.50	1.32	
Gasoline (mb)	-3.65	-2.00	-1.65	
Distillates (mb)	-1.35	-0.95	-0.40	
Refinery run rates (%)	0.16%	-0.50%	0.66%	
Natural gas (bcf)	-38	-41	3	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the West Coast to the East Coast, with cooler-than-normal temperatures in New England. The outlook calls for wetter-than-normal conditions in the Pacific Northwest, New England, and southern Florida, with dry conditions virtually everywhere else.

Data Section

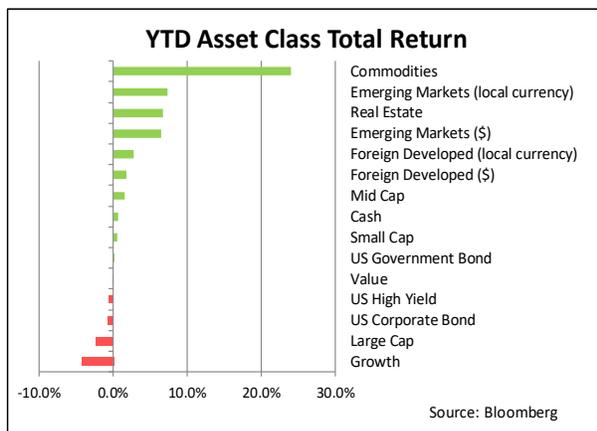
US Equity Markets – (as of 3/12/2026 close)



(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 3/12/2026 close)

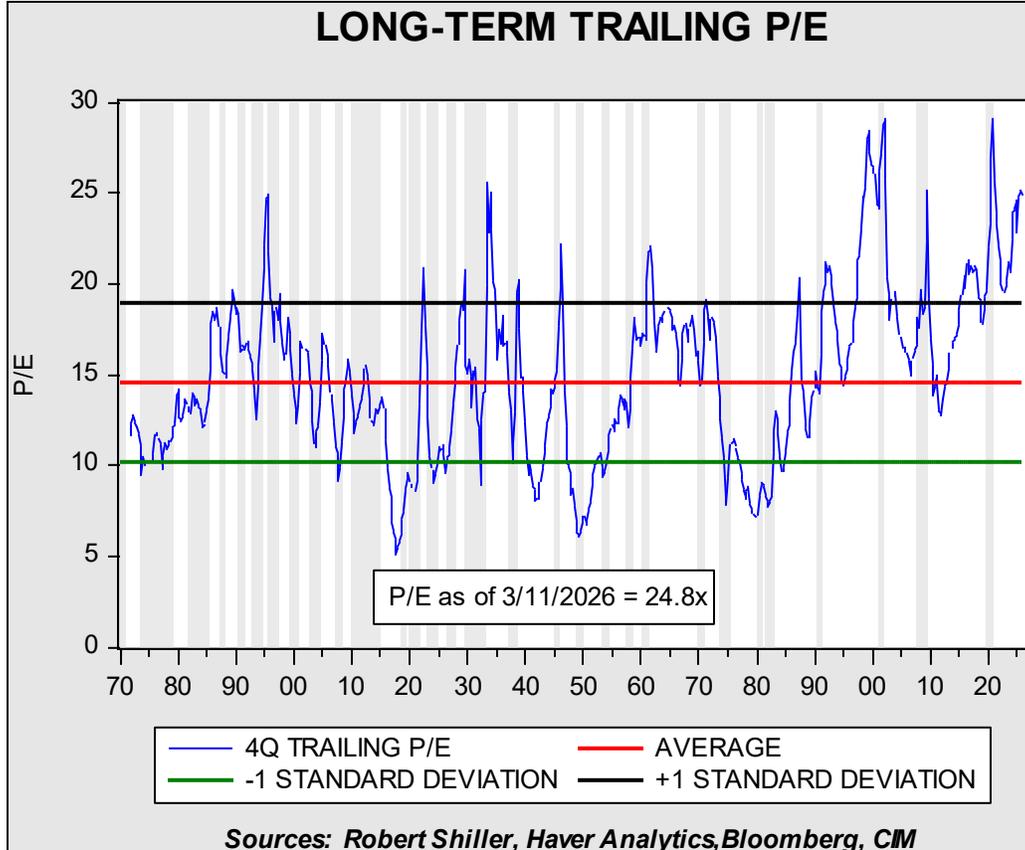


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 12, 2026



Based on our methodology,¹ the current P/E is 24.8x, unchanged from the previous report. Last week, the stock price index fell slightly, 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.

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.