Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 16, 2026 — 9:30 AM ET] Global equity markets are generally higher 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 up 1.1%. Chinese markets were mixed, with the Shanghai Composite down 0.3% and the Shenzhen Composite up 0.2%. 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 Geopolitics of US Dollar Stablecoins" (3/9/26) + **podcast (3/13/26)**	**"Are Long-Term Treasurys No Longer a Safe Haven?" (3/16/26) + podcast**	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 an update on the US-Israeli war against Iran and President Trump's call for foreign nations to chip in with naval forces to restart the flow of oil, natural gas, and other commodities through the Strait of Hormuz. We next review several other international and US developments with the potential to affect the financial markets today, including a preview of this week's many central bank policy meetings around the world and the start of talks on updating the USMCA trade agreement.

United States-Israel-Iran: President Trump on Saturday called on foreign countries such as China, France, and Japan to send naval forces to the Persian Gulf to help secure commercial shipping traffic through the Strait of Hormuz. The call has produced political headaches for countries as it would put their navy ships at risk for a war they didn't start. They also may be reluctant to contribute if they feel they can't rely on the US military coordinating with them. Still, in the interest of easing energy prices, many are mulling whether and how to help.

- Separately, US Energy Secretary Chis Wright yesterday warned that there are "no guarantees" that oil prices would fall in the coming weeks," despite rosier assessments from the White House.
- Indeed, the *Wall Street Journal* reported over the weekend that top US energy firms such as Exxon Mobil and Chevron have warned the US administration that energy prices could well keep rising as long as hostilities continue.
- On a more positive note, however, Iranian Foreign Minister Araghchi said yesterday that the strait "is open to everyone, except American ships and those of its allies." That could suggest that Iran is open to letting some shipping through the strait, although ship owners, crews, and insurers are still likely to avoid the area until the fighting ceases definitively.
- On balance, investors appear to be encouraged by the weekend developments, pushing oil prices lower so far today and giving a boost to US stock index futures.

Global Monetary Policy: Major central banks from the Federal Reserve to the European Central Bank and the Bank of England will hold their latest policy meetings this week, and all are expected to hold their benchmark short-term interest rates unchanged as they gauge the potential impact of the Iran war on consumer price inflation. The Fed will open its meeting on Tuesday and will release its decision on Wednesday at 2:00 PM ET. Investors are nearly unanimous in expecting it to hold its fed funds rate at the current 3.50% to 3.75%.

United Kingdom: In response to the massive jump in natural gas prices touched off by the war against Iran, the British energy industry is reportedly pressuring the government to boost the country's investment in gas storage facilities. The aim would be to give the UK economy emergency reserves that could help it better weather supply shocks. More broadly, we see the effort as consistent with our view that global fracturing and rising geopolitical tensions will spark more hoarding of natural resources and drive up commodity prices over the longer term.

Cuba: With the US continuing to essentially blockade oil deliveries to Cuba even as it wages its war against Iran, reports show a growing number of Cubans are protesting against their regime. The growing protests suggest the US policy is prompting greater popular unrest, which could potentially encourage further US pressure on Cuba once the US administration can divert its attention from Iran.

United States-Mexico-Canada: The US and Mexico today launch their long-planned review of the USMCA free-trade agreement that was struck in 2020 to replace the previous NAFTA deal. The talks will focus on curbing imports from Asia and other regions, tightening the rules that make products eligible for USMCA benefits, and improving North America's supply chain security. However, the US administration has indicted its displeasure with the trade deal, so the result could well be a significant weakening of it, to the detriment of Mexico and Canada.

US Monetary Policy: A federal judge late Friday invalidated the Department of Justice's subpoenas against the Federal Reserve and Chair Powell, accusing the White House of issuing them for political purposes. According to the judge, "There is abundant evidence that the subpoenas' dominant (if not sole) purpose is to harass and pressure Powell either to yield to the President or to resign and make way for a Fed Chair who will."

- The DOJ has already said it will appeal the ruling, potentially delaying the confirmation of Kevin Warsh as the new Fed chair.
- That means the Fed is likely to continue holding its benchmark short-term interest rate steady at its current high level. As we have argued in the past, any rate cuts this year are likely to be backloaded in the second half of 2026.

US Private Credit Industry: In new research published today, credit hedge fund Davidson Kempner Capital Management warns that the private capital industry's problems are far worse than Wall Street has acknowledged, as traditional metrics obscure weaknesses in the leveraged buyout market. The analysis indicates that excessive leverage, weak cash flows, and loose debt contracts have converged to significantly boost the risk of defaults. The news will likely raise further concerns about growing risks in the US financial system.

US Movie Industry: At last night's Academy Awards ceremony, Warner Brothers production *One Battle After Another* won six Oscars, including for best picture and best director. The movie beat out *Sinners*, also from Warner Brothers, which won four Oscars.

China: Retail sales in January and February were up 2.8% from the same period one year earlier, roughly matching expectations and accelerating from a gain of 0.9% in the year to December. Fixed-asset investment in the same period was up 1.8% on the year, beating expectations and reversing part of its 3.8% decline in 2025. Despite the improved figures, however, home sales in the period were down 22.0% year-over-year, reflecting how the lingering effects of China's real estate bubble continue to weigh on economic growth.

France: In the first round of local elections yesterday, the far-right populist National Rally did well across the country, including in the southern areas it was prioritizing. That sets the party up to sharply increase its local political power after the run-off elections of March 22. The elections are being taken as an indicator of how well National Rally could do in the presidential election next year. If it wins the presidency, France would likely undergo major policy changes, such as embracing Russia in foreign policy and enacting populist economic policies at home.

US Economic Releases

The New York FRB said its February Empire State Manufacturing Index fell sharply to a seasonally adjusted -0.2, well below estimates of 3.2 and the February reading of 7.1. This index is designed so that positive readings point to expanding factory activity in New York state. While the February reading was poor, the six-month average remains well above zero, suggesting that activity overall remains strong. At its current level, the six-month average suggests manufacturing continues to have momentum. The chart below shows how the index has fluctuated since 2002.

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	NAHB Housing Market Index	m/m	Mar	37	36	*
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								
China	Retail Sales	y/y	Feb	2.8%		2.5%	**	Equity and bond neutral
	Industrial Production	y/y	Feb	6.6%		5.3%	***	Equity bullish, bond bearish
	Fixed Assets Ex Rural YTD	y/y	Feb	1.8%		-5.1%	**	Equity bullish, bond bearish
India	Wholesale Prices	m/m	Feb	2.13%	1.81%	2.10%	*	Equity and bond neutral
	Trade Balance	m/m	Feb	-27104m	-34678m	-25896m	**	Equity and bond neutral
	Exports	y/y	Feb	-0.8%	0.6%		**	Equity and bond neutral
	Imports	y/y	Feb	24.1%	19.2%		**	Equity and bond neutral
	Unemplyment Rate	y/y	Feb	4.9%	5.0%		*	Equity and bond neutral
EUROPE								
UK	Rightmove House Prices	y/y	Mar	-0.20%	0.00%		**	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	13-Mar	433.5b	428.9b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	13-Mar	454.4b	454.1b		*	Equity and bond neutral
Russia	Trade Balance	m/m	Jan	6.6b	9.8b		**	Equity and bond neutral
	Exports	m/m	Jan	27.5b	43.9b		*	Equity and bond neutral
	Imports	m/m	Jan	20.9b	34.0b		*	Equity and bond neutral
	Gold and Forex Reserves	m/m	6-Mar	$802.2b	$811.1b		***	Equity and bond neutral
	CPI	y/y	Feb	5.9%	6.0%	5.7%	***	Equity and bond neutral
	Core CPI	y/y	Feb	5.2%	5.4%		**	Equity and bond neutral
AMERICAS								
Canada	Manufacturing Sales	m/m	Jan	-3.0%	0.4%	-3.3%	**	Equity and bond neutral
	Net Change in Employment	m/m	Feb	-83.9k	-24.8k	10.0k	***	Equity bearish, bond bullish
	Unemployment Rate	m/m	Feb	6.7%	6.5%	6.6%	***	Equity and bond neutral
	Participation Rate	m/m	Feb	64.9%	65.0%		*	Equity and bond neutral
	Capacity Utilization Rate	y/y	4Q	78.5%	78.9%	78.4%	*	Equity and bond neutral
Brazil	Econimic Activity	y/y	Jan	1.0%	3.02%	1.6%	**	Equity bearish, bond bullish

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	369	0	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.25	4.28	-0.03	Up
Euribor/OIS spread (bps)	216	215	1	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.

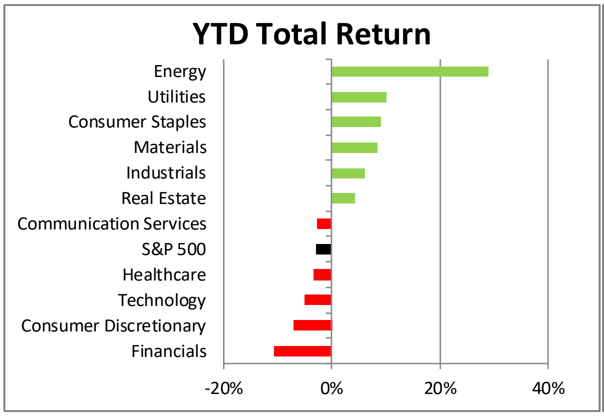
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$103.59	$103.14	0.44%	
WTI	$97.66	$98.71	-1.06%	
Natural Gas	$3.10	$3.13	-0.96%	
Crack Spread	$43.77	$42.48	3.04%	
12-mo strip crack	$31.77	$31.67	0.30%	
Ethanol rack	$2.02	$2.02	0.13%	
Metals				
Gold	$5,017.96	$5,019.49	-0.03%	
Silver	$79.38	$80.59	-1.51%	
Copper Contract	$575.85	$575.70	0.03%	
Grains				
Corn contract	$461.75	$467.25	-1.18%	
Wheat contract	$606.75	$613.75	-1.14%	
Soybeans contract	$1,192.00	$1,225.25	-2.71%	
Shipping				
Baltic Dry Freight	2,028	1,972	56	

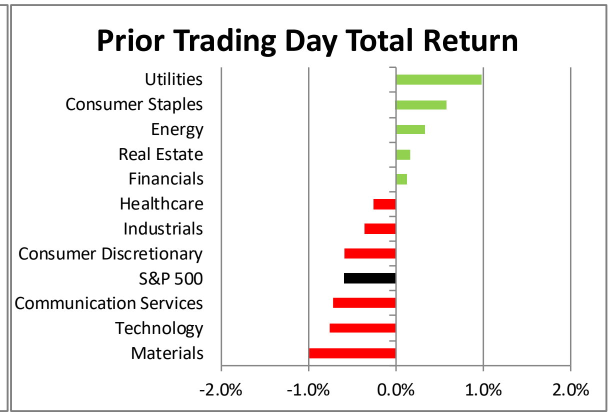
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with cooler-than-normal temperatures in the Midwest and New England. The precipitation outlook calls for wetter-than-normal conditions in the Pacific Northwest, with dry conditions virtually everywhere else.

Data Section

US Equity Markets – (as of 3/13/2026 close)

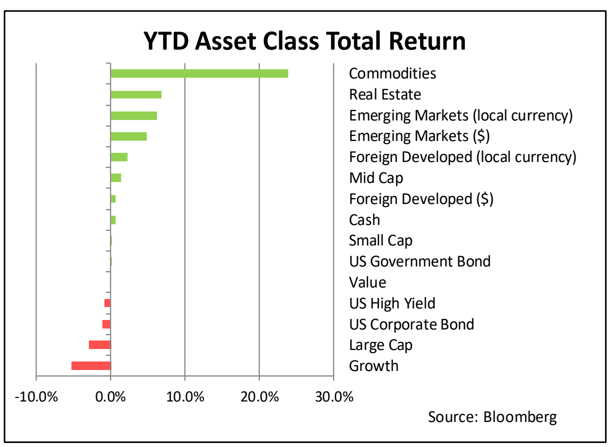




(Source: Bloomberg)

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 3/13/2026 close)

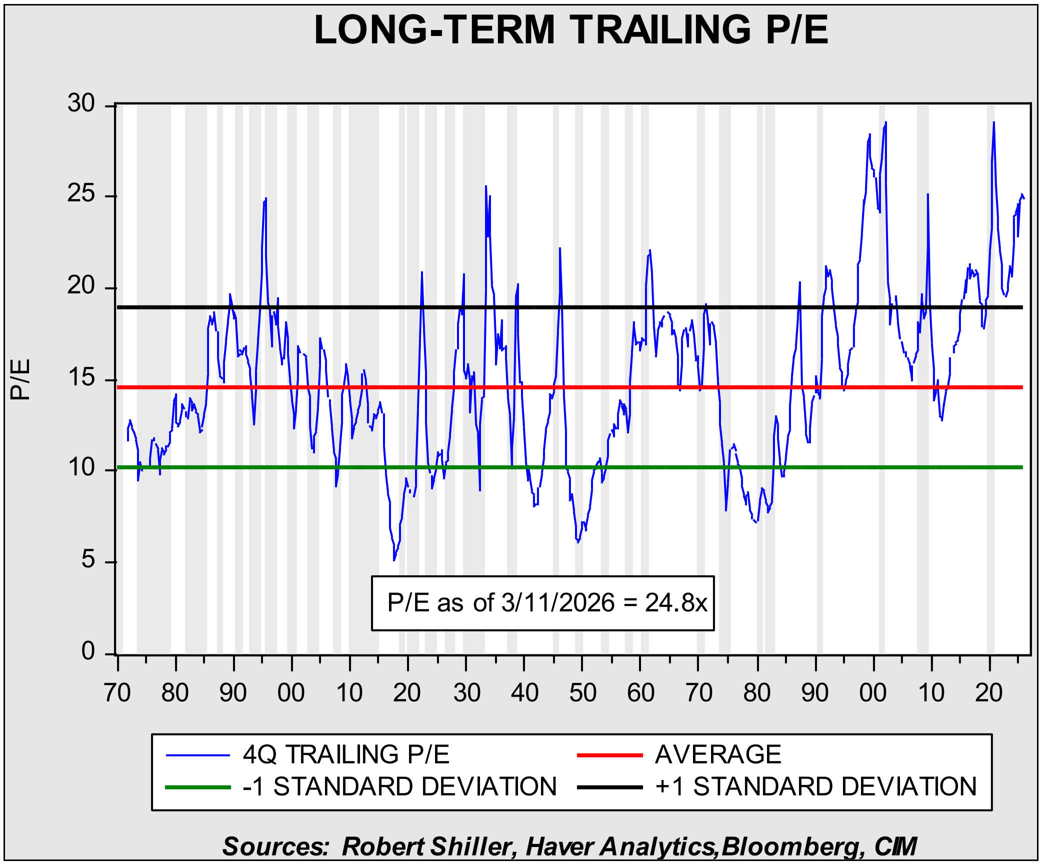


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.

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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.