



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: March 19, 2026 — 9:30 AM ET]** Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 2.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 3.4%. Chinese markets were lower, with the Shanghai Composite down 1.4% and the Shenzhen Composite down 2.3%. US equity index futures are signaling a lower 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
<a href="#">“The Geopolitics of US Dollar Stablecoins”</a> (3/9/26) + <a href="#">podcast</a> (3/13/26)	<a href="#">“Are Long-Term Treasuries No Longer a Safe Haven?”</a> (3/16/26) + <a href="#">podcast</a>	<a href="#">Q1 2026 Report</a>  <a href="#">Q1 2026 Rebalance Presentation</a>	<a href="#">The Case for Hard Assets</a>  <a href="#">Confluence of Ideas podcast</a>

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](mailto:mailbag@confluenceim.com).

Our *Comment* begins with our take on the latest Federal Reserve announcement, followed by an update on the conflict in the Middle East. We then turn to key market developments, including the US softening its assessment of China’s ambitions toward Taiwan, the Bank of Japan’s decision to hold rates steady, and an Apple supplier’s move to diversify its rare earth supply chain. As always, we also include a summary of recent US and international economic data releases.

**Fed Stands Pat:** The Federal Reserve [kept rate cuts on the table after its two-day meeting](#), while signaling that officials are still digesting the implications of the ongoing conflict. On Wednesday, the Fed voted 11–1 to leave the policy rate unchanged at a target range of 3.50% to 3.75%, with Governor Stephen Miran dissenting in favor of an immediate cut. While the rate announcement appeared to have a dovish tilt, the forward guidance from the press conference and the Summary of Economic Projections made clear that policymakers have not yet settled on a firm policy path.

- During the press conference, Fed Chair Jerome Powell emphasized that while the committee expects higher energy prices to put upward pressure on both headline and core inflation, it does not yet have a clear sense of how large or persistent that impact will be. He also noted that tariff-related goods inflation remains a key driver of current price pressures and said policymakers are watching for signs that those effects begin to fade over the coming months, even as the war adds a new layer of uncertainty to the outlook.
- Powell further cautioned against the over-interpreting of the Summary of Economic Projections, stressing that the evolving conflict and associated oil shock could significantly alter the outlook in the near term. That uncertainty is reflected in the new SEP, where Fed officials marked up their 2026 forecasts for growth and inflation while leaving their unemployment estimate broadly unchanged and still signaling just one rate cut this year.
- While the inclusion of a rate cut in the Fed’s projections may look dovish at first glance, Powell made clear it is far from guaranteed. He stressed that the committee will not begin easing until it has “greater confidence” that inflation is moving sustainably toward the 2% target. That caveat weighed on market sentiment, reinforcing speculation that, with the Middle East conflict likely to push prices higher in the near term, inflation could drift further from target and make even a single 2026 cut harder to deliver.
- Moreover, given that this is likely to be Chair Powell’s final Summary of Economic Projections, we see it as carrying limited weight for the future policy path. While a sharp policy shift could become necessary if the growth or inflation outlook changes materially, we expect Powell and the Committee to refrain from major adjustments at that meeting, preferring instead to hand over a clean slate to his successor. In our view, this reduces the likelihood of the Fed moving rates, in either direction, before the summer.

**A Push for Calm:** Attacks on energy facilities around the Red Sea and the Persian Gulf have prompted [President Trump to call for calm](#). On Wednesday, both Israel and Iran struck critical energy infrastructure in the region, with [key natural gas and oil installations in Iran, Qatar, and Saudi Arabia reportedly affected](#). The resulting supply disruptions pushed Brent crude above \$115 a barrel, with prices at risk of testing \$120 if the conflict continues to escalate.

- The rise in energy prices comes as the war continues to intensify. President Trump has used the latest attacks to urge both sides to stop striking energy infrastructure, while tying that restraint to a new threat of US retaliation. He has pledged that Israel will carry out no further attacks on Iran’s South Pars gas field unless Tehran hits Qatar again, and he warned that in that case the United States would “massively blow up” the field itself.
- The call for calm comes amid growing signs that the war could trigger a broader global energy crunch. European countries have already seen a sharp rise in energy costs, with benchmark gas prices jumping since Iran’s attacks on natural gas facilities in Qatar. At the same time, several [Asian governments are exploring ways to conserve fuel](#) to avoid straining supplies, and there is mounting concern that some [African nations could face outright shortages if disruptions persist](#).
- The longer facilities remain damaged or shut in, the more protracted the process of restoring normal production will be. Because many petroleum extraction and storage sites

are not designed for extended periods of inactivity, prolonged downtime can complicate maintenance, accelerate equipment degradation, and ultimately make it more difficult and costly to bring capacity fully back online once the conflict subsides.

- The timing of any resolution to the conflict remains highly uncertain, but its economic aftershocks are likely to persist for weeks, and in some cases months. In our view, this raises the risk of an uptick in inflation as supply disruptions and precautionary buying push energy prices higher. Against this backdrop, we expect energy companies to fare relatively well, as tighter supply and elevated prices are likely to support margins for producers.

**US Reduces Alarm:** The US intelligence community's latest Annual Threat Assessment marks a notable shift in its outlook on Taiwan, [stating that Beijing does not currently plan to execute an invasion by 2027](#). While Beijing remains committed to reunification, the report suggests that China has no fixed timeline for this objective and maintains a strong preference for a peaceful resolution over military conflict. This more tempered outlook also reflects a softening of tensions between the US and China as both sides explore the possibility of another trade agreement.

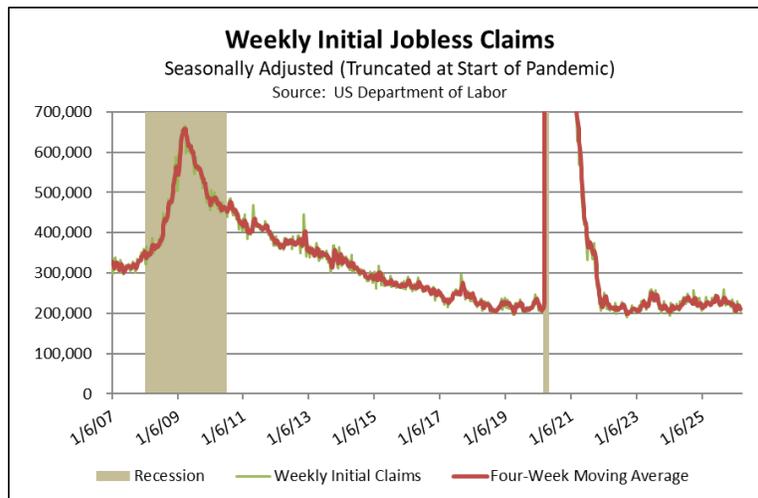
**Bank of Japan:** The Bank of Japan [left its benchmark interest rate unchanged at 0.75%](#), citing heightened uncertainty stemming from the conflict in the Middle East. In his press conference, Governor Kazuo Ueda indicated that policymakers are trying to look through the short-term effects of the turmoil and keep the option of an April rate hike on the table. The decision, coming shortly after the Federal Reserve also chose to hold rates steady, underlines that major central banks are inclined to be patient and data-dependent as the conflict unfolds.

**US Decoupling:** Apple supplier Murata Manufacturing [plans to reduce its reliance on Chinese rare earth elements](#) over the next three years. This shift comes as nations increasingly seek to insulate their supply chains from geopolitical volatility, particularly after China utilized its rare earth dominance as leverage in trade negotiations. Diversification is expected to become a defining global trend as industries strive to mitigate vulnerability to future supply shocks.

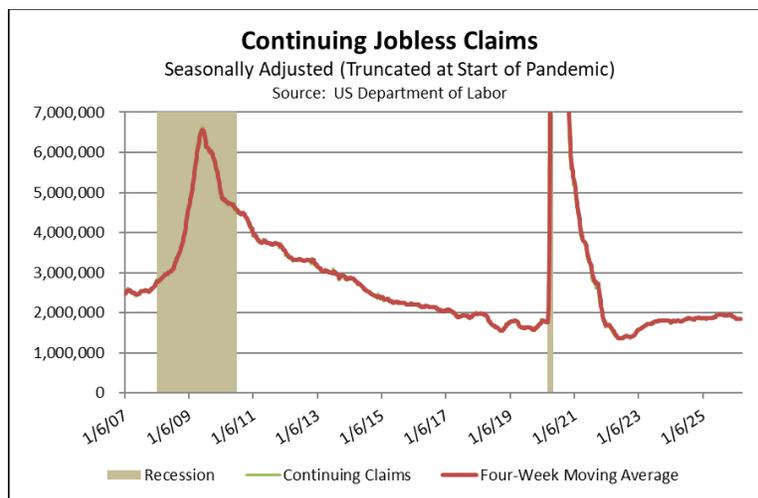
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## US Economic Releases

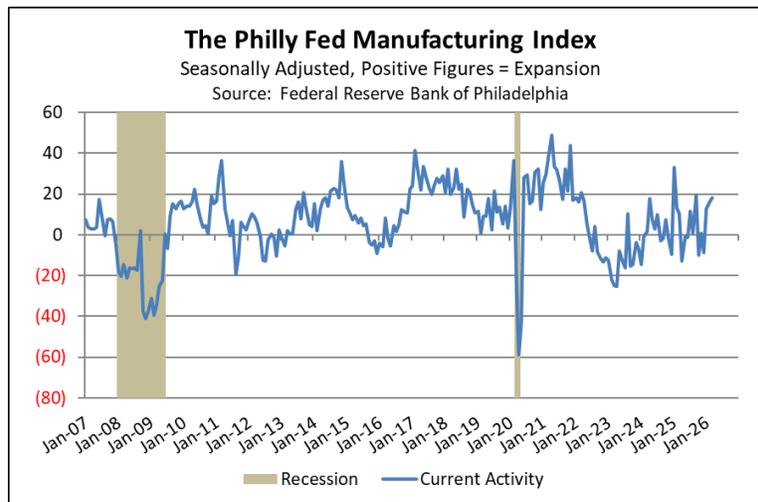
In the week ended March 14, *initial claims for unemployment benefits* fell to a seasonally adjusted 205,000, below both the expected level of 215,000 and the previous week's level of 213,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, fell to a very low 210,750. The chart below shows how initial jobless claims have fluctuated since just before the Great Financial Crisis. The chart is truncated through much of the pandemic period because of the extremely high level of claims at that time.



In the week ended March 7, the number of *continuing claims for unemployment benefits* (people continuing to draw benefits) rose to a seasonally adjusted 1.857 million, above both the anticipated reading of 1.852 million and the prior week’s revised reading of 1.847 million. The four-week moving average of continuing claims rose to a still modest 1,850,500. The chart below shows how continuing claims have fluctuated since the GFC. It is also truncated during the pandemic period because of the high level of claims at the time.



Separately, the Philadelphia FRB said its March *Philly Fed Index* rose to a seasonally adjusted 18.1, far better than the expected level of 8.0 and up from 16.3 in February. The index, officially designated as the Philadelphia FRB Manufacturing Activity Index, is designed so that positive readings point to expanding factory activity in the mid-Atlantic region. At its current level, the index suggests mid-Atlantic manufacturing is growing strongly again. The chart below shows how the index has fluctuated 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	Leading Economic Index	m/m	Feb	-0.1%	-0.2%	***
10:00	New Home Sales	m/m	Jan	722k	745k	***
10:00	New Home Sales MoM	m/m	Jan	-2.7%	-1.7%	**
10:00	Wholesale Inventories	m/m	Jan F	0.2%	0.2%	**
10:00	Wholesale Trade Sales	m/m	Jan	0.5%	1.0%	*
10:00	Building Permits	m/m	Jan F		1376k	**
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
<b>ASIA-PACIFIC</b>								
<b>Japan</b>	Core Machine Orders	y/y	Jan	13.7%	16.8%	9.0%	**	Equity bullish, bond bearish
	Japan Buying Foreign Bonds	w/w	13-Mar	-¥992.0b	¥402.5b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	13-Mar	¥950.7b	¥163.1b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	13-Mar	¥1194.1b	-¥963.6b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	13-Mar	-¥1772.6b	¥385.5b		*	Equity and bond neutral
<b>Australia</b>	Employment Change	m/m	Feb	48.9k	26.1k	20.0k	***	Equity and bond neutral
	Unemployment Rate	m/m	Feb	4.3%	4.1%	4.1%	***	Equity and bond neutral
	Participation Rate	m/m	Feb	66.9%	66.7%	66.7%	**	Equity and bond neutral
<b>New Zealand</b>	GDP	y/y	Q4	1.3%	1.1%	1.7%	***	Equity and bond neutral
<b>EUROPE</b>								
<b>Eurozone</b>	Construction Output	y/y	Jan	-1.9%	0.8%		*	Equity and bond neutral
<b>UK</b>	Average Weekly Earnings 3M/YoY	m/m	Jan	3.90%	4.20%	3.90%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Jan	5.20%	5.20%	5.30%	**	Equity and bond neutral
	Claimant Count Rate	m/m	Feb	4.40%	4.30%		**	Equity and bond neutral
	Jobless Claims Change	m/m	Feb	24.7k	4.7k		**	Equity and bond neutral
<b>Switzerland</b>	Real Exports	m/m	Feb	-0.3%	7.2%		*	Equity and bond neutral
	Real Imports	m/m	Feb	-5.1%	2.3%		*	Equity and bond neutral
<b>Russia</b>	PPI	y/y	Feb	-5.2%	-5.0%		***	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	Int'l Securities Transactions	m/m	Jan	46.73b	-5.84b		**	Equity and bond neutral
<b>Mexico</b>	International Reserves Weekly	w/w	13-Mar	\$256365m	\$257021m		*	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
<b>3-mo T-bill yield (bps)</b>	361	362	-1	Up
<b>U.S. Sibor/OIS spread (bps)</b>	370	370	0	Up
<b>U.S. Libor/OIS spread (bps)</b>	367	366	1	Up
<b>10-yr T-note (%)</b>	4.29	4.27	0.02	Up
<b>Euribor/OIS spread (bps)</b>	212	215	-3	Up
<b>Currencies</b>	<b>3 Mo</b>			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Flat
<b>Central Bank Action</b>	<b>Actual</b>	<b>Prior</b>	<b>Expected</b>	
FOMC Rate Decision (Upper Bound)	3.75%	3.75%	3.75%	On Forecast
FOMC Rate Decision (Lower Bound)	3.50%	3.50%	3.50%	On Forecast
FOMC Rate on Reserve Balances	3.65%	3.65%	3.65%	On Forecast
Bank of England Bank Rate	3.75%	3.75%	3.75%	On Forecast
BOJ Target Rate	0.75%	0.75%	0.75%	On Forecast
Swiss National Bank Policy Rate	0.00%	0.00%	0.00%	On Forecast
Bank of Canada Rate Decision	2.25%	2.25%	2.25%	On Forecast
Brazil Selic Rate	14.75%	15.00%	14.75%	On Forecast

## 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.

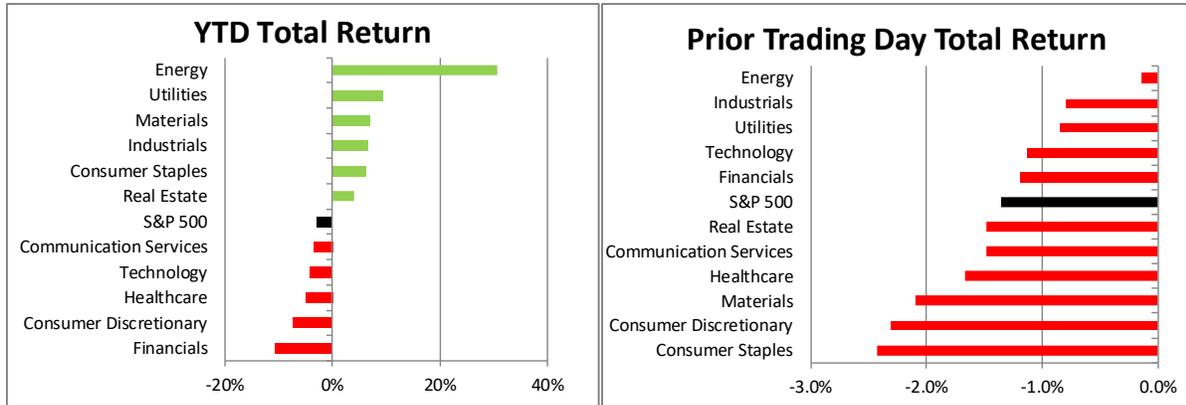
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$114.41	\$107.38	6.55%	Middle East Conflict
WTI	\$97.57	\$96.32	1.30%	
Natural Gas	\$3.19	\$3.07	4.11%	Middle East Conflict
Crack Spread	\$53.84	\$47.77	12.71%	Middle East Conflict
12-mo strip crack	\$36.31	\$33.80	7.44%	Middle East Conflict
Ethanol rack	\$2.07	\$2.05	1.04%	
<b>Metals</b>				
Gold	\$4,689.62	\$4,818.50	-2.67%	
Silver	\$71.23	\$75.37	-5.50%	
Copper Contract	\$543.25	\$559.40	-2.89%	
<b>Grains</b>				
Corn contract	\$468.50	\$463.25	1.13%	
Wheat contract	\$614.75	\$604.25	1.74%	
Soybeans contract	\$1,165.75	\$1,161.75	0.34%	
<b>Shipping</b>				
Baltic Dry Freight	2,064	2,024	40	
<b>DOE Inventory Report</b>				
	<b>Actual</b>	<b>Expected</b>	<b>Difference</b>	
Crude (mb)	6.16	-1.50	7.66	
Gasoline (mb)	-5.44	-2.00	-3.44	
Distillates (mb)	-2.53	-1.50	-1.03	
Refinery run rates (%)	0.06%	0.60%	-0.54%	
Natural gas (bcf)		39		

## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures across the entire country except for the northern reaches of the Great Lakes region and the Northeast, where temperatures will be below normal. The outlook calls for wetter-than-normal conditions in the Great Lakes region and southern Texas, with dry conditions in the Southwest, the southern Great Plains, and the Deep South.

**Data Section**

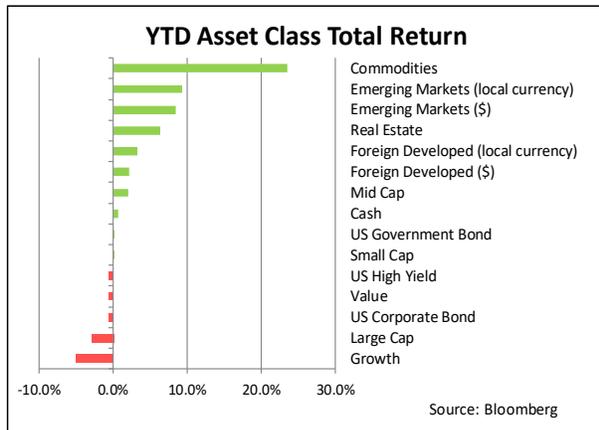
**US Equity Markets – (as of 3/18/2026 close)**



(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 3/18/2026 close)**

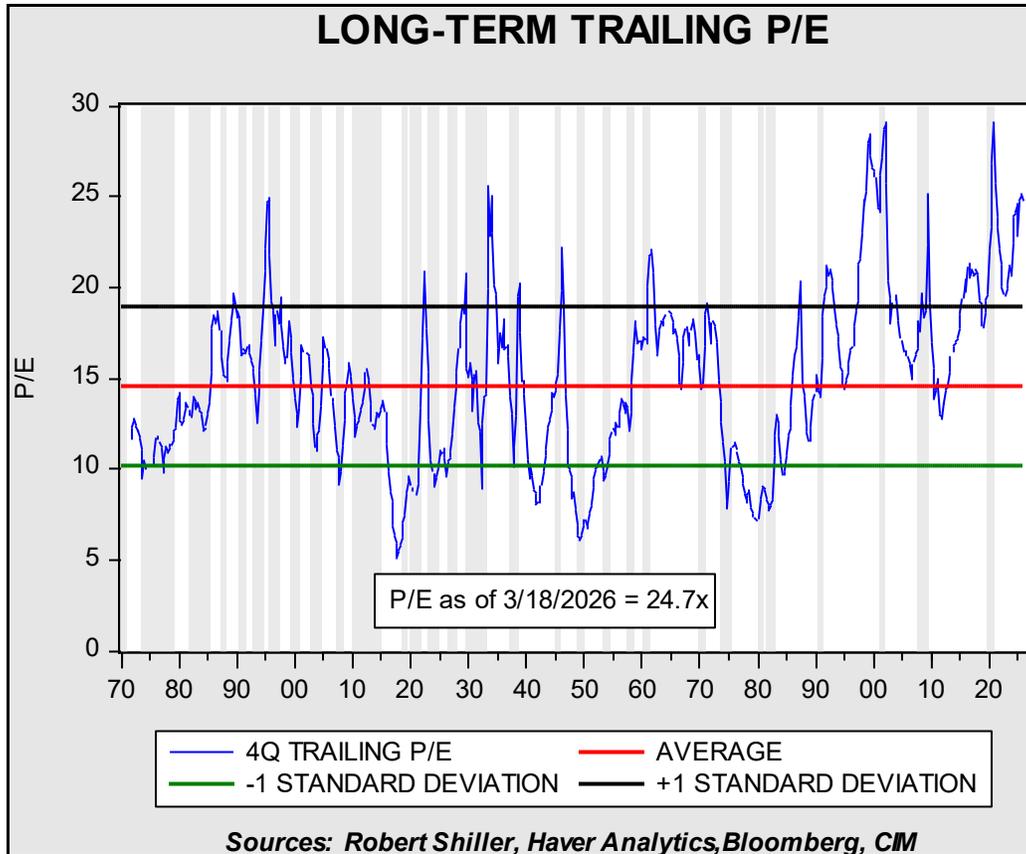


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 19, 2026



Based on our methodology,<sup>1</sup> the current P/E is 24.7x, down 0.1 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.*

<sup>1</sup> 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.