Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: March 24, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 2.3%. Chinese markets were higher, with the Shanghai Composite up 1.8% and the Shenzhen Composite up 2.2%. 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
"From the Shah to the Strait" (3/23/26) + **podcast**	"Are Long-Term Treasurys No Longer a Safe Haven?" (3/16/26) + podcast	Q1 2026 Report Q1 2026 Rebalance Presentation	Confluence of Ideas podcast Confluence Mailbag

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 Iran war and its economic and financial market implications. We next review several other international and US developments that could affect the financial markets today, including a new free-trade agreement between the European Union and Australia and a potential deal in Congress to resolve funding for the Transportation Security Administration to quell airport security lines.

United States-Israel-Iran: Saudi Arabia, Kuwait, and Bahrain all indicated they have been hit by new Iranian drone and missile strikes this morning, but it isn't clear whether the attacks caused new damage to their globally important energy infrastructure, commodity production, or shipping facilities. The strikes came despite President Trump's vow yesterday that the US would postpone new attacks on Iranian power plants because of "productive" talks with the Iranians. New details suggest those talks are actually being led by Middle Eastern officials.

- According to reports, the foreign ministers of Turkey, Egypt, Saudi Arabia, and Pakistan are trying to drive talks with the Iranians forward, but they've struggled to locate a high Iranian official to engage with. They and the US now appear to think the speaker of

Iran's parliament, Mohammad-Bagher Ghalibaf, would be a viable interlocutor, but Ghalibaf has said Iran isn't ready to talk. In any case, reports say Ghalibaf also fears that if he comes out of hiding for talks, he would be assassinated by the US or Israel.

- With Middle Eastern producers such as Aluminum Bahrain and Qatalum cutting output amid energy and shipping disruptions related to the war, new reports say global automakers are starting to engage in "panic buying" on fears that aluminum supplies could run out within months. Naturally, the result will likely be continued upward pressure on prices on top of the price pressures already hitting crude oil, natural gas, and fertilizers.
- Meanwhile, several major purchasing managers' indexes from around the world today are pointing to a broad risk of "stagflation" because of the war (see tables in the data section below), with overall growth weakening and the subindexes on prices surging.

European Union-Australia: European Commission President von der Leyen and Australian Prime Minister Albanese yesterday signed a free trade agreement designed to shield their economies from the increasingly nationalist and protectionist policies of the US and China. The deal will drop bilateral tariffs and onerous regulations on a wide range of exports. The EU and Australia also signed several security deals, including one with a provision allowing Australian firms to participate in the EU's big new rearmament program.

Italy: In a referendum yesterday, right-wing Prime Minister Meloni lost her bid to achieve several judicial reforms that critics said would have undermined the rule of law. With almost all ballots counted, the constitutional amendments were rejected by 53.7% of voters. Turnout was also unexpectedly high, with nearly 59.0% of registered voters taking part in the election. The results will likely weaken Meloni's political power to some extent, although she is in no danger of being ousted.

US Labor Market: A new survey of corporate chief financial officers indicates that artificial intelligence had essentially no effect on employment in 2025 and will spur companies to trim only a small number of their overall jobs in 2026. In future years, however, the surveyed CFOs believe AI could prompt more significant job cuts for people in routine, clerical, and administrative roles such as bookkeeping and customer service, while workers with sophisticated technical skills, such as engineers and architects would more likely see their jobs enhanced.

US Air Travel Industry: As the Transportation Security Administration continues to shed workers and airport security lines continue to lengthen, angering travelers, Senate Minority Leader Chuck Shumer last night said Democratic and Republican leaders in the chamber are approaching a deal that would fund most parts of the Department of Homeland Security, including the TSA, but would still not provide funds for the Enforcement and Removal Operations branch of Immigration and Customs Enforcement.

- If consummated, the evolving deal would help end an increasingly disruptive situation for the US airline industry and avoid an additional political threat for the Republicans ahead of the Congressional midterm elections in November.

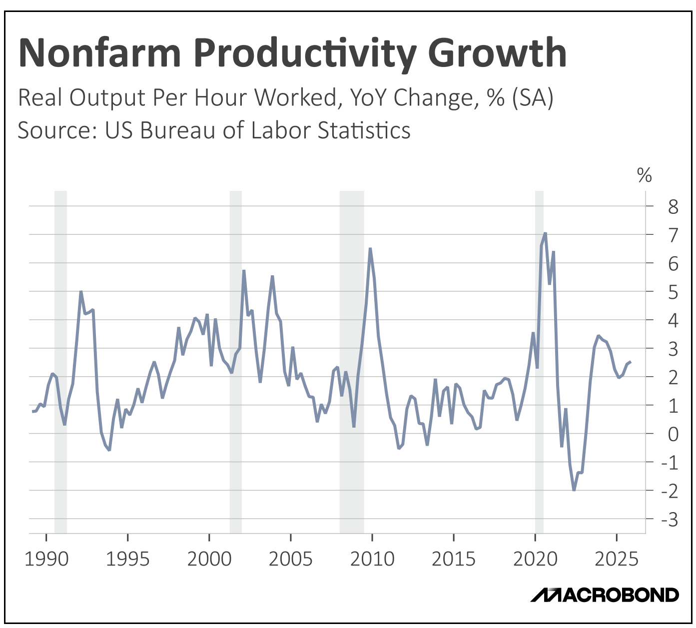
- Funds for that portion of ICE would still be held up over Democratic-Republican disputes over the conduct of immigration enforcement raids.

US Private Credit Industry: Apollo Global Management has become the latest major investment firm to limit withdrawals from one of its private-credit funds. According to Apollo, investors in its Apollo Debt Solutions BDC had requested to withdraw 11.2% of the $15-billion fund, triggering a rule limiting the withdrawals to 5.0%. As with similar incidents at other firms, this one shows how investors have suddenly soured on private-credit investments but have discovered just how illiquid they can be, triggering even more redemption requests.

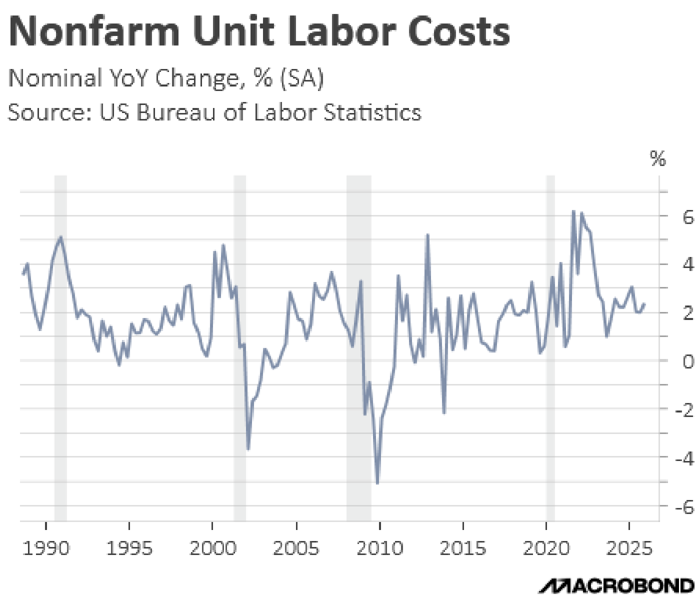
US Prediction Markets: In response to the introduction of a bill in Congress to outlaw contracts on sports in prediction markets, as we reported yesterday, sources say Kalshi plans to block athletes, coaches, and officials from betting on their sports and to block political candidates from trading on their campaigns. The move shows that the prediction-market industry has finally seen that insider trading could throw it into reverse and is now moving more aggressively to address the issue.

US Economic Releases

A final report today focused on the productivity of US workers, defined as the average value of output per hour worked. After stripping out price changes and seasonal fluctuations, fourth quarter ***nonfarm productivity*** rose at a strong annualized rate of 1.8%, slightly below expectations of anticipated growth rate of 2.0% and still much more modest than the revised 5.2% rate in the third quarter. Taking into account the fluctuations in each of the last four quarters, productivity in the fourth quarter was up 2.5% from the same period one year earlier. The next chart shows the year-over-year growth in real productivity over the last quarter-century or so.



Fourth quarter ***unit labor costs*** also rose at an annualized rate of 4.4%, above expectations that they would rise at a rate of just 3.5% and more than previous quarter revised increase of 1.0%. Unit labor costs in the fourth quarter were up 2.4% year-over-year, far below the 4.0% increase that has often been associated with the start of a recession. The chart below shows the year-over-year growth in unit labor costs since 1996.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	**Indicator**			**Expected**	**Prior**	**Rating**
9:45	S&P Global US Manufacturing PMI	m/m	Mar P	51.6	51.6	***
9:45	S&P Global US Services PMI	m/m	Mar P	52.0	51.7	***
9:45	S&P Global US Composite PMI	m/m	Mar P	51.9	51.9	***
10:00	Richmond Fed Manufact. Index	m/m	Mar	-8	-10	**
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
18:30	Michael Barr Speaks on Economic Outlook	Members of the Board of Governors				

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	National CPI	y/y	Feb	1.3%	1.5%	1.5%	***	Equity and bond neutral
	National CPI Ex-Fresh Food	y/y	Feb	1.6%	2.0%	1.7%	**	Equity and bond neutral
	National CPI Ex-Fresh Food & Energy	y/y	Feb	2.5%	2.6%	2.7%	*	Equity and bond neutral
	S&P Global Japan Composite PMI	m/m	Mar P	52.5	53.9		**	Equity and bond neutral
	S&P Global Japan Manufacturing PMI	m/m	Mar P	51.4	53.0		***	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Mar P	52.8	53.8		**	Equity and bond neutral
	Nationwide Dept Sales	y/y	Feb	1.6%	2.3%		***	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Mar P	47.0	52.4		*	Equity and bond neutral
	S&P Global Australia Manufacturing PMI	m/m	Mar P	50.1	51.0		***	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Mar P	46.6	52.8		*	Equity and bond neutral
South Korea	PPI	y/y	Feb	2.4%	1.9%		**	Equity and bond neutral
India	HSBC India PMI Composite	m/m	Mar P	56.5	58.9		**	Equity and bond neutral
	HSBC India PMI Mfg	m/m	Mar P	53.8	56.9		***	Equity and bond neutral
	HSBC India PMI Services	m/m	Mar P	572	58.1		**	Equity and bond neutral
EUROPE								
Eurozone	EU27 New Car Registrations	y/y	Mar	1.4%	-3.9%		***	Equity and bond neutral
	Consumer Confidence	m/m	Mar P	-16.3	-12.3	-14.2	**	Equity bearish, bond bullish
	S&P Global Eurozone Manufacturing PMI	m/m	Mar P	51.4	50.8	49.6	***	Equity bullish, bond bearish
	S&P Global Eurozone Services PMI	m/m	Mar P	50.1	51.9	51.1	**	Equity bearish, bond bullish
	S&P Global Eurozone Composite PMI	m/m	Mar P	50.5	51.9	51.0	*	Equity bearish, bond bullish
Germany	S&P Global Global Germany Services PMI	m/m	Mar P	51.2	53.5	52.5	**	Equity bearish, bond bullish
	S&P Global Global Germany Composite PMI	m/m	Mar P	51.9	53.2	52.0	**	Equity and bond neutral
	S&P Global Global/BME Germany Manufacturing	m/m	Mar P	51.7	50.9	49.5	***	Equity bullish, bond bearish
France	S&P Global France Manufacturing PMI	m/m	Mar P	50.2	50.1	59.0	***	Equity and bond neutral
	S&P Global France Services PMI	m/m	Mar P	48.3	49.6	49.0	**	Equity and bond neutral
	S&P Global France Composite PMI	m/m	Mar P	48.3	49.9	49.3	**	Equity and bond neutral
UK	S&P Global UK Services PMI	m/m	Mar P	51.2	53.9	53.0	**	Equity and bond neutral
	S&P Global UK Manufacturing PMI	m/m	Mar P	51.4	51.7	50.0	***	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Mar P	51.0	53.7	52.9	**	Equity and bond neutral
AMERICAS								
Mexico	Economic Activity IGAE	y/y	Jan	-0.30%	3.26%	1.35%	**	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)	371	371	0	Up
U.S. Libor/OIS spread (bps)	368	368	0	Up
10-yr T-note (%)	4.37	4.34	0.03	Up
Euribor/OIS spread (bps)	213	211	2	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.

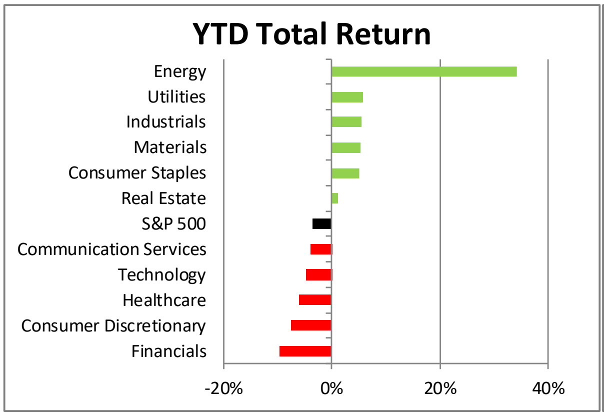
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$102.12	$99.94	2.18%	
WTI	$90.84	$88.13	3.08%	Middle East Conflict
Natural Gas	$2.93	$2.89	1.18%	
Crack Spread	$48.98	$46.70	4.89%	Middle East Conflict
12-mo strip crack	$34.58	$33.34	3.74%	Middle East Conflict
Ethanol rack	$2.12	$2.12	0.03%	
Metals				
Gold	$4,412.54	$4,407.18	0.12%	
Silver	$69.98	$69.13	1.22%	
Copper Contract	$540.75	$547.25	-1.19%	
Grains				
Corn contract	$460.75	$459.50	0.27%	
Wheat contract	$588.75	$587.75	0.17%	
Soybeans contract	$1,157.50	$1,163.50	-0.52%	
Shipping				
Baltic Dry Freight	2,037	2,056	-19	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-2.15		
Gasoline (mb)		-2.00		
Distillates (mb)		-1.25		
Refinery run rates (%)		0.38%		
Natural gas (bcf)		-48		

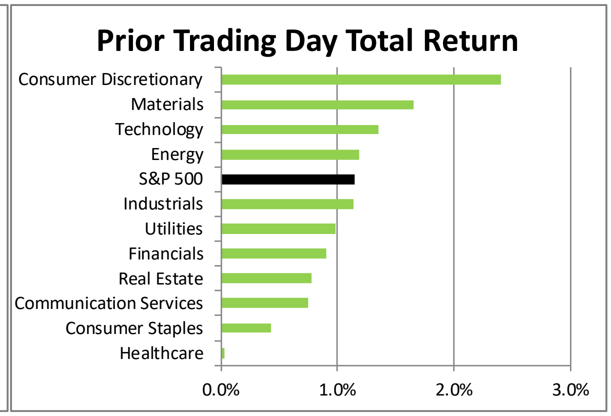
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures across the entire country, with cooler temperatures expected in Maine toward the end of the forecast period. Meanwhile, the precipitation outlook calls for wetter-than-normal conditions for everywhere outside of the East Coast, which is expected to have near normal conditions.

Data Section

US Equity Markets – (as of 3/23/2026 close)

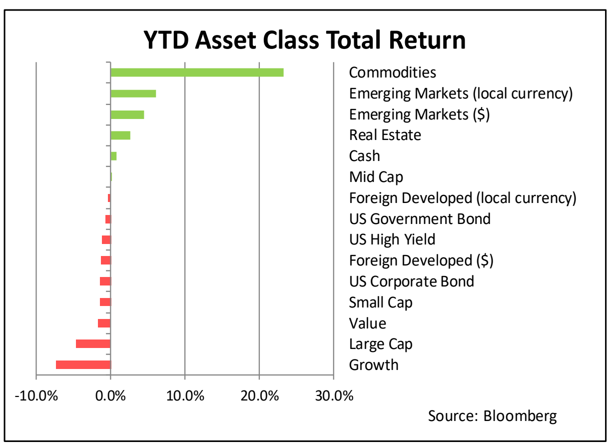




(Source: Bloomberg)

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 3/23/2026 close)

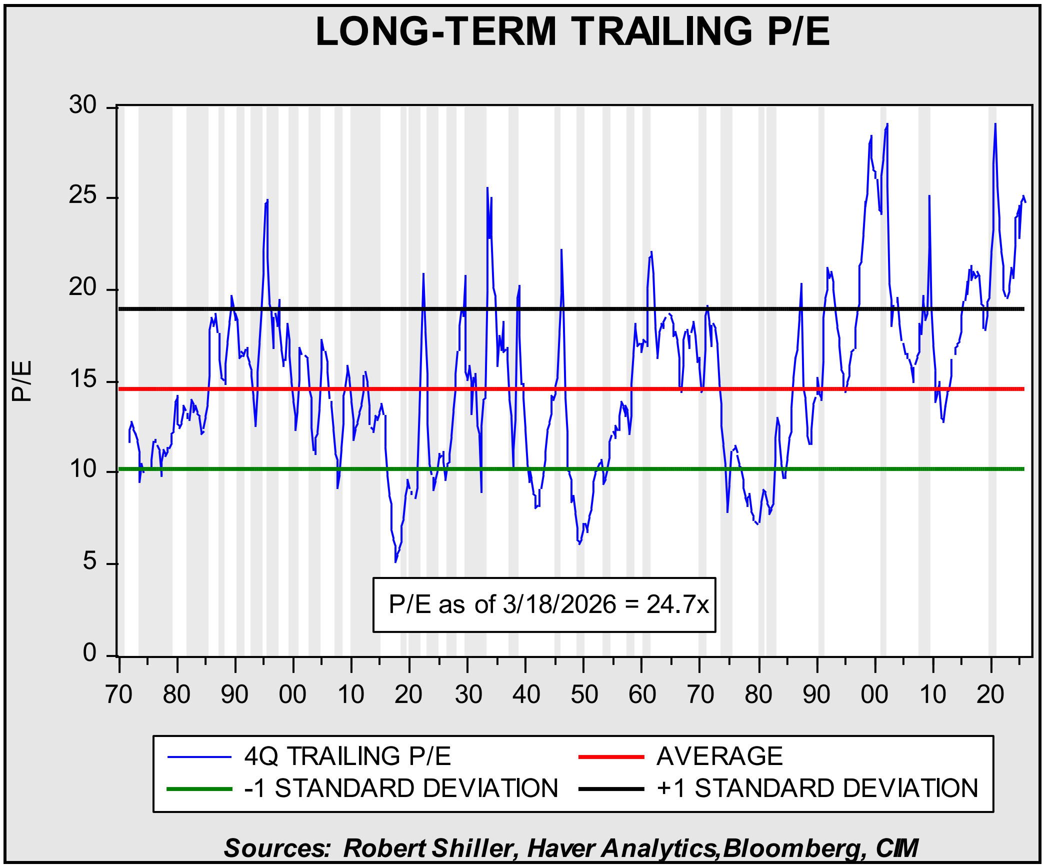


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,[1] 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.

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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.