Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 26, 2026 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 1.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 2.1%. Chinese markets were lower, with the Shanghai Composite down 1.1% and the Shenzhen Composite down 1.5%. 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* opens by highlighting the ongoing controversy around private credit, including offering the differing outlooks for the asset class. We then provide another update on the Iran conflict. In addition, we examine a recent legal setback for social media companies and outline mounting economic concerns in Argentina. As always, we include a summary of recent US and international economic data releases.

Private Credit: While recent headlines have taken a dim view of private credit, we think the outlook is more constructive than many acknowledge. On Wednesday, Lloyd Blankfein cautioned that a single shock could prompt these lenders to reassess the value of their holdings, potentially forcing substantial markdowns after a run of failed portfolio sales. His remarks come after several firms were unable to find buyers for slices of their private asset books. However, there is more to the story than Blankfein suggests.

- The concerns are being driven by several prominent private credit firms which in February posted their weakest performances since 2022. The weakness reflects mounting scrutiny over the valuation of software-as-a-service (SaaS) firms, as AI tools from Claude and others can perform comparable functions at lower costs. This threatens SaaS companies, which account for roughly one-fifth of these lenders' balance sheets. In response, some firms have imposed limits on client withdrawals to contain the fallout.

- A key concern for the software sector is the looming "maturity wall," as a large wave of loans are coming due in 2027 and 2028. Many of these facilities are highly levered, making their capital structures a growing focus for investors. In response, software firms are working to demonstrate the durability of their business models — some by moving quickly to showcase sustainable profitability, others by refinancing to bolster valuations and strengthen balance sheets.
- That said, the situation may not be as dire as it is being portrayed. While major private credit firms have faced some pushback, many of the big names still outperformed the broader leveraged loan market in February. This outperformance signals that the risk to these credit funds has less to do with perceived default risk and more to do with going concern risk. In short, much of the decline in valuation stems less from present day performance and more from future earnings expectations.
- It is also worth noting that while many software companies may be in danger, AI also presents opportunities for them to pivot. Over the last few months, several software companies have begun reshaping their business models to more closely resemble AI agents, which has helped improve their outlook. One company that has been able to make this transition is Salesforce, which has shifted its software-as-a-service model to more of a service-as-software approach.
- While there is plenty of doom and gloom around AI and private credit, it is worth remembering that we are still in the early stages of both trends. That leaves time for weaker companies to adapt and potentially stage a comeback. In our view, the risks in private credit are real but likely less severe than the most alarmist headlines imply. This is a sector to watch closely but not one that should trigger outright panic.

Push to the End: The US is continuing to push for an end to its conflict with Iran by any means necessary. On Wednesday, Tehran rejected the White House's 15-point ceasefire proposal, which was conveyed via intermediaries including Pakistan. In response, Iran tabled its own five-point set of conditions, which includes demands for reparations and formal recognition of its authority over the Strait of Hormuz — a proposal likely to meet the same fate. Washington, meanwhile, has intensified its military campaign even as indirect contacts persist.

- Tehran's rejection of recent US overtures has drawn a sharp rebuke from President Trump, who is now calling for a more decisive international response. The president warned that Iran must engage seriously before "time runs out." His remarks come as the White House signals that it is preparing for what officials are describing as a potentially decisive phase of the campaign, with options under discussion reportedly ranging from strikes on critical infrastructure, including power facilities, to the possible deployment of ground forces.
- The White House has already begun preparing for the potential economic fallout of a broader conflict. On Wednesday, the Pentagon announced that it has raised the maximum enlistment age for active-duty service to 42 and is reportedly considering reallocating

weapons systems originally designated for Ukraine to support US operations in the Middle East. Additionally, officials are running contingency scenarios for a spike in crude prices to $200 per barrel.

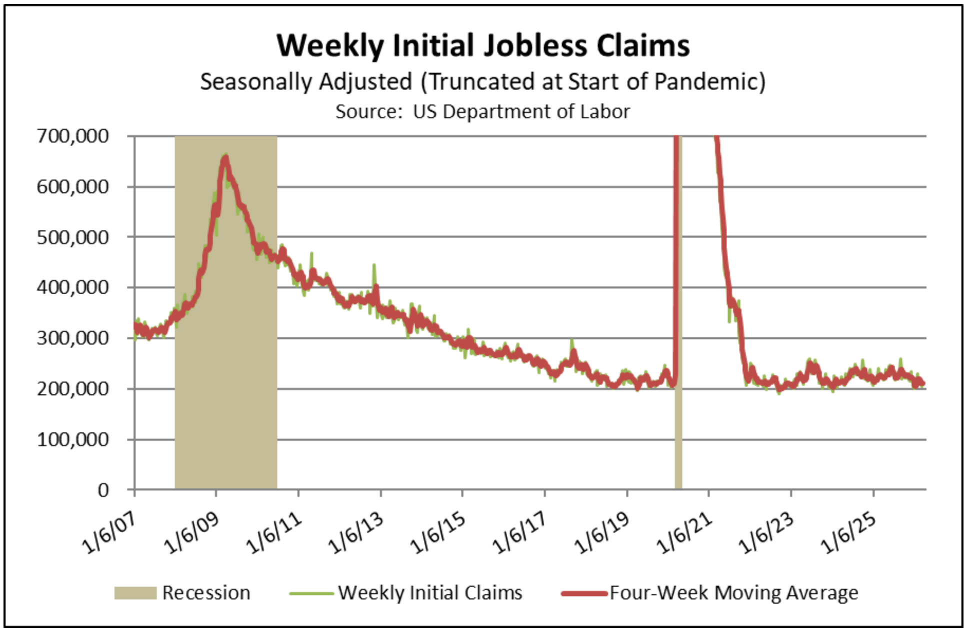
- What happens next is likely to carry significant repercussions for the global economy, given the potential to reshape the balance of power in the Middle East. A resulting power vacuum could fuel a more protracted conflict, particularly if the US is unable to secure meaningful cooperation from regional leaders in an effort to restore stability. While this remains a worst-case scenario, it would also imply heightened volatility in energy markets.

Social Media Loses: Meta and Google suffered a major legal defeat over the impact of social media on mental health. A court ruled on Wednesday that their platforms created conditions that made them addictive for young users, leaving the companies liable for resulting harm. The decision marks a significant setback, raising the possibility that social media could be treated as a public health risk and subjected to stricter regulation, potentially on a scale comparable to tobacco.

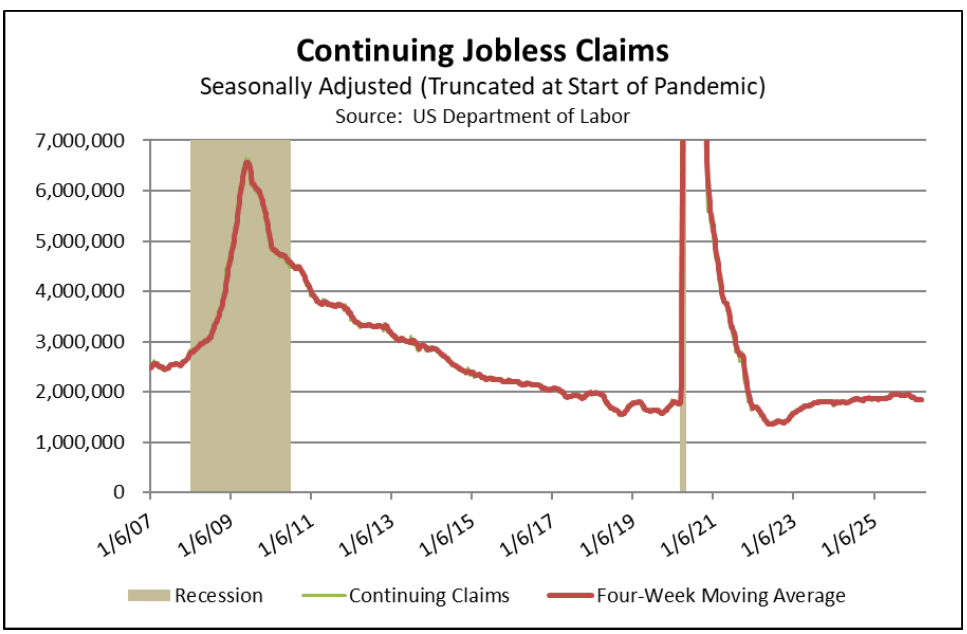
Argentina Slowdown: Milei's economic agenda appears to be running into headwinds as the broader economy softens. While his plan has centered on cutting spending to improve Argentina's fiscal position, the strain now seems to be emerging on the revenue side. In recent months, overall growth has slowed and tax receipts have struggled to keep pace with inflation. This slowdown has raised concerns that he may need to alter policy to keep his agenda on track.

US Economic Releases

In the week ended March 21, ***initial claims for unemployment benefits*** rose to a seasonally adjusted 210,000, matching expectations and rising from 205,000 in the previous week. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, edged down to 210,500. 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 14, the number of ***continuing claims for unemployment benefits*** (people continuing to draw benefits) fell to a seasonally adjusted 1.819 million, well below both the anticipated reading of 1.849 million and the prior week's revised reading of 1.851 million. The four-week moving average of continuing claims fell to 1.847 million, a nearly 18-month low. Taken together, the claims data suggest the labor market has strengthened again in recent weeks. 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.



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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
11:00	Kansas City Fed Manfacturing Index	m/m	Mar	3	5	*
Federal Reserve						
EST	Speaker or Event	District or Position				
16:00	Lisa Cook Speaks on Financial Stability	Members of the Board of Governors				
18:30	Stephen Miran Speaks on Balance Sheet	Members of the Board of Governors				
19:00	Philip Jefferson Speaks on the US Economy	Vice-Chair of the Board of Governors				
19:30	Michael Barr in Moderated Conversation	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	Japan Buying Foreign Bonds	w/w	20-Mar	-¥635.3b	-¥986.9b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	20-Mar	¥31.2b	-¥951.5b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	20-Mar	¥511.8b	¥1194.6b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	20-Mar	-¥2509.7b	-¥1772.5b		*	Equity and bond neutral
	PPI Services	y/y	Feb	2.7%	2.6%	2.6%	*	Equity and bond neutral
EUROPE								
Eurozone	M3 Money Supply	y/y	Feb	3.0%	3.2%	3.2%	***	Equity and bond neutral
Germany	GfK Consumer Confidence	m/m	Apr	-28.0	-24.8	-27.3	**	Equity and bond neutral
France	Business Confidence	m/m	Mar	97.0	97.0	96.0	**	Equity and bond neutral
	Manufacturing Confidence	m/m	Mar	99.0	102.0	101.0	*	Equity bearish, bond bullish
	Consumer Confidence	m/m	Mar	89.0	91.0	89.0	***	Equity and bond neutral
Italy	Consumer Confidence	m/m	Mar	92.6	97.4	95.6	***	Equity and bond neutral
	Economic Sentiment	m/m	Mar	97.3	97.4		**	Equity and bond neutral
	Manufacturing Confidence	m/m	Mar	88.7	88.5	87.6	***	Equity and bond neutral
Russia	Industrial Production	y/y	Feb	-0.9%	-0.8%		***	Equity and bond neutral
AMERICAS								
Brazil	IBGE Inflation IPCA-15	m/m	Mar	3.90%	4.10%	3.73%	***	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)	361	362	-1	Up
U.S. Sibor/OIS spread (bps)	370	370	0	Up
U.S. Libor/OIS spread (bps)	368	368	0	Up
10-yr T-note (%)	4.38	4.33	0.05	Up
Euribor/OIS spread (bps)	214	218	-4	Up
Currencies	**3 Mo**			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down

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.

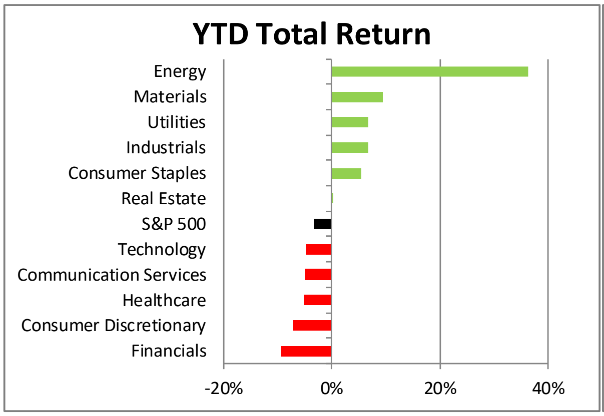
	Price	**Prior**	**Change**	**Explanation**
Energy Markets				
Brent	$106.21	$102.22	3.90%	Middle East Conflict
WTI	$93.31	$90.32	3.31%	Middle East Conflict
Natural Gas	$2.95	$2.95	-0.03%	
Crack Spread	$47.63	$45.49	4.70%	Middle East Conflict
12-mo strip crack	$35.03	$33.87	3.42%	Middle East Conflict
Ethanol rack	$2.15	$2.15	0.00%	
Metals				
Gold	$4,447.68	$4,506.00	-1.29%	
Silver	$67.90	$71.21	-4.65%	Middle East Conflict
Copper Contract	$552.60	$556.10	-0.63%	
Grains				
Corn contract	$466.75	$467.25	-0.11%	
Wheat contract	$594.25	$597.75	-0.59%	
Soybeans contract	$1,172.50	$1,171.75	0.06%	
Shipping				
Baltic Dry Freight	2,001	1,989	12	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	6.93	-1.25	8.18	
Gasoline (mb)	-2.59	-2.00	-0.59	
Distillates (mb)	3.03	-1.95	4.98	
Refinery run rates (%)	0.15%	0.65%	-0.50%	
Natural gas (bcf)		-48		

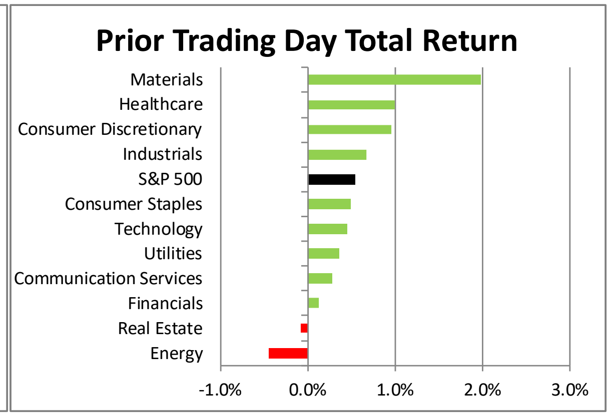
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the central and southern Rocky Mountains, the Great Plains, the Midwest, the Southeast, and the mid-Atlantic states, with cooler-than-normal temperatures only in New England. The outlook calls for wetter-than-normal conditions everywhere but the West Coast and the coastal areas of the Southeast, where conditions will be near normal.

Data Section

US Equity Markets – (as of 3/25/2026 close)

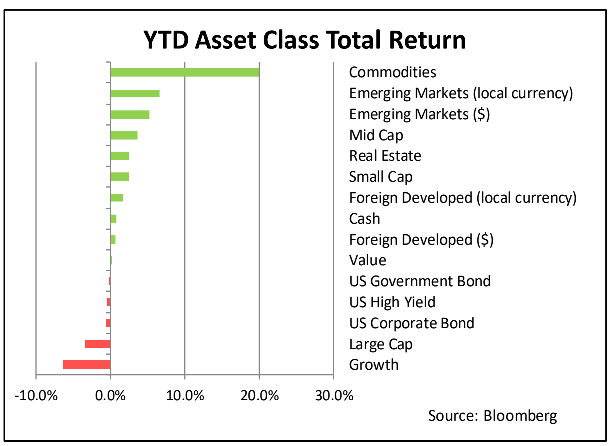




(Source: Bloomberg)

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 3/25/2026 close)

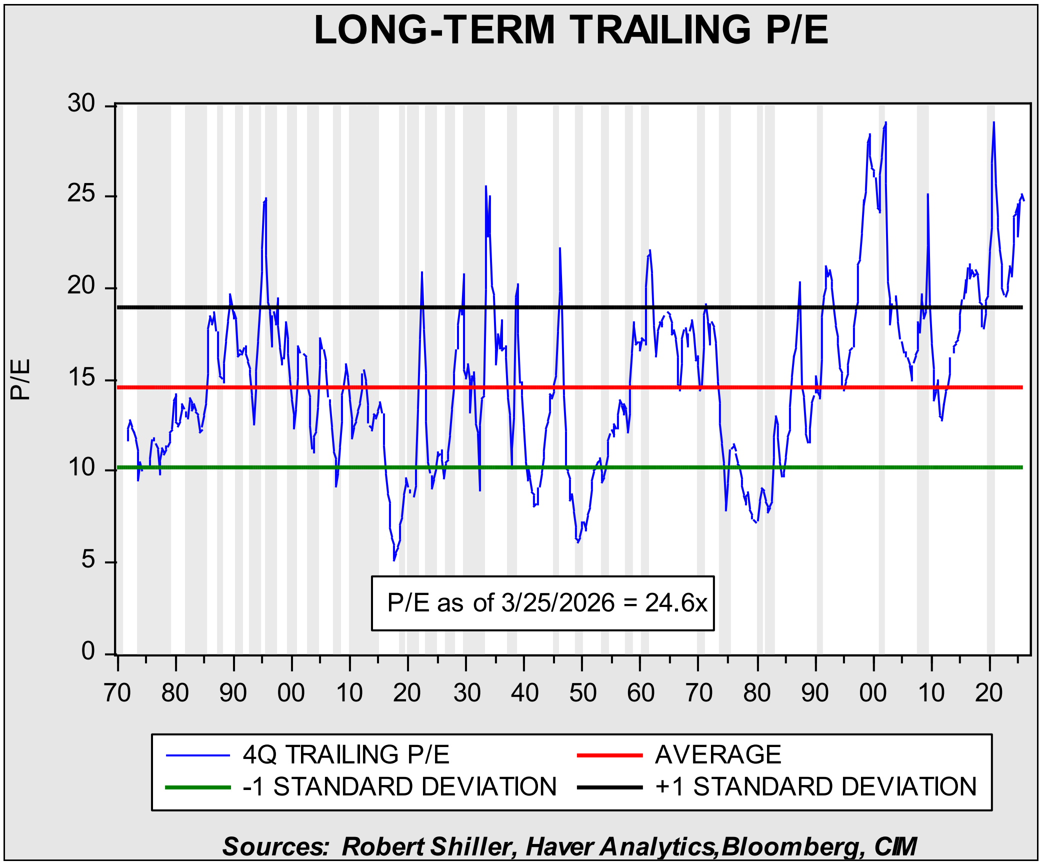


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 26, 2026



Based on our methodology,[1] the current P/E is 24.6x, 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.

[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.