



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 27, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 1.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.8%. Chinese markets were higher, with the Shanghai Composite up 0.6% and the Shenzhen Composite up 1.3%. 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
“From the Shah to the Strait” (3/23/26) + podcast	“Are Long-Term Treasuries 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 with a discussion of proposed reforms to US monetary policy. We then provide a fresh update on the conflict in Iran. In addition, we examine Google’s latest breakthrough and its implications for the market for memory chips, the impact of immigration crackdowns on population trends, and a new Chinese probe into US trade practices. As always, we include a summary of recent US and international economic data releases.

Fed Reform: The Federal Reserve could be set for a makeover once current Chair Jerome Powell steps down in May. The US Treasury Secretary Scott Bessent is considering ways to expand Treasury oversight of the central bank after a successor is named, [with the possibility of making the Fed look more like the Bank of England](#). The change will likely be welcomed by Fed Chair nominee Kevin Warsh, who seeks reforms that influence not only the agency’s decision-making process but also its balance sheet management.

- Bessent is specifically targeting changes to the Fed’s operational independence. In a paper for *International Economy* magazine, he argued for revising how the Fed conducts quantitative easing, [which he characterizes as a kind of “gain-of-function” policy](#)

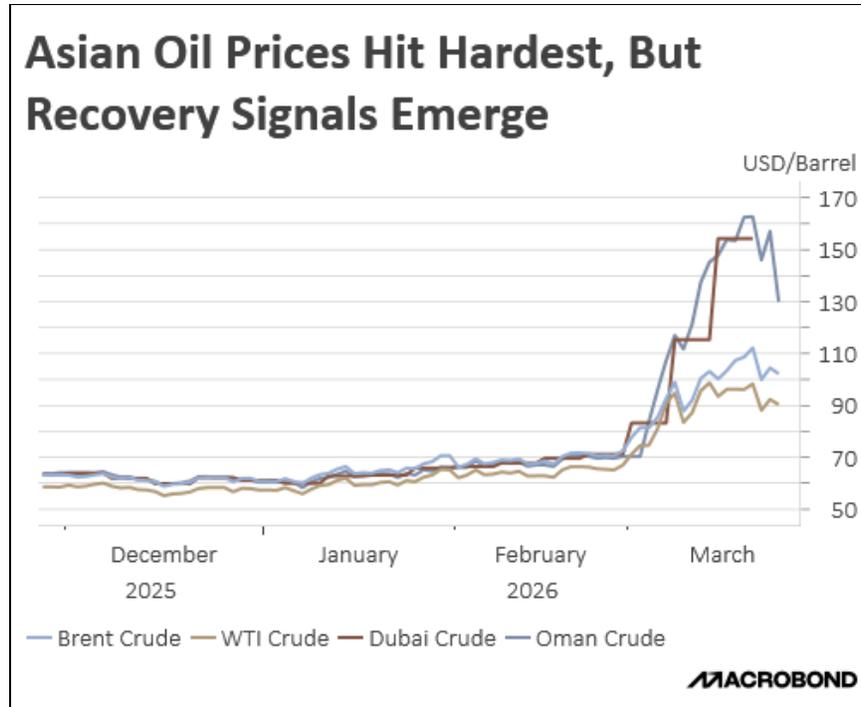
[experiment](#). He has also expressed support for a model of more limited interaction between the central bank and the government, similar to the Bank of England's approach during the gilt market crisis.

- His proposals may also find support from Warsh, who had previously argued that the Bank of England manages its balance sheet more effectively than the United States. [In 2014, Warsh served on a committee tasked with reviewing the Bank of England's operations](#). He later praised the BoE's practice of requiring governors to write formal letters to the chancellor to explain key decisions, arguing that this system clarifies the rationale for policy moves and enhances transparency.
- Potential changes to Fed policies are likely to intensify scrutiny over whether the central bank can maintain its independence, especially after several unsuccessful efforts to remove senior officials. Earlier this week, [Jeanine Pirro, who had accused Chair Jerome Powell of lying under oath, conceded there was no evidence](#) of wrongdoing. At the same time, [questions have also emerged around the inquiry into whether Governor Lisa Cook misrepresented information](#) on a loan application to secure more favorable terms.
- That said, whether or not the Fed will ultimately move closer to the BoE model, it does appear likely that it will keep trimming the size of its balance sheet. Fed Governor [Stephen Miran has argued that, with targeted deregulation and reduced stigma around the use of the Fed's lending facilities](#), the central bank could shrink its balance sheet by as much as \$2 trillion without materially tightening financial conditions.
- We suspect the US Treasury and the Federal Reserve will maintain a close working relationship over the next few years as they navigate the impact of policy on long-term interest rates. While any perception of coordination may draw scrutiny, clearer communication and more predictable operations from both institutions could help tame bond-market volatility.

Iran Update: The war is now entering its fifth week, at the edge of the four-to-five-week window the White House initially floated. On Thursday, [President Trump announced that he had extended the timeline for a potential strike](#) on Iran's nuclear facilities, citing progress in ongoing talks. At the same time, Iran's attacks appear to have intensified, signaling that it is not yet prepared to de-escalate the conflict. Meanwhile, trade through the strait is beginning to show signs of improvement, suggesting that there may be more that is unfolding behind the scenes.

- The president appears to be working through Middle East proxies to develop an off-ramp to the conflict. He has stated that he has been able to communicate with Iranian leadership through Pakistan, and that negotiations have so far gone well. This progress that led him to extend his deadline for targeting some of Iran's critical infrastructure by 10 days. He later explained that the extension would allow the [US to deploy as many as 10,000 additional troops to the Middle East](#).
- However, progress toward a deal has not yet produced a meaningful break in the fighting between the two sides. Israel and Iran continue to trade missile strikes. On Thursday, Israel announced that it had struck three of Iran's ballistic missile and air defense systems. Meanwhile, Kuwait reported that two of its commercial ports were hit, while

Saudi Arabia said it was forced to intercept Iranian missiles headed toward its capital, Riyadh.



- The conflict has nonetheless underscored Iran’s ability to disrupt traffic through the Strait of Hormuz. Despite US efforts, Washington has struggled to provide reliable naval escorts, with one analyst likening ships sailing under US or Israeli flags to “sitting ducks.” By contrast, vessels from friendlier countries such as China and India have generally found it easier to transit the strait, helping ease prices for Oman crude, which is largely shipped to Asia. Even so, [new reports show that even these shipments are beginning to be turned away.](#)
- Over the coming days, the market is expected to monitor developments more closely and may begin to price in a de-escalation of the conflict. Signs of concrete progress toward a resolution would likely facilitate a relief recovery; however, this sentiment remains fragile and could quickly reverse if market patience is tested. Given the current uncertainty, we recommend maintaining a conservative investment profile, prioritizing profitability and value over high-growth assets, as the situation unfolds.

Memory Disruption: A breakthrough from Google parent company Alphabet has triggered a selloff in memory-chip stocks. The [tech giant released a new paper describing an algorithm](#) that could significantly increase the efficiency of the data storage needed to train and run artificial intelligence systems. If widely adopted, the innovation could reduce reliance on high-end memory chips, which have been in short supply amid the AI infrastructure boom. That shift could be a boon for AI developers but a headwind for chipmakers.

Immigration Crackdown: The initiative to reduce [immigrant populations has resulted in a contraction across 40% of US counties](#). This sharp demographic shift may partially explain the recent softening of the labor market. Historically, stagnant or declining population growth has weighed on overall economic expansion; however, this trend could be counterbalanced by a surge in productivity, particularly if AI adoption accelerates.

Beijing Probes US: Chinese [regulators have launched an investigation into US trade practices](#), a move that follows the announcement of President Trump’s scheduled visit to China in mid-May. The probe is expected to focus on trade policies that disrupt global supply chains and restrictions on green technology. Furthermore, the investigation will likely define the parameters for a potential trade agreement as both sides convene to resolve their economic differences.

US Economic Releases

No major US economic reports have been released so far today. 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 F	54.0	55.5	***
10:00	U. of Michigan Current Conditions	m/m	Mar F	56.9	57.8	**
10:00	U. of Michigan Future Expectations	m/m	Mar F	50.9	54.1	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Mar F	3.6%	3.4%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Mar F	3.5%	3.2%	*
11:00	Kansas City Fed Swervices Activity	m/m	Mar	4	6	*
Federal Reserve						
EST	Speaker or Event	District or Position				
18:30	Thomas Barkin Speaks on Economic Outlook	President of the Federal Reserve Bank of Richmond				
18:00	Anna Paulson Speaks on Macroeconomics and Monetary Policy	President of the Federal Reserve Bank of Philadelphia				
19:00	Mary Daly Speaks at Monetary Policy Conference	President of the Federal Reserve Bank of San Francisco				

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	ANZ Consumer Confidence Index	m/m	Mar	91.3	100.1		*	Equity and bond neutral
China	Industrial Profits	y/y	Feb	152.0%	0.6%		*	Equity and bond neutral
	BoP Current Account	q/q	4Q F	\$243.8b	\$242.1b		**	Equity and bond neutral
EUROPE								
UK	GfK Consumer Confidence	m/m	Mar	-21	-19	-24	***	Equity bullish, bond bearish
	Retail Sales	y/y	Feb	2.5%	4.8%	2.1%	***	Equity bullish, bond bearish
	Retail Sales Ex-Auto Fuel	y/y	Feb	3.4%	5.9%	2.7%	**	Equity bullish, bond bearish
Russia	Gold and Forex Reserves	m/m	20-Mar	\$776.8b	\$803.2b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	20-Mar	20.00t	19.92t		*	Equity and bond neutral
AMERICAS								
Mexico	Unemployment Rate NSA	m/m	Feb	2.59%	2.70%	2.50%	***	Equity bullish, bond bearish
	Trade Balance	m/m	Feb	-462.8m	-6481.1m		**	Equity and bond neutral
	Exports	m/m	Feb	56851m	48008m		*	Equity and bond neutral
	Imports	m/m	Feb	57314m	54489m		*	Equity and bond neutral
Brazil	Current Account Balance	m/m	Feb	-\$5614m	-\$8360m	-\$5400m	**	Equity and bond neutral
	Foreign Direct Investment	m/m	Feb	\$6754m	\$8168m	\$7500m	**	Equity and bond neutral
	National Unemployment Rate	m/m	Feb	5.8%	5.4%	5.7%	*	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	363	-2	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 (%)	4.45	4.41	0.04	Up
Euribor/OIS spread (bps)	214	214	0	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down
Central Bank Action	Actual	Prior	Expected	
Bank of Mexico Overnight Rate	6.75%	7.00%	7.00%	Below 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.

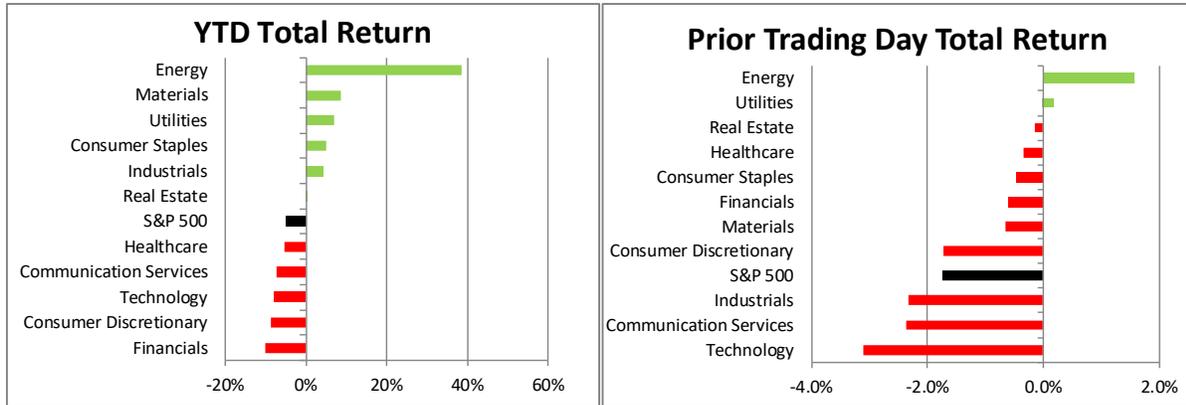
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$110.75	\$108.01	2.54%	
WTI	\$96.93	\$94.48	2.59%	
Natural Gas	\$3.09	\$3.00	2.87%	
Crack Spread	\$50.16	\$49.30	1.75%	
12-mo strip crack	\$36.03	\$35.80	0.65%	
Ethanol rack	\$2.16	\$2.16	0.01%	
Metals				
Gold	\$4,415.83	\$4,376.11	0.91%	
Silver	\$68.29	\$68.06	0.34%	
Copper Contract	\$546.40	\$547.70	-0.24%	
Grains				
Corn contract	\$469.50	\$467.00	0.54%	
Wheat contract	\$610.25	\$605.00	0.87%	
Soybeans contract	\$1,177.75	\$1,173.75	0.34%	
Shipping				
Baltic Dry Freight	2,014	2,001	13	
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)	-54	-48	-6	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Southwest, the central and southern Great Plains, and all points from the Mississippi River eastward, with cooler-than-normal temperatures only in the border regions of Montana. The outlook calls for wetter-than-normal conditions from the Rocky Mountains to the East Coast, with dry conditions on the West Coast.

Data Section

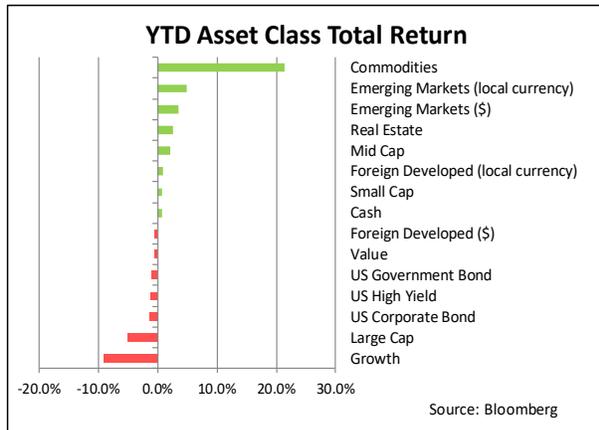
US Equity Markets – (as of 3/26/2026 close)



(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 3/26/2026 close)

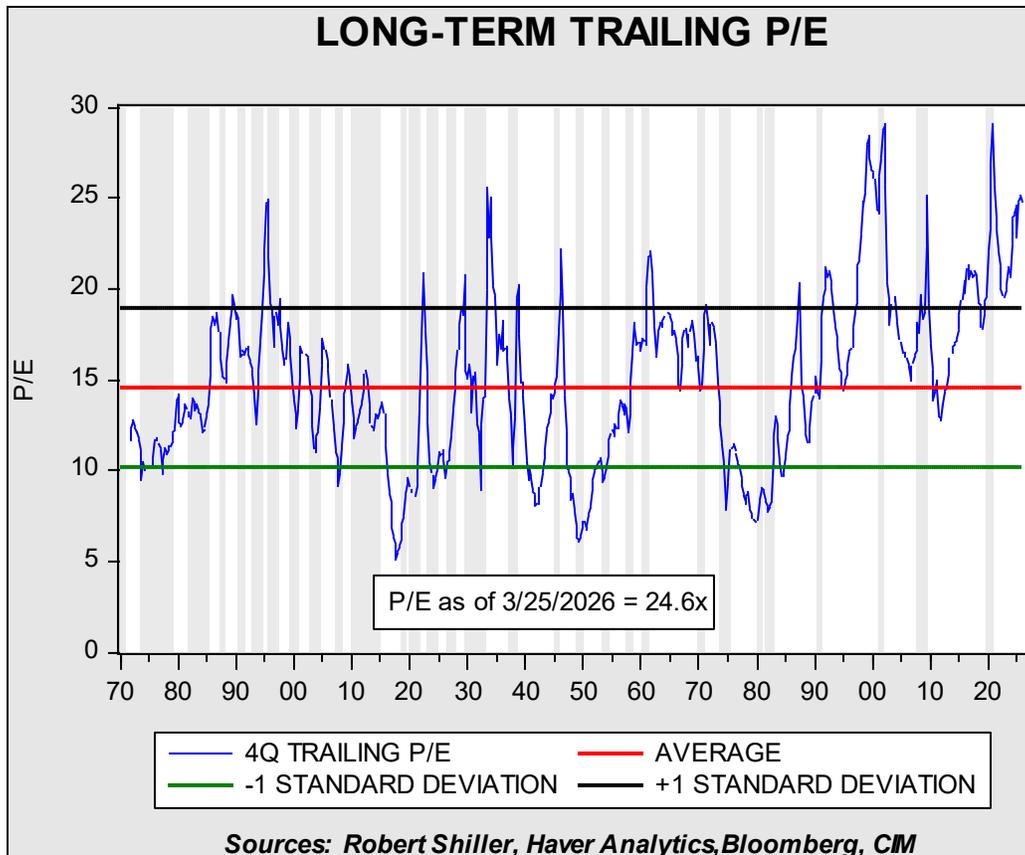


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.