Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 31, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.7% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.9%. Chinese markets were lower, with the Shanghai Composite down 0.8% and the Shenzhen Composite down 1.7%. 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
"From the Shah to the Strait" (3/23/26) + podcast	"The Strategic Petroleum Reserve: A Primer" (3/30/26) + 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 war in Iran, which continues to affect not only geopolitics but also economic and political developments around the world. We next review several other international and US developments that could affect the financial markets today, including a statement by Federal Reserve Chair Powell that suggests the central bank will hold interest rates steady for the time being and new data showing airport security lines are shortening now that Transportation Security Administration officers are being paid again.

United States-Israel-Iran: Reports last night said a Kuwaiti oil tanker was hit by an Iranian drone while in the waters of Dubai, sparking a fire. The attack on the tanker came hours after Iran also reportedly hit one of Kuwait's water desalination plants. The attacks on the energy transporter and the key piece of civilian infrastructure heightened concerns that the conflict is again escalating, pushing global oil prices higher again. At the same time, President Trump has reportedly told aides that he's willing to end the war without reopening the Strait of Hormuz.

- According to the *Wall Street Journal*, the president is prioritizing a swift end to the war within the four-to-six week deadline he had stated. That's likely a political decision based on public aversion to "forever wars" like Afghanistan and Iraq. However, leaving Iran in control of the strait could keep oil and natural gas prices high, especially given that much of the energy infrastructure in the region has been damaged and will take time to repair. The resulting price inflation would also exact a high political cost.

- The administration has suggested that even if the US withdraws without opening the strait, a coalition of interested nations could launch a military campaign to do the job in the future, perhaps with US participation. However, there would be no guarantee that such a coalition would be formed or that it would be strong enough to dislodge the Iranians.
- In a social media post this morning, President Trump said countries suffering from war-induced fuel shortages should buy from the US or simply go and seize it from the strait. The post criticized other countries for not wanting to contribute military forces to open the strait, but foreign leaders are likely to be angry at being criticized for not wanting to clean up after a war they didn't start. That will likely further erode relations between the US and its allies going forward.
- Leaving the Iranian regime in place with control over the strait would also send a dangerous signal to other potential adversaries of the US. The lesson for those countries would likely be that if they can just hold out against any attack for a month or two, the US will retreat and leave them alone.
- Separately, reports say South Korea, Thailand, and other Asian countries are increasingly restarting coal-fired electricity generation plants as the war disrupts oil and natural gas shipments from the Middle East. Indeed, we think the war will lead to continued concern about the security of Middle Eastern fossil fuel supplies and prompt increased demand for a range of other energy resources, from coal to wind and solar.
- In a more ominous sign of the economic disruption from the war, the last known shipment of jet fuel to the UK from the Middle East is expected to arrive on Thursday. Industry leaders are increasingly warning that shortages of the fuel could soon develop and eventually lead to flight cancellations if the war doesn't come to a close.
- Because of Europe's high dependence on natural gas-heated industrial greenhouses to grow its vegetables, high gas prices are also threatening food production beyond the impact of disrupted fertilizer supplies from the Middle East. If agribusiness and grocers can't pass on the cost of higher gas prices, they may scale back heating, reducing the yield of their facilities.

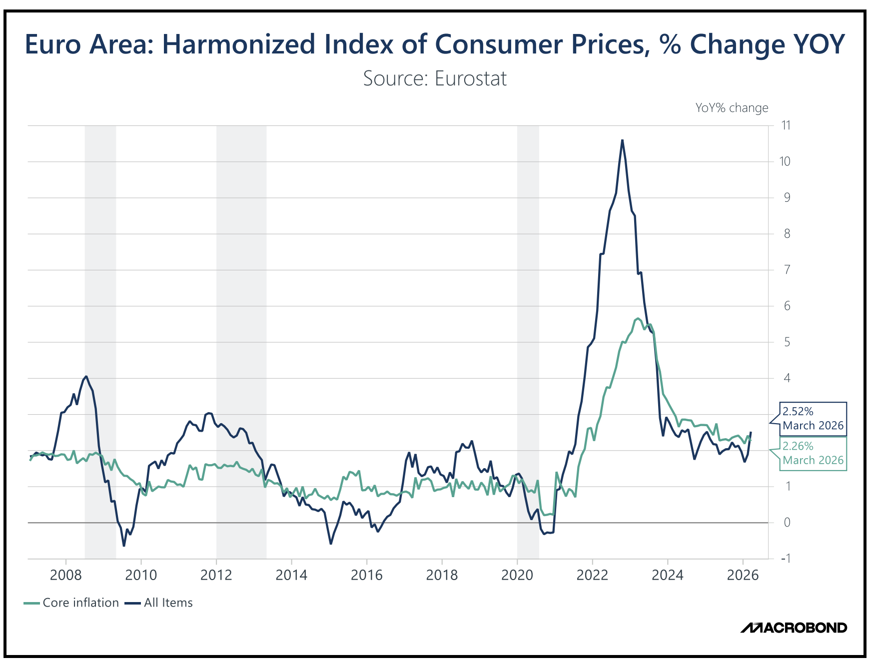
United States-Cuba-Russia: A Russian tanker today will reportedly deliver 730,000 barrels of oil at the Cuban port of Matanzas, effectively breaking the US's two-month energy blockade. According to administration officials, the US will now allow fuel deliveries on a case-by-case basis to avert the most dire humanitarian outcomes arising from energy shortages, such as the mass electricity blackouts that the island has been experiencing. The move may also mark US reluctance to spark a new crisis while the war in Iran is still raging.

US Monetary Policy: Speaking to students at Harvard University, Fed Chair Powell yesterday said the central bank would be inclined to hold interest rates steady and look past the energy price shock from the Iran war. However, he also cautioned that the Fed might hike rates if higher energy prices begin to boost consumer expectations for future price inflation. The statements confirm that Fed policymakers are now much less inclined to cut rates than they were before the war. In turn, that realization continues to weigh on bond values, buoying yields.

US Fiscal Policy: While Washington state previously had no income tax at all, Governor Bob Ferguson yesterday signed into law a new 9.9% tax on all income over $1 million. Revenue from the tax is earmarked for childcare programs, free school meals, tax credits for working families, and tax breaks for small businesses. The move follows a tax of 4.0% on incomes over $1 million that was imposed by Massachusetts in 2022 and may signal a greater willingness of state officials to hike taxes on the wealthy.

US Airline Industry: Following President Trump's executive order that Transportation Security Administration officers be paid despite the continuing Congressional budget impasse, reports say more TSA officers have come to work in recent days and security lines generally shortened on Monday. However, more than one-third of officers still called out sick in Baltimore, Houston, New Orleans, and Atlanta, and the permanent resignation of others will probably keep lines longer than usual for some time to come, discouraging air travel and hurting the airlines.

Eurozone: In a preliminary estimate, the March consumer price index was up 2.5% from the same month one year earlier, accelerating from 1.9% in the year to February and marking the bloc's highest inflation rate since January 2025. The acceleration was driven by a jump in energy prices. Excluding the volatile food and energy components, the March "core" CPI was up 2.3%, decelerating from 2.4% in previous month. The figures show how price inflation is likely to rise because of the war in Iran, potentially leading to interest-rate hikes and slower economic growth.



United Kingdom: The government [is considering new legislation that would allow it to buy the inefficient, loss-making British Steel from its current Chinese owner](), fully nationalizing the company to protect jobs and ensure some domestic steel production. The move illustrates how countries around the world are committing funds to protect the domestic production of key goods and boost economic resiliency. Over time, more state intervention in the private economy could potentially weigh on economic growth and hurt private firms.

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**
9:45	MNI Chicago PMI	m/m	Mar	55.0	57.7	***
10:00	Conf. Board Consumer Confidence	m/m	Mar	87.9	91.2	***
10:00	JOLTS Job Openings	m/m	Feb	6890k	6946k	*
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
12:00	Austan Goolsbee Gives Opening Remarks at Eco Mobility Project	President of the Federal Reserve Bank of Chicago				
13:10	Jeffrey Schmid Speaks on Monetary Policy and Economic Outlook	President of the Federal Reserve Bank of Kansas City				
15:00	Michael Barr Discusses Stablecoin Regulation	Members of the Board of Governors				
17:10	Michelle Bowman Speaks on Small Business	Member 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	Tokyo CPI	y/y	Mar	1.4%	1.6%	1.6%	***	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food	y/y	Mar	1.7%	1.8%	1.8%	**	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food & Energy	y/y	Mar	2.3%	2.5%	2.3%	*	Equity and bond neutral
	Jobless Rate	m/m	Feb	2.6%	2.7%	2.7%	***	Equity and bond neutral
	Job-To-Applicant Ratio	m/m	Feb	1.19%	1.18%	1.18%	***	Equity and bond neutral
	Retail Sales	y/y	Feb	-0.2%	1.8%	0.9%	**	Equity bearish, bond bullish
	Depart. Store & Supermarket Sales	y/y	Feb	1.8%	2.6%		*	Equity and bond neutral
	Industrial Production	y/y	Feb P	0.3%	0.7%	0.4%	***	Equity and bond neutral
	Housing Starts	y/y	Feb P	-4.9%	-0.4%	-4.5%	**	Equity and bond neutral
	Annualized Housing Starts	y/y	Feb	0.751m	0.755m	0.756m	*	Equity and bond neutral
Australia	Private Sector Credit	y/y	Feb	7.8%	7.7%		**	Equity and bond neutral
New Zealand	ANZ Activity Outlook	m/m	Mar	39.3	52.6		*	Equity and bond neutral
	ANZ Business Confidence	m/m	Mar	32.5	59.2		**	Equity and bond neutral
South Korea	Industrial Production	y/y	Feb	-2.2%	6.8%	0.7%	***	Equity bearish, bond bullish
China	Official Manufacturing PMI	m/m	Mar	50.4	50.2	50.1	***	Equity and bond neutral
	Official Services PMI	m/m	Mar	50.1	49.5	49.9	**	Equity and bond neutral
	Official Composite PMI	m/m	Mar	50.5	49.5		*	Equity and bond neutral
EUROPE								
Eurozone	CPI	y/y	Mar P	2.5%	1.9%	2.6%	***	Equity and bond neutral
	Core CPI	y/y	Mar P	2.3%	2.4%	2.4%	**	Equity and bond neutral
Germany	Retail Sales	y/y	Feb	0.6%	0.6%	1.0%	*	Equity and bond neutral
	Unemployment Change	m/m	Mar	0.0k	1.0k	2.0k	***	Equity and bond neutral
	Unemployment Claims Rate	m/m	Mar	6.3%	6.3%	6.3%	**	Equity and bond neutral
France	CPI, EU Harmonized	y/y	Mar P	1.9%	1.1%	1.9%	**	Equity and bond neutral
	CPI	y/y	Mar P	1.7%	0.9%	1.6%	***	Equity and bond neutral
	PPI	y/y	Mar P	-2.4%	-2.3%		*	Equity and bond neutral
Italy	CPI, EU Harmonized	y/y	Mar P	1.5%	1.5%	1.7%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Mar P	1.7%	1.5%	1.8%	**	Equity and bond neutral
	Industrial Sales WDA	y/y	Jan	-0.3%	0.6%		*	Equity and bond neutral
UK	GDP	y/y	4Q F	1.00%	1.0%	1.0%	***	Equity and bond neutral
	Total Business Investment	y/y	4Q F	2.00%	2.0%	2.0%	***	Equity and bond neutral
	Current Account Balance	y/y	4Q	-18.4b	-10.7b	-23.8b	**	Equity and bond neutral
	Nationwide House Price Index	y/y	Mar	2.2%	1.0%	0.9%	***	Equity and bond neutral
AMERICAS								
Brazil	Primary Budget Balance	y/y	Feb	-16.4b	103.7b	-21.9b	*	Equity and bond neutral
	Net Debt % GDP	m/m	Feb	65.50%	65.0%	65.60%	**	Equity and bond neutral
	Central Govt Budget Balance	m/m	Feb	-30.0b	86.9b	-30.9b	*	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)	360	361	-1	Up
U.S. Sibor/OIS spread (bps)	368	368	0	Up
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.31	4.35	-0.04	Down
Euribor/OIS spread (bps)	212	213	-1	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.

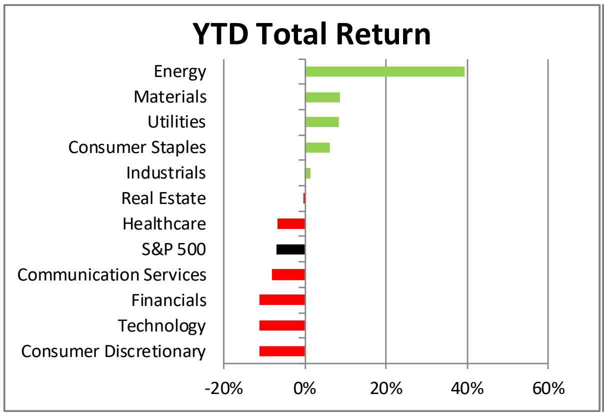
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$114.73	$112.57	1.92%	
WTI	$100.83	$99.64	1.19%	
Natural Gas	$2.93	$3.03	-3.01%	
Crack Spread	$50.64	$49.76	1.78%	
12-mo strip crack	$37.25	$36.79	1.24%	
Ethanol rack	$2.19	$2.17	0.71%	
Metals				
Gold	$4,543.70	$4,494.09	1.10%	
Silver	$71.10	$69.76	1.92%	
Copper Contract	$552.30	$549.45	0.52%	
Grains				
Corn contract	$462.00	$462.00	0.00%	
Wheat contract	$602.25	$605.00	-0.45%	
Soybeans contract	$1,167.00	$1,159.25	0.67%	
Shipping				
Baltic Dry Freight	2,031	2,014	17	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-1.25		
Gasoline (mb)		-2.00		
Distillates (mb)		-1.95		
Refinery run rates (%)		0.65%		
Natural gas (bcf)		-48		

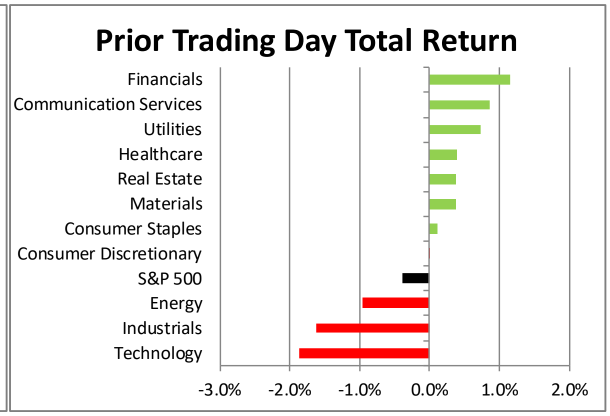
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for the entire country. The precipitation outlook calls for wetter-than-normal conditions for most of the country, with dry conditions expected throughout most of the Southeast and Mid-Atlantic states.

Data Section

US Equity Markets – (as of 3/30/2026 close)

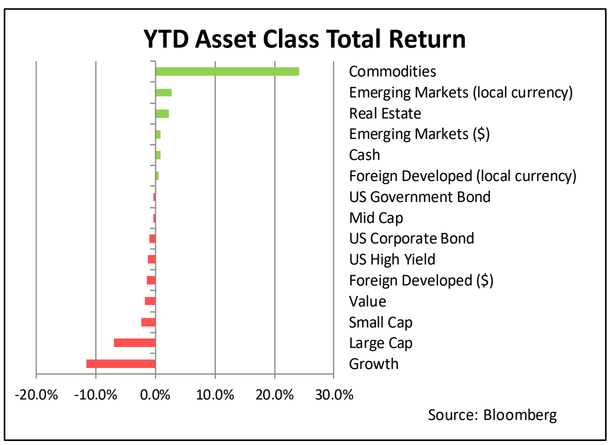




(Source: Bloomberg)

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 3/30/2026 close)

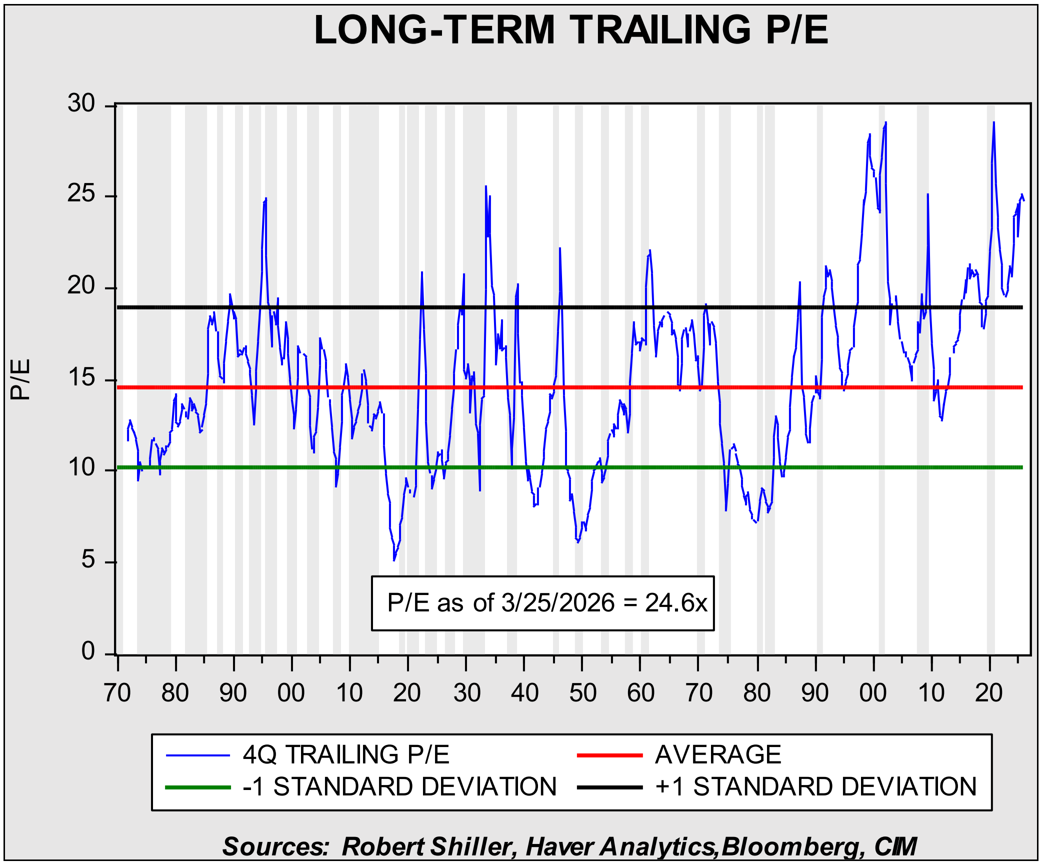


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.

[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.