



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 3, 2026 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 3.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.4%. Chinese markets were lower, with the Shanghai Composite down 1.4% and the Shenzhen Composite down 3.4%. US equity index futures are signaling a lower open.

With 481 companies having reported so far, S&P 500 earnings for Q4 are running at \$74.30 per share compared to estimates of \$71.07, which is up 8.3% from Q4 2024. Of the companies that have reported thus far, 73.4% exceeded expectations, while 21.6% fell short of expectations.

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
“The Great Chinese Purge” (2/23/26) + podcast (2/27/26)	“The Dip That Didn’t Bounce” (3/2/26)	Q1 2026 Report Q1 2026 Rebalance Presentation	Confluence of Ideas podcast The Case for Hard Assets

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 the Middle East. We next review several other international and US developments with the potential to affect the financial markets today, including a move by France to extend its nuclear weapons umbrella across Europe and reports that Kevin Warsh, the nominee to be the next chair of the Federal Reserve, does not intend to cut the central bank’s balance sheet as sharply as some have feared.

United States-Israel-Iran: The war against Iran not only continues today but shows signs of widening into a broader regional conflict that could increasingly impair the production and shipment of energy supplies. Iran continues to lash out at countries all over the Middle East, [including a drone attack on the US Embassy in Saudi Arabia](#) and missile attacks on key airports.

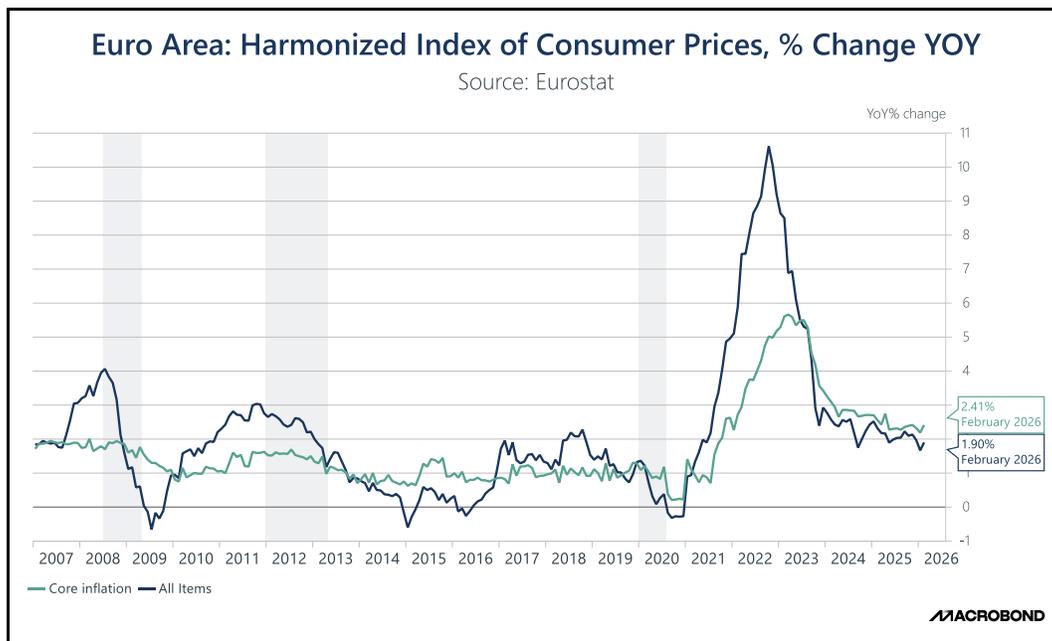
We have also seen reports of rioting in Bahrain, raising the specter that Iran has pre-positioned civil unrest squads across the region.

- In support of Iran, Hezbollah militants in Lebanon launched attacks on Israel, prompting the Israeli military [to stage attacks across that country and send troops over the border](#).
- Meanwhile, the US and its allies are becoming increasingly concerned that Iran's unexpectedly large inventory of available missiles and drones [could lead them to deplete their inventories of air-defense missiles](#).
- President Trump has tried to dismiss those concerns explicitly, saying the US has a "virtually unlimited supply" of most weapons, while acknowledging that the country is "not where we want to be" on the highest-end weapons. Nevertheless, the threat of a shortage illustrates how the US and its allies have failed to field Ukraine-style anti-drone units armed with less expensive but still relatively effective defenses against drones.
- In any case, the rapid depletion of US and allied air-defense assets likely increases the risk that other adversaries will take advantage of the situation. For example, it could tempt China to make a grab for Taiwan, while Russia could conceivably be tempted to stage attacks in Eastern Europe.
- As the conflict continues to expand, investors are becoming more concerned about the global economic impact. Energy prices continue to rise, with Brent crude oil today up another 7.5% to \$83.53 per barrel. Natural gas prices are also surging. In contrast, gold and silver prices have pulled back a bit, perhaps reflecting both profit taking and concerns about an economic slowdown sparked by high energy prices. Indeed, stock index futures and copper prices are also down sharply so far this morning.

US Politics: President Trump has offered a range of justifications for launching the war against Iran now, angering the Republican Party's influential "America First" wing, but the concerns [were amplified yesterday by Secretary of State Rubio's assertion that the US had to act because Israel was going to attack](#). The statement was interpreted by some as subordinating US interests to those of Israel. The growing controversy among Republicans could increase the odds of the Democrats taking control of the House in the November midterm elections.

Eurozone: In an initial estimate, the February consumer price index [was up 1.9% from the same month one year earlier, above expectations and up from 1.7% in the year to January](#). Excluding the volatile food and energy components, February core CPI was up 2.4% on the year, up from 2.2% in the year to January. The accelerating price hikes were driven in part by an uptick in energy prices as investors looked to the possibility of war against Iran. Now that the war has begun, price inflation in Europe is expected to accelerate further.

- Separately, the European Central Bank's chief economist warned in an interview yesterday that a prolonged war in the Middle East and a persistent fall in oil and gas supplies from the region [could cause a "substantial spike" in inflation and a "sharp drop in output" in the Eurozone](#).
- That would compound the economic challenges already faced by Europe since the Russian invasion of Ukraine disrupted its energy supplies starting in 2022.



France: President Macron yesterday [said France is working on a plan under which it will boost its arsenal of nuclear weapons and forward-deploy them](#) among eight other European nations including the UK, Belgium, the Netherlands, Sweden, Denmark, Germany, Poland, and Greece. The goal of the program would be to offer Europe a comprehensive nuclear deterrence with increased survivability in time of war. The announcement is consistent with our oft-stated belief that current geopolitical changes could well spark a new, global nuclear arms race.

- Importantly, if France becomes the linchpin for Europe’s nuclear deterrence, it would greatly increase the country’s influence over the rest of the Continent. At some point, that would likely become intolerable to Germany, given its centuries-old rivalry with France. Germany and other European countries, such as Poland, might then seek to develop their own independent nuclear forces.
- While the future prospects for uranium prices are rosy because of Chinese and Indian plans for more nuclear electricity in the coming years, we have long maintained that the added demand for nuclear weapons around the world will also tend to push up prices for the metal.

US Monetary Policy: According to the *Financial Times*, acquaintances of Kevin Warsh [say the nominee to be the next Fed chair would reduce the central bank’s balance sheet over time](#), avoiding sudden moves that could destabilize the financial markets. The sources also said Warsh would only seek to shrink the balance sheet after extensive talks on its potential effects with banks and the broader public. If accurate, the report suggests that Warsh got the nomination by promising President Trump that he won’t tighten monetary policy too quickly.

US Private Credit Industry: The *Financial Times* reports that Blackstone’s \$82 billion private credit fund, Bcred, [suffered net outflows of \\$1.7 billion in the first quarter](#), equal to 7.9% of its assets. Coming shortly after Blue Owl halted redemptions from its private fund focused on the

same asset class, the news illustrates how investors have become increasingly worried about “cockroaches” in exotic private debt and asset-backed lending markets. That will likely help tighten financial conditions, increasing the risk of an economic or financial market downturn.

US Economic Releases

There were no economic releases prior to the publication of this report. The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
	Wards Total Vehicle Sales	m/m	Feb	15.39m	14.85m	*
Federal Reserve						
9:55	John Williams Gives Keynote Remarks	President of the Federal Reserve Bank of New York				
11:55	Neel Kashkari Speaks at 2026 Bloomberg Invest Conference	President of the Federal Reserve Bank of Minneapolis				

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	Jobless Rate	m/m	Jan	2.7%	2.6%	2.6%	***	Equity and bond neutral
	Job-To-Applicant Ratio	m/m	Jan	1.18	1.20	1.20	***	Equity and bond neutral
	Monetary Base	y/y	Feb	-10.6%	-9.5%		**	Equity bearish, bond bullish
	Monetary Base, End of Period	m/m	Feb	¥582.7t	¥590.1t		*	Equity and bond neutral
	Capital Spending	y/y	4Q	6.5%	2.9%	3.0%	**	Equity bullish, bond bearish
Australia	BoP Current Account Balance	q/q	4Q	-A\$21.1	-A\$18.3b	-A\$16.5b	***	Equity and bond neutral
	Building Approvals	m/m	Jan	-7.2%	-14.9%	5.5%	***	Equity bearish, bond bullish
New Zealand	Building Permits	m/m	Jan	1.9%	-4.5%		**	Equity and bond neutral
South Korea	S&P Global South Korea PMI Manufacturing	m/m	Feb	51.1	51.2		***	Equity and bond neutral
EUROPE								
Eurozone	CPI	y/y	Feb P	1.9%	1.7%	1.7%	***	Equity and bond neutral
	Core CPI	y/y	Feb P	2.4%	2.2%	2.2%	**	Equity and bond neutral
France	Budget Balance YTD	y/y	Jan	-9.7b	-124.7b		***	Equity and bond neutral
Italy	CPI, EU Harmonized	y/y	Feb P	1.6%	1.0%	1.1%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Feb P	1.6%	1.0%	1.1%	**	Equity and bond neutral
AMERICAS								
Canada	S&P Global Canada Manufacturing PMI	m/m	Feb	51.0	50.4		***	Equity and bond neutral
Mexico	Remittances Total	m/m	Jan	\$4594.1m	\$5308.8m	\$4700.0m	*	Equity and bond neutral
	S&P Global Mexico Manufacturing PMI	m/m	Feb	47.1	46.3		***	Equity and bond neutral
	IMEF Manufacturing Index SA	m/m	Feb	47.2	46.7	46.8	*	Equity and bond neutral
	IMEF Non-Manufacturing Index SA	m/m	Feb	50.0	49.4	49.6	*	Equity and bond neutral
Brazil	GDP	q/q	4Q	1.8%	1.8%	1.8%	***	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)	358	359	-1	Up
U.S. Sibor/OIS spread (bps)	367	367	0	Down
U.S. Libor/OIS spread (bps)	364	364	0	Down
10-yr T-note (%)	4.09	4.04	0.05	Up
Euribor/OIS spread (bps)	203	201	2	Down
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.

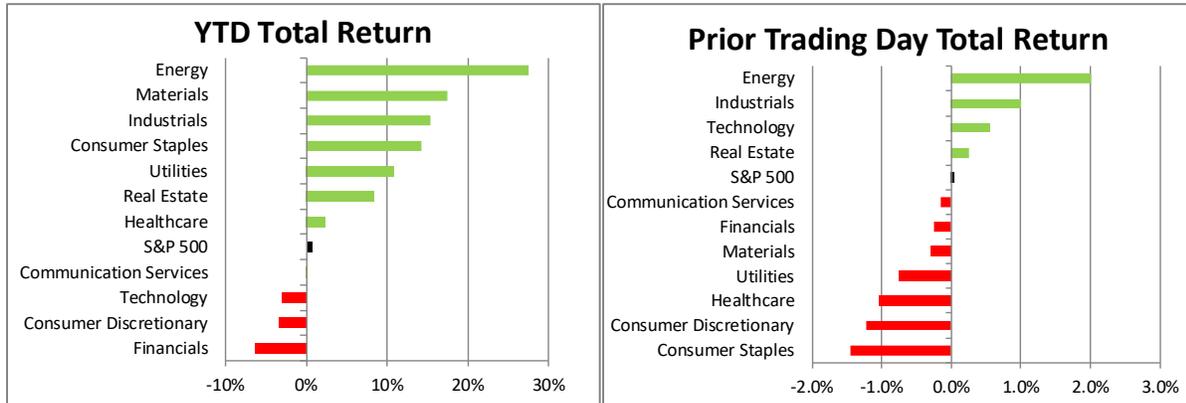
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$83.48	\$77.74	7.38%	Middle East Conflict
WTI	\$76.40	\$71.23	7.26%	Middle East Conflict
Natural Gas	\$3.09	\$2.96	4.46%	Middle East Conflict
Crack Spread	\$39.90	\$36.11	10.48%	Middle East Conflict
12-mo strip crack	\$31.49	\$29.76	5.82%	Middle East Conflict
Ethanol rack	\$1.92	\$1.92	0.13%	
Metals				
Gold	\$5,206.93	\$5,322.12	-2.16%	
Silver	\$82.70	\$89.38	-7.47%	Geopolitical tensions
Copper Contract	\$581.50	\$594.80	-2.24%	
Grains				
Corn contract	\$451.00	\$445.75	1.18%	
Wheat contract	\$581.25	\$577.25	0.69%	
Soybeans contract	\$1,177.75	\$1,164.00	1.18%	
Shipping				
Baltic Dry Freight	2,187	2,140	47	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		3.00		
Gasoline (mb)		-2.02		
Distillates (mb)		-2.36		
Refinery run rates (%)		-1.05%		
Natural gas (bcf)		-122		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Pacific and eastern thirds of the US, with cooler temperatures in the northern Rockies. The outlook calls for wetter-than-normal conditions for most of the country, with dry conditions expected in the Pacific region.

Data Section

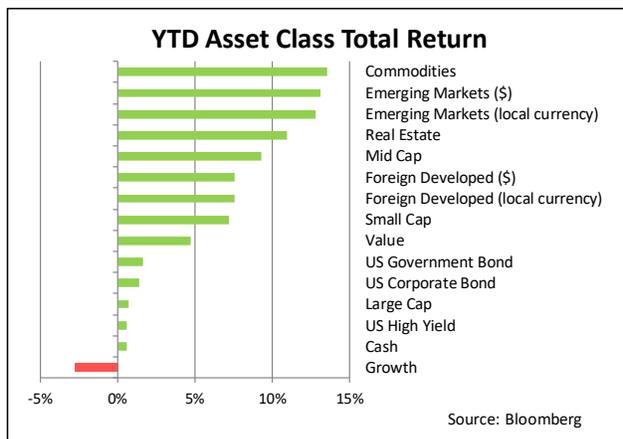
US Equity Markets – (as of 3/2/2026 close)



(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 3/2/2026 close)

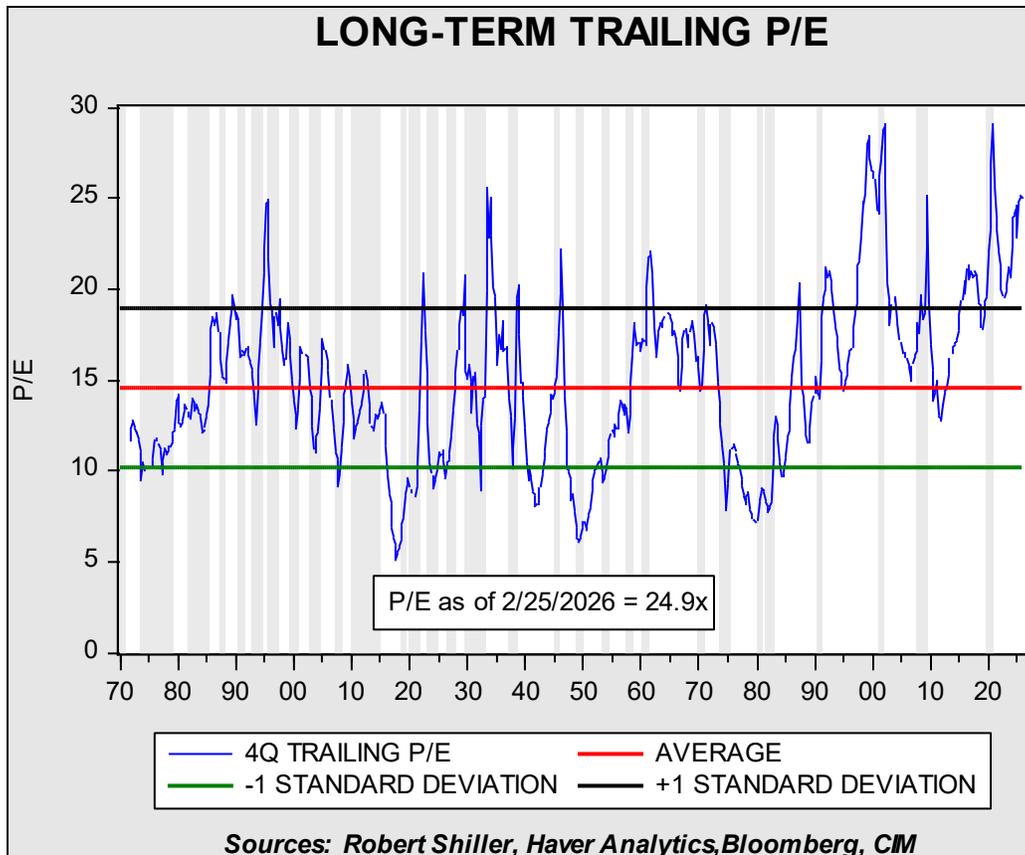


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

February 26, 2026



Based on our methodology,¹ the current P/E is 24.9x and is unchanged from the previous report. Last week, the stock price index and 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.