



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 4, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 1.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.9%. Chinese markets were lower, with the Shanghai Composite down 0.1% and the Shenzhen Composite down 0.5%. US equity index futures are signaling a higher 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* opens with our assessment of the latest developments in Iran. We then examine how the conflict is reshaping the US relationship with its transatlantic allies. Next, we look at the Texas primary elections, review a new report on Germany’s infrastructure woes, and highlight emerging signs of renewed US engagement in South America. We also include a summary of key US economic data and notable moves in global markets.

Iran Conflict Broadens: Iran’s actions have disrupted trade throughout the Middle East and damaged several key oil storage facilities. Both [Saudi Arabia and Iraq are reportedly running short on storage capacity](#) in the aftermath of the attacks. Meanwhile, China has faced difficulties securing the energy supplies it depends on from the Strait of Hormuz. These developments drove

a sharp spike in energy prices, which were later eased following the US announcement of plans to [escort tankers through the region's troubled waters](#).

- There are growing signs that the US is making meaningful progress in its campaign against Iran, sparking debate over what comes next. US officials say ongoing strikes [are steadily degrading Iran's ability to threaten American interests](#) and regional partners. At the same time, President Trump has cautioned against [leaving Iran with a leader who is "no better" than the previous ruler](#). As a result, the [administration has left open the option of deploying US ground forces](#), even as it insists such a move may not be necessary.
- That said, the conflict has shown signs of intensifying. Iran appears to be broadening the conflict across the Middle East to provoke its neighbors into intervening. The campaign escalated sharply this week with major strikes on Monday against the US Embassy compound in Riyadh, Saudi Arabia, and [on Tuesday near the US Consulate in Dubai](#). The UAE has been a primary target, [facing nearly as many drone and missile attacks as Israel](#).
- As of this morning, there are tentative signs that Iran may be seeking an off-ramp from the conflict. Reporting indicates that Iranian intelligence officials have made indirect contact with US counterparts to probe possible terms for ending the war. This comes amid mounting signals that Mojtaba Khamenei, the son of the late Supreme Leader Ali Khamenei, has emerged as the regime's favored choice to succeed his father, even if that succession has yet to be fully formalized in public.
- While we are cautiously optimistic that the conflict could wind down in the coming days, there are still no definitive signs that an end is imminent. We continue to see maintaining commodity exposure as a prudent stance for now, with prices, especially in energy, likely to remain supported by ongoing disruption and uncertainty. That said, if tensions begin to ease in a more durable way, a rotation away from commodities could already be in its early stages.

Allies Disunited: The US-Israel joint operation has triggered notable pushback as several allied governments question the speed and scale of the escalation. On Thursday, [Spain and the UK were sharply criticized by the White House](#) after both initially refused to let the US use military bases on their territory to conduct strikes on Iran. In response, President Trump has threatened to cut off trade with Spain and publicly disparaged [UK Prime Minister Keir Starmer's leadership, saying he is "no Churchill."](#) The friction is another sign of the fraying transatlantic relationship.

- Around the world, the response has been mixed, with many US allies stressing that Iran's nuclear ambitions and regional aggression must be constrained even as they voice concern about the scale and legality of the US-Israeli strikes. This tension was captured by [Canadian Prime Minister Mark Carney, who backed efforts to prevent Iran from obtaining a nuclear weapon "with regret,"](#) called the conflict "another example of the failure of the international order," and urged rapid de-escalation in the region.
- Disagreements over the Iran strikes are emerging just as the US and its allies rework their broader security relationship. Washington is pressing partners to shoulder more of their own defense burdens, while the rest of the West steps up support for Ukraine and adjusts to a less predictable role from the US. This shift has pushed other Western countries to accelerate defense spending and raise their international profiles, from military outlays to crisis diplomacy in Ukraine and the Middle East.

- While we do not think the US will completely abandon its Western allies, we do expect them to gradually diversify their exposure to the US. This is likely to involve strengthening their own defense capabilities, deepening trade ties with other partners, and reshaping their financial markets to better compete with the US for investment flows. Nevertheless, this would be a drawn-out adjustment rather than a rapid, wholesale shift.
- This gradual diversification is mirrored by a broad de-risking across global markets, where the prolonged conflict appears to have shifted investor sentiment. Gold and silver have declined even as the dollar has strengthened, underscoring its continued status as the cornerstone of the financial system. While the dollar has since given back some of its gains as of this writing, we will be watching closely to see whether this marks the start of a more durable trend.

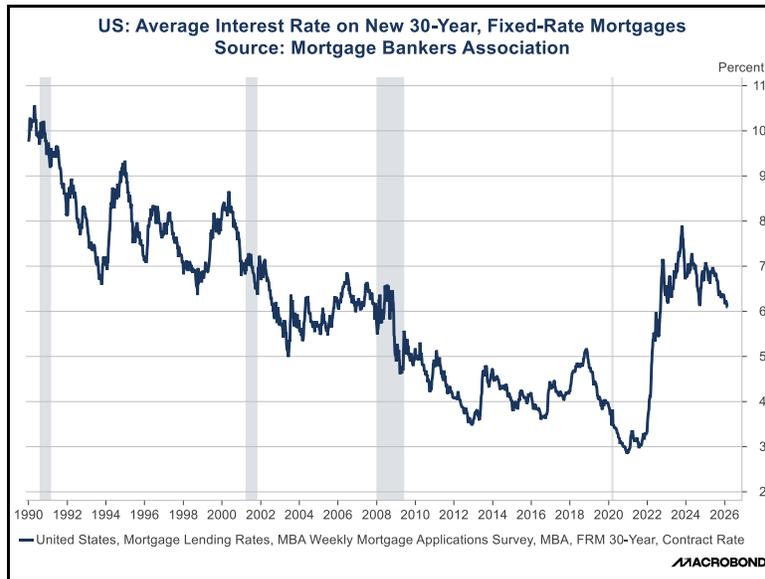
Texas Primary: The [Texas primary saw James Talarico defeat his Democratic rival, Jasmine Crockett](#), in a closely watched US Senate contest. On the Republican side, [Senator John Cornyn and Attorney General Ken Paxton both advanced to a runoff](#) for their party's nomination. The Senate race has drawn international attention because it offers Democrats a rare chance to flip a seat in a state that has been reliably Republican for decades, with potential implications for the chamber's balance of power.

German Infrastructure: Germany [has pledged to improve its military readiness, but recent reports suggest it still has a long way to go](#). While its armed forces now benefit from better equipment and facilities after Berlin moved to strengthen security in the wake of Russia's invasion of Ukraine, chronic underinvestment means basic infrastructure remains a major constraint. We continue to view higher defense outlays as a positive catalyst for German equities, particularly within the country's defense sector.

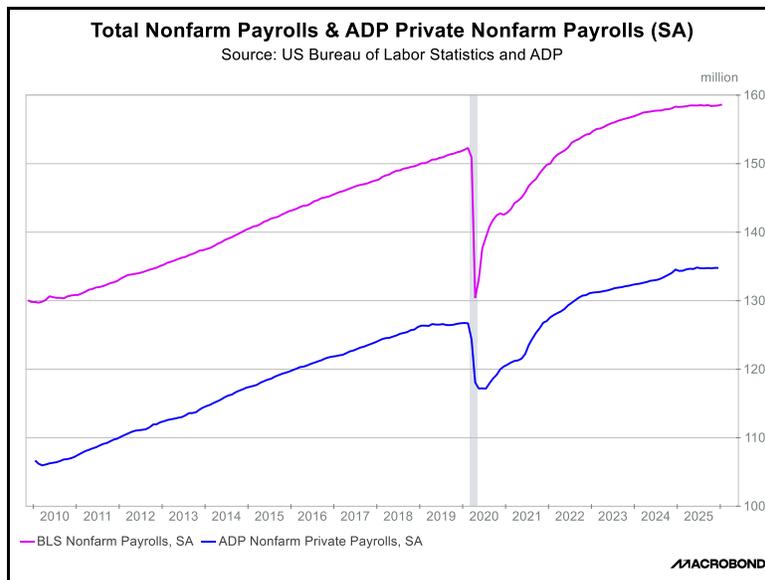
US Ecuador: The US is continuing to deepen its ties across Latin America, in what increasingly resembles a modern Monroe Doctrine-style approach to the region. On Tuesday, the [US and Ecuador launched a joint military operation targeting drug trafficking](#), underscoring Washington's growing security footprint. We see this kind of cooperation as a potential precursor to closer economic links as well, suggesting that South American countries with strong relationships with the White House could become attractive destinations for investment.

US Economic Releases

The Mortgage Bankers Association said *mortgage applications* in the week ended February 27 rose 11.0%, accelerating from their 0.4% rise in the previous week. Applications for home purchase mortgages rose 6.1%, erasing their 4.7% decline in the prior week. Applications for refinancing mortgages jumped 14.3% after rising 4.1% the week before. The average interest rate on a 30-year, fixed-rate mortgage was unchanged at 6.09%. The chart below shows how mortgage rates have changed over time.



Separately, the ADP Research Institute estimated that *private payroll employment* rose in February by a seasonally adjusted 63,000 versus a revised increase of 11,000 in January. ADP’s estimate is widely seen as an indicator of what to expect when the Labor Department releases its measure of nonfarm payrolls on Friday. The chart below shows the Labor Department’s figure for total nonfarm payrolls and ADP’s estimate of private payrolls since 2010. Importantly, both measures show US employment is now hitting a plateau.



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 Services PMI	m/m	Feb F	52.3	52.3	***
9:45	S&P Global US Composite PMI	m/m	Feb F	52.3	52.3	***
10:00	ISM Services Index	m/m	Feb	53.5	53.8	***
10:00	ISM Services Prices Paid	m/m	Feb	67.8	66.6	*
10:00	ISM Services New Orders	m/m	Feb	53.6	53.1	*
10:00	ISM Services Employment	m/m	Feb		50.3	*
Federal Reserve						
EST	Speaker or Event	District or Position				
14:00	U.S. Federal Reserve Releases Beige Book	Federal Reserve Board				

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	S&P Global Japan Composite PMI	m/m	Feb F	53.9	53.8	--	*	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Feb F	53.8	53.8	--	*	Equity and bond neutral
	Consumer Confidence Index	m/m	Feb	40	37.9	38.2	*	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Feb F	52.4	52.0	--	*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Feb F	52.8	52.2	--	*	Equity and bond neutral
	GDP	y/y	4Q	2.6%	2.1%	2.3%	**	Equity and bond neutral
New Zealand	Terms of Trade Index	q/q	4Q	3.7%	-2.1%	-0.3%	**	Equity bullish, bond bearish
	ANZ Commodity Price	m/m	Feb	4.2%	2.0%		*	Equity and bond neutral
South Korea	Industrial Production	y/y	Jan	7.1%	1.4%	3.2%	***	Equity bullish, bond bearish
China	Official Manufacturing PMI	m/m	Feb	49.0	49.3	49.2	***	Equity and bond neutral
	Official Services PMI	m/m	Feb	49.5	49.4	49.7	**	Equity and bond neutral
	Official Composite PMI	m/m	Feb	49.5	49.8		*	Equity and bond neutral
	RatingDog China PMI Composite	m/m	Feb	55.4	51.6		**	Equity and bond neutral
	RatingDog China PMI Services	m/m	Feb	56.7	52.3	52.3	**	Equity bullish, bond bearish
	RatingDog China PMI Mfg	m/m	Feb	52.1	50.3	20.1	***	Equity bullish, bond bearish
India	HSBC India PMI Composite	m/m	Feb F	58.9	59.3		**	Equity and bond neutral
	HSBC India PMI Services	m/m	Feb F	58.1	58.4		**	Equity and bond neutral
EUROPE								
Eurozone	HCOB Eurozone Services PMI	m/m	Feb F	51.9	51.8	51.8	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	Feb F	51.9	51.9	51.9	*	Equity and bond neutral
	PPI	y/y	Jan	-2.1%	-2.1%	-2.6%	**	Equity and bond neutral
	Unemployment Rate	m/m	Jan	6.1%	3.3%	6.2%	**	Equity and bond neutral
Germany	HCOB Germany Services PMI	m/m	Feb F	53.5	53.4	53.4	**	Equity and bond neutral
	HCOB Germany Composite PMI	m/m	Feb F	53.2	53.1	53.1	**	Equity and bond neutral
France	HCOB France Services PMI	m/m	Feb F	49.6	49.6	49.6	**	Equity and bond neutral
	HCOB France Composite PMI	m/m	Feb F	49.9	49.9	49.9	**	Equity and bond neutral
Italy	HCOB Italy Services PMI	m/m	Feb	52.3	52.9	52.6	**	Equity and bond neutral
	HCOB Italy Composite PMI	m/m	Feb	52.1	51.4	51.8	**	Equity and bond neutral
	Unemployment Rate	m/m	Jan	5.1%	5.6%	5.6%	**	Equity and bond neutral
	GDP WDA	y/y	4Q F	0.8%	0.8%	0.8%	**	Equity and bond neutral
UK	S&P Global UK Services PMI	m/m	Feb F	53.9	53.9	53.9	**	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Feb F	53.7	53.9	53.9	**	Equity and bond neutral
	Official Reserves Changes	m/m	Feb	\$2022m	\$7472m		*	Equity and bond neutral
Switzerland	CPI	y/y	Feb	0.1%	0.1%	0.0%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Feb	0.5%	0.2%		*	Equity and bond neutral
	Core CPI	y/y	Feb	0.4%	0.5%		*	Equity and bond neutral
Russia	S&P Global Russia Composite PMI	m/m	Feb	50.8	52.1		**	Equity and bond neutral
	S&P Global Russia Services PMI	m/m	Feb	51.3	53.1		**	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	27-Feb	\$257815m	\$256649m		*	Equity and bond neutral
	Vehicle Domestic Sales	y/y	Feb	118297	131779		***	Equity and bond neutral
	Leading Indicators	y/y	Jan	0.1	0.11		**	Equity and bond neutral
Brazil	S&P Global Brazil Composite PMI	m/m	Feb	51.3	49.9		***	Equity and bond neutral
	S&P Global Brazil Services PMI	m/m	Feb	53.1	51.3		***	Equity and bond neutral
	Formal Job Creation Total	m/m	Jan	112334	-629761	95000	*	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)	359	359	0	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 (%)	4.08	4.06	0.02	Up
Euribor/OIS spread (bps)	204	203	1	Up
Currencies	3 Mo			
Dollar	Down	US		Down
Euro	Up	Euro		Flat
Yen	Up	Japan		Down
Pound	Up	UK		Up
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.

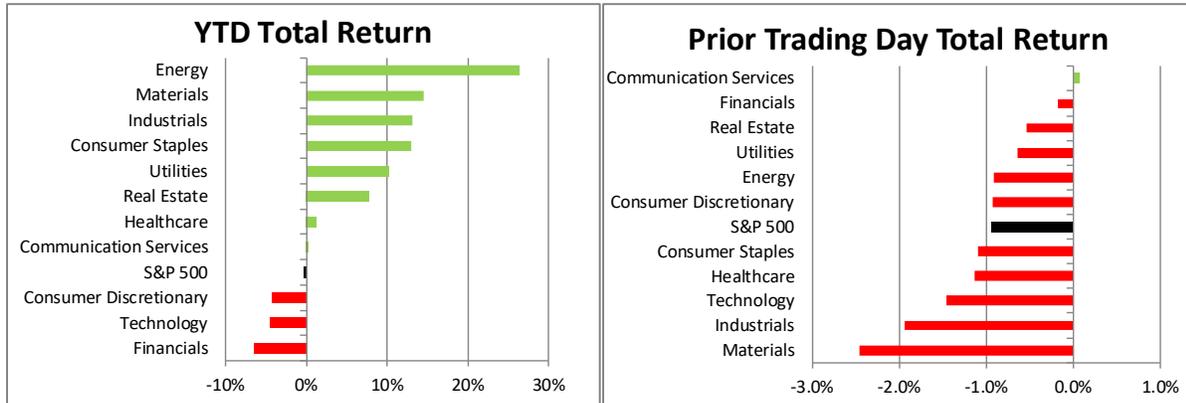
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$82.26	\$81.40	1.06%	
WTI	\$74.69	\$74.56	0.17%	
Natural Gas	\$3.00	\$3.05	-1.64%	
Crack Spread	\$39.42	\$38.76	1.68%	
12-mo strip crack	\$30.76	\$30.85	-0.30%	
Ethanol rack	\$1.92	\$1.92	-0.03%	
Metals				
Gold	\$5,166.58	\$5,088.83	1.53%	
Silver	\$85.30	\$82.02	3.99%	Geopolitical tensions
Copper Contract	\$591.60	\$582.60	1.54%	
Grains				
Corn contract	\$444.25	\$446.50	-0.50%	
Wheat contract	\$567.50	\$574.00	-1.13%	
Soybeans contract	\$1,170.75	\$1,170.50	0.02%	
Shipping				
Baltic Dry Freight	2,242	2,187	55	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		3.00		
Gasoline (mb)		-1.98		
Distillates (mb)		-2.36		
Refinery run rates (%)		-0.20%		
Natural gas (bcf)		-122		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for cooler-than-normal temperatures in the northern half of the West Coast, the Rocky Mountains, and the Midwest, with warmer-than-normal temperatures in the Southwest, the southern Great Plains, the Gulf Coast, and the East Coast. The outlook calls for wetter-than-normal conditions everywhere except California and Nevada, where conditions will be dry.

Data Section

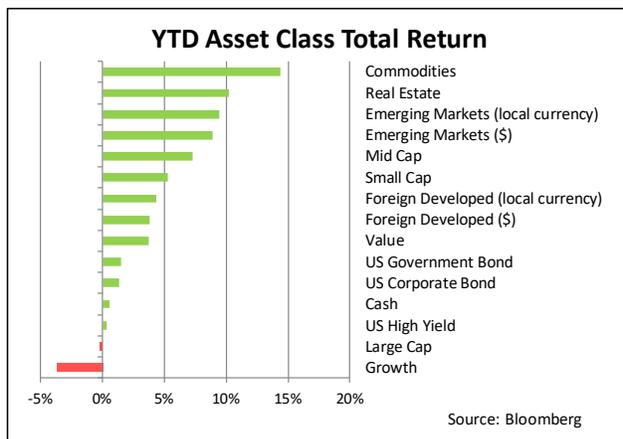
US Equity Markets – (as of 3/3/2026 close)



(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 3/3/2026 close)

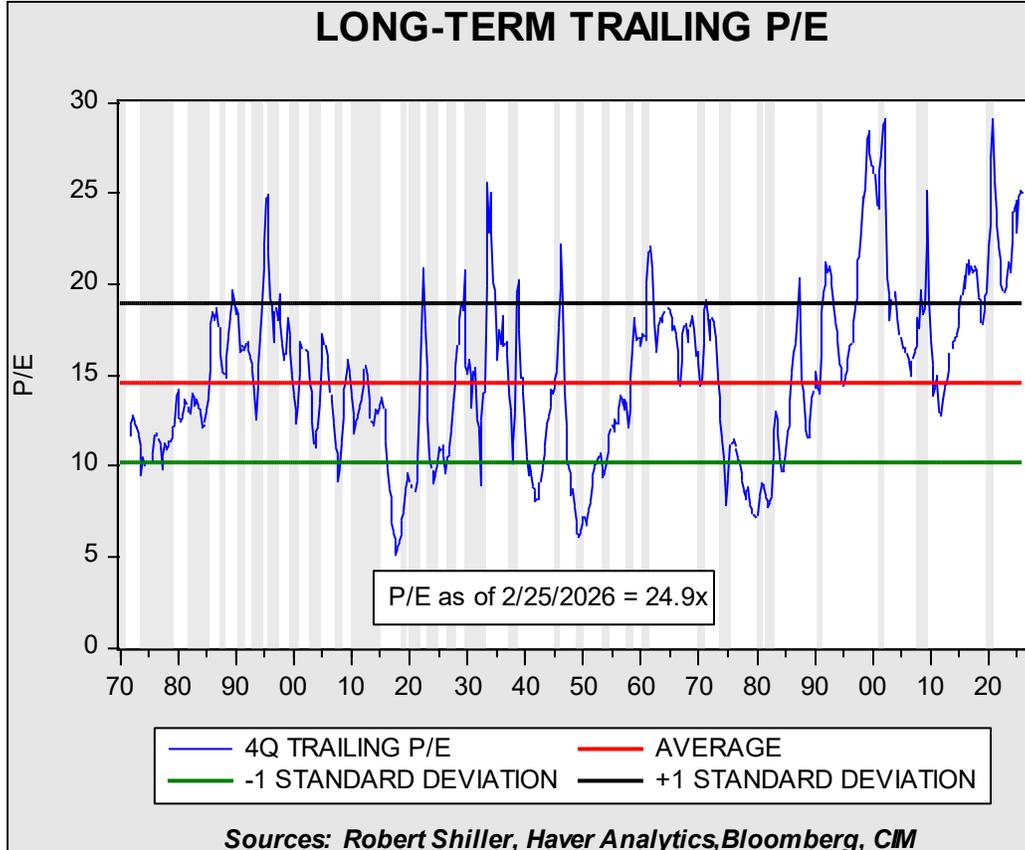


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.