Daily Comment

Confluence Investment Management

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[Posted: March 9, 2026 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 1.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.1%. Chinese markets were lower, with the Shanghai and the Shenzhen Composites both down 0.7%. US equity index futures are signaling a lower open.

With 492 companies having reported so far, S&P 500 earnings for Q4 are running at $74.20 per share compared to estimates of $71.07, which is up 8.3% from Q4 2024. Of the companies that have reported thus far, 74.0% exceeded expectations, while 21.1% 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) + **podcast (3/6/26)**	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 the big weekend surge in global energy prices, which has pushed Brent crude well above $100 per barrel and threatens to push US gasoline prices above $4.00 per gallon in the coming weeks. We next review several other international and US developments with the potential to affect the financial markets today, including growing tensions between the US and Israel over the conduct of the war and promises by the US administration to quickly develop a system to rebate tariffs that the Supreme Court recently invalidated.

US-Israel-Iran: Citing an unnamed administration official, Axios reported over the weekend that the US and Israel are mulling sending special operations forces into Iran at a later stage in the war to seize the country's stock of enriched uranium and/or to seize its major oil export terminal on Kharg Island. The moves would aim to end Iran's current nuclear weapons program and allow long-term control over its oil exports and economy.

- The risk is that the small special ops forces could find themselves overwhelmed by Iran's army and other forces. In that case, the pressure would rise for the US and Israel to commit large-scale "boots on the ground." In turn, that could create further political headwinds for the administration, raising the possibility of the Democrats taking control of at least one chamber of Congress in the November midterm elections.

- Separately, Iranian clerical leaders over the weekend chose Mojtaba Khamenei, son of the slain previous leader, to be the country's new supreme leader, defying President Trump's assertion that the son was not acceptable. The naming of Mojtaba Khamenei as supreme leader is being widely interpreted as a sign that the Iranian leadership will fight to the death rather than capitulate to US and Israeli demands in the war.

- Separately, the Strait of Hormuz remains essentially closed, throttling shipments of oil, gas, fertilizers, and other commodities and driving up prices for those commodities. Earlier today, Brent crude oil jumped by more than 25% to almost $120 per barrel before pulling back to about $105 per barrel at this writing. Natural gas prices have also surged again today, while gold, silver, and copper prices are modestly lower, probably reflecting concerns about stagflation and elevated interest rates.

- While the Trump administration has insisted it will not release oil from the US's strategic petroleum reserve to hold down prices, the International Energy Agency today is coordinating an emergency meeting of finance ministers from the Group of 7 major nations to discuss a joint release of oil from their reserves. Historically, releases from the SPR in times of crisis have helped push oil prices lower.

United States-Israel: One development that has also helped push up energy prices today and rattled financial markets is that Israel attacked 30 of Iran's fuel storage facilities over the weekend, going far beyond what US officials expected when Tel Aviv informed them of the impending attacks. The Israeli attack could invite Iran to increase its attacks on oil and gas facilities across the region, potentially sparking long-term supply shortages even if the Strait of Hormuz is reopened quickly. The attacks have also increased US-Israeli political tensions.

US Tariff Policy: Ahead of a late Friday meeting between administration lawyers and the federal judge who struck down most of President Trump's new tariffs, US Customs and Border Protection official Brandon Lord announced that the government will develop a system for returning $166 billion in tariff payments to around 330,000 importers within 45 days. Lord also vowed that the new system would only require minimal submissions from affected companies.

- If the tariff rebate system is up and running as quickly as promised, it would suggest firms could see a significant influx of cash in the second quarter. Firms could potentially accrue the rebates in the first quarter, raising corporate earnings. In any case, the rebates are likely positive for US stocks.

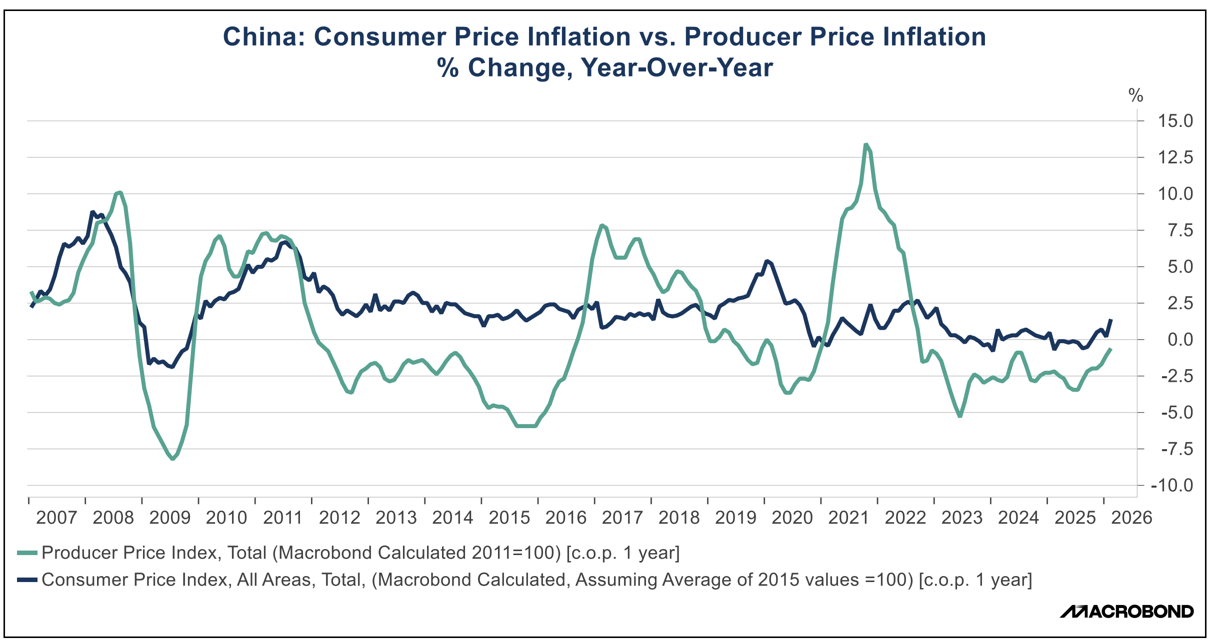
- Of course, one issue will be the extent to which firms share the rebates with their customers, either by outright refunds or lower prices going forward.

- Finally, it's important to remember that any rebates paid will have a negative impact on the federal budget deficit and debt levels.

US Housing Policy: Senators working on legislation designed to make housing more affordable have inserted a provision that would prohibit large-scale investors from buying existing single family homes and would require them to sell their newly built rental properties to individuals within seven years of completing them. The industry has begun pushing back fiercely against the idea, and it isn't clear if it will ultimately be signed into law. Nevertheless, it represents a risk to firms aiming to buy and rent out large numbers of homes.

China-Russia: Beijing's draft five-year plan for 2026-2030 reportedly includes funds for two pipelines transporting natural gas from Russia, suggesting President Putin's pet project to strengthen China-Russian economic relations, the Power of Siberia 2, could be on the fast track for construction. The pipeline would likely take years to complete, so it won't make much difference for today's energy crisis. However, it would likely cement Russia's role as a key gas supplier for China for years to come.

China: The February consumer price index was up 1.3% year-over-year, beating expectations and accelerating from the 0.2% rise in the year to January. According to the national statistics agency, the acceleration was driven by surging oil prices as tensions around Iran heated up and strong demand around the Lunar New Year holidays. Consumer price inflation is now at its highest in more than three years. However, producer prices continue to fall amid excess production.



Germany: In regional elections in the key industrial state of Baden-Württemberg yesterday, the left-wing Greens narrowly came in first with 30.2% of the vote, edging out Chancellor Merz's Christian Democrats despite opinion polls showing the CDU would win. Just as important, the far-right Alternative for Germany party nearly doubled its vote share to 18.8%. The results point to a further weakening of the country's traditional centrist parties.

US Economic Releases

There were no domestic releases prior to the publication of this report. There are no economic releases or Fed events scheduled for the rest of the day.

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	Real Cash Earnings	m/m	Jan	1.4%	-0.1%	0.9%	*	Equity bullish, bond bearish
	Labor Cash Earnings	y/y	Jan	3.0%	2.4%	2.4%	**	Equity bullish, bond bearish
	BoP Current Account Balance	m/m	Jan	¥941.6b	¥728.8b	¥930.0b	***	Equity and bond neutral
	BoP Trade Balance	m/m	Jan	-¥600.4b	¥134.9b	-¥1083.1b	**	Equity and bond neutral
	Leading Economic Index	m/m	Jan P	112.4	110.3	113.0	**	Equity and bond neutral
	Coincident Index	y/y	Jan P	116.8	114.3	116.9	**	Equity and bond neutral
China	Foreign Reserves	m/m	Feb	$3427.81b	$3399.08b	$3400.00b	**	Equity and bond neutral
	PPI	y/y	Feb	-0.9%	-1.4%	-1.1%	**	Equity and bond neutral
	CPI	y/y	Feb	1.3%	0.2%	0.9%	**	Equity and bond neutral
EUROPE								
Germany	Factory Orders WDA	y/y	Jan	-11.1%	6.4%	-4.3%	***	Equity bearish, bond bullish
	Industrial Production WDA	y/y	Jan	-1.2%	0.4%	-0.8%	**	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	6-Mar	428.9b	440..5b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	6-Mar	454.1b	459.8b		*	Equity and bond neutral
AMERICAS								
Mexico	CPI	y/y	Feb	4.02%	3.79%	3.94%	***	Equity and bond neutral
	Core CPI	y/y	Feb	4.50%	4.52%	4.50%	**	Equity and bond neutral
	Vehicle Production	y/y	Feb	311457	314317		*	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)	357	358	-1	Down
U.S. Sibor/OIS spread (bps)	368	367	1	Down
U.S. Libor/OIS spread (bps)	364	363	1	Down
10-yr T-note (%)	4.18	4.14	0.04	Up
Euribor/OIS spread (bps)	205	205	0	Down
Currencies	**3 Mo**			
Dollar	Down	US		Flat
Euro	Up	Euro		Down
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.

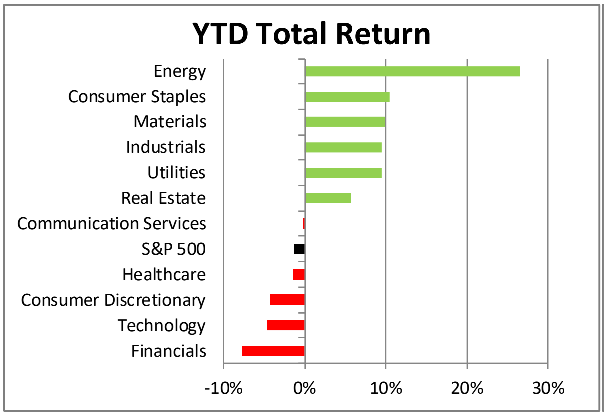
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$105.53	$92.69	13.85%	Middle East Conflict
WTI	$103.69	$90.90	14.07%	Middle East Conflict
Natural Gas	$3.37	$3.19	5.84%	Middle East Conflict
Crack Spread	$36.89	$37.25	-0.96%	
12-mo strip crack	$30.96	$30.41	1.79%	
Ethanol rack	$2.02	$2.00	1.40%	
Metals				
Gold	$5,082.72	$5,171.74	-1.72%	
Silver	$83.16	$84.54	-1.64%	
Copper Contract	$575.05	$580.70	-0.97%	
Grains				
Corn contract	$468.00	$460.50	1.63%	
Wheat contract	$620.00	$616.75	0.53%	
Soybeans contract	$1,217.75	$1,200.75	1.42%	
Shipping				
Baltic Dry Freight	2,010	2,138	-128	

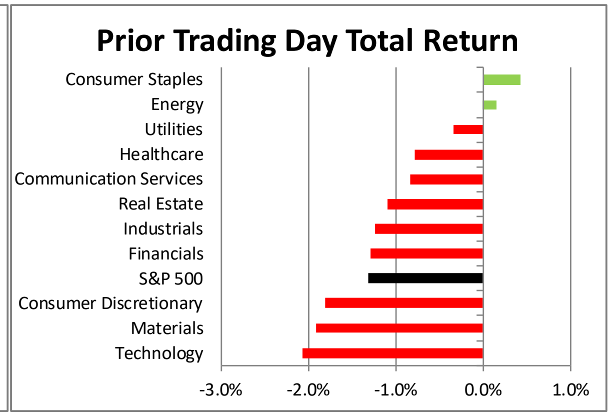
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for cooler-than-normal temperatures in the northern Midwest and New England regions, with warmer temperatures expected for the rest of the country. The outlook calls for wetter-than-normal conditions in northern states as well as the eastern third of the country, with dry conditions expected in the Southwest.

Data Section

US Equity Markets – (as of 3/6/2026 close)

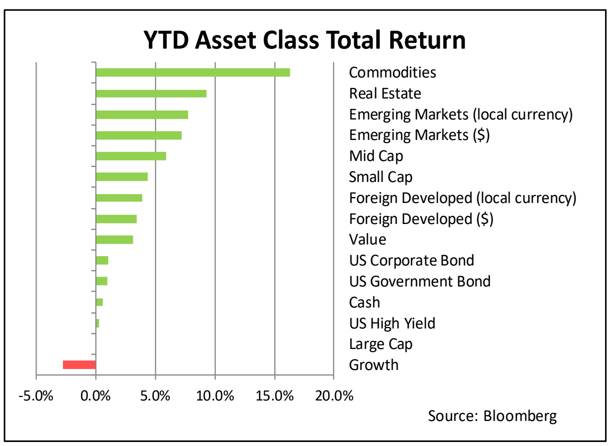




(Source: Bloomberg)

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 3/6/2026 close)

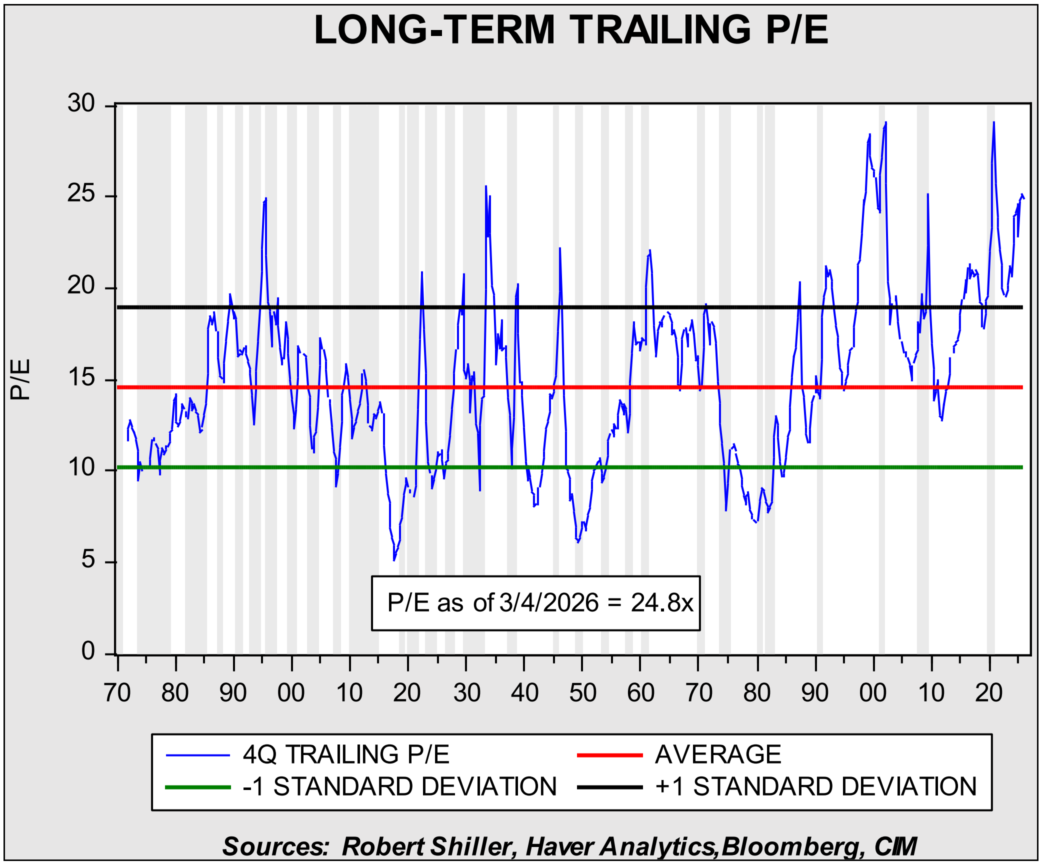


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 5, 2026



Based on our methodology,[1] the current P/E is 24.8x, down 0.1 from the previous report. Last week, the stock price index fell, while earnings were relatively unchanged from the previous week.

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[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.