



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: May 11, 2026 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.3%. Chinese markets were higher, with the Shanghai Composite up 1.1% and the Shenzhen Composite up 1.6%. US equity index futures are signaling a lower open.

With 446 companies having reported so far, S&P 500 earnings for Q1 are running at \$80.30 per share compared to estimates of \$72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 83.0% exceeded expectations, while 11.4% 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
“Europe’s Push to Close the AI Gap” (5/4/26) + podcast (5/11/26)	“The Power of Gold” (5/11/26)	Q2 2026 Report	Keller Quarterly April 2026 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 the latest developments in the Iran war, including Iran’s response to the latest US peace proposal. We next review several other international and US developments that could affect the financial markets today, including the US’s imposition of new sanctions on Chinese entities for supporting Iran’s military and new concerns about defaults in the US private-credit industry.

United States-Israel-Iran: The Iranian government responded to the 14-point peace proposal delivered by the US last week [by issuing a counterproposal to gradually open the Strait of Hormuz as the US gradually lifts its blockade of Iranian ports](#). Iran’s nuclear program would be negotiated over the next 30 days, with Iran having some of its highly enriched uranium diluted

and the rest transferred to a third country, subject to repatriation if talks fail or the US exits the deal later. On social media, President Trump rejected the counteroffer as “totally unacceptable.”

- Separately, a classified CIA analysis recently delivered to the White House reportedly [said that Iran can survive the US’s naval blockade against it for at least three to four months before facing more severe economic hardship](#). The report also said that Tehran retains significant ballistic missile capabilities despite weeks of intense US and Israeli bombardment.
- Coupled with the US rejection of Tehran’s counterproposal, the CIA analysis suggests the war and the associated commodity supply disruptions are likely to continue, setting the stage for further price hikes, economic disruption, and risks for stock prices.
- In another development, the *Wall Street Journal* reported that Israel [set up “a clandestine military outpost in the Iraqi desert to support its air campaign against Iran.”](#) Importantly, the report also says Israel launched airstrikes against Iraqi troops sent to investigate after a shepherd reported unusual activity in the area. The report highlights the ongoing risk that the war against Iran could draw in other countries at any time and pose further risks for global commodity supplies, economic activity, and asset prices.
- Confirming our view that oil and natural gas supply disruptions from the war will boost all kinds of alternative energy sources, new data [shows that global coal shipments have been surging](#). Worldwide imports this month are expected to reach 107 million tons, the third-highest monthly figure for May in records that go back to 2017. Separate reports have also shown renewed interest in renewable energy sources, such as wind and solar.
- Illustrating how the disruptions from the war are weighing especially hard on emerging economies, Indian Prime Minister Modi [has urged his citizens not only to use less petroleum-based fuel, but also to buy less gold](#). The call to buy less gold aims to preserve the country’s foreign reserves, which have been under pressure as the rupee weakens.

United States-China: Over the weekend, the US [imposed financial sanctions on nine mainland Chinese and Hong Kong companies and individuals for providing support to Iran’s military](#). The announcement accuses the entities of helping Iran’s armed forces secure weapons, components and raw materials for drones, and satellite imagery for targeting. The move is significant because it could spoil this week’s highly anticipated summit between President Trump and General Secretary Xi in Beijing.

China: In April, China [exported more electric vehicles and plug-in vehicles than gasoline or diesel cars](#) for the first time ever. The shift toward EV exports reflects China’s enormous government-bred problem of excess capacity in the domestic EV manufacturing industry and weak domestic demand. The surge in EV and other exports continues to push down prices and raise financial pressure on foreign manufacturers, worsening China’s trade tensions with other countries.

- Separately, the US Chamber of Commerce yesterday issued a report warning that Beijing [is “doubling down” on state intervention in manufacturing, services, and frontier technologies](#) to dominate global supply chains.

- The report warns that free-market economies around the world are running out of time to push back against China’s policies and avoid being reliant on Chinese suppliers.

Australia: In a by-election on Saturday, the far-right, anti-immigrant One Nation Party [won a seat in the national parliament for the first time](#). The result is seen as a protest vote to punish the center-right Liberal Party for ousting its leader, who represented the district and was well liked there. Nevertheless, the news shows how anti-immigrant sentiment and other issues are boosting the far right in Australia, just as they are in Europe. If far-right parties continue to gain power, the result could be a big shift toward nationalist, populist economic and social policies.

Germany-France: Franco-German tank maker KNDS [has warned the German government that it will press ahead with a decision on an initial public offering within the next two months](#), whether or not Berlin has responded to its offer for it to take a stake in the defense business. If Berlin declines, the French government would be the largest shareholder in the firm as it opens itself to public ownership. In any case, the IPO planning illustrates the strong investor interest in European defense firms — a sentiment that we share.

United Kingdom: Another top Labour Party lawmaker yesterday [urged Prime Minister Starmer to resign, heaping pressure on him to step down amid scandals and accusations of ineffective government](#). A change in government would create political uncertainty and could undermine UK stocks. Nevertheless, reports suggest Starmer’s opponents in the party for now remain reluctant or unable to force him out. Starmer will attempt another “reset” of his government with a major speech today and new legislation to be laid out in his “King’s speech” on Wednesday.

Argentina: The legislature [has voted to amend the Glacier Law of 2010 to ease restrictions on the mining of glaciers and areas around them](#). The easing of regulations could potentially open more of the country to the extraction of gold, copper, molybdenum, and other valuable minerals. However, critics of the move warn that large-scale mining operations in or around Argentina’s 5,270 square miles of glaciers could threaten critical water supplies downstream.

US Politics: While Democrats have been widely expected to win control of the House in the November mid-term elections, a series of three redistricting losses in the courts [has suddenly made such an outcome significantly more difficult](#). The most recent loss was a decision by the Virginia Supreme Court late last week that invalidated the Democrats’ aggressive redistricting effort there. Of course, ballot dynamics still could swing in either direction, but investors should be aware that a Democratic takeover of the House is not yet set in stone.

US Private Credit Industry: In news that could rekindle investor concerns about the private-credit industry, Apollo Global Management [said it’s trying to sell MidCap Financial Investment, its publicly listed business-development company](#). Defaults in the fund jumped to 5.3% in the first quarter from 3.9% previously, driving down MFIC’s stock price. Business-development companies are considered a type of private-credit firm, so the news will likely remind investors of the private-credit default scare earlier this year and spark renewed market volatility.

- Separately, KKR said its largest private-credit fund held by individual investors, called FS KKR Capital (FSK), [suffered a major loss and required a 10% write-down in the first quarter due to rising defaults](#).
- According to KKR, defaults in the fund jumped to 8.1% in the first quarter from 5.5% in December.

US Economic Releases

There were no domestic 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
10:00	Existing Home Sales	m/m	Apr	4.05m	3.98m	***
10:00	Existing Home Sales MoM	m/m	Apr	2.0%	-3.6%	*
Federal Reserve						
No Fed speakers or events for the rest of today						

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								
China	Trade Balance	m/m	Apr	\$84.82b	\$51.13b	\$83.65b	***	Equity and bond neutral
	Exports	y/y	Apr	14.1%	2.5%	834.0%	**	Equity and bond neutral
	Imports	y/y	Apr	25.3%	27.8%	20.0%	**	Equity and bond neutral
	PPI	y/y	Apr	2.8%	5.0%	1.8%	***	Equity and bond neutral
	CPI	y/y	Apr	1.2%	1.0%	0.9%	***	Equity and bond neutral
EUROPE								
Switzerland	Domestic Sight Deposits CHF	w/w	8-May	435.5b	430.7b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	8-May	467.5b	459.7b		*	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	1-May	\$757.5b	\$771.7b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	30-Apr	20.65t	20.55t		*	Equity and bond neutral
AMERICAS								
Canada	Net Change in Employment	m/m	Apr	-17.7k	14.1k	10.0k	***	Equity and bond neutral
	Unemployment Rate	m/m	Apr	6.9%	6.7%	6.7%	***	Equity and bond neutral
	Participation Rate	m/m	Apr	65.0%	64.9%	64.9%	*	Equity and bond neutral
Mexico	Vehicle Production	y/y	Apr	329878	343520		*	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	360	-1	Up
U.S. Sibor/OIS spread (bps)	364	364	0	Down
U.S. Libor/OIS spread (bps)	364	364	0	Up
10-yr T-note (%)	4.39	4.36	0.03	Down
Euribor/OIS spread (bps)	223	225	-2	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.

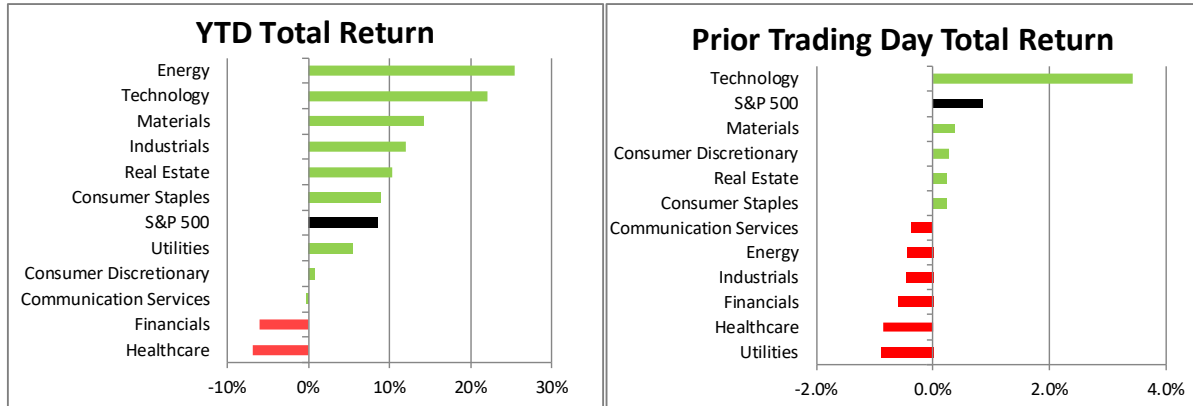
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$103.83	\$101.29	2.51%	
WTI	\$97.75	\$95.42	2.44%	
Natural Gas	\$2.84	\$2.76	2.90%	
Crack Spread	\$58.72	\$58.28	0.75%	
12-mo strip crack	\$43.09	\$42.84	0.60%	
Ethanol rack	\$2.16	\$2.16	-0.07%	
Metals				
Gold	\$4,676.79	\$4,715.25	-0.82%	
Silver	\$81.34	\$80.34	1.25%	
Copper Contract	\$638.95	\$629.65	1.48%	
Grains				
Corn contract	\$474.00	\$471.25	0.58%	
Wheat contract	\$625.00	\$619.00	0.97%	
Soybeans contract	\$1,221.25	\$1,208.00	1.10%	
Shipping				
Baltic Dry Freight	2,978	3,034	-56	

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 states west of the Mid-Atlantic region, with dry conditions in the northern Pacific states.

Data Section

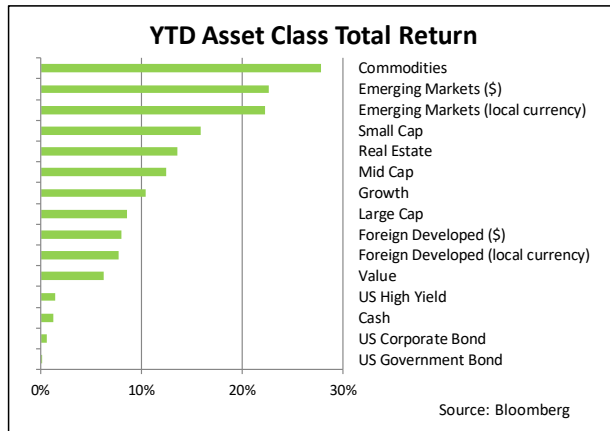
US Equity Markets – (as of 5/8/2026 close)



(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 5/8/2026 close)

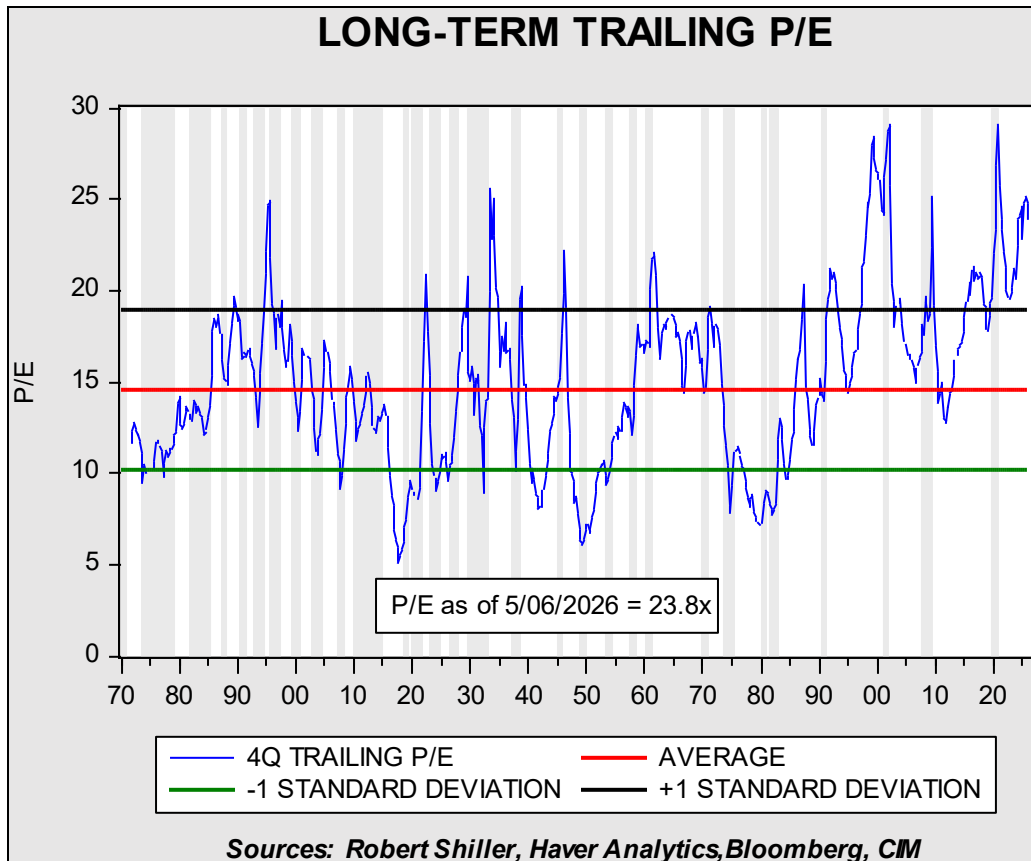


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

May 7, 2026



Based on our methodology,¹ the current P/E is 23.8x, down 0.6 from the previous report. Last week, the increase in earnings outpaced the rise in the stock price index.

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.