



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: May 18, 2026 — 9:30 AM ET]** Global equity markets are mostly flat this morning. In Europe, the Euro Stoxx 50 is essentially unchanged from its prior close. In Asia, the MSCI Asia Apex 50 Index is unchanged. Chinese markets were little changed, with the Shanghai Composite down 0.1% and the Shenzhen Composite unchanged. US equity index futures are signaling a lower open.

With 454 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, 82.6% exceeded expectations, while 11.9% fell short of expectations.

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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
<a href="#">“Europe’s Push to Close the AI Gap”</a> (5/4/26) + <a href="#">podcast</a> (5/11/26)	<a href="#">“The Power of Gold”</a> (5/11/26)	<a href="#">Q2 2026 Report</a>	<a href="#">Confluence of Ideas podcast</a> <a href="#">Confluence Mailbag</a>

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Our *Comment* today opens with a short review of the US-China summit in Beijing late last week. We next review several other international and US developments that could affect the financial markets today, including a potential labor strike at South Korean semiconductor giant Samsung Electronics and new signs that the US may still be interested in a military strike against Cuba despite the stalemate in the US-Israeli war against Iran.

**United States-China:** Now that the latest summit between President Trump and General Secretary Xi has wrapped up, it seems that the meeting [produced little value for the US](#) beyond generally positive optics and commitments on both sides to ease tensions. Details are still

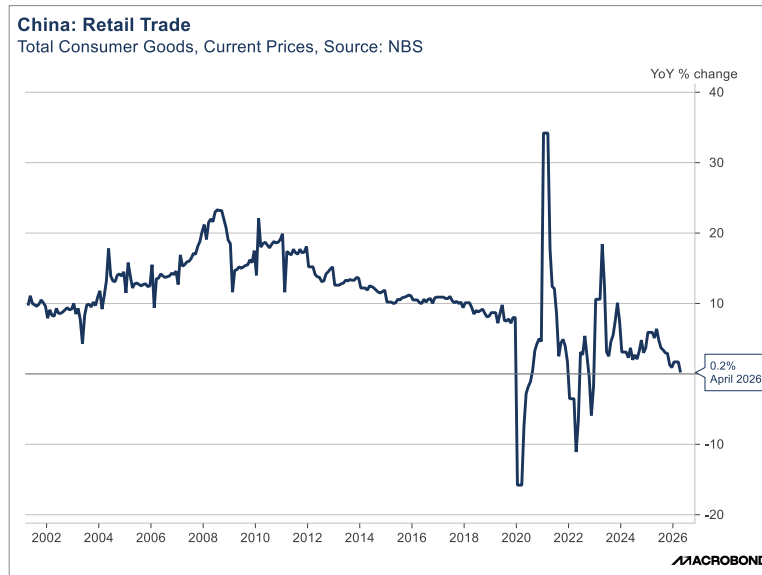
dribbling out, but it appears that no major deals were struck for China to pressure Iran to end its effective shutdown of the Strait of Hormuz, stop its predatory economic and technology policies, ease its military pressure on Taiwan, or respect other major US interests.

- In trade, the Chinese Commerce Ministry on Saturday [said Beijing has committed to cutting import tariffs on some US products and explore increased purchases of US farm products](#) and other goods. However, official statements so far suggest the commercial deals were more modest than expected. Of course, China also has a history of failing to fully implement such deals. In sum, the summit appears unlikely to usher in significant new US trade with China.
- Regarding key national security issues, there was no apparent deal for China to step back from its military, economic, and diplomatic pressure on Taiwan and its effort to set the stage for an eventual seizure of the island. Indeed, Trump downplayed US military and economic interests related to Taiwan and suggested the US military might not have the capability to defend the island.
- While President Trump appears to have banked on establishing warm personal ties with Xi, even that effort appears to have failed. While the US president repeatedly referred to Xi as his “friend,” the Chinese leader and his administration made no apparent effort to say the same thing about Trump. Indeed, it appears that the Chinese side deliberately took steps to undercut the US president’s status. For a photo, for instance, the Chinese had Trump sit in a low-slung chair so that it appeared he was smaller than Xi.

**Global Semiconductor Industry:** Korean semiconductor giant Samsung Electronics and its biggest union [are meeting today in a last-ditch effort to avert a strike](#). Now that Samsung is reporting record profits because of the global artificial intelligence boom, its workers are demanding increased wages and benefits. The union has set a May 21 deadline for a deal, or it will stage an 18-day walkout.

- Of course, a strike could potentially hurt not only Samsung, but it could potentially disrupt supply chains related to global AI investment.
- Nevertheless, Samsung shares have risen sharply today after a South Korean court [granted Samsung’s request for an injunction that will limit the impact of the strike](#). Under the injunction, staffing levels needed for safety protection, facility damage prevention, and product quality maintenance must remain at normal levels during the strike.

**China:** Despite strong growth in exports, April retail sales [were up just 0.2% from the same month one year earlier, decelerating from their 1.7% rise in the year to March](#). Industrial production also decelerated, to an annual growth of 4.1% in April versus 5.7% in March. Fixed asset investment in January through April was down 1.6% year-over-year. The figures show how Chinese domestic demand continues to soften, in large part because of the country’s massive excess capacity and debilitating price wars.



**Japan:** In a major political U-turn, Prime Minister Takaichi today [asked her government to develop a supplementary budget for the current fiscal year to fund huge energy subsidies](#). The goal would be to shield domestic energy users from the full brunt of the price hikes touched off by the US-Israeli war against Iran. However, investors fear the new subsidies would further worsen Japan’s fiscal position. In response, 10-year Japanese government bond yields have risen to 2.746% today, while the yen has depreciated slightly to 159 per dollar.

**United States-Israel-Iran:** The United Arab Emirates yesterday [said a drone strike, apparently launched by Iran, caused a fire at the perimeter of its Barakah nuclear power plant](#). The strike illustrates that the on-going “ceasefire” hasn’t precluded military attacks by either the US and Iran, rendering it fragile. At the same time, global investment and energy analysts continue to warn that global energy and commodity prices could still suddenly surge, despite the relative complacency in the financial markets.

- Separately, the *Financial Times* yesterday said European airline and refinery executives [have become more confident that the Continent will avoid outright jet fuel shortages this summer](#). The new confidence reflects the impact of maximized refinery output, increased imports from the US and elsewhere, and governments tapping their strategic reserves.
- The report will be especially welcomed by the European travel industry, which has already seen some flight cancellations and delayed bookings as consumers worried about disruptions to their summer vacation plans.
- We would note, however, that crimped supplies are still buoying jet fuel prices, which will likely have a continued impact on airline ticket prices.

**United States-Cuba:** In a sign that the US may be setting the stage for a future attack on Cuba, administration officials [have begun leaking intelligence saying Havana is acquiring a fleet of attack drones that could target the US base at Guantanamo Bay](#). That follows a trip to Cuba by

CIA Director Ratcliffe last week, during which he reportedly warned Havana to stop funding drug cartels and other groups working against US interests.

- This week, the US Justice Department is also expected to unseal an indictment of Cuba's de facto leader, Raúl Castro, for allegedly ordering the 1996 downing of two planes flown by a Miami-based aid group.
- The various moves all suggest the US could be developing a series of justifications for an attack on the island and trying to depose the leadership. Of course, another potential reason to do so would be to divert attention from the US's so-far failed war against Iran.

**US Labor Market:** The Long Island Rail Road, the nation's busiest commuter line, [remains closed today because of a strike](#). The shutdown is expected to affect about 300,000 commuters in New York and on Long Island, including many workers in the financial services industry. The key issue in the strike is worker pay, driven in part by employee concerns about continued high price inflation.

**US Defense Industry:** Some US defense contractors [are reportedly lobbying the White House to delay a long-planned prohibition on using Chinese rare earth magnets in military goods](#) starting January 1. Despite the administration pouring billions of dollars of support into the domestic rare earths industry, the lobbying reflects concerns that there still is not enough domestic or allied supply of the magnets, which are essential to a wide range of military and civilian goods. It remains unclear whether the administration will play hardball with the firms or push off the rule.

## 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	NAHB Housing Market Index	m/m	May	34	34	*
16:00	Net Long-Term TIC Flows	m/m	Mar		\$184.5b	**
16:00	Total Net TIC Flows	m/m	Mar		\$58.6b	**
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
<b>ASIA-PACIFIC</b>								
Japan	PPI	y/y	Apr	4.9%	2.9%	3.0%	***	Equity bearish, bond bullish
	Machine tool orders	y/y	Apr P	45.1%	28.0%		**	Equity and bond neutral
New Zealand	BusinessNZ Manufacturing PMI	m/m	Apr	50.5	52.8		***	Equity and bond neutral
	Food Prices	m/m	Apr	0.0%	-0.6%		***	Equity and bond neutral
South Korea	Export Price Index	y/y	Apr	40.8%	29.5%		*	Equity and bond neutral
	Import Price Index	y/y	Apr	20.2%	20.4%		*	Equity and bond neutral
India	Trade Balance	m/m	Apr	-\$28383m	-\$20674m	-\$26350m	**	Equity and bond neutral
	Exports	y/y	Apr	13.8%	-7.4%		**	Equity and bond neutral
	Imports	y/y	Apr	10.0%	-6.5%		**	Equity and bond neutral
<b>EUROPE</b>								
Italy	CPI, EU Harmonized	y/y	Apr F	2.8%	2.9%	2.9%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Apr F	2.7%	2.8%	2.8%	**	Equity and bond neutral
Russia	Trade Balance	m/m	Mar	14.0b	5.1b		**	Equity and bond neutral
	Exports	m/m	Mar	41.1b	29.9b		*	Equity and bond neutral
	Imports	m/m	Mar	27.1b	24.8b		*	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	8-May	20.86t	20.65t		*	Equity and bond neutral
<b>AMERICAS</b>								
Canada	Wholesale Sales ex Petroleum	m/m	Mar	1.9%	2.4%	1.30	**	Equity and bond neutral
Mexico	ANTAD Same-Store Sales	y/y	Apr	4.4%	1.7%		*	Equity and bond neutral
Brazil	IBGE Services Volume	y/y	Mar	3.0%	0.4%	4.6%	*	Equity bearish, bond bullish

## 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)	365	364	1	Down
U.S. Libor/OIS spread (bps)	364	364	0	Up
10-yr T-note (%)	4.54	4.48	0.06	Up
Euribor/OIS spread (bps)	224	228	-4	Up
<b>Currencies</b>	<b>3 Mo</b>			
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.

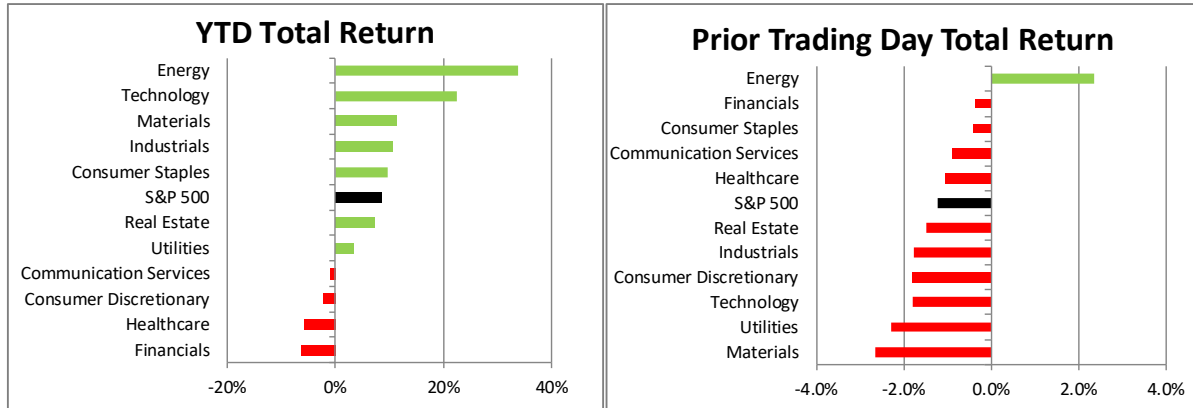
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$109.16	\$105.72	3.25%	
WTI	\$105.04	\$101.17	3.83%	
Natural Gas	\$2.93	\$2.89	1.28%	
Crack Spread	\$54.01	\$53.73	0.51%	
12-mo strip crack	\$42.88	\$42.22	1.56%	
Ethanol rack	\$2.19	\$2.20	-0.26%	
<b>Metals</b>				
Gold	\$4,560.62	\$4,651.98	-1.96%	
Silver	\$78.03	\$83.53	-6.59%	
Copper Contract	\$633.10	\$661.15	-4.24%	
<b>Grains</b>				
Corn contract	\$466.25	\$467.50	-0.27%	
Wheat contract	\$655.00	\$658.00	-0.46%	
Soybeans contract	\$1,187.25	\$1,192.50	-0.44%	
<b>Shipping</b>				
Baltic Dry Freight	3,195	3,189	6	

## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout the entire country. The precipitation outlook calls for wetter-than-normal conditions for most states, with dry conditions in the Rocky Mountain region.

**Data Section**

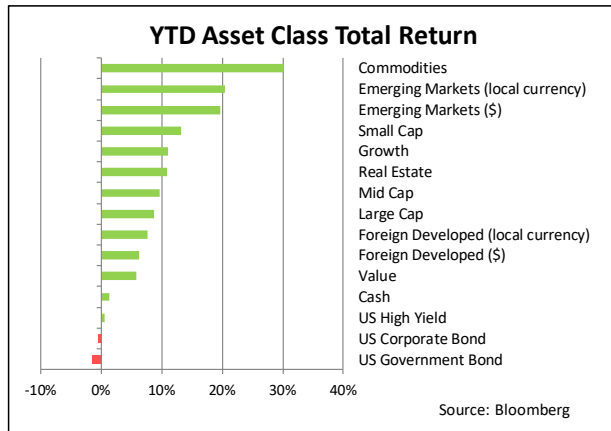
**US Equity Markets – (as of 5/15/2026 close)**



(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 5/15/2026 close)**

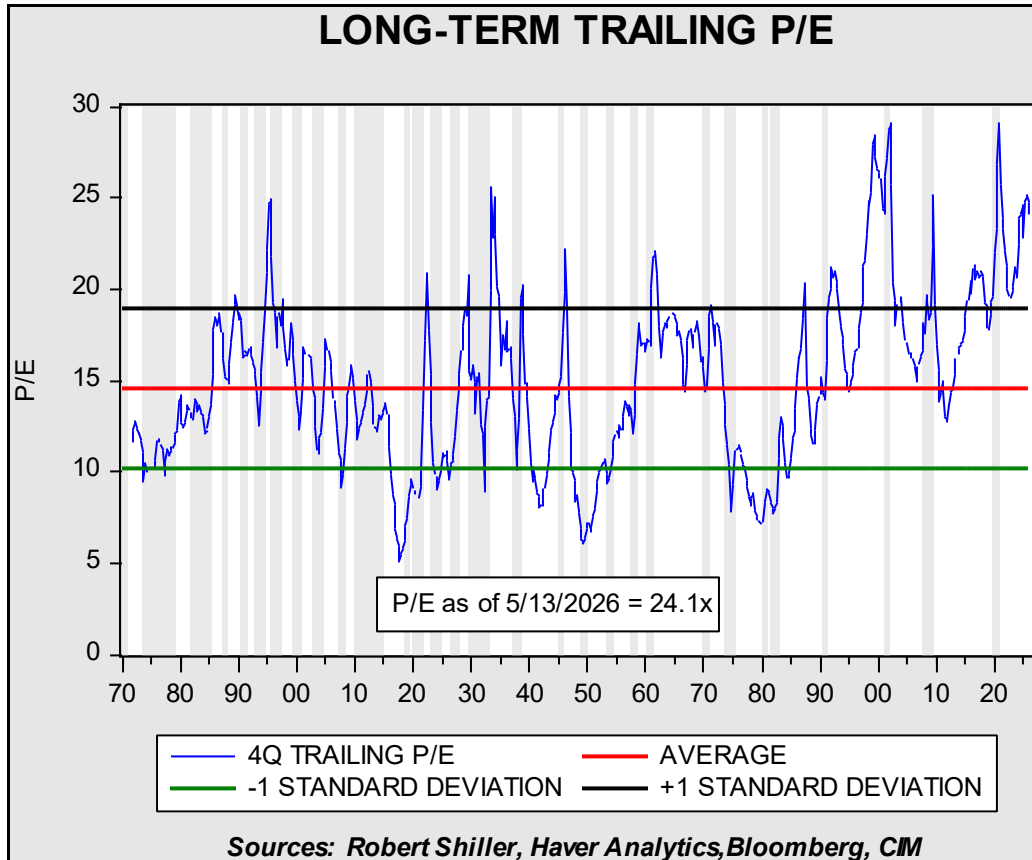


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 14, 2026



Based on our methodology,<sup>1</sup> the current P/E is 24.1x, up 0.3 from the previous report. Last week, the increase in the stock price index outpaced the rise in earnings.

*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.*

<sup>1</sup> 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.