Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: May 1, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 1.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.7%. Chinese markets are closed today in observance of Labor Day. US equity index futures are signaling a higher open.

With 303 companies having reported so far, S&P 500 earnings for Q1 are running at $79.30 per share, compared to estimates of $72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 81.2% exceeded expectations while 12.4% 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
"The War in Iran and the End of US Hegemony" (4/20/26) + podcast	"The Consensus Builder" (4/27/26) + podcast	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* opens with a deep dive into the latest GDP report and its implications for the growth outlook. We then briefly cover President Trump's new initiative to expand IRA access for low-income workers, efforts to crack down on international IP theft, the growing reluctance of farmers to respond to government surveys, and other market-relevant developments. As always, we include an overview of recent domestic and international economic data.

GDP Deep Dive: The economy continues to demonstrate resilience, reinforcing market confidence that it has the ability to absorb potential shocks. Business investment was supported by sustained AI-related spending, while household consumption benefited from tax refunds and improved credit availability. The government's reopening also contributed to economic growth, with net exports being the only notable drag. Despite this steady expansion, the risk of a prolonged conflict involving Iran remains a key uncertainty for the outlook.

- GDP grew at a 2.0% annualized rate, accelerating from 0.5% in the prior quarter but coming in modestly below the 2.2% consensus forecast. The expansion was led by investment spending, which increased at a 2.5% annualized pace. Within that, technology investment remained the standout, continuing to outpace other categories as firms accelerate buildouts of AI-related infrastructure and capacity.
- At the same time, household spending showed signs of moderation, slowing from a 1.9% increase in Q4 2025 to 1.6% in the latest period. Growth was driven primarily by rising healthcare expenditures, which continue to underpin demand. In contrast, goods spending declined modestly, reflecting a pullback in nondurable purchases, a possible sign that consumers are becoming more price sensitive.
- The final two components, net exports and government spending, were subject to temporary distortions. The normalization of trade flows weighed on growth as a rise in imports led to lower net exports. Meanwhile, the government's reopening drove a surge in public spending. Looking ahead, net exports are likely to remain a drag on growth, while the boost from government spending should help moderate declines.
- While growth has been relatively solid, its composition is likely to shape future performance, particularly for consumption and investment. Household spending is still expanding, but declining savings rates are eroding consumers' capacity to absorb ongoing inflation pressures. Additionally, technology firms that depend on components from Asian markets, especially semiconductors, may be forced to delay projects until supply conditions stabilize, posing an additional headwind to investment.
- While we remain confident that the economy can continue to grow through the end of the year, we do see signs of moderation. We continue to believe that as long as households have access to credit, consumer spending will hold up, and investment spending should further support economic activity. That said, significant uncertainty still lingers. Therefore, we recommend maintaining at least some exposure to value stocks, which can offer a degree of protection against unexpected economic shocks.

TrumpIRA: The White House has announced a new website that will allow workers to find and compare private sector retirement savings accounts. The online portal will be developed through an executive order and aims to help low-income workers access the Saver's Match program, which is set to take effect next year under legislation passed by the previous administration. The move signals that more people will have access to passive investments, which could provide greater stability in equity markets.

International IP Theft: The US is expected to launch an investigation into Vietnam's trade practices following a review of intellectual property protection and enforcement. The report accuses Vietnam of failing to protect US trade secrets. Vietnam is the first new country in 13 years to receive a priority designation, joining a list that already included India, China, Indonesia, Russia, Chile, and Venezuela. This suggests that tariffs, a tool to enforce better trade practices, will remain in place despite the court setback earlier this year.

Farmers Push Back: More farmers are refusing to answer USDA survey questions due to growing distrust. Crop producers have complained that the data being collected is often used against them, as reports of higher harvests generally lead to a decline in prices. Their refusal to cooperate with the USDA appears to be a sign of rising strain, but it could also compromise data quality. The lack of transparency regarding crop production could lead to greater price volatility, which may translate into structurally higher food inflation.

War Powers Act: The White House is moving closer to a deadline regarding the conflict involving Iran that began on March 2. Under the War Powers Act, the White House must seek congressional approval to continue military action. While the exact timing has been debated, continuing the conflict would represent an example of a concentration of power in the executive branch. Although several resolutions have been introduced to end the conflict, they have been defeated in Congress as lawmakers remain unsure how to deal with the growing threat from Iran.

Oil Companies Rally: Exxon and Chevron both reported strong first-quarter earnings, which were aided by conflict-driven tensions in the Middle East that pushed energy prices higher. Exxon absorbed some region-related production outages but largely offset them through increased sales elsewhere. Chevron, which is less exposed to Middle Eastern supply risks, also posted higher sales as tighter global supply conditions boosted margins. Together, these results underscore why major energy producers remain attractive investment opportunities in the current environment.

US Economic Releases

No major US economic reports have been released so far this morning. 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 Manufacturing PMI	m/m	Apr F	54.0	54.0	***
10:00	ISM Manufacturing	m/m	Apr	53.2	52.7	**
10:00	ISM Prices Paid	m/m	Apr	80.0	78.3	**
10:00	ISM New Orders	m/m	Apr	54.7	53.5	**
10:00	ISM Employment	m/m	Apr	49.0	48.7	*
10:00	Wards Total Vehicle Sales	m/m	Apr	16.00m	16.34m	*
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
12:30	Stephen Miran Appears on Fox Business	Members of the Board of Governors				

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	Tokyo CPI	y/y	Apr	1.5%	1.4%	1.6%	**	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food	y/y	Apr	1.5%	1.7%	1.8%	***	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food & Energy	y/y	Apr	1.9%	2.3%	2.2%	*	Equity and bond neutral
	Japan Buying Foreign Bonds	w/w	24-Apr	-¥887.7	-¥8.8b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	24-Apr	¥41.2b	¥338.3b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	24-Apr	-¥786.9b	-¥294.7		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	24-Apr	¥807.9b	¥2380.6b		*	Equity and bond neutral
	S&P Global Japan Manufacturing PMI	m/m	Apr F	55.1	54.9		***	Equity and bond neutral
Australia	S&P Global Australia Manufacturing	m/m	Apr F	51.3	51.0		***	Equity and bond neutral
	PPI	y/y	Q1	3.0%	3.5%		**	Equity and bond neutral
New Zealand	ANZ Consumer Confidence Index	m/m	Apr	803.0	91.3		*	Equity and bond neutral
	Building Permits	m/m	Mar	-1.3%	2.8%		**	Equity and bond neutral
South Korea	Trade Balance	m/m	Apr	$23771m	$25737m	$23300m	*	Equity and bond neutral
	Exports	y/y	Apr	48.0%	48.3%	45.0%	***	Equity bullish, bond bearish
	Imports	y/y	Apr	16.7%	13.2%	14.7%	**	Equity bullish, bond bearish
EUROPE								
UK	Nationwide House Price Index	y/y	Apr	3.0%	2.2%	2.2%	***	Equity bearish, bond bullish
	Net Lending Sec. on Dwellings	m/m	Mar	6.2b	5.2b	4.2b	*	Equity and bond neutral
	Mortgage Approvals	m/m	Mar	63.5k	62.7k	60.0k	***	Equity and bond neutral
	M4 Money Supply	y/y	Mar	4.3%	3.5%		*	Equity and bond neutral
	S&P Global UK Manufacturing PMI	m/m	Apr F	53.7	53.6	53.3	***	Equity and bond neutral
Switzerland	Real Retail Sales	y/y	Mar	0.5%	0.4%		**	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	27-Apr	$771.7b	$779.5b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	27-Apr	20.55t	20.52t		*	Equity and bond neutral
AMERICAS								
Canada	GDP	y/y	Feb	1.0%	0.6%	1.0%	**	Equity and bond neutral
Mexico	Net Outstanding Loans	m/m	Mar	7359b	7249b		*	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	358	0	Up
U.S. Sibor/OIS spread (bps)	366	366	0	Down
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.39	4.37	0.02	Up
Euribor/OIS spread (bps)	220	215	5	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.

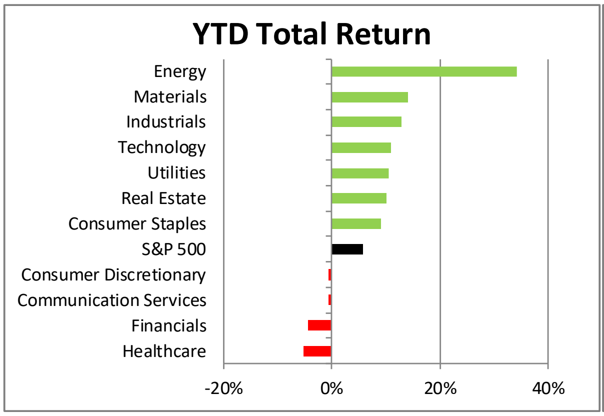
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$111.30	$110.40	0.82%	
WTI	$105.09	$105.07	0.02%	
Natural Gas	$2.80	$2.77	1.05%	
Crack Spread	$54.48	$53.05	2.69%	
12-mo strip crack	$41.57	$41.01	1.36%	
Ethanol rack	$2.21	$2.21	-0.13%	
Metals				
Gold	$4,565.23	$4,617.85	-1.14%	
Silver	$73.23	$73.75	-0.70%	
Copper Contract	$599.10	$598.05	0.18%	
Grains				
Corn contract	$477.25	$474.75	0.53%	
Wheat contract	$636.25	$636.75	-0.08%	
Soybeans contract	$1,202.75	$1,195.50	0.61%	
Shipping				
Baltic Dry Freight	2,686	2,670	16	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	-6.23	-0.19	-6.04	
Gasoline (mb)	-6.08	-2.79	-3.29	
Distillates (mb)	-4.49	-2.15	-2.34	
Refinery run rates (%)	0.05%	0.39%	-0.34%	
Natural gas (bcf)	79	83	-4	

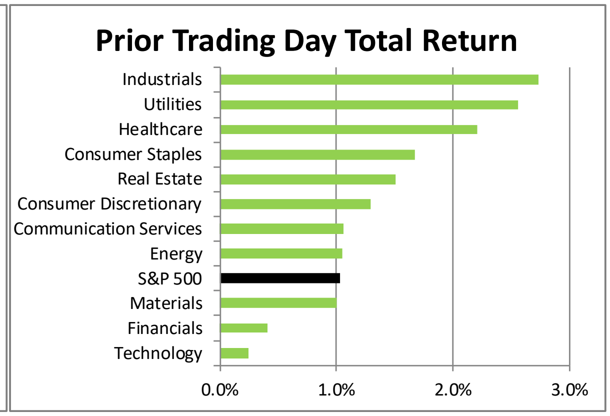
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the West Coast to the Great Plains and in southern Florida, with cooler-than-normal temperatures from the Mississippi River to the East Coast north of Florida. The outlook calls for wetter-than-normal conditions in the southern half of the country and in the Northeast, with dry conditions in the northern Rocky Mountains and Great Plains.

Data Section

US Equity Markets – (as of 4/30/2026 close)

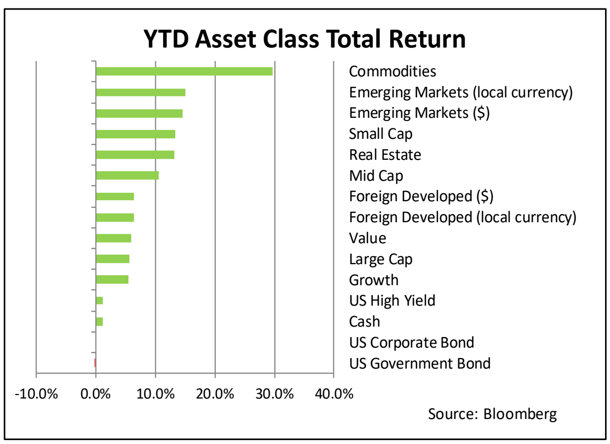




(Source: Bloomberg)

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 4/30/2026 close)

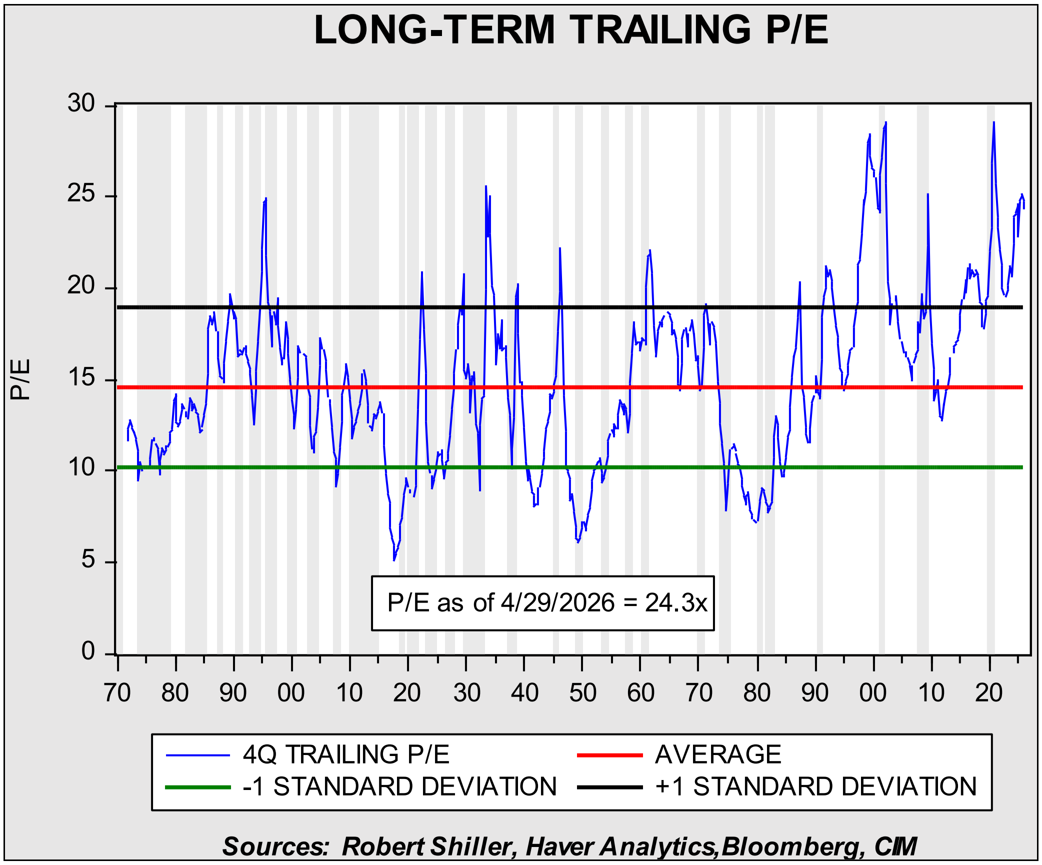


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

April 30, 2026



Based on our methodology,[1] the current P/E is 24.3x, up 0.3 from the previous report. Last week, the rise in the stock price index average outpaced the increase 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.

[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.