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[Posted: May 22, 2026 — 9:30 AM ET] Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 0.6% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.5%. Chinese markets were higher, with the Shanghai Composite up 0.9% and the Shenzhen Composite up 2.2%. US equity index futures are signaling a higher open.

With 470 companies having reported so far, S&P 500 earnings for Q1 are running at \$80.80 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 11.5% 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 Trade Trilemma Revisited” (5/18/26) + podcast (5-21/26)	“The Power of Gold” (5/11/26) + podcast (5/20/26)	Q2 2026 Report	Confluence of Ideas podcast 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.

Note: Due to the holiday, the Comment will not be published on Monday.

Our *Comment* opens with our perspective on why lawmakers are struggling to regulate AI. We then examine the latest developments in the US-Iran conflict. We also briefly address the spread of the Ebola outbreak to additional countries, the US’s decision to delay certain weapons sales to Taiwan, and early indications that governments are moving to reassure bond investors. As always, we conclude with a comprehensive roundup of the latest international and domestic economic indicators.

Rising AI Pushback: Lawmakers are still struggling to balance the push to promote AI with the need to protect their communities. On Thursday, [the president chose to delay the signing of an](#)

[executive order](#) that would have imposed stricter oversight on the development of AI tools. He is far from the only official wrestling with how best to regulate the technology, yet his hesitation underscores how optimistic government officials remain about AI's potential benefits. Even so, growing unease among voters is starting to pressure lawmakers to act.

- One factor behind the postponement appears to be divisions within the White House itself. [Treasury Secretary Scott Bessent has taken a leading role in advocating for rules](#) to govern AI in the wake of Mythos, which has demonstrated an ability to expose vulnerabilities in the nation's core infrastructure and financial system. He has been pressing the national security team to move more quickly to put these guidelines into place.
- On the other hand, there are also concerns that imposing too many rules could leave the United States at a competitive disadvantage to China in the AI race. This camp, reportedly led by National Cyber Director Sean Cairncross, has sought to slow the process, arguing against new regulations without a clearer sense of the potential costs. To bridge the divide, officials have pushed for more feedback from outside the White House on how prospective rules might affect both the private and public sectors.
- Public debate over AI regulation is intensifying just as public sentiment toward the technology begins to deteriorate. [Opposition to new data centers has been particularly strong in parts of Texas, which now hosts the largest facility](#) of its kind globally. Concerns range from noise and environmental impact to significant energy consumption, with surveys indicating that these projects rank among the least popular local developments.
- While AI continues to exhibit strong momentum, it is likely to encounter increasing political and regulatory headwinds. We suspect such resistance could moderate the pace of earnings growth these firms have recently delivered and potentially weigh on investor sentiment toward the sector. In this context, we continue to advocate maintaining some exposure to value as a potential buffer against a shift in market momentum.

Iran Deal Close? There are growing signs that the US and Iran are moving closer to a potential agreement that could lead to the reopening of the Strait of Hormuz. [Iranian officials have signaled that the latest US proposal has helped bridge key gaps](#) between the two sides as indirect negotiations continue. Remaining points of contention appear to center on Iran's right to uranium enrichment and [the authority to impose transit tolls](#). While talks are still ongoing, the prospect of a deal has begun to ease market tensions as participants await further clarity.

- Signs of progress come as Iran approaches the US deadline for potential strikes within the next few days. Earlier this week, the president warned that an attack was under consideration but extended the timeline following pushback from Middle Eastern countries concerned that they could become targets in the event of a strike on Iran. However, Trump indicated that military action could begin as early as this weekend.
- On Friday night, [a UAE power plant was targeted in a drone attack launched from Iraq](#), forcing the facility to rely on backup generation to avoid broader disruptions. Although Iran did not claim responsibility, the incident is widely viewed as a signal of the potential escalation risks should the US resume military action.

- The prolonged duration of the conflict is beginning to exert a more pronounced drag on the economy. The latest [ISM report shows a sharp rise in inventory accumulation](#), suggesting that demand pressures are broadening. As firms compete more aggressively for limited inputs, this dynamic could contribute to more persistent inflationary pressures and further weigh on global economic growth.
- While signs of progress in the conflict are encouraging, a resolution does not appear imminent, as neither side appears willing to make meaningful concessions. Meanwhile, rising inflationary pressures are likely to weigh on bond prices, prompting investors to reduce duration exposure. In this environment, private credit and business development companies could benefit from their floating-rate structures, particularly as default rates and spreads remain relatively contained.

Ebola Outbreak: Concerns are [growing that the Ebola outbreak could spread across Africa](#). While currently confined to the Democratic Republic of the Congo and Uganda, experts fear the virus may reach three additional countries on the continent. The situation remains critical, with over 500 confirmed cases and 150 fatalities reported to date. Although there is no evidence that the outbreak has reached other continents, international medical response is active; notably, one American citizen is currently receiving treatment for the virus in Germany.

Taiwan Sales on Ice: The Pentagon has [informed Taiwan that it will delay certain weapons sales amid the conflict in Iran](#). While officials maintain that US stockpiles are sufficient, the move reflects a desire to preserve readiness ahead of potential escalation. It may also signal an effort to avoid straining ties with China as Washington seeks Beijing's support in easing Middle East tensions. That said, the decision could encourage Asian nations to further diversify their defense supply chains.

Bond Yields Ease: Japanese and UK bond yields have eased amid signs that policymakers may act to address supply-demand imbalances. In Japan, the [Ministry of Finance has signaled a reduction in long-duration issuance](#). In the UK, potential Labour challenger [Andy Burnham has indicated he would maintain existing fiscal targets](#) if he were to replace Prime Minister Keir Starmer. We expect continued bond market pressure to push governments toward policies aimed at containing further increases in yields.

US Economic Releases

No major US economic reports have been released so far today. 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	U. of Michigan Consumer Sentiment	m/m	May F	48.2	48.2	***
10:00	U. of Michigan Current Conditions	m/m	May F	48.0	47.8	**
10:00	U. of Michigan Future Expectations	m/m	May F	48.5	48.5	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	May F	4.6%	4.5%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	May F	3.4%	3.4%	*
11:00	Kansas City Fed Services Index	m/m	Apr	5	3	*
Federal Reserve						
EST	Speaker or Event	District or Position				
10:00	Christopher Waller Speaks on Economic Outlook	Member 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	National CPI	y/y	Apr	1.4%	1.5%	1.6%	***	Equity and bond neutral
	National CPI Ex-Fresh Food	y/y	Apr	1.4%	1.8%	1.7%	**	Equity and bond neutral
	National CPI Ex-Fresh Food & Energy	y/y	Apr	1.9%	2.4%	2.2%	*	Equity and bond neutral
New Zealand	Retail Sales Ex Inflation	q/q	1Q	0.9%	0.9%	0.5%	***	Equity and bond neutral
South Korea	Consumer Confidence	m/m	May	106.1	99.2		*	Equity and bond neutral
EUROPE								
Eurozone	Consumer Confidence	m/m	May P	-19.0	-20.6	-20.6	**	Equity bullish, bond bearish
Germany	GfK Consumer Confidence	m/m	Jun	-29.8	-33.1	-34.0	**	Equity bullish, bond bearish
	GDP NSA	y/y	Q1 F	0.5%	0.5%	0.5%	**	Equity and bond neutral
	GDP WDA	y/y	Q1 F	0.4%	0.3%	0.3%	**	Equity and bond neutral
	Ifo Business Climate	m/m	May	84.9	84.5	84.2	***	Equity and bond neutral
	Ifo Current Assessment	m/m	May	86.1	85.4	85.1	**	Equity and bond neutral
	Ifo Expectations	m/m	May	83.8	83.5	83.5	**	Equity and bond neutral
France	Business Confidence	m/m	May	94	94	94	**	Equity and bond neutral
	Manufacturing Confidence	m/m	May	102	100	99	*	Equity and bond neutral
UK	Public Finances (PSNCR)	m/m	Apr	9.5b	29.0b		*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	Apr	24.3b	11.5b	20.9b	*	Equity and bond neutral
	PSNB ex Banking Groups	m/m	Apr	24.3b	11.5b		**	Equity and bond neutral
	Retail Sales	y/y	Apr	0.0%	1.4%	1.3%	***	Equity bearish, bond bullish
	Retail Sales Ex-Auto Fuel	y/y	Apr	1.1%	1.5%	1.7%	**	Equity bearish, bond bullish
	GfK Consumer Confidence	m/m	May	-23	-25	-28	***	Equity bullish, bond bearish
Russia	Gold and Forex Reserves	m/m	15-May	\$768.9b	\$771.0b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	15-May	20.98t	20.86t		*	Equity and bond neutral
AMERICAS								
Mexico	GDP NSA	y/y	Q1 F	0.2%	0.1%	0.1%	***	Equity and bond neutral
	Economic Activity IGAE	y/y	Mar	1.40%	-0.26%	0.57%	**	Equity bullish, bond bearish

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	Up
U.S. Sibor/OIS spread (bps)	366	366	0	Down
U.S. Libor/OIS spread (bps)	366	366	0	Up
10-yr T-note (%)	4.56	4.57	-0.01	Down
Euribor/OIS spread (bps)	220	218	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.

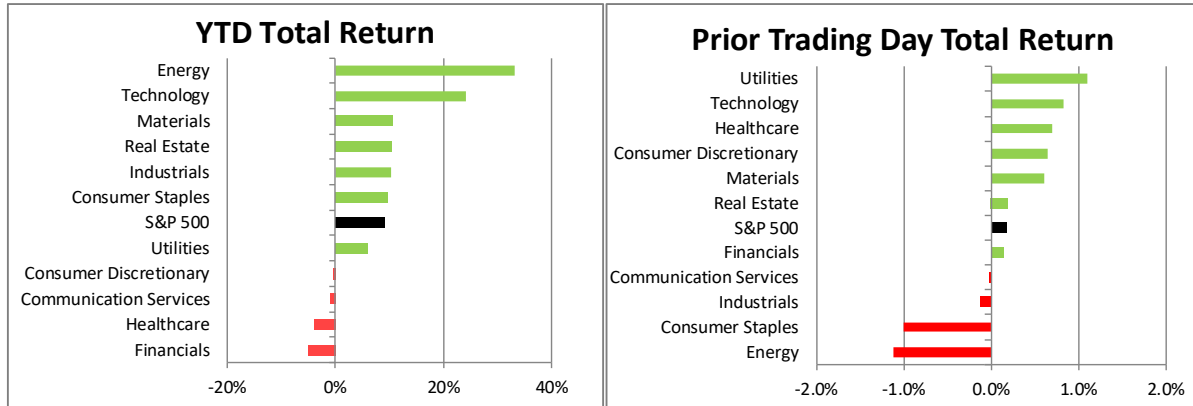
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$105.47	\$102.58	2.82%	
WTI	\$98.46	\$96.35	2.19%	
Natural Gas	\$2.99	\$3.02	-0.83%	
Crack Spread	\$49.35	\$47.55	3.78%	
12-mo strip crack	\$40.29	\$39.47	2.08%	
Ethanol rack	\$2.23	\$2.22	0.25%	
Metals				
Gold	\$4,514.92	\$4,543.05	-0.62%	
Silver	\$75.80	\$76.68	-1.14%	
Copper Contract	\$633.00	\$629.40	0.57%	
Grains				
Corn contract	\$465.00	\$462.25	0.59%	
Wheat contract	\$648.25	\$647.50	0.12%	
Soybeans contract	\$1,199.00	\$1,194.25	0.40%	
Shipping				
Baltic Dry Freight	2,964	3,005	-41	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-7.86	-2.50	-5.36	
Gasoline (mb)	-1.55	-2.16	0.61	
Distillates (mb)	0.37	-1.65	2.02	
Refinery run rates (%)	-0.01%	0.90%	-0.91%	
Natural gas (bcf)	101	96	5	

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except the areas within a couple of hundred miles from the border with Mexico, where temperatures will be near normal. The outlook calls for wetter-than-normal conditions in the central and southern Rocky Mountains, the Great Plains, and the Deep South, with dry conditions in the Great Lakes and Northeast regions.

Data Section

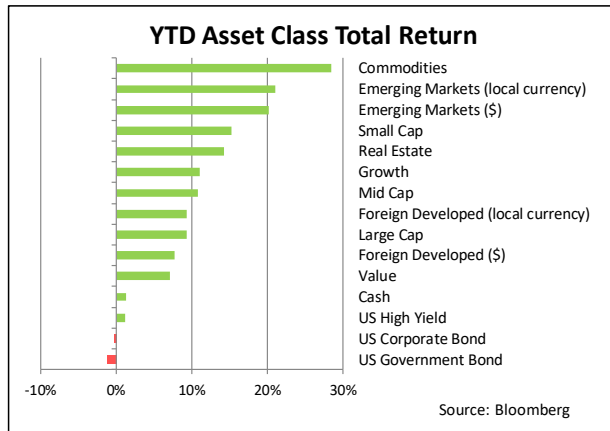
US Equity Markets – (as of 5/21/2026 close)



(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 5/21/2026 close)

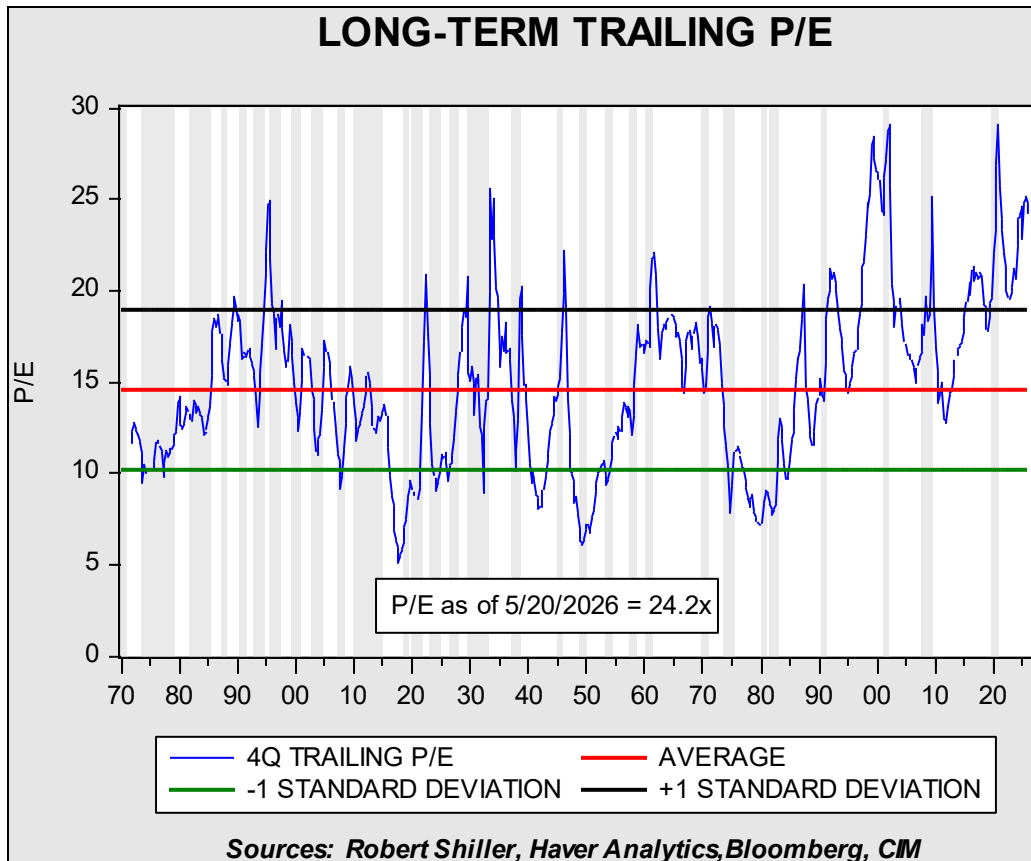


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 21, 2026



Based on our methodology,¹ the current P/E is 24.2x, up 0.1 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.

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.