



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: May 4, 2026 — 9:30 AM ET]** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 1.0% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 4.9%. Chinese markets remain closed today in observance of Labor Day. US equity index futures are signaling a lower open.

With 317 companies having reported so far, S&P 500 earnings for Q1 are running at \$79.60 per share, compared to estimates of \$72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 81.7% exceeded expectations while 11.7% 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="#">“The War in Iran and the End of US Hegemony”</a> (4/20/26) + <a href="#">podcast</a>	<a href="#">“The Consensus Builder”</a> (4/27/26) + <a href="#">podcast</a>	<a href="#">Q2 2026 Report</a>	<a href="#">Keller Quarterly</a> April 2026 <a href="#">Confluence Mailbag</a>

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Our *Comment* today opens with an update on the war in Iran, where President Trump has announced a new effort to “guide” ships through the Strait of Hormuz and unclog global energy and commodity markets. We next review several other international and US developments that could affect the financial markets today, including a statement by the OPEC+ oil cartel that it will slightly increase production to help ease prices and new reporting that suggests smaller US firms will be largely unable to access refunds for tariffs paid over the last year.

**United States-Israel-Iran:** President Trump yesterday said the US Navy [will begin to “guide” ships from certain countries out of the Strait of Hormuz today to unclog global supplies of oil and other key commodities](#). The proposal essentially involves setting up a coordination cell to

collect information from shippers, insurers, and militaries on mines and other dangers and to recommend safe routes for vessels. However, it's unclear how many shippers would risk their vessels without US Navy ships as escorts.

- Meanwhile, Iranian media [has reported that a US Navy ship near the strait has been hit by missiles](#). US Central Command has denied the account. Nevertheless, the report has put the oil market on edge and helped push oil prices higher early today. Near Brent crude oil futures prices are currently up some 3.4% to \$111.80 per barrel.
- In any case, it appears that Iran is continuing to attack just enough vessels around the strait to intimidate shippers from trying to move through the waterway. According to UK Maritime Trade Operations, which is affiliated with the Royal Navy, a bulk carrier reported being attacked by multiple small boats in the waterway earlier today.
- Separately, Tehran said it has received a US counterproposal to its 14-point peace plan offered last week. A government spokesman said the US response didn't bring up Iran's nuclear program, but that seems as unlikely as the US administration's frequent statements that Iranian leaders are begging for peace. In our view, the US and Iran remain far apart in the negotiating demands, so a near-term end to the hostilities is unlikely.
- Also, the White House said late Friday that it [has approved \\$8.7 billion in emergency arms sales to Middle Eastern countries that have been targeted by Iran](#) during the war. The arms sales include rockets to Israel, Qatar, and the United Arab Emirates and air-defense equipment to Qatar and Kuwait. The sales illustrate the increased sales that US defense contractors are likely to enjoy because of the conflict.
- As we had predicted, the *Financial Times* yesterday said investors [poured \\$3 billion into exchange-traded funds focused on renewable energy in April alone](#). That highlights how the increased risk for fossil fuels transiting the strait is forcing countries around the world to adopt an "all of the above" energy policy, in which they support a wide range of energy sources, from Middle Eastern oil and natural gas to domestic coal and all manner of green energy.
- In the US, however, the administration [is taking steps to stifle any further diversification in the nation's energy portfolio](#). New reports say the Defense Department has stopped approving US onshore wind farms, citing national security reasons.

**Global Oil Market:** The OPEC+ oil cartel [said yesterday that it will hike its collective oil output by 188,000 barrels per day](#), a token amount that follows a series of modest production increases over the last several quarters. The move is likely aimed at showing that OPEC+, led by Saudi Arabia and Russia, is unconcerned by the impending departure of the UAE from the main Organization of the Petroleum Exporting Countries. It is probably also meant to signal that the group is doing its part to bring energy prices back down.

- However, the move by OPEC+ is unlikely to have much, if any, impact on the world's current oil supply, given that much of its production is still bottled up by the effective closure of the Strait of Hormuz.

- Separately, the UAE announced yesterday that it will spend roughly \$55 billion to “support upcoming projects” intended to help it meet rising global oil demand. That announcement reflects the UAE’s frustration that membership in OPEC had limited its ability to monetize its oil resources.

**Russia:** The *Financial Times* reported over the weekend that security around President Putin [has tightened sharply in recent months as Ukraine demonstrated an ever-increasing ability to conduct drone attacks deep into Russia](#). The report says Putin now spends so much time in underground bunkers micromanaging the war that he has grown detached from civilian affairs. The report suggests Russian security services have reason to believe assassination is a real threat to Putin.

- If Putin really was assassinated, it could spark a period of dangerous instability and political infighting in Russia as officials jockey for power.
- No matter what official ultimately ended up on top, such a development could well spark a sharp Russian intensification of its war against Ukraine.

**Japan-MERCOSUR:** Reports based on inside sources yesterday said Tokyo [is preparing to launch talks toward a free-trade pact with MERCOSUR](#), the economic bloc consisting of Brazil, Argentina, Uruguay, and Paraguay. The move reflects Prime Minister Takaichi’s belief that Japan must expand its markets and diversify its supply chains for critical materials in response to US tariff policies and China’s curbs on rare earth exports. It also marks the latest effort by an ally to diversify trade away from the US, potentially undermining future US economic growth.

**India:** Initial results suggest Prime Minister Modi’s Hindu-nationalist Bharatiya Janata Party [has won the weekend elections in West Bengal state, unseating the longstanding chief minister of the leftwing Trinamool Congress](#). The BJP also improved its position so much in the northeastern state of Assam that it will no longer need to rely on coalition partners there. The results show that Modi and the BJP continue to build power and remain firmly in control of Indian politics and economic policy as it deals with energy supply disruptions due to the war in Iran.

**United States-North Atlantic Treaty Organization:** The US administration late Friday said it [will reduce the number of US troops stationed in Germany by 5,000](#), and President Trump on Saturday warned he may order even deeper troop cuts. The move is apparently retaliation for NATO allies in Europe refusing to take on more of the burden to resolve the US-Israeli war against Iran.

- A dramatic drawdown in US forces in Europe could leave the US unable to effectively defend its extensive political, economic, and cultural interests in the region.
- Any sign that the US no longer has the will or ability to defend its interests in Europe could eventually weigh heavily on the stocks of US firms that rely on Europe for sales, manufacturing inputs, or capital.

**United States-Cuba:** President Trump on Friday signed an executive order under which the US [could block the assets of any foreign individual or entity operating in key sectors of the Cuban economy](#) — including energy, financial services, mining, and defense — or providing material,

financial or technological support to the government. The order would greatly broaden the US economic pressure on the Cuban government, potentially signaling the administration wants to shift focus from the Iran war to Cuba and raising sanctions risks on foreign companies.

**US Tariff Policy:** An article in today’s *Financial Times* [shows that the procedure set up by the federal government to refund tariff payments ruled illegal by the courts will mostly benefit larger firms](#). According to the article, the administration’s website only allows the “importer of record” to apply for the refund, meaning legions of small companies that import through a distributor or other intermediary can’t use the system. The situation is further evidence of the broad advantage that large firms have amassed versus smaller businesses in recent decades.

## 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
10:00	Factory Orders	m/m	Mar	0.6%	0.0%	***
10:00	Factory Orders Ex Transportation	m/m	Mar	1.3%	1.2%	**
10:00	Durable Goods Orders	m/m	Mar F	0.8%	0.8%	***
10:00	Durable Goods Orders ex Transportation	m/m	Mar F	0.9%	0.9%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Mar F	3.3%	3.3%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Mar F		1.2%	*
Federal Reserve						
EST	Speaker or Event	District or Position				
12:50	John Williams Speaks Delivers Keynote Remarks	President of the Federal Reserve Bank of New York				

## 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>								
Australia	Melbourne Institute Inflation	y/y	Apr	4.3%	4.3%		***	Equity and bond neutral
	ANZ-Indeed Job Advertisements	m/m	Apr	-0.8	-3.2		*	Equity and bond neutral
	Building Approvals	m/m	Mar	-10.0%	31.0%	29.7%	***	Equity bearish, bond bullish
South Korea	S&P Global South Korea PMI Manufacturing	m/m	Apr	53.6	52.6		***	Equity and bond neutral
India	HSBC India PMI Mfg	m/m	Apr F	54.7	55.9		***	Equity and bond neutral
<b>EUROPE</b>								
Eurozone	S&P Global Eurozone Manufacturing PMI	m/m	Apr F	52.2	52.2	52.2	***	Equity and bond neutral
Germany	S&P Global/BME Germany Manufacturing PMI	m/m	Apr F	51.4	51.2	51.2	***	Equity and bond neutral
France	S&P Global France Manufacturing PMI	m/m	Apr F	52.8	52.8	52.8	***	Equity and bond neutral
Italy	S&P Global Italy Manufacturing PMI	m/m	Apr	52.1	51.3	51.8	***	Equity bullish, bond bearish
Switzerland	PMI Manufacturing	m/m	Apr	54.5	53.3	52.0	***	Equity bullish, bond bearish
	PMI Services	m/m	Apr	54.8	57.2		*	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	1-May	430.7b	433.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	1-May	459.7b	455.9b		*	Equity and bond neutral
Russia	S&P Global Russia Manufacturing PMI	m/m	Apr	48.1	48.3		***	Equity and bond neutral
<b>AMERICAS</b>								
Canada	S&P Global Canada Manufacturing PMI	m/m	Apr	53.3	50.0		***	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	Up
U.S. Sibor/OIS spread (bps)	366	365	1	Flat
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.41	4.37	0.04	Up
Euribor/OIS spread (bps)	220	215	5	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.

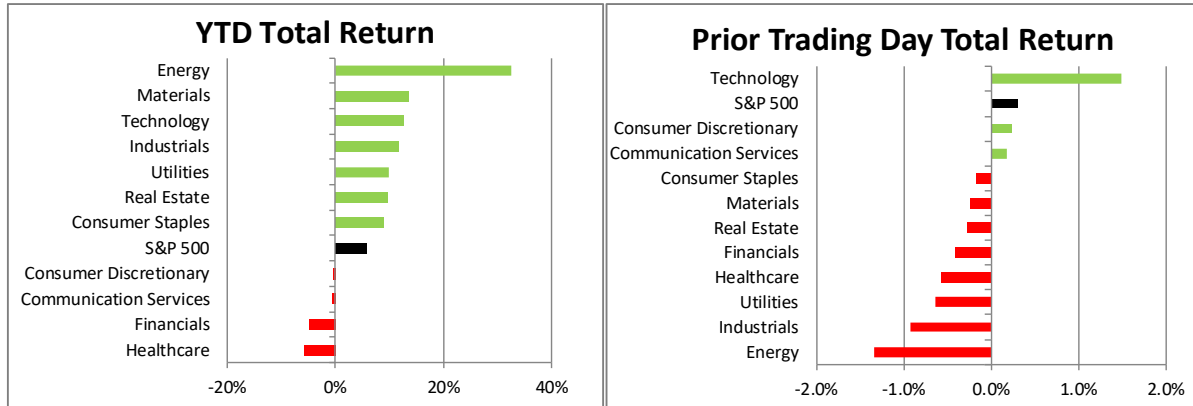
	Price	Prior	Change	Explanation
<b>Energy Markets</b>				
Brent	\$111.78	\$108.17	3.34%	
WTI	\$105.43	\$101.94	3.42%	
Natural Gas	\$2.80	\$2.78	0.86%	
Crack Spread	\$52.54	\$54.21	-3.08%	
12-mo strip crack	\$41.17	\$41.46	-0.69%	
Ethanol rack	\$2.24	\$2.23	0.77%	
<b>Metals</b>				
Gold	\$4,564.18	\$4,614.21	-1.08%	
Silver	\$73.43	\$75.36	-2.57%	
Copper Contract	\$590.05	\$598.45	-1.40%	
<b>Grains</b>				
Corn contract	\$480.00	\$480.25	-0.05%	
Wheat contract	\$636.00	\$637.75	-0.27%	
Soybeans contract	\$1,210.50	\$1,203.25	0.60%	
<b>Shipping</b>				
Baltic Dry Freight	2,730	2,686	44	
<b>DOE Inventory Report</b>				
	<b>Actual</b>	<b>Expected</b>	<b>Difference</b>	
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 in the Midwest, Mid-Atlantic, and New England regions. The precipitation outlook calls for wetter-than-normal conditions in the southern half of the country and in the Northeast, with dry conditions in the Rocky Mountains and Pacific regions.

## Data Section

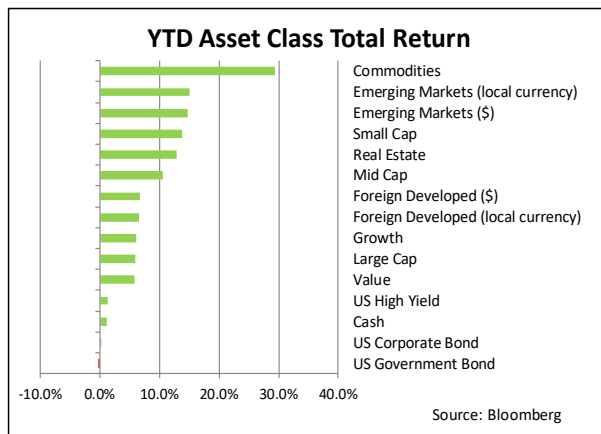
### US Equity Markets – (as of 5/1/2026 close)



(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 5/1/2026 close)

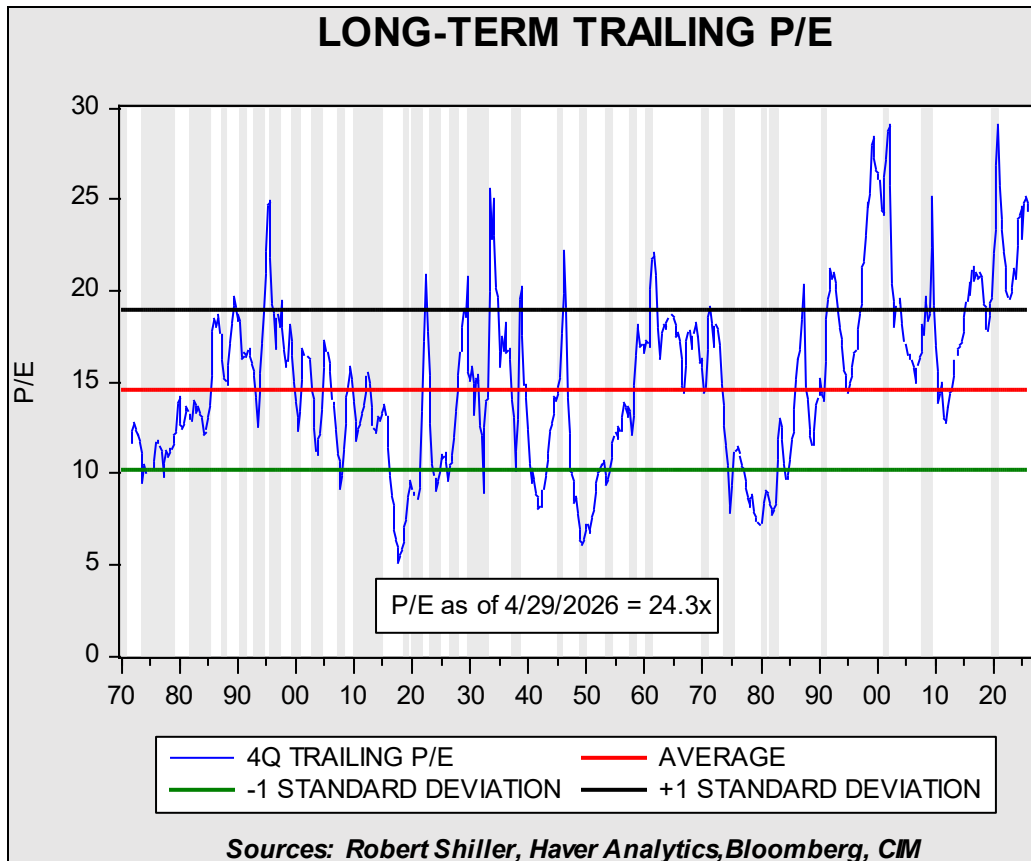


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,<sup>1</sup> 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.*

<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.