



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: May 5, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 1.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.3%. Chinese markets remain closed today in observance of Labor Day. US equity index futures are signaling a higher open.

With 322 companies having reported so far, S&P 500 earnings for Q1 are running at \$79.70 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 11.8% 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)	“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* today opens with an update on the war in Iran, where renewed military action by the US and Iran yesterday threatens to upset the ongoing ceasefire. We next review several other international and US developments that could affect the financial markets today, including a downgrade to global economic growth forecasts from the International Monetary Fund and new data showing a jump in the number of US homes with foreclosure filings on them due to the end of a Biden-era subsidy.

United States-Israel-Iran: In a chaotic day of news yesterday, it appears that Iran [tried to disrupt the US’s new “Project Freedom” program of guiding ships through the Strait of Hormuz](#) by attacking both US Navy warships and commercial vessels and also launched new attacks

against the United Arab Emirates. Meanwhile, US Central Command said it used Apache helicopters to sink small Iranian boats that were harassing ships in the waterway.

- Despite the Iranian attacks and its continued refusal to reopen the strait or abandon its nuclear program, President Trump yesterday downplayed the conflict as a “mini-war” and said he didn’t plan to retaliate with massive US airstrikes again. All the same, the continued Iranian attacks could eventually force the president to resume major attacks and keep the US embroiled in the conflict.
- The Iranian attack on the UAE [targeted a major oil exporting terminal at Fujairah on the Gulf of Oman, the eastern endpoint of the Habshan-Fujairah oil pipeline](#) that allows Abu Dhabi to move some of the crude pumped from its fields directly to the coast without sending tankers through the strait. Early reports don’t indicate that the damage to the oil exporting infrastructure was extensive, but it still highlights the risk that the region’s key oil facilities could be damaged and put out of action for months or even years into the future.

Global Economy: International Monetary Fund chief Kristalina Georgieva yesterday [said the war in Iran has nullified the institution’s baseline forecast that the global economy would grow 3.1% in 2026](#). Georgieva said that forecast, issued just last month in the IMF’s *World Economic Outlook*, must be replaced with the “adverse scenario” forecast that assumes the war becomes prolonged. In that case, the IMF sees global gross domestic product expanding just 2.5% this year, with average consumer price inflation of 5.4%, up from 4.4% in the earlier forecast.

United Kingdom: The yield on 30-year government bonds today [rose 0.14 percentage points to 5.78%, reaching the highest level in almost three decades](#). The yield on the 10-year gilt also climbed 0.14 percentage points to reach 5.10%, close to the 18-year high of 5.12%, which was hit earlier in the Iran war. The jump in gilt yields reflects investor concern that the Bank of England will be forced to hike interest rates to contain consumer price inflation resulting from the war.

United Kingdom-United States: The *Financial Times* today carries an article [revealing that US Treasury Secretary Bessent and UK Chancellor of the Exchequer Reeves had a “fierce row” over the wisdom and impact of the Iran war](#) last month in Washington. According to the article, Bessent berated Reeves for her publicly stated view that the US hasn’t been clear about its goals in the war and that the war hasn’t necessarily made the world safer. Reeves reportedly snapped back that she doesn’t work for Bessent and wouldn’t tolerate being talked to in that manner.

- Bessent and Reeves reportedly have worked well together on issues other than the war, and they have been in contact since the April dispute.
- Nevertheless, the incident illustrates the fraying relationship between President Trump’s administration and the Labour Party government of Prime Minister Starmer.

China-United States: New reports say Beijing [has ordered Chinese companies not to comply with recent US sanctions on Chinese refiners that buy Iranian oil](#). The move marks the first time the Chinese government has invoked its 2021 “blocking rule” designed to counteract foreign

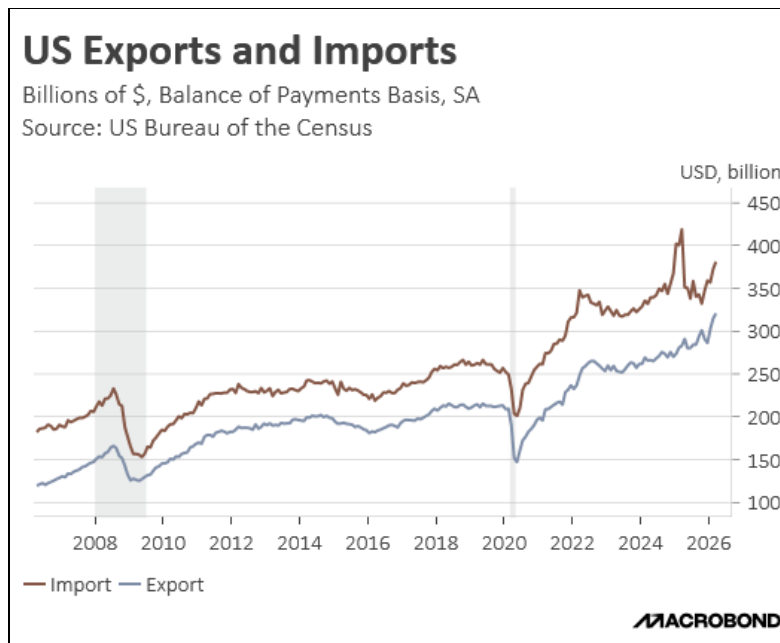
laws that it believes violate international norms or restrict trade. It also suggests Beijing wants to send a message to Washington that it can and will resist what it sees as coercive US measures ahead of the upcoming summit between President Trump and General Secretary Xi.

US Healthcare Market: Health Secretary Robert F. Kennedy Jr. yesterday [announced an initiative aimed at helping wean some Americans off psychiatric medications](#). The move extends to antidepressants, which are some of the most widely prescribed medicines in the US and are used by about 16% of the population. While details of the program are still being worked out, an aggressive, widely applied move to cut usage could adversely affect some pharmaceutical firms' sales.

US Housing Market: A new report from data firm ATTOM shows the number of US homes with foreclosure filings on them in March [was up 28% from the same month one year earlier](#). The number is still below the pre-pandemic levels of 2019, but analysts expect foreclosure filings to jump well beyond those levels soon due to the Trump administration's recent move to end a Biden-era subsidy. Removal of the subsidy will likely further weigh on the finances of relatively lower-income homeowners and further constrain their consumption spending.

US Economic Releases

The March *trade balance* showed a seasonally adjusted deficit of \$60.3 billion, narrower than the expected shortfall of \$60.9 billion but wider than the revised February deficit of \$57.8 billion. According to the data, total *exports* rose 1.9%, while *imports* rose 2.4%. Compared with the same month one year earlier, exports in March were up 13.3%, while imports were down 9.0%. The chart below shows the monthly value of US exports and imports since just before the GFC.



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 Services PMI	m/m	Apr F	51.3	51.3	***
9:45	S&P Global US Composite PMI	m/m	Apr F	52.0	52.0	***
10:00	ISM Services Index	m/m	Apr	53.7	54.5	***
10:00	ISM Services Prices Paid	m/m	Apr	73.5	70.7	*
10:00	ISM Services New Orders	m/m	Apr	57.5	60.6	*
10:00	ISM Services Employment	m/m	Apr	48.3	45.2	*
10:00	New Home Sales	m/m	Mar	652k		***
10:00	New Home Sales MoM	m/m	Mar	3.0%	-17.6%	**
10:00	JOLTS Job Openings	m/m	Mar	6850k	6882k	*
10:00	Building Permits	m/m	Mar F		1372k	**
Federal Reserve						
EST	Speaker or Event	District or Position				
10:00	Michelle Bowman Speaks at Washington Financial Symposium	Member of the Board of Governors				
12:30	Michael Barr Speaks on Banking Regulation	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								
Australia	S&P Global Australia Composite PMI	m/m	Apr F	50.4	50.1		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Apr F	50.7	50.3		*	Equity and bond neutral
	Household Spending	m/m	Mar	6.3%	4.7%	6.1%	***	Equity and bond neutral
New Zealand	ANZ Commodity Price	m/m	Apr	-0.8%	4.2%		**	Equity and bond neutral
EUROPE								
Italy	New Car Registrations	y/y	Apr	11.58%	7.60%		*	Equity and bond neutral
	Budget Balance	m/m	Apr	-16.5b	-32.8b		*	Equity and bond neutral
UK	New Car Registrations	y/y	Apr	11.6%	7.6%		**	Equity and bond neutral
Switzerland	CPI	y/y	Apr	0.6%	0.3%	0.6%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Apr	0.5%	0.6%		*	Equity and bond neutral
	Core CPI	y/y	Apr	0.3%	0.4%	0.5%	*	Equity and bond neutral
AMERICAS								
Mexico	Remittances Total	m/m	Mar	\$4468.2m	\$5298.9m	\$4468.2m	*	Equity and bond neutral
	S&P Global Mexico Manufacturing PMI	m/m	Apr	47.7	48.9		***	Equity and bond neutral
	IMEF Manufacturing Index SA	m/m	Apr	49.0	47.6	48.1	*	Equity bullish, bond bearish
	IMEF Non-Manufacturing Index SA	m/m	Apr	48.9	49	49.5	*	Equity bearish, bond bullish
Brazil	S&P Global Brazil Manufacturing PMI	m/m	Apr	52.6	49.0		***	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)	359	360	-1	Up
U.S. Sibor/OIS spread (bps)	365	366	-1	Up
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.43	4.44	-0.01	Up
Euribor/OIS spread (bps)	220	220	0	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Flat
Franc	Up	Switzerland		Down
Central Bank Action	Actual	Prior	Expected	
RBA Cash Rate Target	4.35%	4.10%	4.35%	On Forecast

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.

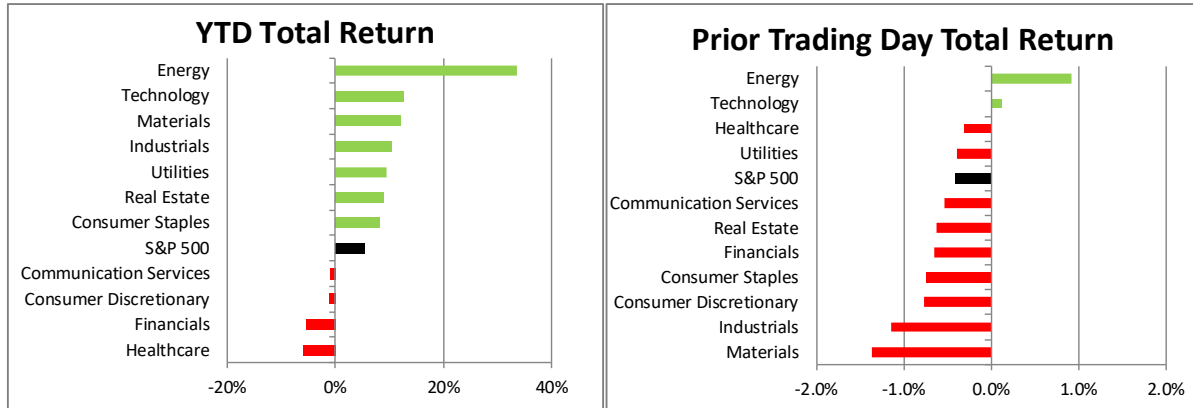
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$111.78	\$108.17	3.34%	
WTI	\$105.43	\$101.94	3.42%	
Natural Gas	\$2.80	\$2.78	0.86%	
Crack Spread	\$52.54	\$54.21	-3.08%	
12-mo strip crack	\$41.17	\$41.46	-0.69%	
Ethanol rack	\$2.24	\$2.23	0.77%	
Metals				
Gold	\$4,564.18	\$4,614.21	-1.08%	
Silver	\$73.43	\$75.36	-2.57%	
Copper Contract	\$590.05	\$598.45	-1.40%	
Grains				
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%	
Shipping				
Baltic Dry Freight	2,730	2,686	44	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-0.19		
Gasoline (mb)		-2.79		
Distillates (mb)		-2.15		
Refinery run rates (%)		0.39%		
Natural gas (bcf)		83		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with cooler-than-normal temperatures in the New England region. The precipitation outlook calls for wetter-than-normal conditions for most states West of the Rockies, with drier conditions expected in the Pacific Northwest.

Data Section

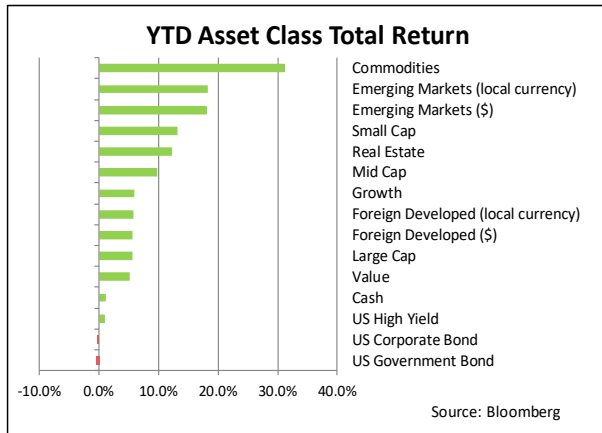
US Equity Markets – (as of 5/4/2026 close)



(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 5/4/2026 close)

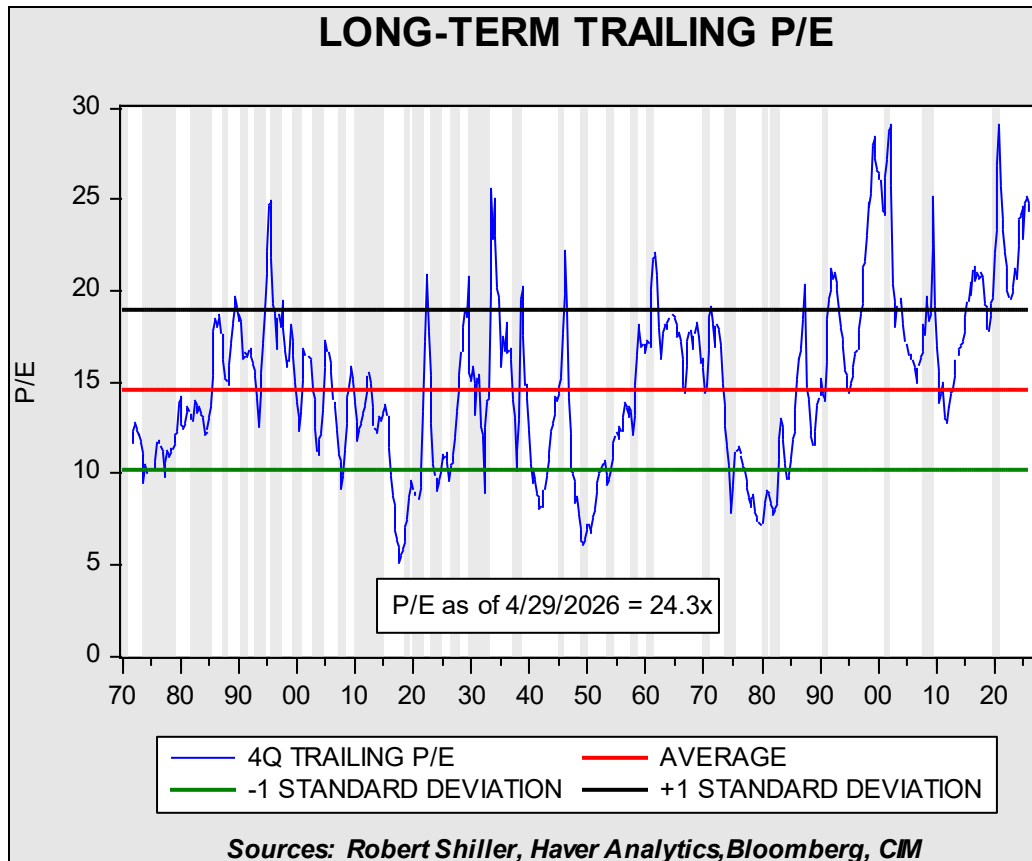


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.