



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: May 6, 2026 — 9:30 AM ET] Global equity markets are decidedly higher this morning. In Europe, the Euro Stoxx 50 is up 3.8% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 4.2%. Chinese markets were higher, with the Shanghai Composite up 1.2% and the Shenzhen Composite up 2.2%. US equity index futures are signaling a higher open.

With 375 companies having reported so far, S&P 500 earnings for Q1 are running at \$80.00 per share compared to estimates of \$72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 83.7% exceeded expectations, while 10.7% 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* opens with a discussion of private credit and AI, framed around key takeaways from the Milken Global Conference. We then share our views on the White House’s decision to end Operation Epic Fury. Next, we briefly address the administration’s push for greater oversight of AI models, North Korea’s move away from its longstanding goal of reunification, and the US decision to halt weapons shipments to Germany. As always, we include an overview of recent domestic and international economic data.

Milken Global Conference: Some of [Wall Street’s largest firms took the stage at the Milken Institute Global Conference](#), emphasizing efforts to sustain momentum in both artificial intelligence (AI) and private credit. This push comes amid rising market skepticism driven by

stress in private credit names like Tricolor and First Brands, alongside broader concerns about escalating AI-related capital expenditures. Yet the tone of the discussions suggests that, despite negative headlines, institutional investors remain largely confident in both sectors.

- Panel discussions at the conference struck a generally constructive tone, but with clear caution about the risks facing private credit. As the asset class has grown in importance, some participants [highlighted that describing certain vehicles as “semi-liquid” has become a source of tension](#), especially for less experienced investors. The language around liquidity may have created a false sense of flexibility. The rise in redemption requests has revealed how difficult it can be to withdraw cash during times of uncertainty.
- Additionally, [JPMorgan Chase CEO Jamie Dimon and BlackRock CEO Larry Fink](#) have dismissed concerns about a growing AI bubble. During their discussions, both expressed optimism that AI investment will sustain momentum in equity markets and the broader economy as tech companies push to expand capacity. Their comments come as major banks continue to act as a conduit for many of these tech firms seeking fresh funds for projects expected to cost over \$1 trillion in the coming year.
- The discussion surrounding AI and private credit comes as the two are becoming increasingly linked. Major banks have turned to private credit as one way to offload some of their exposure to tech-related debt. At the same time, private credit has looked to major banks as a backstop to enhance its ability to provide credit. Working together, the two have helped keep each other afloat while also becoming deeply interconnected.
- We continue to see ample credit availability and sustained AI investment as important supports for overall economic activity. This is especially important at a time when consumer spending is outpacing income growth and AI-related capex is beginning to crowd out other types of investment. Taken together, signs that private credit flows and AI infrastructure buildouts remain largely unimpeded are providing some reassurance that the economy can stay resilient even amid rising geopolitical and trade risks.

Operation Over? The [White House has ended Operation Epic Fury as it shifts to alternative measures to pressure Iran](#) to abandon its nuclear program. On Wednesday, Secretary of State Marco Rubio said the US will halt offensive operations while remaining ready to defend against threats. The move signals a commitment to maintaining the ceasefire yet sustaining pressure through a blockade. Although further conflict has not been ruled out, the decision reduces the risk of escalation that had been weighing on markets.

- The [decision to end the blockade comes at a time when the White House would need to seek congressional approval](#). The deadline was believed to have passed over the weekend, although there has been debate over what classifies as the start and end of a war. The [president has insisted that the legal limits are likely unconstitutional](#), suggesting he was preparing to let the courts decide. However, the recent declaration indicates that such a step may no longer be necessary.
- There appear to be additional factors behind the operation’s end. In a post on Truth Social, [President Trump said the decision was driven by progress in negotiations](#), while leaving open the possibility of future military action. He added that the halt came at the

request of Pakistan and other countries and reflected momentum toward a formal agreement between the two sides. However, there are indications the administration may also [be seeking to pivot away from the conflict ahead of the midterm elections](#).

- The potential end to the conflict will be supportive for risk assets as it indicates that the worst is perhaps behind us. This will likely allow investors to shift their attention to Q1 earnings, which continue to surprise to the upside. That said, the risk of renewed hostilities is not zero, and the ceasefire remains fragile. As a result, we continue to emphasize maintaining exposure to value as a potential portfolio shock absorber in the event of a return to fighting.

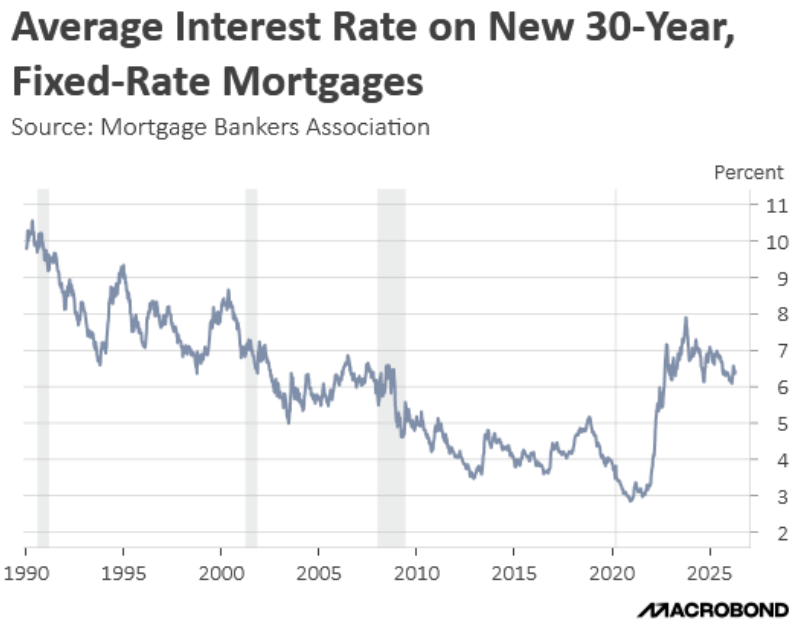
Government AI: [Major AI companies are submitting their models to the US Commerce Department for vetting](#) of national security risks as they prepare for wider release. The move comes as the US government looks for ways to ensure protection against safety risks following the release of newer, more advanced models. The push for government review of AI models comes as lawmakers consider possible regulations to limit AI risks to the broader public.

No More Reunification: North Korea [has amended its constitution to remove references to reunifying the peninsula](#) under a single country. The change comes as North Korea seeks to reaffirm its borders and define itself as an independent nation and a nuclear power with its own sovereign rights. Additionally, it may be a subtle sign that the country no longer wishes to challenge the borders established following the Korean War. This shift could reduce geopolitical tensions in Asia.

German-US Tensions: After deciding to withdraw troops from Germany, [the US has also cut back on providing weapons](#). The White House announced that it would no longer supply Germany with weapons capable of striking deep into Russia. The administration's decision follows Chancellor Merz's criticism of the Iran war. We suspect that rising tensions between the US and Germany are likely to accelerate Germany's plans to develop its own defense industries.

US Economic Releases

The Mortgage Bankers Association reported that *mortgage applications* in the week ended May 1 fell 4.4% after dropping 1.6% in the previous week. Applications for home purchase mortgages fell 3.7%, erasing last week's gain of 1.1%. Applications for refinancing mortgages dropped 5.0%, adding to last week's loss of 2.4%. The average interest rate on a 30-year, fixed-rate mortgage rose 12 basis points to 6.45%. The chart below shows how mortgage rates have changed over time.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases		
No economic releases for the rest of today		
Federal Reserve		
EST	Speaker or Event	District or Position
9:30	Alberto Musalem Speaks at Mississippi Bankers Association	President of the Federal Reserve Bank of St. Louis
13:00	Austan Goolsbee Speaks on Panel Event	President of the Federal Reserve Bank of Chicago

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								
New Zealand	Unemployment Rate	q/q	1Q	5.3%	5.4%	5.4%	***	Equity and bond neutral
	Employment Change	y/y	1Q	0.4%	0.2%	0.5%	**	Equity and bond neutral
	Participation Rate	q/q	1Q	70.4%	70.5%	70.5%	*	Equity and bond neutral
South Korea	CPI	m/m	Apr	2.6%	2.2%	2.6%	***	Equity and bond neutral
India	HSBC India PMI Composite	m/m	Apr F	58.2	58.3		**	Equity and bond neutral
	HSBC India PMI Services	m/m	Apr F	58.8	57.9		**	Equity and bond neutral
EUROPE								
Eurozone	S&P Global Eurozone Services PMI	m/m	Apr F	47.6	47.4	47.4	**	Equity and bond neutral
	S&P Global Eurozone Composite PMI	m/m	Apr F	48.8	48.6	48.6	*	Equity and bond neutral
	PPI	y/y	Mar	2.1%	-3.0%	1.8%	**	Equity and bond neutral
Germany	S&P Global Germany Services PMI	m/m	Apr F	46.9	46.9	46.9	**	Equity and bond neutral
	S&P Global Germany Composite PMI	m/m	Apr F	48.4	48.3	48.3	**	Equity and bond neutral
France	Budget Balance YTD	y/y	Mar	-42.9b	-32.1b		***	Equity and bond neutral
	Industrial Production WDA	y/y	Mar	0.9%	-0.3%	0.3%	***	Equity and bond neutral
	Manufacturing Production	y/y	Mar	1.6%	0.8%		**	Equity and bond neutral
	S&P Global France Services PMI	m/m	Apr F	46.5	46.5	46.5	**	Equity and bond neutral
Italy	S&P Global France Composite PMI	m/m	Apr F	47.6	47.6	47.6	**	Equity and bond neutral
	S&P Global Italy Services PMI	m/m	Apr	49.8	48.8	47.9	**	Equity and bond neutral
	S&P Global Italy Composite PMI	m/m	Apr	50.5	49.2	48.4	**	Equity and bond neutral
UK	Retail Sales	y/y	Mar	3.7%	1.6%	1.4%	**	Equity bullish, bond bearish
	S&P Global UK Services PMI	m/m	Apr F	52.7	52.0	52.0	**	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Apr F	52.6	52.0	52.0	**	Equity and bond neutral
	Official Reserves Changes	m/m	Apr	\$1263m	-\$7884m		*	Equity and bond neutral
Russia	S&P Global Russia Composite PMI	m/m	Apr	49.1	48.8		**	Equity and bond neutral
	S&P Global Russia Services PMI	m/m	Apr	49.7	49.5		**	Equity and bond neutral
AMERICAS								
Canada	S&P Global Canada Services PMI	m/m	Apr	49.2	47.2		*	Equity and bond neutral
	S&P Global Canada Composite PMI	m/m	Apr	49.9	47.6		*	Equity and bond neutral
Mexico	International Reserves Weekly	w/w	30-Apr	\$256264m	\$200976m		*	Equity and bond neutral
	Gross Fixed Investment NSA	y/y	Feb	-4.2%	-3.3%	-2.7%	**	Equity bearish, bond bullish
	Vehicle Domestic Sales	y/y	Apr	118859	131569		***	Equity and bond neutral
	Leading Indicators	y/y	Mar	0.09	0.1		**	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	365	0	Up
U.S. Libor/OIS spread (bps)	364	365	-1	Up
10-yr T-note (%)	4.34	4.42	-0.08	Down
Euribor/OIS spread (bps)	222	220	2	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Up
Pound	Up	UK		Up
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.

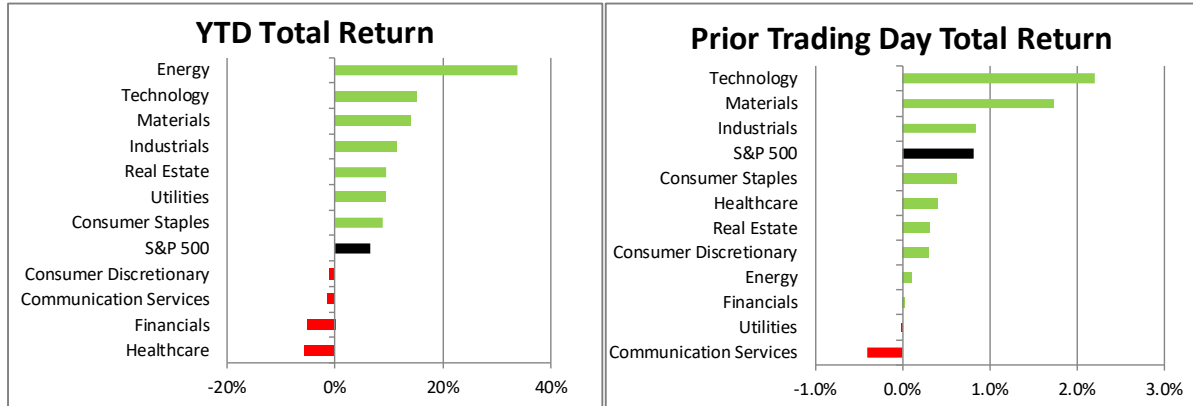
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$99.02	\$109.87	-9.88%	Geopolitical Developments
WTI	\$91.54	\$102.27	-10.49%	Geopolitical Developments
Natural Gas	\$2.71	\$2.79	-2.65%	
Crack Spread	\$53.22	\$55.48	-4.07%	Geopolitical Developments
12-mo strip crack	\$40.65	\$42.42	-4.17%	Geopolitical Developments
Ethanol rack	\$2.23	\$2.24	-0.33%	
Metals				
Gold	\$4,696.48	\$4,556.92	3.06%	
Silver	\$77.19	\$72.85	5.96%	Geopolitical Developments
Copper Contract	\$617.75	\$599.30	3.08%	
Grains				
Corn contract	\$470.00	\$480.00	-2.08%	
Wheat contract	\$609.25	\$627.75	-2.95%	
Soybeans contract	\$1,203.25	\$1,211.50	-0.68%	
Shipping				
Baltic Dry Freight	2,832	2,730	102	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-3.42		
Gasoline (mb)		-2.61		
Distillates (mb)		-2.26		
Refinery run rates (%)		1.11%		
Natural gas (bcf)		72		

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 spreading throughout most of the country, with drier conditions expected in the Pacific Northwest.

Data Section

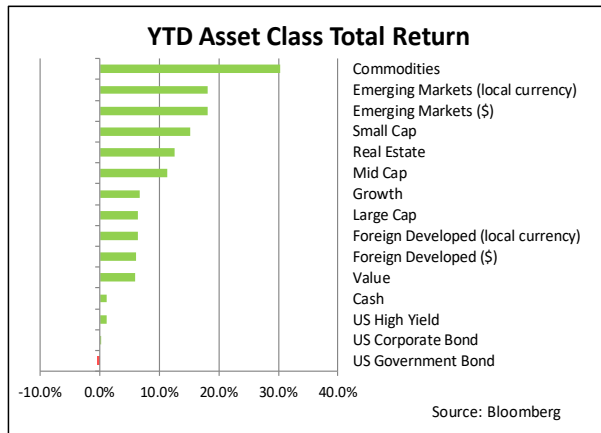
US Equity Markets – (as of 5/5/2026 close)



(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 5/5/2026 close)

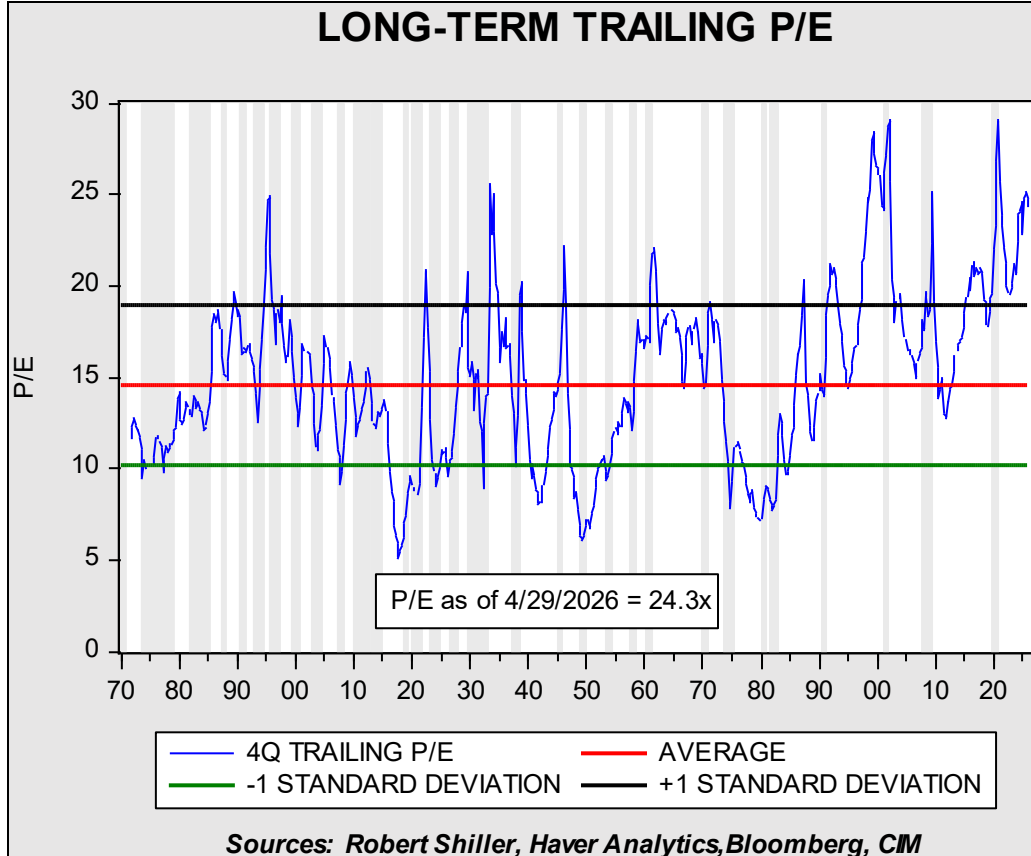


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.