

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 2, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 1.0% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.3%. Chinese markets remain closed today for China's National Day Holiday. US equity index futures are signaling a higher open.

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 Geopolitics of China's Energy Policy" (9/28/26) + podcast	"Breaking the Bond Fever!" (9/21/26)	Q3 2026 Report Q3 2026 Rebalance Presentation	Confluence Mailbag Podcast Business Cycle Report

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 our outlook on the upcoming Brazilian elections this weekend. Next, we provide an update on Iran, examining the president's plan to deploy additional troops to the region. We then briefly cover the ongoing war in Ukraine and the EU's proposal to release strategic diesel reserves into the market. As always, we conclude with a review of recent domestic and international economic data.

Brazil Elections: South America's largest economy is set to hold elections this weekend, setting the tone for the country's future relationship with the United States. In a crowded field, incumbent left-wing [President Luiz Inácio Lula da Silva is expected to advance past the first round against Flávio Bolsonaro](#), the right-wing candidate and son of former president Jair Bolsonaro. The race highlights the intensifying rivalry between the US and China, both of which are actively competing for resources across the continent.

- While both frontrunners are expected to comfortably clear the first round, the general election remains a tight contest with no clear favorite. Recent polling shows a

competitive race, with [Luiz Inácio Lula da Silva holding a narrow three-point edge over Senator Flávio Bolsonaro](#) in a potential runoff. However, [prediction markets lean toward Bolsonaro](#), giving him approximately a 60% chance of winning the presidency.

- Washington is keeping a close eye on Brazil's high-stakes election. US President Donald Trump has publicly expressed interest in the vote, maintaining close ties with the Bolsonaro family after supporting former president Jair Bolsonaro and later criticizing his judicial prosecution. Tensions have mounted following reports of a proposed \$1 million US grant intended for civil society groups opposed to the Brazilian judiciary, prompting local allegations of external interference.
- The White House's support for Bolsonaro comes as incumbent Lula maintains a cooler stance toward closer diplomatic and economic ties with Washington, particularly regarding Brazil's vast natural resources. While [Lula has stated that Brazil is open to US investment in its world-class rare earth mines](#), he has rejected granting exclusive access or playing favorites. In contrast, Bolsonaro has shown a far greater willingness to align closely with Washington's strategic and commercial interests.
- Although a decisive first-round winner is unlikely this weekend, the vote should provide key momentum indicators for a prospective late-month runoff. A victory for Bolsonaro could spark a rally in Brazilian equities as market participants anticipate greater fiscal discipline from the conservative candidate, along with expanded US investment and trade incentives.

Iran Tensions: The US is preparing to escalate tensions with Iran after negotiations stalled. According to a new report, Washington plans to deploy an aircraft carrier carrying more than 10,000 troops, a move that would give the president more options should he decide to ramp up attacks on Iran. This follows the [US decision to expel Iranian delegates over a lack of progress in talks](#). A broadening conflict would further add to market uncertainty.

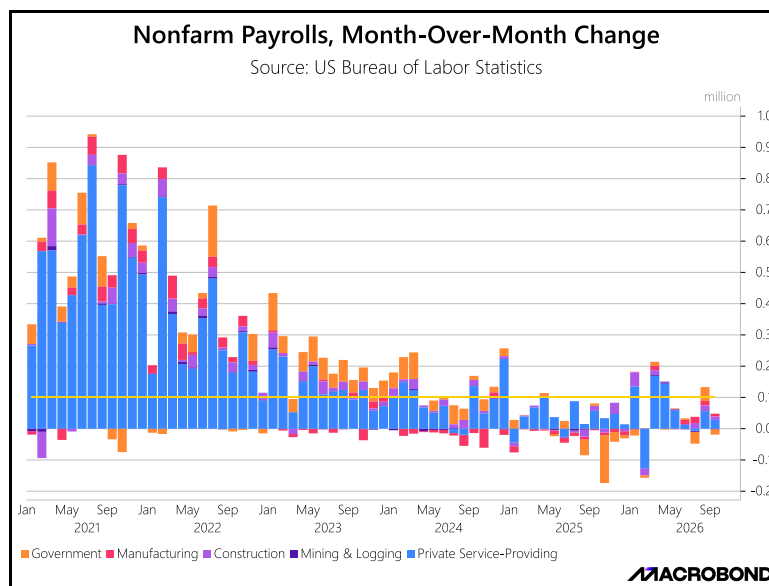
- The decision to send more troops follows a threat by [President Trump that he is prepared to resume strikes after the midterms in November](#). The ships have already left their ports and are expected to carry sailors as well as marines in what will be the largest deployment the US has launched since the conflict began in February. The ships appear to be preparing for a possible amphibious operation, which suggests there is a possibility of troops on the ground if the president gives the order.
- In the days leading up to the midterms, there are growing concerns that Iran may be broadening its attacks. On Wednesday, the [UK prime minister stated that a security incident at a military base in September may have been linked to Iran](#). At the same time, [Trump has also asserted that a recent attack by a copilot on a flight from Dubai to Israel may also have Iranian ties](#). While none of these links have been proven, if true, they could add another layer to the conflict.
- The US deployment to the Strait of Hormuz could loosen Iran's grip on the waterway. Although trade flows through the strait have remained subdued since the conflict began, the US has managed to escort a limited number of ships safely through. A larger US troop presence in the region should therefore enhance stability, helping to secure the strait, allow more ships to transit, and ultimately ease pressure on energy markets.

Ukraine War: Russia appears to be escalating its war effort in a bid to shift momentum on the battlefield. [Ukrainian President Volodymyr Zelenskyy accused President Vladimir Putin of instructing Russian military leaders to abandon the rules of war](#). The warning comes amid a grinding stalemate, with both nations carrying out reciprocal strikes on critical infrastructure. Zelenskyy's comments suggest that hostilities could intensify significantly in the coming weeks.

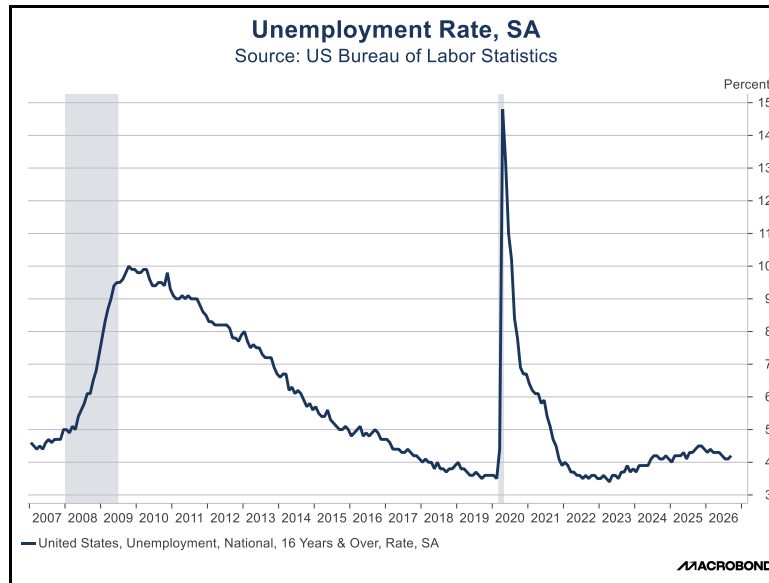
Diesel Prices: The EU is weighing a release of [its strategic reserves of diesel to help bring down global prices](#) under pressure from Washington, which has threatened to ban exports to Europe if it does not act. The push comes as tightening supply has driven diesel prices sharply higher. A release would likely ease inflation pressures and reduce, though not eliminate, the risk of shortages should the conflict drag on.

US Economic Releases

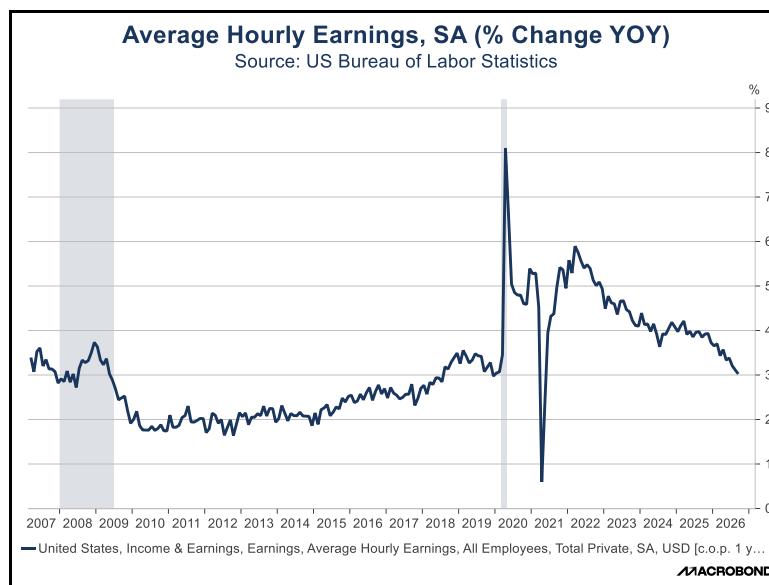
September *nonfarm payrolls* rose by a seasonally adjusted 29,000, far short of the expected gain of 90,000 and only a fraction of the downwardly revised increase of 133,000 in August. Private payrolls increased by 46,000 in September, but government jobs declined. The chart below shows the monthly change in nonfarm payrolls over the last several years.



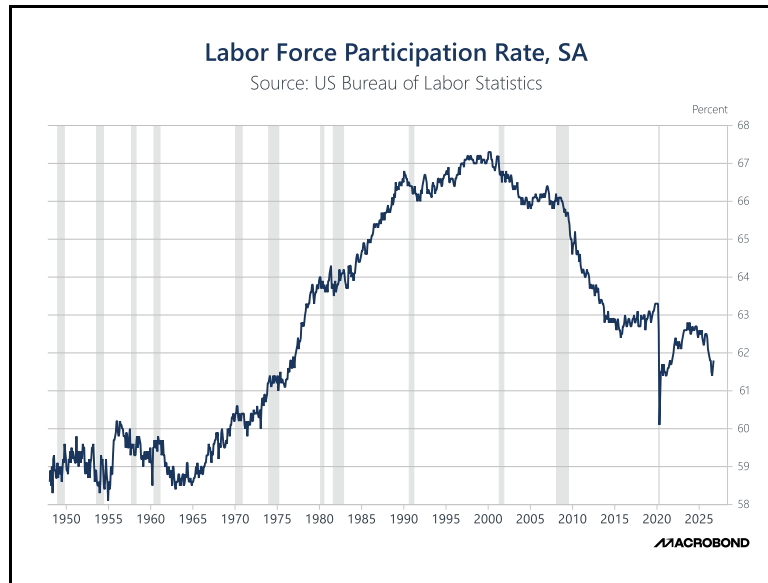
The September *unemployment rate* rose to a seasonally adjusted 4.2%, above expectations that it would be unchanged from the 4.1% rate the month before. The chart below shows how the unemployment rate has evolved since just before the Great Financial Crisis (GFC).



According to the report, *average hourly earnings* in September were up just 3.0% from the same month one year earlier, at roughly the same pace they were increasing before the pandemic. The chart below shows the year-over-year growth in average hourly earnings since just before the GFC.



A final key indicator in the monthly employment report focuses on the share of the adult, civilian, non-institutionalized population that is either working or looking for work. The September *labor force participation rate (LFPR)* rose to a seasonally adjusted 61.8%. However, excluding the pandemic, that rate remains near its lowest level since the 1970s. The chart below shows how the LFPR has changed over the last several decades.



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	Aug	0.2%	0.9%	***
10:00	Factory Orders Ex Transportation	m/m	Aug	0.6%	0.6%	**
10:00	Durable Goods Orders	m/m	Aug F	0.0%	0.0%	***
10:00	Durable Goods Orders ex Transportation	m/m	Aug F	0.3%	0.3%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Aug F	1.6%	1.6%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Aug F		0.6%	*
Federal Reserve						
EST	Speaker or Event	District or Position				
10:00	Lorie Logan Delivers Welcome Remarks	President of the Federal Reserve Bank of Dallas				
12:00	Austan Goolsbee on Fox Business	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								
Japan	Tokyo CPI	y/y	Sep	2.7%	1.9%	2.5%	**	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food	y/y	Sep	2.7%	1.8%	2.3%	***	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food & Energy	y/y	Sep	3.0%	2.0%	2.5%	*	Equity and bond neutral
	Jobless Rate	m/m	Aug	2.5%	2.4%	2.4%	***	Equity and bond neutral
	Job-To-Applicant Ratio	m/m	Aug	1.18	1.18	1.18	***	Equity and bond neutral
	Monetary Base	y/y	Sep	-15.2%	-15.7%		**	Equity and bond neutral
	Monetary Base, End of Period	m/m	Sep	¥553.4t	¥543.8t		*	Equity and bond neutral
New Zealand	ANZ Consumer Confidence Index	m/m	Sep	97.6	98.0		*	Equity and bond neutral
South Korea	CPI	m/m	Sep	2.9%	3.1%	2.9%	***	Equity and bond neutral
India	Foreign Exchange Reserves	w/w	25-Sep	\$747.6b			*	Equity and bond neutral
EUROPE								
Eurozone	CPI	y/y	Sep P	3.8%	3.2%	3.7%	***	Equity and bond neutral
	Core CPI	y/y	Sep P	2.5%	2.4%	2.5%	**	Equity and bond neutral
Italy	Retail Sales	y/y	Aug	0.5%	1.0%		**	Equity and bond neutral
	New Car Registrations	y/y	Sep	9.92%	3.15%		*	Equity and bond neutral
	Budget Balance	m/m	Sep	-27.0b	-12.3b		*	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	25-Sep	\$742.7b	\$748.2b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	25-Sep	22.76t			*	Equity and bond neutral
AMERICAS								
Canada	S&P Global Canada Manufacturing PMI	m/m	Sep	51.5	53.0		***	Equity and bond neutral
Mexico	Remittances Total	m/m	Aug	\$5452.3m	\$5570.6m	\$5700.0m	*	Equity and bond neutral
	S&P Global Mexico Manufacturing PMI	m/m	Sep	50.3	49.8		***	Equity and bond neutral
	IMEF Manufacturing Index SA	m/m	Sep	50.0	49.9	49.8	*	Equity and bond neutral
	IMEF Non-Manufacturing Index SA	m/m	Sep	49.2	49.0	49.4	*	Equity and bond neutral
	Vehicle Domestic Sales	y/y	Sep	129288	129361		***	Equity and bond neutral
	Leading Indicators	y/y	Aug	0.02	0.03		**	Equity and bond neutral
Brazil	S&P Global Brazil Manufacturing PMI	m/m	Sep	44.8	46.3		***	Equity and bond neutral
	Industrial Production	y/y	Aug	-1.2%	-0.5%	-0.2%	***	Equity bearish, bond bullish

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)	398	399	-1	Up
U.S. Sibor/OIS spread (bps)	402	403	-1	Up
U.S. Libor/OIS spread (bps)	400	400	0	Up
10-yr T-note (%)	5.23	5.24	-0.01	Up
Euribor/OIS spread (bps)	259	262	-3	Up
Currencies	3 Mo			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Down	Japan		Up
Pound	Up	UK		Down
Franc	Down	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	\$99.93	\$102.31	-2.33%	
WTI	\$89.33	\$92.87	-3.81%	Supply Optimism
Natural Gas	\$2.92	\$2.97	-1.75%	
Crack Spread	\$65.47	\$67.35	-2.79%	
12-mo strip crack	\$54.63	\$56.04	-2.52%	
Ethanol rack	\$2.30	\$2.30	0.00%	
Metals				
Gold	\$4,179.81	\$4,177.66	0.05%	
Silver	\$61.02	\$60.99	0.05%	
Copper Contract	\$656.80	\$653.80	0.46%	
Grains				
Corn contract	\$499.25	\$502.25	-0.60%	
Wheat contract	\$686.25	\$682.75	0.51%	
Soybeans contract	\$1,276.50	\$1,284.00	-0.58%	
Shipping				
Baltic Dry Freight	3,140	3,113	27	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	0.92	-0.71	1.63	
Gasoline (mb)	-1.68	-1.00	-0.68	
Distillates (mb)	-2.25	0.08	-2.33	
Refinery run rates (%)	0.00	-0.33%	0.00	
Natural gas (bcf)	64	63	1	

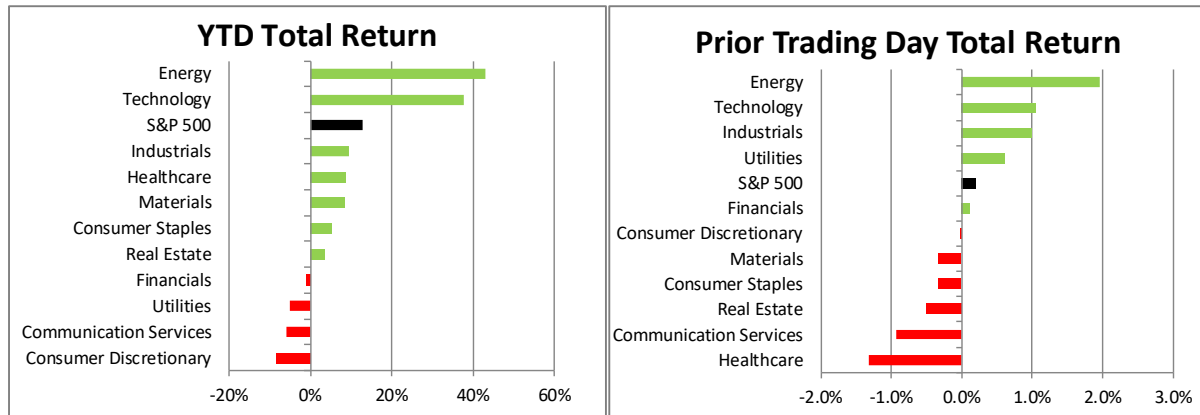
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except southernmost Texas and the Northeast, where temps will be near normal. The outlook calls for wetter-than-normal conditions in the Southeast, with dry conditions in the northern half of the country west of the Great Lakes.

There are currently no atmospheric disturbances in the Atlantic Ocean area, and no tropical cyclonic activity is expected over the next seven days.

Data Section

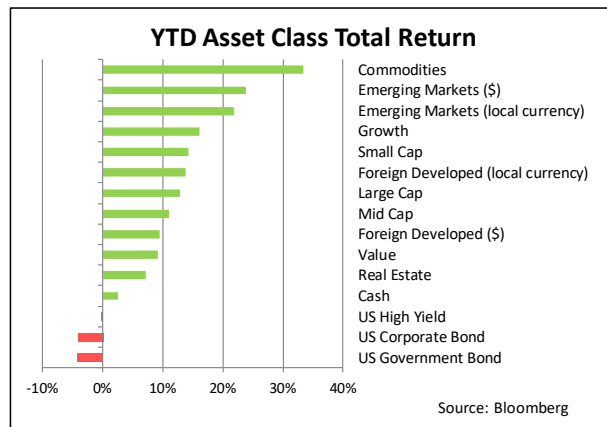
US Equity Markets – (as of 10/1/2026 close)



(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 10/1/2026 close)

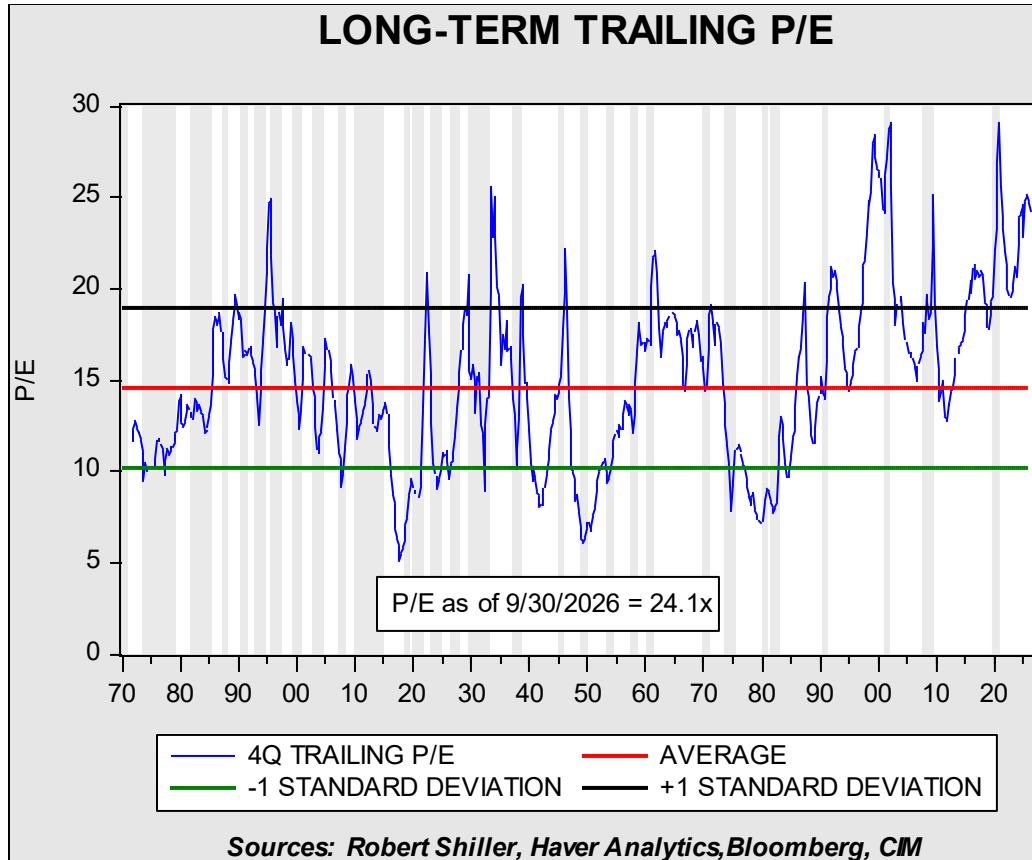


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

October 1, 2026



Based on our methodology,¹ the current P/E is 24.1x, unchanged from the previous report. The stock price index and earnings were little changed from the previous week.

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 (Q3, Q4, Q1) and one estimate (Q2). 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.