

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 5, 2026 — 9:30 AM ET] Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.7%. Chinese markets remain closed today for China's National Day Holiday. US equity index futures are signaling a slightly 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	"What "Real" Interest Rates Are Telling Us" (10/5/26) + podcast	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.

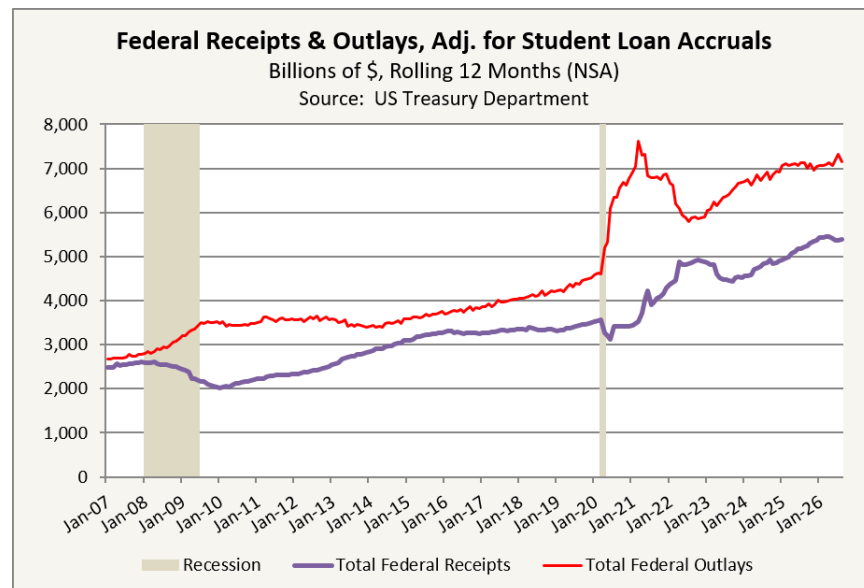
Our *Comment* today opens with a new release of crude oil reserves by the top industrialized countries. Of course, the move is geared toward trying to bring down energy prices as reports suggest the recent rebound in oil shipping through the Strait of Hormuz may be going in reverse. We next review several other international and US developments that could affect the financial markets today, including an unexpectedly strong performance by the main right-wing candidate in Brazil's first-round presidential election yesterday and another big spending vow in the US.

Global Petroleum Markets: The Group of 7 (G7) leading industrialized countries on Friday [agreed to release 100 million barrels of crude oil and diesel fuel from their strategic reserves](#) to combat the surge in energy prices due to the US-Israeli war against Iran. The release is set to take place over four months, starting immediately, including a substantial diesel release frontloaded within the first 20 days. It's not clear how much the new release might help bring down prices, but the US allies' acquiescence to the plan could cut the risk of a US ban on diesel exports.

- Separately, reports over the weekend [say Iran has again found a way to attack oil tankers trying to pass through the Strait of Hormuz](#), striking at least seven vessels over the last week.
- While the US Navy and allied governments in the region had been able to largely shut down Iran's attacks and boost oil shipments last month, the new attacks could well disrupt global energy supplies again and push oil prices higher. As of this morning, however, oil prices are little changed on the day, with near Brent crude futures trading at \$102.68 per barrel.

US Politics: President Trump said in a social media post late Friday night that his administration [will begin sending out \\$90 checks to nearly 20 million Medicare participants to help them pay for their Part B premiums](#). The checks, or direct deposits, could arrive as early as this week. The promise follows an earlier move to pay \$500 to about 1 million Obamacare users for "overcharges" and a vow to pay \$5,000 to every adult citizen if the Republicans retain control of both the House and the Senate in the midterm elections.

- With the federal budget deficit already widening dangerously due to ramped up spending and tax cuts, the cash payments could significantly worsen the situation if they are all implemented.
- The cash payments are likely aimed at winning votes for Republicans in the midterm elections, although the bulk of the opinion polling today still points to the Democrats taking control of at least the House.



US Artificial Intelligence Industry: After OpenAI late last week notified more than 100 organizations that its AI agents had accessed their systems during pre-deployment testing, analysts over the weekend [began to focus more heavily on the legal risks the firm faces](#) because of the intrusions. As we have noted before, popular perceptions that AI is dangerous and

uncontrollable could be one factor that takes the wind out of the current AI investment frenzy. Associated legal risks could also undermine investor faith in the leading AI companies.

- We have also identified other elements of the evolving AI landscape that could put the AI frenzy into reverse.
- These other issues include the strong competitive threat from Chinese open-source models and domestic US pushback against the data-center construction needed to run AI.

US Insurance Industry: According to the *Wall Street Journal* today, Sens. Elizabeth Warren (D-MA) and Josh Hawley (R-MO) [have asked six of the biggest property insurers for data and explanations related to customers' increasing risk](#) of receiving no payment at all. The request follows an investigation by the newspaper earlier this year that showed insurers are refusing to pay anything on a rising share of claims. The senators' move could potentially lead to tighter regulation, increasing costs, and lower profits for the industry.

Russia-Ukraine War: Planning documents show the Kremlin [will boost its 2027 military budget to the equivalent of \\$205 billion, up approximately 40% from 2026](#) and almost 400% higher than in 2021, the year before it launched its war against Ukraine. The plans foresee only a slight reduction in spending in 2028. Taken together, the figures suggest President Putin intends to double down on his attack and sustain it for the long term if necessary. In turn, that will keep alive the risks to European security and global fuel supplies.

Russia: The White House [has announced it is monitoring reports of an accident at an anti-plague research facility in Siberia](#) in which a researcher reportedly contracted the disease and died. Russian officials subsequently imposed quarantines on several research facilities in the region. Given the enormous social and economic costs of the coronavirus pandemic, any sign that the plague has gotten out of control and is spreading would likely rattle financial markets, at least in Russia and potentially globally.

China-Vietnam: New satellite imagery shows China [is making substantial progress on a military runway it's building on the disputed Antelope Reef](#) in the Paracel Islands. The reef is also claimed by Vietnam, which has lodged diplomatic complaints over the airfield construction. China's continued territorial aggression in the South China Sea is added evidence that Beijing is taking advantage of the "constructive strategic stability" that President Trump and General Secretary Xi agreed to in May to keep advancing its geopolitical strength.

France: High school students across the country [have staged mass demonstrations and riots in recent days to protest overcrowded facilities, crumbling infrastructure, and under-investment](#) in education. The protests have led to some 3,000 arrests and resulted in dozens of schools being set ablaze. Importantly, top officials and far-right leaders have said there is evidence that the protests were instigated by hard-left firebrand Jean-Luc Mélenchon. If that is the case, it could weaken Mélenchon's party in next year's national election and ensure a centrist-far right contest.

Spain: Socialist Prime Minister Sánchez, who has led a left-wing minority government since 2023, today [called snap parliamentary elections on November 29 to capitalize on popular anger](#)

[over high housing prices](#) and the right-wing opposition's success last week in blocking legislation to address the problem. However, the decision is a major gamble, as right-wing parties are currently leading opinion polls in large part because of a popular perception that the prime minister's immigration policies are too lax.

Brazil: In the first round of Brazil's presidential election yesterday, preliminary reports show right-wing Sen. Flávio Bolsonaro [came in first with 47.3% of the vote](#), short of the 50.0% needed for an outright victory but ahead of incumbent left-wing President Luiz Inácio Lula da Silva. That sets up a runoff between the two on October 25. If Bolsonaro wins that election as well, he would likely bring Brazil's foreign and domestic policies much more in line with those of the US administration, which could boost Brazilian stock prices.

US Economic Releases

There were no economic releases prior to the publication of this report. 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	Sep F	58.7	58.7	***
9:45	S&P Global US Composite PMI	m/m	Sep F	58.3	58.4	***
10:00	ISM Nonmanufacturing PMI	m/m	Sep	55.0	55.4	***
10:00	ISM Nonmanufacturing Prices Paid	m/m	Sep	73.3	72.6	**
10:00	ISM Nonmanufacturing New Orders	m/m	Sep	60.3	60.9	**
10:00	ISM Nonmanufacturing Employment	m/m	Sep	48.8	47.8	*
Federal Reserve						
No Fed speakers or events for the rest of today						

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	S&P Global Japan Composite PMI	m/m	Sep F	52.3	52.5		*	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Sep F	51.3	51.6		*	Equity and bond neutral
	Consumer Confidence Index	m/m	Sep	3534.0	35.5	35.3	*	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Sep F	51.3	50.8		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Sep F	51.9	51.4		*	Equity and bond neutral
	Melbourne Institute Inflation	y/y	Sep	4.8%	0.5%		***	Equity and bond neutral
New Zealand	ANZ Commodity Price	m/m	Sep	0.6%	2.5%		**	Equity and bond neutral
EUROPE								
Eurozone	S&P Global Eurozone Services PMI	m/m	Sep F	53.0	53.0	53.0	**	Equity and bond neutral
	S&P Global Eurozone Composite PMI	m/m	Sep F	53.1	53.1	53.1	*	Equity and bond neutral
	PPI	y/y	Aug	8.2%	5.8%	7.6%	**	Equity bearish, bond bullish
Germany	S&P Global Germany Services PMI	m/m	Sep F	52.9	52.9	52.9	**	Equity and bond neutral
	S&P Global Germany Composite PMI	m/m	Sep F	53.8	53.8	53.8	**	Equity and bond neutral
France	S&P Global France Services PMI	m/m	Sep F	51.2	51.4	51.4	**	Equity and bond neutral
	S&P Global France Composite PMI	m/m	Sep F	51.1	51.2	51.2	**	Equity and bond neutral
Italy	S&P Global Italy Services PMI	m/m	Sep F	51.7	53.2	54.5	**	Equity bearish, bond bullish
	S&P Global Italy Composite PMI	m/m	Sep F	51.0	50.6	53.2	**	Equity bearish, bond bullish
UK	New Car Registrations	y/y	Sep	12.0%	13.7%		*	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Sep F	52.1	51.7	51.7	**	Equity and bond neutral
	S&P Global UK Services PMI	m/m	Sep F	52.0	51.7	51.7	**	Equity and bond neutral
	Official Reserves Changes	m/m	Sep	-\$6010m	\$5328m		*	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	2-Oct	433.1b	432.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	2-Oct	464.2b	456.8b		*	Equity and bond neutral
Russia	GDP	y/y	2Q F	1.3%	1.3%		**	Equity and bond neutral
	S&P Global Russia Composite PMI	m/m	Sep	50.8	50.6		**	Equity and bond neutral
	S&P Global Russia Services PMI	m/m	Sep	51.3	51.3		**	Equity and bond neutral
AMERICAS								
Mexico	Gross Fixed Investment NSA	y/y	Jul	6.6%	7.4%	7.2%	**	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)	399	400	-1	Up
U.S. Sibor/OIS spread (bps)	402	402	0	Up
U.S. Libor/OIS spread (bps)	400	400	0	Up
10-yr T-note (%)	5.28	5.27	0.01	Up
Euribor/OIS spread (bps)	260	259	1	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	\$102.48	\$102.25	0.22%	
WTI	\$90.20	\$91.11	-1.00%	
Natural Gas	\$3.05	\$3.04	0.56%	
Crack Spread	\$65.86	\$65.38	0.74%	
12-mo strip crack	\$55.40	\$55.25	0.27%	
Ethanol rack	\$2.28	\$2.29	-0.38%	
Metals				
Gold	\$4,152.42	\$4,141.19	0.27%	
Silver	\$61.61	\$60.36	2.07%	
Copper Contract	\$661.30	\$654.90	0.98%	
Grains				
Corn contract	\$500.00	\$497.75	0.45%	
Wheat contract	\$692.75	\$683.00	1.43%	
Soybeans contract	\$1,288.50	\$1,278.25	0.80%	
Shipping				
Baltic Dry Freight	3,148	3,140	8	

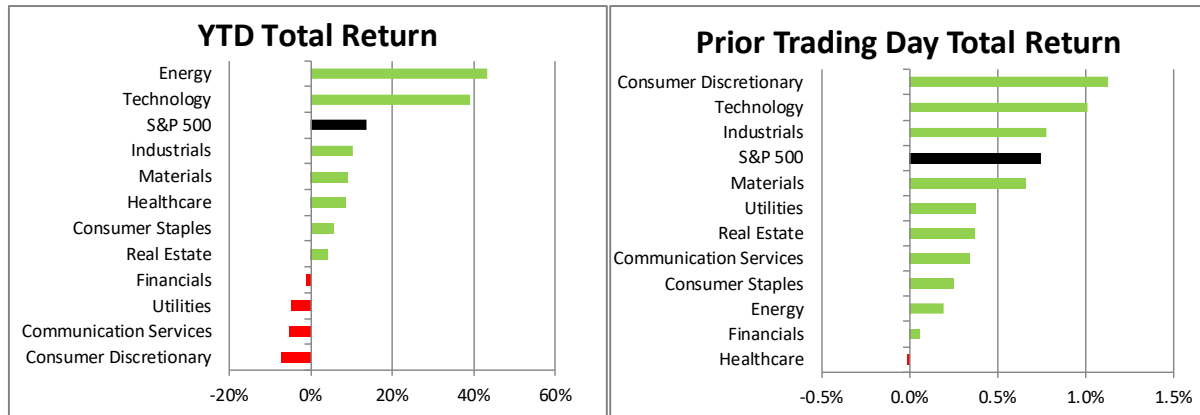
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near normal temperatures in the northern Great Plains. The outlook calls for wetter-than-normal conditions in states east of the Mississippi and throughout most of the Southern states, with dry conditions in the northern Pacific.

There is currently one atmospheric disturbance forming in the Gulf of Mexico with a 70% chance of cyclone formation within the next seven days.

Data Section

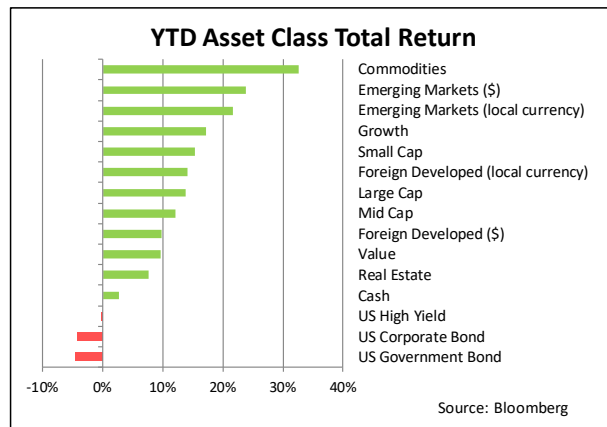
US Equity Markets – (as of 10/2/2026 close)



(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 10/2/2026 close)

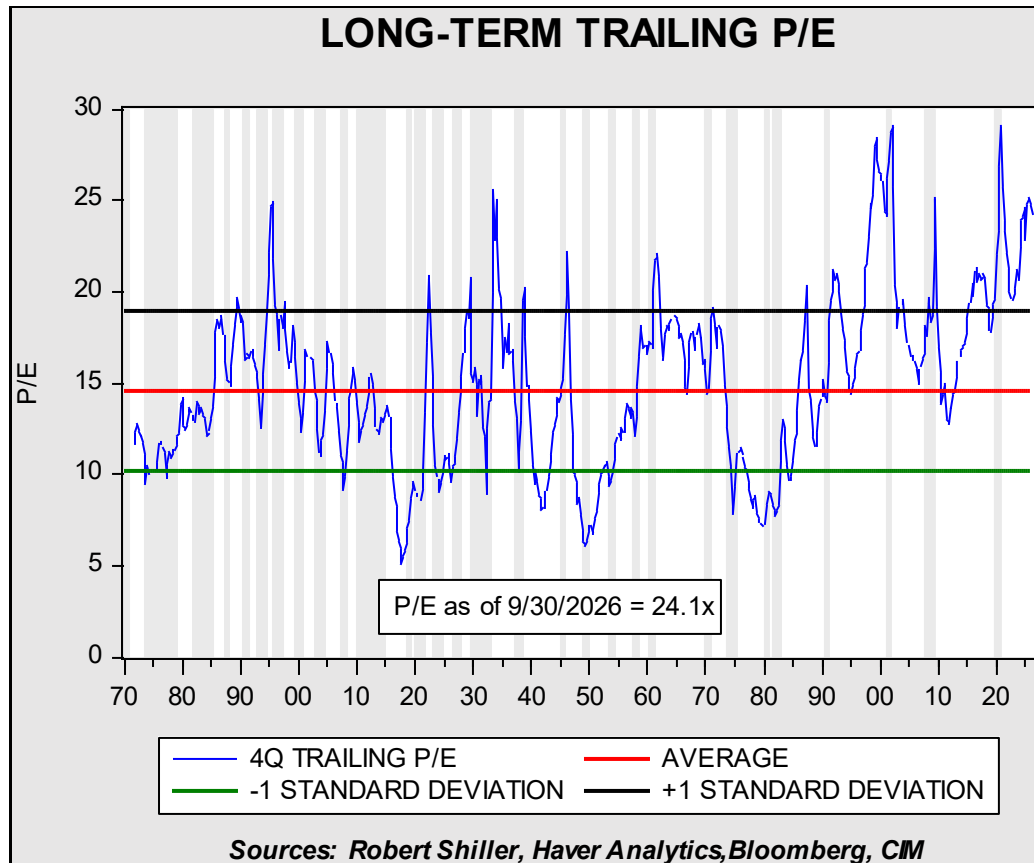


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.