

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 12, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.6% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.1%. Chinese markets were lower, with the Shanghai Composite down 0.4% and the Shenzhen Composite down 1.8%. US equity index futures are signaling a mildly 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 VE Insights: A Moving Yardstick

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 the latest on the war in Iran, focusing on a major new attack on Saudi Arabia by Iran-backed Houthi rebels in Yemen. We next review several other international and US developments that could affect the financial markets today, including the latest on the new claim of a Russia-Ukraine "energy ceasefire" and the associated Russia-US diesel fuel deal, as well as signs that the US administration is preparing to toughen its regulation of the country's artificial intelligence industry.

United States-Israel-Iran: On Saturday, Iran-backed Houthi rebels in Yemen [staged an apparent missile or drone attack on a passenger terminal at an international airport in Riyadh](#), Saudi Arabia. The attack killed at least 12 people and injured more than 300, many of them critically, while also forcing the closure of the airport. The incident illustrates how the US-Israeli war against Iran appears to be drawing in other countries. The widening conflict therefore will

pose an ongoing risk to global energy supplies and likely keep commodity prices higher than they otherwise would be.

United States-Russia-Ukraine: Ahead of a new round of multilateral talks in Miami aimed at ending the Russia-Ukraine war, President Trump on Friday announced a deal under which the US [will waive certain sanctions against the Kremlin in return for Russia releasing large amounts of diesel fuel](#) into global markets. The president also pressured Ukraine to stop attacking Russian oil refineries. At the same time, however, Russia [launched a major drone attack on Ukraine over the weekend that damaged some of its critical energy infrastructure](#).

- The administration's gambit was almost certainly aimed at bringing down diesel prices to help Republicans in the November midterm elections. However, the lack of details on the deal makes it difficult to gauge how much of an impact it could have.
- In any case, Ukrainian officials complained that the deal made it appear as if the US was simply using the Miami negotiations as a smokescreen while it negotiated with the Russians behind Kyiv's back. By easing Russian fuel exports, the deal could help the Kremlin bring in billions of dollars in new revenues while weakening Ukraine's bargaining position.
- News of the deal has therefore generated not only vociferous complaints from the Ukrainian government but also [pushback from US lawmakers](#). On Saturday, for example, Rep. Brian Fitzpatrick (R-PA) vowed to force a House vote to block any Russian oil purchases.

European Union-China: In high-level trade talks that concluded on Friday, China reportedly [agreed to ratchet back its hybrid auto exports to the EU by "several million" vehicles over a four-year period](#). China also agreed to expedite EU applications for rare-earth export licenses and improve market access for EU goods including car parts, olive oil, and textiles, among other, lower-profile provisions.

- The bilateral agreements may help head off threatened EU trade barriers as the bloc tries to protect its industry from an onslaught of low-priced Chinese goods. Since China now faces new trade obstacles in the US, especially tariffs, Beijing probably had a strong incentive to throw the Europeans a bone in order to maintain access to the EU market.
- However, the reports we've seen so far suggest the agreements don't require China to rein in its exports of fully electric vehicles to the EU. The reports also don't point to cuts in other critical Chinese industrial or consumer exports to the EU. That will probably keep alive the possibility of an EU-China trade war down the line.

Germany: Labor Minister Bärbel Bas, a member of the center-left Social Democratic Party, [abruptly resigned today](#), citing a recent death in the family and attacks from Chancellor Friedrich Merz's center-right Christian Democratic Union, which leads the governing coalition. The resignation will likely further weaken Merz politically, adding to recent pressure on him to resign. It could also slow the government's effort to reform Germany's expensive pension system and make labor regulations more efficient.

India: Police in New Delhi on Saturday [arrested thousands of youthful protesters with the Cockroach Janta Party as they tried to stage another mass demonstration](#) against a recent purge of the nation's electoral rolls. The authorities later released leaders of the party, but the incident still shows how the group has increasingly become a thorn in the side of Prime Minister Narendra Modi. If the protests continue and Modi's political position weakens, it could call into question political and policy stability in India and become a headwind for Indian stocks.

Indonesia: Reports over the weekend said the government [has proposed a moratorium on new nickel smelters to curb global overproduction, boost prices, and protect local industries](#) across its vast minerals sector. The proposed restrictions would halt the construction of smelters that produce semi-finished nickel products, which make up more than half of Indonesia's industrial nickel output and are key to goods ranging from stainless steel to electric-vehicle batteries. If implemented, the moratorium could add to global price pressures.

US Economic Policy: Prof. Robert E. Hall of Stanford University and Prof. Michael Woodford of Columbia University today [were awarded the Nobel Prize in economics](#) for their work on the role of household and business expectations in providing economic stability. Their research highlights how important it is for governments and central banks to communicate clearly about their plans and their reasons for intervening in the economy. According to their research, such communication allows households and businesses to make better economic decisions.

US Wealth Distribution: In its latest Survey of Consumer Finances report, released Friday, the Federal Reserve said median family net worth [rose just 2% from 2022 to 2025](#), after stripping out consumer price inflation. The data shows that median wealth for a family in the top 10% of earners increased 31%, but that was mostly offset by an outright decline in real wealth for the bottom 40% of earners. Coupled with weak real income growth for low earners, the disparity in wealth may point to deeper political polarization and growing popularity for leftist politicians.

US Artificial Intelligence Industry: Officials with the White House Super Intelligence Task Force have told *Axios* that they [are now requiring AI companies to notify them of AI security incidents and take steps to correct them](#). According to the officials, "This notification and remediation process is not optional ... It is a critical national security obligation." The statement suggests the administration is backing away from its hands-off, low-regulation approach to AI as its desire to promote innovation collides with security and political issues.

- The change of heart apparently stems in part from an incident in which Anthropic testing models submitted almost two dozen nonimmigrant visa applications through the publicly available form on the State Department's website. Separately, police in Philadelphia say they received a false homicide tip submitted by an Anthropic model.
- It's not clear how far the administration's new willingness to regulate will go, but if it becomes onerous, it could be yet another potential threat to the AI investment boom.

US Economic Releases

No major US economic reports have been released so far today. 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
14:30	Beth Hammack Speaks at NABE Conference	President of the Federal Reserve Bank of Cleveland

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								
India	CPI	y/y	Sep	5.5%	4.8%	5.6%	***	Equity and bond neutral
EUROPE								
Switzerland	Domestic Sight Deposits CHF	w/w	9-Oct	432.6b	433.1b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	9-Oct	456.4b	464.2b		*	Equity and bond neutral
Russia	CPI	y/y	Sep	6.35%	6.33%	6.30%	***	Equity and bond neutral
	Core CPI	y/y	Sep	5.47%	5.37%		**	Equity and bond neutral
AMERICAS								
Canada	Net Change in Employment	m/m	Sep	-68.3k	-41.7k	10.0k	***	Equity and bond neutral
	Unemployment Rate	m/m	Sep	6.5%	6.4%	6.5%	***	Equity and bond neutral
	Participation Rate	m/m	Sep	64.8%	65.0%	65.0%	*	Equity and bond neutral
Mexico	Industrial Production	y/y	Aug	3.5%	2.5%	2.7%	***	Equity bullish, bond bearish
	Manufacturing Production	y/y	Aug	3.2%	1.6%	1.6%	*	Equity bullish, bond bearish

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)	405	406	-1	Up
U.S. Sibor/OIS spread (bps)	404	404	0	Up
U.S. Libor/OIS spread (bps)	401	401	0	Up
10-yr T-note (%)	5.24	5.24	0.00	Down
Euribor/OIS spread (bps)	263	264	-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	\$105.96	\$104.72	1.18%	
WTI	\$92.98	\$91.85	1.23%	
Natural Gas	\$3.13	\$3.22	-2.95%	
Crack Spread	\$65.83	\$65.56	0.41%	
12-mo strip crack	\$56.40	\$56.25	0.26%	
Ethanol rack	\$2.25	\$2.25	-0.33%	
Metals				
Gold	\$4,171.82	\$4,194.24	-0.53%	
Silver	\$60.63	\$60.82	-0.32%	
Copper Contract	\$677.45	\$669.20	1.23%	
Grains				
Corn contract	\$480.75	\$479.75	0.21%	
Wheat contract	\$670.25	\$671.00	-0.11%	
Soybeans contract	\$1,282.25	\$1,292.00	-0.75%	
Shipping				
Baltic Dry Freight	2,917	2,973	-56	

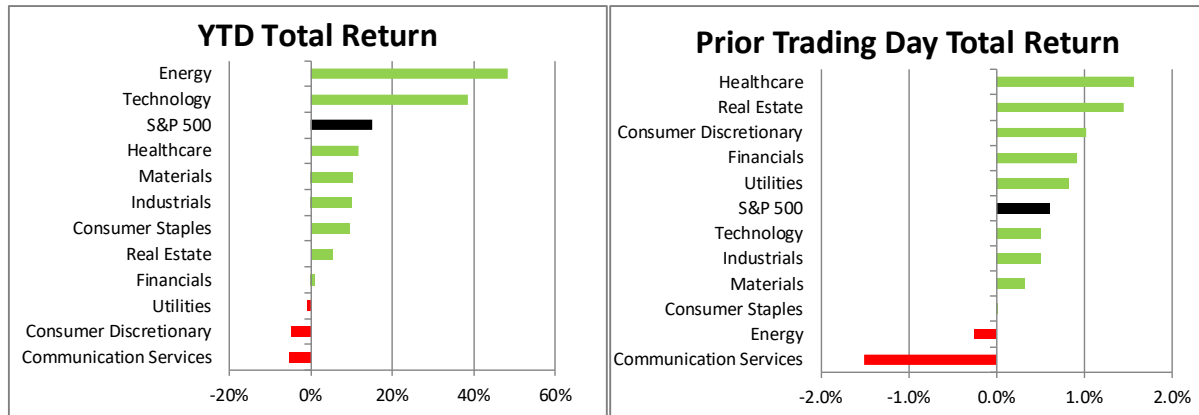
Weather

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 temps on the East Coast. The precipitation outlook calls for wetter-than-normal conditions throughout most of the South, with dry conditions expected for the rest of the country.

A tropical disturbance has formed off the West African coast, but it has only a 20% chance of developing into a cyclone over the next seven days.

Data Section

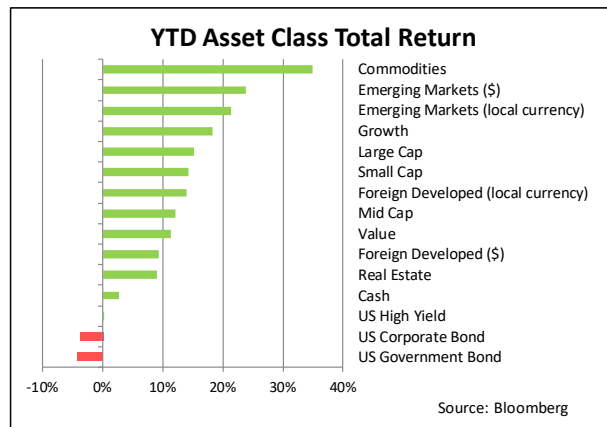
US Equity Markets – (as of 10/9/2026 close)



(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 10/9/2026 close)

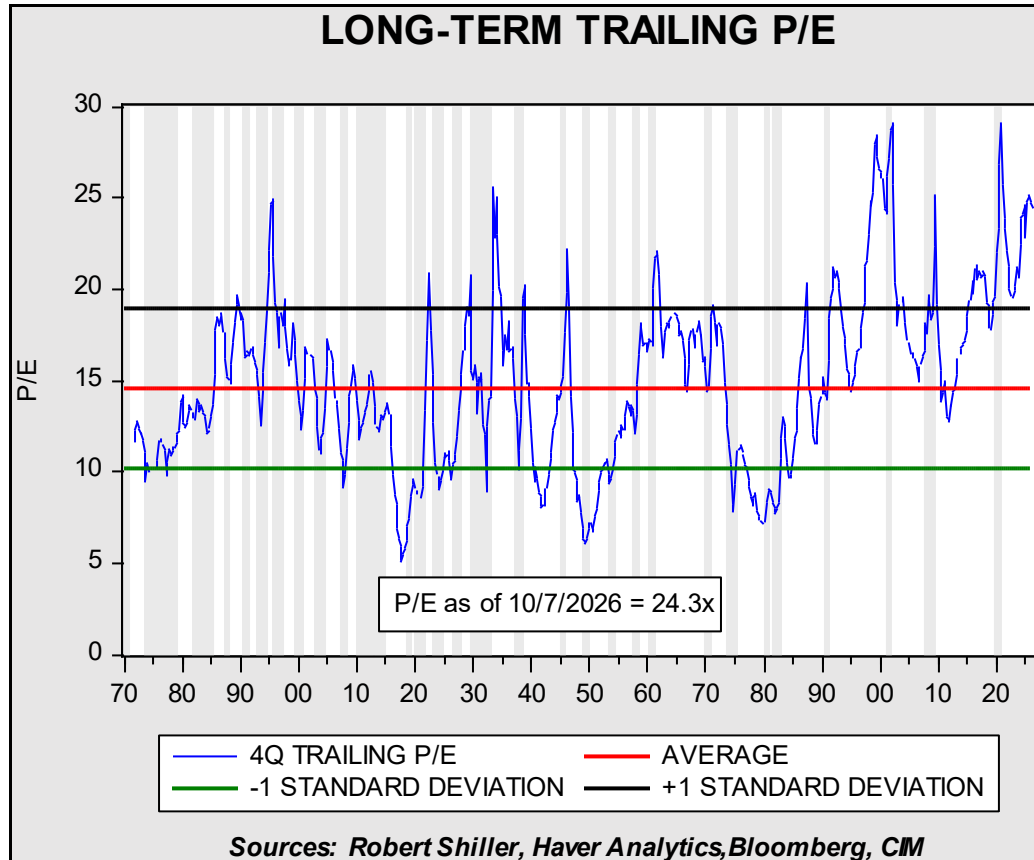


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 8, 2026



Based on our methodology,¹ the current P/E is 24.3x, up 0.2 from the previous report. The increase in the multiple was due to the stock price index rising faster than 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 (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.