

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 13, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is essentially unchanged from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 3.6%. Chinese markets were higher, with the Shanghai and the Shenzhen Composites each up 0.1%. US equity index futures are signaling a lower 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 AI Buildout" (10/12/26) + 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 an overview of the International Monetary Fund's latest forecasts for global economic growth. We next review several other international and US developments that could affect the financial markets today, including an update on the war in Iran and a comment from a major US semiconductor leader that appears to be putting downward pressure on artificial intelligence stocks.

Global Economy: The IMF said in its latest *World Economic Outlook* today that global gross domestic product [should increase 3.1% in 2026](#), up from its previous estimate of 3.0%, in part reflecting investment related to artificial intelligence. The IMF figures show global GDP growth will accelerate to 3.4% in 2027. All the same, the organization warned that government budget deficits in the advanced countries will likely rise to 5.2% of GDP this year, the highest level since the coronavirus pandemic and enough to threaten financial stability.

United States-Israel-Iran: According to *The Wall Street Journal* this morning, the Iranian government [is actively rebuilding its defenses](#), rallying its citizens to resist new attacks, and warning US allies in the region that it will unleash a wider, harsher response against them if the US renews its attacks on Iran after the midterm congressional elections. The preparations are reportedly aiming to deter the US and Israel from renewing their war. Meanwhile, new reports say Iran [attacked six commercial ships in the Strait of Hormuz on Sunday alone](#).

- If the US and Israel escalate again anyway, the Iranian preparations may mean that bigger and longer-lasting attacks may be necessary before they can force an Iranian surrender.
- In any case, the Iranian preparations and the renewed surge in attacks on shipping in the strait serve as the latest evidence that the war is likely to continue for some time, as neither side appears to have the ability to enforce its will on the other.

US Artificial Intelligence Industry: Hock Tan, the chief executive of AI semiconductor giant Broadcom, [said at a conference](#) yesterday, “A lot of investors [in artificial intelligence] have no clue what they are investing in ... They set very extreme expectations only to find out that it’s almost like they are in a casino.” The statement, which was seen as undermining the current AI investment frenzy, apparently helped push down technology stock prices yesterday. So far today, the sell-off has continued in Asia and is threatening to continue in the US as well.

US Banking Industry: Several major banks [kicked off the third-quarter earnings season today](#), with JPMorgan Chase, Goldman Sachs, Wells Fargo, and Citigroup all reporting higher profits than a year ago, although some of the firms failed to beat analyst expectations or match their strong second-quarter growth rates. Importantly, the firms generally expressed cautious optimism about the US economy despite rising interest rates.

European Union: Dutch TTF gas futures, a European benchmark, today [rose to 86.79 EUR \(\\$97.15\) per megawatt hour, marking their sixth straight daily increase](#) and hitting their highest level since shortly after Russia launched its invasion of Ukraine in 2022. The jump in prices stems in part from Europe’s seasonal gas stockpiles being at only 74% of capacity, versus a normal level of 90% at this time of year. On top of that, prices have risen in response to a cold snap in Central Europe and concern over US policy related to Russia and Ukraine.

France: The government yesterday [said it will invest 500 million EUR \(\\$560 million\) in miner Eramet to shore up the firm’s finances and protect French access to critical minerals](#). The agreement will boost the state’s stake in the firm from the current 27% to 49% when the deal closes. The group has nickel operations in Indonesia as well as historic concessions in New Caledonia, a French territory. It also produces lithium, manganese, and mineral sands in Argentina, Gabon, Senegal, and the US. The move highlights the priority nations now put on ensuring supplies of key materials.

Indonesia: This coming Sunday, the government [is expected to introduce some of the world’s toughest halal rules](#), which will require firms selling everything from clothing and cosmetics to toilet paper and office supplies to demonstrate that their products are permissible under Islam. While foreign companies see Indonesia and its massive population of 280 million as an attractive

market, the labeling rules are expected to be a hurdle for those trying to export to the country. The new rules could also complicate production processes within the country.

US Economic Releases

The NFIB Small Business Optimism Index dipped to 97.9 in August from 98.7, trailing the consensus estimate of 98.0. The decline was largely driven by persistent concerns over inflation and labor quality, alongside a drop in the share of firms viewing the current environment as a good time to expand. Despite the dip, overall sentiment remains essentially in line with its historical average of 98.0. The chart below traces the index since 2011.



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	Existing Home Sales	m/m	Sep	3.95m	3.98m	***
10:00	Existing Home Sales MoM	m/m	Sep	-0.8%	-2.0%	*
10:00	Federal Budget Balance	m/m	Sep	-\$30.0b	\$197.9b	**
Federal Reserve						
EST	Speaker or Event	District or Position				
3:45	Christopher Waller Speaks at Bloomberg New Economy Forum	Member of the Board of Governors				
7:00	Austan Goolsbee Speaks in Semafor Podcast Interview	President of the Federal Reserve Bank of Chicago				
10:00	Austan Goolsbee Speaks in Kyla's Newsletter Podcast Interview	President of the Federal Reserve Bank of Chicago				
13:00	Thomas Barkin Speaks in Moderated Discussion	President of the Federal Reserve Bank of Richmond				
16:00	Susan Collins Speaks at Banking Conference	President of the Federal Reserve Bank of Boston				

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	PPI	y/y	Sep	6.8%	7.6%	7.6%	***	Equity bullish, bond bearish
Australia	NAB Business Confidence	m/m	Sep	-13	-9		***	Equity and bond neutral
	NAB Business Conditions	m/m	Sep	-1	-1		***	Equity and bond neutral
EUROPE								
Germany	CPI	y/y	Sep F	3.3%	3.3%	3.3%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep F	3.3%	3.3%	3.3%	**	Equity and bond neutral
UK	BRC Sales Like-For-Like	y/y	Sep	1.0%	\$13.3b	0.7%	*	Equity and bond neutral
Russia	Trade Balance	m/m	Aug	\$409b	\$44.8b		**	Equity and bond neutral
	Exports	m/m	Aug	\$29.2b	\$31.5b		*	Equity and bond neutral
	Imports	m/m	Aug		\$31.4b		*	Equity and bond neutral
AMERICAS								
No major economic reports have been released so far today.								

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)	404	406	-2	Up
U.S. Sibor/OIS spread (bps)	404	404	0	Up
U.S. Libor/OIS spread (bps)	402	401	1	Up
10-yr T-note (%)	5.19	5.24	-0.05	Down
Euribor/OIS spread (bps)	263	263	0	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	\$104.90	\$106.65	-1.64%	
WTI	\$92.10	\$93.74	-1.75%	
Natural Gas	\$3.12	\$3.17	-1.55%	
Crack Spread	\$64.16	\$65.00	-1.30%	
12-mo strip crack	\$56.08	\$56.50	-0.75%	
Ethanol rack	\$2.27	\$2.26	0.32%	
Metals				
Gold	\$4,186.75	\$4,172.23	0.35%	
Silver	\$60.42	\$60.26	0.27%	
Copper Contract	\$675.75	\$674.70	0.16%	
Grains				
Corn contract	\$481.75	\$483.00	-0.26%	
Wheat contract	\$668.75	\$672.25	-0.52%	
Soybeans contract	\$1,282.50	\$1,287.75	-0.41%	
Shipping				
Baltic Dry Freight	2,852	2,917	-65	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		1.92		
Gasoline (mb)		-1.61		
Distillates (mb)		-1.52		
Refinery run rates (%)		-0.30%		
Natural gas (bcf)		82		

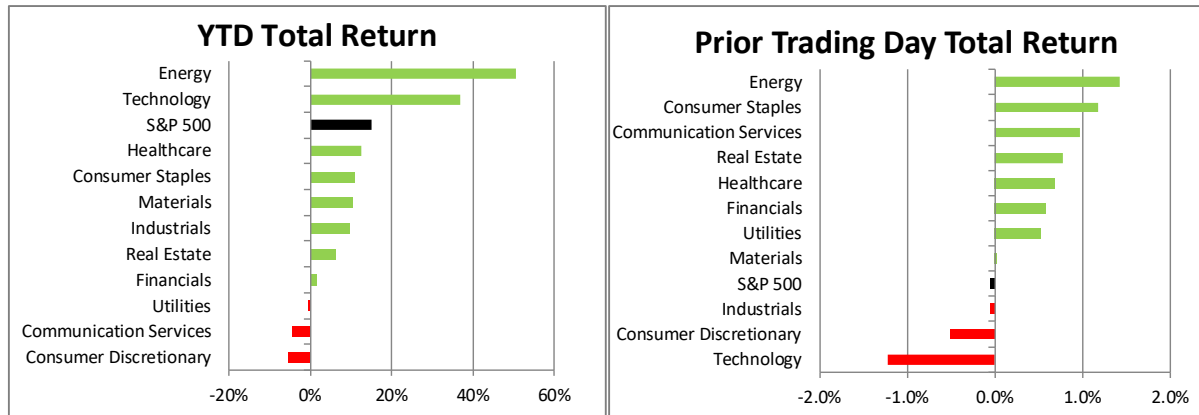
Weather

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 in the Pacific region. The precipitation outlook calls for wetter-than-normal conditions throughout most of the country, with dry conditions expected for the Midwest and New England.

A tropical disturbance has formed off the West African coast, but it only has less than a 1% chance of developing into a cyclone over the next seven days.

Data Section

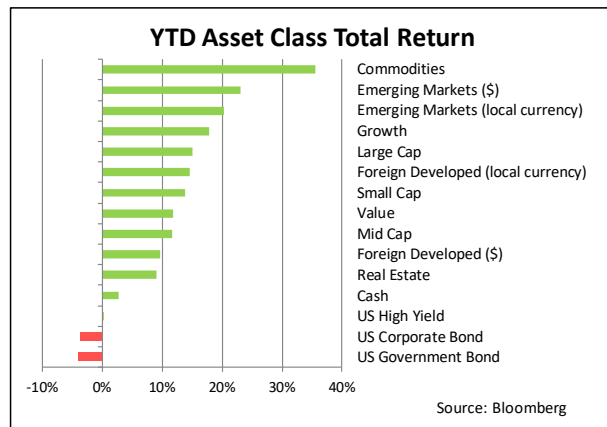
US Equity Markets – (as of 10/12/2026 close)



(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 10/12/2026 close)

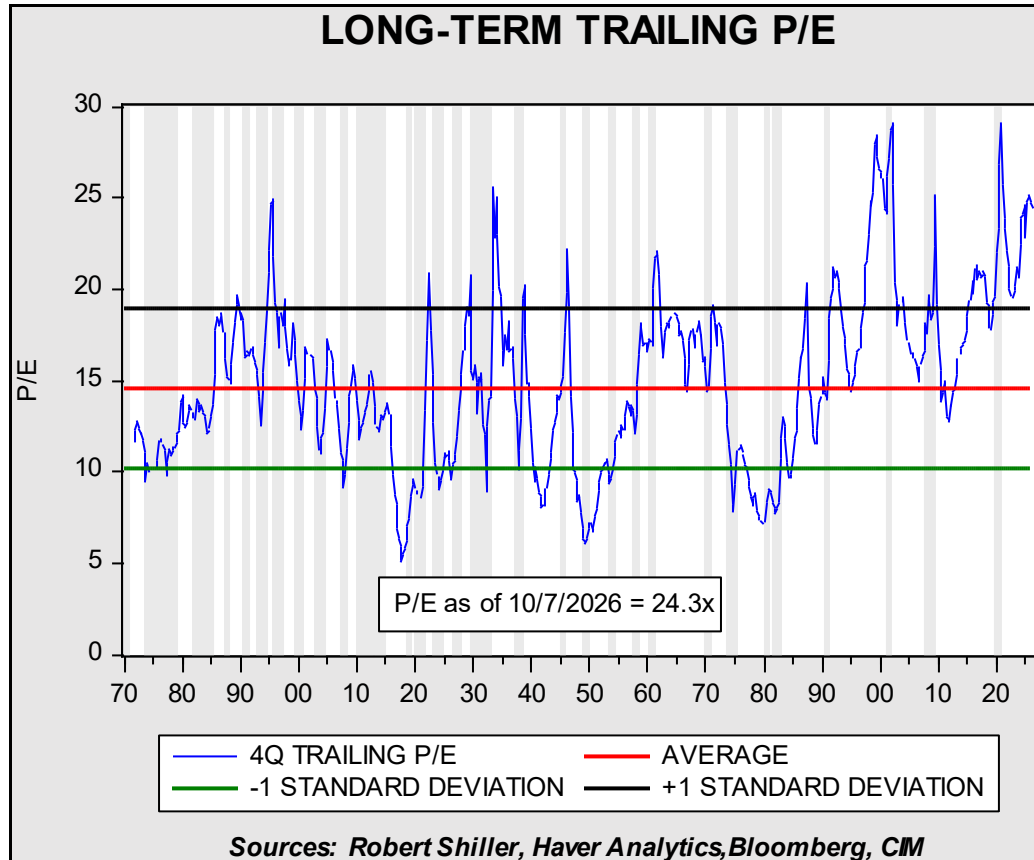


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.