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[Posted: October 16, 2026 — 9:30 AM ET] Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 0.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.9%. Chinese markets were higher, with the Shanghai Composite up 0.2% and the Shenzhen Composite unchanged. US equity index futures are signaling a higher open.

With 40 companies having reported so far, S&P 500 earnings for Q3 are running at \$90.40 per share, compared to estimates of \$94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 77.5% exceeded expectations while 12.5% fell short.

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	Mailbag Podcast VE Insights: A Moving Yardstick VE Insights: Quality and Value

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 thoughts on rising concerns about the AI buildout. We then turn to geopolitics, examining the US's potential decision to relax sanctions in response to growing voter pushback. Next, we briefly cover a bill to tax data centers, the possibility of another US strike on Iran, and an update to the debt outlook for an AI developer. As always, we conclude with a review of recent domestic and international economic data.

AI Slowdown: Concerns about speculative AI debt have fueled optimism that the Fed may not need to tighten monetary policy as aggressively. This shift in sentiment stems from a potential slowdown in the AI buildout, driven by doubts over whether certain data center operators can service their debt. The market reaction highlights [the significant impact this expansion is](#)

[expected to have on US Treasuries](#) and provides Fed officials with additional factors to consider when making their rate decision later this month.

- Debt sustainability became a major concern for investors following a surge in credit default swap (CDS) prices for CoreWeave. Because CDS contracts function as insurance against default, their prices serve as a proxy for credit risk. On Thursday, the [rising cost of these contracts implied a roughly 60% probability that](#) the company would default on its debt within five years.
- Much of this worry comes from CoreWeave's rising debt load and its perceived reliance on circular financing. Nvidia — acting simultaneously as a primary supplier, equity holder, and key financier — has funded much of the capital CoreWeave uses to purchase its graphics processing units (GPUs). Seeking to calm investors, Nvidia's CEO noted that [despite market fears over debt quality, CoreWeave does not require an additional backstop](#) and its cost of capital is actually decreasing.
- Following the recent turmoil surrounding CoreWeave, investors rushed to safe-haven assets, driving up demand for sovereign debt. Yields on the 10-year US Treasury fell to their lowest level in nearly a month, while German government bonds also saw increased demand. This shift reflects growing investor expectations that debt concerns could slow the AI buildout, which has been a major source of demand-side price pressures across the economy.
- As the Federal Reserve prepares for its next meeting, officials are likely to weigh recent AI-related market turmoil when setting interest rates. Minutes from the September FOMC meeting reveal deepening concern among Fed leadership over AI's impact on prices and the risk of broader economic contagion. Consequently, a potential slowdown in the AI buildout could alleviate some of these worries and reduce the need for a rate hike before December.

Sanctions Relief? The White House is seeking to ease energy market stress by relaxing some of its restrictions. On Thursday, it was reported that the Trump administration [may allow shadow fleets from Russia and Iran](#) to sell their fuel, in an effort to ease the strain on oil prices. The change is due to the weight that the president's foreign policy has on voter sentiment going into the midterms. While the US plans to maintain pressure on its rivals after the midterms, the shift does represent another example of its lack of commitment to its hegemonic role.

- A proposed rollback of maritime restrictions would allow blacklisted vessels to be sold to legitimate operators and return to normal service. While not yet finalized, the move comes as the [US loosens restrictions on Russian diesel](#) and urges the [EU to tap strategic energy reserves to relieve global market pressure](#). If enacted, these measures should help increase shipping capacity and lower freight rates over the coming weeks.
- The changing US stance has not gone unnoticed by its allies. European Union leaders have pushed back against Washington's efforts to ease pressure on Moscow, growing suspicious of the White House's foreign policy direction. Brussels has already signaled to the Trump administration that it will not unfreeze Russian assets unless Moscow halts the war. Furthermore, the [EU is accelerating plans to develop an alternative to Starlink](#) following disruptions in satellite support for Ukraine.

- A growing preference for domestic priorities over foreign commitments is driving a noticeable shift in US policy. Over the past five years, public approval across successive administrations has suffered under the weight of foreign entanglements. Geopolitical friction with Iran and Russia has proven particularly costly, as the resulting energy supply shocks inflicted direct economic pain on US consumers in the form of elevated inflation.
- A retreat from the US's global hegemonic role will likely have profound implications for commodity markets. Historically, US leadership has provided systemic stability for global commerce by securing sea lanes and promoting open trade. A withdrawal of this support could accelerate market regionalization, as rising transportation and insurance costs make long-distance commodity trade increasingly expensive.

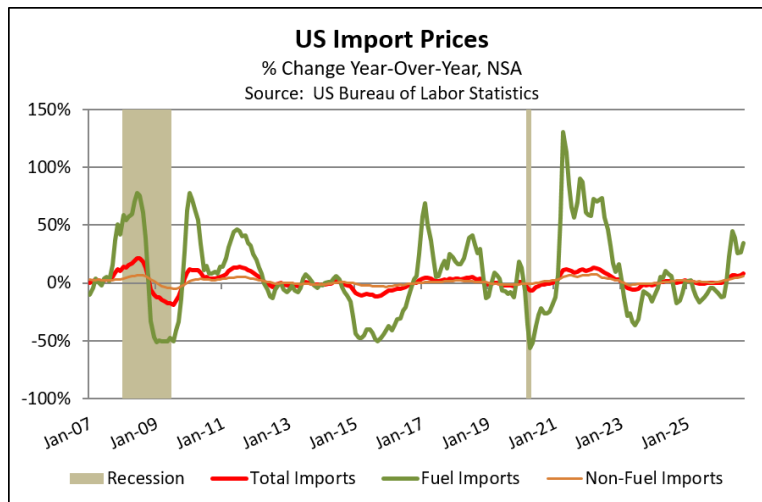
Data Center Pushback: Senators Bernie Moreno (R-OH) and Josh Hawley (R-MO) have introduced joint legislation aimed at taxing data center construction. Under the proposed bill, any state incentives — [including loans and grants used to attract data centers — would face a 100% federal tax.](#) While the bill's chances of passage remain slim, the initiative underscores how lawmakers are taking an increasingly hardline stance on data centers to address voter anxiety surrounding the AI buildout.

New Iran Attack? The White House continues to hint at the possibility of resuming military operations against Iran after the midterm elections. On Thursday, the president stated he would not drop a nuclear bomb [but refused to rule out using the “Mother of All Bombs,”](#) a weapon powerful enough to rupture the lungs of those nearby. His remarks come amid widespread expectations that the US could resume military action post-election as part of an effort to eliminate Iran's nuclear capabilities.

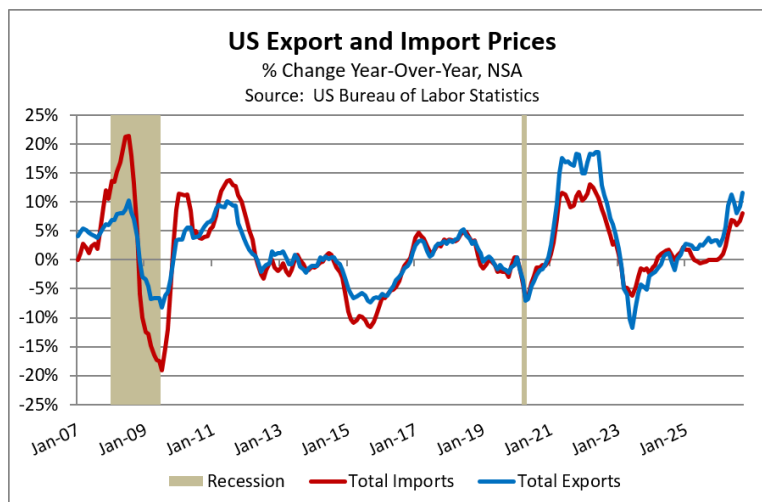
Anthropic Debt: While data center developers have come under scrutiny over debt quality, one leading AI lab is seeing a more favorable credit outlook. On Friday, [Kroll Bond Rating Agency \(KBRA\) assigned Anthropic a credit rating just one notch below investment grade.](#) Although the rating was based on selective disclosures that omitted core financial metrics such as free cash flow and EBITDA, the move is expected to bolster market perception of its debt and potentially pave the way for lower future borrowing costs.

US Economic Releases

September **import prices** were up 1.1% from the previous month, slightly above expectations but well ahead of the revised 0.5% increase in August. Of course, import prices are often driven by volatility in the petroleum fuels category. September **import prices excluding fuels** were up 0.8%, more than both their anticipated rise of 0.6% and their revised August rise of 0.5%. Overall import prices in September were up 8.1% year-over-year, while import prices excluding fuels were up 6.0%. The chart below shows the year-over-year change in import prices since just before the Great Financial Crisis.



According to the report, **export prices** in September were up 11.6% from one year earlier. Comparing the annual change in export prices versus import prices provides a sense of the US “terms of trade,” or the relative advantage or disadvantage the country is facing because of trends in international trade prices. The chart below compares the year-over-year change in US export and import prices since just before the GFC.



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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
14:00	Federal budget Balance	m/m	Sep	-\$30.0b	\$197.9b	**
16:00	Total Net TIC Flows	m/m	Aug		\$83.7b	**
16:00	Net Long-Term TIC Flows	m/m	Aug		-\$27.9b	**
Federal Reserve						
EST	Speaker or Event	District or Position				
18:00	Austan Goolsbee Speaks on Bloomberg TV	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	Japan Buying Foreign Bonds	w/w	9-Oct	-¥339.7b	-¥345.7b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	9-Oct	-¥760.6b	¥1328.6b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	9-Oct	¥1080.1b	¥608.1b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	9-Oct	¥3521.5b	¥2199.7b		*	Equity and bond neutral
New Zealand	BusinessNZ Manufacturing PMI	m/m	Sep	56.5	53.3		***	Equity and bond neutral
	Food Prices	m/m	Sep	0.0%	0.3%		***	Equity and bond neutral
	Non Resident Bond Holdings	m/m	Sep	59.3%	58.9%		*	Equity and bond neutral
South Korea	Export Price Index	y/y	Sep	40.9%	42.7%		*	Equity and bond neutral
	Import Price Index	y/y	Sep	17.6%	15.9%		*	Equity and bond neutral
	Unemployment Rate	m/m	Sep	2.6%	2.7%	2.7%	***	Equity and bond neutral
India	Trade Balance	m/m	Sep	-\$30210m	-\$26860m	-\$30300m	**	Equity and bond neutral
	Exports	y/y	Sep	26.1%	26.1%		**	Equity and bond neutral
	Imports	y/y	Sep	14.1%	14.1%		**	Equity and bond neutral
EUROPE								
Eurozone	Trade Balance SA	m/m	Aug	-6.8b	5.0b		*	Equity and bond neutral
	CPI	y/y	Sep F	3.8%	3.8%	3.8%	***	Equity and bond neutral
	Core CPI	y/y	Sep F	2.5%	2.5%	2.5%	**	Equity and bond neutral
Italy	CPI, EU Harmonized	y/y	Sep F	4.2%	4.1%	4.1%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Sep F	4.2%	4.2%	4.2%	**	Equity and bond neutral
	Trade Balance Total	m/m	Sep F	1773m	8247m		*	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	9-Oct	\$723.5b	\$733.2b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	9-Oct	22.88t	22.78t		*	Equity and bond neutral
AMERICAS								
Canada	Manufacturing Sales	m/m	Aug	1.5%	-0.3%	1.1%	**	Equity and bond neutral
	Wholesale Sales ex Petroleum	m/m	Aug	-1.6%	0.4%	-1.50	**	Equity and bond neutral
Brazil	FGV CPI IPC -S	w/w	15-Oct	0.46%	0.39%		**	Equity and bond neutral
	Economic Activity	y/y	Aug	1.21%	1.14%	1.00%	**	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)	407	409	-2	Up
U.S. Sibor/OIS spread (bps)	406	408	-2	Up
U.S. Libor/OIS spread (bps)	404	405	-1	Up
10-yr T-note (%)	5.11	5.06	0.05	Down
Euribor/OIS spread (bps)	264	263	1	Up
Currencies	3 Mo			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Up
Pound	Down	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	\$106.17	\$105.92	0.24%	
WTI	\$97.61	\$97.97	-0.37%	
Natural Gas	\$3.18	\$3.24	-1.79%	
Crack Spread	\$58.73	\$59.16	-0.72%	
12-mo strip crack	\$53.53	\$54.32	-1.45%	
Ethanol rack	\$2.26	\$2.26	0.14%	
Metals				
Gold	\$4,175.63	\$4,171.44	0.10%	
Silver	\$57.88	\$57.40	0.83%	
Copper Contract	\$663.05	\$655.65	1.13%	
Grains				
Corn contract	\$476.25	\$478.00	-0.37%	
Wheat contract	\$660.75	\$670.00	-1.38%	
Soybeans contract	\$1,259.25	\$1,263.00	-0.30%	
Shipping				
Baltic Dry Freight	2,545	2,667	-122	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-8.56	0.15	-8.71	
Gasoline (mb)	3.52	-0.91	4.43	
Distillates (mb)	-2.53	-1.72	-0.81	
Refinery run rates (%)	0.00	-0.64%	0.01	
Natural gas (bcf)	67	74	-7	

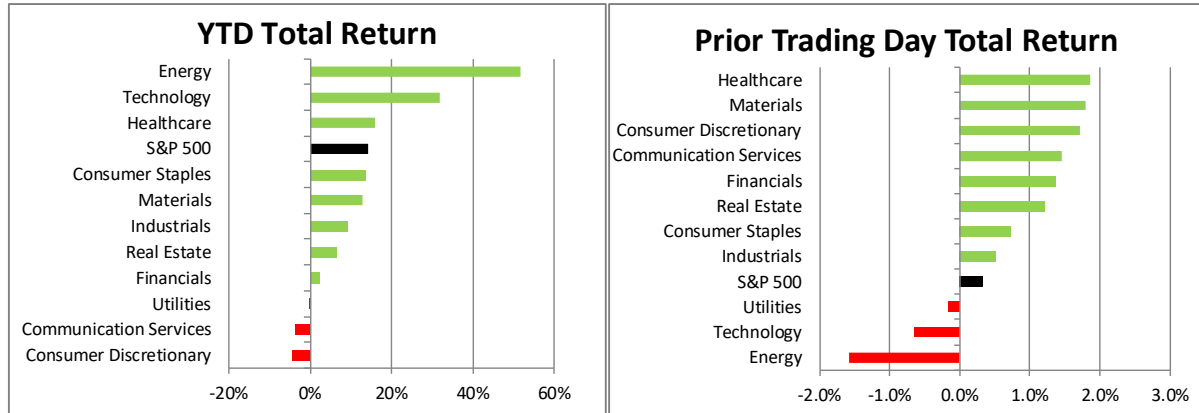
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from east of the Rocky Mountains to the East Coast, with cooler-than-normal temperatures in the central Rocky Mountains. The outlook calls for wetter-than-normal conditions in the entire region from the Rocky Mountains to the Mississippi River and in southern Florida, with dry conditions in the Appalachian Mountains and the Northeast.

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

Data Section

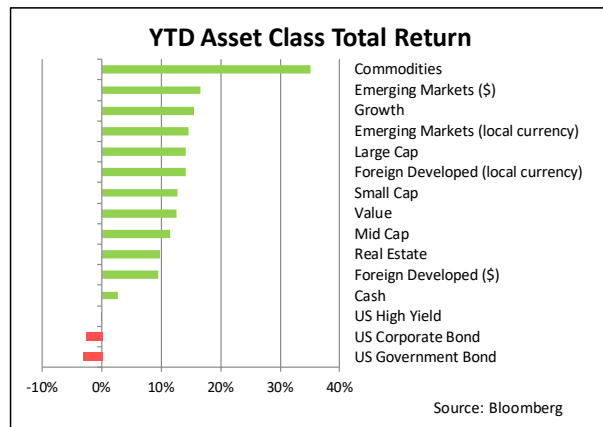
US Equity Markets – (as of 10/15/2026 close)



(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 10/15/2026 close)

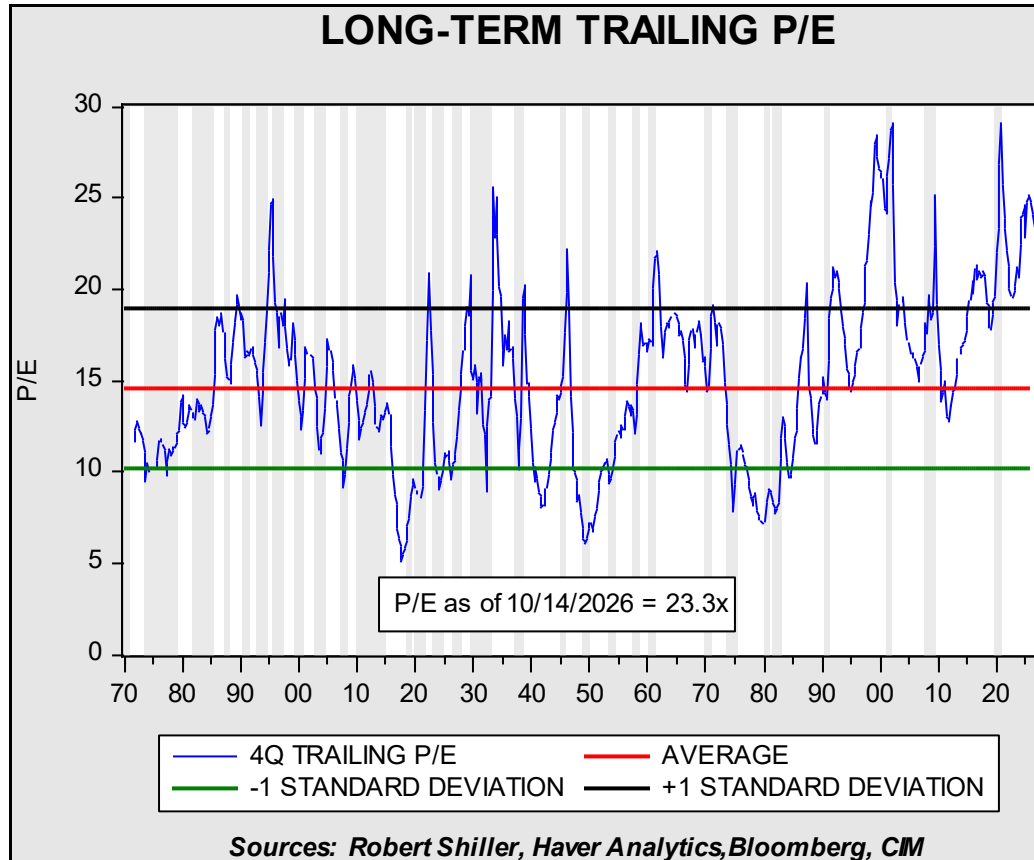


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 15, 2026



Based on our methodology,¹ the current P/E is 23.3x, down 1.0 from the previous report. The decrease is due to the stock price index falling faster than the drop 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 (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.