

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 19, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is down 1.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.1%. Chinese markets were higher, with the Shanghai Composite up 0.4% and the Shenzhen Composite up 0.1%. US equity index futures are signaling a higher open.

With 45 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, 80.0% exceeded expectations while 11.1% 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	"The Euro vs. the Swiss Franc" (10/19/26) + 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 the latest on the war in Iran, as Iran-backed Houthi rebels in Yemen have again staged missile attacks on Saudi Arabian energy facilities. We next review several other international and US developments that could affect the financial markets today, including massive French demonstrations and rioting over the weekend and a new effort by artificial intelligence firms to use their own stock to counter negative public perceptions of AI.

United States-Israel-Iran: Saudi Arabia [said over the weekend that it intercepted and destroyed ballistic missiles heading for some of its key energy facilities](#). The missiles were launched by either Iran or its regional proxies, just as reports over the last week have said Iran has found a

way to increase its attacks on shipping through the Strait of Hormuz again. In response to the renewed threats to Middle Eastern energy supplies, global oil prices surged after the attacks, but they are down so far today. Near Brent futures are currently down about 1.3% to \$108.42 per barrel.

United States-European Union: In an interview with the *Financial Times*, the US ambassador to the EU has warned that Washington [might retaliate in a “devastating” way if the bloc goes forward with its proposal to reserve some of its electromagnetic spectrum](#) for European telecom firms. Sources say the proposal would leave US and Chinese telecom firms with less spectrum for connecting European cellphones to satellites. The proposal is part of the EU’s effort to reduce its dependence on US technology.

Russia-United States-China-Ukraine: According to *The Wall Street Journal*, Russian President Putin [proposed during an early October call with President Trump that he, Trump, and Chinese General Secretary Xi meet](#) trilaterally to find a solution to the war in Ukraine. The summit could reportedly take place on the sidelines of the Asia-Pacific Economic Cooperation summit in Shenzhen, China, in mid-November. Importantly, Putin’s plan would exclude Ukraine itself. President Trump is reportedly mulling the idea but hasn’t committed to it yet.

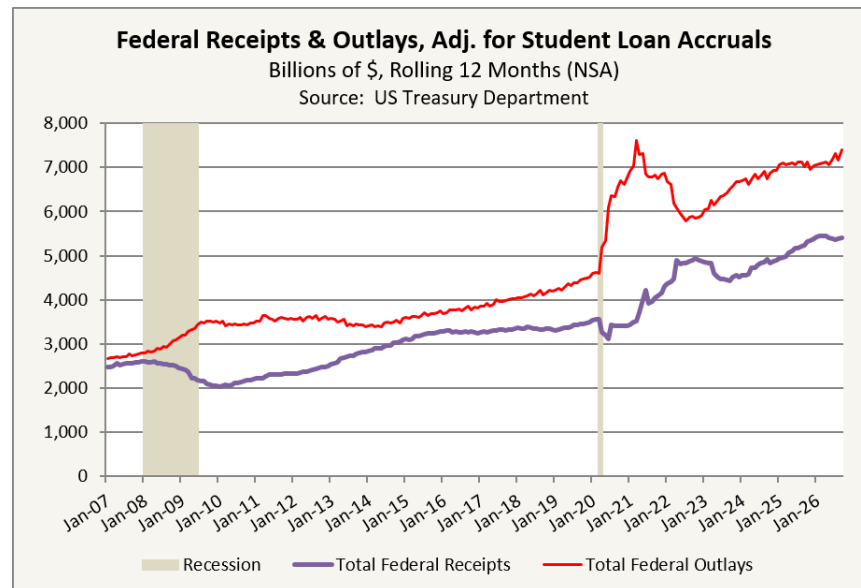
- Now that US-Ukrainian relations have been strained by Ukraine’s attacks on Russia’s energy facilities, which have helped to spike global diesel fuel prices, it seems clear that Putin sees an opportunity for the major powers to gang up on Kyiv and force it into a peace deal consistent with Putin’s goals.
- As expected, European governments and supporters of Ukraine in the US are aghast at the prospect and have already started pushing back against the idea. If the White House ultimately accepts the proposal, US-European relations will likely deteriorate further, leading to new economic and financial tensions.

US Artificial Intelligence Industry: AI startup Anthropic over the weekend [pledged to create a “public benefit fund” into which it will deposit 5% of its shares](#). According to Anthropic, the fund, which would be worth about \$48 billion at the firm’s current valuation, would be able to pursue “bolder approaches” to problems such as job losses from AI and “might explore large donations to traditional non-profits or direct distributions to specific populations.” SpaceX founder Elon Musk later [pledged to give one share of his company to each child in the US](#).

- The pledges to directly or indirectly set aside AI stock to benefit the public appear to be a gambit to counter the growing public backlash against AI and its associated data centers.
- It’s not clear that such efforts will sway many opinions. Nevertheless, if implemented, the programs could broaden stock ownership and help build a stronger investment culture in the US.

US Fiscal Policy: In an interview, Elon Musk said the Department of Government Efficiency (DOGE) that he led last year [failed to cut the federal budget deficit because the appetite to reduce spending “is not there](#) at the presidency, the House, the Senate, or the judiciary. ...If you try to solve the deficit and stop wasteful spending, you make a lot of enemies.” The statement

illustrates the political obstacles to cutting outlays, even as powerful interests oppose hiking taxes — all of which underscores the current investor concern about rising federal debt.

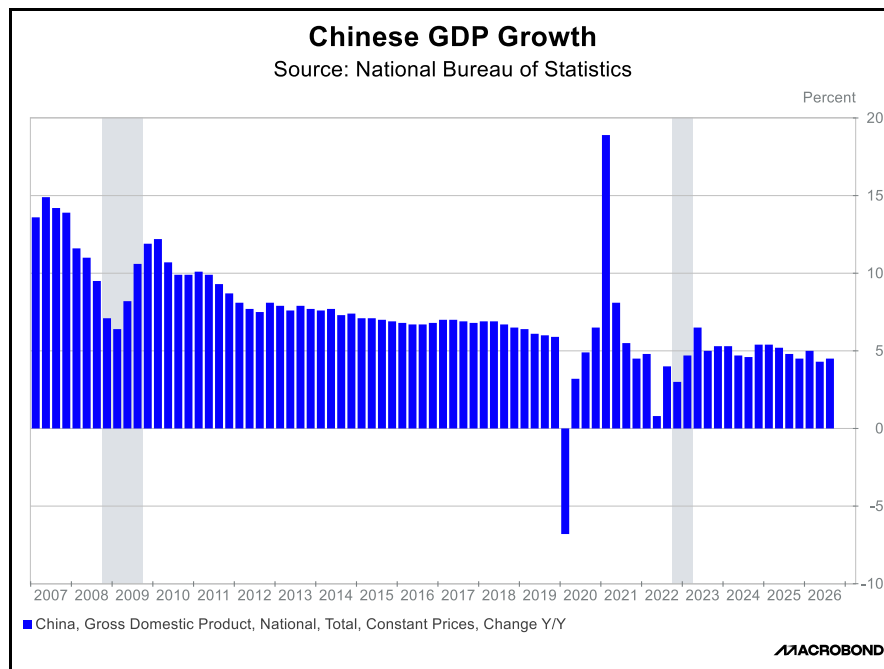


France: On Saturday, at least 500,000 protesters across the nation [took part in mass demonstrations against high living costs and poor education services](#), resulting in thousands of arrests and significant damage from rioting. The demonstrations underscore the rising social pushback in France against further public spending cuts, despite bond investors' demand for austerity to rein in the budget deficit and reduce government debt, a situation similar to that in the US.

- Indeed, French bonds are selling off today as the protests suggest politicians won't be able to cut spending nearly enough to bring the government budget into balance.
- The yield on France's benchmark 10-year government bond has risen to 4.883% so far today.

China: Excluding price changes, third-quarter gross domestic product [was up 4.5% from the same period one year earlier, slightly beating expectations and accelerating](#) from the unusually weak annual rise of 4.3% in the second quarter. GDP from January through September was up 4.6% on the year, barely in line with the government's full-year target of 4.5% to 5.0%. While Chinese GDP statistics don't necessarily reflect actual performance, the recent weak trends and slight improvement during the summer seem consistent with anecdotal reports.

- The government's industrial policies continue to encourage excess production that can't be absorbed so long as consumer spending growth remains weak.
- As a result, Chinese producers still have a strong incentive to try to export their way to profitability. In turn, that has led to a surge in Chinese exports, producing trade tensions with major economies.



India: The Cockroach Janta Party (CJP) and other youthful protesters [staged more demonstrations on Saturday to demand the resignation of the nation's top electoral official](#) for a controversial mass purging of names from election rolls. For the second time this month, police briefly detained CJP leader Abhijeet Dipke, but that wasn't enough to stop the protests. The continuing demonstrations threaten to undermine Prime Minister Modi and could prompt investors to flee Indian assets.

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
10:00	NAHB Housing Market Index	m/m	Oct	31	32	*
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	Tertiary Industry Index	m/m	Aug	-0.1%	0.2%	-0.4%	***	Equity and bond neutral
New Zealand	Trade Balance NZD	m/m	Sep	-1971m	1536m		**	Equity and bond neutral
	Exports NZD	m/m	Sep	6.47b	6.48b		**	Equity and bond neutral
	Imports NZD	m/m	Sep	8.44b	8.02b		**	Equity and bond neutral
China	GDP	y/y	3Q	4.5%	4.3%	4.4%	***	Equity and bond neutral
	Retail Sales	y/y	Sep	1.1%	0.4%	0.5%	**	Equity bullish, bond bearish
	Industrial Production	y/y	Sep	5.5%	5.5%	5.2%	***	Equity and bond neutral
	Fixed Assets Ex Rural YTD	y/y	Sep	-7.2%	-7.2%	-7.3%	**	Equity and bond neutral
EUROPE								
UK	Rightmove House Prices	y/y	Oct	-0.10%	-0.80%		**	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	16-Oct	435.4b	432.6b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	16-Oct	457.0b	456.4b		*	Equity and bond neutral
AMERICAS								
Canada	Housing Starts	m/m	Sep	248.9k	242.2k	232.5k	**	Equity and bond neutral
	Int'l Securities Transactions	m/m	Aug	-17.31b	20.65b		**	Equity and bond neutral
Brazil	FGV Inflation IGP-10	m/m	Oct	5.02%	3.29%	4.65%	**	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)	406	407	-1	Up
U.S. Sibor/OIS spread (bps)	406	405	1	Up
U.S. Libor/OIS spread (bps)	403	403	0	Up
10-yr T-note (%)	5.08	5.07	0.01	Down
Euribor/OIS spread (bps)	264	264	0	Up
Currencies	Direction			
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	\$108.32	\$109.86	-1.40%	
WTI	\$101.14	\$101.41	-0.27%	
Natural Gas	\$3.15	\$3.12	0.96%	
Crack Spread	\$56.94	\$57.30	-0.64%	
12-mo strip crack	\$53.36	\$54.24	-1.62%	
Ethanol rack	\$2.27	\$2.27	0.13%	
Metals				
Gold	\$4,168.18	\$4,165.58	0.06%	
Silver	\$57.63	\$56.99	1.12%	
Copper Contract	\$657.65	\$657.35	0.05%	
Grains				
Corn contract	\$472.50	\$474.25	-0.37%	
Wheat contract	\$660.25	\$660.50	-0.04%	
Soybeans contract	\$1,276.25	\$1,275.75	0.04%	
Shipping				
Baltic Dry Freight	2,511	2,545	-34	

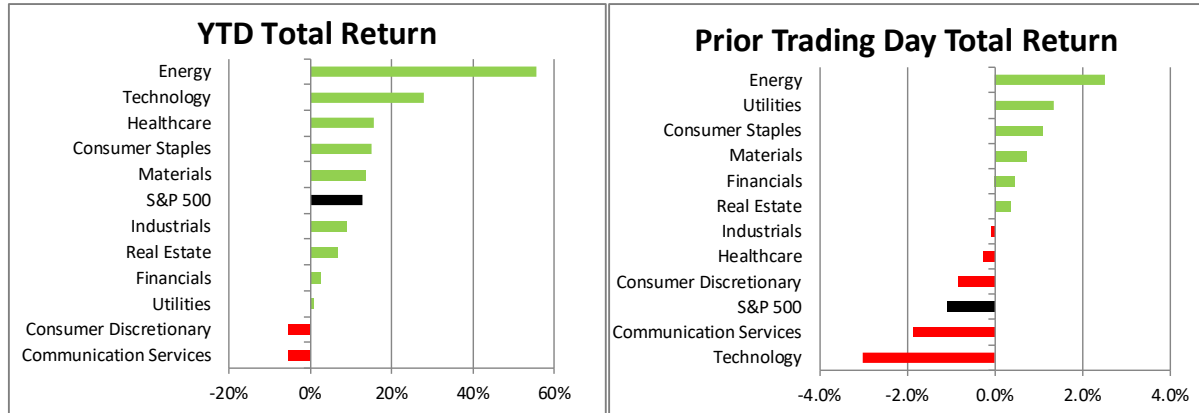
Weather

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 Pacific region. The precipitation outlook calls for wetter-than-normal conditions in the entire region from the Rocky Mountains to the Mississippi River and southern Florida, with dry conditions in the Appalachian Mountains and the Northeast.

There is one atmospheric disturbance in the Atlantic Ocean area. It has a 40% chance of cyclone formation within the next seven days.

Data Section

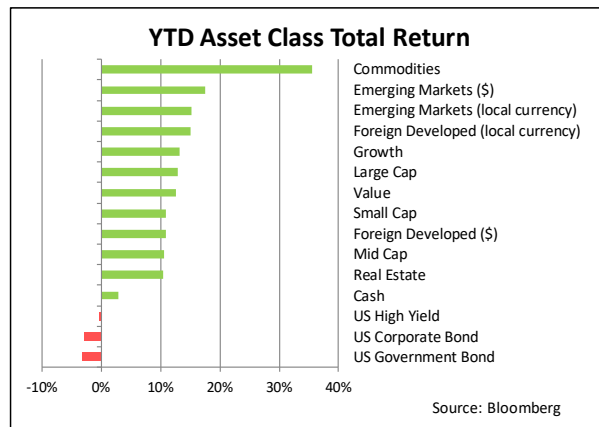
US Equity Markets – (as of 10/16/2026 close)



(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 10/16/2026 close)

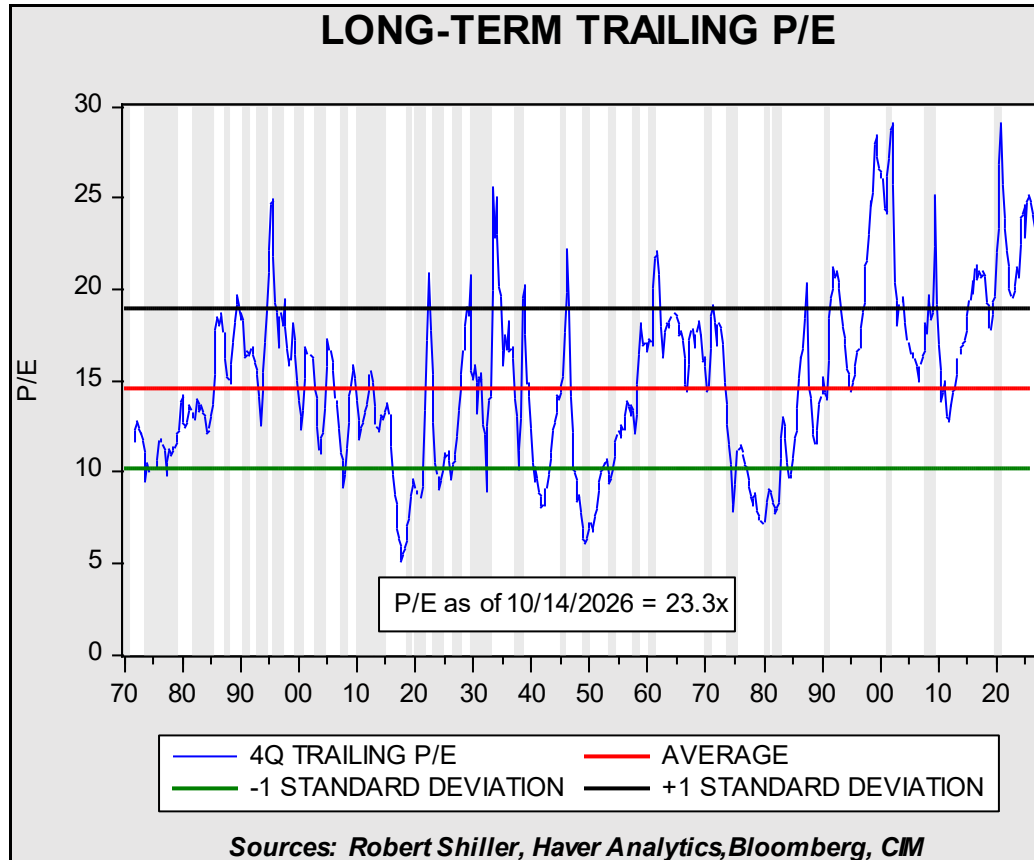


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.