

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 26, 2026 — 9:30 AM ET] Global equity markets are mixed 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 down 0.1%. Chinese markets were mixed, with the Shanghai Composite up 0.2% and the Shenzhen Composite down 1.1%. US equity index futures are signaling a higher open.

With 120 companies having reported so far, S&P 500 earnings for Q3 are running at \$91.70 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 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	"The Euro vs. the Swiss Franc" (10/19/26) + podcast	Q4 2026 Report	Keller Quarterly 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* today opens with a new initiative to shut down Chinese influence operations in the US that could spoil the current effort by Washington and Beijing to reduce tensions and make their relationship more stable. We next review several other international and US developments that could affect the financial markets today, including new intelligence that suggests a renewal of US-Israeli attacks on Iran may be forthcoming and a brief overview of the Federal Reserve's policy meeting this week.

United States-China: Despite the US and China embracing a new, détente-like policy of "Constructive Strategic Stability" (CSS) to ease tensions, the Pentagon [on Friday said it has shut down dozens of Chinese cultural organizations on US college campuses](#). The targeted groups are

seen as successors to Beijing's infamous "Confucius Institutes," which proliferated on campuses from the early 2000s to about 2022, ostensibly to promote the Chinese language and culture.

- In reality, the Confucius Institutes were believed to be intelligence-gathering operations and mouthpieces for the Chinese Communist Party. Even after the federal government forced most to close down by 2022, about 80 have been reborn under different names and charters.
- Even though President Trump and General Secretary Xi have embraced the CSS policy to steady relations, lower levels of the US and Chinese governments have continued to take steps aimed at weakening the other side. Actions such as the Pentagon's could undermine the CSS policy and rekindle US-China tensions.

United States-Israel-Iran: According to a US intelligence memo leaked on Friday, Iran [has "substantially increased" its efforts to target American diplomats and officials in the Middle East and beyond](#), with lethal plots reaching "advanced stages." The memo is believed to be one reason why the US has been withdrawing nonessential diplomatic and security staff from the region. It also provides further evidence that the war against Iran could re-escalate after the US's midterm congressional elections next week. If so, energy prices could surge again, hurting stock prices.

United States-Canada: The US administration on Friday [said it will slash its 50% import tariffs on a range of Canadian goods linked to agriculture and forestry](#), including different types of machinery, packaging materials, and plastic crates. The move is reportedly a response to requests from Republican congressional candidates facing tough races in districts with close economic ties to Canada. The move could help cut costs of those Canadian goods, although probably not enough to have a noticeable impact on consumer price inflation.

US Monetary Policy: The Fed begins its latest two-day policy meeting tomorrow, with its decision due on Wednesday at 2:00 PM ET. Based on current interest-rate futures prices, investors [are nearly unanimous in expecting the policymakers to hold the benchmark fed funds interest rate steady](#) at a range of 3.75% to 4.00%. However, we do think that because price inflation remains uncomfortably high, they will probably hike rates one or two more times in the coming months, with the next move likely coming in December.

France: After another weekend in which hundreds of thousands of protesters marched against poor public services and rising prices, right-wing populist leader Marine Le Pen today [launched her campaign for the 2027 presidential election with a surprisingly positive message](#) that the country can tackle its current challenges and regain its past glory. Even though the protests this weekend were devoid of the mass rioting seen the week before, the contrast between the popular unrest and Le Pen's positive message could further boost her prospects in the election.

Brazil: In an election yesterday, left-wing President Luiz Inácio Lula da Silva [won a fourth term in office with 51.8% of the vote, handing a surprising defeat to conservative Flávio Bolsonaro](#), who garnered 48.2%. Last-minute controversies did arise when court officials extended voting in some places, but it doesn't appear that will be enough to overturn the election. The result

suggests Lula's left-wing policies will remain in place and US-Brazil trade tensions will continue, so Brazilian stocks look set for a massive, historic sell-off today.

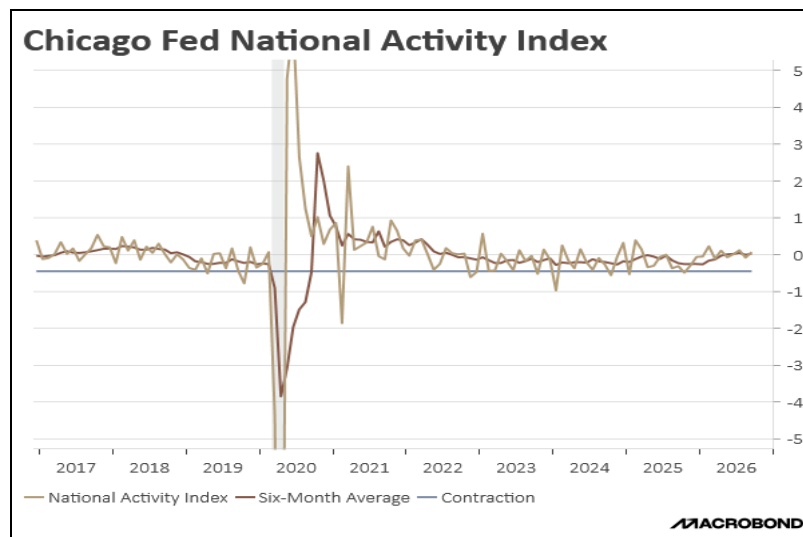
Venezuela: In another complication for the US administration's hope of building a bloc of like-minded, compliant governments throughout South America, the Venezuelan opposition leader María Corina Machado [returned home yesterday after nearly a year of self-imposed exile](#). Tens of thousands of supporters have greeted her so far, suggesting she could undermine the left-wing government that the US has been working closely with to secure energy supplies.

Saudi Arabia-Singapore: Saudi Arabia and Singapore [have struck a deal under which Singapore will store Saudi crude oil in rock caverns to better protect Saudi inventories](#) and help secure Southeast Asian energy supplies from conflicts in the Middle East. The oil will be stored in the Jurong Rock Caverns, an underground facility on a man-made island off Singapore's southern coast that can hold up to nine million barrels.

- The development illustrates how the war against Iran has prompted a range of new investments and other deals to better secure global energy supplies.
- Those investments, which include new pipelines, are likely to continue for some time to come, dramatically changing, diversifying, and strengthening the world's energy infrastructure.

US Economic Releases

The Chicago Fed said its September *National Activity Index (CFNAI)* improved from -0.08 to +0.07. The reading was slightly lower than the consensus estimate of +0.10. The CFNAI, which encompasses dozens of separate indicators to capture all aspects of current economic activity, is designed so that readings of 0.00 reflect the economy growing at trend. Our analysis shows that when the six-month moving average of the CFNAI falls below -0.45, it suggests the economy is in recession. The chart below shows how the CFNAI has fluctuated over the last few years but remains near its long-term average, suggesting the economy is growing near its historical trend.



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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:30	Dallas Fed Manufacturing Activity	m/m	Oct	8.8	9.8	**
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	Leading Economic Index	m/m	Aug F	118.0	118.0	--	**	Equity and bond neutral
	Coincident Index	y/y	Aug F	118.8	118.7	--	**	Equity and bond neutral
EUROPE								
Germany	IFO Business Climate	m/m	Oct	90.2	89.9	89.9	***	Equity and bond neutral
	IFO Current Assessment	m/m	Oct	88.8	89.5	89.8	**	Equity bearish, bond bullish
	IFO Expectations	m/m	Oct	91.6	90.4	90.0	**	Equity bullish, bond bearish
Switzerland	Domestic Sight Deposits CHF	w/w	23-Oct	434.7b	461.2b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	23-Oct	455.8b	724.9b		*	Equity and bond neutral
AMERICAS								
Canada	Retail Sales	m/m	Aug	1.2%	-0.8%	1.3%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Aug	1.2%	-0.8%	1.1%	**	Equity and bond neutral
Brazil	FGV Consumer Confidence	m/m	Oct	84.7%	84.2%		*	Equity and bond neutral
	Current Account Balance	m/m	Sep	-\$5100m	-\$5055m	-\$5267	**	Equity and bond neutral
	Foreign Direct Investment	m/m	Sep	\$11294m	\$7396m	\$6427m	**	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)	402	404	-2	Up
U.S. Sibor/OIS spread (bps)	406	405	1	Up
U.S. Libor/OIS spread (bps)	403	402	1	Up
10-yr T-note (%)	4.99	5.00	-0.01	Down
Euribor/OIS spread (bps)	267	268	-1	Up
Currencies	Direction			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Up
Pound	Down	UK		Up
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	\$114.95	\$116.72	-1.52%	
WTI	\$101.11	\$103.27	-2.09%	
Natural Gas	\$2.53	\$2.64	-4.17%	
Crack Spread	\$53.23	\$51.44	3.48%	
12-mo strip crack	\$52.19	\$51.55	1.24%	
Ethanol rack	\$2.18	\$2.17	0.20%	
Metals				
Gold	\$4,013.42	\$3,996.10	0.43%	
Silver	\$53.91	\$53.89	0.03%	
Copper Contract	\$651.45	\$650.75	0.11%	
Grains				
Corn contract	\$453.50	\$456.00	-0.55%	
Wheat contract	\$626.25	\$625.00	0.20%	
Soybeans contract	\$1,249.75	\$1,268.50	-1.48%	
Shipping				
Baltic Dry Freight	2,660	2,693	-33	

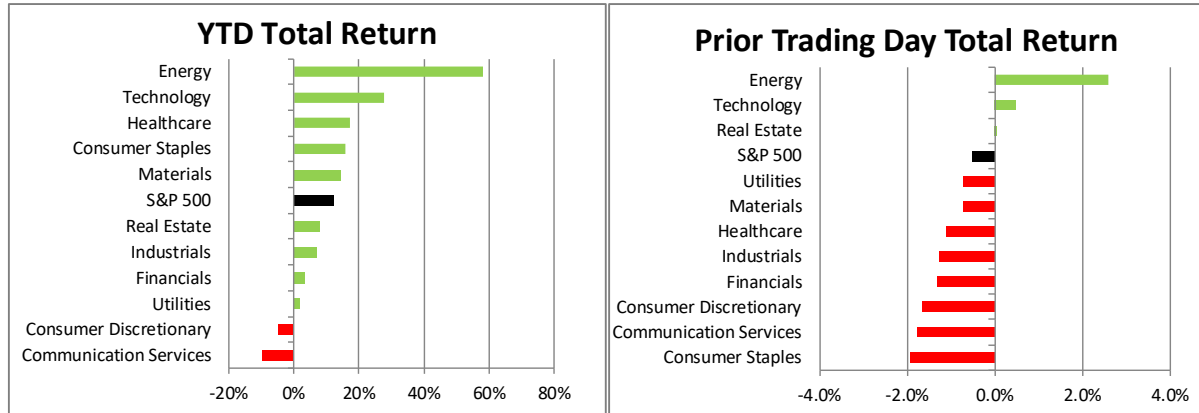
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for everywhere east of the Rockies, with cooler temps throughout the Pacific region. The precipitation outlook calls for wetter-than-normal conditions everywhere except for northern Washington state, where conditions will be near normal.

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

Data Section

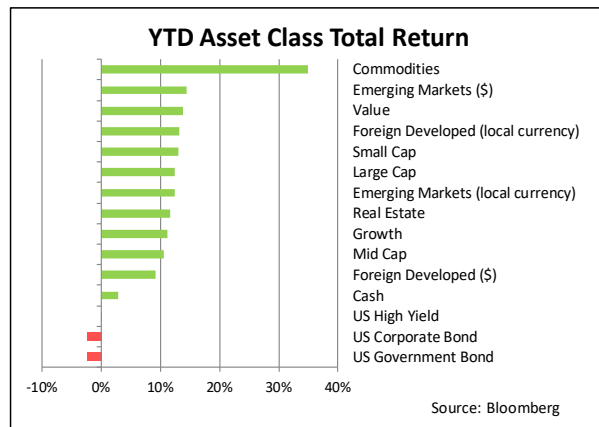
US Equity Markets – (as of 10/23/2026 close)



(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 10/23/2026 close)

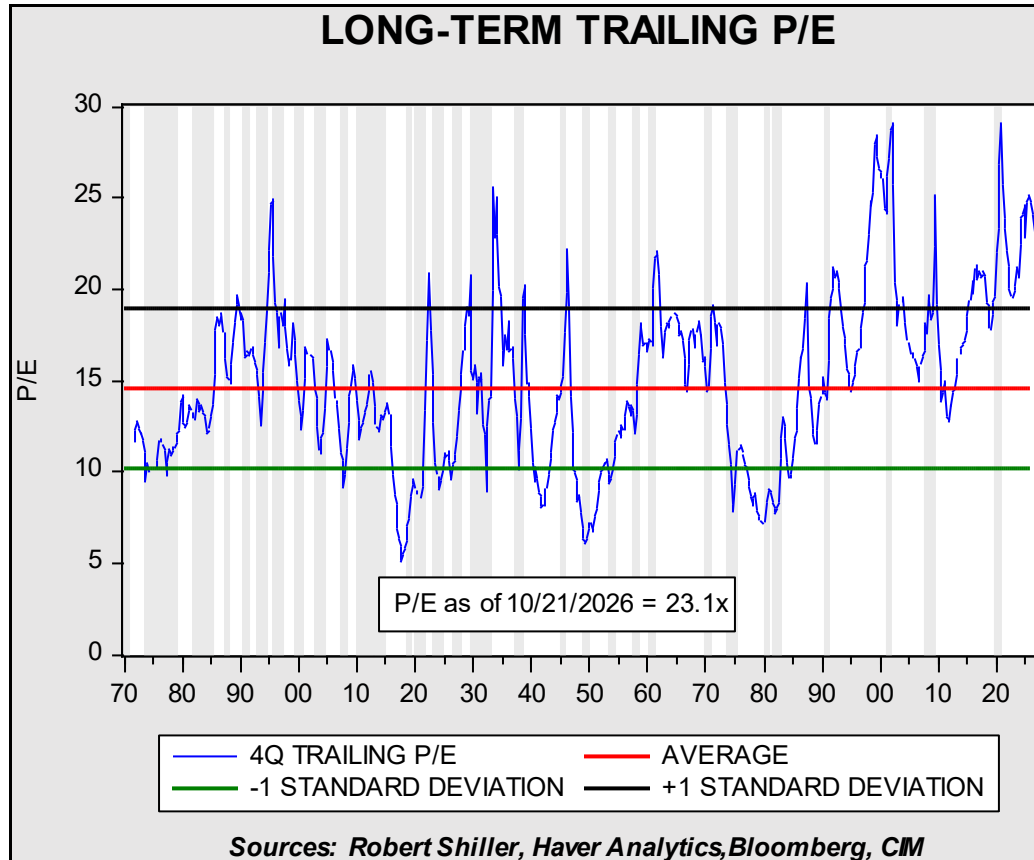


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 22, 2026



Based on our methodology,¹ the current P/E is 23.1x, down 0.2 from the previous report. The drop in the multiple is due to an increase in earnings and a decrease in the stock price index.

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.