

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 27, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.3%. Chinese markets were lower, with the Shanghai Composite down 1.3% and the Shenzhen Composite down 2.6%. US equity index futures are signaling a higher open.

With 132 companies having reported so far, S&P 500 earnings for Q3 are running at \$91.80 per share, compared to estimates of \$94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 80.3% exceeded expectations while 12.9% 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 US, China, and Constructive Strategic Stability" (10/26/26)	"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 news of a European Union subsidy for aircraft maker Airbus that the US administration has warned could be a violation of the recent US-EU trade deal. We next review several other international and US developments that could affect the financial markets today, including proposed new US investment curbs that could undermine the current effort by President Trump and General Secretary Xi to ease bilateral tensions and a preview of the Federal Reserve's policy meeting, which starts today.

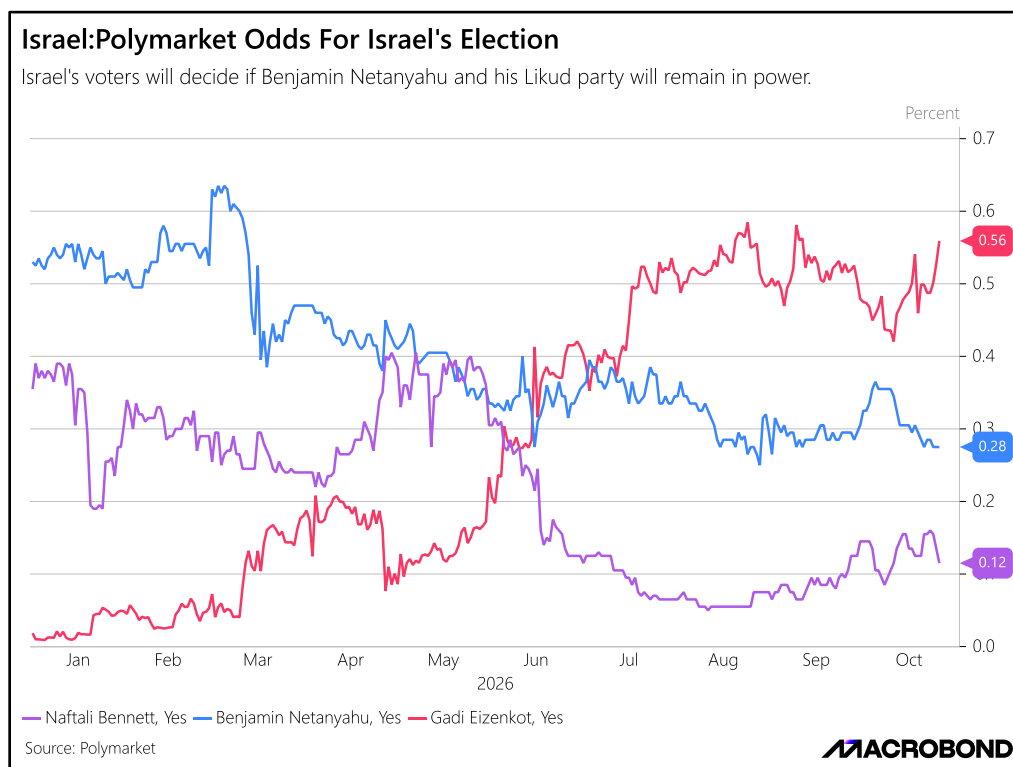
United States-European Union: Yesterday, US Trade Representative Jamieson Greer [accused the European Investment Bank of failing to share details about the \\$3.4 billion loan that it made to airliner manufacturer Airbus](#) in June, despite "ongoing requests." Greer also warned that the

money could lead to market distortions constituting a violation of the recent US-EU trade deal. His complaint is a reminder that trade tensions and retaliatory measures between the US and its trading partners are still a risk and could drive down the stock prices of targeted companies.

United States-China: In a little-noticed proposal late last week, the Treasury Department [said it wants to tighten its curbs on US investments in Chinese technology firms](#). The proposed rule would broaden the Treasury’s current investment restrictions to include radiation-hardened integrated circuits (ICs), photonic ICs, high-bandwidth memory, “additional categories of advanced ICs,” algorithms or applications for quantum computing, and biotechnologies.

- As we’ve mentioned before, US President Trump and Chinese General Secretary Xi have adopted a new, détente-like policy of “Constructive Strategic Stability” (see our latest [Bi-Weekly Geopolitical Report](#)) to cool tensions.
- Nevertheless, the two leaders’ bureaucracies continue to take steps that might rekindle conflict between the two sides. That, in turn, could serve to undermine the prospects for Chinese stocks or for US firms that do a lot of business in China.

Israel: The country will [vote in parliamentary elections today](#), with polls showing that neither incumbent Prime Minister Netanyahu nor his leading opponent, former army chief of staff Gadi Eisenkot, would likely garner enough votes to form a coalition government outright. Final results may not be available until Wednesday or even later, after which President Herzog will designate the politician who he believes has the best chance to form a government. That means it could be some time before Israel’s new prime minister is known.



France: Trying to quell the recent mass demonstrations against the cost of living and poor education services, the government yesterday [offered several concessions](#). For instance, freshman classes at public high schools will be capped at 28 students. The government will also create 15,000 new places in universities and offer regional authorities 4 billion EUR (\$4.5 billion) in loans for school renovations. Protest leaders have said the government's proposed measures are a step in the right direction, but not enough.

- The lukewarm response from protest leaders suggests more demonstrations may be in store this coming weekend. If the political unrest continues, it will likely help bolster support for right-wing populist leader Marine Le Pen as she campaigns against the centrist establishment for the presidential election in 2027.
- The expense of the government's promises and the threat of further political unrest may well prompt investors to continue their recent heavy selling of French government bonds, driving yields even higher.

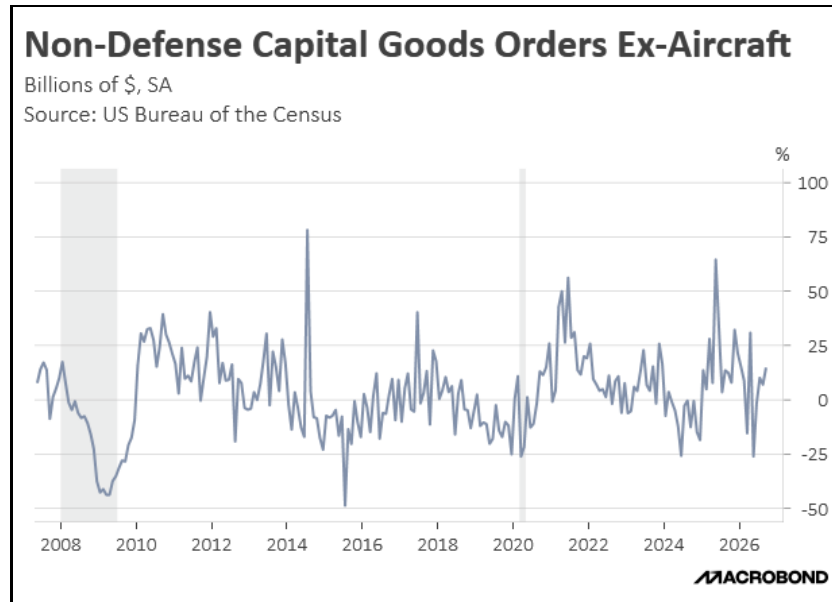
Brazil: As expected, investors yesterday [dumped Brazilian assets in response to President Luiz Inácio Lula da Silva's surprise re-election win on Sunday](#). The Brazilian stock market's main price index dropped 13.9%, while the Brazilian real plunged 8.5% against the dollar. The renewed term for Lula will probably refocus investors on his campaign promises, from debt forgiveness to increased welfare benefits, and on the country's huge government budget deficit, which equals about 9.5% of gross domestic product.

US Monetary Policy: The Fed begins its latest two-day policy meeting today, 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, since price inflation remains uncomfortably high, we believe they will probably hike rates one or two more times in the coming months, with the next move likely coming in December.

US Elections: In a social media post yesterday, President Trump [said anyone who reports an instance of voting fraud in past elections or the upcoming midterm races will be entitled to a payout of \\$1 million](#) if it leads to an arrest and conviction. The president's offer marks the most recent in a series of promised cash payouts for political support. It isn't clear how such a program would be funded, and the offer could help generate further political controversy around the upcoming election.

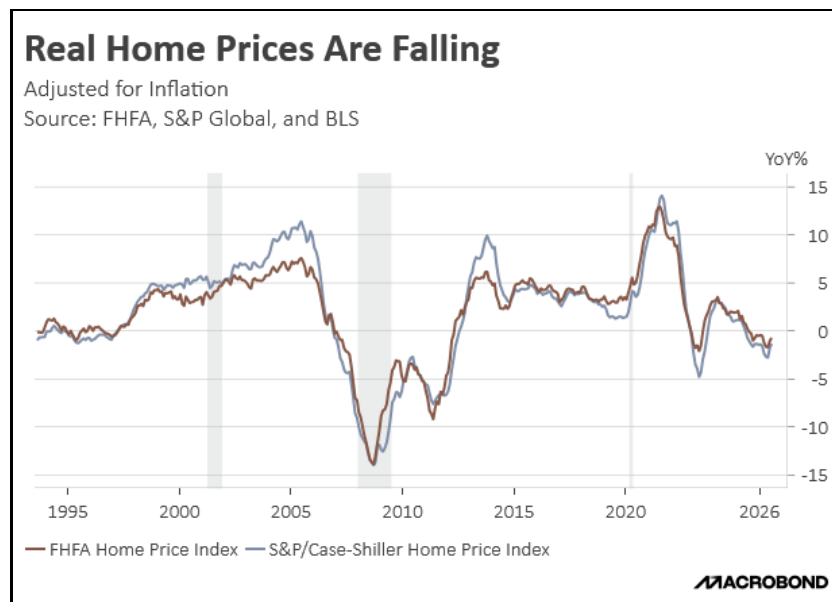
US Economic Releases

September durable goods orders rose 1.8% on a seasonally adjusted basis, beating their expected 1.5% increase and the previous month's revised 0.1% jump. Of course, durable goods orders are often driven by transport equipment, where just a few airliner orders can have a big impact. September durable goods orders excluding transport rose 0.5%, but that was still short of their anticipated rise of 0.6%. Finally, the durable goods report also includes a key proxy for corporate capital investment. In September, nondefense capital goods orders ex-aircraft jumped 0.5%, slightly lower than the expected 0.7%.



The chart above shows the progression of nondefense capital goods orders ex-aircraft since just before the previous recession. Compared with the same month one year earlier, overall durable goods orders in September were up 9.9%, while durable orders ex-transport were up 11.1%. Even more impressive, nondefense capital goods orders ex-aircraft were up 14.8%, in large part reflecting the surge in capital spending related to artificial intelligence.

In August, two key housing indexes highlighted a broader rise in national real estate prices but a modest slowdown in major cities. The FHFA House Price Index rose 0.3% month-over-month, topping forecasts of a 0.2% gain. Meanwhile, the S&P CoreLogic Case-Shiller 20-City Composite Index fell 0.4% for the same period, trailing expectations of a 0.1% decline.



The chart above shows the year-over-year percentage change for both the FHFA House Price Index and the S&P Cotality Case-Shiller Home Price Index. Adjusted for inflation, the FHFA index declined by 0.9% since 2025, while the S&P Cotality index dropped 1.2%. Although nominal home prices continue to rise, their growth remains below the rate of inflation, which suggests that buyers are gaining bargaining power.

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	Conf. Board Consumer Confidence	m/m	Oct	81.0	81.9	***
10:00	Richmond Fed Manufact. Index	m/m	Oct	0	-2	**
10:00	New Home Sales	m/m	Sep	651k	684k	***
10:00	New Home Sales MoM	m/m	Sep	-4.5%	6.4%	**
10:30	Dallas Fed Manufacturing Activity	m/m	Oct	-2.9	-1.8	**
10:00	Building Permits	m/m	Sep F	1400k	1400k	**
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	PPI Services	y/y	Sep	3.7%	3.5%	3.7%	*	Equity and bond neutral
South Korea	Consumer Confidence	m/m	Oct	105.4	106.6		*	Equity and bond neutral
	GDP	q/q	3Q A	3.4%	3.7%	3.1%	**	Equity and bond neutral
China	Industrial Profits	y/y	Sep	14.4%	4.2%		*	Equity and bond neutral
EUROPE								
Eurozone	M3 Money Supply	y/y	Sep	3.5%	3.5%	3.4%	***	Equity and bond neutral
France	Consumer Confidence	m/m	Oct	80	85	85	***	Equity bearish, bond bullish
AMERICAS								
Mexico	Exports	m/m	Sep	77797m	78010m		*	Equity and bond neutral
	Imports	m/m	Sep	78403m	77405m		*	Equity and bond neutral
	Trade Balance	m/m	Sep	-606.1m	605.4m		**	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)	401	403	-2	Up
U.S. Sibor/OIS spread (bps)	406	406	0	Up
U.S. Libor/OIS spread (bps)	403	403	0	Up
10-yr T-note (%)	4.97	4.99	-0.02	Down
Euribor/OIS spread (bps)	264	267	-3	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	\$114.60	\$115.81	-1.04%	
WTI	\$100.80	\$101.76	-0.94%	
Natural Gas	\$2.56	\$2.60	-1.50%	
Crack Spread	\$51.99	\$52.78	-1.50%	
12-mo strip crack	\$51.48	\$52.34	-1.64%	
Ethanol rack	\$2.12	\$2.13	-0.75%	
Metals				
Gold	\$4,010.67	\$4,016.71	-0.15%	
Silver	\$53.42	\$53.97	-1.01%	
Copper Contract	\$662.55	\$654.20	1.28%	
Grains				
Corn contract	\$454.25	\$455.00	-0.16%	
Wheat contract	\$616.25	\$616.00	0.04%	
Soybeans contract	\$1,258.25	\$1,252.50	0.46%	
Shipping				
Baltic Dry Freight	2,628	2,660	-32	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-0.34		
Gasoline (mb)		-0.31		
Distillates (mb)		-1.24		
Refinery run rates (%)		0.00%		
Natural gas (bcf)		78		

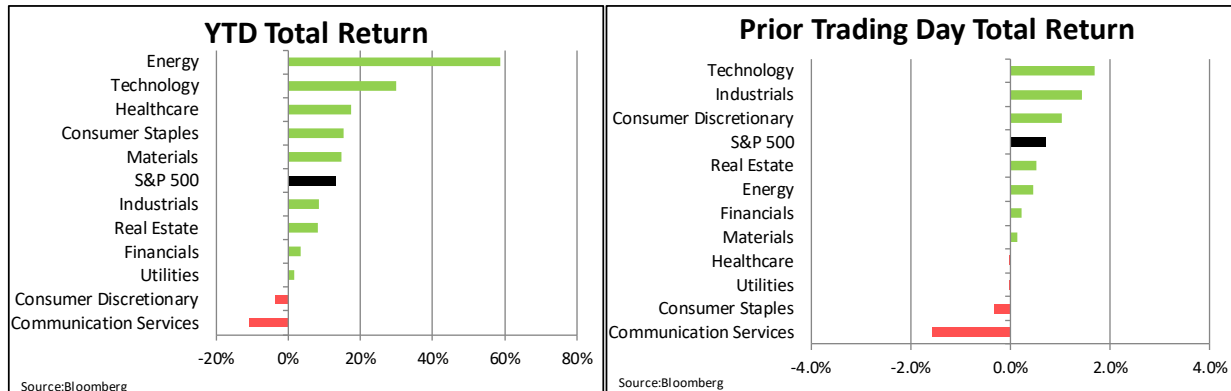
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near normal 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

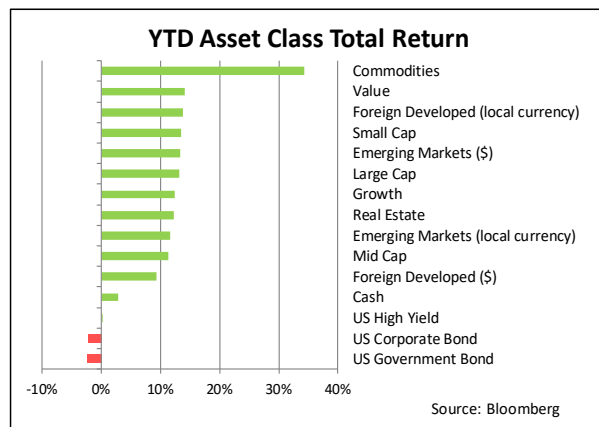
US Equity Markets – (as of 10/26/2026 close)



(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 10/26/2026 close)

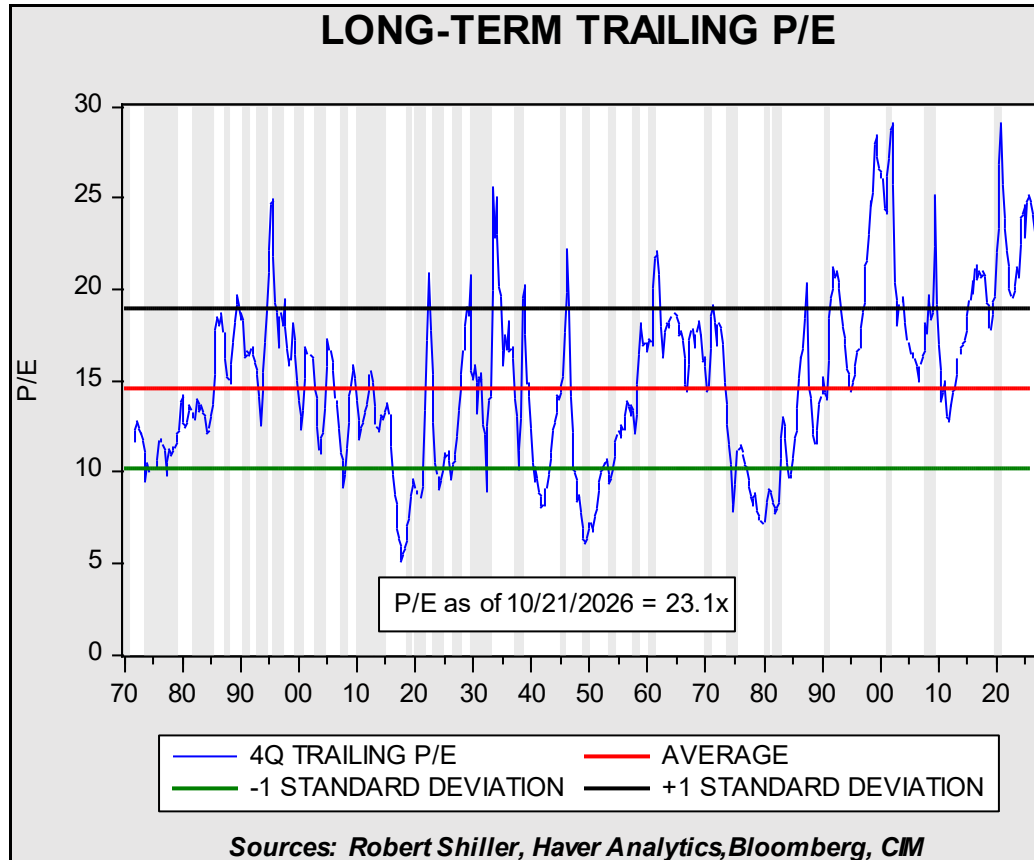


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.