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[Posted: October 30, 2026 — 9:30 AM ET] Global equity markets are decidedly lower this morning. In Europe, the Euro Stoxx 50 is down 1.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.9%. Chinese markets were lower, with the Shanghai Composite down 1.4% and the Shenzhen Composite down 2.7%. US equity index futures are signaling a lower open.

With 286 companies having reported so far, S&P 500 earnings for Q3 are running at \$92.80 per share, compared to estimates of \$94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 82.2% exceeded expectations while 13.3% 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* begins with key takeaways from the latest ECB rate decision and leadership change. We then turn to geopolitics, examining the outcome of the recent Israeli elections. Next, we briefly cover the Binance security breach and Intel's disappointing earnings report. As always, we conclude with a summary of key domestic and international economic data.

ECB Rate Decision: The European Central Bank faces a leadership shakeup following its latest policy meeting. After the ECB decided to leave its benchmark interest rates unchanged, President Christine Lagarde announced plans to step down before her term expires. Her

impending departure could raise fresh questions about the direction of monetary policy and the ECB's independence amid the prospect of a populist surge in next year's elections.

- The [ECB's Governing Council left its deposit rate unchanged at 2.5%](#) despite rising inflation. Policymakers said higher energy prices posed upside risks to inflation and downside risks to growth. However, underlying inflation remained broadly stable, and wages had not yet shown a material response to the energy shock, supporting a measured approach amid uncertainty surrounding the Middle East conflict and Russia's war against Ukraine.
- Following the rate decision, [ECB President Christine Lagarde announced her intention to step down in February 2027](#), nine months before her term was due to expire, amid growing concerns that a populist surge may install a controversial figure at the helm of the central bank. Ensuring a smooth and timely succession has therefore become critical to maintaining market confidence. Explaining her departure, Lagarde said she wanted greater freedom to express her political views.
- Her departure from the ECB will likely set off a race to find a suitable replacement. The European Council will be responsible for the selection, in consultation with the European Parliament. The [leading candidates to take over are Spain's Pablo Hernández de Cos and the Netherlands' Klaas Knot](#), both of whom previously led their respective national central banks. The transition will be pivotal in determining whether the ECB deploys its emergency liquidity tool to prevent a sovereign crisis in France.
- While rate decisions will remain important for European bond markets, we suspect political uncertainty could play a bigger role. A credible ECB president could ease fears of a populist central bank abandoning its inflation mandate. However, the bigger risk lies in next year's elections in Germany and France, which may bring to power parties the markets do not trust. Even so, the new central bank head could provide some support for the euro.

Israeli Elections: After days of vote counting, Israel's election produced no clear winner. Prime Minister Benjamin Netanyahu's bloc emerged as the largest, [winning 53 seats but falling short of the 61 needed to form a government](#). In the coming days and weeks, political leaders will seek to build a governing coalition. The outcome could shape Israel's relationship with the United States and its conflict with Iran.

- Although Netanyahu's bloc was the top vote-getter, it did lose some influence. Following the 2022 election, the bloc had 64 seats, allowing it to hold a majority to form a government. This time around, however, it has given up 11 of those seats, while its main opposition has increased its total in the Knesset to 48. The biggest surprise appears to come from the Israeli Arab parties, which together garnered 19 seats, giving them influence over the formation of the next government.
- Following the result, which is still subject to minor change, the parties will have a chance to see whether they can form a government. In the coming days, [Israeli President Isaac Herzog will decide which leader has the best chance](#) of forming a government, a decision that should follow a round of consultations. So far, reports suggest that the opposition

will get the first shot at forming a government. Despite that slight edge, [Polymarket odds suggest that Netanyahu may have the advantage](#).

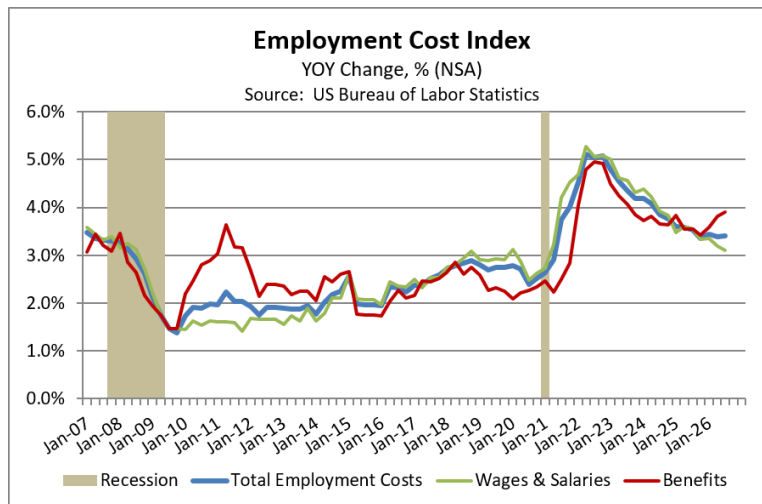
- The election outcome will shape Israel's approach to Iran and its coordination with the United States, though a fundamental strategic shift appears unlikely. Israel's opposition has criticized Netanyahu's push for regime change as unrealistic, [favoring a narrower objective focused on dismantling Iran's nuclear program](#). It has also called for reducing Israel's dependence on decisions made in Washington and for rebuilding bipartisan support in the US.
- Government formation could take several weeks, as neither bloc has a clear path to a majority. We do not expect Israel's political process to affect Washington's decision on whether to mount an offensive against Iran. However, it may encourage more restraint on escalatory measures while the US waits for a government with which it can coordinate. While the outcome remains uncertain, it could affect oil markets.

Binance Hack: Binance, the world's largest cryptocurrency exchange, announced that it had been hacked, [with an estimated \\$6.3 billion in digital assets affected](#), in what would be the largest crypto heist on record. The company has suspended deposits and withdrawals. While Binance has released few details about the breach, blockchain intelligence firms have linked the attack to North Korea. The incident comes amid heightened concerns that AI-enabled cyberattacks could pose a threat to the financial system.

Intel Slump: Intel shares fell sharply after the chipmaker issued a disappointing outlook. Although Intel's third-quarter results beat estimates, [its fourth-quarter revenue and earnings forecasts fell short of expectations](#), as rising memory chip prices weighed on its PC business. Its AI-related data center business remained strong. The company's performance has improved since it received support from the Trump administration last year. The market's reaction to Intel highlights the importance of earnings in sustaining the AI rally.

US Economic Releases

In the only significant US report so far today, the third-quarter ***Employment Cost Index (ECI)*** rose by a seasonally adjusted 0.8%, meeting expectations and decelerating a bit from the 0.9% rise in the second quarter. The subindex on wages and salaries rose 0.7%, while the subindex on benefits rose 0.9%. Compared with the same period one year earlier, the overall ECI in the third period was up 3.4%. The subindex on wages and salaries was up 3.1% year-over-year, while the subindex on benefits was up 3.9%. The chart below shows the year-over-year change in the ECI since just before the Great Financial Crisis.



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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
9:45	MNI Chicago PMI	m/m	Oct	56.0	58.8	***
Federal Reserve						
EST	Speaker or Event	District or Position				
09:30	Thomas Barkin Appears on Sirius XM	President of the Federal Reserve Bank of Richmond				
12:00	Mary Daly Gives Intruductory Remarks	President of the Federal Reserve Bank of San Francisco				
12:30	Alberto Musalem Delivers Keynote Address	President of the Federal Reserve Bank of St. Louis				

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	Tokyo CPI	y/y	Oct	2.8%	2.7%	2.7%	**	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food	y/y	Oct	2.6%	2.7%	2.6%	***	Equity and bond neutral
	Tokyo CPI Ex-Fresh Food & Energy	y/y	Oct	2.6%	3.0%	2.7%	*	Equity and bond neutral
	Jobless Rate	m/m	Sep	2.4%	2.5%	2.5%	***	Equity and bond neutral
	Job-To-Applicant Ratio	m/m	Sep	1.19	1.18	1.18	***	Equity and bond neutral
	Retail Sales	y/y	Sep	2.3%	2.7%	3.3%	**	Equity bearish, bond bullish
	Depart. Store & Supermarket Sales	y/y	Sep	1.7%	0.8%		*	Equity and bond neutral
	Industrial Production	y/y	Sep P	1.9%	2.7%	1.5%	***	Equity and bond neutral
	Housing Starts	y/y	Sep	-2.7%	6.1%	2.5%	**	Equity bearish, bond bullish
	Annualized Housing Starts	y/y	Sep	0.714m	0.753m	0.752m	*	Equity and bond neutral
Australia	Private Sector Credit	y/y	Sep	8.4%	8.4%		**	Equity and bond neutral
	PPI	y/y	Q3	3.6%	3.7%		**	Equity and bond neutral
New Zealand	ANZ Consumer Confidence Index	m/m	Oct	96.2	97.6		*	Equity and bond neutral
South Korea	Industrial Production	y/y	Sep	1.2%	-1.7%	0.6%	***	Equity bullish, bond bearish
India	Foreign Exchange Reserves	w/w	23-Oct	\$719.7b	\$721.0b		*	Equity and bond neutral
EUROPE								
Eurozone	GDP	y/y	3Q A	1.3%	1.2%	1.0%	***	Equity and bond neutral
	Unemployment Rate	m/m	Sep	6.5%	6.5%	6.4%	**	Equity and bond neutral
Germany	GDP NSA	y/y	3Q P	1.3%	1.0%	1.2%	**	Equity and bond neutral
	GDP WDA	y/y	3Q P	1.2%	1.0%	1.1%	**	Equity and bond neutral
France	GDP	y/y	3Q P	-0.1%	0.5%	0.3%	**	Equity bearish, bond bullish
	Consumer Spending	y/y	Sep	-0.4	0.6	0.4	*	Equity bearish, bond bullish
	CPI, EU Harmonized	y/y	Oct P	3.8%	3.4%	3.6%	**	Equity and bond neutral
	CPI	y/y	Oct P	3.4%	3.1%	3.3%	***	Equity and bond neutral
	PPI	y/y	Sep	6.8%	4.9%		*	Equity and bond neutral
Italy	GDP WDA	y/y	Q3 P	0.8%	1.0%	0.9%	**	Equity and bond neutral
	CPI, EU Harmonized	y/y	Oct P	5.6%	4.2%	4.6%	***	Equity bearish, bond bullish
	CPI NIC Including Tobacco	y/y	Oct P	5.4%	4.2%	4.6%	**	Equity bearish, bond bullish
Switzerland	KOF Leading Indicator	m/m	Oct	107.6	109.1	108.1	*	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	23-Oct	\$729.6b	\$723.2b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	23-Oct	23.03t	23.07t		*	Equity and bond neutral
AMERICAS								
Mexico	GDP NSA	y/y	3Q P	3.2%	2.2%	3.0%	***	Equity and bond neutral
Brazil	Central Govt Budget Balance	m/m	Sep	4.8b	-13.6b	5.3b	*	Equity and bond neutral
	Primary Budget Balance	y/y	Sep	-5.5b	-10.0b	1.0b	*	Equity bearish, bond bullish
	Net Debt % GDP	m/m	Sep	70.00%	69.30%	69.50%	**	Equity and bond neutral
	National Unemployment Rate	m/m	Sep	5.2%	5.3%	5.2%	*	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)	398	399	-1	Up
U.S. Sibor/OIS spread (bps)	403	404	-1	Up
U.S. Libor/OIS spread (bps)	401	401	0	Up
10-yr T-note (%)	4.91	4.94	-0.03	Down
Euribor/OIS spread (bps)	264	262	2	Up
Currencies	Direction			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Up
Pound	Down	UK		Down
Franc	Down	Switzerland		Down
Central Bank Action	Current	Prior	Expected	
ECB Deposit Facility Rate	2.50%	2.50%	2.50%	On Forecast
ECB Main Refinancing Rate	2.65%	2.65%	2.65%	On Forecast
ECB Marginal Lending Facility	2.90%	2.90%	2.90%	On Forecast
BOJ Target Rate	1.25%	1.25%	1.25%	On Forecast

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	\$117.73	\$114.88	2.48%	
WTI	\$104.20	\$102.00	2.16%	
Natural Gas	\$2.89	\$2.95	-2.10%	
Crack Spread	\$48.81	\$47.95	1.81%	
12-mo strip crack	\$49.78	\$49.31	0.95%	
Ethanol rack	\$2.13	\$2.13	-0.05%	
Metals				
Gold	\$3,977.38	\$4,021.52	-1.10%	
Silver	\$50.47	\$52.15	-3.23%	
Copper Contract	\$652.05	\$660.25	-1.24%	
Grains				
Corn contract	\$449.50	\$451.25	-0.39%	
Wheat contract	\$604.50	\$603.75	0.12%	
Soybeans contract	\$1,232.00	\$1,234.75	-0.22%	
Shipping				
Baltic Dry Freight	2,712	2,652	60	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-1.89	0.00	-1.89	
Gasoline (mb)	3.87	-1.00	4.87	
Distillates (mb)	-1.46	-1.08	-0.39	
Refinery run rates (%)	0.00	-0.10%	0.00	
Natural gas (bcf)	80	72	8	

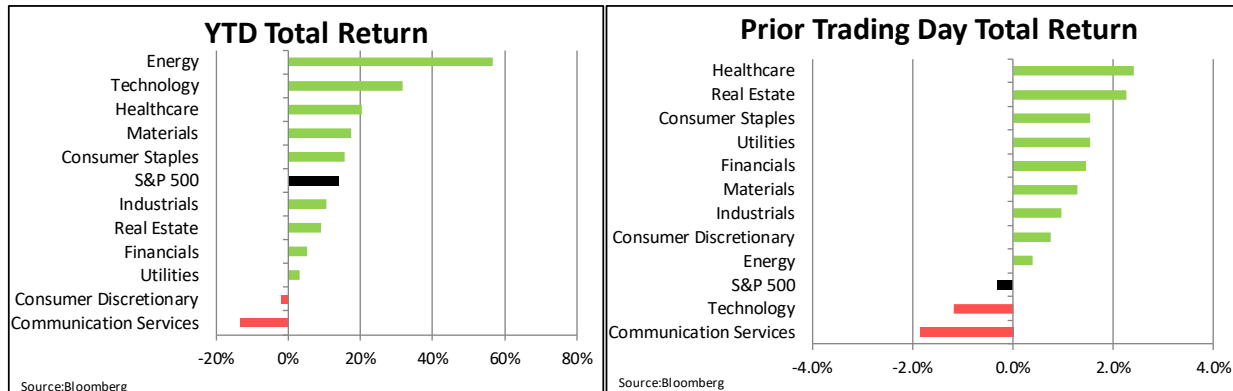
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except the Desert Southwest, Georgia, and South Carolina, where temps will be near normal. The outlook calls for wetter-than-normal conditions along the West Coast, along the East Coast, and in Texas, with dry conditions in Montana.

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

Data Section

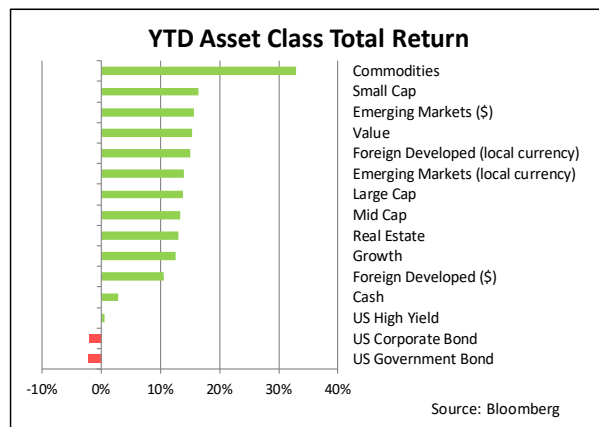
US Equity Markets – (as of 10/29/2026 close)



(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 10/29/2026 close)

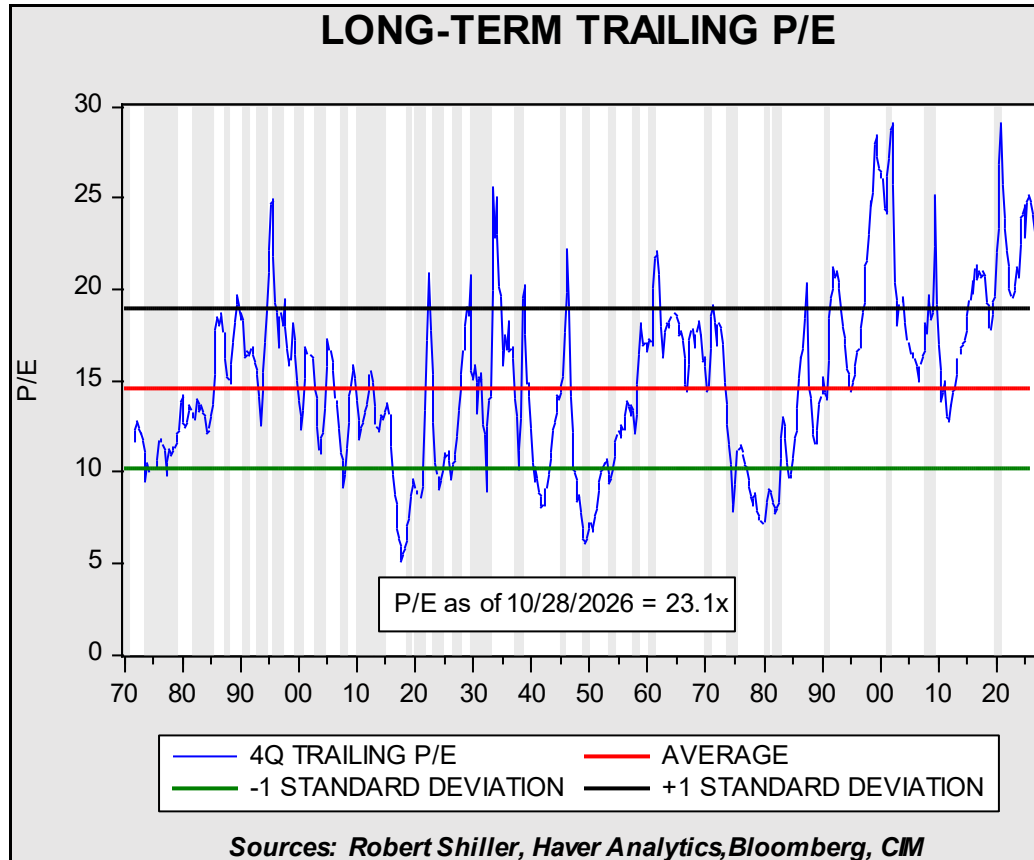


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 29, 2026



Based on our methodology,¹ the current P/E ratio is 23.1x, remaining unchanged from the previous report. The multiple held flat as both the stock price index and earnings showed little change week-over-week.

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.