Daily Comment

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[Posted: September 14, 2026 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 1.0% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.8%. Chinese markets were lower, with the Shanghai Composite down 0.1% and the Shenzhen Composite also down 0.1%. US equity index futures are signaling a lower open.

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
"On Lessons Learned: China and Consumption Policy" (8/24/26)	"The Impact of New Equity Supply" (8/31/26)	Q3 2026 Report Q3 2026 Rebalance Presentation	Confluence of Ideas Podcast Business Cycle Report

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 an update on the war in Iran, where Iran-backed rebels in Iraq have apparently forced the shutdown of a key Saudi Arabian pipeline, boosting energy prices and driving down stock values around the world today. We next review several other international and US developments that could affect the financial markets today, including the weekend call from key US artificial intelligence leaders to "pace" the industry's development and a review of upcoming monetary policy moves by key central banks this week.

United States-Israel-Iran: Saudi Arabia said over the weekend that it had shut down its critical East-West pipeline, which had allowed the kingdom to bypass the Strait of Hormuz and get some 7 million barrels per day of its crude oil to market through the Red Sea. The government said the pipeline had been targeted and damaged by drones apparently launched by Iran-backed militias in Iraq. The government also said it is repairing the pipeline; nevertheless, the incident highlights the vulnerabilities there.

- Now that the US and Israel have eroded more Iranian military power and the US has been able to escort more oil tankers through the strait, it appears that Iran is implementing a plan to lean more heavily on its proxy forces in the region to hurt the US and its allies.
- As investors begin to understand that shift and the now-demonstrated vulnerability of the East-West pipeline, global oil prices today have jumped about 3.4%, with near Brent crude oil futures trading at about $108.18. In turn, the jump in energy prices is weighing on stock values as well.

US Artificial Intelligence Industry: Anthropic chief executive Dario Amodei on Saturday published a 3,800-word essay calling for AI model development to proceed more slowly to avoid doomsday scenarios such as a rogue-agent takeover of the entire internet. Remarkably, a range of top AI executives including Elon Musk at SpaceXAI and Sam Altman at OpenAI publicly seconded the idea. As consensus on the issue apparently grows, it is becoming increasingly probable that Congress will finally be spurred to action to impose guardrails on the industry.

- Of course, the Chinese government and AI firms in China are so far showing no concern about the models' rapid development. They are likely to keep charging ahead even if the US modelers slow down. Because of that, President Trump and officials associated with his administration are pushing back against a slowdown and calling for full steam ahead.
- In our view, there are now multiple headwinds growing for the AI industry in the US, including a competitive threat from the increasingly capable and low-cost Chinese models, public pushback against the data centers needed to run AI applications, and the new pressure to tighten regulations on the industry. If those headwinds continue to intensify, the risk of a pullback in AI-related equity valuations is expected to grow.
- In any case, the weekend discussion about deliberately slowing or "pacing" the momentum in AI development is weighing heavily on technology stock prices so far this morning.

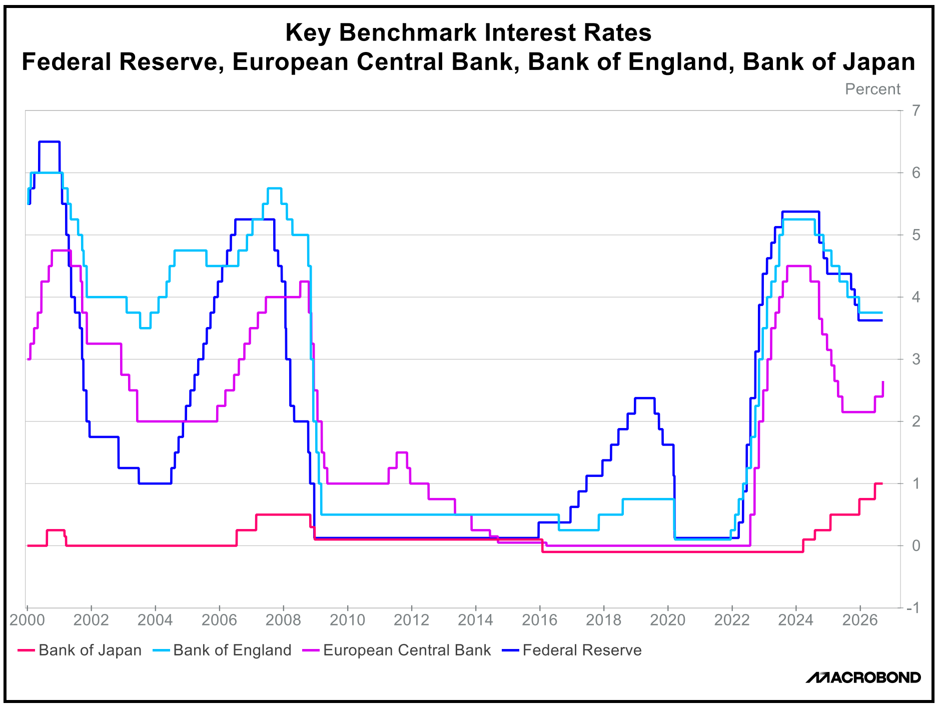
China: The Beijing municipal government yesterday announced a ban not only on flying drones in the city but also on possessing, storing, transporting, or bringing them and their core components into the city, except in exceptional circumstances. The ban responds to a June incident in which a small plane flew into Beijing's tallest building. The ban may also signal that as civilian drones become more commonplace around the world, they are likely to become regulated as the inevitable accidents happen, potentially crimping the budding industry.

India: The government has announced that it plans to source virtually all of its newly approved $11.6-billion military equipment spending from domestic sources, including an expanded role for the private sector. The move illustrates how governments around the world are prioritizing resilience, supply chain security, and domestic industrial development as they boost their defense budgets and respond to greater geopolitical tensions.

Sweden: The country's parliamentary election yesterday has become the closest ever, with fewer than 30,000 votes currently separating the left-wing opposition bloc from the right-wing government as hundreds of thousands of overseas votes and late ballots are still to be counted. Electoral authorities don't expect to announce the final results until Wednesday or Thursday.

US Monetary Policy: The Fed begins its latest policy meeting tomorrow, with its decision due out on Wednesday at 2:00 PM ET. Based on the latest interest-rate futures trading, investors widely expect the policymakers to hike their benchmark fed funds rate by 25 basis points to a range of 3.75% to 4.00%. That expectation stems from both the continued high readings for consumer price inflation and recent hawkish statements by Chair Warsh and other policymakers.

- Still, because of the risk of political blowback from the White House or other concerns, there is probably still some chance that the policymakers could simply hold rates steady.
- Such a decision would likely spark significant volatility across a range of asset markets.



UK Monetary Policy: In contrast with the Fed, the Bank of England is expected to hold its benchmark interest rate steady at its policy meeting later this week. However, analysis by the *Financial Times* suggests that relatively brisk economic growth coupled with rising energy costs due to the war in Iran could force the central bank to boost rates later this year. Any such rate hike would be the BOE's first in more than four years.

Japan Monetary Policy: Economist surveys also show that the Bank of Japan is widely expected to hike its benchmark interest rate again when it holds its latest policy meeting this week. Importantly, the normalization of Japanese interest rates after decades of extraordinarily low rates continues to contribute to an unwinding of the yen "carry trade." In turn, that is causing significant volatility in the global currency markets and broader financial markets.

US Economic Releases

There are no economic releases or Fed events scheduled for the rest of the day.

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	Industrial Production	y/y	Jul F	3.9%	4.1%		***	Equity and bond neutral
	Capacity Utilization	y/y	Jul	0.5%	4.1%		**	Equity and bond neutral
China	New Yuan Loans	m/m	Aug	10440.0b	10380.0b	10783.5b	**	Equity and bond neutral
	Aggregate Financing CNY YTD	m/m	Aug	23910.0b	22250.0b	24372.0b	**	Equity and bond neutral
	Money Supply M2	y/y	Aug	7.5%	7.7%	7.6%	***	Equity and bond neutral
	Money Supply M1	y/y	Aug	4.1%	4.0%	4.1%	*	Equity and bond neutral
	Money Supply M0	y/y	Aug	11.2%	11.6%		*	Equity and bond neutral
India	Wholesale Prices	m/m	Aug	9.92%	9.78%	9.90%	*	Equity and bond neutral
	CPI	y/y	Aug	4.82%	4.45%	4.86%	**	Equity and bond neutral
EUROPE								
Switzerland	Producer & Import Prices	y/y	Aug	-0.7%	-2.1%		**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	11-Sep	4.2.2b	425.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	11-Sep	451.6b	452.6b		*	Equity and bond neutral
Russia	Trade Balance	m/m	Jul	$13.6b	$12.3b		**	Equity and bond neutral
	Exports	m/m	Jul	$45.0b	$43.2b		*	Equity and bond neutral
	Imports	m/m	Jul	$31.4b	$30.9b		*	Equity and bond neutral
	GDP	y/y	2Q P	1.3%	1.3%	1.3%	**	Equity and bond neutral
	CPI	y/y	Aug	6.33%	5.98%	6.32%	***	Equity and bond neutral
	Core CPI	y/y	Aug	5.37%	5.22%		**	Equity and bond neutral
AMERICAS								
Mexico	Nominal Wages	m/m	Aug	6.5%	6.7%		*	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)	391	392	-1	Up
U.S. Sibor/OIS spread (bps)	397	395	2	Up
U.S. Libor/OIS spread (bps)	394	393	1	Up
10-yr T-note (%)	4.98	4.97	0.01	Up
Euribor/OIS spread (bps)	265	264	1	Up
Currencies	**3 Mo**			
Dollar	Down	US		Down
Euro	Up	Euro		Down
Yen	Down	Japan		Up
Pound	Up	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	$108.20	$104.61	3.43%	
WTI	$103.12	$100.05	3.07%	
Natural Gas	$2.90	$2.83	2.58%	
Crack Spread	$63.86	$62.88	1.57%	
12-mo strip crack	$56.95	$56.07	1.58%	
Ethanol rack	$2.21	$2.21	0.06%	
Metals				
Gold	$4,293.89	$4,349.08	-1.27%	
Silver	$62.96	$64.49	-2.37%	
Copper Contract	$643.65	$654.80	-1.70%	
Grains				
Corn contract	$529.50	$530.25	-0.14%	
Wheat contract	$728.25	$725.25	0.41%	
Soybeans contract	$1,296.75	$1,296.50	0.02%	
Shipping				
Baltic Dry Freight	3,507	3,521	-14	

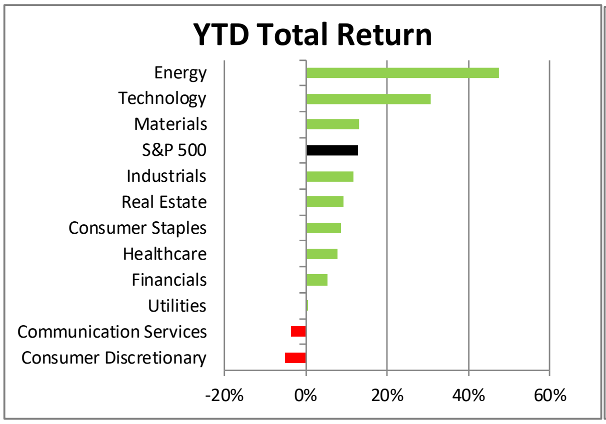
Weather

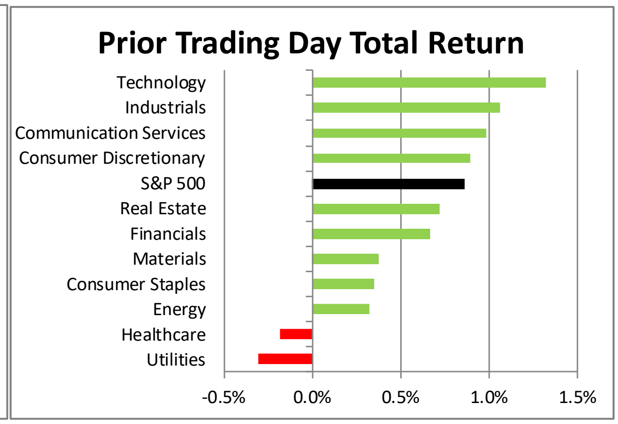
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near normal temps in the Pacific Northwest. The outlook calls for wetter-than-normal conditions in most states, with dry conditions expected in the Great Lakes region.

There is currently one atmospheric disturbance in the Atlantic Ocean and it has a 30% chance of cyclone formation within the next seven days.

Data Section

US Equity Markets – (as of 9/11/2026 close)

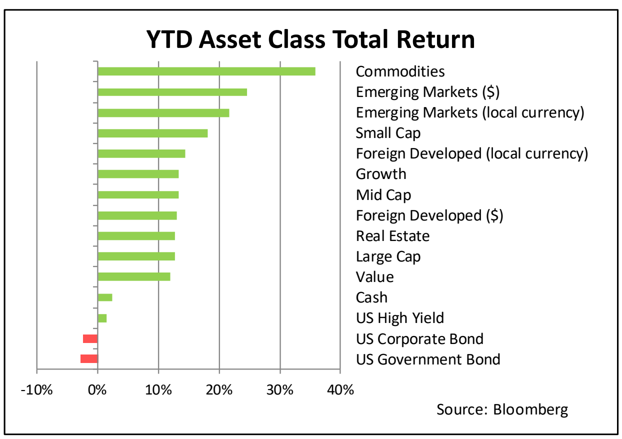




(Source: Bloomberg)

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 9/11/2026 close)

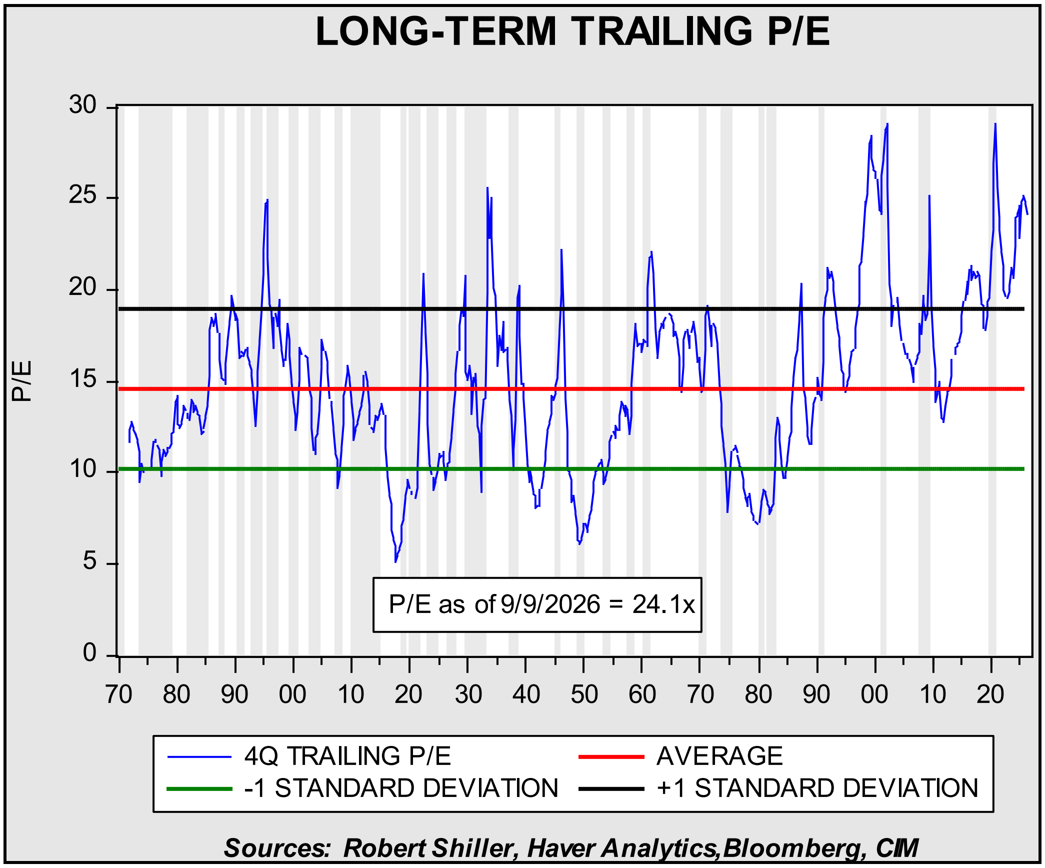


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

September 10, 2026



Based on our methodology,[1] the current P/E is 24.1x, unchanged from the previous report. The increase in the stock price index was offset by a rise 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.

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[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.