Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: September 22, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.1%. Chinese markets were mixed, with the Shanghai Composite up 0.1% and the Shenzhen Composite essentially unchanged. US equity index futures are signaling a mildly higher open.

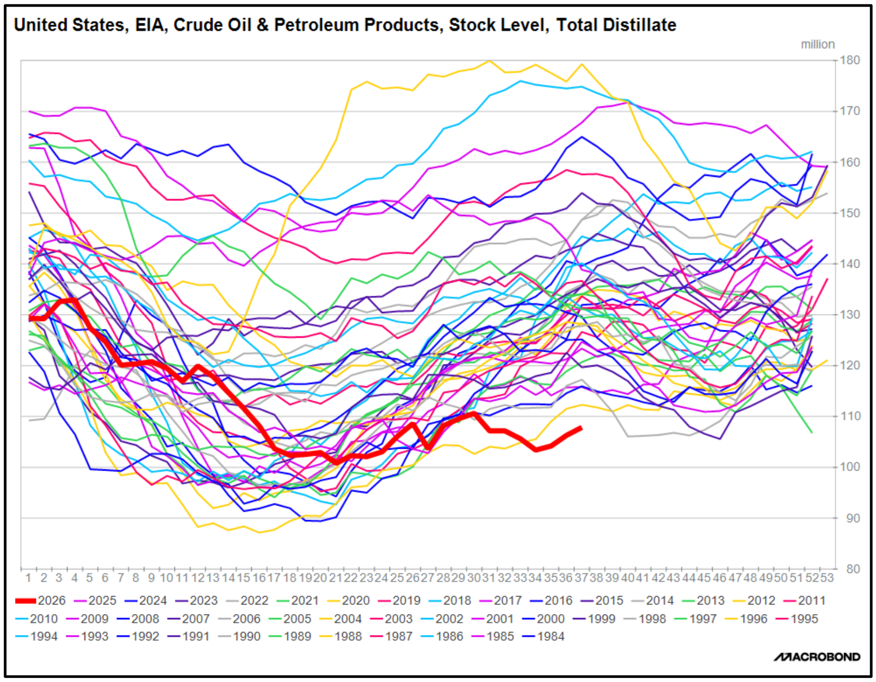
The Confluence macro team publishes a plethora of research reports and multimedia offerings on a weekly and quarterly basis, all available on our website. We highlight recent publications below with new items of the day in bold.

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
"I Miss Recessions" (9/14/26) + podcast	"Breaking the Bond Fever!" (9/21/26)	Q3 2026 Report Q3 2026 Rebalance Presentation	Confluence of Ideas Podcast **Chart Worth Noting**

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 increased calls for the US to ban diesel fuel exports to help bring down domestic prices. We next review several other international and US developments that could affect the financial markets today, including new signs that the war in Iran will lead to more diversified shipping options for Middle Eastern oil and news of a nascent dispute between Meta and Amazon over the use of Meta's new Muse artificial intelligence agent for shopping on Amazon's platform.

US Energy Market: As the wars in Iran and Ukraine continue to constrict global diesel fuel supplies and drive up prices, officials are reportedly considering plans to ban US diesel exports. However, since US distillate inventories are currently extremely low, we believe any such ban could have only a modest impact on prices, perhaps lowering them by no more than 10% or so. If such a ban were implemented and maintained, the more important impact would likely be to disincentivize energy investment here at home while incentivizing investment abroad.



United States-Israel-Iran: According to the *Wall Street Journal*, the US has proposed investing $5 billion in a new fund that would help Middle East countries rebuild energy infrastructure damaged in the Iran war and reduce their reliance on the Strait of Hormuz to transport oil and gas to world markets. The proposed bypass funding helps confirm that one key result of the war will be more diversified outbound oil shipping routes from the Middle East, which could reduce Iran's control over the region's waterways and help bring down prices — eventually.

- Separately, Saudi Arabian sources have reportedly said the country is making progress on repairs to its East-West oil pipeline that was damaged in fighting almost two weeks ago. The reports say that by the end of the week, oil could again flow through the pipeline for shipment through the Red Sea.
- In response, global oil prices have softened, with near Brent futures currently changing hands at $98.41 per barrel, down 1.9%.

United Kingdom-Saudi Arabia-Iran: British Prime Minister Burnham yesterday said he has approved a request from Saudi Arabia for the UK to provide military support for its fight with Iran-backed Houthi rebels in Yemen. Billing the deal as a measure to help control the cost of living and keep oil supplies flowing, Burnham said the UK will provide just one refueling aircraft to the Saudis for a limited period. Nevertheless, the step raises the risk of greater UK involvement in the US-Israeli war against Iran.

United Kingdom: Government borrowing increased more than expected to 18.3 billion GBP ($24.5 billion) in August. As a result, borrowing in the fiscal year to August has risen to a total of 77.3 billion GBP ($103.3 billion), about 8.1 billion GBP ($10.8 billion) more than the Office for Budget Responsibility's forecast in March. The worse-than-expected deficit, which stems from both high price inflation and elevated interest rates, means public debt remains high at about 94% of gross domestic product — a rate that puts further upward pressure on UK bond yields.

China: New data from the World Gold Council shows that the Chinese central bank and other mainland buyers purchased $158.8 billion of foreign gold between January and August, bringing their total purchases to more than 1,000 tons. Coupled with recent data showing that Chinese holdings of US Treasury obligations have fallen to their lowest level since 2008, the data on gold imports suggests that both official and private investors in China are trying to diversify their asset holdings away from the US.

United States-Vietnam: As the annual UN General Assembly meetings get going in New York, Vietnamese President To Lam said in an interview that his nation is "very close" to a trade deal with the US. The president suggested that the deal will be facilitated by a Vietnamese commitment to buy more US high-technology goods, such as airliners. We suspect that any such deal would also include measures to stop Chinese producers from sending their cheap products to the US through Vietnam.

US Artificial Intelligence Industry: Meta's share price surged 11% yesterday on news that its new Muse internet buying agent has become the top free-app download on Apple and Google. Separately, however, Amazon blocked Muse from perusing and buying products on its platform, citing concerns over customer security and user experience. Despite polls showing consumers don't like the prospect of ever-more-powerful AI, the dispute shows that people are embracing AI agents that can help with specific tasks, setting off a clash between agent providers.

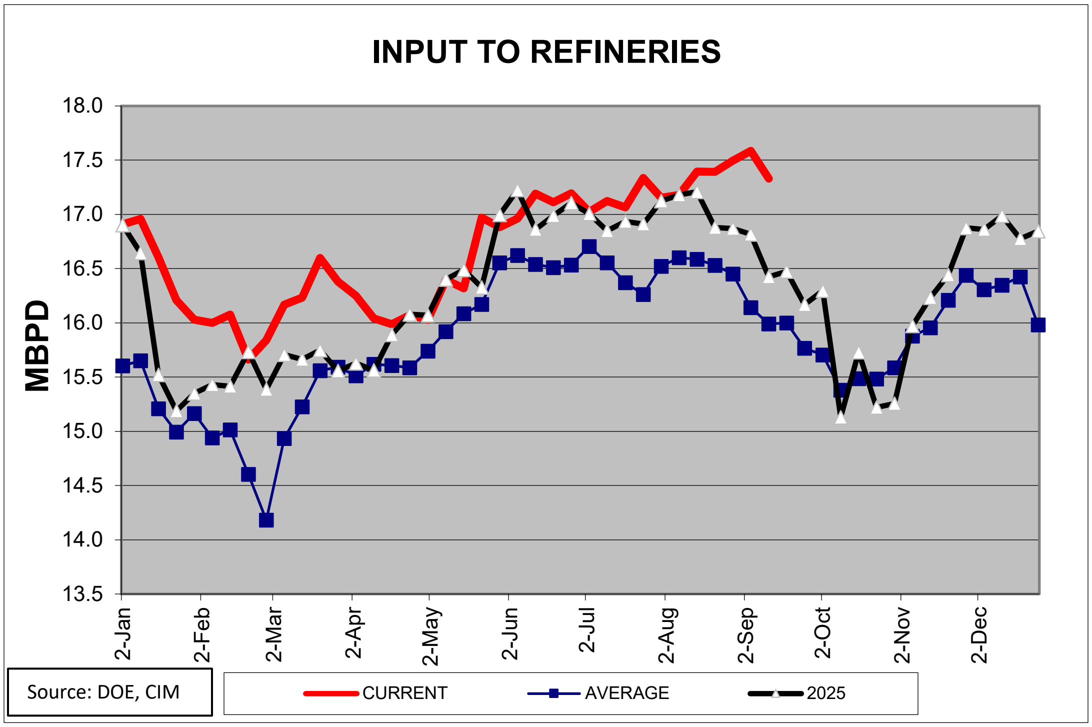
US Cryptocurrency Industry: Bitcoin prices yesterday surged to more than $87,000, up from less than $60,000 in early July. The price surge appears to have stemmed from the SEC's unveiling last week of its "Innovation Exemption," which opens a path for tokenized US stocks to trade on blockchain-based venues. In addition, the CFTC sent proposed crypto-market rules to the White House for review last week.

- Those moves have offset the disappointment over Congress's failure early last week to advance the Clarity Act, which promised to provide market structure to the nascent market for crypto assets.
- The SEC and CFTC actions suggest that even if Congress doesn't advance clear rules on crypto market structure, the administration will take regulatory steps to boost the industry.

US Homebuilding Industry: In a new poll by John Burns Research and Consulting, housing contractors around the country say ramped-up Immigration and Customs Enforcement crackdowns are creating huge labor shortages for their businesses, adding to other challenges ranging from rising mortgage rates and higher prices for key inputs to growing competition for resources from data-center builders. The result will likely be added upward pressure on home prices and reduced home sales.

Chart Worth Noting

US oil refinery activity has a pattern of operations — activity makes a seasonal peak in mid-winter then declines into late winter/early spring, rebounds into the summer driving season, then declines in autumn only to ramp up again in early winter.



This chart shows US crude input into refineries. The five-year average shows the pattern described above. The declines are when refinery maintenance occurs, but the pattern also reflects seasonal demand. In late winter, there is usually enough heating oil in inventory to meet demand; in fact, refiners want to reduce this product inventory to avoid carrying it into the summer. Thus, they ramp down activity and perform maintenance. In late summer, gasoline demand tends to peak as the vacation season comes to an end. Refiners use this demand pattern to perform seasonal maintenance and prepare to maximize distillate production, of which a part is heating oil. Refineries are complex facilities, which need regular repairs.

Petroleum product shortages caused by the Ukraine/Russia conflict and the Iran war have led US refiners to maintain production levels well above their seasonal norms. They are making this decision due to ample refining margins. But there is a cost to this decision: The longer maintenance is delayed, the greater the likelihood of unexpected disruptions in the coming months. Unexpected refinery outages this winter could cause shortages of product and drive product prices higher.

US Economic Releases

There were no domestic 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	Richmond Fed Manufact. Index	m/m	Sep	2	4	**
10:00	Richmond Fed Business Conditions	m/m	Sep	-12	-12	*
Federal Reserve						
EST	Speaker or Event	District or Position				
10:05	John Williams Gives Keynote Remarks	President of the Federal Reserve Bank of New York				
10:20	Philip Jefferson Speaks on Treasury Market Functioning	Vice-Chair of the Board of Governors				
13:00	Thomas Barkin Speaks to the CFA Society Baltimore	President of the Federal Reserve Bank of Richmond				

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
EUROPE								
France	Retail Sales ex-Auto	m/m	Jul	0.8%	0.4%		*	Equity and bond neutral
UK	Public Finances (PSNCR)	m/m	Aug	10.0b	-26.8b		*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	Aug	18.3b	2.0b	15.5b	*	Equity and bond neutral
	PSNB ex Banking Groups	m/m	Aug	18.3b	2.0b		**	Equity and bond neutral
AMERICAS								
Mexico	Retail Sales	y/y	Jul	1.8%	2.9%	2.1%	***	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)	399	400	-1	Up
U.S. Sibor/OIS spread (bps)	404	403	1	Up
U.S. Libor/OIS spread (bps)	401	401	0	Up
10-yr T-note (%)	4.93	4.95	-0.02	Down
Euribor/OIS spread (bps)	262	262	0	Up
Currencies	**3 Mo**			
Dollar	Down	US		Down
Euro	Up	Euro		Up
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	$98.65	$100.34	-1.68%	
WTI	$93.60	$95.78	-2.28%	
Natural Gas	$2.84	$2.84	0.21%	
Crack Spread	$70.27	$69.83	0.63%	
12-mo strip crack	$55.43	$56.03	-1.07%	
Ethanol rack	$2.32	$2.32	0.03%	
Metals				
Gold	$4,318.79	$4,343.43	-0.57%	
Silver	$65.48	$66.03	-0.83%	
Copper Contract	$685.20	$676.25	1.32%	
Grains				
Corn contract	$539.25	$543.00	-0.69%	
Wheat contract	$717.00	$726.75	-1.34%	
Soybeans contract	$1,320.75	$1,328.00	-0.55%	
Shipping				
Baltic Dry Freight	3,399	3,370	29	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-0.60		
Gasoline (mb)		0.53		
Distillates (mb)		0.11		
Refinery run rates (%)		-0.75%		
Natural gas (bcf)		53		

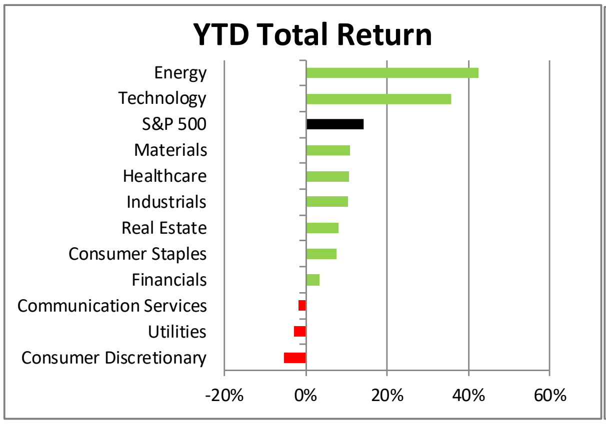
Weather

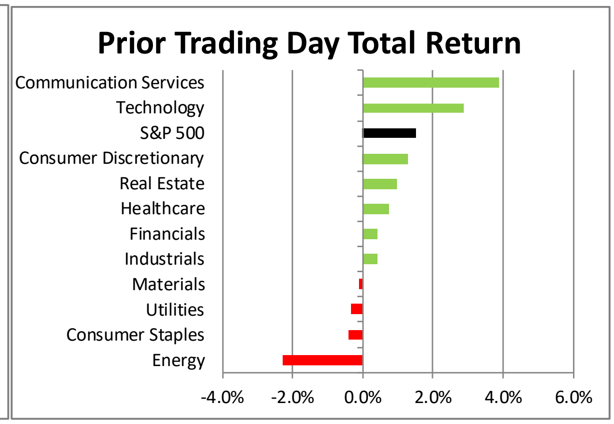
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with cooler temps in the New England region. The outlook calls for wetter-than-normal conditions in most states, with dry conditions expected in the Great Lakes.

There are two tropical disturbances forming in the Atlantic Ocean. The first, Tropical Storm Faye, remains deep over the open ocean, far from land. The other formation is off the coast of West Africa and has a 30% chance of becoming a tropical cyclone within the next seven days.

Data Section

US Equity Markets – (as of 9/21/2026 close)

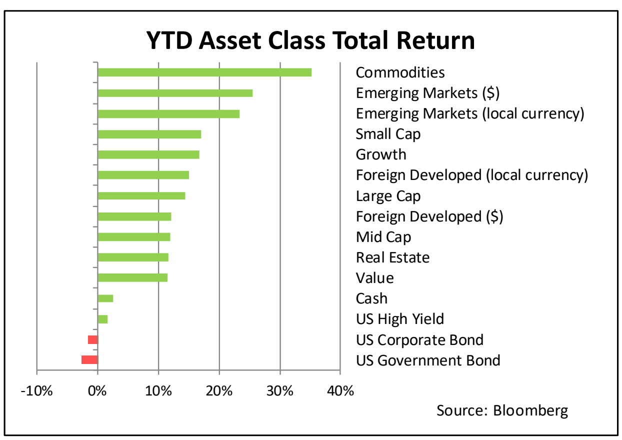




(Source: Bloomberg)

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 9/21/2026 close)

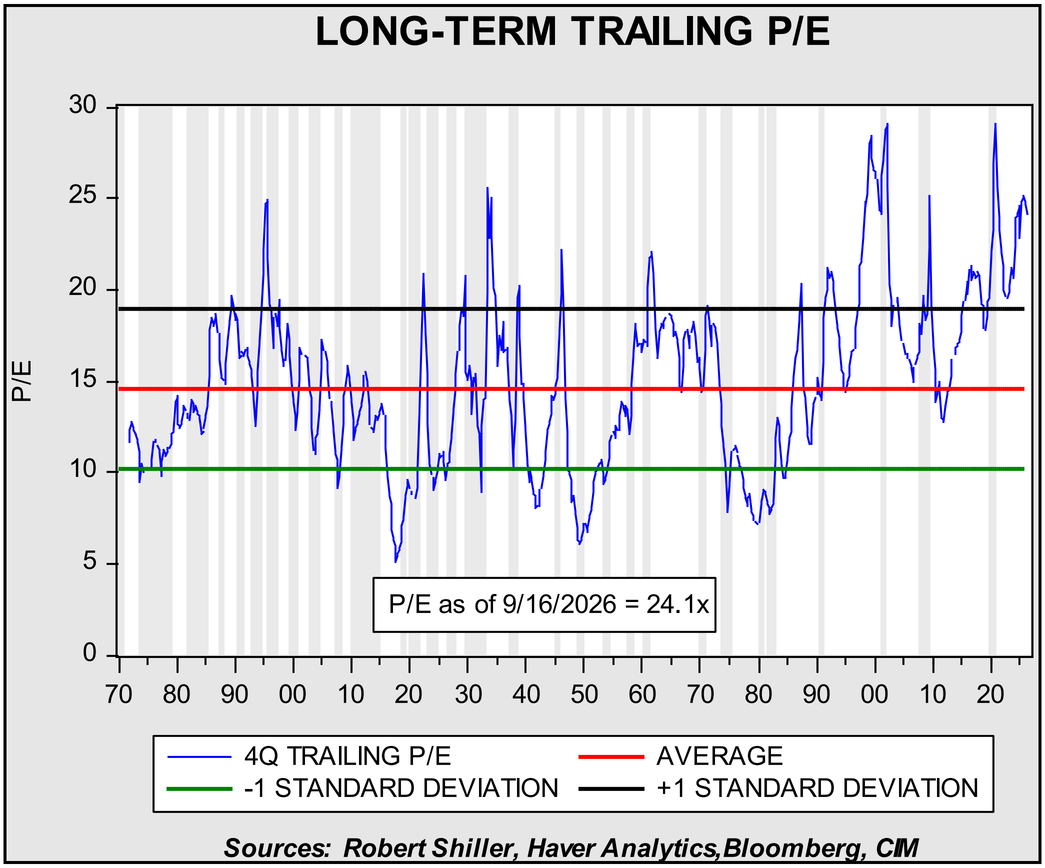


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 17, 2026



Based on our methodology,[1] the current P/E is 24.1x, unchanged from the previous report. The stock price index and earnings were little changed from the previous 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.

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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.