Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: September 25, 2026 — 9:30 AM ET] Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 0.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.2%. Chinese markets are closed today for the Mid-Autumn Festival. US equity index futures are signaling a 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.

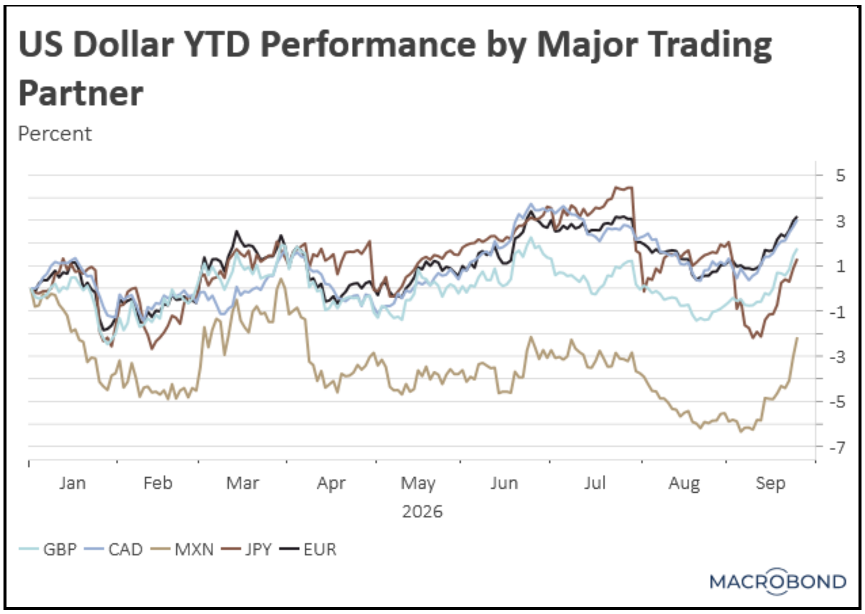
Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
"I Miss Recessions" (9/14/26) + podcast	"Breaking the Bond Fever!" (9/21/26)	Q3 2026 Report Q3 2026 Rebalance Presentation	**Business Cycle Report** Confluence of Ideas Podcast

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* opens with our thoughts on renewed speculation regarding potential currency market intervention. We then turn to the energy sector, examining recent calls to rein in high diesel prices. Next, we briefly cover the deployment of additional US troops to Europe, the Fed's efforts to pave the way for stablecoin issuers, and a sign of cooling tensions between the US and China. As always, we conclude with a review of recent domestic and international economic data.

Yen Value: The Japanese yen is facing upward pressure following comments from Prime Minister Sanae Takaichi. On Friday, Takaichi stated that she discussed the weakness of the yen with President Trump, calling its current valuation against the dollar problematic. Her comments prompted speculation about potential foreign exchange market intervention. The discussion highlights the broader push from the two countries to ensure that speculators do not have a disproportionate impact on the value of the currency.

- Prime Minister Takaichi's discussion with President Trump took place on the sidelines of the UN General Assembly. During the meeting, the two leaders addressed concerns regarding sharp exchange rate volatility and reaffirmed their commitment to maintaining orderly foreign exchange markets. Their remarks appear to reference joint efforts by the Japanese Ministry of Finance and the US Treasury Department to support the yen in late July following its steep decline in the days leading up to the action.
- The decision to coordinate efforts stems from growing concern over the policy divergence between the two nations' central banks. Although both institutions raised rates at their latest meetings, the Bank of Japan's decision was split, whereas the Federal Reserve's vote was unanimous. This split has driven a rally in the US dollar as investors expect the Fed to remain more committed to rate hikes than its Japanese counterpart.



- Following the Federal Reserve's decision last week, the US dollar strengthened against the currencies of its major trading partners. The rally was driven largely by a distinctly more hawkish shift in the Fed's dots plot, with an overwhelming majority of FOMC participants signaling support for at least one additional rate increase this year. Fed Chair Kevin Warsh attributed the shift to improving momentum in the US economy, which he said is making it increasingly difficult for the central bank to reach its 2% inflation target.
- Potential intervention in the yen will likely impact the US dollar's exchange rate, but the effect is expected to be short-lived. While open-market currency purchases may deter speculative trading in the near term, they will not alter the fundamental drivers of monetary policy and growth expectations. Consequently, any coordinated intervention is unlikely to have a lasting impact on the dollar over the long term.

Diesel Problems: The White House is being pressured to put export controls in place to help keep diesel prices down. While the move has been dismissed, it has raised concern among US suppliers as well as foreign buyers of American diesel. The potential controls come as the White

House looks to prevent rising fuel prices that would lead to an increase in prices in other parts of the economy.

- Initial reports indicated that the White House was considering export controls lasting up to 90 days. Despite its denial, reports suggest the administration is assessing the potential consequences of imposing the restrictions, particularly during the harvest season. There are concerns that while there may be short-term benefits, it could also have a long-term impact on refiners, as it could lead to oversupply due to a lack of storage, which would slow refining capacity and could worsen the problem for gasoline and jet fuel prices.
- Additionally, there also appears to be pushback from foreign buyers. A ban on American diesel exports could lead to a spike in global prices. The EU has been the most vocal in its opposition as it has relied heavily on US fuel since the war broke out in the Middle East. Canada is also expected to be vulnerable as it also relies heavily on American diesel for its energy needs.
- The rise in fuel costs remains a key issue heading into the autumn season. Farmers who rely on fuel for the machinery used to harvest fall crops have expressed deep concern over soaring input costs. Additionally, there are growing worries that these farms may attempt to compensate for higher expenses by raising crop prices, further fueling inflationary pressures.
- The White House is working hard to contain fuel prices, but it has few good options. So far, the proposal being floated for an export ban seems to lack momentum, which may force the administration to seek alternative measures to rein in diesel prices. If successful, lower fuel costs could help alleviate inflationary pressures driven by high input expenses.

US Troop Expansion: The United States is close to reaching a deal with Poland to establish a military base that would station 10,000 troops, an increase from the 7,000 currently deployed in the country. The move aims to bolster the US presence in Eastern Europe amid growing concerns that Russia could expand its conflict beyond Ukraine. Reports also indicate that Estonia and Lithuania are set to receive additional military deployments.

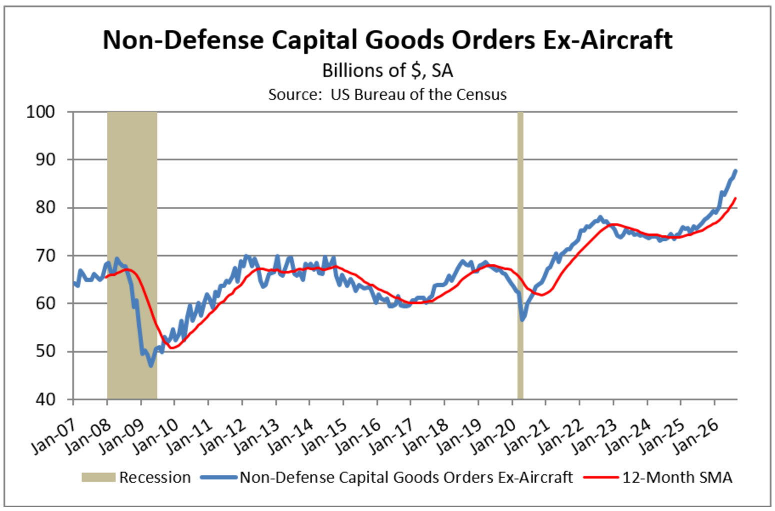
Stablecoins: The Federal Reserve is moving closer to establishing a regulatory framework for stablecoins. On Thursday, the central bank released a proposal governing the issuance of these asset-backed cryptocurrencies. Under the plan, stablecoin issuers would be required to back all circulating tokens with high-quality reserve assets, such as short-term US Treasurys and cash equivalents. The framework would also set capital requirements and outline an application process for institutions seeking to issue digital assets.

Panda Diplomacy: China has announced plans to send two pandas to Zoo Atlanta. China typically loans these animals as a gesture of goodwill to ease bilateral tensions. The move signals that China and the US are adopting a softer stance as they collaborate on trade and artificial intelligence. While this does not ensure an imminent agreement, it suggests that the pathway toward a deal is becoming clearer.

US Economic Releases

August ***durable goods orders*** were unchanged on a seasonally adjusted basis, beating their expected 0.3% decline but still much weaker than their revised 0.9% jump in July. Of course, durable goods orders are often driven by transport equipment, where just a few airliner orders can have a big impact. August ***durable goods orders excluding transport*** rose 0.3%, but that was still short of their anticipated rise of 0.6% and their revised July gain of 0.7%. Finally, the durable goods report also includes a key proxy for corporate capital investment. In August, nondefense capital goods orders ex-aircraft jumped 1.6%, smashing expectations that they would only match their revised July rise of 0.6%.

Compared with the same month one year earlier, overall durable goods orders in August were up 8.4%, while durable orders ex-transport were up 11.9%. 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. The chart below shows the progression of nondefense capital goods orders ex-aircraft since just before the previous recession.



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	U. of Michigan Consumer Sentiment	m/m	Sep F	47.5	47.8	***
10:00	U. of Michigan Current Conditions	m/m	Sep F	50.5	50.9	**
10:00	U. of Michigan Future Expectations	m/m	Sep F	45.7	45.8	**
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Sep F	4.7%	4.6%	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Sep F	3.4%	3.4%	*
11:00	Kansas City Fed Manfacturing Index	m/m	Sep	-1	-3	*
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
17:00	John Williams Participates in Policy Panel	President of the Federal Reserve Bank of New York				
16:00	Jeffrey Schmid Partiipates in Fireside Chat	President of the Federal Reserve Bank of Kansas City				
14:30	Beth Hammack Participates in Policy Panel Discussion	President of the Federal Reserve Bank of Cleveland				

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	Nationwide Dept Sales	y/y	Aug F	2.6%	5.1%		**	Equity and bond neutral
India	Foreign Exchange Reserves	w/w	18-Sep	$765.9b	$780.8b		*	Equity and bond neutral
EUROPE								
Eurozone	M3 Money Supply	y/y	Aug	3.5%	3.4%	3.5%	***	Equity and bond neutral
Germany	GfK Consumer Confidence	m/m	Oct	-30.6	-26.8	-27.2	**	Equity bearish, bond bullish
UK	GfK Consumer Confidence	m/m	Sep	-13	-14	-16	***	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	18-Sep	$748.2b	$758.2b		***	Equity and bond neutral
	Money Supply, Narrow Definition	w/w	18-Sep	22.84t	22.73t		*	Equity and bond neutral
AMERICAS								
Canada	Retail Sales	m/m	Jul	-0.7%	0.6%	-0.8%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Jul	-0.7%	0.5%	-0.5%	**	Equity and bond neutral
Mexico	Unemployment Rate NSA	m/m	Aug	3.01%	2.90%	3.00%	***	Equity and bond neutral
Brazil	IBGE Inflation IPCA-15	m/m	Sep	4.47%	4.24%	4.32%	***	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)	406	408	-2	Up
U.S. Sibor/OIS spread (bps)	408	408	0	Up
U.S. Libor/OIS spread (bps)	406	406	0	Up
10-yr T-note (%)	5.17	5.20	-0.03	Up
Euribor/OIS spread (bps)	261	262	-1	Up
Currencies	**3 Mo**			
Dollar	Down	US		Down
Euro	Up	Euro		Up
Yen	Down	Japan		Up
Pound	Up	UK		Up
Franc	Down	Switzerland		Down
Central Bank Action		**Prior**	**Expected**	
Bank of Mexico Overnight Rate	6.50%	6.50%	6.50%	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	$104.91	$106.60	-1.59%	
WTI	$92.41	$94.61	-2.33%	
Natural Gas	$3.16	$3.30	-4.25%	Demand Pessimism, Supply Optimism
Crack Spread	$61.50	$61.96	-0.73%	
12-mo strip crack	$55.14	$55.83	-1.23%	
Ethanol rack	$2.32	$2.32	0.00%	
Metals				
Gold	$4,305.00	$4,275.03	0.70%	
Silver	$64.81	$63.80	1.60%	
Copper Contract	$679.00	$679.00	0.00%	
Grains				
Corn contract	$517.50	$527.50	-1.90%	
Wheat contract	$690.00	$707.00	-2.40%	
Soybeans contract	$1,305.50	$1,317.50	-0.91%	
Shipping				
Baltic Dry Freight	3,473	3,430	43	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)	2.97	-0.69	3.66	
Gasoline (mb)	-1.69	0.50	-2.19	
Distillates (mb)	-0.43	-0.68	0.25	
Refinery run rates (%)	-2.80	-0.70%	-2.79	
Natural gas (bcf)	53	51	2	

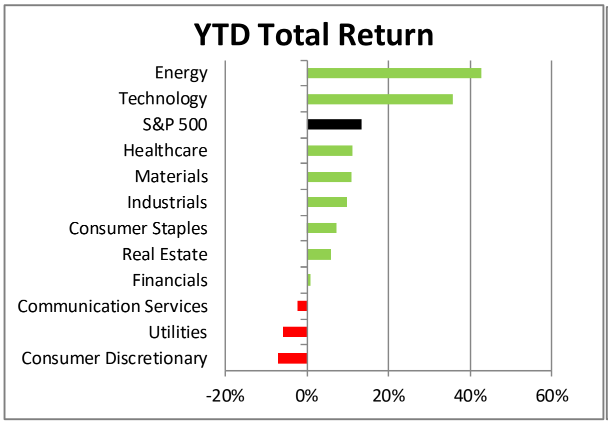
Weather

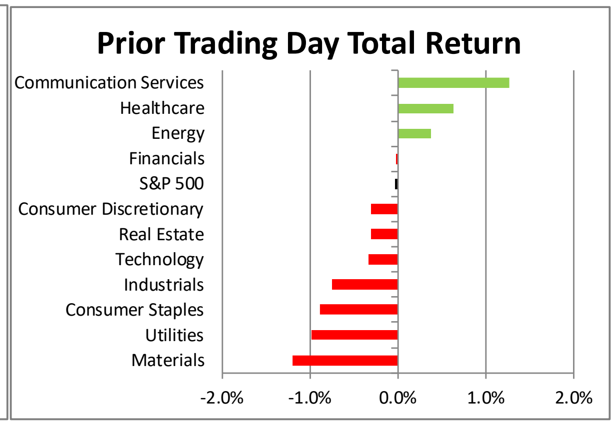
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere but the northern and central Great Plains, where temps will be near normal. The outlook calls for wetter-than-normal conditions in Texas, Louisiana, and all points from the Mississippi River to the East Coast, with dry conditions in the northern Rocky Mountains.

Tropical Storm Fay today is still traveling westward through the central Atlantic toward the Caribbean Sea. The tropical disturbance off the western coast of West Africa has now become Tropical Storm Gonzalo, and it is traveling northwestward toward the central Atlantic.

Data Section

US Equity Markets – (as of 9/24/2026 close)

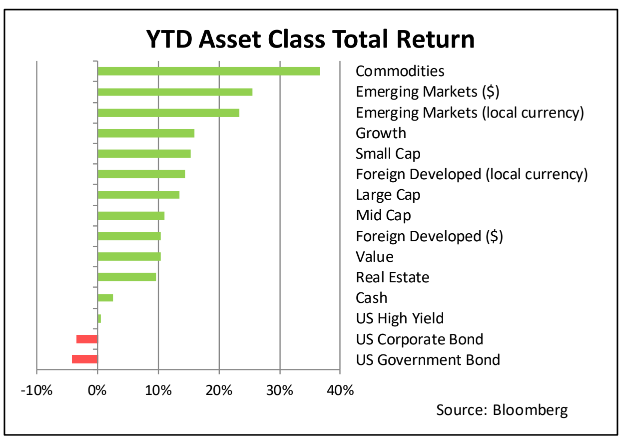




(Source: Bloomberg)

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 9/24/2026 close)

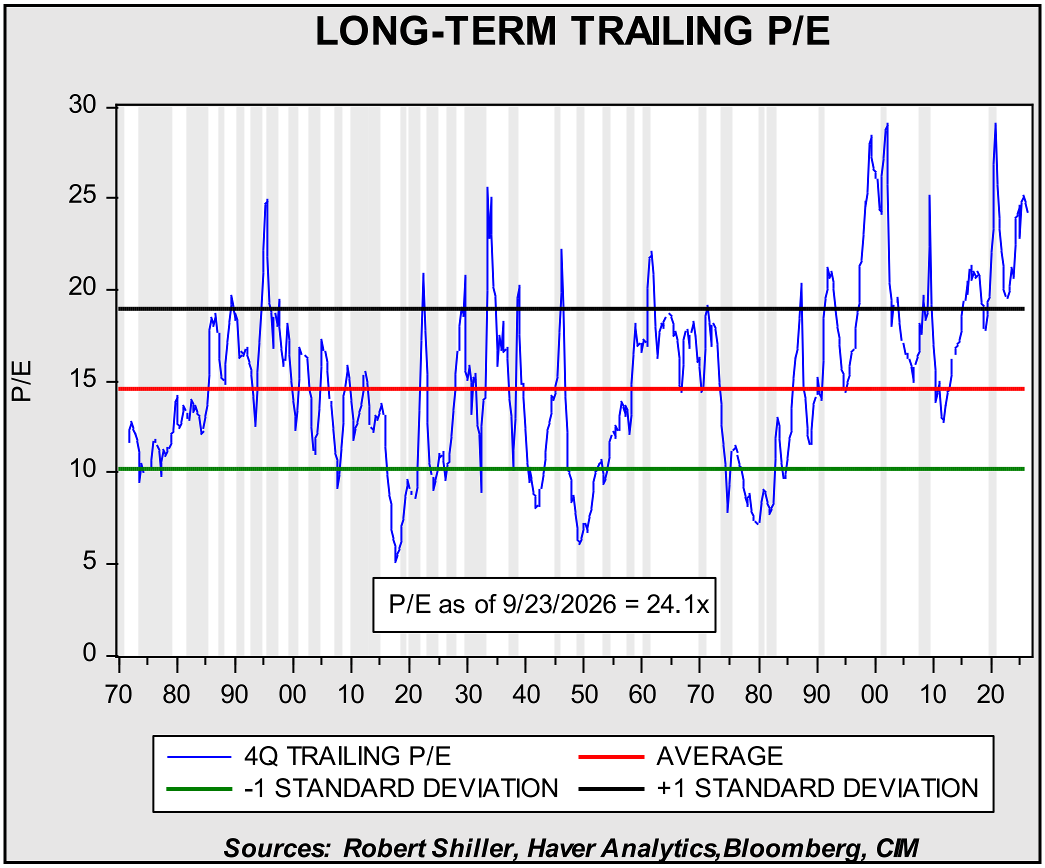


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 24, 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.

[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.