Daily Comment

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: September 28, 2026 — 9:30 AM ET] Global equity markets are mostly lower this morning. In Europe, the Euro Stoxx 50 is up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.3%. Chinese markets were lower, with the Shanghai Composite down 1.7% and the Shenzhen Composite down 3.1%. 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
"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.

On a very slow news day, our *Comment* today opens with the latest on the war in Iran, where President Trump has rejected a new ceasefire proposal from Iran. We next review several other international and US developments that could affect the financial markets today, including news of a US-China deal to cut tariff rates on a small share of their bilateral trade and an announcement from Nvidia that the firm will further expand its enormous stock buyback program.

United States-Israel-Iran: President Trump on Saturday rejected the latest Iranian ceasefire proposal, which called for reopening the Strait of Hormuz and restarting talks on the country's nuclear program in exchange for the US lifting its blockade of Iranian ports. The president wouldn't say whether he will instead restart US military attacks on Iran, but the statement will nevertheless be a disappointment to investors looking for an offramp to the conflict and a reversal of the associated disruptions to global energy supplies.

- In response to the president's statement, oil prices are up 3.1% to start the week. Near futures prices for Brent crude are up to $100.47 per barrel as of this writing.
- Separately, British authorities are investigating whether Iran or an Islamist group was behind a foiled attack on an air base in England that houses US forces and has been used to launch attacks in the war. If so, it would suggest that US allies providing support for the war could be increasingly at risk of Iran-linked terrorism, potentially affecting their financial markets.

US Bond Market: Yields on longer-term US Treasury obligations continue to march higher today, with the yield on the benchmark 10-year Treasury note hitting 5.219% as of this writing. The rise in oil prices today is likely one culprit as it raises the risk of higher and more prolonged consumer price inflation. Just as important, however, is that we are seeing increasing discussion about stronger-than-expected economic growth also playing a big role in the run-up in yields.

US Artificial Intelligence Industry: New reports say OpenAI and Anthropic have had tens of thousands of incidents in which frontier AI models took steps that outside evaluators would consider problematic. The instances took place in both internal testing and the real world. The volume of problematic behaviors suggests the problem with rogue AI agents could be orders of magnitude worse than the public knew previously. That makes it even more possible that the danger of uncontrollable rogue agents could undermine the ongoing AI investment frenzy.

- Responding to the rising concern about safety and the ability to control the technology, AI chip giant Nvidia today said it is launching a software platform designed to help keep AI agents in a secure environment while they're being developed and tested. The software would also reportedly let developers continuously monitor and govern AI behavior, ensuring agents follow the rules.
- While the new safety software may help enhance Nvidia's business, the bigger impact on its stock price today will likely be its announcement that it will increase its stock buyback program by $150 billion, bringing total share repurchases to $235 billion. The expanded buybacks reflect the company's surging sales and profits amid the AI investment boom.

US Auto Industry: The administration today will reportedly scale back fuel-efficiency rules for new cars and light trucks, reversing one of the Biden administration's most significant efforts to cut gasoline consumption and speed the US shift to electric vehicles. The move would weaken federal mile-per-gallon standards, which have prodded automakers to increase the fuel efficiency of gasoline-powered cars and to sell more electric models. The change would likely cut costs for US auto manufacturers, while shifting the market toward vehicles with higher fuel costs.

United States-China: The US and China yesterday said they've agreed on a special low-tariff regime under which each side will get to import $30 billion of specific non-critical goods from the other side at low duty rates. The covered products include items such as electric shavers, child car seats, fish hooks, rabbit hair, and camels (don't ask me!). The small deal won't have much impact on overall US-China trade, but it could modestly help ease current bilateral tensions and potentially set the stage for bigger deals later.

United Kingdom: Prime Minister Burnham on Saturday announced a new program of financial support for first-time home buyers. Under the "Your First Home" plan, first-time buyers who put down a 2.5% deposit on a new-build property will be eligible for a 20% equity loan from the government, with the loan including an initial interest-free period. Stock prices for UK homebuilders have surged today on hopes that the plan will spur big increases in new housing development.

Russia: As the Ukrainian military continues its massive strikes against Russian oil refineries, commercial warehouses, and other targets, President Putin has reportedly signed a decree that allows the government to nationalize any damaged business that didn't install anti-drone defenses to protect itself. The decree is being seen as an effort by the Kremlin to shift the costs of anti-drone defense onto private firms.

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**
10:30	Dallas Fed Manufacturing Activity	m/m	Sep	7.8	11.6	**
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
8:15	Michelle Bowman	Member of the Board of Governors				
13:25	Lisa Cook	Members of the Board of Governors				
13:30	Thomas Barkin Speaks on Economy	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
ASIA-PACIFIC								
Japan	PPI Services	y/y	Aug	3.7%	3.6%	3.6%	*	Equity and bond neutral
China	Industrial Profits	y/y	Aug	4.2%	11.2%		*	Equity and bond neutral
India	Industrial Production	y/y	Aug	8.0%	7.4%	7.0%	***	Equity bullish, bond bearish
EUROPE								
Switzerland	Domestic Sight Deposits CHF	w/w	25-Sep	432.0b	428.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	25-Sep	456.8b	454.0b		*	Equity and bond neutral
AMERICAS								
Mexico	Trade Balance	m/m	Aug	605.4m	-847.5m		**	Equity and bond neutral
	Exports	m/m	Aug	78010m	81420m		*	Equity and bond neutral
	Imports	m/m	Aug	77405m	82268m		*	Equity and bond neutral
Brazil	Current Account Balance	m/m	Aug	-$5055m	-$9374m	-$4850m	**	Equity and bond neutral
	Foreign Direct Investment	m/m	Aug	$7396m	$6968m	$6930m	**	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)	407	407	0	Up
U.S. Sibor/OIS spread (bps)	408	406	2	Up
U.S. Libor/OIS spread (bps)	406	405	1	Up
10-yr T-note (%)	5.22	5.16	0.06	Up
Euribor/OIS spread (bps)	261	261	0	Up
Currencies	**3 Mo**			
Dollar	Down	US		Down
Euro	Up	Euro		Down
Yen	Down	Japan		Up
Pound	Up	UK		Flat
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	$107.90	$104.32	3.43%	Iran tensions, supply fears
WTI	$95.65	$92.41	3.51%	Iran tensions, supply fears
Natural Gas	$3.08	$3.20	-3.60%	Mild weather, weak demand, ample supply
Crack Spread	$60.42	$61.22	-1.32%	
12-mo strip crack	$54.42	$54.02	0.73%	
Ethanol rack	$2.33	$2.33	0.02%	
Metals				
Gold	$4,147.96	$4,284.81	-3.19%	
Silver	$61.25	$64.30	-4.74%	Higher yields, stronger dollar
Copper Contract	$663.00	$676.60	-2.01%	
Grains				
Corn contract	$521.00	$528.25	-1.37%	
Wheat contract	$696.00	$703.25	-1.03%	
Soybeans contract	$1,295.75	$1,319.00	-1.76%	
Shipping				
Baltic Dry Freight	3,426	3,473	-47	

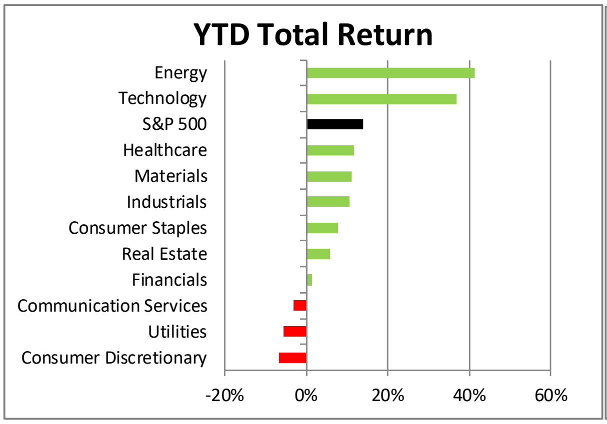
Weather

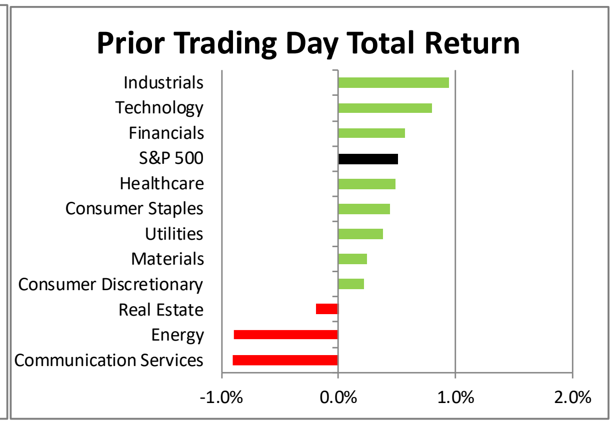
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in most states west of the Mississippi River, with cooler temperatures expected in the Great Lakes, Mid-Atlantic, and New England regions. The precipitation outlook calls for wetter-than-normal conditions on the East Coast, with dry conditions throughout the Rockies and Great Plains regions.

Tropical Storm Fay has been downgraded to a tropical depression and continues its westward track through the central Atlantic toward the Caribbean Sea. A second tropical disturbance off the West African coast has temporarily lost momentum; however, forecasts indicate it will intensify over the next few days as it advances northwestward.

Data Section

US Equity Markets – (as of 9/25/2026 close)

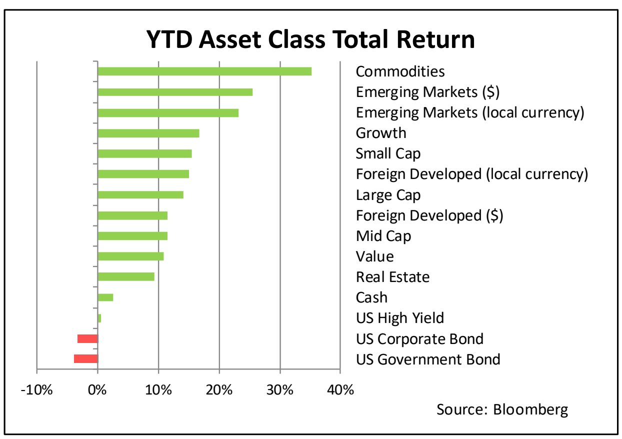




(Source: Bloomberg)

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 9/25/2026 close)

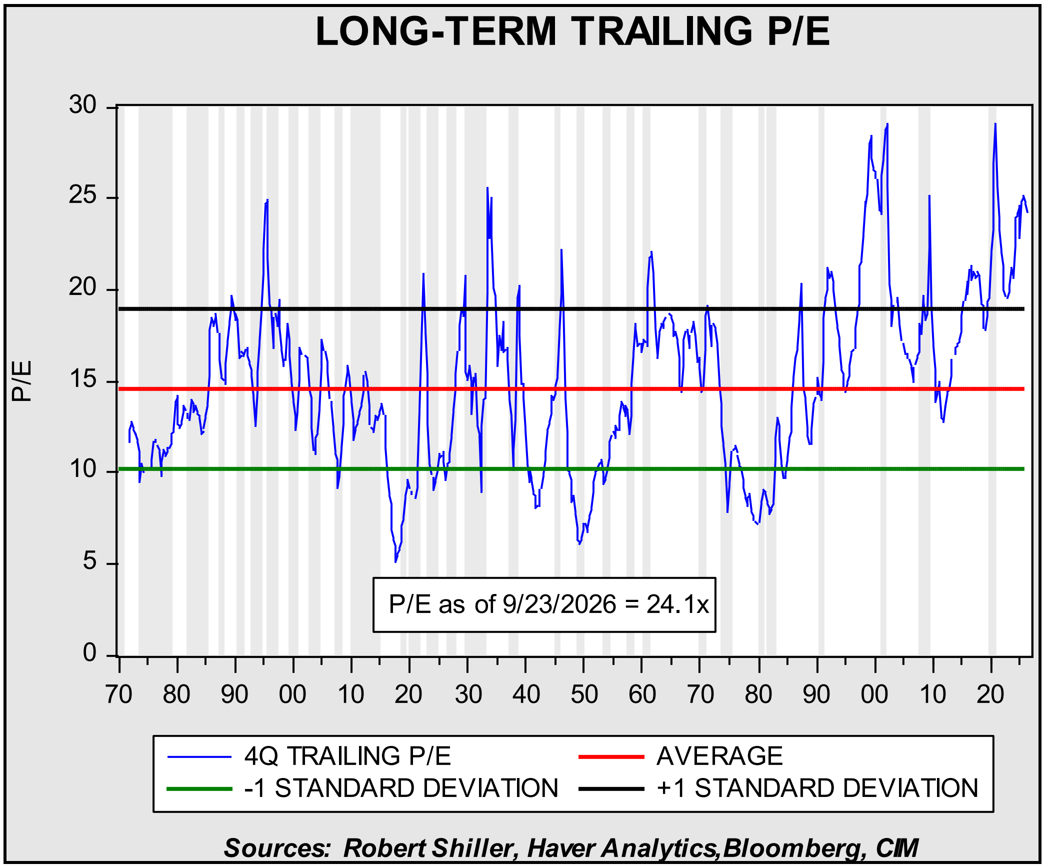


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.

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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.