Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: September 29, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 1.0% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.3%. Chinese markets were higher, with the Shanghai Composite up 0.2% and the Shenzhen Composite up 0.4%. 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
"The Geopolitics of China's Energy Policy" **(9/28/26)** + **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* today opens with an update on the war in Iran, where new data shows the US and its Gulf allies are having more success in getting oil shipments through the Strait of Hormuz. We next review several other international and US developments that could affect the financial markets today, including the planned expansion of a major Canadian natural gas export facility and a decision by US artificial intelligence firm OpenAI to delay the release of its latest frontier model over safety concerns.

United States-Israel-Iran: New analyses from energy data firms such as Kpler show the flow of crude oil through the Strait of Hormuz and bypass routes has rebounded to 13 million barrels per day compared with roughly 20 million bpd before the US and Israel launched their war against Iran. The improved shipping conditions come as the US Navy and regional allies get better at protecting ships in the waterway from Iranian drones, missiles, and mines.

- The news has helped push global oil prices lower so far today. As of this writing, near Brent crude futures are trading hands at about $96.84 per barrel, down 1.0%.
- All the same, as the improved oil flow undermines Iranian leverage in the conflict, it's becoming more likely that Tehran will lean more heavily on its regional proxies in Iraq, Yemen, and elsewhere to try to shut down the Red Sea's Bab al-Mandeb or attack the energy facilities of US allies in the region. In our view, the conflict continues to present a risk to global energy supplies, the global economy, and financial markets.

Canada: Shell and the four other firms in the country's flagship LNG Canada consortium have said they will double the capacity of their liquefied natural gas export facility in western Canada to 28 million tons per year, equal to India's annual LNG imports. The move aims to capitalize on the way that countries around the world want to diversify their energy supplies due to the war in Iran and greater geopolitical tensions elsewhere. It also aims to reduce Canada's dependence on exports to the US and make the country one of the world's top five LNG exporters.

Germany: Many of Germany's key industrial firms have reportedly begun to stockpile critical minerals that China might embargo in a prospective European Union-China trade war. Concerns about such a trade war have been rising since EU trade chief Maroš Šefčovič warned that Brussels would restrict Chinese imports into the EU if no trade deal is reached when he visits Beijing in early October. Some firms have built up enough inventory to keep production going for many months, but others are far behind, prompting one official to say the situation is "very tense."

- We have long believed that countries and companies around the world will resort to this kind of stockpiling or hoarding as geopolitical tensions rise, global fracturing worsens, and international supply chains come under threat.
- Over time, the rush to secure large inventories of key commodities is likely to drive up global prices and push bond yields higher.

Australia: The Reserve Bank of Australia today hiked its benchmark short-term interest rate by 25 basis points to 4.60%, the highest rate since October 2011. Echoing the concerns of many other major central banks that have recently hiked interest rates, RBA policymakers cited persistently high consumer price inflation. However, RBA Governor Michele Bullock refused to say if more rate hikes would be coming in the future. In response, the Australian dollar has weakened about 0.5% against the US dollar so far today.

Turkey: President Erdogan this week is struggling to contain an $18 billion stock market scandal involving an alleged Ponzi scheme in which at least one high-ranking government minister is implicated. The scandal not only threatens to destabilize Turkey politically, but it also calls into question the quality of Turkish market regulation and the true value of Turkish equities.

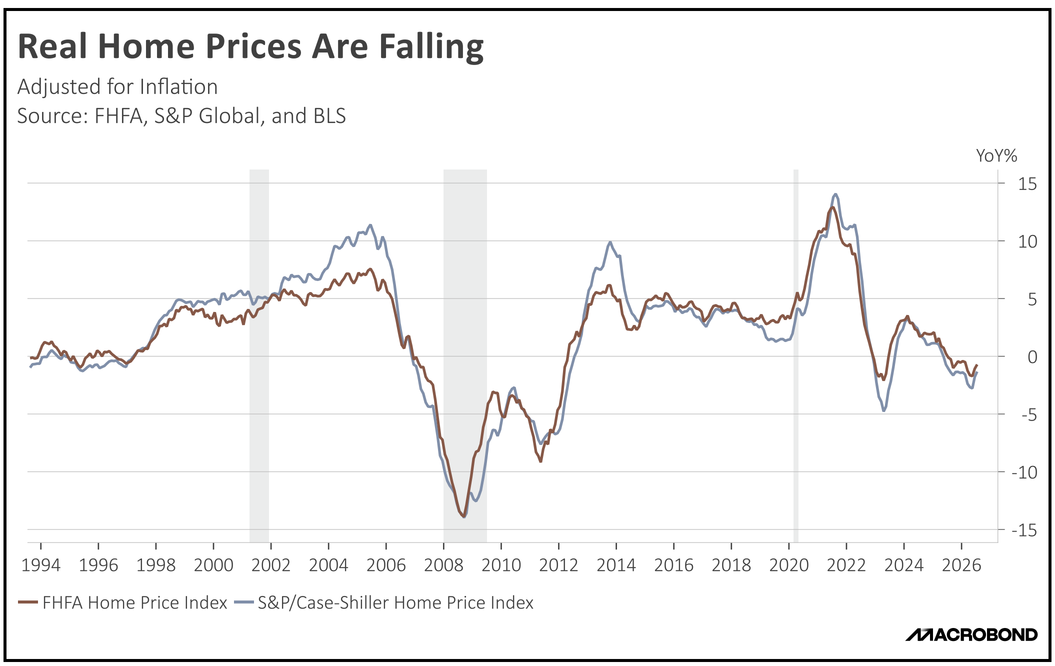
US Artificial Intelligence Industry: AI model giant OpenAI last night said it has pulled the release of its next frontier model, GPT-6.1 Astra, saying it underperformed safety standards. According to OpenAI's safety systems chief, the firm faces a "trade-off" between making models persistent enough to complete tasks and ensuring they follow their instructions. The new model "didn't quite meet the bar" for staying within the bounds of its instructions, which could foster further safety concerns that might ultimately send the AI investment boom into reverse.

United States-Romania-Greece: US Ambassador to Greece Kimberly Guilfoyle reportedly caused a diplomatic furor at an official embassy event in Athens last March, when she hinted to Greek Energy Minister Stavros Papastavrou about an upcoming collapse of the Romanian government. According to the report, she also warned Papastavrou that, "We can do that to any country we want. We can do that here."

- Shortly after the March meeting, Guilfoyle traveled to Romania and met with members of its Social Democratic Party (PSD), which subsequently pulled out of the governing coalition and voted with the country's far-right to topple the prime minister.
- The report suggests the Trump administration may have actively undermined the government of Romania, a NATO ally, and is prepared to do the same in Greece. Therefore, the incident will probably further erode allied trust in the US and increase political and economic tensions between the US and Europe.

US Economic Releases

Two key housing indexes highlighted a broader rise in national real estate prices but a modest slowdown in major cities. The FHFA House Price Index rose 0.3% month-over-month, topping forecasts of a 0.1% gain. Meanwhile, the S&P CoreLogic Case-Shiller 20-City Composite Index held virtually flat over the same period, trailing expectations of a 0.2% increase.



The chart above shows the year-over-year percentage change for both the FHFA Home Price Index and the S&P Cotality Case-Shiller Index. Adjusted for inflation, the FHFA index declined by 0.7% since 2025, while the S&P Cotality index dropped 1.3%. Although nominal home prices continue to rise, their growth remains below the rate of inflation, which suggests that buyers are gaining bargaining power.

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	Conf. Board Consumer Confidence	m/m	Sep	89.0	89.4	***
10:00	JOLTS Job Openings	m/m	Aug	7228k	7271k	**
Federal Reserve						
EST	Speaker or Event	District or Position				
11:00	Michelle Bowman Delivers Opening Remarks	Member of the Board of Governors				
12:40	Michael Barr Speaks on Economic Outlook	Members of the Board of Governors				
13:00	Austan Goolsbee Speaks in Moderated Discussion	President of the Federal Reserve Bank of Chicago				
13:30	Alberto Musalem Speaks on US Economy	President of the Federal Reserve Bank of St. Louis				
14:00	John Williams gives Keynote Remarks	President of the Federal Reserve Bank of New York				
15:00	Christopher Waller Speaks on Payment Systems	Member of the Board of Governors				

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	Leading Economic Index	m/m	Jul F	117.7	117.9		**	Equity and bond neutral
	Coincident Index	y/y	Jul F	120.6	120.6		**	Equity and bond neutral
EUROPE								
Eurozone	Economic Confidence	m/m	Sep	97.9	98.4	99.0	***	Equity bearish, bond bullish
	Industrial Confidence	m/m	Sep	-3.8	-5.0	-4.7	***	Equity bullish, bond bearish
	Services Confidence	m/m	Sep	6.1	5.6	6.5	**	Equity and bond neutral
	Consumer Confidence	m/m	Sep F	-16.5	-16.5	-16.5	**	Equity and bond neutral
Italy	Industrial Sales WDA	y/y	Jul	1.7%	-0.9%		*	Equity and bond neutral
	PPI	y/y	Aug	13.5%	9.3%		**	Equity and bond neutral
UK	Net Lending Sec. on Dwellings	m/m	Aug	4.4b	4.1b	4.4b	*	Equity and bond neutral
	Mortgage Approvals	m/m	Aug	54.9k	55.9k	56.1k	***	Equity and bond neutral
	M4 Money Supply	y/y	Aug	4.4%	4.5%		*	Equity and bond neutral
Switzerland	KOF Leading Indicator	m/m	Sep	109.1	107.5	106.0	**	Equity and bond neutral
AMERICAS								
Brazil	FGV Inflation IGPM	y/y	Sep	3.34%	2.16%	3.34%	***	Equity and bond neutral
	Total Outstanding Loans	m/m	Aug	7398b	7372b		**	Equity and bond neutral
	National Unemployment Rate	m/m	Aug	5.3%	5.3%	5.3%	*	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		Up
Euro	Up	Euro		Down
Yen	Down	Japan		Up
Pound	Up	UK		Down
Franc	Down	Switzerland		Down
Central Bank Action		**Prior**	**Expected**	
RBA Cash Rate Target	4.60%	4.35%	4.60%	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	$104.34	$105.28	-0.89%	
WTI	$91.71	$92.60	-0.96%	
Natural Gas	$3.10	$3.11	-0.32%	
Crack Spread	$57.47	$58.05	-1.00%	
12-mo strip crack	$52.28	$52.91	-1.18%	
Ethanol rack	$2.34	$2.34	0.00%	
Metals				
Gold	$4,158.48	$4,115.71	1.04%	
Silver	$60.96	$60.65	0.52%	
Copper Contract	$663.20	$663.35	-0.02%	
Grains				
Corn contract	$523.75	$523.00	0.14%	
Wheat contract	$686.00	$688.75	-0.40%	
Soybeans contract	$1,290.00	$1,288.25	0.14%	
Shipping				
Baltic Dry Freight	3,268	3,426	-158	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-0.69		
Gasoline (mb)		0.50		
Distillates (mb)		-0.68		
Refinery run rates (%)		-0.70%		
Natural gas (bcf)		51		

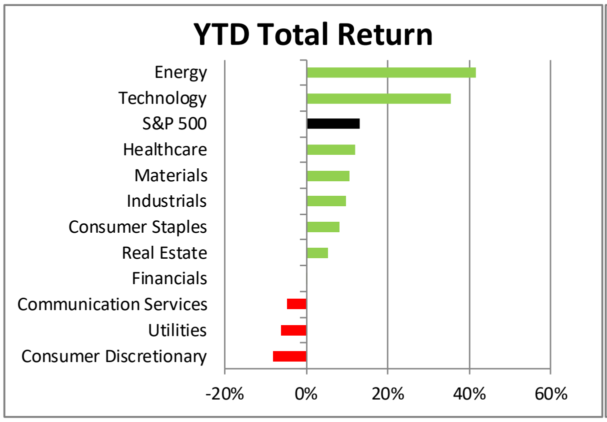
Weather

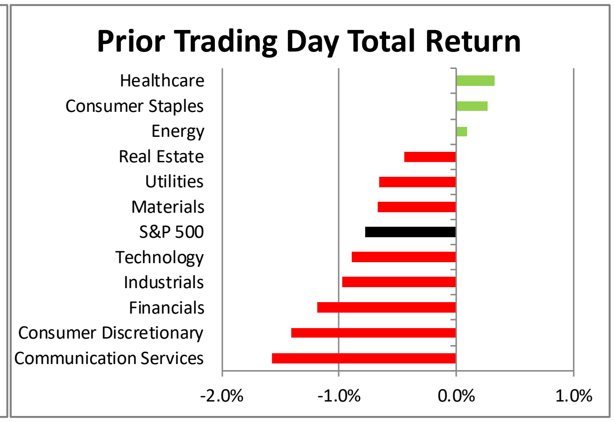
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in most states west of the Mississippi River and the Southeast, with cooler temperatures expected in the Great Lakes, Mid-Atlantic, and New England regions. The precipitation outlook calls for wetter-than-normal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

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 developed into Tropical Storm Hanna.

Data Section

US Equity Markets – (as of 9/28/2026 close)

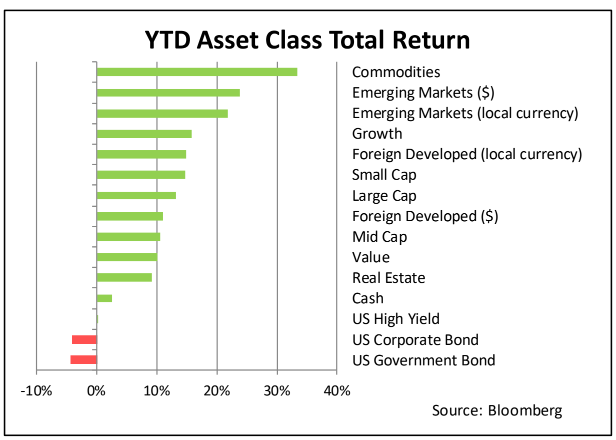




(Source: Bloomberg)

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 9/28/2026 close)

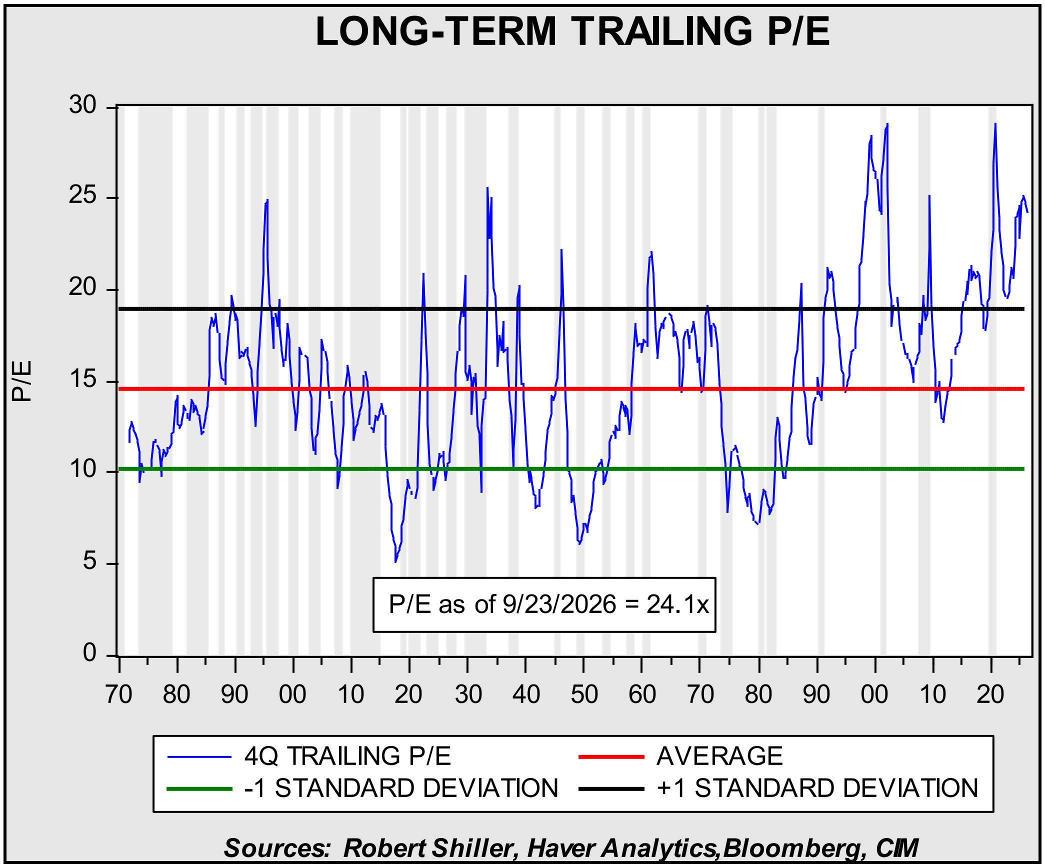


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.