Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: September 9, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 1.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.5%. Chinese markets were mixed, with the Shanghai Composite up 0.3% and the Shenzhen Composite essentially unchanged. 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* opens with takeaways from the latest escalation in US-Canada trade friction, before turning to recent geopolitical developments between the US and Iran. We then cover Treasury Secretary Bessent's announced intent to intervene in bond and currency markets, along with the EU's push for closer ties with Canada. As always, we include a summary of recent domestic and international economic data.

US-Canada Trade War: The US-Canada trade dispute escalated on Tuesday as both countries exchanged new trade restrictions. Canada moved first, imposing tariffs on US goods in response to duties that Washington had placed on Canadian imports two weeks earlier. The United States then threatened to block sales of its military aircraft and announced it was considering restrictions on certain dairy products and alcoholic beverages. That said, although tensions are rising, there are still few signs that this will have an impact on market momentum.

- The president's latest actions come amid heightened scrutiny of the US-Canada relationship, as he seeks to realign bilateral terms to better serve American interests. Earlier this week, he questioned the fairness of the Canadian exchange rate, characterizing it as imbalanced. He has also suggested that Bombardier may need to start building more of its jets in the US or risk losing market access to government contracts. The remarks show that US grievances with Canada are not solely based on trade.
- Prime Minister Mark Carney has responded to US actions by acknowledging that the trade dispute will probably hurt Canada's economy, but he is also pushing for alternative paths forward. His administration is reportedly exploring new free trade arrangements, possibly with the US and others, while accelerating infrastructure spending nationwide. While these steps are unlikely to resolve the issue in the long run, they are designed to soften the blow in the near term.
- The measures are unlikely to materially affect either economy, but the political fallout could be greater. Canada's tariffs may pressure US policymakers ahead of the midterms, particularly in swing states such as Maine and Wisconsin, while US tariffs target manufacturing hubs in Ontario, New Brunswick, and Quebec. Canada's retaliation could modestly weigh on the US economy, while US tariffs are likely to be a larger drag on Canadian growth. Even so, they are not expected to push Canada into recession.
- While the latest measures are unwelcome, their immediate market impact is likely to be limited because most US-Canada trade remains governed by the USMCA. The more important question is whether the dispute will spill over into other trade relationships, particularly as the United States prepares for talks with China. A broader rise in trade tensions could add to market volatility, but there is currently little evidence that this dispute is spreading beyond the bilateral relationship.

Iran Escalation: The conflict between the US and Iran has flared up once again, with both sides escalating retaliatory strikes. The US has launched missile attacks on Iranian oil tankers, while Tehran has responded by hitting US military positions in Jordan. The latest escalation comes amid a surge in Chinese oil purchases, fueling renewed concerns over supply-demand imbalances. While the heightened tensions could weigh on risk sentiment in the near term, little evidence remains to suggest that they pose a lasting threat to equity markets.

- The recent spat comes as the two sides fight for control over the strait. This renewed conflict has reversed much of the progress made in securing safe passage through the waterway, though many vessels still manage to transit by turning off their transponders. However, both countries have now begun targeting each other's oil tankers, complicating their ability to profit from sales and rendering the strait increasingly dangerous for maritime trade.
- China's pickup in purchases has heightened concerns over global oil supply. Until recently, China had slowed its buying and drawn down existing inventories, which helped ease upward pressure on prices. However, that trend reversed this month as oil shipments rose to 10 million barrels per day, up from the lows of 6 million barrels per day earlier

this summer. This resurgence in buying appears to be driven less by broad end-user demand and more by Chinese refiners moving to capitalize on attractive refining margins.

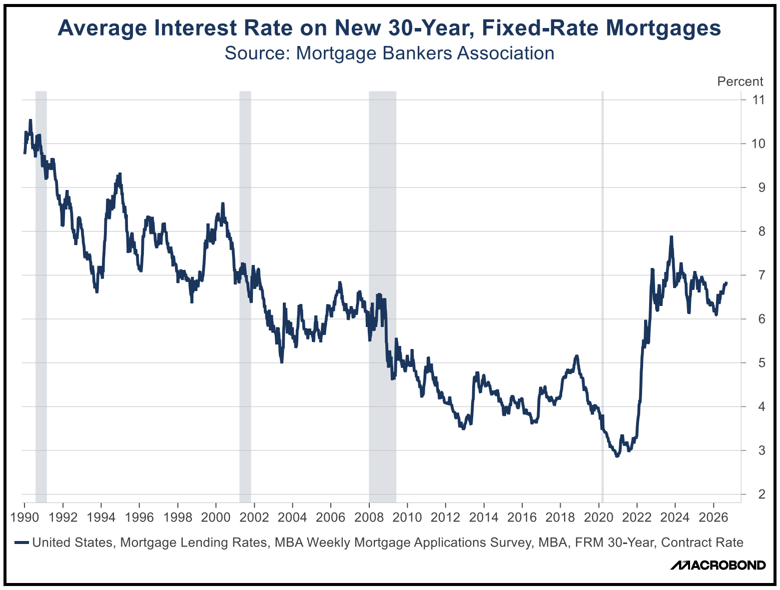
- Nevertheless, while oil prices are likely to remain elevated, there are still encouraging signs that consumer spending remains resilient. Much of this sustainability stems from households' access to available credit. In July, the increase in nonrevolving credit was the largest in three years; meanwhile, revolving credit growth slowed from the previous month but still posted a gain. This reliance on credit has helped sustain consumer purchasing power even as inflation has outpaced wage growth.
- The rise in oil prices, driven by conflict involving Iran and China's resumption of purchases, remains a key economic concern. However, higher energy costs alone are unlikely to derail household spending. As long as geopolitical tensions stay relatively contained, markets should recover from temporary drops in sentiment. For risk-averse investors, value stocks offer attractive potential due to their stronger fundamentals and lower volatility profile.

Bessent Steps In: US Treasury Secretary Scott Bessent made clear his readiness to intervene in order to prevent markets from spiraling out of control. On Tuesday, he stated that he is prepared to step into both bond and currency markets to deter speculators from triggering a sell-off. His actions come amid growing investor anxiety over rising fiscal spending in both the US and Japan. Collectively, these moves reinforce the perception that the government is becoming increasingly interventionist in the economy.

EU-Canada Alliance: The European Union and Canada are working to deepen security and trade ties as both look to reduce their economic dependence on China and the United States. European Commission President Ursula von der Leyen is expected to outline these plans during her State of the Union address on September 16, with Canadian Prime Minister Mark Carney in attendance. While there has been ongoing speculation about Canada establishing an EU-style partnership with the bloc, the practical mechanics of such a framework remain unclear.

US Economic Releases

The Mortgage Bankers Association said ***mortgage applications*** in the week ended September 4 fell 2.7%, wiping out their 0.8% gain in the previous week. Applications for home purchase mortgages edged down 0.2%, after climbing 2.2% the week before. Applications for refinancing mortgages plunged 6.2%, after falling 1.1% in the prior week and 2.0% in the week before that. The average interest rate on a 30-year, fixed-rate mortgage rose 6 basis points to 6.85%, helping explain the recent pullback in applications. The chart below shows how mortgage rates have changed over time.



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	Money Stock M2	y/y	Aug	2.0%	2.1%		**	Equity and bond neutral
	Money Stock M3	y/y	Aug	1.2%	1.3%		**	Equity and bond neutral
	Machine tool orders	y/y	Aug P	64.7%	50.4%		**	Equity and bond neutral
South Korea	Unemployment Rate	m/m	Aug	2.7%	2.8%	2.8%	***	Equity and bond neutral
China	PPI	y/y	Aug	3.8%	3.5%	3.6%	**	Equity and bond neutral
	CPI	y/y	Aug	0.8%	0.5%	0.9%	**	Equity and bond neutral
EUROPE								
France	Industrial Production	y/y	Jul	-0.5%	-0.1%	0.4%	***	Equity and bond neutral
	Manufacturing Production	y/y	Jul	-2.0%	-1.5%		**	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	4-Sep	$258035m	$258564m		*	Equity and bond neutral
Mexico	CPI	y/y	Aug	3.26%	3.12%	3.30%	***	Equity and bond neutral
	Core CPI	y/y	Aug	3.88%	3.95%	3.92%	**	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)	379	379	0	Up
U.S. Sibor/OIS spread (bps)	385	384	1	Up
U.S. Libor/OIS spread (bps)	382	382	0	Up
10-yr T-note (%)	4.81	4.79	0.02	Up
Euribor/OIS spread (bps)	264	267	-3	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	$100.75	$97.92	2.89%	
WTI	$95.37	$93.03	2.52%	
Natural Gas	$2.90	$2.92	-0.48%	
Crack Spread	$62.82	$61.43	2.25%	
12-mo strip crack	$54.86	$53.87	1.83%	
Ethanol rack	$2.21	$2.21	-0.01%	
Metals				
Gold	$4,404.06	$4,355.99	1.10%	
Silver	$66.39	$65.75	0.98%	
Copper Contract	$676.75	$682.35	-0.82%	
Grains				
Corn contract	$532.75	$533.50	-0.14%	
Wheat contract	$753.25	$747.00	0.84%	
Soybeans contract	$1,316.75	$1,316.25	0.04%	
Shipping				
Baltic Dry Freight	3,584	3,575	9	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-1.50		
Gasoline (mb)		-1.25		
Distillates (mb)		-0.40		
Refinery run rates (%)		-0.80%		
Natural gas (bcf)		31		

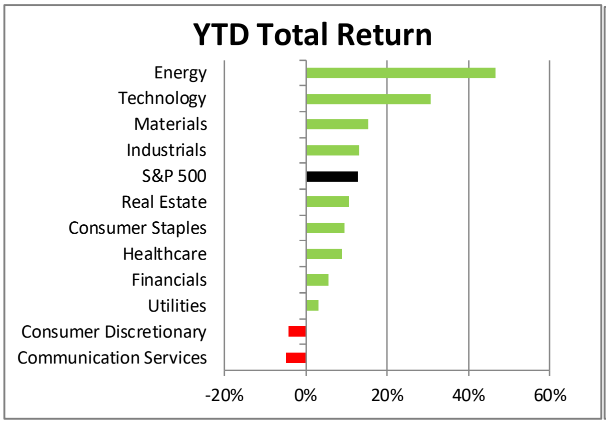
Weather

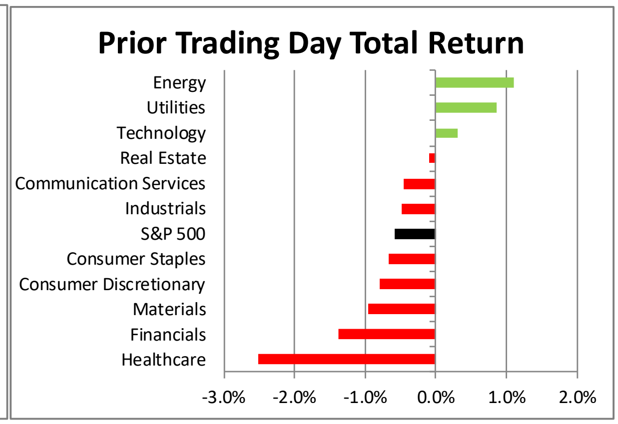
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the southern half of the country, with cooler-than-normal temps in the northern Great Plains and the Upper Midwest. The outlook calls for wetter-than-normal conditions in the Rocky Mountains, the Great Plains, and the Northeast, with dry conditions in the Pacific Northwest.

There are no atmospheric disturbances in the Atlantic area, and none are expected in the coming seven days.

Data Section

US Equity Markets – (as of 9/8/2026 close)

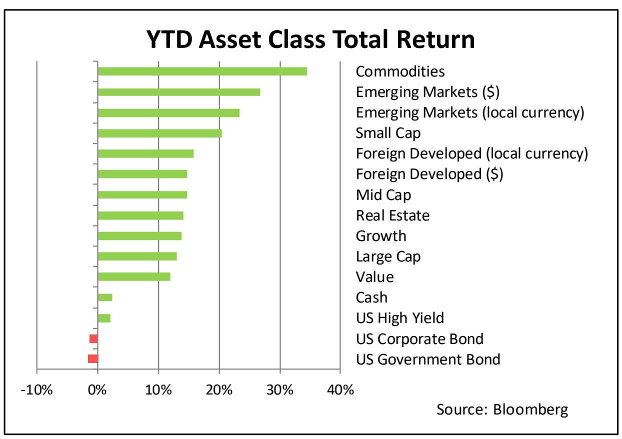




(Source: Bloomberg)

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 9/8/2026 close)

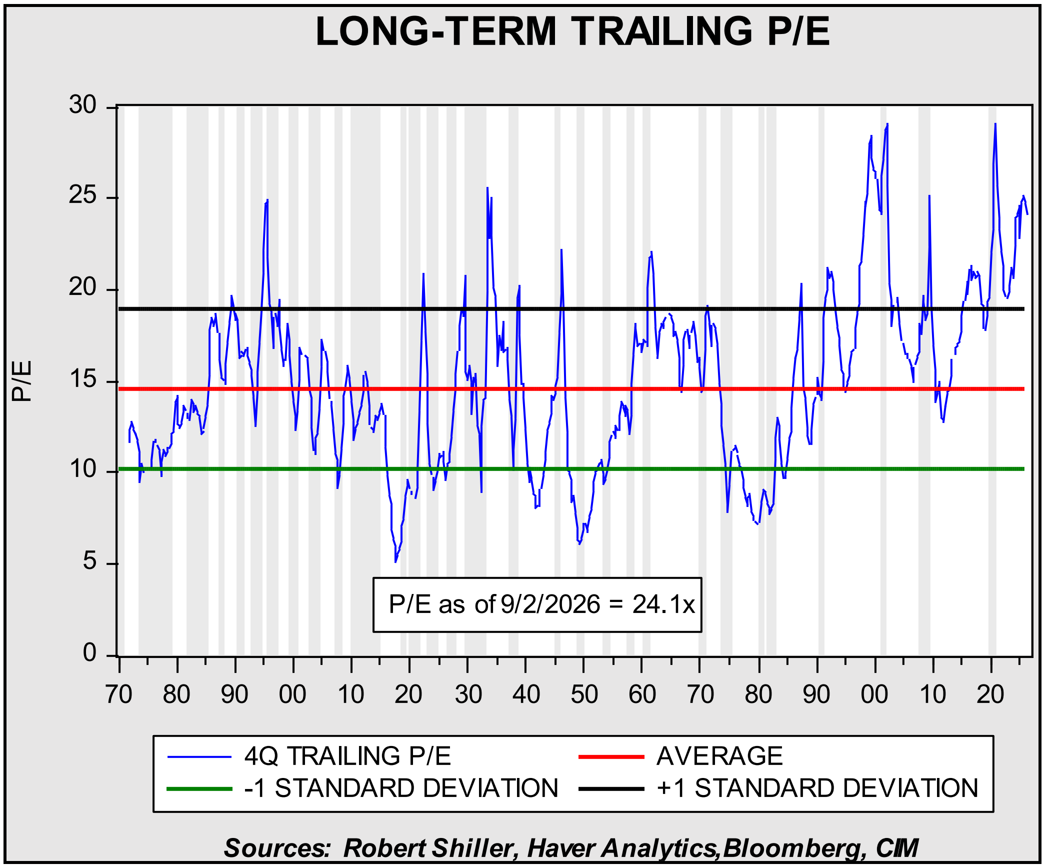


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 3, 2026



Based on our methodology,[1] the current P/E is 24.1x, up 0.1 from the previous report. The increase in the stock price index outpaced the 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.