

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: April 28, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 closed up 0.6% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.4%. Chinese markets were lower, with the Shanghai Composite down 0.2% from its previous close and the Shenzhen Composite down 0.9%. US equity index futures are signaling a lower open.

With 179 companies having reported so far, S&P 500 earnings for Q1 are running at \$61.60 per share compared to estimates of \$60.75, which is up 7.3% from Q1 2024. Of the companies that have reported thus far, 73.7% have exceeded expectations, while 21.2% have fallen short of expectations.

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. **Note: the next *Bi-Weekly Geopolitical Report* will be published later today.**

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“Growing Fragility in the US Bloc” (4/7/25) + podcast	“From Magnificent 7 to European Revival” (4/14/25) + podcast	Q2 2025 Report	Keller Quarterly

Our *Comment* today opens with reports suggesting President Trump’s import tariffs may finally show up in the trade and economic data starting this week. Firm evidence of falling imports and potential shortages would have the potential to further undermine market confidence. We next review several other international and US developments with the potential to affect the financial markets today, including an increasing risk of military conflict between India and Pakistan and Trump’s suggestion that he may pursue new tax cuts to offset the impact of his tariffs.

United States-China: New data published late last week showed that US-China trade is finally starting to fall sharply in response to the Trump administration’s stiff tariffs against Beijing. Figures from the Department of Agriculture show that US net exports of soybeans in the week of April 11 to 17 [were down about 50% from the previous week](#) and 25% below their four-week

moving average. Net exports of pork were also down sharply. Meanwhile, Port of Los Angeles Executive Director Pete Seroka said he [expects a 35% drop in Chinese import volumes within two weeks](#).

- According to Seroka, “essentially all shipments out of China for major retailers and manufacturers [have] ceased.”
- Until now, there have been few signs of outright declines in trade operations or economic activity, even though there is plenty of survey data showing that consumers and firms are becoming much more pessimistic. The relatively stable activity data probably reflects factors such as front-running shipments to get ahead of the tariffs, the difficulty of canceling shipping schedules quickly, and the overall momentum of the US economy.
- Looking forward, observers are increasingly expecting to see disruptions in trade and output by early summer. It would be no surprise if negative data starts to roll in starting as early as this week. If so, it would likely increase over the coming months. We still don’t think a recession is a certainty, but the weakening activity will probably raise the risk of a broader economic contraction.
- In any case, any incoming data that appears to confirm a sharp contraction in trade or general economic activity could potentially spark a new sell-off in risk assets, especially US stocks.

China-Philippines: The Chinese coast guard on Saturday released photos showing it had [seized a tiny reef in the South China Sea that is claimed not only by China but also by the Philippines](#), Vietnam, and Taiwan. Most concerning, the reef is located just kilometers from a Philippine naval outpost in the Spratly Islands. The move is only the latest example of Chinese territorial aggressiveness in the area. If that aggressiveness heats up further, the result will likely be more global tensions, a risk of conflict, and further risks to the global financial markets.

China: Despite being sanctioned by the US, technology giant Huawei [is reportedly preparing to test a new computer chip designed to be a substitute for Nvidia’s powerful H100](#), which is popular for training artificial intelligence models. The new chip, the Ascend 910D, is apparently competitive with the H100 in computing power, but it less power-efficient. Still, Huawei’s success with the chip so far is a reminder that China may be catching up to the US in advanced information technology, potentially threatening big US tech firms and their stocks.

India-Pakistan: After last week’s terrorist attack that killed 26 in the Kashmir region, Indian Prime Minister Modi [has reportedly called dozens of global leaders in an apparent effort to prepare them for a retaliatory attack](#) on Pakistan. Indian police have also launched large-scale arrests in Kashmir, while Hindu nationalists have unleashed mass anti-Muslim protests across India. Any military conflict between the two nuclear powers could prompt a global security concern and add to the current downward pressure on risk assets.

South Korea: The center-left opposition party, the Democratic People’s Party, yesterday [picked Lee Jae-myung as its candidate for the snap presidential election on June 3](#). In the latest polls tracking public support for the candidates, Lee and the DPP currently have a double-digit lead

over the conservative People's Power Party, which has been rocked by scandal. If Lee ultimately wins the election, South Korean policy could shift toward closer relations with China and cooler relations with the US, while economic policy could shift into a more statist direction.

Germany: Incoming Chancellor Friedrich Merz [has reportedly chosen Katherina Reiche, a high-level executive with German energy group Eon, to lead the economy ministry](#). The move is a sign that Merz may prioritize energy supply as a key part of his program to revitalize German industry and spur economic growth. The nomination of Reiche comes as Merz's center-right CDU party has signed a coalition deal with the center-left Social Democratic Party to form a government.

Spain: The country today [was hit by an enormous electricity blackout affecting approximately 10 gigawatts of demand](#). The blackout has also extended to parts of Portugal and France. The loss of electricity has disrupted a wide range of economic activity in the affected areas, including airline and train operations, factory production, communications, and office work. However, it is not yet clear whether the blackout will have lasting negative impacts on economic output or the Spanish financial markets.

Canada: Parliamentary elections [are being held today](#), with the main contenders being the ruling center-left Liberal Party under Prime Minister Mark Carney and the opposition center-right Conservative Party under Pierre Poilievre. The latest opinion polls suggest the Liberals will win a modest majority, keeping them in power, after Poilievre lost a massive advantage after being tagged for being in line with US President Trump.

US Fiscal Policy: In a social media post yesterday, President Trump [suggested he will push for a new income-tax cut for individuals making less than \\$200,000 per year](#) to offset the impact of his import tariffs. His post suggested any revenue loss from the new tax cuts would be made up by tariff revenues. However, the likely drop in trade because of the tariffs and any tariff reductions negotiated with foreign countries would probably keep overall tariff revenues relatively modest.

- The suggestion of further tax cuts therefore could add to concerns about the federal budget deficit and debt levels. If so, the recent US capital flight and backup in Treasury yields could worsen.
- So far today, bond prices have weakened, driving up yields. The yield on the benchmark 10-year Treasury note has risen to 4.292% as of this writing.

US Corporate Sector: A review of recent earnings reports and other corporate statements by the *Wall Street Journal* shows that US companies in multiple industries [are slashing costs to help pay for President Trump's big tariff increases, which are essentially a tax on importers](#). The article notes that firms are still generally reluctant to lay off their own workers, but they are tightening their spending on consultants and contractors — a move that has often preceded layoffs and weaker economic growth in the past.

US Economic Releases

No major US economic reports have been released so far today. The following table lists the releases and/or Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:30	Dallas Fed Manufacturing Activity	m/m	Apr	-14.1	-16.3	**
Federal Reserve						
No Fed speakers or events for the rest of today						

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 change 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								
China	Industrial Profits	y/y	Mar	2.6%	11.0%		*	Equity and bond neutral
India	Industrial Production	y/y	Mar	3.0%	2.7%	3.3%	***	Equity and bond neutral
EUROPE								
Switzerland	Domestic Sight Deposits CHF	w/w	25-Apr	442.6b	439.7b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	25-Apr	451.1b	448.3b		*	Equity and bond neutral
AMERICAS								
Canada	Retail Sales	m/m	Feb	-0.4%	-0.6%	-0.4%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Feb	0.5%	0.1%	-0.2%	**	Equity bullish, bond bearish
Mexico	Unemployment Rate NSA	m/m	Mar	2.22%	2.51%	2.35%	***	Equity and bond neutral
	Trade Balance	m/m	Mar	3442.0m	2212.4m	2850.1m	**	Equity and bond neutral
	Exports	m/m	Mar	55527m	49280m		*	Equity and bond neutral
	Imports	m/m	Mar	52085m	47067m		*	Equity and bond neutral
Brazil	Current Account Balance	m/m	Mar	-\$2245m	-\$8881m	-\$3200m	**	Equity and bond neutral
	Foreign Direct Investment	m/m	Mar	\$5990m	\$9300m	\$8000m	**	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)	419	420	-1	Up
U.S. Sibor/OIS spread (bps)	429	428	1	Flat
U.S. Libor/OIS spread (bps)	427	426	1	Down
10-yr T-note (%)	4.28	4.24	0.04	Down
Euribor/OIS spread (bps)	217	216	1	Down
Currencies	Direction			
Dollar	Up			Down
Euro	Down			Up
Yen	Up			Up
Pound	Down			Up
Franc	Down			Up

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.

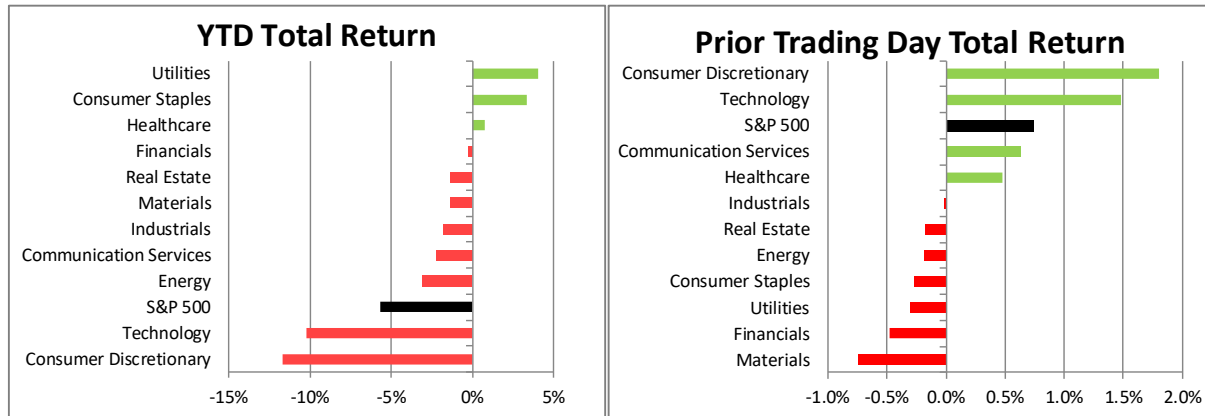
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$66.67	\$66.87	-0.30%	
WTI	\$62.82	\$63.02	-0.32%	
Natural Gas	\$2.93	\$2.94	-0.27%	
Crack Spread	\$25.60	\$25.58	0.09%	
12-mo strip crack	\$22.23	\$22.27	-0.17%	
Ethanol rack	\$1.90	\$1.89	0.24%	
Metals				
Gold	\$3,292.99	\$3,319.72	-0.81%	
Silver	\$33.04	\$33.11	-0.20%	
Copper contract	\$487.90	\$489.50	-0.33%	
Grains				
Corn contract	\$479.25	\$485.50	-1.29%	
Wheat contract	\$535.75	\$545.00	-1.70%	
Soybeans contract	\$1,053.75	\$1,059.25	-0.52%	
Shipping				
Baltic Dry Freight	1,373	1,353	20	

Weather

The 6-to-10 and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout most of the country, with cooler than normal temperatures expected in the Southwest. The precipitation outlook calls for drier-than-normal conditions in the Midwest and New England regions, with wetter conditions expected for the rest of the country.

Data Section

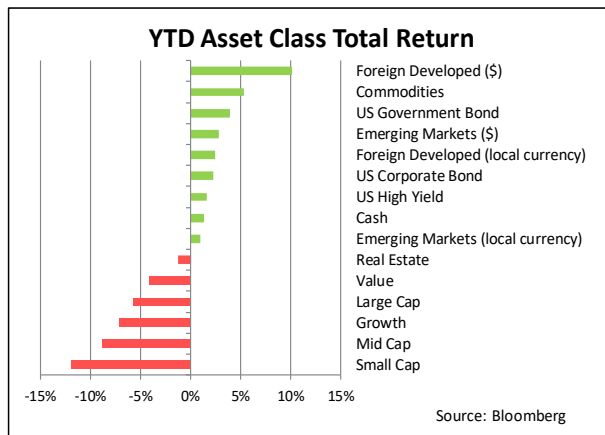
US Equity Markets – (as of 4/25/2025 close)



(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 4/25/2025 close)

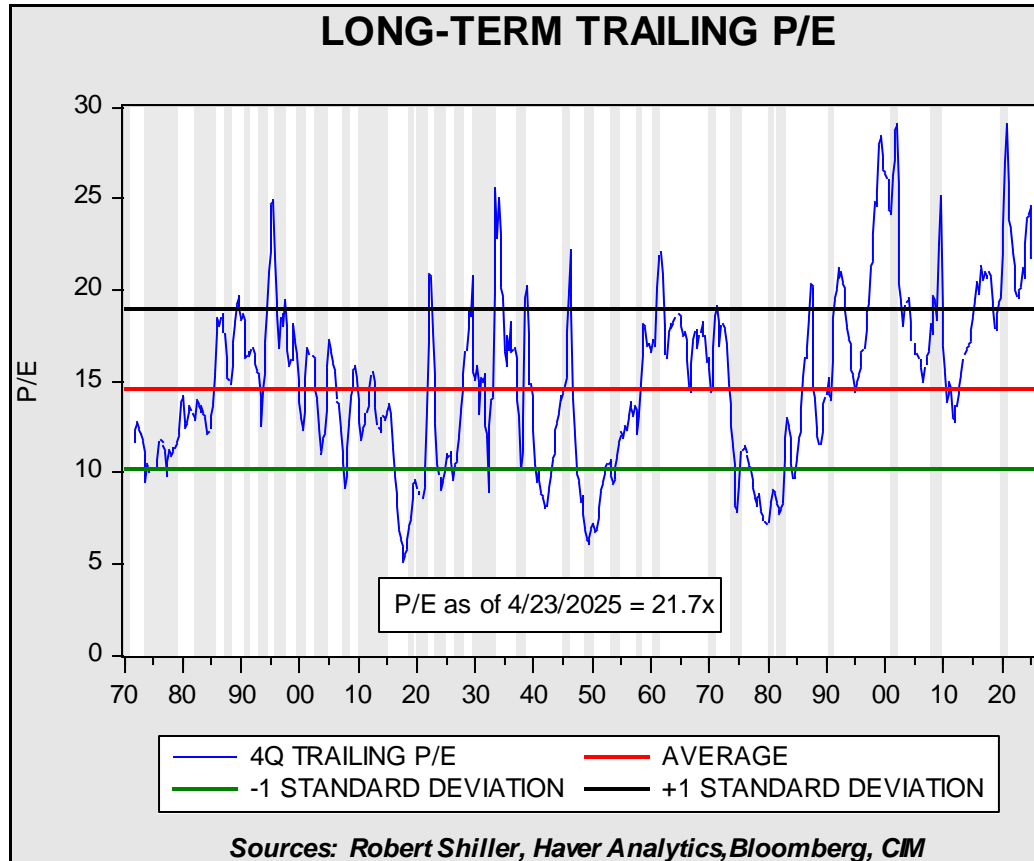


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

April 24, 2025



Based on our methodology,¹ the current P/E is 21.6x, down 0.1 from our last report. The stock price was little changed while earnings were revised upwards 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 (Q2, Q3, and Q4) and one estimate (Q1). 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.