



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**Posted: August 4, 2025 — 9:30 AM ET]** Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 1.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.9%. Chinese markets were higher, with the Shanghai Composite up 0.7% from its previous close and the Shenzhen Composite up 0.8%. US equity index futures are signaling a higher open.

With 330 companies having reported so far, S&P 500 earnings for Q2 are running at \$66.00 per share, compared to estimates of \$64.65, which is up 5.0% from Q2 2024. Of the companies that have reported thus far, 82.4% have exceeded expectations while 13.3% have fallen short of expectations.

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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
<a href="#">“Implications of the Israel-Iran Conflict”</a> (7/28/25) + <a href="#">podcast</a>	<a href="#">“No Country for Recessions”</a> (8/4/25)	<a href="#">Q3 2025 Report</a>	<a href="#">The Confluence of Ideas Podcast</a> <a href="#">Business Cycle Report</a>

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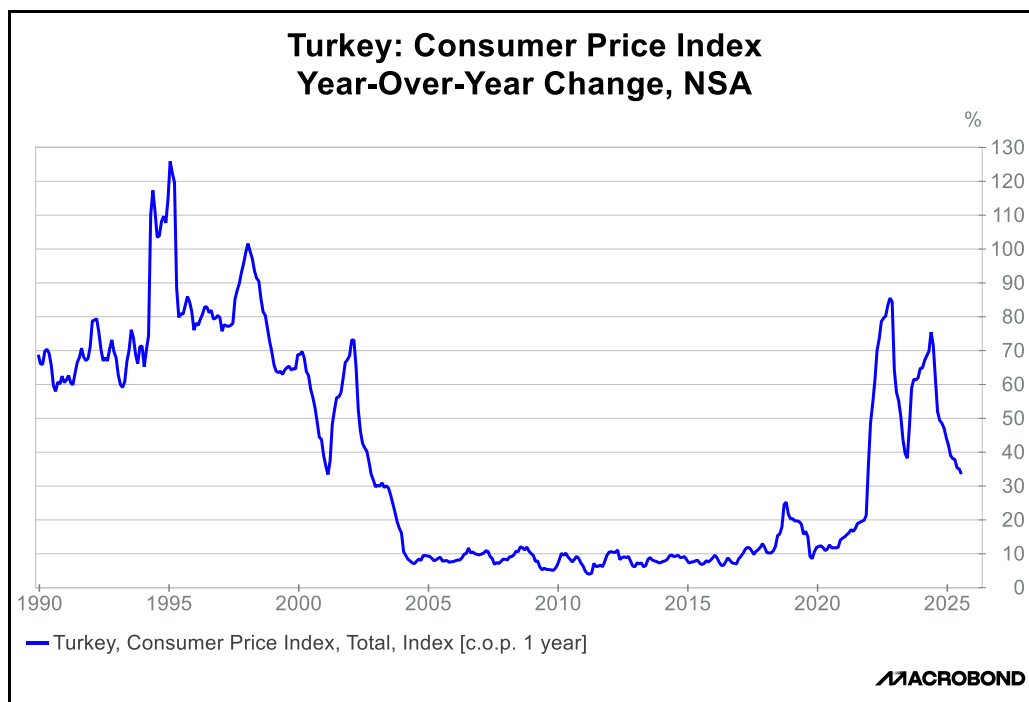
Our *Comment* today opens with two news items on global energy supplies, which together appear to be weighing on oil prices so far this morning. We next review several other international and US developments with the potential to affect the financial markets today, including a continued slowdown in Turkey’s consumer price inflation and a few observations on President Trump’s firing of the chief of the Bureau of Labor Statistics on Friday.

**Global Oil Market:** The Organization of the Petroleum Exporting Countries and their Russia-led partners yesterday [said they will boost their oil production by a collective 547,000 barrels per day starting in September](#). The production increases will be led by Saudi Arabia and the United

Arab Emirates. Counting the group's other recent output increases, the September boost will reverse its 2023 output cut of 2.2 million bpd and further raise the risk of excess supply on the global market. Reflecting the news, global oil prices are down about 1.7% so far today.

**Brazil:** British oil giant BP today [announced it has found a major new oil field in the southern Atlantic Ocean about 320 miles off the coast of Rio de Janeiro](#). The field is believed to contain a mix of oil, gas, and condensate, but BP said it is too early to assess the size or quality of the reserves. Nevertheless, the company said the field is its biggest discovery in 25 years. As of this writing, the news has given a significant boost to BP's share prices today.

**Turkey:** The July consumer price index [was up just 33.5% from the same month one year earlier, easing from the 35.1% increase in the year to June](#) and marking the third straight month of cooling. The continued slowdown in inflation will likely set the stage for the central bank to cut interest rates further in the coming months.



**China:** General Secretary Xi's chief of staff, Cai Qi, today [opened a forum of dozens of Chinese academics and scientists in the seaside town of Beidaihe](#), signaling that the leadership's annual summer retreat at the resort has begun. Chinese leaders will be ensconced at the resort for the next 10 to 14 days, which means Chinese policy news could be quite limited until late August. With many European countries basically shut down for the summer holidays, that could make for some very slow news days (and quiet financial markets?) for the time being.

**Switzerland:** Swiss stock prices [opened sharply lower today, falling as much as 1.9% before closing down 0.6%](#). The country's stock market was closed for a national holiday on Friday, so the downdraft today appears to be a delayed reaction to President Trump's announcement last

Thursday that the US will impose a huge 39% tariff on Swiss imports. Switzerland's big pharmaceutical firms are seen as especially at risk of Trump's tariffs.

**US Politics:** Texas Governor Greg Abbott [has called a special session of the state legislature to redraw its congressional election districts](#) in a way that would likely shift five US House seats to Republican control from Democratic control. However, dozens of Democratic state legislators have left the state to deny the needed legislative quorum. Trump is supporting the unusual mid-decade redistricting to boost the Republicans' chance of keeping control of the House in next year's mid-term elections.

**US Monetary Policy:** President Trump last night [said he expects to name a replacement within the next few days for Fed governor Adriana Kugler, who resigned on Friday](#). Outside observers believe the top candidates for the position include Kevin Hassett, director of the White House's National Economic Council, former Fed official Kevin Warsh of Stanford's Hoover Institution, and US Treasury Secretary Scott Bessent. Whomever Trump nominates could then be elevated to chair of the policymaking body when current Chair Powell's term ends in May.

**US Economy:** In television interviews yesterday, Director of the National Economic Council Hassett [denied that President Trump's decision on Friday to fire the chief of the Bureau of Labor Statistics constituted "shooting the messenger"](#) over the weak July employment report. Hassett cited "partisan patterns" in the data to argue that the president should have his own person heading BLS but declined to provide evidence of problems with the figures.

- Statements by Trump and other administration officials suggest the president was unhappy with the big downward revision in nonfarm payrolls in May and June, as well as the weak job growth in July.
- However, such downward revisions are not unusual. Indeed, they reflect the US's sophisticated processes to firm up its economic data as new information becomes available. Those processes and the government's willingness to update its figures have helped make US economic data the gold standard for accurate economic reporting.
- News of the BLS firing on Friday appeared to worsen the day's sell-off in US stocks, suggesting investors see a risk that this action will politicize the country's economic data. Investors are likely concerned that future US economic reports could be manipulated to make politicians look good or avoid making them look bad.
- If investors lose faith in the reliability of US economic data, they might also discount the value of US assets, worsening the early signs of capital flight that became apparent early this year. That could potentially drive down prices for US stocks, bonds, and the dollar.

**US Defense Industry:** Some 3,200 workers in Boeing's defense division [went on strike at midnight today in a dispute over pay and benefits](#). The strike raises fresh concerns about the US's ability to produce key weapons systems, such as the F/A-18 Super Hornet and F-15 Eagle fighter jets, as well as various missiles and munitions. Separately, new reporting says China [is continuing to limit rare-earth exports used by Western defense industries despite a deal with the US last month](#) to loosen its controls.

## US Economic Releases

There were no economic 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
10:00	Factory Orders	m/m	Jun	-4.8%	8.2%	***
10:00	Factory Orders Ex Transportation	m/m	Jun	0.2%	0.2%	**
10:00	Durable Goods Orders	m/m	Jun F	-9.3%	-9.3%	***
10:00	Durable Goods Orders ex Transportation	m/m	Jun F	0.2%	0.2%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Jun F		-0.7%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Jun F		0.4%	*
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
<b>ASIA-PACIFIC</b>								
Japan	Monetary Base	y/y	Jul	-3.9%	-3.5%		**	Equity and bond neutral
	Monetary Base, End of Period	m/m	Jul	¥646.3t	¥651.0t		*	Equity and bond neutral
Australia	Melbourne Institute Inflation	y/y	May	2.9%	2.4%		***	Equity and bond neutral
<b>EUROPE</b>								
Switzerland	CPI	y/y	Jul	0.2%	0.1%	0.1%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Jul	0.1%	0.2%		*	Equity and bond neutral
	Core CPI	y/y	Apr	0.8%	0.6%	0.6%	*	Equity and bond neutral
	PMI Manufacturing	m/m	Jul	48.8	49.6	49.9	***	Equity bearish, bond bullish
	PMI Services	m/m	Jul	41.8	48.5		***	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	1-Aug	439.5b	445.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	1-Aug	468.5b	474.7b		*	Equity and bond neutral
<b>AMERICAS</b>								
Canada	S&P Global Canada Manufacturing PMI	m/m	Jul	46.1	45.6		***	Equity and bond neutral
Mexico	S&P Global Mexico Manufacturing PMI	m/m	Jul	49.1	46.3	--	***	Equity and bond neutral
	Remittances Total	m/m	Jun	\$5201.0m	\$5360.1m	\$5300.0m	*	Equity and bond neutral
	IMEF Manufacturing Index SA	m/m	Jul	45.5	47.6	48.2	*	Equity and bond neutral
	IMEF Non-Manufacturing Index SA	m/m	Jul	49.1	48.7	48.2	*	Equity and bond neutral
	Vehicle Domestic Sales	y/y	Jul	124480	116062		***	Equity and bond neutral
	Leading Indicators	m/m	Jun	0.16	0.12		**	Equity and bond neutral
	Consumer Confidence	m/m	Jul	45.9	45.5		*	Equity and bond neutral
Brazil	S&P Global Brazil Manufacturing PMI	m/m	Jul	48.2	48.3		***	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)	418	418	0	Up
U.S. Sibor/OIS spread (bps)	425	425	0	Down
U.S. Libor/OIS spread (bps)	422	422	0	Down
10-yr T-note (%)	4.23	4.22	0.01	Down
Euribor/OIS spread (bps)	199	201	-2	Down
<b>Currencies</b>	<b>Direction</b>			
Dollar	Up			Down
Euro	Down			Up
Yen	Up			Down
Pound	Down			Flat
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
<b>Energy Markets</b>				
Brent	\$68.54	\$69.67	-1.62%	
WTI	\$66.09	\$67.33	-1.84%	
Natural Gas	\$3.07	\$3.08	-0.52%	
Crack Spread	\$24.60	\$23.79	3.40%	
12-mo strip crack	\$22.76	\$22.50	1.14%	
Ethanol rack	\$1.86	\$1.86	-0.06%	
<b>Metals</b>				
Gold	\$3,367.97	\$3,363.48	0.13%	
Silver	\$37.32	\$37.04	0.77%	
Copper contract	\$444.60	\$443.55	0.24%	
<b>Grains</b>				
Corn contract	\$409.00	\$410.75	-0.43%	
Wheat contract	\$517.00	\$516.75	0.05%	
Soybeans contract	\$986.75	\$989.25	-0.25%	
<b>Shipping</b>				
Baltic Dry Freight	2,018	2,003	15	

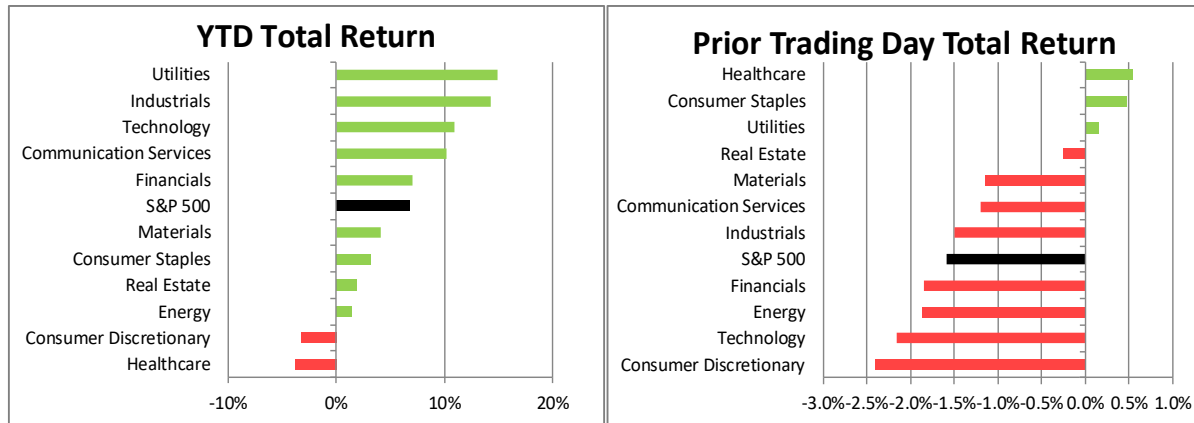
## Weather

The latest 6-to-10-day and 8-to-14-day outlooks call for warmer-than-normal conditions for most of the country with near-normal temperatures in parts of the Pacific Northwest. The precipitation outlook calls for wetter-than-normal conditions from the Mississippi Valley eastward, with dry conditions in the southwest region.

The Atlantic Ocean is expected to see two tropical disturbances within the next seven days. One in the mid-Atlantic isn't forecast to impact the US, while the other has developed off the West Coast of Africa.

## Data Section

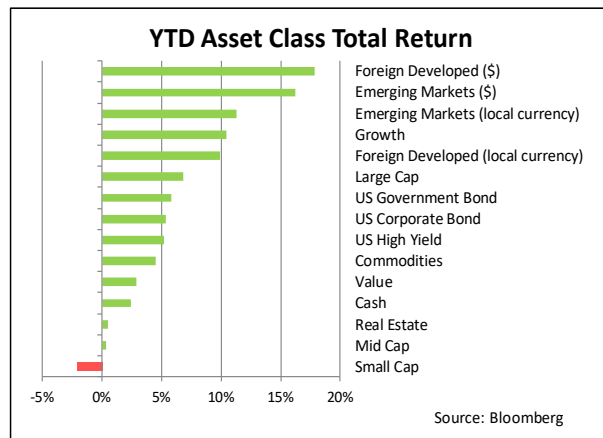
### US Equity Markets – (as of 8/1/2025 close)



(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 8/1/2025 close)



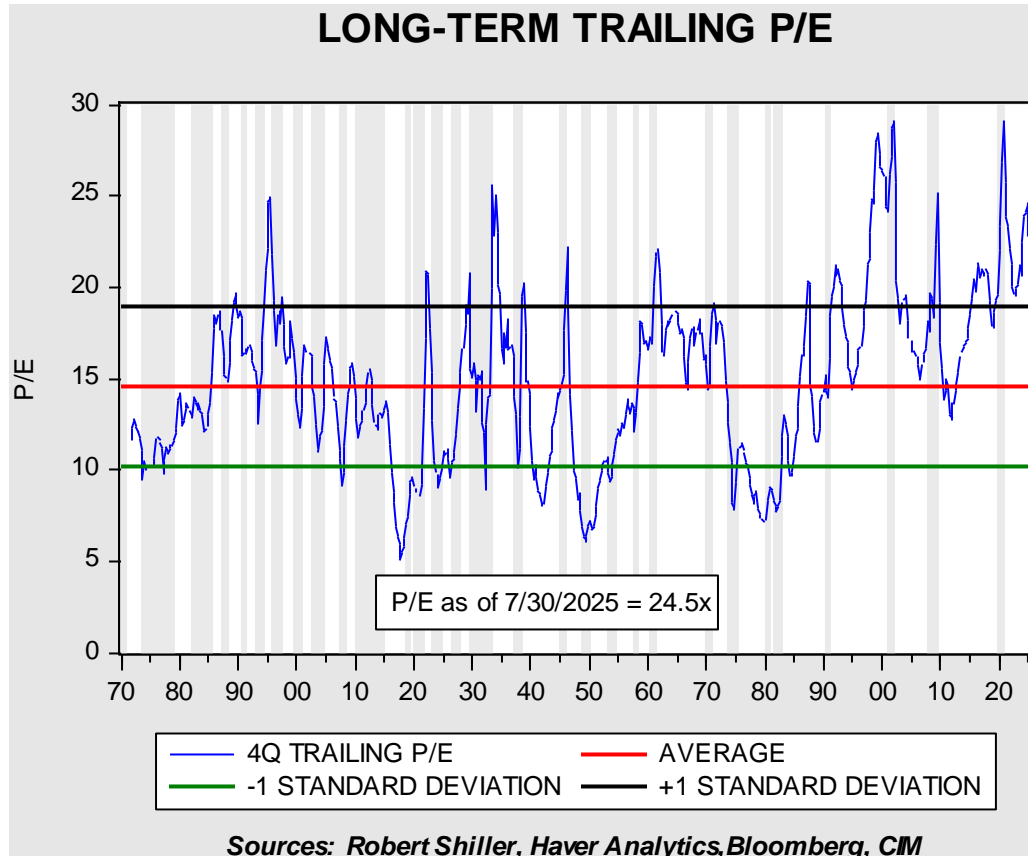
This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

July 31, 2025



Based on our methodology,<sup>1</sup> the current P/E is 24.5x, unchanged from our last report.

*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.*

<sup>1</sup> 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 (Q1, Q3, Q4) 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.