



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: December 3, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up less than 0.1%. Chinese markets were lower, with the Shanghai Composite down 0.5% and the Shenzhen Composite down 0.9%. 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. (*Note: The next and final Asset Allocation Bi-Weekly for 2025 will be published next Monday, December 8.*)

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“Meet Sanae Takaichi” (11/10/25) + podcast	“The COLA for Social Security Benefits in 2026” (11/17/25) + podcast	Q4 2025 Report Q4 2025 Rebalance Presentation	Confluence Mailbag podcast Value Equities Quarterly Video Update

Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our new monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Our *Comment* begins with an analysis of the president's forthcoming decision for the next Federal Reserve chair. We then examine the growing trend of state-level intervention in the national economy and provide insights on the Tennessee special election as well as the potential alliance between the UK's Reform and Conservative parties. We conclude with an essential roundup of key domestic and international data releases to keep you informed.

Fed Chair Nominee Delay: The White House [has delayed the announcement of the president's nominee to lead the Federal Reserve](#) until early 2026. This decision follows reports that National Economic Council Director Kevin Hassett [was the frontrunner to succeed current Fed Chair Jerome Powell](#) when his term expires next May. The postponement suggests the president has yet to finalize his selection for the central bank's leadership, as he seeks a candidate who can simultaneously respect market sensibilities while fulfilling his desire for interest rate cuts.

- The White House had previously narrowed the shortlist for the Federal Reserve chair to three officials: [former Fed Governor Kevin Warsh](#), [current Fed Governor Christopher Waller](#), and [Kevin Hassett](#). While Hassett and Warsh have enjoyed particular favor with the president — having both served as key economic advisors — financial markets have generally expressed a preference for Waller to lead the central bank.
- The White House's delay in naming a nominee is likely a ploy to build political momentum for Kevin Hassett, who faces intense scrutiny over his reputation as a partisan loyalist. This strategic caution is warranted by the president's failures during his first term, where [polarizing candidates like Marvin Goodfriend](#) and [Judy Shelton both failed to secure confirmations](#) due to bipartisan concerns over their ideological beliefs.
- While the president successfully confirmed Stephen Miran to the Federal Reserve Board this term, the chairship faces a substantially higher hurdle. The nominee's role is critical given the central bank's current internal division. Recent [FOMC meeting minutes revealed a sharp debate among officials](#) over whether to prioritize maximum employment or price stability within the dual mandate. As a result, the new chair could potentially serve as the crucial swing vote determining the Fed's near-term policy direction.
- US equities remain highly focused on monetary policy, particularly as big tech companies pivot from cash-funded to debt-funded capital expenditures. Recent market pessimism regarding a likely Fed pause in December, which keeps borrowing costs high, has resulted in a broad sell-off of tech stocks, driven by worries over the viability of their large-scale financing plans.
- Federal Reserve policy and the specter of political interference have significantly influenced fixed income and international equity investors. Concerns over a potential loss of Fed independence — and the resulting threat of rising inflation — have reduced the appetite for US Treasuries and the dollar. This pivot toward foreign markets is a major factor in the outperformance of international versus domestic equities that has been observed this year, as investors seek refuge from presidential influence over monetary policy.

Government Support: The US government continues to demonstrate a growing willingness to intervene directly in the economy as it works to strengthen domestic supply chains. On Tuesday, officials [announced up to \\$150 million in funding for chip-technology startup xLight](#). The [administration also awarded \\$800 million to two energy companies](#) to support the development of new nuclear power plants. Together, these actions reinforce the view that equities tied to strategically important industries stand to benefit from sustained government support.

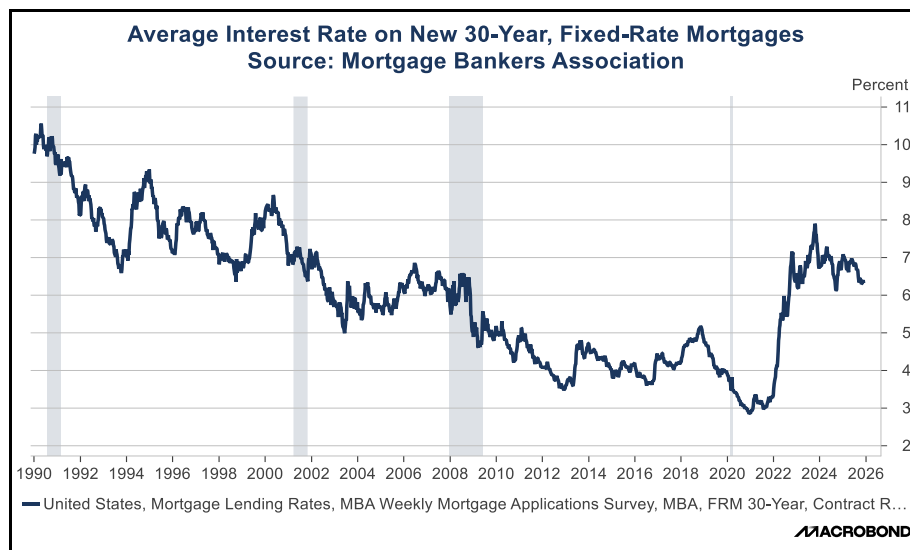
- Investment in xLight is a strategic move and reflects the US goal of fostering a domestic competitor to the advanced lithography equipment produced by the Netherlands' ASML. These highly specialized machines are crucial for manufacturing the cutting-edge, nanoscale semiconductors that power modern technology. Developing an alternative to an allied nation's dominant technology underscores the US commitment to supply-chain resilience and technological self-sufficiency.
- The US is strategically investing in energy companies to ensure the scalability of domestic power production. Specifically, funding for nuclear power plants is being

Protectionist EU: Brussels is [preparing to significantly increase domestic sourcing requirements for companies](#) operating within the bloc. The proposed law, which would require up to 70% of content in certain products (such as cars) to be sourced domestically, could cost companies an estimated 10 billion EUR (\$11.6 billion) annually. Though the final draft is pending (expected December 10), this measure strongly signals the EU's heightened commitment to boosting its own industrial competitiveness and reducing reliance on foreign, particularly Chinese, exports.

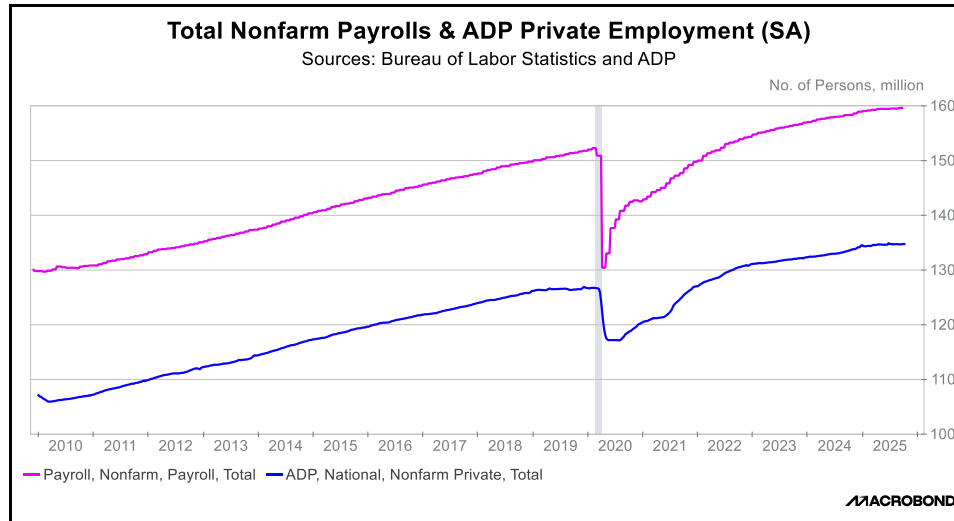
Populist Acceptance: In a reflection of the global rise of populism, the [UK Reform Party has announced it may agree to an electoral deal](#) with the Conservative Party ahead of the next general election. This move underscores the growing international support for fringe parties, as voters increasingly seek alternative policies focused on cracking down on immigration and combating high inflation.

US Economic Releases

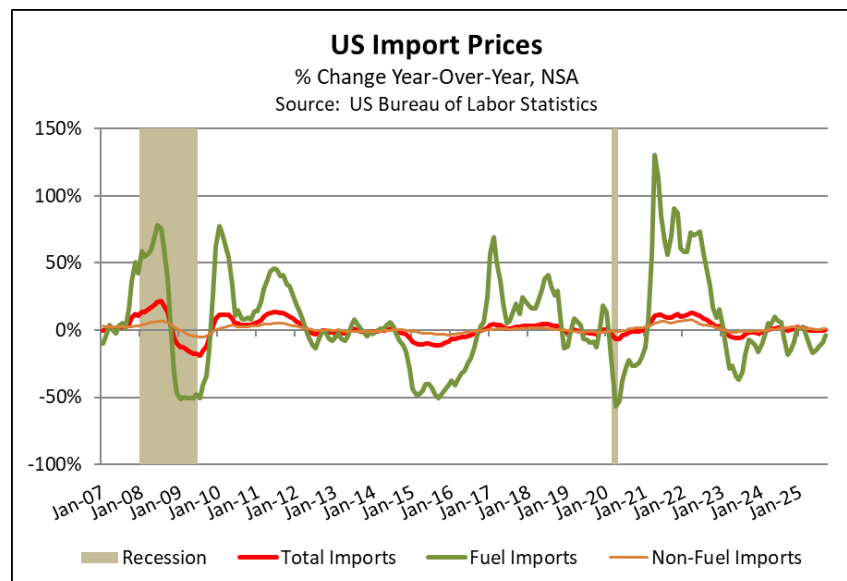
The Mortgage Bankers Association said **mortgage applications** in the week ended November 29 fell 1.4%, erasing their 0.2% gain from the previous week. Applications for home purchase mortgages rose 2.5%, after their 7.6% jump in the prior week, but applications for refinancing mortgages fell 4.4%, almost as bad as their 5.7% retreat the week before. Refinancing mortgages have now fallen for five straight weeks, even as the average interest rate on a 30-year, fixed-rate mortgage fell 8 basis points last week to 6.32%. The chart below shows how mortgage rates have changed over time.



Separately, the ADP Research Institute estimated that November **private payroll employment** fell by a seasonally adjusted 32,000, far worse than the expected gain of 10,000 and enough to reverse most of the 47,000 gain in October. ADP's estimate is widely seen as an indicator of what to expect when the Labor Department releases its measure of nonfarm payrolls for the month in question. The chart below shows the Labor Department's figure for total nonfarm payrolls and ADP's estimate of private payrolls since 2010.

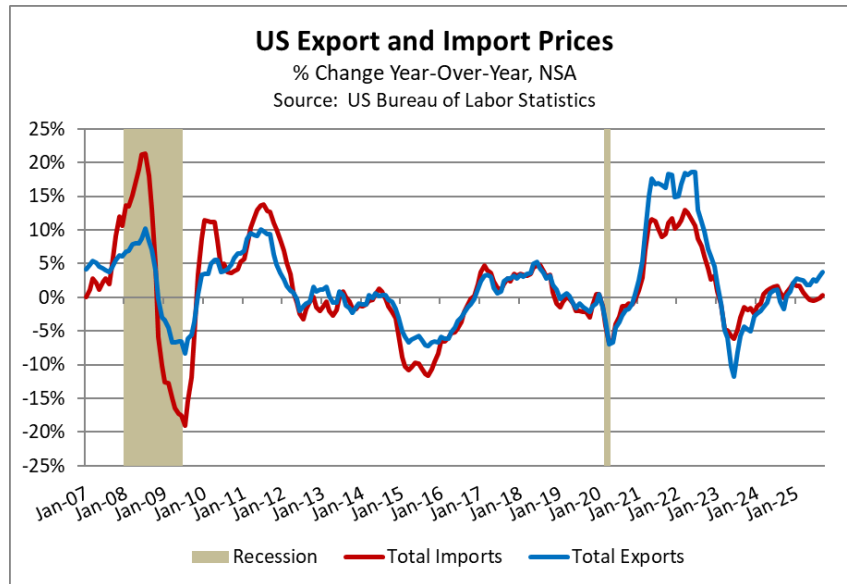


Finally, September **import prices** were unchanged from the previous month, versus expectations they would rise 0.1% as they did in August. Of course, import prices are often driven by volatility in the petroleum fuels category. September **import prices excluding fuels** were up 0.2%, slightly worse than the expected rise of 0.1% but in line with the rise in August. Overall import prices in September were up just 0.3% year-over-year, while import prices excluding fuels were up just 0.8%, indicating that foreign companies are not absorbing much of the cost of the new US import tariffs. The chart below shows the year-over-year change in import prices since just before the Great Financial Crisis.



According to the report, **export prices** in September were up 3.8% from one year earlier. Comparing the annual change in export prices versus import prices provides a sense of the US “terms of trade,” or the relative advantage or disadvantage the country is facing because of trends

in international trade prices. The chart below compares the year-over-year change in US export and import prices since just before the GFC. The chart shows that even if foreign firms aren't absorbing much of the new US import tariffs, they haven't been able to raise their prices as much as US exporters have, giving an advantage to US firms over the last year.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases							
EST Date	EST	Indicator			Expected	Prior	Rating
12/3	9:45	S&P Global US Services PMI	m/m	Nov F	55.0	55	***
12/3	9:45	S&P Global US Composite PMI	m/m	Nov F			***
12/3	10:00	ISM Services Index	m/m	Nov	52.0	54.4	***
12/3	10:00	ISM Services Prices Paid	m/m	Nov	68.0	70.0	*
12/3	10:00	ISM Services New Orders	m/m	Nov		56.2	*
12/3	10:00	ISM Services Employment	m/m	Nov		48.2	*
12/03/2025-12/12/2025	TBD	Housing Starts	m/m	Sep	1330K	1307k	***
12/03/2025-12/24/2025	TBD	Leading Index	m/m	Sep	-0.3%		***
12/03/2025-12/12/2025	TBD	Building Permits	m/m	Sep P	1349K	1330k	**
12/03/2025-12/10/2025	TBD	Durable Goods Orders	m/m	Sep F		0.5%	***
12/03/2025-12/12/2025	TBD	Construction Spending	m/m	Sep	0.0%	0.2%	***
12/03/2025-12/10/2025	TBD	Durables Ex Transportation	m/m	Sep		0.6%	**
12/03/2025-12/19/2025	TBD	Wholesale Inventories	m/m	Sep P		0.0%	***
12/03/2025-12/10/2025	TBD	Cap Goods Orders Nondef Ex Air	m/m	Sep F		0.9%	*
12/03/2025-12/10/2025	TBD	Factory Orders	m/m	Sep	0.5%	1.4%	***
12/03/2025-12/10/2025	TBD	Cap Goods Ship Nondef Ex Air	m/m	Sep F		0.9%	*
12/03/2025-12/19/2025	TBD	New Home Sales	m/m	Sep	716K		***
12/03/2025-12/10/2025	TBD	Factory Orders Ex Trans	m/m	Sep		0.1%	*
12/03/2025-12/20/2025	TBD	PPI Final Demand YoY	m/m	Oct		2.7%	**
12/03/2025-12/20/2025	TBD	PPI Ex Food and Energy YoY	m/m	Oct		2.6	**
12/03/2025-12/20/2025	TBD	PPI Ex Food, Energy, Trade YOY	m/m	Oct		2.9%	**
12/03/2025-12/31/2025	TBD	Trade Balance	m/m	Sep	-\$63.2b	-\$59.6b	***
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								
Japan	S&P Global Japan Composite PMI	m/m	Nov F	52.0	52.0		*	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Nov F	53.2	53.1		*	Equity and bond neutral
Australia	S&P Global Australia Composite	m/m	Nov F	52.6	52.6		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Nov F	52.8	52.7		*	Equity and bond neutral
	GDP	y/y	3Q	2.1%	2.0%	2.2%	**	Equity and bond neutral
New Zealand	ANZ Commodity Price	m/m	Nov	-1.6%	-0.3%		**	Equity and bond neutral
South Korea	Foreign Reserves	m/m	Nov	\$430.66b	\$428.82b		**	Equity and bond neutral
	GDP	q/q	3Q P	1.8%	1.7%	1.7%	**	Equity and bond neutral
China	RatingDog China PMI Composite	m/m	Nov	51.2	51.8	--	**	Equity and bond neutral
	RatingDog China PMI Services	m/m	Nov	52.1	52.6	52.1	**	Equity and bond neutral
India	HSBC India PMI Composite	m/m	Nov F	59.7	59.9		**	Equity and bond neutral
	HSBC India PMI Services	m/m	Nov F	59.8	59.5		**	Equity and bond neutral
EUROPE								
Eurozone	HCOB Eurozone Services PMI	m/m	Nov F	53.6	53.1	53.1	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	Nov F	52.8	52.4	52.4	*	Equity and bond neutral
	PPI	y/y	Oct	-0.5%	-0.2%	-0.5%	**	Equity and bond neutral
Germany	HCOB Germany Services PMI	m/m	Nov F	53.1	52.7	52.7	**	Equity bullish, bond bearish
	HCOB Germany Composite PMI	m/m	Nov F	52.4	52.1	52.1	**	Equity bullish, bond bearish
France	HCOB France Services PMI	m/m	Nov F	51.4	50.8	50.8	**	Equity bullish, bond bearish
	HCOB France Composite PMI	m/m	Nov F	50.4	49.9	49.9	**	Equity and bond neutral
Italy	HCOB Italy Services PMI	m/m	Nov F	55.0	54.0	53.9	**	Equity and bond neutral
	HCOB Italy Composite PMI	m/m	Nov F	53.8	53.1	52.8	**	Equity bullish, bond bearish
UK	S&P Global UK Services PMI	m/m	Nov F	51.3	50.5	50.5	**	Equity bullish, bond bearish
	S&P Global UK Composite PMI	m/m	Nov F	51.2	50.5	50.5	**	Equity bullish, bond bearish
	Official Reserves Changes	m/m	Nov	\$1390m	\$1335m		*	Equity and bond neutral
Switzerland	CPI	y/y	Nov	0.0%	0.1%	0.1%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Nov	0.0%	0.1%		*	Equity and bond neutral
	Core CPI	y/y	Nov	0.4%	0.5%	0.5%	*	Equity and bond neutral
Russia	S&P Global Russia Composite PMI	m/m	Nov	50.1	50.2		**	Equity and bond neutral
	S&P Global Russia Services PMI	m/m	Nov	52.2	51.7		**	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	28-Nov	\$250206m	\$249247m		*	Equity and bond neutral
	Gross Fixed Investment NSA	y/y	Sep	-6.7%	-10.9%	-7.7%	**	Equity bullish, bond bearish
	Vehicle Domestic Sales	y/y	Nov	148359	132677		***	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)	366	367	-1	Down
U.S. Sibor/OIS spread (bps)	375	376	-1	Down
U.S. Libor/OIS spread (bps)	366	366	0	Down
10-yr T-note (%)	4.06	4.09	-0.03	Up
Euribor/OIS spread (bps)	204	206	-2	Down
Currencies	Direction			
Dollar	Down			Up
Euro	Up			Flat
Yen	Down			Down
Pound	Up			Down
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.

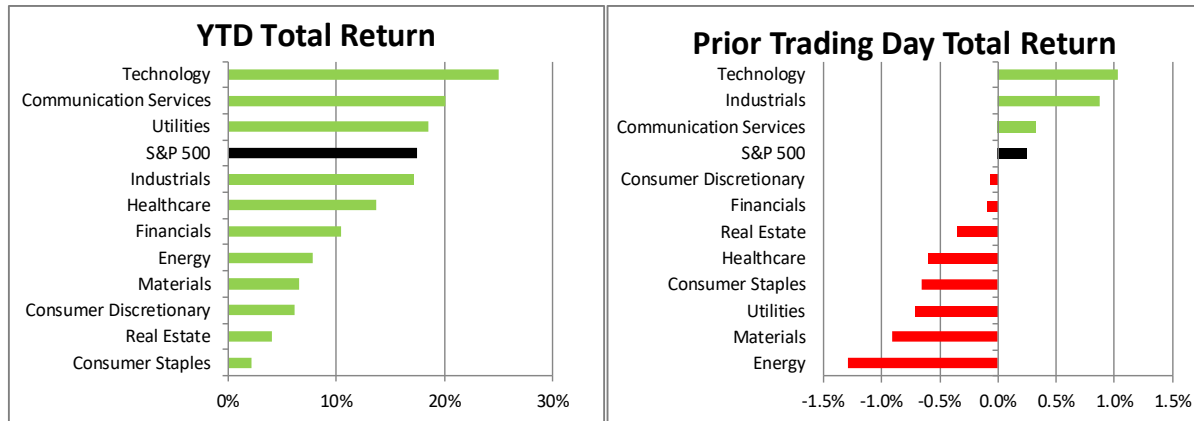
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$63.15	\$62.45	1.12%	
WTI	\$59.41	\$58.64	1.31%	
Natural Gas	\$4.97	\$4.84	2.77%	
Crack Spread	\$24.68	\$24.94	-1.03%	
12-mo strip crack	\$25.49	\$25.67	-0.71%	
Ethanol rack	\$1.98	\$1.98	-0.01%	
Metals				
Gold	\$4,209.25	\$4,205.85	0.08%	
Silver	\$58.42	\$58.47	-0.08%	
Copper contract	\$534.20	\$524.30	1.89%	
Grains				
Corn contract	\$447.25	\$450.00	-0.61%	
Wheat contract	\$539.25	\$541.00	-0.32%	
Soybeans contract	\$1,127.50	\$1,124.75	0.24%	
Shipping				
Baltic Dry Freight	2,600	2,583	17	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-2.00		
Gasoline (mb)		1.00		
Distillates (mb)		0.93		
Refinery run rates (%)		0.7%		
Natural gas (bcf)		-4		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for cooler-than-normal temperatures in the Midwest, the Northeast, and the Southeast states north of Florida, with warmer-than-normal temperatures from the West Coast to the Great Plains. The outlook calls for wetter-than-normal conditions in the northern one-third of the country, with dry conditions in the southern one-third of the country except for southern Texas and southern Florida.

Data Section

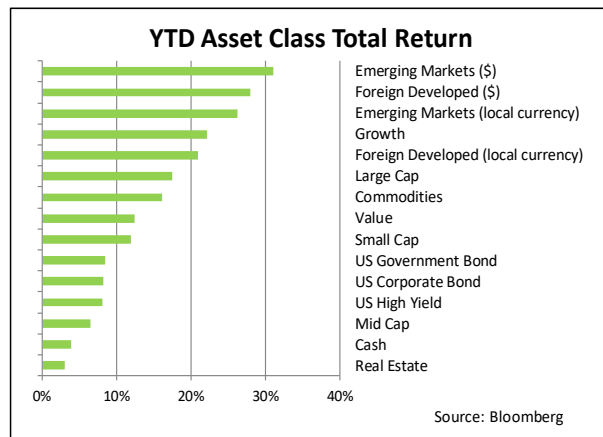
US Equity Markets – (as of 12/2/2025 close)



(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 12/2/2025 close)

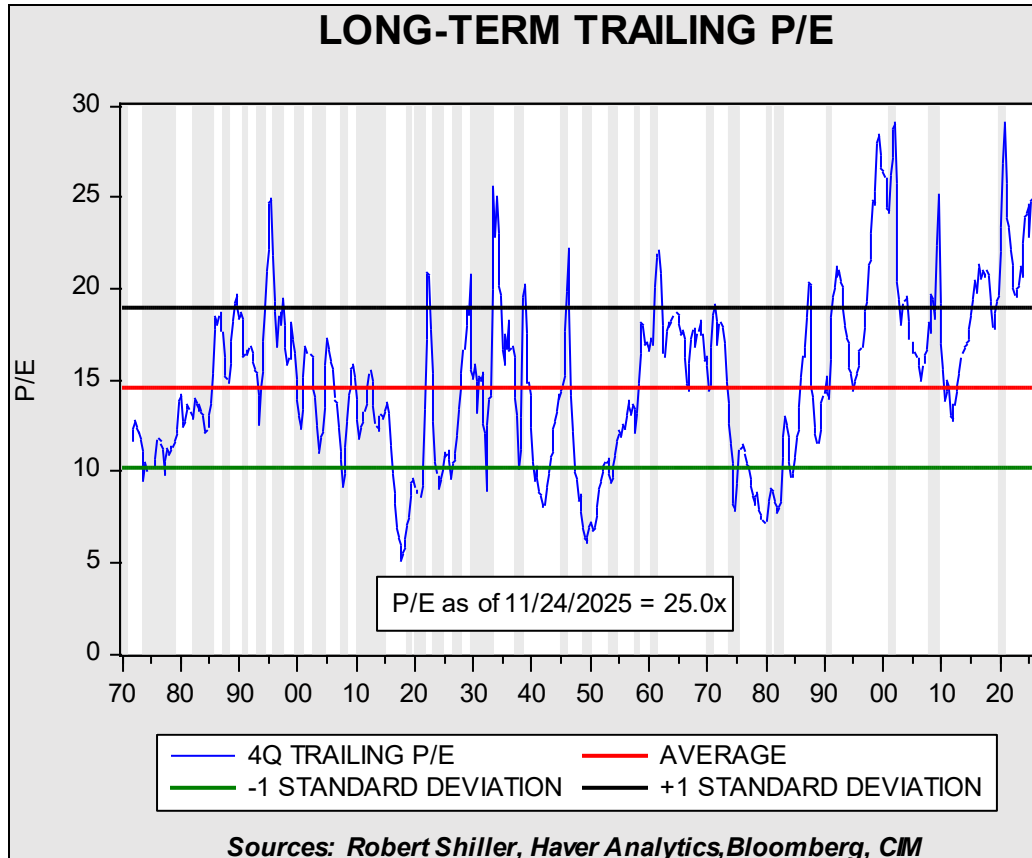


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

November 25, 2025



Based on our methodology,¹ the current P/E is 25.0x, which is down 0.1 from the previous report. The drop in the multiple was due to a slight decline in the stock price index.

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 (Q1, Q2, Q4) and one estimate (Q3). 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.