



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: January 6, 2026 — 9:30 AM ET] Global equity markets are generally higher this morning. In Europe, the Euro Stoxx 50 is down 0.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.3%. Chinese markets were higher, with the Shanghai Composite up 1.5% and the Shenzhen Composite up 1.4%. US equity index futures are signaling a slightly 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
“Geopolitical Outlook for 2026” (12/15/25) + podcast	“America’s AI Buildout and Its Market Risks” (1/5/26)	Q4 2025 Report Q4 2025 Rebalance Presentation	The 2026 Outlook Confluence of Ideas Podcast

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* today opens with several additional observations on the US seizure of Venezuelan President Maduro, with a focus on potential next steps. We next review several other international and US developments that could affect the financial markets today, including the announcement of a more powerful artificial intelligence chip from semiconductor giant Nvidia and a modified international tax treaty that should help shield US multinationals from big tax hikes.

United States-Venezuela: The *Wall Street Journal* yesterday [issued a report showing the Central Intelligence Agency’s role in the US seizure of President Maduro was even wider than previously known](#). Early reports said the CIA’s clandestine service inserted agents into Venezuela last August to secretly keep track of Maduro, while also cultivating a source within Maduro’s inner circle. According to the new *WSJ* report, the CIA’s analysis directorate was also instrumental in recommending that Vice President Delcy Rodriguez be left in charge after Maduro’s seizure.

- The CIA's pivotal role in the Venezuelan action suggests it is already well on its way toward rebuilding its traditional clandestine skillset and analytical prowess, stepping back from the military-operational focus it took on during the War on Terror. That suggests the CIA is well positioned to be a key instrument of US power as the country moves back toward shadowy, rough-and-tumble, "hard power" foreign relations.
- In fact, it would not be a surprise if the Agency already has similar teams in places such as Bogota, Managua, Mexico City, and Havana.

United States-Mexico-Venezuela: It would be no surprise if the US now tries to force the remaining Venezuelan government to stop providing low-cost oil to Cuba, with the aim of destabilizing its Communist government and forcing regime change there. However, new data from Kpler [shows that Mexico became Cuba's top oil supplier in 2025, representing 44% of its total imports](#), while Venezuela only provided about 34%. That implies that any US effort to change the government in Havana will require putting economic or other pressure on Mexico.

- Because of Mexico's sizable stock market, many US investors have exposure to it and have already had to deal with major trade-policy changes and US tariff hikes over the last year. If the US now imposes economic or financial pressure on Mexico to end its oil exports to Cuba, investors might have to deal with a new round of uncertainty.
- Nevertheless, we think that Washington's new focus on dominating Latin America and bringing its economic policies more in line with the US could ultimately be good for many stocks in the region. In the interim, however, the shift in US policy could spark additional volatility in Latin American equities.

Venezuela: Within Venezuela itself, reports today [say the remaining Chavista government has launched a crackdown to stifle any social support for Maduro's seizure](#). The government declared a state of emergency yesterday, and the reports today say armed Chavista paramilitaries known as *colectivos* are patrolling the streets of Caracas. Several journalists have already been arrested. The crackdown could prevent social unrest and maintain order, but it could also help solidify the continued rule of the Chavistas and make them more resistant to US demands.

China-Japan: Beijing today [issued a global ban on companies providing goods with both civilian and military uses to the Japanese armed forces](#). According to the announcement, the ban applies to any company anywhere in the world, raising the stakes for any firm that sells to both the Japanese military and has operations in China. The move marks the latest Chinese retaliation for Prime Minister Takaichi's statement late last year that a Chinese blockade of Taiwan would require Japan to intervene militarily.

US Semiconductor Industry: Semiconductor giant Nvidia yesterday [unveiled its newest chips for artificial intelligence, known as Vera Rubin, months earlier than expected](#). According to CEO Jensen Huang, the earlier-than-expected release was necessary because of the hugely complex computing required by AI and the immense demand for advanced processors to train and operate AI models. If investors take the news to mean that Nvidia remains well positioned to keep growing as the AI market evolves, it could lead to further gains in Nvidia's stock price.

US Energy Industry: In an interview yesterday, President Trump [suggested he might have the federal government subsidize US oil companies that help rebuild Venezuela's energy infrastructure](#). Recent studies show that rebuilding the country's energy facilities and boosting their capacity again could take up to \$90 billion over the next six or seven years. The hint at possible subsidies is a further illustration of how the new US administration is increasingly comfortable with greater government involvement to steer economic activity.

US Industrial Metals Market: US copper prices [closed at a new record high yesterday, with contracts for January delivery closing at \\$5.9245 per pound](#). They have jumped another 1.1% so far today to \$6.0400 per pound. After rising 41% last year, US copper prices have now added another 6.3% so far in 2026. The rise in price largely reflects expectations of limited supply growth while demand surges due to electrification and AI — factors which help explain why copper miners currently make up a large portion of our Global Hard Assets portfolio.

Global Corporate Taxation: The Organization for Economic Cooperation and Development's 2021 deal on minimum corporate taxes [was amended yesterday to give special exemptions to US companies](#). The deal agreed by 145 countries still sets the minimum corporate income tax rate at 15% to avoid a "race to the bottom," but there will now be safe harbors for multinationals whose parent company is located in a jurisdiction judged to meet "minimum taxation requirements." The deal also includes new simplification measures, further cutting the costs for US firms.

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
9:45	S&P Global US Services PMI	m/m	Dec F	52.9	52.9	***
9:45	S&P Global US Composite PMI	m/m	Dec F		53.0	***
Federal Reserve						
8:00	Thomas Barkin Speaks on Economic Outlook	President of the Federal Reserve Bank of Richmond				
8:30	Speaks on Fox Business	Members 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	Monetary Base	y/y	Dec	-9.8%	-8.5%		**	Equity and bond neutral
Australia	S&P Global Australia Composite	m/m	Dec F	51.0	51.1		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Dec F	51.1	51.0		*	Equity and bond neutral
South Korea	Foreign Reserves	m/m	Dec	\$428.05b	\$430.66b		**	Equity and bond neutral
India	HSBC India PMI Composite	m/m	Dec F	57.8	58.9		**	Equity and bond neutral
	HSBC India PMI Services	m/m	Dec F	58.0	59.1		**	Equity and bond neutral
EUROPE								
Eurozone	HCOB Eurozone Services PMI	m/m	Dec F	52.4	52.6	52.6	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	Dec F	51.5	51.9	51.9	*	Equity and bond neutral
Germany	HCOB Germany Services PMI	m/m	Dec F	52.7	52.6	52.6	**	Equity and bond neutral
	HCOB Germany Composite PMI	m/m	Dec F	51.3	51.5	51.5	**	Equity and bond neutral
France	CPI	y/y	Dec P	0.8%	0.9%	0.9%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Dec P	0.7%	0.7%	0.7%	**	Equity and bond neutral
	HCOB France Services PMI	m/m	Dec F	50.1	50.2	50.1	**	Equity and bond neutral
	HCOB France Composite PMI	m/m	Dec F	50.0	50.1	50.0	**	Equity and bond neutral
Italy	New Car Registrations	y/y	Dec	2.22%	-0.04%		*	Equity and bond neutral
	HCOB Italy Services PMI	m/m	Dec	51.5	55.0	54.1	**	Equity bearish, bond bullish
	HCOB Italy Composite PMI	m/m	Dec	50.3	53.8	53.3	**	Equity bearish, bond bullish
UK	New Car Registrations	y/y	Dec	3.9%	-1.6%		*	Equity bullish, bond bearish
	S&P Global UK Services PMI	m/m	Dec F	51.4	52.1	52.1	**	Equity bearish, bond bullish
	S&P Global UK Composite PMI	m/m	Dec F	51.4	52.1	52.1	**	Equity bearish, bond bullish
	Official Reserves Changes	m/m	Dec	\$1515m	\$1390m		*	Equity and bond neutral
AMERICAS								
Mexico	Vehicle Domestic Sales	y/y	Dec	154395	158361		***	Equity and bond neutral
	Consumer Confidence	m/m	Dec	44.7	44.1		*	Equity and bond neutral
Brazil	S&P Global Brazil Composite PMI	m/m	Dec	52.1	49.6		***	Equity and bond neutral
	S&P Global Brazil Services PMI	m/m	Dec	53.7	50.1		***	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)	352	351	1	Down
U.S. Sibor/OIS spread (bps)	365	365	0	Down
U.S. Libor/OIS spread (bps)	360	360	0	Down
10-yr T-note (%)	4.17	4.16	0.01	Up
Euribor/OIS spread (bps)	203	203	0	Up
Currencies	Direction			
Dollar	Up			Up
Euro	Down			Flat
Yen	Flat			Down
Pound	Down			Up
Franc	Up			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.

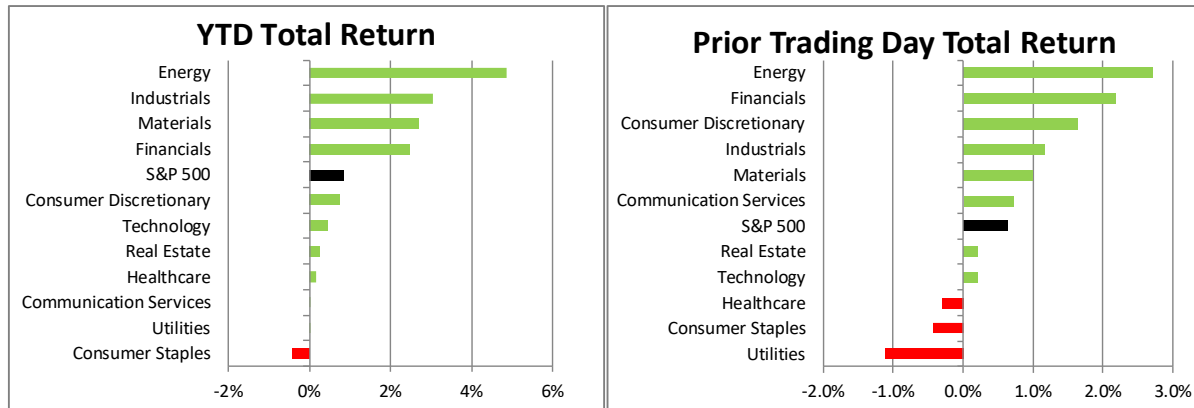
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$62.05	\$61.76	0.47%	
WTI	\$58.57	\$58.32	0.43%	
Natural Gas	\$3.42	\$3.52	-2.95%	
Crack Spread	\$19.61	\$19.76	-0.78%	
12-mo strip crack	\$22.67	\$22.73	-0.30%	
Ethanol rack	\$1.80	\$1.80	0.20%	
Metals				
Gold	\$4,462.17	\$4,449.15	0.29%	
Silver	\$78.43	\$76.59	2.41%	
Copper contract	\$601.25	\$597.55	0.62%	
Grains				
Corn contract	\$444.75	\$444.50	0.06%	
Wheat contract	\$512.25	\$512.50	-0.05%	
Soybeans contract	\$1,063.50	\$1,062.00	0.14%	
Shipping				
Baltic Dry Freight	1,851	1,882	-31	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		0.50		
Gasoline (mb)		1.95		
Distillates (mb)		1.55		
Refinery run rates (%)		-0.50%		
Natural gas (bcf)		-51		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near normal temperatures everywhere else. The precipitation outlook calls for wetter-than-normal conditions in the Northern Rockies, with dry conditions expected in most of the Pacific and Rocky Mountain regions as well as parts of the Midwest.

Data Section

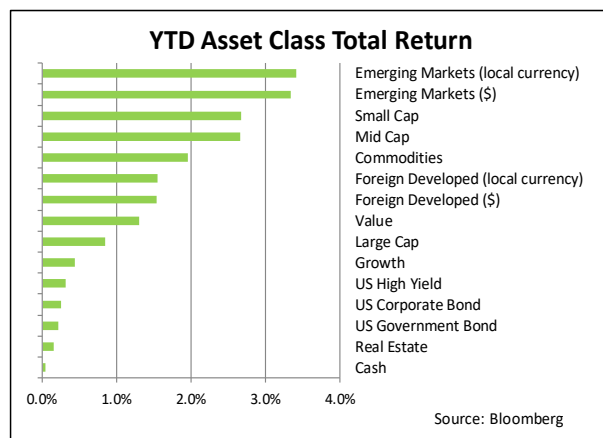
US Equity Markets – (as of 1/5/2026 close)



(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 1/5/2026 close)

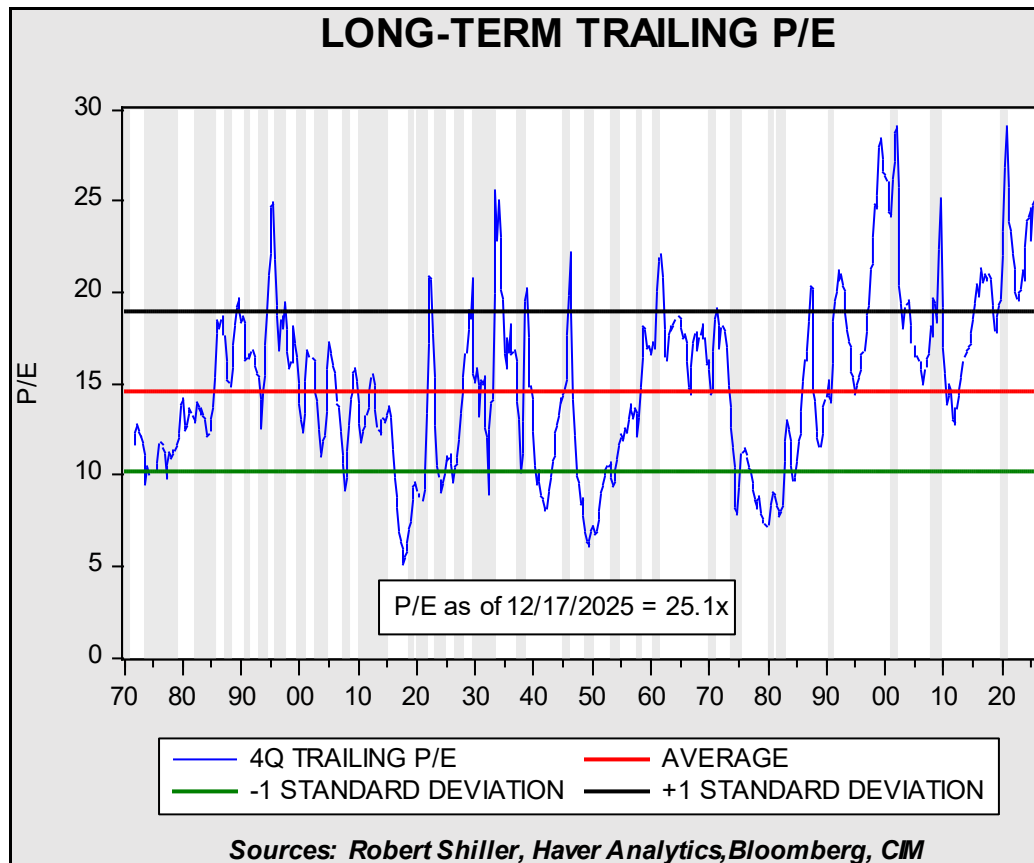


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

December 18, 2025



Based on our methodology,¹ the current P/E is 25.1x, unchanged from the previous report. The stock price index and earnings were little changed from the previous month.

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.