



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**Posted: July 22, 2025 — 9:30 AM ET** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 0.6%. Chinese markets were higher, with the Shanghai Composite up 0.6% from its previous close and the Shenzhen Composite also up 0.6%. US equity index futures are signaling a slightly lower open.

With 66 companies having reported so far, S&P 500 earnings for Q2 are running at \$63.10 per share, compared to estimates of \$64.65, which is up 5.0% from Q2 2024. Of the companies that have reported thus far, 81.8% have exceeded expectations while 13.6% 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="#">“Mid-Year Geopolitical Outlook”</a> (7/14/25) + <a href="#">podcast</a>	<a href="#">“Stablecoin: Treasury’s Next Big Bet?”</a> (7/21/25) + <a href="#">podcast</a>	<a href="#">Q3 2025 Report</a>	<a href="#">The Keller Quarterly</a>  <a href="#">The Confluence Mailbag Podcast</a>

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](mailto:mailbag@confluenceim.com).

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Our *Comment* today opens with news that China is preventing yet another US citizen from leaving the country, a move that will likely raise US-China tensions. We next review several other international and US developments that could affect the financial markets today, including a UK review of its public pension system that could lead to a rise in the retirement age and news that JPMorgan is exploring the possibility of lending against its clients’ cryptocurrencies.

**China-United States:** The US Embassy in Beijing today [said the Chinese government has imposed an exit ban on a US citizen who works for the US Patent and Trademark Office](#). The unidentified USPTO employee reportedly flew to China earlier this year to visit family and

didn't reveal his affiliation with the US government on his visa application. Reports say he has been detained since mid-April as Chinese authorities question him about his work and his former service with the US military.

- The exit ban on the USPTO employee comes just a week after news that a Wells Fargo bank employee visiting family in China was also told she couldn't leave, ostensibly for purposes of a criminal investigation. The Chinese government has also recently detained or imprisoned other Western business executives.
- As we noted in our [Mid-Year Geopolitical Outlook](#) published last week, the intense media focus on US-China trade tensions this year shouldn't distract investors from the fact that military, technological, and other aspects of the bilateral relationship are still worsening.
- Indeed, the spate of exit bans could be meant to remind US officials that China has a range of non-economic levers to resist the Trump administration's aggressive tariff policies.
- Not only do the exit bans and detentions portend increased US-Chinese political tensions, but they also are likely to further discourage Western firms from investing in China.

**China:** An article in the *Wall Street Journal* late yesterday discusses how Beijing [has sharply curbed China's oil demand in recent years to make the country less vulnerable to a supply cutoff by the US and its allies](#). The article says China has achieved this mostly by rekindling its domestic oil output and rapidly building out its fleet of electric vehicles.

- China's successful strategy shows how green energy technologies – such as wind, solar, and EVs – can boost national security by cutting the need to import energy from abroad.
- Political leaders in the US and the rest of the West are currently pushing hard to roll back green-energy subsidies and incentive programs, but the national security value of green energy could potentially limit how far those programs are cut.

**Japan:** Kansai Electric Power today [said it will resume planning for a new nuclear generating plant in Fukui prefecture after suspending the project in 2011](#) in the wake of the meltdown at the Fukushima reactors. The Kansai project would mark Japan's first new nuclear plant from scratch since the disaster at Fukushima, potentially signaling a resumption and revitalization of Japan's nuclear industry. It's also consistent with an expected rebound in the global nuclear industry.

**United Kingdom:** The government of Prime Minister Starmer yesterday [said it will begin a new review of the public pension age, four years before the legal deadline to have it finished by 2029](#). The current state pension age is 66, but it is scheduled to rise to 67 in 2026 and 68 in the coming years. The review could well result in a further boost to those ages, especially considering the government's big budget deficit and Starmer's flailing effort to rein in spending.

**Nigeria:** The National Bureau of Statistics says an updated method for calculating the country's gross domestic product [shows GDP totaled \\$244 billion in 2024, or 30% more than previously estimated](#). The new method better captures the contribution of new industries, such as digital

services. Based on data from the International Monetary Fund, the new figure would make Nigeria's economy slightly bigger than that of Hungary and somewhat smaller than that of Greece. Importantly, it would also make Nigeria's debt-to-GDP ratio modestly lower.

**US Monetary Policy:** In an interview yesterday, Treasury Secretary Bessent [called for a probe into "the entire Federal Reserve institution and whether they have been successful."](#) The call came one day after the *Wall Street Journal* said Bessent had talked President Trump out of firing Fed Chair Powell last week. The apparent reversal may reflect a Trump effort to take Bessent down a peg after the *Journal's* report. If so, it raises questions about how much influence Bessent really has in trying to tone down Trump's economic policies.

**US Banking Industry:** An article in the *Financial Times* today [says banking giant JPMorgan is exploring the possibility of lending against clients' cryptocurrency holdings.](#) If the bank decides to move forward with the idea, it could offer its first loans collateralized by cryptocurrencies, such as Bitcoin and Ethereum, by next year. The news shows how cryptocurrencies are increasingly being accepted as a normal financial asset and integrated into the financial system.

**US Housing Industry:** Even as apartment builders struggle with high interest rates, rising costs for materials, and labor shortages, a Trump administration proposal to slash low-income housing subsidies [is reportedly starting to freeze affordable housing projects.](#) The freeze stems from the administration's plan to cut the Department of Housing and Urban Development budget by some 44%. Because of all these challenges, the outlook remains unclear for significant new housing supply to help bring down rent rates unless broader plans for deregulation are implemented.

**US Pharmaceutical Industry:** Faced with President Trump's threat to impose tariffs of up to 200% on imported drugs, British pharmaceutical maker AstraZeneca today [said it will invest some \\$50 billion in the US by 2030, including a new manufacturing facility focused on drugs for chronic diseases.](#) That follows similar announcements of new drug manufacturing investments by the likes of Eli Lilly, Merck, and Roche in recent weeks. The news is consistent with our expectation for continued re-industrialization of the US economy over time.

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## US Economic Releases

No major US economic reports have been released so far today. 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	Richmond Fed Manufact. Index	m/m	Jul	-4	-7	**
10:00	Richmond Business Conditions	m/m	Jul		-16	**
Federal Reserve						
EST	Speaker or Event	District or Position				
8:30	Jerome Powell Gives Welcome Remarks at Regulatory Conference	Chairman of the Board of Governors				
13:00	Michelle Bowman in Fireside Chat with Sam Altman	Member 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 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>								
New Zealand	Trade Balance NZD	m/m	Jun	142m	1082m		**	Equity and bond neutral
	Exports NZD	m/m	Jun	6.63b	7.50b		**	Equity and bond neutral
	Imports NZD	m/m	Jun	6.49b	6.42b		**	Equity and bond neutral
South Korea	PPI	y/y	Jun	0.5%	0.3%		**	Equity and bond neutral
<b>EUROPE</b>								
UK	Public Finances (PSNCR)	m/m	Jun	-16.1b	21.0b		*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	Jun	20.7b	17.4b	17.5b	*	Equity and bond neutral
	PSNB ex Banking Groups	m/m	Jun	20.7b	17.4b		**	Equity and bond neutral
<b>AMERICAS</b>								
Canada	Industrial Product Price	m/m	Jun	0.4%	-0.5%	0.1%	**	Equity and bond neutral
	Raw Material Prices	m/m	Jun	2.7%	-0.7%	0.0%	*	Equity bearish, bond bullish
	BOC Business Outlook Future Sales	q/q	2Q	6.00	13.00		**	Equity and bond neutral
Mexico	Retail Sales	y/y	May	2.7%	-2.0%	1.7%	***	Equity bullish, bond bearish
	Economic Activity IGAE	y/y	May	-0.19	-1.55%	0.44%	**	Equity bearish, bond bullish

## 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)	422	420	2	Up
U.S. Sibor/OIS spread (bps)	432	432	0	Up
U.S. Libor/OIS spread (bps)	429	429	0	Up
10-yr T-note (%)	4.39	4.38	0.01	Down
Euribor/OIS spread (bps)	197	200	-3	Down
<b>Currencies</b>	<b>Direction</b>			
Dollar	Up			Down
Euro	Down			Up
Yen	Up			Down
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
<b>Energy Markets</b>				
Brent	\$68.57	\$69.21	-0.92%	
WTI	\$66.59	\$67.20	-0.91%	
Natural Gas	\$3.25	\$3.33	-2.14%	
Crack Spread	\$26.77	\$27.55	-2.82%	
12-mo strip crack	\$23.48	\$23.92	-1.85%	
Ethanol rack	\$1.89	\$1.90	-0.28%	
<b>Metals</b>				
Gold	\$3,387.48	\$3,397.05	-0.28%	
Silver	\$38.88	\$38.93	-0.13%	
Copper contract	\$565.70	\$563.75	0.35%	
<b>Grains</b>				
Corn contract	\$417.00	\$422.25	-1.24%	
Wheat contract	\$541.00	\$542.25	-0.23%	
Soybeans contract	\$1,021.75	\$1,026.00	-0.41%	
<b>Shipping</b>				
Baltic Dry Freight	2,016	2,052	-36	
<b>DOE Inventory Report</b>				
	Actual	Expected	Difference	
Crude (mb)		-0.50		
Gasoline (mb)		-1.50		
Distillates (mb)		-1.50		
Refinery run rates (%)		-0.5%		
Natural gas (bcf)		45		

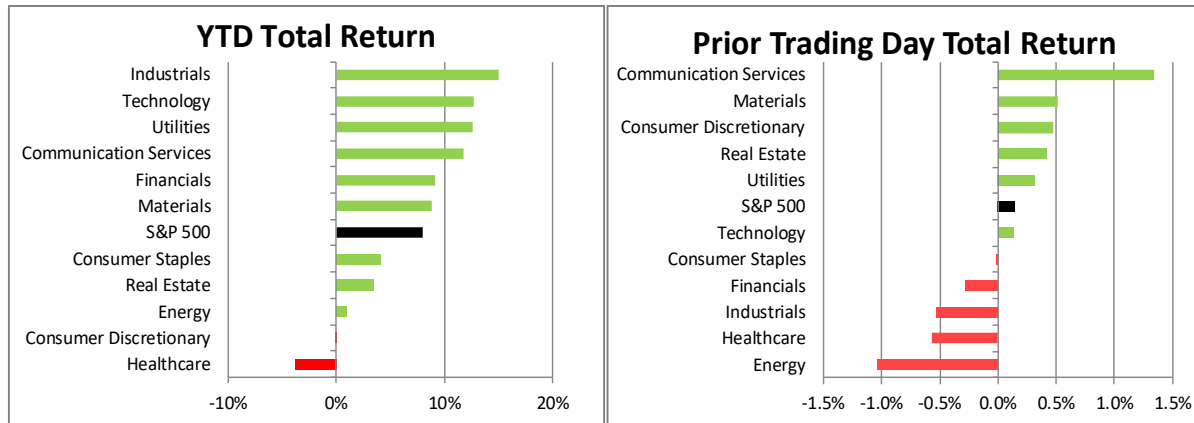
## Weather

The latest 6-to-10-day and 8-to-14-day forecasts call for warmer-than-normal temperatures throughout the entire country except for the Pacific Northwest and northern Maine, where temperatures will be cooler-than-normal. The forecasts call for wetter-than-normal conditions in Montana, the Dakotas, Minnesota, and Wisconsin, with dry conditions in the central and southern Rocky Mountains and the central Great Plains.

The tropical weather outlook indicates no expectation for tropical cyclone activity in the next seven days.

## Data Section

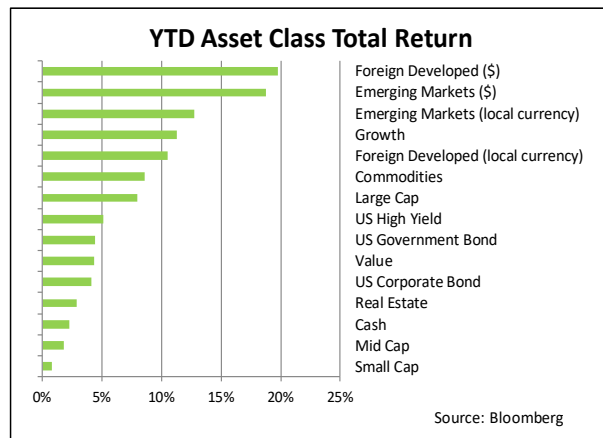
### US Equity Markets – (as of 7/21/2025 close)



(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 7/21/2025 close)



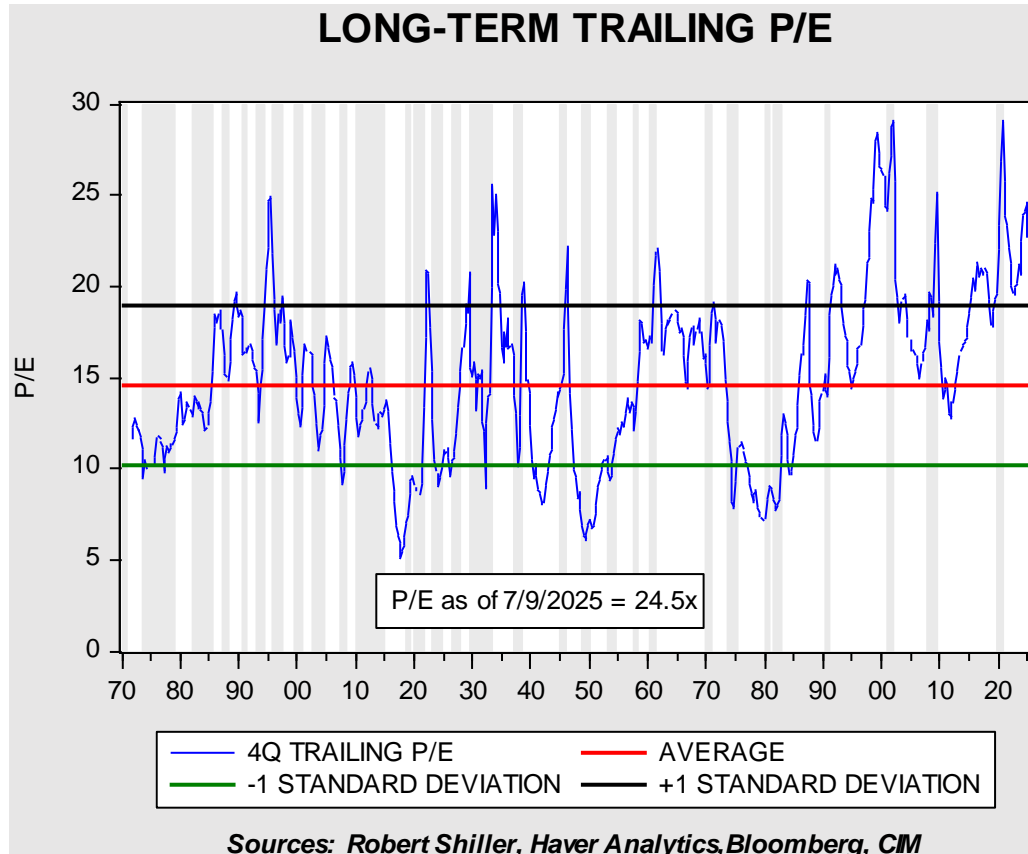
This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 10, 2025



Based on our methodology,<sup>1</sup> the current P/E is 24.5x, up 1.4 from our last report. This rise in the multiple is attributable to a shift in quarters, which boosted the average stock price index, and a new earnings estimate that was down from the previous quarter.

*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.