



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

Posted: June 3, 2025 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 closed down 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.7%. Chinese markets were higher, with the Shanghai Composite up 0.4% from its previous close and the Shenzhen Composite up 0.5%. US equity index futures are signaling a lower 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
“Why Greenland Matters” (5/27/25) + podcast	“The Japan Problem” (6/2/25) + podcast	Q2 2025 Report Q2 2025 Rebalance Presentation	Confluence of Ideas Podcast Value Equity Quarterly Update Business Cycle Report

Our *Comment* today opens with news that the European Union is preparing to ratchet up its retaliation against the Trump administration’s tariffs. We next review several other international and US developments with the potential to affect the financial markets today, including the likely fall of the Dutch government and another interesting nuclear energy deal for artificial intelligence in the US.

European Union-United States: Just days after President Trump said he would raise the US import tariffs on steel and aluminum to 50% from their current 25%, an EU spokesman [announced yesterday that the bloc is preparing an expanded list of countermeasures against US goods and services](#) if the current US-EU trade negotiations falter. The statement is a reminder that the tariff war still has the potential to spiral out of control, despite the recent cooldown amid US trade talks with various economies.

European Union-China: The EU yesterday [confirmed that it will use its new International Procurement Instrument to restrict imports of Chinese medical devices](#) in retaliation for discriminating practices in China’s public procurement systems. Even though the EU and China

have tried to increase trade cooperation recently to offset President Trump's aggressive tariff policies against them, the EU's announcement will likely set that effort back significantly.

Netherlands: Far-right firebrand Geert Wilders today [said he will withdraw his Freedom Party from the governing coalition because of the other coalition parties' failure to accept his plan to stem asylum applications](#). The three small parties remaining in the coalition don't have a majority in parliament, so it appears that Prime Minister Schoof will have to call new elections, which would likely be held in September. The result could be months of political uncertainty in the Netherlands and a new test of strength for Europe's far right.

United Kingdom: Prime Minister Starmer yesterday [unveiled a Strategic Defense Review calling for a major program of defense rebuilding in the UK](#). Although Starmer refused to commit to specific defense spending targets, his plan envisions several major initiatives, including nearly doubling the UK's fleet of destroyers and frigates, investing in 12 new nuclear-powered attack submarines, and modernizing the country's nuclear arsenal. In response, key British defense stocks appreciated sharply yesterday.

Russia: Officials in Moscow last weekend [installed an elaborate statue of dictator Josef Stalin in one of the subway system's busiest stations](#), marking the government's latest step to revive his legacy. President Putin, Russia's current authoritarian leader, also recently signed a decree renaming Volgograd's airport Stalingrad, as the city was known during World War II. The moves show that even long after Putin has consolidated his political position in Russia, he continues to develop the country's authoritarian system.

South Korea: According to exit polls, Lee Jae-myung of the leftist Democratic Party [is leading today's presidential voting with about 51.7% of the vote](#). Lee's main challenger, conservative former Labor Minister Kim Moon-soo is currently projected to get 39.3%. If Lee wins as expected, South Korean foreign policy could become somewhat more accommodating to China and North Korea, while relations with the US regarding trade and security could become more fraught. The result could be more challenging conditions for South Korean stocks.

US Nuclear Energy Industry: Meta Platforms [has signed a 20-year purchase agreement for the electricity from one of Constellation Energy's nuclear plants in Illinois](#), providing energy for Meta's artificial-intelligence efforts and helping fund Constellation's relicensing and upgrades to the plant. The deal echoes the contract last year in which Microsoft signed a long-term deal for AI energy from Constellation's plant at Three Mile Island in Pennsylvania. Today's agreement will likely help rekindle interest in nuclear power and help boost uranium prices again after a soft period.

US Economic Releases

There were no domestic releases prior to the publication of this report. The table below lists the economic releases and/or Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:00	Factory Orders	m/m	Apr	-3.2%	3.4%	***
10:00	Factory Orders Ex Transportation	m/m	Apr	0.2%	-0.4%	**
10:00	Durable Goods Orders	m/m	Apr F	-6.3%	-6.3%	***
10:00	Durable Goods Orders ex Transportation	m/m	Apr F	0.2%	0.2%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Apr F	-1.3%	-1.3%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Apr F	-0.1%	-0.1%	*
10:00	JOLTS Job Openings	m/m	Apr	7100k	7192k	*
10:00	Wards Total Vehicle Sales	m/m	May	16.00k	17.27k	**
Federal Reserve						
EST	Speaker or Event	District or Position				
12:45	Austan Goolsbee Participates in Moderated Q&A	President of the Federal Reserve Bank of Chicago				
13:00	Lisa Cook Discusses Economic Outlook	Members of the Board of Governors				
15:30	Gives Opening Remarks at Fed Listens	President of the Federal Reserve Bank of Dallas				

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	Monetary Base	y/y	May	-3.4%	-4.8%		**	Equity and bond neutral
	Monetary Base, End of Period	m/m	May	¥654.2t	¥666.4t		*	Equity and bond neutral
Australia	BoP Current Account Balance	q/q	1Q	-A14.7b	-A\$16.3	-A\$12.5b	***	Equity and bond neutral
New Zealand	Terms of Trade Index	q/q	1Q	1.9%	3.2%	3.5	*	Equity bearish, bond bullish
China	Caixin Manufacturing PMI	m/m	May	48.3	50.4	50.7	***	Equity and bond neutral
EUROPE								
Eurozone	CPI	y/y	May P	1.9%	2.2%	2.0%	***	Equity and bond neutral
	Core CPI	y/y	May P	2.3%	2.7%	2.4%	**	Equity and bond neutral
	Unemployment Rate	m/m	Apr	6.2%	6.2%	6.2%	**	Equity and bond neutral
France	Budget Balance YTD	y/y	Apr	69.3b	-47.0b		***	Equity and bond neutral
Italy	Unemployment Rate	m/m	Apr	5.9%	6.1%	6.1%	**	Equity and bond neutral
Switzerland	CPI	y/y	May	-0.1%	0.0%	-0.1%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	May	-0.2%	0.3%		*	Equity and bond neutral
	Core CPI	y/y	May	0.5%	0.6%		*	Equity and bond neutral
AMERICAS								
Canada	S&P Global Canada Manufacturing PMI	m/m	May	46.1	45.3		***	Equity and bond neutral
Mexico	S&P Global Mexico Manufacturing PMI	m/m	May	46.7	44.8		***	Equity and bond neutral
	Remittances Total	m/m	Feb	\$4761.2m	\$5141.8m	\$4761.2m	*	Equity and bond neutral
Brazil	S&P Global Brazil Manufacturing PMI	m/m	May	49.4	50.3		***	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)	421	422	-1	Up
U.S. Sibor/OIS spread (bps)	432	432	0	Up
U.S. Libor/OIS spread (bps)	432	433	-1	Up
10-yr T-note (%)	4.42	4.44	-0.02	Down
Euribor/OIS spread (bps)	198	200	-2	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.

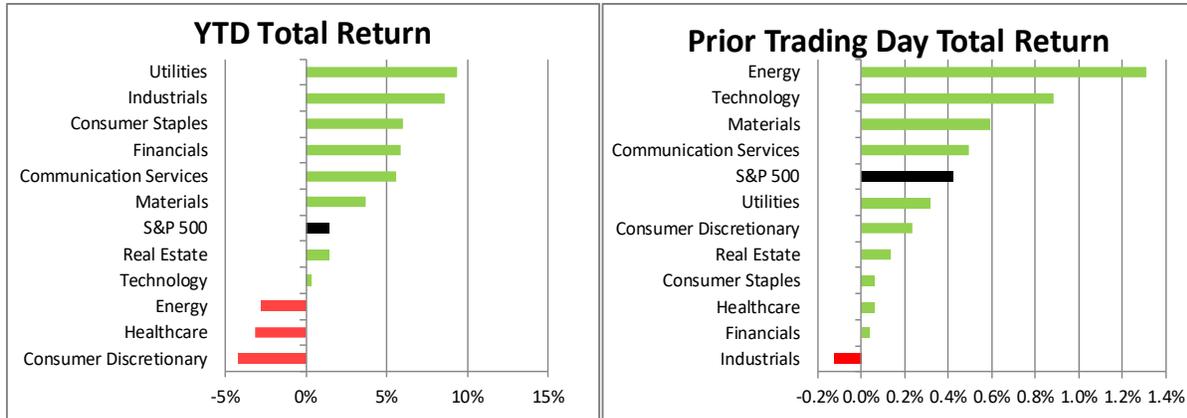
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$64.88	\$64.63	0.39%	
WTI	\$62.78	\$62.52	0.42%	
Natural Gas	\$3.71	\$3.69	0.32%	
Crack Spread	\$23.67	\$23.44	0.99%	
12-mo strip crack	\$21.13	\$21.01	0.59%	
Ethanol rack	\$1.88	\$1.88	-0.09%	
Metals				
Gold	\$3,356.72	\$3,381.59	-0.74%	
Silver	\$34.28	\$34.76	-1.38%	
Copper contract	\$477.65	\$485.85	-1.69%	
Grains				
Corn contract	\$439.00	\$438.25	0.17%	
Wheat contract	\$536.00	\$539.00	-0.56%	
Soybeans contract	\$1,037.00	\$1,033.50	0.34%	
Shipping				
Baltic Dry Freight	1,422	1,418	4	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-2.72		
Gasoline (mb)		-1.22		
Distillates (mb)		0.02		
Refinery run rates (%)		0.9%		
Natural gas (bcf)		101		

Weather

The 6-to-10 and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Rocky Mountains to the West Coast and the East and Gulf Coasts, with cooler-than-normal temperatures in a central pocket of the country. The outlook calls for wetter-than-normal conditions from the East Coast to the Great Plains, with drier-than-normal conditions in the Pacific Northwest.

Data Section

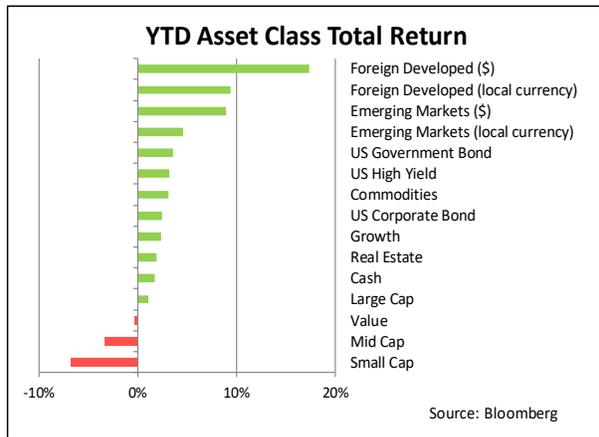
US Equity Markets – (as of 6/2/2025 close)



(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 6/2/2025 close)

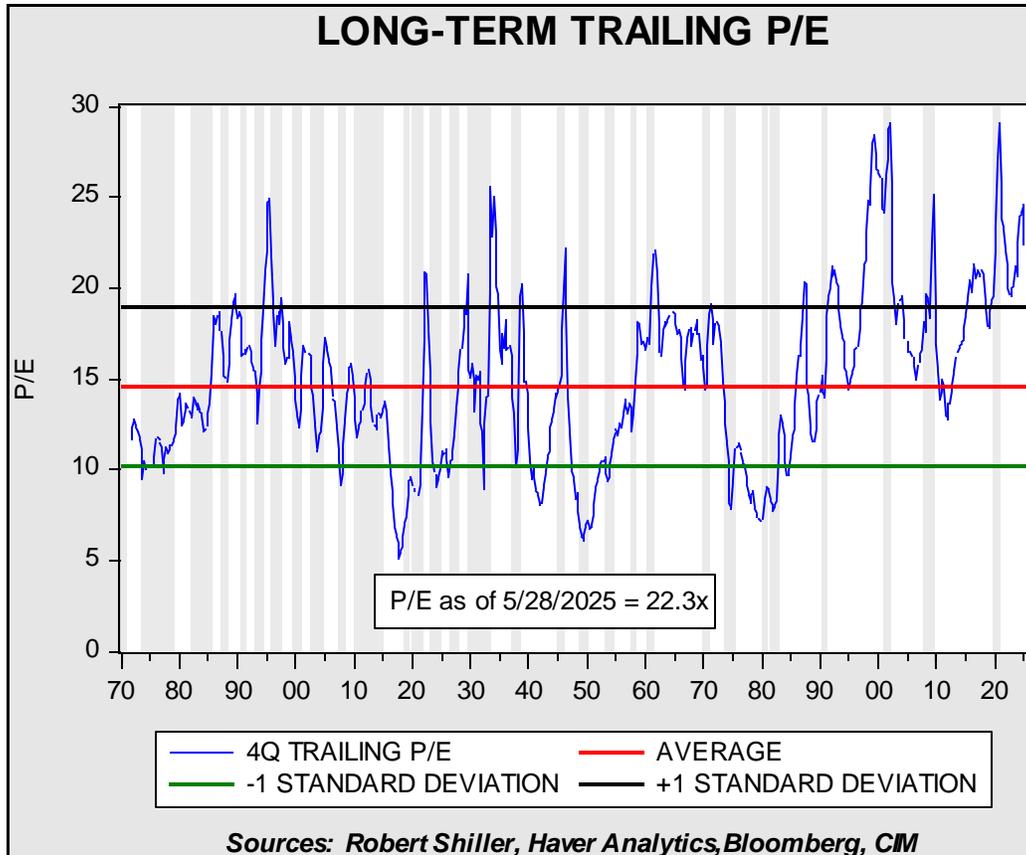


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

May 29, 2025



Based on our methodology,¹ the current P/E is 22.3x, unchanged from our last report. The rise in the stock price index offset by an increase in earnings.

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.