



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

Posted: June 10, 2025 — 9:30 AM ET Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.8%. Chinese markets were lower, with the Shanghai Composite down 0.4% from its previous close and the Shenzhen Composite down 0.8%. 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.

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“NATO’s Baltic Vulnerability” (6/9/25)	“The Japan Problem” (6/2/25) + podcast	Q2 2025 Report Q2 2025 Rebalance Presentation	Confluence of Ideas Podcast Value Equity Quarterly Update

Our *Comment* today opens with the latest in the high-level, high-stakes trade talks going on in London between the US and China. We next review several other international and US developments with the potential to affect the financial markets today, including unrequited efforts by Beijing to curry favor with the European Union by offering trade concessions and news that the Trump administration’s immigration crackdowns could be costing it the political support of union workers and Hispanics.

United States-China: High-level officials from the US and China [continue their trade talks in London today, with initial reports suggesting that the two sides aren’t coming to agreements easily](#). US Commerce Secretary Lutnick today said the talks are “going well,” but President Trump has suggested that the Chinese are taking a tough stance. If incoming reports point to further hurdles, global stock markets could falter later today or in the coming days.

- Separately, the Chinese government [said it will extend its antidumping probe into European Union pork exports for another six months, until mid-December](#). The probe into EU pork was launched in June to retaliate for the EU slapping antidumping tariffs on Chinese electric vehicles.

- As with Beijing's hint yesterday that it will favor the EU as it relaxes its embargo on rare-earth exports, the extension of the pork probe likely aims to discourage the EU from coordinating with the US on its tough trade policies against China.

European Union-China: Despite Beijing's effort to curry favor with the EU and preclude any further US-style barriers, the European Commission today [said it will impose anti-dumping tariffs of up to 62.4% against Chinese plywood imports](#). According to the Commission, the new duties are in response to a three-year surge in hardwood plywood imports that has damaged domestic producers. Brussels is also reportedly monitoring imports of Chinese softwood plywood for further antidumping duties.

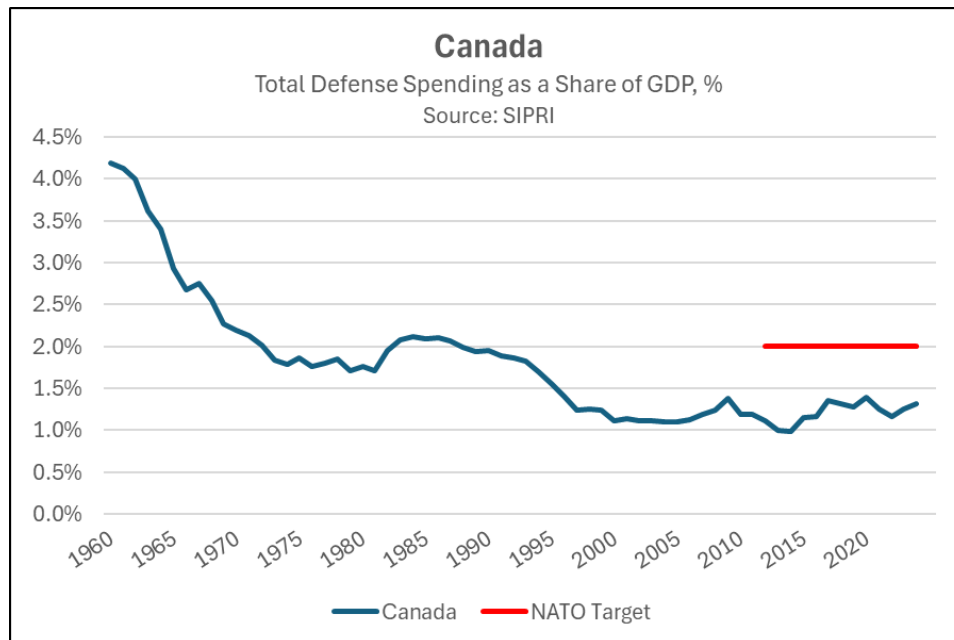
Germany: Lawmakers in Chancellor Merz's center-right CDU party [said Germany may need to re-institute conscription to raise the troops needed to counter Russian aggression](#). According to the lawmakers, Germany's current measures to incentivize voluntary enlistment are falling short. The possibility of a renewed draft in Germany underscores the urgency with which some European countries are trying to rebuild their armed forces amid the threat from Russia and the Trump administration's desire to cut the US commitment to Europe's defense.

Italy: A referendum aimed at granting faster citizenship to immigrants [failed yesterday due to low turnout, apparently as voters heeded right-wing Prime Minister Giorgia Meloni's call to boycott](#) the ballot. On its face, the result seems to reflect the growing nationalist populism and anti-immigrant sentiment in Europe, but the details were contradictory. Of those who voted, more than 65% cast their ballot to cut the residency requirement to five years from 10. However, total turnout was only 30% of registered voters, far below the 50% required to be valid.

Syria: In an interview with the *Financial Times*, central bank chief Abdulkader Husrieh [said the country will be re-connected to the SWIFT international payments system in the coming weeks](#). The move would come after 14 years of war and Western sanctions cut Syria off from the world economy as a pariah state under former President al-Assad. The move could portend a return to foreign investment in Syria (but it's probably way too soon to start thinking about buying Syrian stocks!).

Australia: The Australian Securities and Investments Commission today [said it will take steps to ease initial public offerings of stock](#), after new listings slumped to their lowest level in more than a decade. The Australian market has also suffered a number of big de-listings in response to merger activity. All the same, it's too early to know whether the steps will be enough to increase activity on the Australian stock exchange and maintain investor interest in the market.

Canada: Prime Minister Carney yesterday [said his government will boost Canadian defense spending to 2% of gross domestic product in the current fiscal year](#), finally lifting the country's defense burden to the agreed target for members of the North Atlantic Treaty Organization. Former Prime Minister Trudeau had also pledged that Canada would meet the NATO target, but only in 2032. Carney's move could potentially help ease US-Canadian tensions over trade and other issues.



US Immigration Policy: As protests continue to flare up in Los Angeles against the Trump administration's immigration crackdown, press reports [suggest that local branches of top unions are increasingly siding with the protestors](#). In recent days, authorities arrested David Huerta, president of the state branch of the Service Employees International Union, for allegedly obstructing federal agents conducting an immigration raid. As of yesterday, local units of the Teamsters and the United Auto Workers have expressed their support for the SEIU.

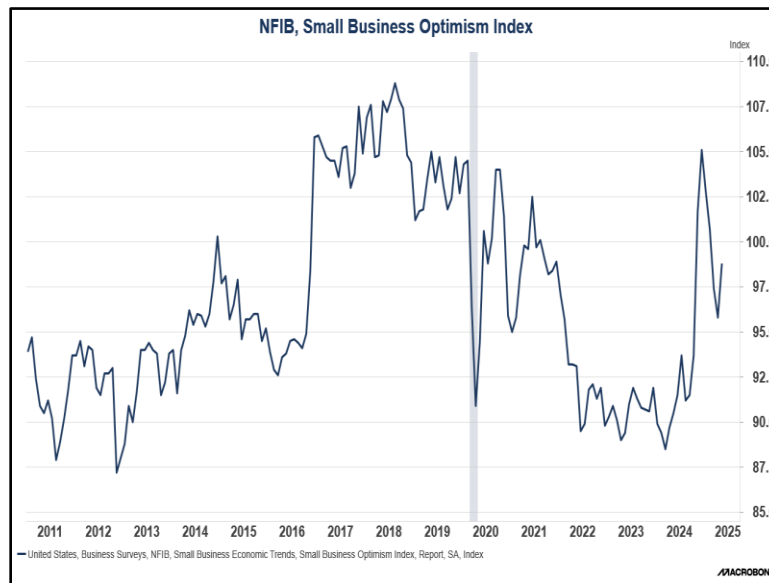
- More union workers are also reportedly joining in the protests.
- The development may present a political problem for Trump and the Republicans, who until now have been unexpectedly successful in garnering support among union workers and Hispanics.

US Solar Energy Industry: Sunnova Energy International, once one of the US's top installers of rooftop-solar systems, [filed for bankruptcy yesterday and said it plans to sell or wind down all its assets](#). The bankruptcy follows Friday's bankruptcy of Solar Mosaic, which makes loans to homeowners for solar installations.

- Several other residential solar firms have recently gone out of business because of weak demand and rising interest rates. The latest wave of bankruptcies reportedly stems largely from the Trump administration's plan to remove clean-energy subsidies and reduce prices for fossil-fuel energy.
- According to the bankruptcy filings of Sunnova and Solar Mosaic, uncertainty around the future of solar-related tax credits hurt their ability to refinance debt or attract new investment.

US Economic Releases

The National Federation of Independent Business' *Small Business Optimism Index* for May rose to 98.8 from 85.8 the prior month and exceeded the expected 96.0. Although this strong 3-point rise reflects improvements in seven of the 10 components of the survey, led by increasing sales optimism, the uncertainty component of the index also rose, underscoring concerns over tariffs and tax legislation. The chart below shows the course of the index through time.



There are no economic releases or Fed events scheduled for the rest of the day.

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	Money Stock M2	y/y	May	0.6%	0.5%		**	Equity and bond neutral
	Money Stock M3	y/y	May	0.2%	0.1%		**	Equity and bond neutral
	Machine tool orders	y/y	May P	3.4%	7.7%		**	Equity and bond neutral
Australia	Westpac Consumer Conf SA	m/m	Jun	0.5%	2.2%		**	Equity and bond neutral
	Westpac Consumer Conf Index	m/m	Jun	92.6	92.1		**	Equity and bond neutral
	NAB Business Confidence	m/m	May	2	-1		***	Equity and bond neutral
	NAB Business Conditions	m/m	May	0	2		***	Equity and bond neutral
South Korea	BoP Current Account Balance	m/m	Mar	\$5701.7m	\$9144.6m		**	Equity and bond neutral
	BoP Goods Balance	m/m	Mar	\$8988.8m	\$8493.1m		*	Equity and bond neutral
EUROPE								
Italy	Industrial Production WDA	y/y	Apr	0.3%	-1.8%	-1.1%	***	Equity bullish, bond bearish
	Average Weekly Earnings 3M/YoY	m/m	Apr	5.30%	5.60%	5.50%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Apr	4.60%	4.50%	4.60%	**	Equity and bond neutral
	Claimant Count Rate	m/m	May	4.50%	4.40%		**	Equity and bond neutral
	Jobless Claims Change	m/m	May	33.1k	-21.2k		**	Equity bullish, bond bearish
	Domestic Sight Deposits CHF	w/w	6-Jun	426.3b	434.3b		*	Equity and bond neutral
Switzerland	Total Sight Deposits CHF	w/w	6-Jun	438.1b	444.9b		*	Equity and bond neutral
AMERICAS								
Brazil	IBGE Inflation IPCA	y/y	May	5.32%	5.53%	5.39%	***	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)	424	423	1	Up
U.S. Sibor/OIS spread (bps)	432	432	0	Up
U.S. Libor/OIS spread (bps)	433	433	0	Up
10-yr T-note (%)	4.45	4.48	-0.03	Down
Euribor/OIS spread (bps)	196	196	0	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	\$67.43	\$67.04	0.58%	
WTI	\$65.67	\$65.29	0.58%	
Natural Gas	\$3.60	\$3.64	-0.96%	
Crack Spread	\$23.36	\$23.36	0.01%	
12-mo strip crack	\$21.51	\$21.51	-0.01%	
Ethanol rack	\$1.82	\$1.83	-0.22%	
Metals				
Gold	\$3,337.98	\$3,326.19	0.35%	
Silver	\$36.74	\$36.76	-0.04%	
Copper contract	\$489.15	\$492.50	-0.68%	
Grains				
Corn contract	\$430.50	\$433.50	-0.69%	
Wheat contract	\$535.25	\$542.00	-1.25%	
Soybeans contract	\$1,057.25	\$1,056.00	0.12%	
Shipping				
Baltic Dry Freight	1,691	1,633	58	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-3.13		
Gasoline (mb)		-0.50		
Distillates (mb)		0.17		
Refinery run rates (%)		1.0%		
Natural gas (bcf)		113		

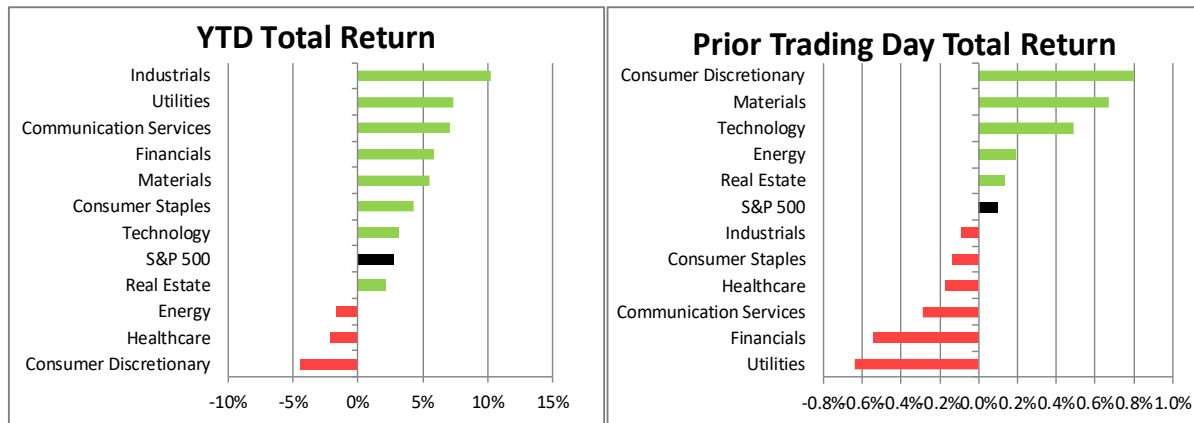
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for all of the country but the northern tier and New England, with cooler-than-normal temperatures in the Seattle area. The outlook calls for wetter-than-normal conditions for all but the southwestern quadrant of the country, with drier-than-normal conditions expected in Nevada, Idaho, and Utah.

There are currently no tropical disturbances in the Atlantic Ocean, and no tropical cyclone activity is expected during the next 7 days.

Data Section

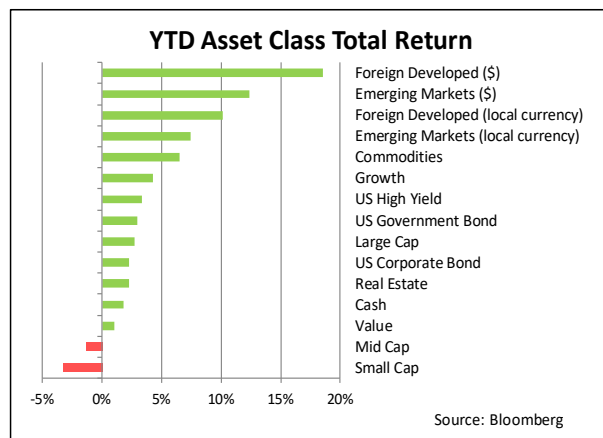
US Equity Markets – (as of 6/9/2025 close)



(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 6/9/2025 close)

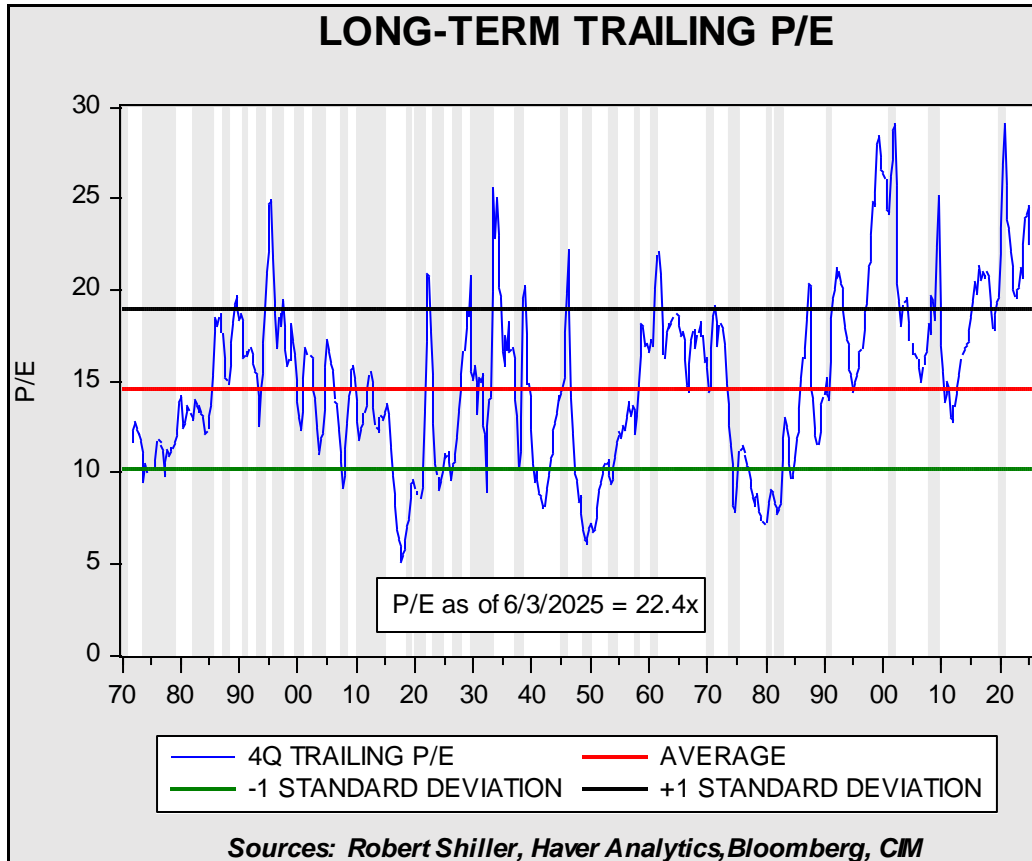


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

June 4, 2025



Based on our methodology,¹ the current P/E is 22.4x, up 0.1 from our last report. The increase in the multiple was due to a rise 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 (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.