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**Posted: June 23, 2025 — 9:30 AM ET** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.3%. Chinese markets were higher, with the Shanghai Composite up 0.7% from its previous close and the Shenzhen Composite up 1.0%. US equity index futures are signaling a lower open.

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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="#">“NATO’s Baltic Vulnerability”</a> (6/9/25) + <a href="#">podcast</a>	<a href="#">“The Economy That Won’t Die”</a> (6/16/25) + <a href="#">podcast</a>	<a href="#">Q2 2025 Report</a>  <a href="#">Q2 2025 Rebalance Presentation</a>	<a href="#">NEW: The Confluence Mailbag Podcast</a>  <a href="#">The Renewed Case for Active and Value</a>

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Our *Comment* today opens with the latest on the Israel-Iran conflict and the US’s bomber and missile attacks on Iran over the weekend. We next review several other international and US developments with the potential to affect the financial markets today, including signs that some US allies in both Asia and Europe are pushing back against President Trump’s demand that they hike their defense spending to 5% of gross domestic product and an update on the progress of Trump’s “big, beautiful” tax-and-spending bill in the Senate.

**United States-Iran-Israel:** As we warned in our *Comment* on Friday, the US on Saturday [launched a bomber and missile attack on Iran’s key nuclear facilities](#). The attacks included massive “bunker buster” munitions dropped by B-2 bombers at Fordow and Natanz, and cruise missile attacks on Isfahan. US officials say they believe the attacks caused “severe damage” to Iran’s nuclear program, but full damage assessments will take time, and officials admit they don’t know where Iran’s enriched uranium stockpiles are.

- Trump administration officials say [they have no plans for further attacks on Iran, and that the weekend attacks are not the beginning of an open-ended war](#). However, President Trump also warned that he will launch more attacks if Iran retaliates. On Sunday, he also hinted that he may pursue regime change in Iran.

- In any case, if the bomb damage assessments indicate Iran's nuclear program has not been destroyed definitively, there is some chance that Israel, potentially backed by the US, might have to deploy special forces or bigger military units to Iranian territory to seek out and destroy the remnants of the program. More broadly, regime change may be the only way to ensure that Iran's menacing program is finally destroyed.
- A key issue now [is how Iran might respond to the US attack](#). Iran retains many possible retaliatory options including: attacks on US and allied forces and/or energy facilities in the region, shipping restrictions in the Strait of Hormuz, renewed terrorism, seizures of Western hostages, cyberattacks, withdrawal from the Non-Proliferation Treaty, and reconstitution or acceleration of its nuclear program. Any of these options could force the US to attack again, potentially with ground troops.
- In the longer term, we believe the US attack will encourage Iran and other nations to rush toward acquiring their own nuclear weapons. For example, an advisor to Iranian supreme leader Khomeini [warned on X](#) that "Enriched materials, indigenous knowledge [and the] political will remain" for Iran to keep pursuing its own nukes. As we have warned before, today's increasing geopolitical chaos risks sparking a new, global nuclear arms race.
- We also note that China, Russia and other Iranian allies merely condemned the US attack but offered no obvious tangible help to Iran. In our view, that reflects China's continued inability and/or unwillingness to support the members of its bloc with real military aid. As we have written in the past, Beijing is managing its geopolitical bloc largely on economic, neocolonial lines. Beijing's failure to offer Iran more tangible benefits risks undermining the cohesion of the entire China bloc.
- Despite the risk of Iranian retaliation and disruptions to global energy supplies, near oil futures as of this writing are essentially unchanged, with Brent currently changing hands at about \$76.95 per barrel and WTI trading at \$73.52.

**Taiwan-China:** Taiwanese President Lai Ching-te [launched a series of "national unity" speeches](#) yesterday, ahead of a July 26 recall vote against nearly half of the parliament members from the China-friendly Kuomintang opposition party. In a statement sure to anger Chinese leaders, Lai stressed in his speech that "of course Taiwan is a sovereign state!" That assertion will likely provoke dangerous, market-concerning retaliation from Beijing, such as more military exercises around the island or restrictions on trade and capital flows between Taiwan and the mainland.

**Japan-United States:** Late last week, Tokyo reportedly [canceled its participation in the annual US-Japan "two-plus-two" meeting between the countries' top foreign relations and defense officials](#). That meeting had been scheduled to take place in Washington on July 1. According to the report, Tokyo's cancellation stemmed from its anger over recent US pressure to hike Japanese defense spending to as much as 5% of GDP. The move illustrates the type of pushback it can expect as it pressures its allies into politically painful defense spending hikes.

**Japan:** In an interview with the *Financial Times* published Saturday, the chief investment officer for global fixed income at bond giant PIMCO [said the firm has been buying long-term Japanese government bonds \(JGB\) in the belief that the market is being too pessimistic](#) about the

obligations despite rising consumer price inflation in Japan and the central bank's effort to reduce its buying.

- With the yield on 30-year JGBs now approaching 3.0%, PIMCO believes the obligations now offer an enticing opportunity.
- The firm's interest in long-term JGBs shows how some sophisticated bond investors still see opportunities in the debt of even highly indebted developed countries. While we've recently seen early signs of capital flight from the US because of debt concerns and policy uncertainty, PIMCO's decision shows why a large-scale sell-off in long-term US Treasuries is not yet set in stone.

**Germany-Italy-United States:** An article in today's *Financial Times* indicates that lawmakers in Germany and Italy [have begun to urge their central banks to reduce the amount of their gold reserves held in the US](#). The calls reflect not only foreign concerns about US policy uncertainty under President Trump, but also their increased prioritization of gold as a key part of their reserves.

**United States-European Union:** A report late Friday said the US and the EU [are mulling a draft agreement reforming dozens of non-tariff trade barriers posed by the Europeans](#), including the EU's Digital Markets Act, its carbon-based border tariffs, shipbuilding and more. The draft deal doesn't address the Trump administration's tough tariffs on EU imports or the EU's planned retaliatory tariffs against US goods and services. However, it does suggest the two sides are making some progress in their trade dispute, raising hopes for reduced US-EU tensions

**North Atlantic Treaty Organization:** With NATO leaders set to meet for their annual summit at The Hague on Wednesday, Spanish Prime Minister Sánchez yesterday [said he has struck a deal with the alliance to opt out of its new target of spending 5% of GDP on defense](#). That target is due to be officially agreed at the summit. However, a Spanish opt-out would raise questions about what spending goals the allies will ultimately agree to. In turn, that could spark volatility in global defense stocks later this week.

**US Fiscal Policy:** Senate leaders aim to vote this week on President Trump's "big, beautiful" tax-and-spending bill, but the chamber's parliamentarian [has ruled several key provisions related to spending cuts as out of bounds for the fast-track reconciliation procedure](#). That could slow the process in the Senate. In turn, that would delay returning the bill to the House for reconciliation and final passage.

**US Artificial Intelligence Industry:** Masayoshi Son, founder of giant Japanese tech investor Softbank, [has reportedly pitched the Trump administration with a proposal to invest \\$1 trillion in a new industrial project in Arizona](#) that would focus on producing artificial intelligence, AI robots, and related products. The "Project Crystal Land" complex would aim to compete with China's massive high-technology manufacturing cluster in Shenzhen.

- Son has also reportedly asked a range of top technology firms to join in the project, including leading semiconductor maker Taiwan Semiconductor Manufacturing Company and Samsung Electronics.

- The reporting doesn't make clear whether the Trump administration or other big tech firms would be interested in joining the Crystal Land project. Nevertheless, Son's vision illustrates the continuing momentum toward more US investment in high-tech manufacturing and AI.

**US Labor Market:** An article in the *New York Times* over the weekend said on-line job postings [are now being inundated with applicants, not only reflecting a recent softening in labor demand but also the ease of using AI](#) to generate tailored resumes and applications. For example, the article says the number of applications submitted on LinkedIn has surged more than 45% in the past year, and the platform is now receiving an average of 11,000 applications per minute. The result is likely to complicate hiring for both firms and applicants.

## US Economic Releases

There were no domestic releases scheduled 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
9:45	S&P Global US Manufacturing PMI	m/m	Jun P	51.0	52.0	***
9:45	S&P Global US Services PMI	m/m	Jun P	52.9	53.7	***
9:45	S&P Global US Composite PMI	m/m	Jun P	52.1	53.0	***
10:00	Existing Home Sales	m/m	May	3.95m	4.00m	***
10:00	Existing Home Sales MoM	m/m	May	-1.3%	-0.5%	*
Federal Reserve						
EST	Speaker or Event	District or Position				
12:30	Michelle Bowman Speaks on Monetary Policy and Banking	Member of the Board of Governors				
15:00	Austan Goolsbee speaks in Moderated Discussion	President of the Federal Reserve Bank of Chicago				
17:00	John Williams and Adriana Kugler Host Fed Listens Events	New York Fed President and Fed Governor				
14:00	Adriana Kugler Gives Welcoming Remarks	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	Expected
<b>ASIA-PACIFIC</b>								
<b>Japan</b>	Jibun bank Composite PMI	m/m	Jun P	51.4	50.2		*	Equity and bond neutral
	Jibun Bank Manufacturing PMI	m/m	Jun P	50.4	49.4		***	Equity and bond neutral
	Jibun Bank Services PMI	m/m	Jun P	51.5	51.0		**	Equity and bond neutral
	Tokyo Condominiums for Sale	y/y	May	-16.9%	3.5%		*	Equity and bond neutral
<b>Australia</b>	S&P Global Australia Composite PMI	m/m	Jun P	51.2	50.5		*	Equity and bond neutral
	S&P Global Australia Manufacturing PMI	m/m	Jun P	51.0	51.0		***	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Jun P	51.3	50.6		*	Equity and bond neutral
<b>India</b>	HSBC India PMI Composite	m/m	Jun P	61.0	59.3		**	Equity and bond neutral
	HSBC India PMI Mfg	m/m	Jun P	58.4	57.6		***	Equity and bond neutral
	HSBC India PMI Services	m/m	Jun P	60.7	58.8		**	Equity and bond neutral
<b>EUROPE</b>								
<b>Eurozone</b>	HCOB Eurozone Manufacturing PMI	m/m	June P	49.4	49.4	49.7	***	Equity and bond neutral
	HCOB Eurozone Services PMI	m/m	June P	50.0	49.7	50.0	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	June P	50.2	50.2	50.4	*	Equity and bond neutral
<b>Germany</b>	HCOB Germany Manufacturing PMI	m/m	June P	49.0	48.3	49.0	***	Equity and bond neutral
	HCOB Germany Services PMI	m/m	June P	49.4	47.1	47.8	**	Equity bullish, bond bearish
	HCOB Germany Composite PMI	m/m	June P	50.4	48.5	49.1	**	Equity bullish, bond bearish
<b>France</b>	HCOB France Manufacturing PMI	m/m	June P	47.8	49.8	49.8	***	Equity bearish, bond bullish
	HCOB France Services PMI	m/m	June P	48.7	48.9	49.0	***	Equity and bond neutral
	HCOB France Composite PMI	m/m	June P	48.5	49.3	49.3	***	Equity bearish, bond bullish
<b>UK</b>	S&P Global UK Manufacturing PMI	m/m	June P	47.7	46.4	46.8	***	Equity and bond neutral
	S&P Global UK Services PMI	m/m	June P	51.3	50.9	51.3	**	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	June P	50.7	50.3	50.6	**	Equity bullish, bond bearish
<b>Switzerland</b>	M3 Money Supply	y/y	May	3.5%	3.1%		**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	20-Jun	430.0b	426.7b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	20-Jun	442.5b	434.8b		*	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	Retail Sales	m/m	Apr	0.3%	0.8%	0.4%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Apr	-0.3%	-0.7%	-0.2%	**	Equity and bond neutral
	Industrial Product Price	m/m	May	-0.5%	-0.8%	0.0%	**	Equity and bond neutral
	Raw Material Prices	m/m	May	-0.4%	-3.3%		*	Equity and bond neutral
<b>Mexico</b>	Retail Sales	y/y	Apr	-2.0%	4.3%	-0.5%	***	Equity bearish, bond bullish
	Economic Activity IGAE	y/y	Apr	-1.55%	2.53%	-1.90%	**	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)	420	421	-1	Up
U.S. Sibor/OIS spread (bps)	432	432	0	Up
U.S. Libor/OIS spread (bps)	432	432	0	Down
10-yr T-note (%)	4.38	4.38	0.00	Down
Euribor/OIS spread (bps)	203	204	-1	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
<b>Energy Markets</b>				
Brent	\$77.82	\$77.01	1.05%	
WTI	\$74.63	\$73.84	1.07%	
Natural Gas	\$3.85	\$3.85	0.18%	
Crack Spread	\$26.07	\$25.83	0.94%	
12-mo strip crack	\$24.24	\$24.19	0.21%	
Ethanol rack	\$1.81	\$1.81	-0.04%	
<b>Metals</b>				
Gold	\$3,378.22	\$3,368.39	0.29%	
Silver	\$36.17	\$36.01	0.44%	
Copper contract	\$486.10	\$488.45	-0.48%	
<b>Grains</b>				
Corn contract	\$437.50	\$441.25	-0.85%	
Wheat contract	\$582.00	\$583.50	-0.26%	
Soybeans contract	\$1,058.50	\$1,060.75	-0.21%	
<b>Shipping</b>				
Baltic Dry Freight	1,689	1,751	-62	

## Weather

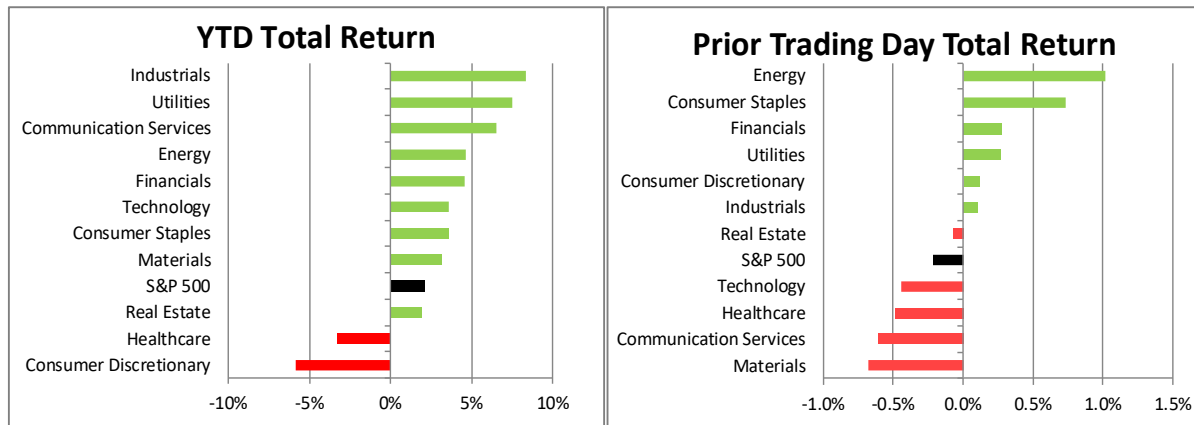
The 6-to-10-day and 8-to-14-day forecasts currently show that warmer-than-normal temperatures are expected in most states, with cooler-than-normal temperatures in southern New Mexico. The precipitation outlook calls for wetter-than-normal conditions for most of the country, with drier-than-normal conditions in the central Pacific region.

A tropical disturbance has formed in the central Atlantic Ocean, but it is not expected to make landfall in any country.



## Data Section

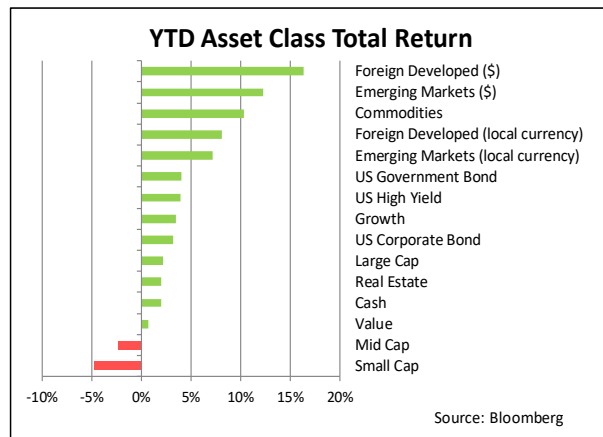
### US Equity Markets – (as of 6/20/2025 close)



(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 6/20/2025 close)

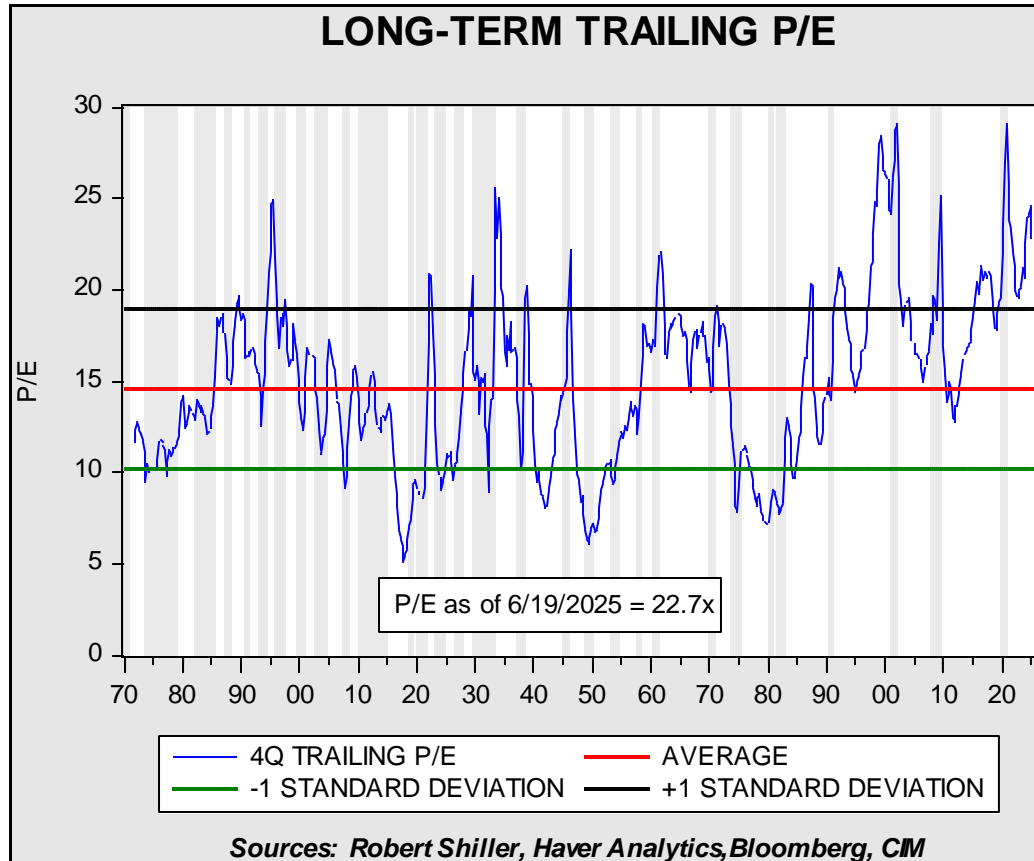


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 23, 2025



Based on our methodology,<sup>1</sup> the current P/E is 22.7x, up 0.1 from our last report. The increase in the multiple was due to a rise in the stock price index outweighing the rise in the 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.*

<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 (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.