



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

Posted: May 5, 2025 — 9:30 AM ET Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 closed down 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 2.0%. Chinese markets remain closed in observance of Labor Day. US equity index futures are signaling a lower open.

With 358 companies having reported so far, S&P 500 earnings for Q1 are running at \$63.50 per share compared to estimates of \$60.75, which is up 7.3% from Q1 2024. Of the companies that have reported thus far, 76.3% have exceeded expectations, while 19.6% have fallen short of expectations.

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
“Export Controls” (4/28/25) + podcast	“US Capital Flight and the Implications for Investors” (5/5/25) + podcast	Q2 2025 Report	Keller Quarterly Business Cycle Report

Our *Comment* today opens with the announcement of another big output boost by the Organization of the Petroleum Exporting Countries (OPEC) and its Russian-led partners. We next review several other international and US developments with the potential to affect the financial markets today, including a slew of important election results in Asia and Europe and a hint by President Trump that he may keep some of his controversial tariffs permanent.

Global Oil Market: One month after the OPEC+ group announced an unexpectedly large production boost of 411,000 barrels per day, members of the group [announced another output boost of the same magnitude](#) over the weekend. The new output boost is scheduled for June. With global economic growth slowing, the output boosts have driven oil prices sharply lower so far today. At this writing, Brent crude is down 1.9% to \$60.13 per barrel, and WTI is down 2.2% to \$57.02.

China: Several articles in state media last week [argued for China to conduct mass purges of corrupt military officials to better prepare the People's Liberation Army for war](#) or a major crisis. The sudden appearance of such articles may signal that General Secretary Xi will soon ratchet up his ongoing purge of high-level officers and defense industry officials. We discuss these purges and put them into context in our upcoming *Bi-Weekly Geopolitical Report* to be published on May 12, 2025, titled, "Update on the US-China Military Balance of Power."

China-United States: According to new data from Juwai IQI, the US in 2024 [lost its position as the top destination for mainland Chinese purchasers of homes costing \\$5 million or more](#). The data show that the US ranking dropped below those of Thailand, Australia, and Canada last year as US-China geopolitical tensions worsened and Washington and China took steps to restrict bilateral investments. The report said Chinese investment in US high-end residential properties last year was down about 50% from its peak in 2017.

South Korea: The ruling People's Power Party on Saturday [chose conservative hard-liner Kim Moon-soo to be its candidate for the June 3 presidential election](#). In his acceptance speech, Kim vowed to take a hard line against North Korea and develop new incentives for business, while also pledging stronger support for young workers and the underprivileged. However, opinion polls suggest Lee Jae-myung and his liberal Democratic Party retain a huge advantage.

- In the latest polls, about 50% of voters support the DP's Lee, while just 15% support the PPP's Kim.
- The PPP has lost considerable support since the previous president, Yoon Suk Yeol, attempted to declare martial law late last year and was thrown out of office.

Singapore: In parliamentary elections yesterday, Prime Minister Wong and his long-ruling People's Action Party [won handily with 65.6% of the vote](#), up from 61.2% in the 2020 elections. Observers on the ground said the improved performance mostly reflected safe-haven voting as citizens accepted the PAP's message that political stability and retaining trusted officials would help the city-state defend itself in the US tariff war. The election results suggest global investors will continue to see Singapore as an attractive, stable investment destination.

Australia: In parliamentary elections on Saturday, Prime Minister Albanese and his center-left Labor Party [retained power with a win over the center-right Liberal Party](#). The election mirrored the recent Canadian and Singaporean balloting, where the ruling party secured another majority by tagging the opposing candidate as too similar to US President Trump or unable to stand up to Trump's tariff war. Indeed, Treasurer Jim Chalmers yesterday [said the Albanese government will now prioritize protecting Australians from the "dark shadow" of US tariff policies](#).

United Kingdom: Illustrating the UK's sluggish investment, new data from the Department for Transport show the country [built no more than 65 miles of new highways over the last decade and just 422 miles since 1990](#). In contrast, some other European countries have built thousands of miles of new motorways. Observers ascribe the UK's weak investment to many issues, from local opposition and strict environmental rules to a hangover from robust building in the 1960s. In any case, weak investment is seen as a key cause of the UK's slow economic growth.

Romania: In the first round of Romania's presidential election re-run yesterday, right-wing nationalist George Simion [came in first with more than 40% of the vote](#), while the centrist mayor of Bucharest, Nicusor Dan, appeared to be on track to grab second place. If confirmed when the counting is finished, the two will meet in a run-off on May 18. In contrast to the elections in Canada and Australia, the success of Simion in the first round shows that Europe's right-wing populists appear to benefit from their ideological association with President Trump.

Israel-Hamas: The Israeli security cabinet [has formally adopted a plan to occupy and hold the Gaza Strip, shifting from its previous strategy](#) of attacking the Hamas militants governing the territory and then retreating. Besides requiring Israel to commit significantly more military and economic resources to its war against Hamas, occupying Gaza over the long term may well produce ongoing international political costs for Israel and ensure continued instability in the energy rich region.

US Monetary Policy: The Fed [begins its latest policymaking meeting tomorrow](#), with its decision due on Wednesday at 2:00 pm ET. Based on interest rate futures trading, investors are nearly unanimous in [expecting officials to hold their benchmark fed funds rate steady at the current target range of 4.25% to 4.50%](#). The next rate cut is expected only at the meeting in late July. However, investors will be paying close attention to any hints Chair Powell may give on the trajectory of rates and any change in the Fed's bond-buying program.

US Tariff Policy: In a television interview aired yesterday, President Trump [said he may keep some import tariffs permanent to ensure continued incentives for firms to invest and produce in the US](#). As the administration negotiates with other nations and responds to corporate lobbying for relief, the slightest news of tariff rollbacks has recently encouraged investors to jump back into stock buying. Trump's statement is a warning against such complacency, since he is likely to keep some level of market-disrupting tariffs despite limited or temporary rollbacks.

- Separately, Trump last night [announced that he is imposing 100% tariffs on foreign-made films to protect the US movie industry](#).
- US movie industry officials said they were given no prior warning of the move and were scrambling to figure out how it would affect their business. Along with the threat of foreign retaliation, US movie-making companies have seen their stock prices fall significantly so far this morning.

US Stock Market: At the Berkshire Hathaway annual meeting on Saturday, chief executive and investing icon Warren Buffett [announced that he will retire from the company by year's end](#) and recommend his chosen successor, Greg Abel, take over. According to Buffett, "I would still hang around and could conceivably be useful in a few cases, but the final word would be what Greg said in operations, in capital deployment, whatever it might be."

US Economic Releases

There were no economic releases prior to the publication of this report. The following table lists the 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 Services PMI	m/m	Apr F	51.2	51.4	***
9:45	S&P Global US Composite PMI	m/m	Apr F	51.2	51.2	***
10:00	ISM Services Index	m/m	Apr	50.3	50.8	***
Federal Reserve						
No Fed speakers or events for the rest of today						

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								
Australia	S&P Global Australia Composite PMI	m/m	Apr F	51.0	51.4		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Apr F	51.0	51.4		*	Equity and bond neutral
	Melbourne Institute Inflation	y/y	Apr	3.3%	2.8%		***	Equity and bond neutral
EUROPE								
Italy	Budget Balance	m/m	Apr	-20.5b	-24.4b		*	Equity and bond neutral
	New Car Registrations	y/y	Apr	2.7%	6.2%		*	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	2-May	443.1b	442.6b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	2-May	454.1b	451.1b		*	Equity and bond neutral
	CPI	y/y	Apr	0.0%	0.3%	0.2%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Apr	0.3%	0.1%		*	Equity and bond neutral
	Core CPI	y/y	Apr	0.6%	0.9%	0.8%	*	Equity and bond neutral
Russia	S&P Global Russia Manufacturing PMI	m/m	Apr	49.3	48.2		***	Equity and bond neutral
AMERICAS								
Mexico	S&P Global Mexico Manufacturing PMI	m/m	Apr	44.8	46.5		***	Equity and bond neutral
	Remittances Total	m/m	Mar	\$5150.3m	\$4458.5m	\$5000.0m	*	Equity and bond neutral
	IMEF Manufacturing Index SA	m/m	Apr	45.5	46.9		*	Equity bearish, bond bullish
	IMEF Non-Manufacturing Index SA	m/m	Apr	49.0	48.5	49.0	*	Equity and bond neutral
Brazil	S&P Global Brazil Manufacturing PMI	m/m	Apr	50.3	51.8		***	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	422	-2	Up
U.S. Sibor/OIS spread (bps)	430	430	0	Flat
U.S. Libor/OIS spread (bps)	429	429	0	Down
10-yr T-note (%)	4.30	4.31	-0.01	Up
Euribor/OIS spread (bps)	214	216	-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.

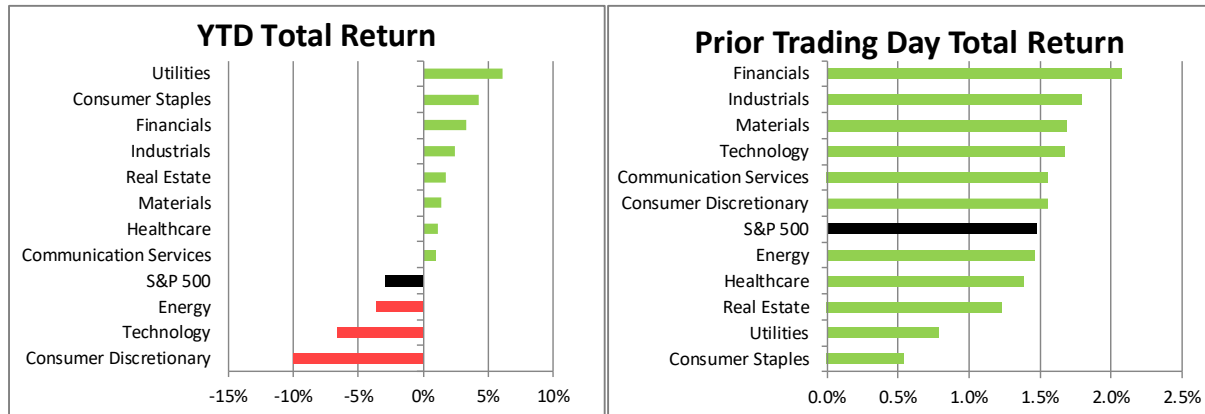
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$60.63	\$61.29	-1.08%	
WTI	\$57.57	\$58.29	-1.24%	
Natural Gas	\$3.73	\$3.63	2.78%	
Crack Spread	\$26.51	\$26.19	1.22%	
12-mo strip crack	\$22.33	\$22.19	0.61%	
Ethanol rack	\$1.90	\$1.90	0.13%	
Metals				
Gold	\$3,312.61	\$3,240.49	2.23%	
Silver	\$32.41	\$32.01	1.24%	
Copper contract	\$472.90	\$467.30	1.20%	
Grains				
Corn contract	\$466.25	\$469.00	-0.59%	
Wheat contract	\$541.00	\$543.00	-0.37%	
Soybeans contract	\$1,051.75	\$1,058.00	-0.59%	
Shipping				
Baltic Dry Freight	1,421	1,411	10	

Weather

The 6-to-10 and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in most of the country, with cooler-than-normal temperatures in the Pacific. The precipitation forecast predicts wetter-than-normal conditions across most states west of the Rockies and throughout the Southeast, while drier conditions are expected in eastern Texas, the Midwest, and New England.

Data Section

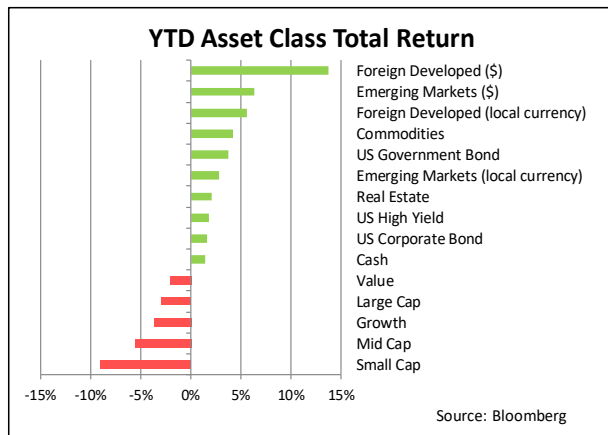
US Equity Markets – (as of 5/2/2025 close)



(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 5/2/2025 close)

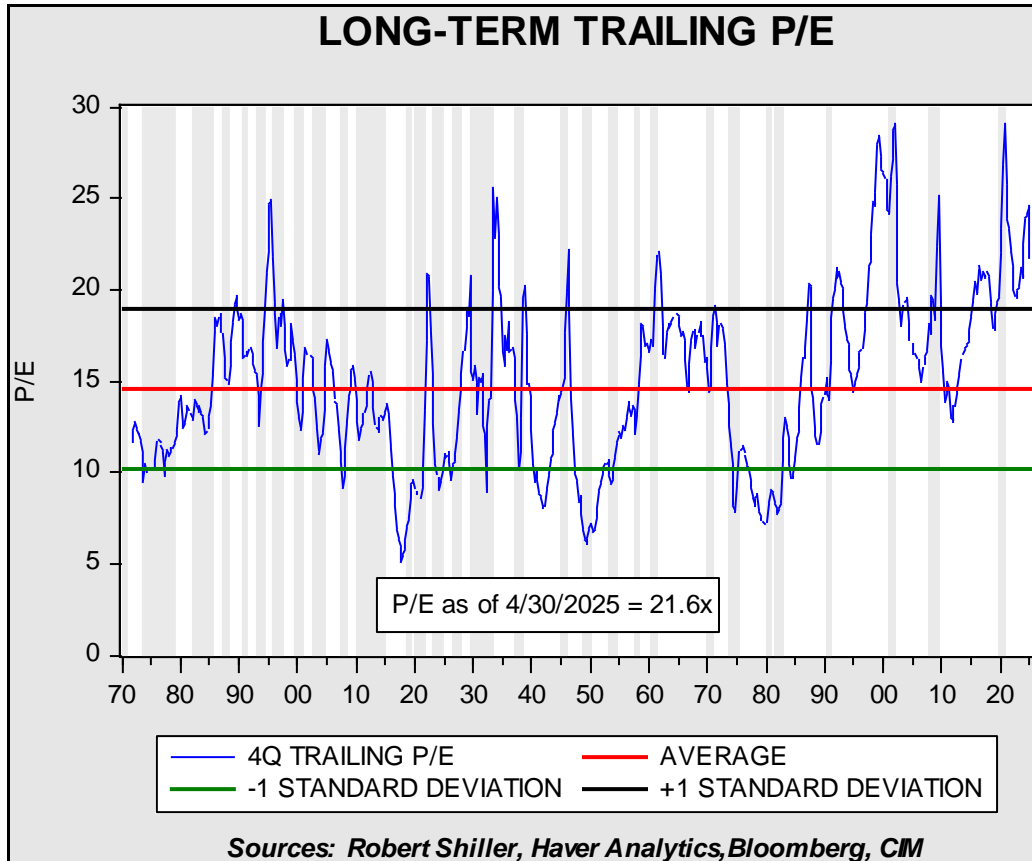


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 1, 2025



Based on our methodology,¹ the current P/E is 21.6x, unchanged from our last report. The rise in the stock price index was 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.