Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 10, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 1.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 2.6%. Chinese markets were higher, with the Shanghai Composite up 0.1% and the Shenzhen Composite up 1.2%. Conversely, US equity index futures are signaling a lower open.

With 447 companies having reported so far, S&P 500 earnings for Q3 are running at $94.30 per share, compared to estimates of $94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 84.1% exceeded expectations while 11.9% fell short.

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
"Right-Wing Governments in Germany, France, and Italy" (11/9/26)	"The Third-Year Charm: Gridlock and Market Growth" (11/2/26) + podcast	Q4 2026 Report Confluence of Idea Podcast	Business Cycle VE Insights: A Moving Yardstick VE Insights: Quality and Value

Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Our *Comment* today opens with the latest on the conflict in Iran, where optimistic news about a possible ceasefire is being matched by a Republican lawmaker's proposed resolution of impeachment against Defense Secretary Hegseth. We next review several other international and US developments that could affect the financial markets today, including the latest on the Nvidia scandal and a Federal Reserve official's call for a big 50-basis-point hike in the central bank's benchmark fed funds rate.

United States-Iran: Yesterday, Rep. Thomas Massie (R-KY) filed a resolution of impeachment against Secretary of Defense Hegseth for illegally bringing the US into its war against Iran

without congressional authorization, among other charges. Under House rules, the resolution must be voted on by Wednesday. While most Democrats are likely to vote for the resolution, it isn't clear whether enough Republicans will vote in favor for it to pass. If the resolution does pass, Hegseth would be subject to a trial in the Senate.

- In any case, the move may heap more pressure on the administration to cool its attacks on Iran. In turn, that could help push global energy prices lower, giving stocks a further boost.
- Meanwhile, both the US and Iran are reportedly continuing to stage sporadic, low-level attacks against each other as they try to degrade each other's capabilities and undermine the other side's will to keep fighting. Reports today say the US was forced to move some of its mid-air fueling aircraft yesterday from an air base in England to Germany and elsewhere after intelligence indicated the Iranians were planning attacks against the planes and their pilots.

United States-Nvidia-China: In the scandal involving Nvidia chief Jensen Huang and his affair with an alleged Chinese spy, new reports say a US Commerce Department probe into the smuggling of Nvidia computer chips by the woman's company in Singapore was abruptly put on ice late last year. Along with other revelations about the affair, the shutdown of the probe suggests that Huang and sympathetic members of the US administration may have gotten the highest-level US decisionmakers to overlook national security concerns about Nvidia exports to China.

- As more details of the scandal dribble out, it increasingly appears that Nvidia will face a lengthy investigation and bouts of negative publicity about not just Huang's personal conduct but also the firm's role in potentially undermining US national security and gaining too much influence over the federal government.
- Such concerns are consistent with the new "techno industrial state," which we described in our *Economic and Financial Outlook for 2026* as the unusually deep, mutual support and cooperation between big technology firms and the federal government. Besides potentially making such tech firms more politicized and less efficient in the long term, the Nvidia scandal shows how the deep relationship could subject these companies to regulatory, reputational, and other risks in the near term.

US Monetary Policy: Fed board member Christopher Waller said at a conference in London that the central bank should consider a big 50-basis-point hike in its benchmark short-term interest rate if October's core consumer price index — to be released today — shows another strong monthly rise. Even if the report shows cooler inflation, Waller said he would support another 25-basis-point rate hike to help ensure inflation keeps falling. The statements underscore the risk of further rate hikes and increased headwinds for stock prices in the coming months.

US Fiscal Policy: The Associated Press late yesterday finally called California's Proposition 40, which would have imposed a one-time wealth tax on billionaires. The count so far shows 52.8% of voters rejecting the proposal versus 47.2% voting in favor. The defeat of the tax is likely good

news for investors because it could take the wind out of the sails of any similar measures in other states or at the federal level.

US Regulatory Policy: The Food and Drug Administration yesterday said it will require Lilly, Novo, and other makers of GLP-1 receptor agonists to adopt product labels saying the medicines carry a potential increased risk of a rare but serious eye condition that can result in "acute, painless, decreased vision in one eye, including permanent vision loss." The scary new warning labels could slow the use of the blockbuster drugs and weigh on the drugmakers' revenues, profits, and stock prices.

Italy: In testimony before parliament today, the head of the Italian Banking Association warned that the 7 billion EUR ($7.8 billion) in tax hikes on the banking sector in the government's draft 2027 budget would threaten economic growth. The pushback from the banking sector illustrates how the right-wing government of Prime Minister Meloni has been trying to balance its populist ideology with fiscal responsibility.

- As discussed in our new *Bi-Weekly Geopolitical Report* on right-wing governments in Europe, which was published yesterday, Prime Minister Meloni has generally favored reduced regulation and taxation on Italy's corporate sector. However, she has also taken care to narrow the country's budget deficit after it ballooned during the coronavirus pandemic.
- In our new report, we argue that Europe's right-wing parties are likely to become more pragmatic as they come closer to seizing power. Many investors today seem to fear that their populist ideologies will lead to overly loose policy, but Meloni's actions in government to date suggest that right-wing governments in places like France or Germany might adopt more fiscally responsible measures.

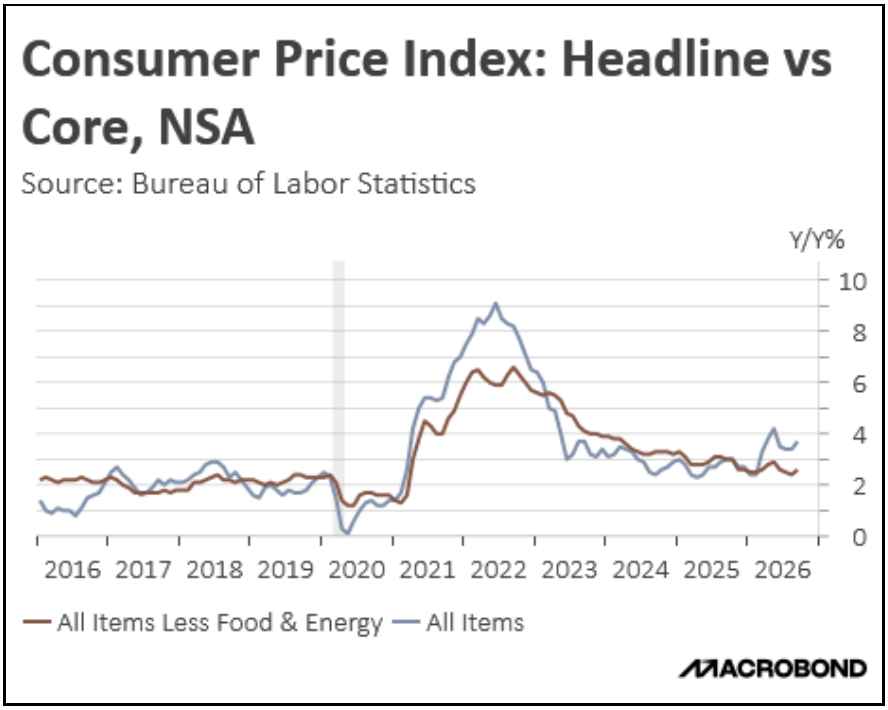
China: October exports were up 36% from the same month one year earlier, driven by strong foreign sales of items such as electric vehicles, semiconductors, and industrial robots. October imports were up an even stronger 41%, largely because of the need for foreign subcomponents and raw materials. The data means that China's total trade surplus for the year to date is now more than $1.04 trillion. The full-year surplus in 2026 will therefore probably surpass last year's record of $1.19 trillion — a development that will likely lead to further global trade tensions.

US Economic Releases

The NFIB Small Business Optimism Index dipped to 97.8 in October from 97.9, slightly beating the consensus estimate of 97.7. The decline was largely driven by persistent concerns over labor quality and taxes. On the bright side, there was an increase in the share of firms viewing the current environment as a good time to expand, a rebound following two months of declines. Despite the dip, overall sentiment remains essentially in line with its historical average of 98.0. The chart below traces the index since 2011.



Separately, the October ***consumer price index (CPI)*** rose by a seasonally adjusted 0.4%, above expectations of 0.3%, while decelerating from its 0.6% rise in September. Excluding the volatile food and energy components, the ***"core" CPI*** rose 0.3%, above the expected 0.2% but matching its increase in September. The total CPI in October was up 3.9% from the same month one year earlier, while the core CPI was up 2.8%. The chart below shows the year-over-year change in the CPI and the core CPI since 1980.



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

Economic Releases		
No economic releases for the rest of today		
Federal Reserve		
EST	**Speaker or Event**	**District or Position**
04:00	Christopher Waller Gives Keynote Speech	Member of the Board of Governors
04:00	Christopher Waller Speaks on Economic Outlook	Member of the Board of Governors
10:50	Lorie Logan Gives Opening Remarks	President of the Federal Reserve Bank of Dallas
13:30	Jeffrey Schmid Participates In Fireside Chat	President of the Federal Reserve Bank of Kansas City
15:30	Michelle Bowman Speaks on Economic Outlook	Member of the Board of Governors
18:30	Anna Paulson Speaks on Economic Outlook	President of the Federal Reserve Bank of Philadelphia
18:30	Michelle Bowman Speaks on Economic Outlook	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 shift 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	Household Spending	y/y	Sep	-6.8%	-3.1%	-3.0%	**	Equity bearish, bond bullish
	BoP Current Account Balance (JPY Billion)	m/m	Sep	2,372.3	3,993.1	3,300.0	***	Equity and bond neutral
	BoP Trade Balance	m/m	Sep	-187.5	-687.7	-225.8	**	Equity and bond neutral
Australia	Westpac Consumer Conf Index	m/m	Nov	78.2	80.4		**	Equity and bond neutral
	Westpac Consumer Conf SA	m/m	Nov	-2.7%	-4.7%		**	Equity and bond neutral
	NAB Business Confidence	m/m	Oct	-15	-14		***	Equity and bond neutral
	NAB Business Conditions	m/m	Oct	-2	-1		***	Equity and bond neutral
China	Exports	y/y	Oct	35.2%	36.3%	36.9%	**	Equity and bond neutral
	Imports	y/y	Oct	41.6%	31.0%	33.9%	**	Equity and bond neutral
	Trade Balance (Billion)	m/m	Oct	105.28	$133.53b	$125.90b	***	Equity and bond neutral
EUROPE								
France	ILO Unemployment Rate	q/q	Q3	8.2%	8.3%	8.4%	*	Equity and bond neutral
AMERICAS								
Brazil	Trade Balance Weekly (Million)	w/w	8-Nov	$1,377	$1,690		*	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)	407	405	2	Up
U.S. Sibor/OIS spread (bps)	412	408	4	Up
U.S. Libor/OIS spread (bps)	410	405	5	Up
10-yr T-note (%)	4.89	4.88	0.01	Down
Euribor/OIS spread (bps)	277	279	-2	Up
Currencies	**Direction**			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Up
Pound	Down	UK		Down
Franc	Down	Switzerland		Down

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.

			Change	Explanation
Energy Markets	**Today**	**Prior**		
Brent	$90.46	$92.57	-2.28%	
WTI	$85.14	$86.85	-1.97%	
Natural Gas	$3.27	$3.22	1.65%	
Crack Spread	$44.92	$46.51	-3.42%	
12-mo strip crack	$44.45	$45.83	-3.02%	
Ethanol rack	$2.13	$2.14	-0.08%	
Metals				
Gold	$4,076.57	$4,139.82	-1.53%	
Silver	$52.35	$53.42	-2.00%	
Copper Contract	$630.55	$634.45	-0.61%	
Grains				
Corn contract	$442.25	$439.25	0.68%	
Wheat contract	$589.50	$588.00	0.26%	
Soybeans contract	$1,193.25	$1,188.25	0.42%	
Shipping				
Baltic Dry Freight	2,854	2,805	49	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-1.70		
Gasoline (mb)		1.00		
Distillates (mb)		-1.50		
Refinery run rates (%)		-0.07%		
Natural gas (bcf)		78		

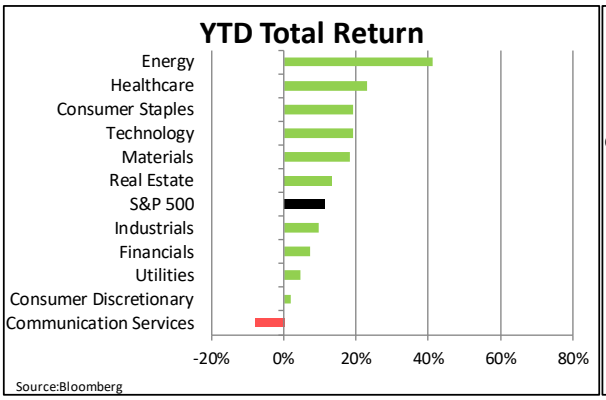
Weather

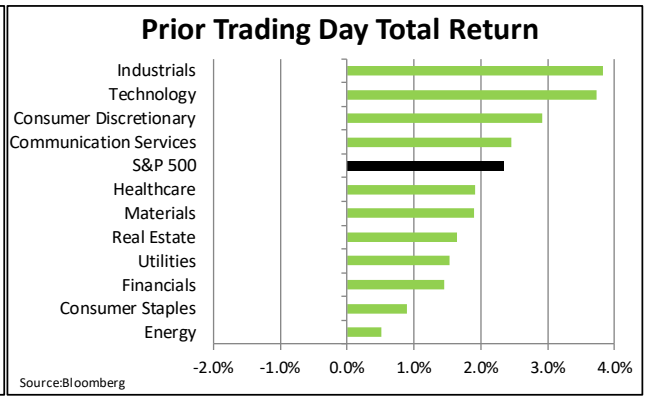
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with cooler temperatures expected in California and the Mid-Atlantic. The precipitation outlook calls for wetter-than-normal conditions in states west of the Mississippi, with dry conditions in the Great Lakes region, the mid-Atlantic region, and the Northeast.

There are no atmospheric disturbances expected in the Atlantic Ocean within the next seven days.

Data Section

US Equity Markets – (as of 11/9/2026 close)

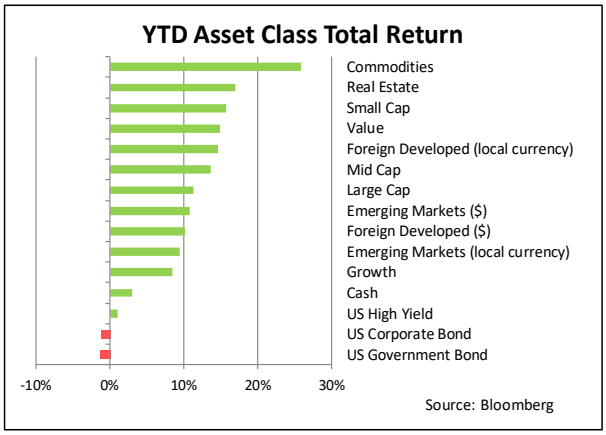




(Source: Bloomberg)

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 11/9/2026 close)

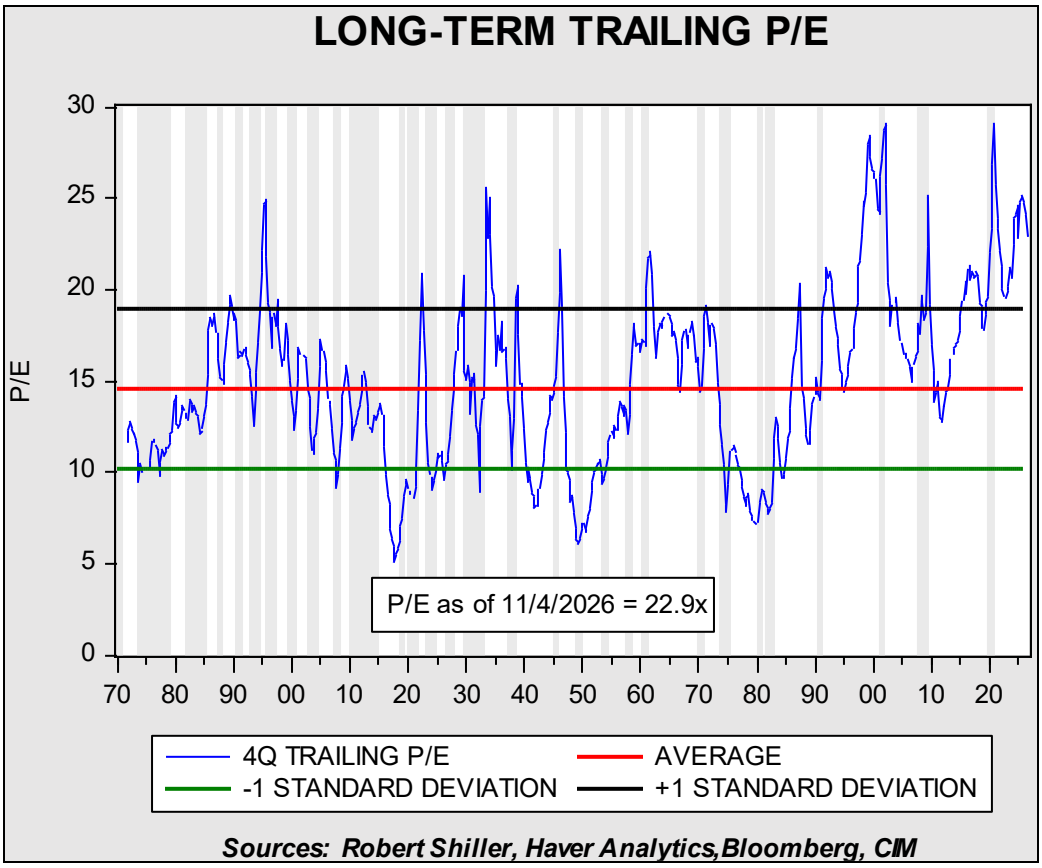


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

November 5, 2026



Based on our methodology,[1] the current P/E ratio is 22.9x, which fell 0.2 from the previous report. The multiple contraction was due to an increase in earnings and a decrease 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 (Q3, Q4, Q1) 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.