



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 11, 2025 — 9:30 AM ET] Global equity markets are mostly lower this morning. In Europe, the Euro Stoxx 50 is up 0.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed relatively unchanged. Chinese markets were lower, with the Shanghai Composite down 0.4% and the Shenzhen Composite down 0.5%. US equity index futures are signaling a lower open.

With 457 companies having reported so far, S&P 500 earnings for Q3 are running at \$72.30 per share compared to estimates of \$68.15, which is up 8.0% from Q3 2024. Of the companies that have reported thus far, 81.4% have exceeded expectations, while 14.9% 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
“Meet Sanae Takaichi” (11/10/25)	“When the Financial System Finds a Cockroach” (11/3/25) + podcast	Q4 2025 Report	Confluence Mailbag podcast Confluence of Ideas podcast

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

Our *Comment* today opens with news of potentially shoddy credit ratings being used in the booming private-credit industry. We next review several other international and US developments with the potential to affect the financial markets today, including a bit more detail on the Senate vote last night to fund the federal government again and movement toward a deal that would cut the US’s import tariffs against Switzerland from 39% to about 15%.

Global Private Credit Industry: A useful article in the *Financial Times* yesterday [examined how a plethora of small, start-up credit rating firms has grown up to provide private-letter assessments of private credit deals](#). The new firms — including Morningstar DBRS, Kroll Bond

Rating Agency, HR Ratings, and Egan-Jones — have allowed private capital providers to shop around for the best possible rating with little public transparency.

- As we noted in our *Comment* yesterday, insurers have become major participants in the private credit industry. They are especially keen to secure positive private letters so they can hold less capital against their loans.
- The risk is that the new start-ups will offer overly positive assessments, contributing to a possible over-extension of private credit that could foster a future debt crisis.
- That risk would harken back to the US housing bubble, when large, established agencies such as Moody's and Standard & Poor's competed to grade a finite pool of debt and gave out inflated stamps of approval to risky assets.

US Fiscal Policy: As we flagged in our *Comment* yesterday, the Senate [last night passed a bill to fund the federal government through January](#). The bill passed by a vote of 60-40, with nearly all Senate Republicans, seven centrist Democrats, and one Independent voting in favor. It now goes to the House, where the Republicans who control the chamber are expected to pass it, most likely on Wednesday. Once the bill has passed both chambers and President Trump signs it into law, the longest ever government shutdown will end.

- The bill includes full-year funding for the Agriculture Department, military construction, and the legislative branch. The temporary funding for other departments and programs is designed to give legislators time to negotiate and pass full-year funding for them.
- As we noted yesterday, the Democrats who backed the bill also secured language reversing any layoffs of federal workers initiated during the shutdown and guaranteeing back pay. However, they only secured promises from the Republicans for a vote on extending enhanced Affordable Care Act health subsidies by mid-December.

US Air Travel Industry: Transportation officials yesterday [warned travelers to expect worsening cancellations and delays this week even if the federal government shutdown ends](#), as the Federal Aviation Administration rolls out deeper cuts to flights at 40 major airports due to staffing shortages. The major airlines scrapped 2,200 flights yesterday and currently plan to do the same with at least 1,000 flights today.

- Even when the government shutdown ends, the airlines expect it will take days for their systems to normalize.
- That suggests that the air travel industry could suffer a significant financial hit, while overall economic growth could also be slowed.

US Artificial Intelligence Industry: Softbank, the bellwether Japanese technology investor, [has reportedly sold its entire 32-million-share stake in AI chip maker Nvidia to help fund its ongoing investments in AI modeler OpenAI](#). The Nvidia sale raised some \$5.8 billion, covering almost one-fifth of Softbank's expected investment of \$30.0 billion in OpenAI this year. The shift signals that at least some sophisticated investors may now be seeing better opportunities in the modelers than in the chip makers who have gained so much from the AI boom to date.

United States-Switzerland: Public and private negotiators from Switzerland [are reportedly getting close to a deal with the White House to cut the US's punishing 39% tariff on most Swiss goods](#) to about 15%, equivalent to the US tariffs on most goods from the European Union. President Trump yesterday said he hasn't settled on a final Swiss tariff but expected it to be somewhat lower than today. If a deal is eventually reached, it would likely be positive for the broader Swiss economy and its many firms that export heavily to the US.

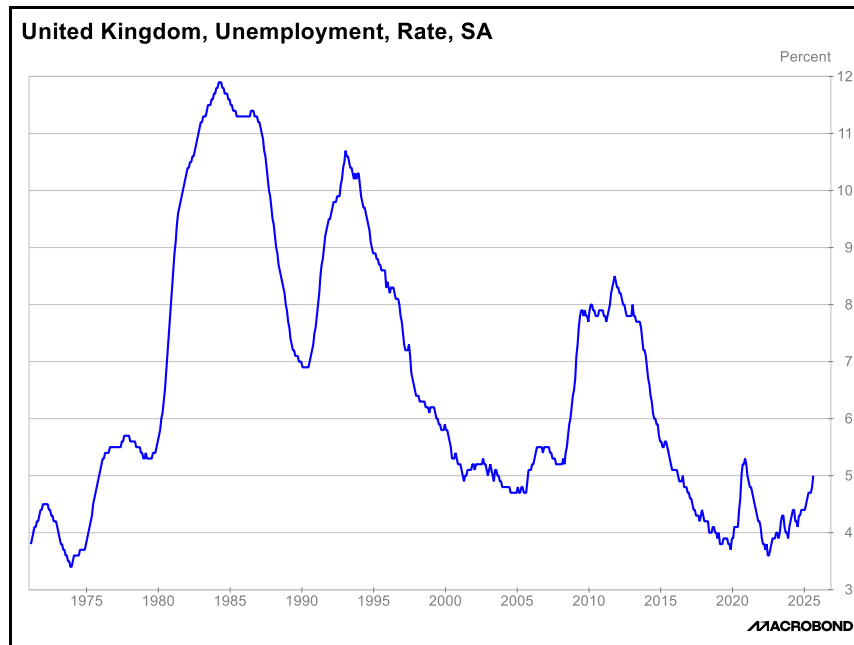
China-United States: Even though China has begun unshackling its exports of rare-earth magnets as promised in the recent US-China trade truce, the *Wall Street Journal* today says Beijing [is developing a validated end user \(VEU\) program that would keep US defense contractors from acquiring the products](#). If implemented, the program could apparently also prohibit the magnets from going to Western aerospace and automotive firms that have both civilian and defense businesses.

- It remains to be seen whether the US would see such a program as a violation of the trade truce. As we have warned previously, the truce could be disrupted at any time, leading to a rekindling of US-China tensions.
- In any case, China's contemplated VEU system means the US is still at risk of not being able to get the rare-earth magnets needed for key weapons systems such as jet fighters and advanced ammunition. That suggests that the strong US effort to develop rare-earth mines and processing facilities will likely continue, creating opportunities for investors.

European Union: Reflecting Europe's continued concerns about Russian aggression and other global security risks, the European Commission [has begun setting up a central intelligence unit to collate information gathered by the EU member countries' national spy services](#) and make it more useful to counter joint threats. The new unit will reportedly be staffed largely by officials from the member countries who would be detailed to it on a temporary basis.

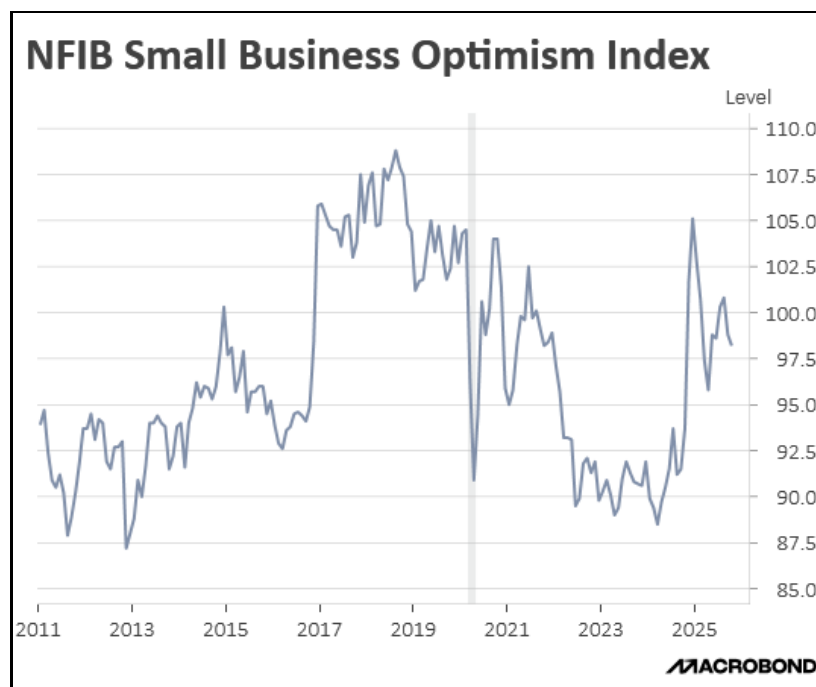
Germany: After gaining legislative approval earlier this year to suspend the country's fiscal "debt brake" and channel 1 trillion EUR (\$1.16 trillion) into defense and infrastructure, center-right Chancellor Merz and his government [have been accused by two key economic institutes of secretly channeling billions of euros into tax cuts and increased welfare payments](#). The growing scandal illustrates how Europe's improved economic prospects in the short term aren't just tied to defense projects, but to a broader fiscal loosening that includes infrastructure and other pent-up spending.

United Kingdom: In the three months to September, the national unemployment rate [rose to a seasonally adjusted 5.0%, above the expected rate of 4.9% and the highest level in a decade](#), excluding the pandemic period. The rise in joblessness reflects a long period of weak hiring as firms react to the new Labour government's tax hikes and its vows to boost worker rights. Looking forward, the rise in unemployment also potentially increases the likelihood that the Bank of England will cut interest rates again at its December policy meeting.



US Economic Releases

The National Federation of Independent Business' *Small Business Optimism Index* for October fell slightly to 98.2 from 98.8 the prior month, with concerns about lower sales and reduced profits serving as the main headwinds. Firms are also reporting difficulties finding workers with quality being the primary obstacle. The chart below shows the course of the index through time.



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
22:25	Michael Barr Speaks on AI and Innovation	Members 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	Market Impact
ASIA-PACIFIC								
Japan	BoP Current Account Balance	m/m	Sep	¥4483.3b	¥3701.4b	¥2456.6b	***	Equity and bond neutral
	BoP Trade Balance	m/m	Sep	¥236.0b	¥105.9b	-¥100.1b	**	Equity and bond neutral
Australia	Westpac Consumer Conf SA	m/m	Nov	12.8%	-3.5%	--	**	Equity and bond neutral
	Westpac Consumer Conf Index	m/m	Nov	103.8	92.1	--	**	Equity and bond neutral
	NAB Business Confidence	m/m	Oct	6	7	--	***	Equity and bond neutral
	NAB Business Conditions	m/m	Oct	9	8	--	***	Equity and bond neutral
New Zealand	2-Year Inflation Expectations	q/q	4Q	2.28%	2.28%		**	Equity and bond neutral
EUROPE								
Eurozone	ZEW Survey Expectations	m/m	Nov	25.0	22.7		**	Equity and bond neutral
Germany	ZEW Survey Expectations	m/m	Nov	38.5	39.3	41.0	**	Equity and bond neutral
	ZEW Survey Current Situation	m/m	Nov	-78.7	-80.0	-78.2	**	Equity and bond neutral
UK	Average Weekly Earnings 3M/YoY	m/m	Sep	4.8%	5.0%	5.0%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Sep	5.0%	4.8%	4.9%	**	Equity and bond neutral
	Claimant Count Rate	m/m	Oct	4.4%	4.3%		**	Equity and bond neutral
	Jobless Claims Change	m/m	Oct	29.0k	0.4k		**	Equity and bond neutral
AMERICAS								
Mexico	Industrial Production	y/y	Sep	-0.4%	-3.6%	-2.4%	***	Equity bullish, bond bearish
	Manufacturing Production	y/y	Sep	-2.4%	-3.3%	-1.4%	*	Equity bearish, bond bullish
Brazil	IBGE Inflation IPCA	y/y	Oct	4.68%	5.17%	4.74%	***	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)	374	375	-1	Down
U.S. Sibor/OIS spread (bps)	386	387	-1	Down
U.S. Libor/OIS spread (bps)	377	377	0	Down
10-yr T-note (%)	4.12	4.12	0.00	Up
Euribor/OIS spread (bps)	201	201	0	Down
Currencies	Direction			
Dollar	Flat			Up
Euro	Up			Down
Yen	Flat			Down
Pound	Down			Down
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	\$64.49	\$64.06	0.67%	
WTI	\$60.47	\$60.13	0.57%	
Natural Gas	\$4.33	\$4.34	-0.09%	
Crack Spread	\$30.39	\$30.05	1.15%	
12-mo strip crack	\$27.77	\$27.56	0.74%	
Ethanol rack	\$1.98	\$1.97	0.20%	
Metals				
Gold	\$4,141.07	\$4,115.76	0.61%	
Silver	\$51.22	\$50.51	1.40%	
Copper contract	\$506.50	\$510.60	-0.80%	
Grains				
Corn contract	\$429.25	\$429.75	-0.12%	
Wheat contract	\$535.75	\$535.75	0.00%	
Soybeans contract	\$1,126.00	\$1,130.00	-0.35%	
Shipping				
Baltic Dry Freight	2,084	2,104	-20	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		5.20		
Gasoline (mb)		-1.85		
Distillates (mb)		-2.50		
Refinery run rates (%)		-0.6%		
Natural gas (bcf)		31		

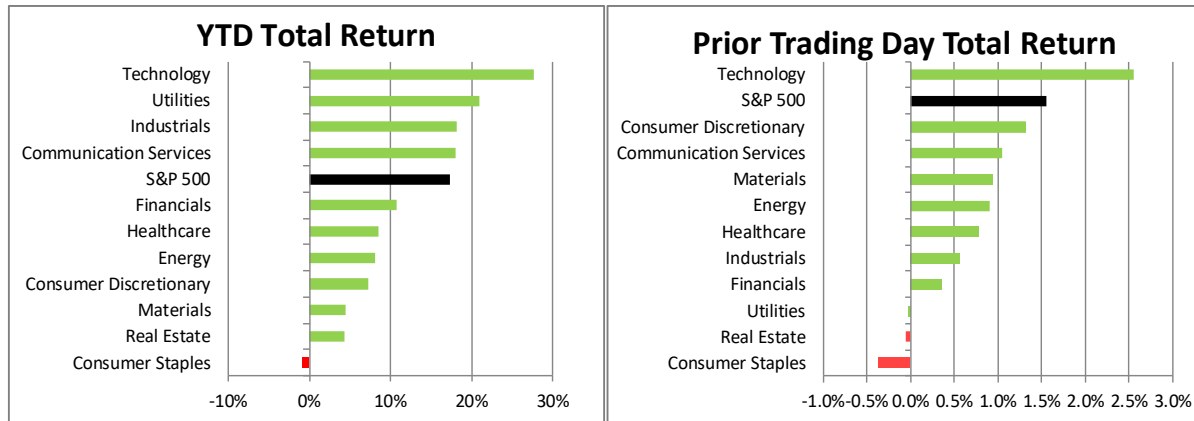
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from states east of the Rocky Mountains, with cooler temperatures expected for the rest of the country. The precipitation outlook calls for wetter-than-normal conditions for the entire country excluding the New England region.

No tropical cyclone activity is expected in the Atlantic Ocean area within the next seven days.

Data Section

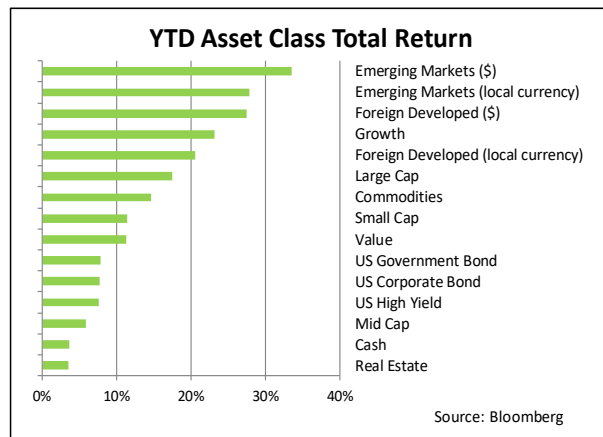
US Equity Markets – (as of 11/10/2025 close)



(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 11/10/2025 close)

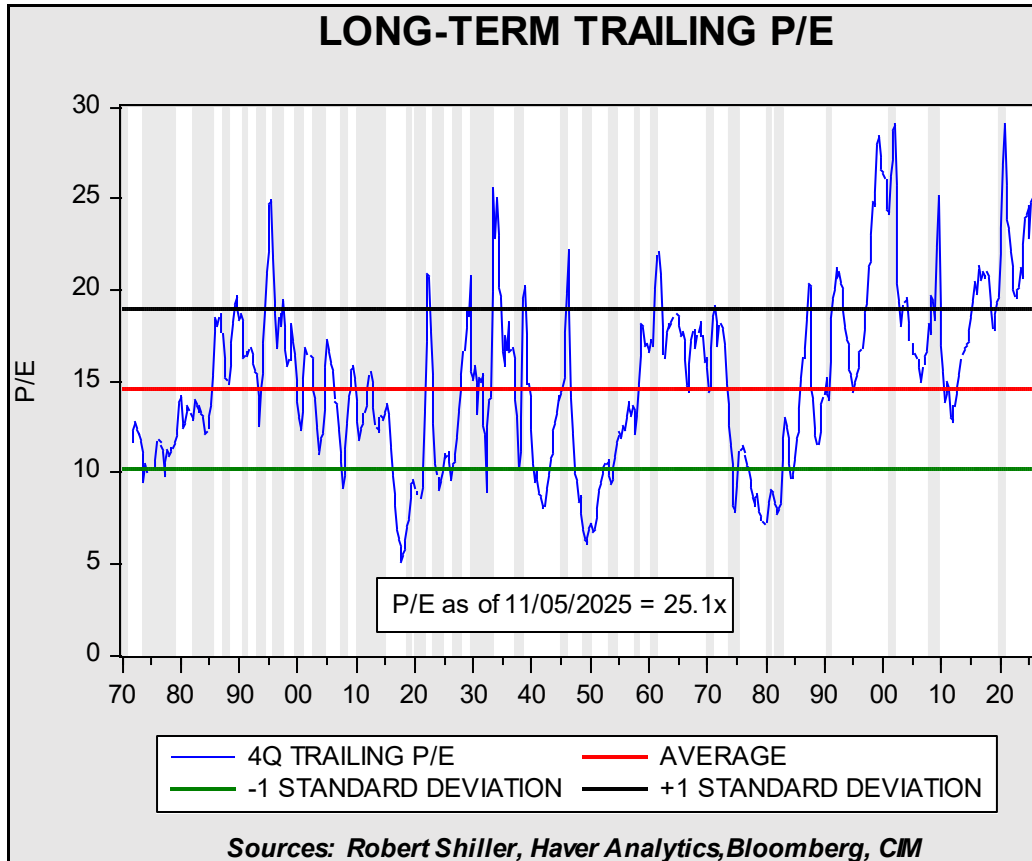


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

November 6, 2025



Based on our methodology,¹ the current P/E is 25.1x, which is unchanged from the previous report. The slight rise in the stock price index was offset by a rise 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 (Q1, Q2, Q4) and one estimate (Q3). 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.