Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: November 12, 2026 — 9:30 AM ET] Global equity markets are mostly lower this morning. In Europe, the Euro Stoxx 50 is up 0.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.8%. Chinese markets were lower, with the Shanghai Composite down 0.7% and the Shenzhen Composite down 1.6%. US equity index futures are signaling a lower open.

With 450 companies having reported so far, S&P 500 earnings for Q3 are running at $94.40 per share compared to estimates of $94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 84.2% exceeded expectations, while 11.8% 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 Rebalance Presentation (video) Confluence of Ideas Podcast	Value Equity Quarterly Update (video) Business Cycle Report

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.

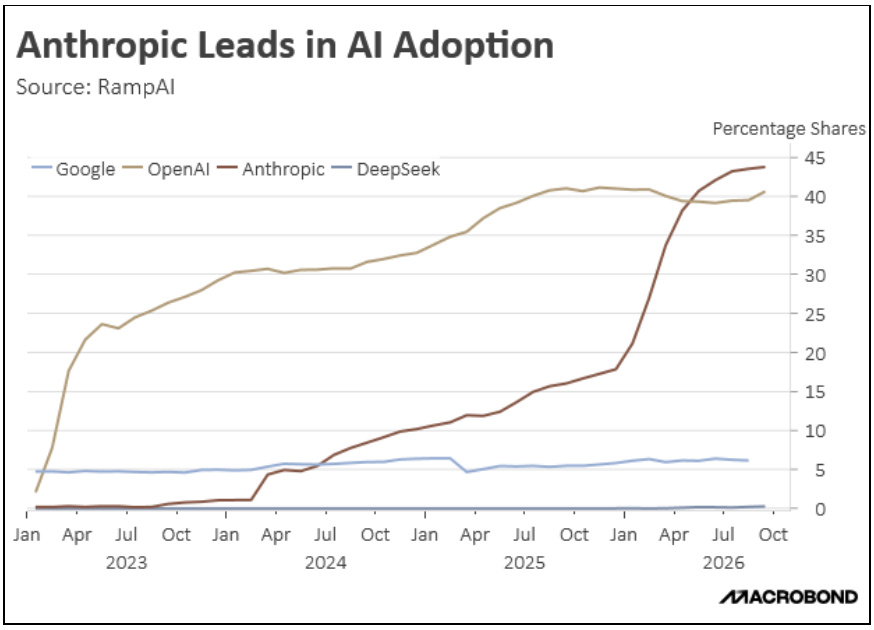
This morning, we open with our perspective on Anthropic's upcoming IPO later this month. We then turn to geopolitics, explaining why the EU faces difficult discussions to ensure lasting peace on the continent. Next, we briefly cover the potential departure of Nvidia's CEO, a broader US push to restrict chip sales to China, and Chile finally acknowledging that its economy has entered a downturn. As always, we conclude with a roundup of key domestic and international economic data.

Anthropic Momentum: Anthropic, the creator of Claude, is experiencing immense demand ahead of its initial public offering. Reports indicate that shares are already multiple times

oversubscribed, suggesting investors are shrugging off concerns regarding the company's profitability. Market participants are watching closely to see how the shares perform on their trading debut as the valuation of this leading AI lab will serve as a critical bellwether for its peers.

- The company is scheduled to go public on November 18 to fund its expanding capital expenditure pipeline. Seeking to raise more than $90.4 billion through a combined IPO and private placement, the transaction is projected to surpass SpaceX's record deal from earlier this year, making it the largest listing on record. Although deal parameters may shift in the coming days, initial guidance targets an overall valuation of $1.4-1.5 trillion.

- Anthropic's upcoming IPO arrives amid heightened scrutiny surrounding the path to profitability for frontier AI labs. While the Claude developer has delivered massive top-line growth, its draft filings revealed an $80.7 billion net loss in the first half of the year — though over $72 billion of that figure reflects non-cash accounting adjustments on convertible debt. A similar story is unfolding at competitor OpenAI, where heavy operating losses persist despite surging sales.



- The key downside risk for AI developers is their cost structure. Large fixed compute contracts with cloud vendors will scale upward as new data centers come online, creating significant operating leverage risk if revenue growth lags behind capacity. To accelerate commercialization and absorb this capacity, labs are moving directly into enterprise software, evidenced by Anthropic's recent release of an enterprise productivity suite competing with Microsoft Office.

- Anthropic's public offering will serve as an important indicator for the durability of the AI trade. A strong debut could reignite enthusiasm across the sector and ease concerns that momentum is fading. However, bubble fears are likely to persist given the lingering

uncertainties around the long-term profitability of AI labs and data centers. To mitigate downside risk, investors might want to consider diversifying beyond AI-focused equities.

European Defense: EU members and affiliates are holding serious discussions on how to address security vulnerabilities in the face of a resurgent Russian threat. Brussels has grown increasingly alarmed by the warming ties between Washington and Moscow as they push for a peace deal in Ukraine, fearing that Russia is using these talks to reassert its influence in former Soviet states. These concerns have sparked renewed debate over how Europe can independently defend itself against potential large-scale Russian aggression in the future.

- European leaders are set to meet in Dublin for the European Political Community summit to discuss continental security and the war in Ukraine. The gathering coincides with parallel peace negotiations between US representatives and Russia. Washington has made ending the conflict a top priority and recently moved to bring the EU into the fold, but Moscow has resisted European involvement, arguing that Brussels will not offer a fair deal.
- The latest US proposal includes the possibility of establishing a joint security agreement between the EU and Russia. The framework aims to allay Russian concerns over Western encroachment by introducing a pact that limits NATO expansion and scales back the alliance's military presence in Eastern Europe. However, the EU remains skeptical, claiming that Russia's ultimate objective is to rebuild a sphere of influence across Eastern Europe that would directly undermine the sovereignty of nations in the region.
- Concerns over recent developments in peace talks have forced the EU to rethink its Russia strategy, though there are no easy solutions. Options under discussion range from recalling troops deployed on overseas crisis-management missions to more extreme proposals for an offensive posture to deter future Russian aggression. However, the bloc's lack of a unified foreign policy remains a critical vulnerability, making coordinated action difficult.
- The upcoming meeting in Dublin is expected to shape the negotiating stance of European representatives as they work toward ending the conflict in Ukraine. Reports suggest that while European leaders remain skeptical of a proposed security arrangement, they have not ruled out participating in preliminary talks. Although this openness could create an avenue for a broader diplomatic framework to ease regional tensions, it is unlikely to yield an immediate resolution to the war.

Nvidia Shake-up: A new scandal involving beleaguered CEO Jensen Huang has prompted Nvidia's board to consider removing him from his role. Reports surfaced Wednesday alleging he had an affair with a subordinate, days after revelations of a separate relationship with a suspected Chinese spy. His potential departure comes less than a week before the chipmaker is scheduled to release its quarterly earnings. Because Nvidia remains the heartbeat of the AI trade, growing uncertainty surrounding the company's leadership could easily spill over into the broader market.

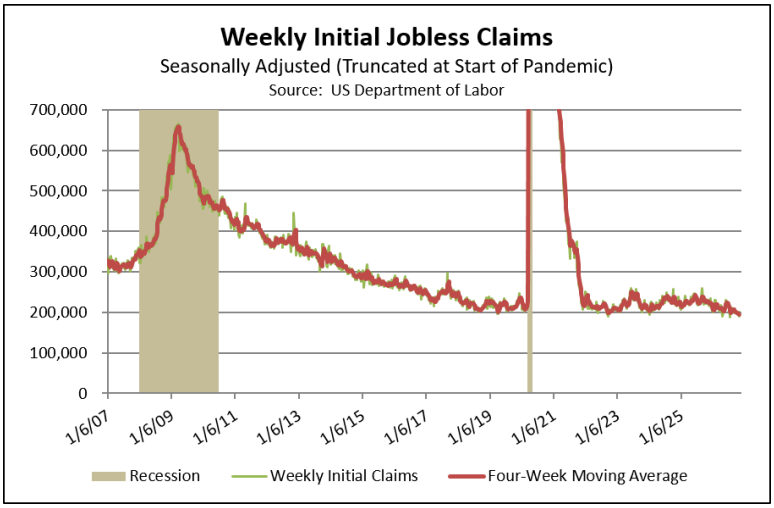
Export Chip Controls: House Speaker Mike Johnson (R-LA) has signaled support for legislation that would further restrict sales of US semiconductors to China. The push reflects broader bipartisan concerns that Beijing continues to acquire American-made chips to power its

AI buildout despite existing export controls. Lawmakers have also raised alarms over potential technology leaks following recent reports that Nvidia was infiltrated by a Chinese spy, although no formal legislative response has materialized yet.

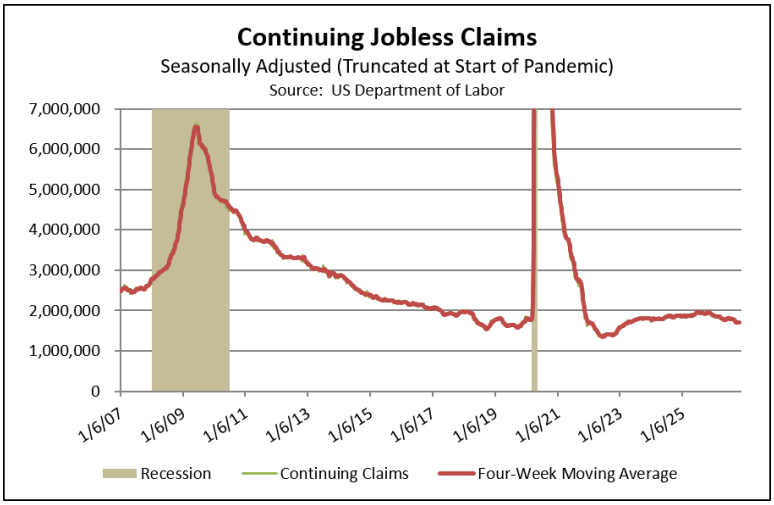
Chile Recession: Chile has confirmed its economy has entered a recession, which Finance Minister Jorge Quiroz attributes to sluggish copper output. While Quiroz expects a short-lived contraction, the government is advancing corporate tax cuts and deregulation to stimulate growth and counterbalance the mining slump. Across Latin America, economies are simultaneously confronting stagflation, a combination of slowing growth and rising inflation, driven by global energy price spikes stemming from conflict in the Middle East.

US Economic Releases

In the week ended November 7, ***initial claims for unemployment benefits*** rose to a seasonally adjusted 200,000, above both the expected level of 194,000 and the prior week's revised level of 191,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, was unchanged at 195,250. The chart below shows how initial jobless claims have fluctuated since just before the Great Financial Crisis (GFC). The chart is truncated through much of the pandemic period because of the extremely high level of claims at that time.



In the week ended October 31, the number of ***continuing claims for unemployment benefits*** (people continuing to draw benefits) fell to a seasonally adjusted 1.697 million, below both the anticipated reading of 1.710 million and the previous week's revised reading of 1.717 million. The four-week moving average of continuing claims fell to a modest 1,707,750. The chart below shows how continuing claims have fluctuated since the GFC. It is also truncated during the pandemic period because of the high level of claims at the time.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	**Indicator**			**Expected**	**Prior**	**Rating**
10:00	Existing Home Sales (Million)	m/m	Oct	3.85	3.99	***
10:00	Existing Home Sales MoM	m/m	Oct	-3.5%	1.5%	*
14:00	Federal Budget Balance (Billion)	m/m	Oct	-$317.50	$284.30	**
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
09:00	Beth Hammack Speaks in Moderated Conversation	President of the Federal Reserve Bank of Cleveland				
10:00	Michael Barr Delivers Virtual Address on AI and Inequality	Members of the Board of Governors				
11:15	Austan Goolsbee Speaks in Moderated Q&A at Yahoo! Finance	President of the Federal Reserve Bank of Chicago				
13:10	Mary Daly Delivers Keynote Remarks at Stanford	President of the Federal Reserve Bank of San Francisco				
13:30	Jeffrey Schmid Speaks on Fed and the Economic Outlook	President of the Federal Reserve Bank of Kansas City				
18:30	John Williams Participates in Panel Discussion	President of the Federal Reserve Bank of New York				

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	PPI	y/y	Oct	7.1%	6.8%	6.5%	***	Equity bearish, bond bullish
	Japan Buying Foreign Bonds (JPY Billion)	w/w	6-Nov	-537.6	1312		*	Equity and bond neutral
	Japan Buying Foreign Stocks (JPY Billion)	w/w	6-Nov	-643.9	1077.7		*	Equity and bond neutral
	Foreign Buying Japan Bonds (JPY Billion)	w/w	6-Nov	1371.1	1481.7		*	Equity and bond neutral
	Foreign Buying Japan Stocks (JPY Billion)	w/w	6-Nov	-105.2	1129.3		*	Equity and bond neutral
Australia	Consumer Inflation Expectation	m/m	Nov	5.3%	5.3%		*	Equity and bond neutral
India	CPI	y/y	Oct	6.09%	5.54%	6.00%	***	Equity and bond neutral
EUROPE								
UK	RICS House Price Balance	y/y	Oct	-36%	-34%	-34%	**	Equity and bond neutral
	GDP	y/y	3Q P	1.9%	1.4%	1.9%	***	Equity and bond neutral
	GDP	m/m	Sep	0.2%	0.0%	0.0%	*	Equity and bond neutral
	Industrial Production	y/y	Sep	3.1%	1.1%	2.8%	***	Equity and bond neutral
	Manufacturing Production	y/y	Sep	4.4%	2.5%	3.8%	**	Equity and bond neutral
	Index of Services 3M/3M	m/m	Sep	0.9%	0.9%	0.9%	**	Equity and bond neutral
	Visible Trade Balance (GBP/Million)	m/m	Sep	-22291	-19610	-19200	**	Equity and bond neutral
	Trade Balance (GBP/Million)	m/m	Sep	-5134	-2567	-2100	**	Equity and bond neutral
AMERICAS								
Brazil	IBGE Inflation IPCA	y/y	Oct	4.63%	4.58%	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)	410	412	-2	Up
U.S. Sibor/OIS spread (bps)	416	416	0	Up
U.S. Libor/OIS spread (bps)	414	413	1	Up
10-yr T-note (%)	5.01	5.00	0.01	Down
Euribor/OIS spread (bps)	275	274	1	Up
Currencies	**Direction**			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Down
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.

Energy Markets	Today	Prior	Change	Explanation
Brent	$93.24	$91.49	1.91%	
WTI	$85.79	$86.53	-0.86%	
Natural Gas	$3.28	$3.22	1.90%	
Crack Spread	$45.83	$45.54	0.63%	
12-mo strip crack	$45.60	$45.61	-0.02%	
Ethanol rack	$2.12	$2.12	-0.25%	
Metals				
Gold	$3,939.06	$3,987.90	-1.22%	
Silver	$50.91	$51.69	-1.50%	
Copper Contract	$621.85	$629.00	-1.14%	
Grains				
Corn contract	$448.25	$448.00	0.06%	
Wheat contract	$611.50	$614.25	-0.45%	
Soybeans contract	$1,229.50	$1,230.75	-0.10%	
Shipping				
Baltic Dry Freight	2,959	2,862	97	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-1.48		
Gasoline (mb)		-0.35		
Distillates (mb)		-2.00		
Refinery run rates (%)		0.42%		
Natural gas (bcf)		65		

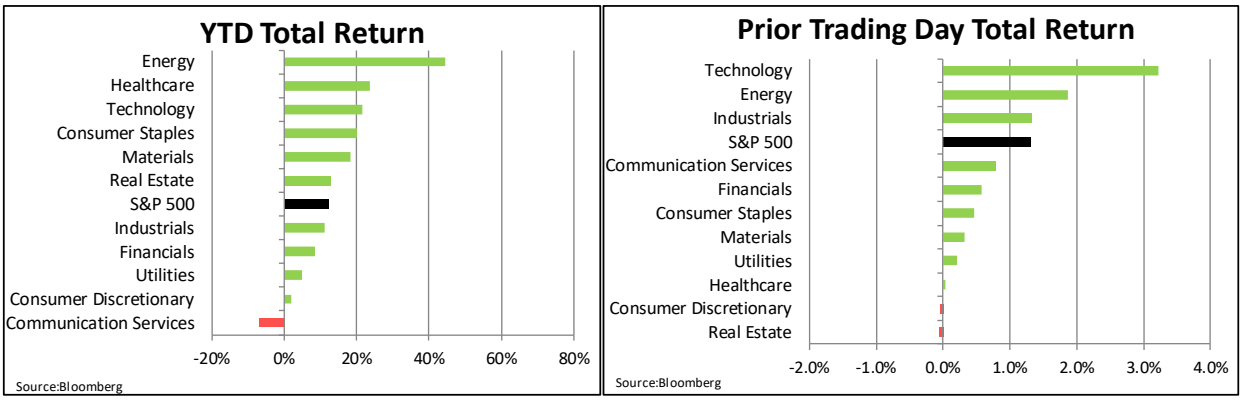
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Rocky Mountains to the Appalachians, along the entire border with Canada, and in the Midwest, with cooler-than-normal temperatures in northern California. The outlook calls for wetter-than-normal conditions in all areas from the West Coast to the Appalachian Mountains except for the Pacific Northwest, with dry conditions in the Northeast.

No atmospheric disturbances are expected in the Atlantic Ocean area in the next seven days.

Data Section

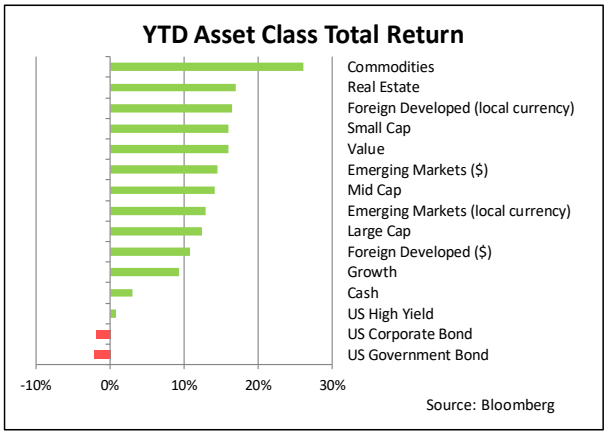
US Equity Markets – (as of 11/11/2026 close)



(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 11/11/2026 close)

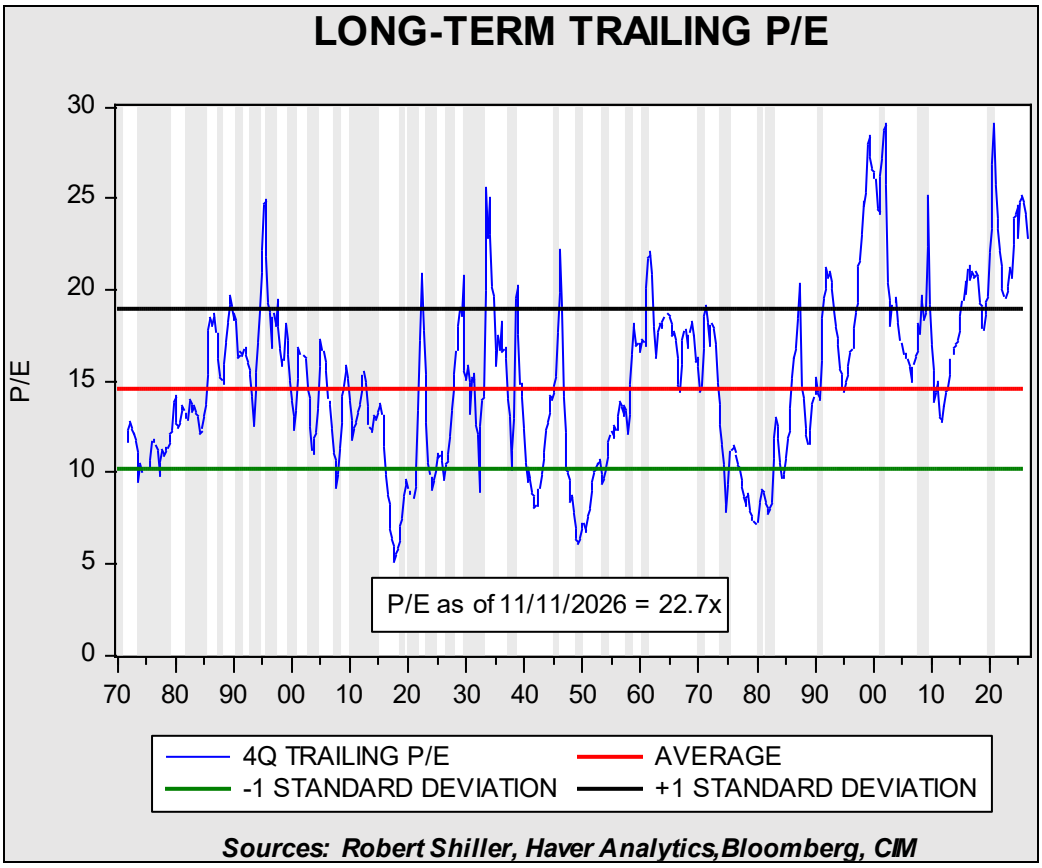


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 12, 2026



Based on our methodology,[1] the current P/E ratio is 22.7x, 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.