



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 13, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is unchanged from its prior close. In Asia, the MSCI Asia Apex 50 Index closed essentially unchanged. Chinese markets were higher, with the Shanghai Composite up 0.7% and the Shenzhen Composite up 1.5%. US equity index futures are signaling a lower open.

With 459 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, 81.5% have exceeded expectations, while 14.8% 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 Q4 2025 Rebalance Presentation	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* begins with an analysis of the bipartisan push for greater government involvement in AI development. We then examine the growing significance of next year's Federal Reserve reappointments, followed by a focus on the White House's embrace of high-skill foreign labor and the ongoing strength in credit card spending. As always, the report includes a comprehensive roundup of key international and domestic data releases.

The Artificial Intelligent State: A [bipartisan panel formed under both the Trump and Biden administrations](#) has urgently called for greater government involvement in the economy to strengthen the tech sector, citing critical national security concerns. The group highlighted two

major risks: a lack of private investment in strategically important industries and an overreliance on rival nations for key supply chain components. The warning underscores how national security concerns are driving a fundamental rethinking of traditional economic norms.

- The proposed policy represents a sharp departure from the mostly laissez-faire framework that has shaped US economic strategy since the Reagan era. While the 2008 financial crisis exposed the limits of free markets, it was the Biden administration that institutionalized a more active industrial policy, channeling targeted stimulus into strategically vital sectors. This shift was later reinforced and broadened by the Trump administration's reliance on tariffs to shield domestic producers and promote targeted private investment.
- This bipartisan warning could be foreshadowing the potential for the state to provide loan guarantees to strategically vital firms. The concept of government-backed debt was recently raised by AI companies, notably OpenAI, whose executives have cited colossal commitments to funding billions of dollars in equipment. These massive capital expenditures currently outpace the company's revenue stream, fueling concerns that a potential default could trigger the bursting of the long-speculated AI bubble.
- While increased government involvement can provide strategic support, it inevitably risks market distortions. One significant concern is the crowding out effect, where large public investments in strategic sectors divert capital, talent, and resources away from other productive areas of the economy. Moreover, this intervention may lead to substantial overcapacity in supported industries, making the broader economy more susceptible to speculative bubbles.
- This dynamic creates a perilous incentive for lawmakers. Having staked their policy — and potentially public funds as well — on the success of strategic sectors like AI, the government has developed a vested interest in ensuring the continued growth of the industry, even if it becomes detached from market fundamentals. While it is uncertain whether this decoupling will persist, the state is likely to attempt to manage the market and possibly artificially prop up valuations to prevent a collapse.

A Dovish Tilt: [Atlanta Fed President Raphael Bostic has announced he will retire](#) at the end of his term in February. His decision to forgo reappointment means the Federal Reserve could lose another key hawk from the committee. While Bostic has had a reputation for focusing on the maximum employment side of the Fed's dual mandate, the unprecedented post-pandemic inflation surge positioned him as a leading voice for keeping interest rates elevated to restore price stability. His departure is therefore likely to open a seat for another dove on the committee.

- Bostic's exit is part of a broader leadership transition, as the terms for several regional Fed presidents are scheduled to expire next year. The selection process for these roles, which carry five-year terms ending in one or six, involves a vote by local boards but requires final confirmation from the Federal Reserve Board in Washington.
- Traditionally an obscure procedural matter, the appointment of Federal Reserve presidents has now entered mainstream political discourse. This shift is driven by the White House's ambition to exert more control over monetary policy, raising concerns that

the administration may attempt to influence the selection of regional bank presidents by reshaping the Federal Reserve Board itself.

- The White House currently has two reliable allies on the Federal Reserve Board in Governors Stephen Miran and Michelle Bowman. A third, Christopher Waller, could also be considered part of this camp, given his nomination by the current president. A pivotal moment will be the Supreme Court's January hearing, which will consider the president's authority to remove a Fed governor. If the Court rules that the president can indeed remove Governor Lisa Cook, then the White House could secure a majority on the Board.
- While the US dollar is influenced by a multitude of factors, from economic growth to financial flows, we believe central bank policy is among the most critical. Any perception that the Federal Reserve is losing its independence could significantly weaken the dollar, prompting investors to diversify into gold and other currencies. This scenario would also likely provide a substantial tailwind for international equities.

H1-B Visas Good? President Trump [indicated that H-1B visas could help address critical talent shortages](#) in key industries. His comments may signal an imminent trade agreement with India, a key source of skilled immigrant labor, and more strategically, acknowledge that recruiting top global talent is essential for winning the international AI race. This stance aligns with the tech sector's long-standing argument that a scarcity of skilled domestic workers has hindered its efforts to reshore production and innovate.

Government Data: The [White House has announced that the release of October's CPI and jobs reports](#) will be suspended due to complications from the government shutdown. This absence of official data will hamper the Fed's data-dependent approach. To fill this void, the central bank will be forced to rely more heavily on private-sector data, which, although readily available, is generally considered less reliable than official government statistics. Our analysis of current alternative data trends indicates that these conditions warrant a rate cut by the Fed in December.

No More Pennies: The [US Mint has announced it will cease production of the penny](#) for public circulation as a cost-cutting measure, marking a symbolic endpoint for a coin whose metal value has long exceeded its one-cent face value. While limited editions will continue for collectors, the move is expected to exacerbate an existing penny shortage. This has prompted calls for legislation to allow cash transactions to be rounded to the nearest five cents, a measure retailers and banks support to avoid potential lawsuits and operational headaches.

More Spending: Recent credit card data from Bank of America indicates that consumer spending accelerated to its fastest pace since early 2024. The report revealed that the increase was broad-based across all income classes, driven largely by a combination of higher wages and elevated inflation. The bank also noted that, despite reports of increased financial restraint, consumer deposit levels remain above pre-pandemic levels. This data reinforces the view that household balance sheets remain stable despite economic headwinds.

US Economic Releases

Due to the federal government shutdown, no economic reports have been released so far today. The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
14:00	Federal Budget Balance	m/m	Oct	-\$238.6b	-\$257.5b	**
Federal Reserve						
EST	Speaker or Event	District or Position				
8:00	Mary Daly Speaks on Balance Sheet Management	President of the Federal Reserve Bank of San Francisco				
10:30	Neel Kashkari Delivers Opening Remarks	President of the Federal Reserve Bank of Minneapolis				
12:15	Alberto Musalem Speaks at a Fireside Chat on Monetary Policy	President of the Federal Reserve Bank of St. Louis				
12:20	Beth Hammack in Moderated Discussion	President of the Federal Reserve Bank of Cleveland				

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	PPI	y/y	Oct	2.7%	2.8%	2.5%	***	Equity and bond neutral
	Japan Buying Foreign Bonds	w/w	7-Nov	¥533.b	-¥354.5b	--	*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	7-Nov	-¥439.5b	-¥581.1b	--	*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	7-Nov	¥91.5b	¥280.6b	--	*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	7-Nov	-¥347.3b	¥690.1b	--	*	Equity and bond neutral
Australia	Consumer Inflation Expectation	m/m	Nov	4.50%	4.80%	--	**	Equity and bond neutral
	Employment Change	m/m	Oct	42.2k	12.8k	20.0k	***	Equity and bond neutral
	Unemployment Rate	m/m	Oct	4.3%	4.5%	4.4%	***	Equity and bond neutral
	Participation Rate	m/m	Oct	67.0%	67.0%	67.0%	**	Equity and bond neutral
China	New Yuan Loans CNY YTD	m/m	Oct	14970.0b	14750.0b	15250.0b	**	Equity and bond neutral
	Aggregate Financing CNY YTD	m/m	Oct	30900.0b	30090.0b	31285.0b	**	Equity and bond neutral
	Money Supply M2	y/y	Oct	8.2%	8.4%	8.1%	***	Equity and bond neutral
	Money Supply M1	y/y	Oct	6.2%	7.2%	7.0%	*	Equity bearish, bond bullish
	Money Supply M0	y/y	Oct	10.6%	11.5%		*	Equity and bond neutral
EUROPE								
Eurozone	Industrial Production WDA	y/y	Sep	1.2%	1.2%	2.0%	**	Equity bearish, bond bullish
France	ILO Unemployment Rate	q/q	Q3	7.7%	7.6%	7.6%	*	Equity bullish, bond bearish
UK	RICS House Price Balance	y/y	Oct	-19%	-17%	-14%	**	Equity bearish, bond bullish
	GDP	y/y	3Q P	1.3%	1.4%	1.4%	***	Equity and bond neutral
	Industrial Production	y/y	Sep	-2.5%	-0.5%	-1.3%	***	Equity bearish, bond bullish
	Manufacturing Production	y/y	Sep	-2.2%	-0.7%	-1.7%	**	Equity bearish, bond bullish
	Index of Services 3M/3M	m/m	Sep	0.2%	0.3%	0.3%	**	Equity and bond neutral
	Visible Trade Balance GBP/Mn	m/m	Sep	-£18883m	-£19528m	-£20752m	**	Equity and bond neutral
	Trade Balance GBP/Mn	m/m	Sep	-£1094m	-£1276m	-£3100m	**	Equity and bond neutral
Switzerland	Producer & Import Prices	y/y	Oct	-1.7%	-1.8%		**	Equity and bond neutral
Russia	Gold and Forex Reserves	m/m	7-Nov	\$719.8b	\$725.8b		***	Equity and bond neutral
AMERICAS								
Canada	Building Permits	m/m	Sep	4.5%	-4.0%	0.90	**	Equity bullish, bond bearish
Brazil	Retail Sales	y/y	Sep	0.8%	0.4%	2.0%	***	Equity bearish, bond bullish

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)	378	379	-1	Down
U.S. Sibor/OIS spread (bps)	387	387	0	Down
U.S. Libor/OIS spread (bps)	377	377	0	Down
10-yr T-note (%)	4.09	4.08	0.01	Down
Euribor/OIS spread (bps)	205	203	2	Up
Currencies	Direction			
Dollar	Down			Up
Euro	Up			Down
Yen	Flat			Down
Pound	Up			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	\$63.10	\$62.71	0.62%	
WTI	\$58.85	\$58.49	0.62%	
Natural Gas	\$4.52	\$4.53	-0.26%	
Crack Spread	\$30.91	\$30.94	-0.10%	
12-mo strip crack	\$28.14	\$28.08	0.24%	
Ethanol rack	\$2.00	\$2.00	0.06%	
Metals				
Gold	\$4,236.07	\$4,195.39	0.97%	
Silver	\$53.97	\$53.25	1.35%	
Copper contract	\$512.75	\$510.55	0.43%	
Grains				
Corn contract	\$448.50	\$449.25	-0.17%	
Wheat contract	\$550.00	\$552.50	-0.45%	
Soybeans contract	\$1,139.00	\$1,133.75	0.46%	
Shipping				
Baltic Dry Freight	2,030	2,072	-42	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		1.50		
Gasoline (mb)		-2.46		
Distillates (mb)		-1.39		
Refinery run rates (%)		0.3%		
Natural gas (bcf)		34		

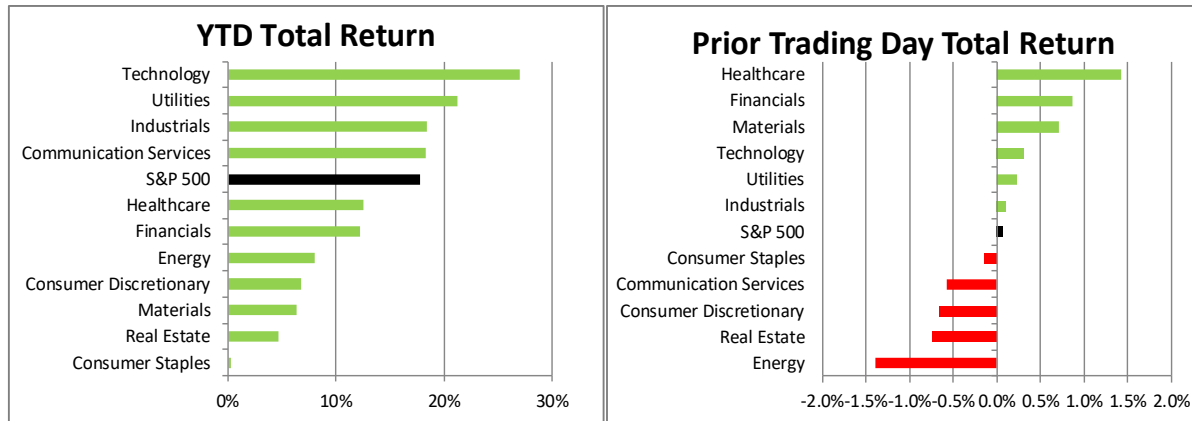
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Great Plains eastward, with cooler-than-normal temperatures across the Far West. The outlook calls for wetter-than-normal conditions everywhere except the coastal areas of Washington, Oregon, and Northern California, and Florida, where conditions will be near normal.

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

Data Section

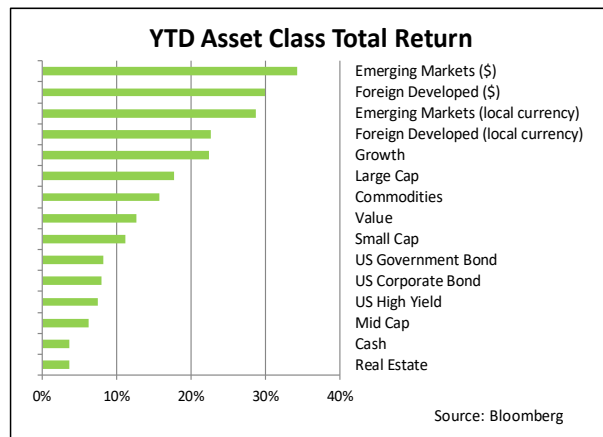
US Equity Markets – (as of 11/12/2025 close)



(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 11/12/2025 close)

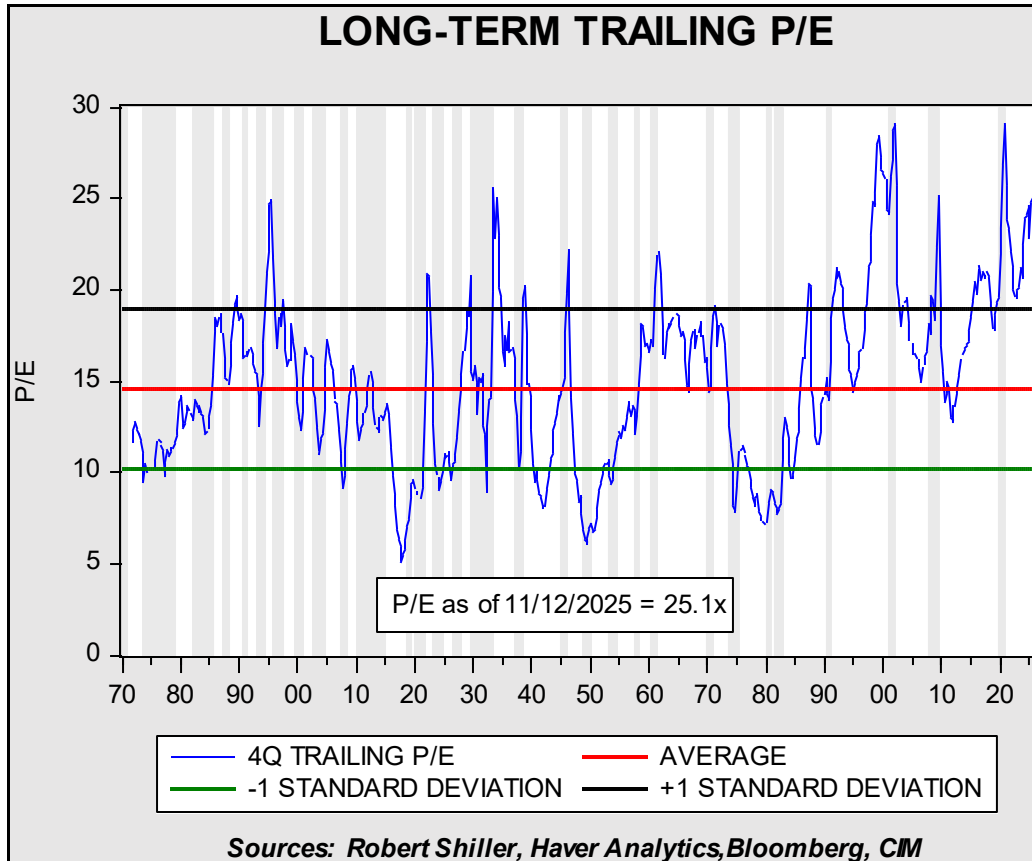


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 13, 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.