Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: November 16, 2026 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 0.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.0%. Chinese markets were lower, with the Shanghai Composite down 0.9% and the Shenzhen Composite down 2.4%. US equity index futures are signaling a lower open.

With 453 companies having reported so far, S&P 500 earnings for Q3 are running at $94.50 per share compared to estimates of $94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 84.3% exceeded expectations, while 11.7% 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) + podcast	**"The Inflation Adjustment for Social Security Benefits in 2027" (11/16/26) + 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.

Our *Comment* today opens with news related to US industrial policy and the Nvidia scandal. We next review several other international and US developments that could affect the financial markets today, including a few words on this week's US-China-Russia summit and a newly proposed class action lawsuit against a major US semiconductor firm.

US Industrial Policy: In an exclusive report, *The Wall Street Journal* says the White House will soon designate a set of US artificial intelligence companies as "national champions." The firms expected to win the designation include Nvidia, Amazon, Microsoft, OpenAI, and Anthropic. Under the program, the national champions will apparently be lauded and supported by the

government as they try to get foreign companies and countries to adopt the US's AI technology over that of Chinese rivals.

- For more than a year, we have flagged how the US and other major developed countries have abandoned the free-market, hands-off approach of the "Washington Consensus" that dominated policymaking after the Cold War. Political leaders now are much more willing to interfere with the free market via protectionist tariffs, government equity stakes, and the like.
- In the near term, such government support could offer real benefits to the favored sectors, industries, or companies. In the longer term, however, the risk is that widespread government interference in the free market will politicize firms and weigh on the economy's efficiency.

Nvidia Scandal: While no significant new revelations on the Nvidia-China spy scandal arose over the weekend, various media reports provided more detail and more analyses of the key risks. Importantly, the new reporting shows that China hawks and doves in both the executive and legislative branches are deeply divided over the need to further restrict China's access to the most advanced US artificial intelligence semiconductors out of national security concerns. This reporting suggests Nvidia could face a messy regulatory path in coming months.

- As one reflection of the topsy-turvy changes Nvidia may be facing, reports last night said some allies of Jensen Huang, the Nvidia chief executive forced out last week because of the scandal, are lobbying the company to reinstate him. To the extent that the lobbying is successful, it could give a boost to Nvidia's stock price.
- Separately, it's worth noting that if the Chinese spy whom Huang "befriended" was well trained, she probably tried to gather information not only about him but also about his most important contacts, such as other Nvidia board members, key company engineers, President Trump, Commerce Secretary Lutnick, and other policymakers in Washington. As a reminder, we think constraints on outright conflict are likely prompting an intensifying intelligence war between the US and China. The Nvidia scandal is a major win for China.

US-Russia-China: The White House said late Friday that President Trump, Russian President Putin, and Chinese President Xi will meet on Thursday on the sidelines of the Asia-Pacific Economic Cooperation summit in Shenzhen. The meeting will be the first-ever trilateral summit between the US, Russia, and China. As we noted in our *Comment* on Friday, Trump is expected to press Putin to help mediate a truce in the US's war against Iran. If Putin agrees, he is likely to demand that Trump push Ukraine to accept Russia's terms to end their war.

- Media reports say Trump will also seek a cut in the countries' nuclear weapons arsenals.
- However, given Beijing's breakneck effort to catch up to the US and Russian stockpiles, it seems unlikely that Xi will want to play ball.

Japan-Philippines: Tokyo and Manila this week will sign a deal in which Japan's public and private sectors will help the Philippines develop a national oil reserve to enhance its energy

security and avoid a repeat of the shortages it suffered early this year when the US-Israeli war against Iran disrupted Middle Eastern energy supplies.

- The deal shows how Japan is working hard to strengthen its relations with like-minded allies as China gains power and becomes a bigger geopolitical threat.
- More broadly, it also shows how the war in Iran has prompted countries and companies around the world to redress their shortcomings in energy security. Those efforts include building new pipelines and storage facilities, instituting or refilling strategic energy stockpiles, and diversifying their energy sources — all of which will create opportunities for investors.

Russia-Estonia: Tallinn yesterday said the Russian intelligence services were behind a foiled sabotage effort against Estonian drone producer Threod Systems. The attempted bombing follows an arson attack on Milrem Robotics, another Estonian defense contractor, in August. In response, Tallinn said it would close its border with Russia next month.

- In our view, Russia's frequent arson attacks, vandalism, and other sabotage attempts illustrate how Great Power competition involving the US and its allies, China, and Russia is becoming more intense, even if constraints such as nuclear weapons preclude direct, kinetic war.
- Of course, even if such attacks are meant to be limited, they could provoke a stronger response than intended and escalate into outright conflict. Such an event would likely be disruptive to global financial markets.

European Union-United Kingdom: In a speech today, British Prime Minister Burnham will formally pave the way for the UK and the EU to re-examine and potentially "reset" their relationship a decade after the Brexit vote. Burnham will reportedly say that "the Brexit we were given has not worked. We have lost more than we gained." Burnham will then travel to Brussels on Friday for a summit with EU leaders that will begin fleshing out the reset. If successful, the effort could lead to new trade opportunities for the EU, the UK, and their companies.

Japan: Third-quarter gross domestic product declined at an annualized rate of 0.1%, short of the expected small increase and the first decrease in a year. However, the fall in economic activity has been attributed mostly to a spate of storms that weighed on consumer spending. If so, that suggests the economy could enjoy a rebound in the current quarter.

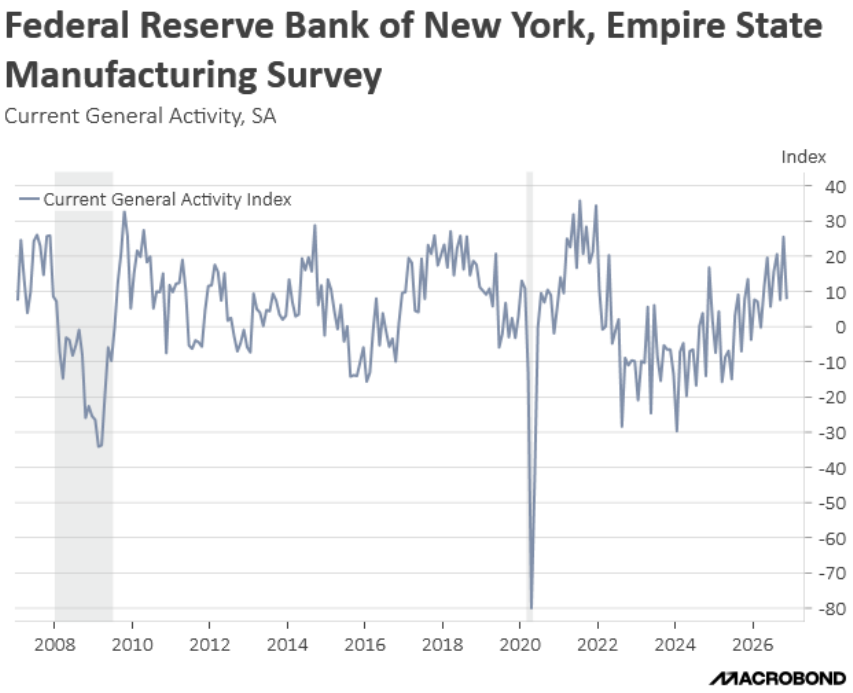
US Semiconductor Industry: A group of shareholders on Friday filed a proposed class action against Intel Corp. over the nearly 29% plunge in its stock price on October 30. In their lawsuit, the investors allege that the company concealed how much a slowdown in personal computer sales and an inventory glut were weighing on its revenue and profitability. While it's too early to know how the suit will fare, it does appear to be pressuring Intel's stock price. As of this writing, the shares are trading down about 4%.

US Air Traffic Control System: Transportation Secretary Duffy yesterday said the full ground stop at the nation's airports on Friday was necessitated by a botched wiring upgrade at radio

facilities in Arkansas and Texas. While conspiracy theories will likely continue to swirl about the incident, Duffy's statement will probably quell concerns about whether it was an act of terrorists or foreign intelligence services.

US Economic Releases

The New York FRB said its November ***Empire State Manufacturing Index*** fell to a seasonally adjusted 7.8, well below the expected level of 18.0 and the October level of 25.5. This index is designed so that positive readings point to expanding factory activity in New York state. At its current level, the index suggests that New York manufacturing is showing signs of volatility. The chart below shows how the index has fluctuated since just before the GFC.



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**
05:00	Fed's Barr Speaks on AI and Financial Stability	Members of the Board of Governors
09:05	Fed's Williams Gives Opening Remarks	President of the Federal Reserve Bank of New York
12:00	Fed's Warsh Participates in Fed Conference on Productivity	Chairman of the Board of Governors
12:00	Fed's Warsh Takes Part in Fed Conference on Productivity Jobs	Chairman of the Board of Governors
14:15	Fed's Hammack on Bloomberg TV	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 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		Period	Current	Prior	Expected	Rating	Market Impact
ASIA-PACIFIC								
Japan	GDP SA	q/q	3Q P	0.00%	0.40%	0.10%	***	Equity and bond neutral
	GDP Deflator	q/q	3Q P	2.40%	2.60%	2.70%	***	Equity and bond neutral
	Capacity Utilization	y/y	Sep	1.55%	-4.20%		**	Equity and bond neutral
	Industrial Production	y/y	Sep F	1.70%	1.90%		**	Equity and bond neutral
China	New Home Prices	y/y	Oct	-0.15%	-0.14%		*	Equity and bond neutral
	Used Home Prices	m/m	Oct	-0.24%	-0.26%		*	Equity and bond neutral
	Retail Sales	y/y	Oct	0.40%	1.10%	0.80%	***	Equity and bond neutral
	Industrial Production	y/y	Oct	4.80%	5.50%	5.30%	***	Equity bearish, bond bullish
	Fixed Assets Ex Rural YTD	y/y	Oct	-8.10%	-7.20%	-7.00%	**	Equity bearish, bond bullish
India	Wholesale Prices	m/m	Oct	12.29%	11.39%	12.40%	***	Equity and bond neutral
	Unemployment Rate	m/m	Oct	4.90%	5.00%		*	Equity and bond neutral
EUROPE								
Eurozone	Industrial Production WDA	y/y	Sep	-1.5%	-1.1%	-0.2%	**	Equity and bond neutral
UK	Rightmove House Prices	y/y	Nov	-0.1%	-0.1%		**	Equity and bond neutral
Switzerland	Domestic Sight Deposits (CHF Billion)	w/w	Nov 13	425.3	429.2		*	Equity and bond neutral
	Total Sight Deposits (CHF Billion)	w/w	Nov 13	443.7	452.9		**	Equity and bond neutral
Russia	GDP	y/y	3Q P	1.00%	1.00%	0.90%	***	Equity and bond neutral
	Current Account Balance (Million)	q/q	3Q P	10700	16949	9400	**	Equity and bond neutral
Canada	Manufacturing Sales	m/m	Oct	0.0%	1.8%	0.1%	**	Equity and bond neutral
	Wholesale Sales ex Petroleum	m/m	Oct	0.7%	-1.4%	0.5%	**	Equity and bond neutral
Brazil	FGV CPI IPC -S	w/w	y/y	0.4	0.4%		***	Equity and bond neutral
	FGV Inflation IGP-10	m/m	y/y	5.02	5.0%	5.6%	*	Equity and bond neutral
	Core Machine Orders	y/y	y/y	-0.01	0.9%	0.4%	**	Equity and bond neutral
	Trade Balance Weekly (Million)	w/w	Nov 15	$1,377	$1,377		**	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)	412	413	-1	Up
U.S. Sibor/OIS spread (bps)	417	416	1	Up
U.S. Libor/OIS spread (bps)	414	414	0	Up
10-yr T-note (%)	5.13	5.14	-0.01	Down
Euribor/OIS spread (bps)	278	277	1	Up
Currencies	**Direction**			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Flat
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	$94.70	$95.84	-1.19%	
WTI	$87.72	$88.56	-0.95%	
Natural Gas	$3.18	$3.23	-1.70%	
Crack Spread	$43.92	$45.12	-2.67%	
12-mo strip crack	$44.84	$45.51	-1.48%	
Ethanol rack	$2.12	$2.12	0.11%	
Metals				
Gold	$3,868.19	$3,884.49	-0.42%	
Silver	$47.66	$48.74	-2.23%	
Copper Contract	$612.90	$618.45	-0.90%	
Grains				
Corn contract	$456.25	$456.75	-0.11%	
Wheat contract	$604.00	$606.75	-0.45%	
Soybeans contract	$1,228.75	$1,231.50	-0.22%	
Shipping				
Baltic Dry Freight	2,980	3,020	-40	

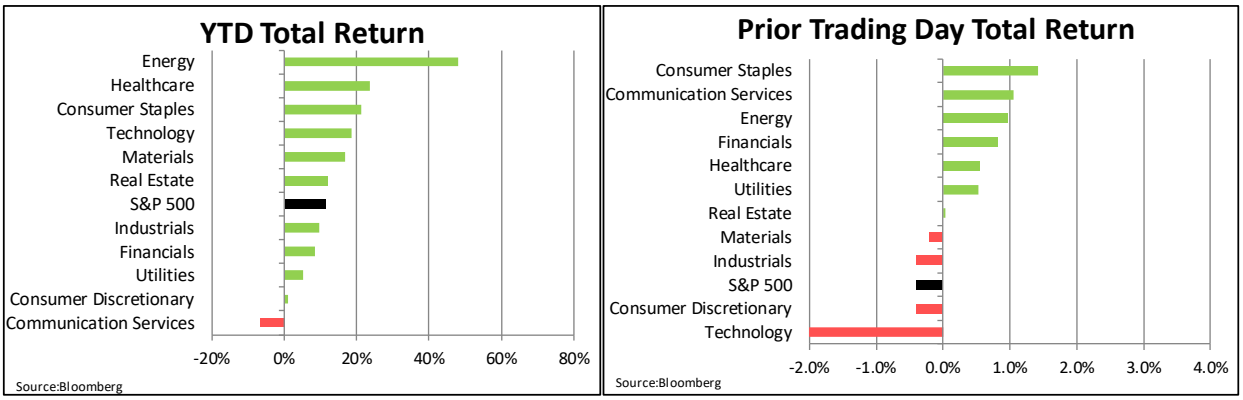
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near normal temperatures expected in the lower Rocky Mountains. The precipitation outlook calls for wetter-than-normal conditions on the West Coast, in the Mississippi Valley, and throughout most of the South with dry conditions expected in the Northeast.

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

Data Section

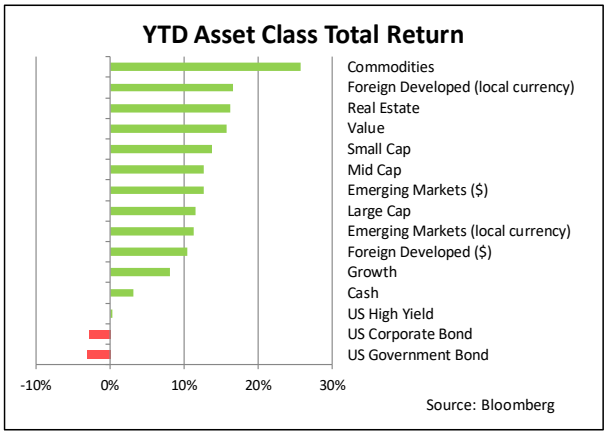
US Equity Markets – (as of 11/13/2026 close)



(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 11/13/2026 close)

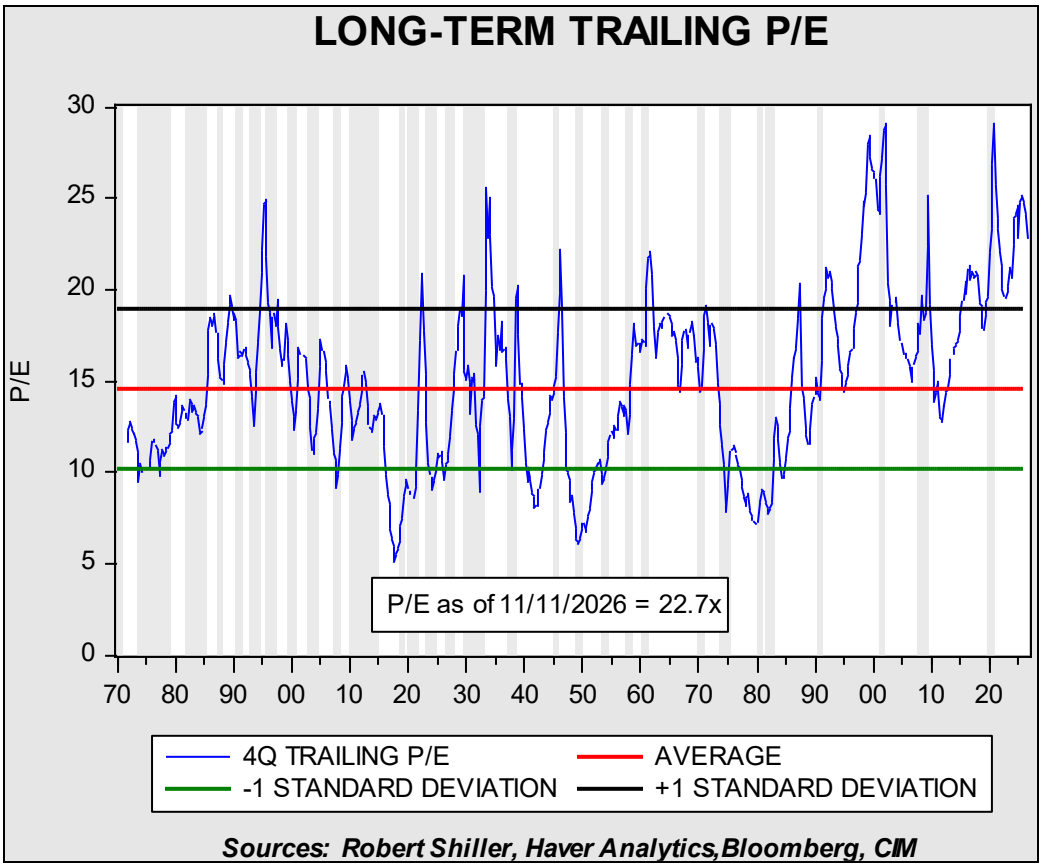


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.