



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 17, 2025 – 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.8% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.5%. Chinese markets were mixed, with the Shanghai Composite down 0.5% and the Shenzhen Composite essentially unchanged. US equity index futures are signaling a higher open.

With 461 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, 81.6% 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
<a href="#">“Meet Sanae Takaichi”</a> (11/10/25) + <a href="#">podcast</a>	<a href="#">“The COLA for Social Security Benefits in 2026”</a> (11/17/25) + <a href="#">podcast</a>	<a href="#">Q4 2025 Report</a>  <a href="#">Q4 2025 Rebalance Presentation</a>	<a href="#">Confluence Mailbag podcast</a>  <a href="#">Value Equities Quarterly Video Update</a>

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](mailto:mailbag@confluenceim.com).

Our *Comment* today opens with news suggesting the US could soon target Chinese tech services giant Alibaba with sanctions or trade restrictions in a move that could reignite bilateral tensions and weigh on global markets. We next review several other international and US developments with the potential to affect the financial markets today, including worsening military tensions between China and Japan and concerns in Europe about the rise of stablecoins backed by US Treasury bills.

**China-United States:** In a Friday scoop, the *Financial Times* revealed the existence of a US national security memo [claiming that Chinese technology services giant Alibaba provides](#)

[support for Beijing’s military cyber operations against the US](#). Importantly, it appears that the memo could help justify US sanctions or business restrictions against Alibaba, potentially including a forced delisting from the US stock market. However, White House officials declined to tell the *FT* how they intend to respond to the intelligence.

- As we’ve argued previously, the US-China trade war this year has revealed that China’s comprehensive power — its combined military, diplomatic, economic, and technological strength — is probably more on par with that of the US than people had realized. We think this has been reflected in the US-China trade truce reached last month. If it leads to a broader, longer-term deal, US-China tensions could ease more permanently, reducing the risk of sanctions or other retaliatory actions and giving a boost to US and Chinese stocks.
- However, it’s important to note that such a comprehensive, longer term deal is not yet in place. For now, the US-China trade truce remains fragile, and each side could take actions to upset it. If the US uses the new intelligence report to undercut Alibaba, we suspect bilateral relations could turn south again, putting a damper on stock values.

**China-Japan:** Late on Friday, Beijing officially [warned Chinese citizens to avoid travel to Japan](#), and Hong Kong authorities issued a similar warning on Saturday. Reports yesterday said a Chinese coast guard vessel [also made a provocative patrol through a set of islets claimed by both Beijing and Tokyo but administered by Japan](#). The moves mark the latest Chinese retaliation for Japanese Prime Minister Takaichi’s statement last week that a Chinese effort to take Taiwan by force would require Japan to intervene militarily.

- As we noted in our latest [Bi-Weekly Geopolitical Report](#), Takaichi’s hawkish approach to China risks prompting Beijing to impose additional economic and trade punishment on Japan going forward.
- Indeed, observers have noted that the next logical step for each country would be to impose economic sanctions on each other. That, of course, would have the potential to weigh on both Japanese and Chinese stock values.

**China:** At a conference in Beijing on Friday, former Finance Minister Lou Jiwei [warned that the country’s slumping real estate sector will likely continue to weigh on economic growth for up to five more years](#). The warning underscores the massive overbuilding in China’s residential real estate sector until 2021, which resulted in extreme excess capacity, bad debts, and steep losses by builders and buyers alike. If rebalancing the sector really does take until 2030, it will mean nearly a decade of bruised growth for China, on top of several other economic headwinds.

**United States-Eurozone:** In a *Financial Times* interview, Dutch central bank chief Olaf Sleijpen [warned that the growing private-sector issuance of stablecoins backed by US Treasury bills is a risk for the European Central Bank](#). Sleijpen warned that a run on a stablecoin could potentially force the ECB to adjust its monetary policy, putting the institution in a position similar to that of central banks in emerging markets that are heavily dollarized.

- Sleijpen’s concern illustrates how the rise of Treasury-backed stablecoins is actually boosting the US dollar’s importance in world financial markets again.

- We still expect the dollar to depreciate in the foreign exchange markets in the coming years, giving foreign equities an advantage, but the rise of Treasury-backed stablecoins will likely offset some investor concerns about the dollar's influence in the global economy.

**United States-Switzerland:** US Treasury Secretary Bessent and UBS Chief Executive Officer Colm Kelleher [have reportedly had several talks in recent months to discuss the possibility of the giant Swiss bank moving its headquarters to the US](#). The discussions appear mostly designed to dissuade the Swiss government from imposing tough new capital rules on UBS. All the same, given the White House's push for more foreign investment and its proclivity to guide corporate investment and operations decisions, such a move may be more than just posturing by UBS.

**United States-Venezuela:** President Trump yesterday [hinted to reporters that the US may be in talks with Venezuelan President Maduro on the possibility of Maduro stepping down](#) in the face of a significant amount of US Navy firepower in the region. That could reduce the risk of some kind of US-Venezuelan conflict in the region. It could also herald a potential resurgence of Western investment in the oil sector and the potential for significant new supplies of oil coming to the market soon.

**US Airline Industry:** The Federal Aviation Administration this morning [lifted the flight curbs imposed at airports across the country earlier this month because of the federal government shutdown](#). Airlines have warned it could take several days for full operations to resume and for flight crews to get back in place, but it now appears that flight schedules will be back to normal for the big Thanksgiving travel rush next week — good news for both the traveling public and the nation's airlines.

**Russia-Poland:** Authorities in Poland yesterday [said sections of a railway heavily used to ship arms to Ukraine were blown up, forcing two passenger trains to make emergency stops](#). After the recent drone intrusions into Polish airspace and other similar incidents across Europe, the Sunday explosions appear to be the latest brazen example of Russian sabotage in member countries of the North Atlantic Treaty Organization. Such sabotage risks going too far and sparking a crisis or conflict that would disrupt the economy and/or financial markets.

**Chile:** In the first round of presidential elections yesterday, José Antonio Kast of the ultraconservative Republican Party [came in first with about 70.0% of the vote](#). Jeannette Jara of the Communist Party came in second with 26.8%. That makes Kast the frontrunner for the second and final round of voting on December 14. If that transpires, Chile will do a dramatic course correction after six years of leadership by the leftwing President Gabriel Boric. The news is likely to give a boost to Chilean stocks today.

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## US Economic Releases

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	
10:00	Construction Spending	m/m	Aug	-0.1%	-0.1%	**	
14:00	Federal Budget Balance	m/m	Oct	-\$228.8b	-\$257.5b	**	
Federal Reserve							
EST	Speaker or Event	District or Position					
9:00	John Williams Delivers Welcome Remarks	President of the Federal Reserve Bank of New York					
9:30	Philip Jefferson Speaks on Economic Outlook and Monetary Policy	Vice-Chair of the Board of Governors					
13:00	Neel Kashkari Moderates Conversation	President of the Federal Reserve Bank of Minneapolis					
15:35	Christopher Waller Speaks on the Economic Outlook at SPE Annual Dinner	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 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	GDP SA	q/q	3Q P	-0.4%	0.6%	-0.6%	***	Equity and bond neutral
	GDP Deflator	q/q	3Q P	2.8%	3.0%	3.1%	***	Equity and bond neutral
	Capacity Utilization	y/y	Sep	2.5%	-2.3%		**	Equity and bond neutral
	Industrial Production	y/y	Sep F	3.8%	3.4%		***	Equity and bond neutral
New Zealand	Food Prices	m/m	Oct	-0.3%	-0.4%		***	Equity and bond neutral
India	Exports	y/y	Oct	-11.8%	6.7%		**	Equity and bond neutral
	Imports	y/y	Oct	16.6%	16.7%		**	Equity and bond neutral
	Trade Balance	m/m	Oct	-\$41686m	-\$32150m	-\$30000m	**	Equity and bond neutral
EUROPE								
Italy	CPI, EU Harmonized	y/y	Oct F	1.3%	1.3%	1.3%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Oct F	1.2%	1.2%	1.2%	**	Equity and bond neutral
UK	Rightmove House Prices	y/y	Nov	-0.5%	-0.1%		**	Equity and bond neutral
Switzerland	Industrial Output WDA	y/y	3Q	2.4%	-0.1%		*	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	14-Nov	436.9b	436.3b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	14-Nov	456.5b	460.0b		*	Equity and bond neutral
Russia	GDP	y/y	3Q A	0.60%	1.10%	0.70%	**	Equity and bond neutral
	CPI	y/y	Oct	7.71%	7.98%	8.03%	***	Equity and bond neutral
	Core CPI	y/y	Oct	6.94%	7.65%		**	Equity and bond neutral
AMERICAS								
Canada	Manufacturing Sales	m/m	Sep	-3.3%	-1.1%	2.8%	**	Equity bearish, bond bullish
	Wholesale Sales ex Petroleum	m/m	Sep	0.6%	-1.0%	0.00	**	Equity bullish, bond bearish
Brazil	Economic Activity	y/y	Sep	1.98%	0.12%	1.90%	**	Equity bullish, bond bearish

## 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)	388	388	0	Down
U.S. Libor/OIS spread (bps)	379	379	0	Down
10-yr T-note (%)	4.12	4.15	-0.03	Down
Euribor/OIS spread (bps)	207	206	1	Up
Currencies	Direction			
Dollar	Flat			Up
Euro	Down			Down
Yen	Up			Down
Pound	Up			Down
Franc	Up			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
<b>Energy Markets</b>				
Brent	\$64.27	\$64.39	-0.19%	
WTI	\$59.96	\$60.09	-0.22%	
Natural Gas	\$4.45	\$4.57	-2.56%	
Crack Spread	\$31.04	\$31.56	-1.64%	
12-mo strip crack	\$28.00	\$28.38	-1.34%	
Ethanol rack	\$2.00	\$2.00	-0.14%	
<b>Metals</b>				
Gold	\$4,081.96	\$4,084.06	-0.05%	
Silver	\$50.97	\$50.58	0.76%	
Copper contract	\$503.20	\$506.30	-0.61%	
<b>Grains</b>				
Corn contract	\$445.25	\$444.00	0.28%	
Wheat contract	\$547.75	\$541.50	1.15%	
Soybeans contract	\$1,135.50	\$1,124.50	0.98%	
<b>Shipping</b>				
Baltic Dry Freight	2,125	2,077	48	

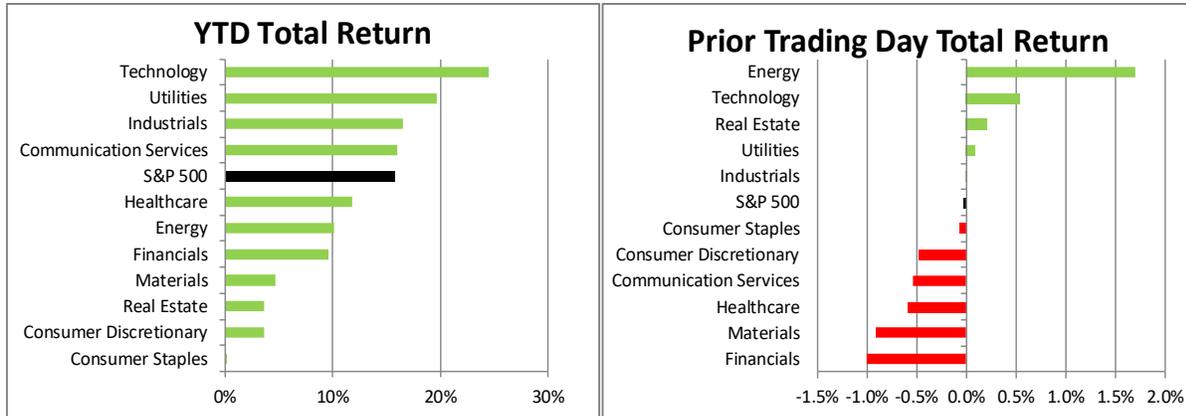
## Weather

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 in the Southwest. The precipitation outlook calls for wetter-than-normal conditions everywhere except the New England region, 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

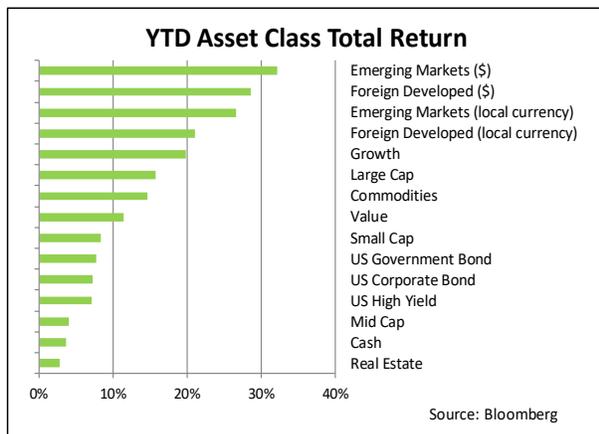
### US Equity Markets – (as of 11/14/2025 close)



(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 11/14/2025 close)

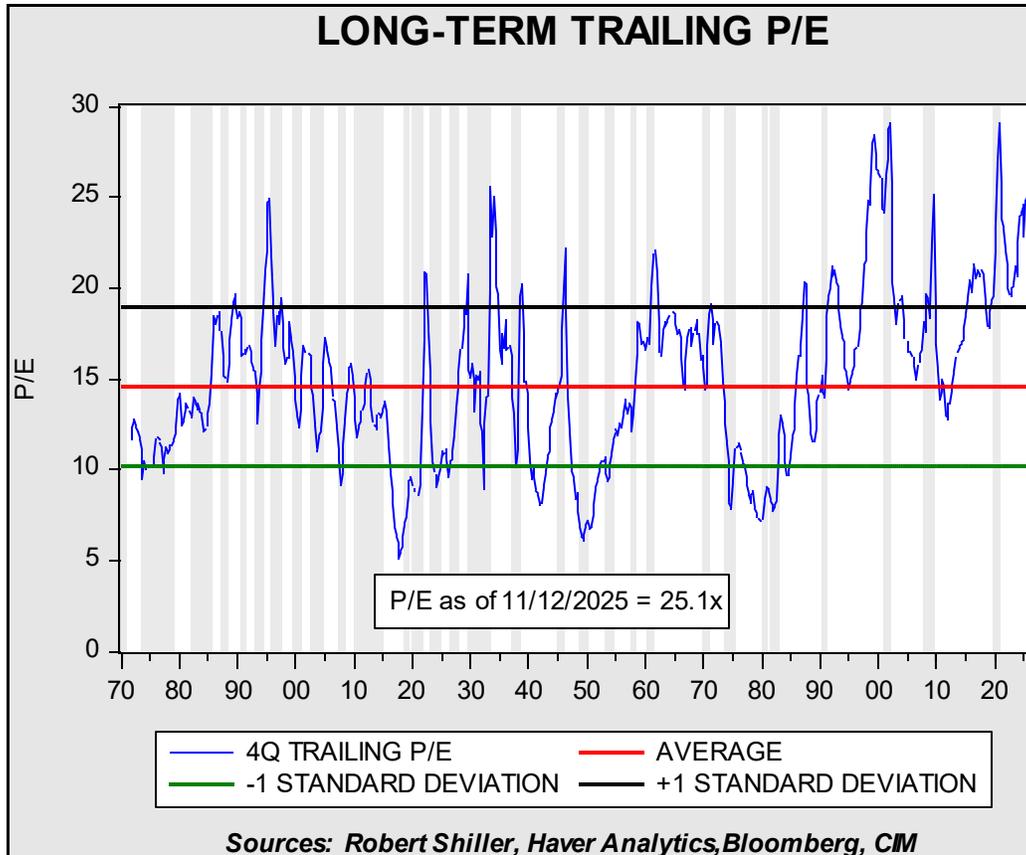


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,<sup>1</sup> 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.*

<sup>1</sup> 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.