Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 17, 2026 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 0.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 2.1%. Chinese markets were lower, with the Shanghai Composite down 0.5% and the Shenzhen Composite down 0.9%. US equity index futures are signaling a lower open.

With 455 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, 84.1% exceeded expectations, while 11.9% 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 an important new rule issued by the federal government yesterday to close some key loopholes that had allowed US chipmakers to keep selling advanced artificial intelligence chips to China. Of course, the new rule will produce both winners and losers among US tech firms. We next review several other international and US developments that could affect the financial markets today, including the emergence of a frontrunner to take over the European Central Bank and updated portfolio holdings for Berkshire Hathaway.

US Information Technology Industry: The Commerce Department yesterday afternoon finally released its delayed rule aimed at curbing Chinese tech firms' remote access to cutting-edge US semiconductors. Under the rule, US chipmakers will need a license to ship their most advanced

artificial intelligence chips to Malaysia, Thailand, Indonesia, Singapore, and Brazil — the nations that are or plan to be among the largest providers of computing power to China. The rule also bans data centers in those countries from selling the chips' computing power to China.

- The announcement made it clear that the department was forced by the White House and the Treasury Department to issue the rule, despite opposition from Commerce Secretary Lutnick, who has argued for minimal export curbs regardless of the national security risks in making the technologies available to the Chinese.
- In response, many AI and data-center companies, including Advanced Micro Devices and CoreWeave, saw their stock values fall sharply yesterday. However, some US firms, such as the largest hyperscalers, may actually benefit from the rule if they can now buy the chips that otherwise would have gone to Asia or if they can rent the Asian data centers' computing power that otherwise would have been made available to China.
- Of course, a major question is whether the rule will be fully implemented and enforced, especially given that the administration has often prioritized US business opportunities over national security concerns. However, if it is implemented and enforced, it would likely be a significant irritant for China. Its fate therefore may depend largely on the Thursday summit between President Trump, President Xi, and President Putin.

US Stock Market: In a regulatory filing last night, insurance and investing giant Berkshire Hathaway said it has nearly doubled its stake in homebuilder Lennar, adding to its bet on the US housing industry. The firm also has stakes in D.R. Horton and Taylor Morrison, even with the housing market's current headwinds from high prices and high interest rates. In other moves, Berkshire also sold most of its stake in Capital One Financial. Its top holdings remain Alphabet, American Express, Apple, Bank of America, and Coca-Cola.

US Housing Market: An interesting article in *The Wall Street Journal* today notes that homeowners with ultra-low interest rates on their mortgages are increasingly taking out home equity lines of credit to raise cash without needing to refinance out of their current mortgage. The article says total HELOC balances are up 50% since 2022 and now stand at their highest level in over a decade. While increasing HELOC borrowing was a key red flag before the housing bubble burst, lenders say today's borrowers are being more disciplined.

Eurozone: As European Central Bank chief Christine Lagarde prepares to leave her post early next year, eurozone leaders considering her replacement are reportedly coalescing behind Spanish economist Pablo Hernández de Cos, who currently heads the Bank for International Settlements. Hernández de Cos has had a long career in central banking and is praised by former colleagues for his technical expertise. The negotiations are intensely political, but France and Germany are expected to support him in exchange for seats on the ECB's executive board.

- Separately, the European Commission today boosted its forecast for the bloc's economic growth. The EC now sees eurozone gross domestic product rising 1.2% in full-year 2026, up from a previous forecast of 0.9%, and it predicts the growth rate will remain at 1.2% in 2027.

- Interestingly, the EC pinned the upward revision to strengthening industrial equipment exports related to AI, such as cooling and chip-making equipment. That shows how the AI boom is giving a boost to economies all around the world, even to some that are known more for lethargic growth than dynamic technological innovation.

France: Marine Le Pen, leader of the right-wing National Rally party and the opinion-poll frontrunner to win France's presidential election next year, said in an interview on Sunday that she was wrong to have opposed same-sex marriage and dual citizenship earlier in her political career. Le Pen had already promised not to touch the 2013 law legalizing same-sex marriage, but her new statement marks a further tack to the political center as she eyes the presidency and as polls suggest her top competitor will be far-left candidate Jean-Luc Mélenchon.

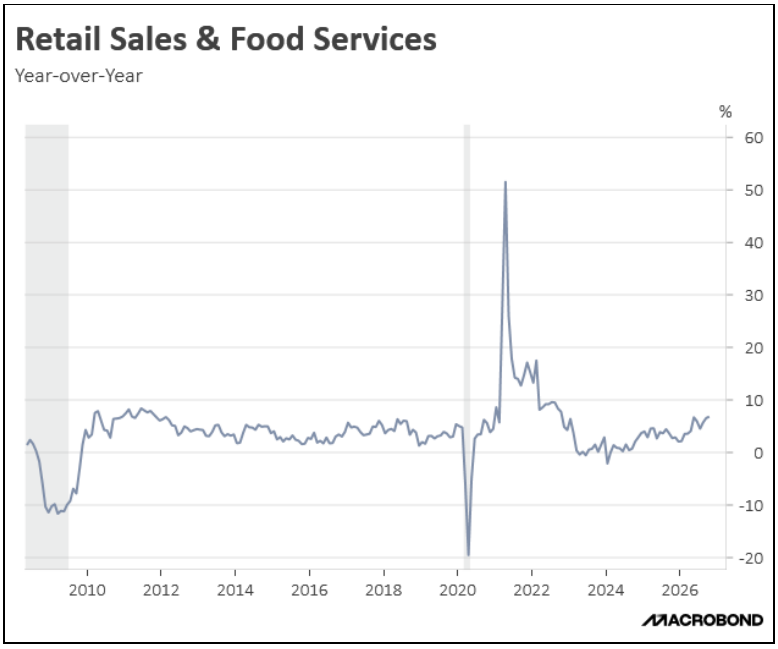
- Le Pen said that when the bill was passed, she feared legalizing same-sex marriage would lead to the widespread use of surrogacy, but her fears have not been realized.
- More broadly, as we noted in our *Bi-Weekly Geopolitical Report* from November 9, 2026, we think the far-right political parties in major European countries will moderate their agendas while they gain support and become more likely to win power in the coming years, as they have done in Italy. The election of a right-wing government in Germany or France is therefore less likely to scare investors and push down stock prices.

US-Iran: Reports say the Iranian military today launched a drone attack on a US radar system in Bahrain and claimed to have struck two fuel tankers in the Strait of Hormuz, despite ongoing regional diplomacy trying to restart ceasefire negotiations. The attacks show how both sides continue to stage low-level attacks on each other. Even though President Trump has decided to focus on economically strangling Iran with his blockade and sanctions, Iranian leaders keep attacking in an effort to raise costs for the US and force it to back down.

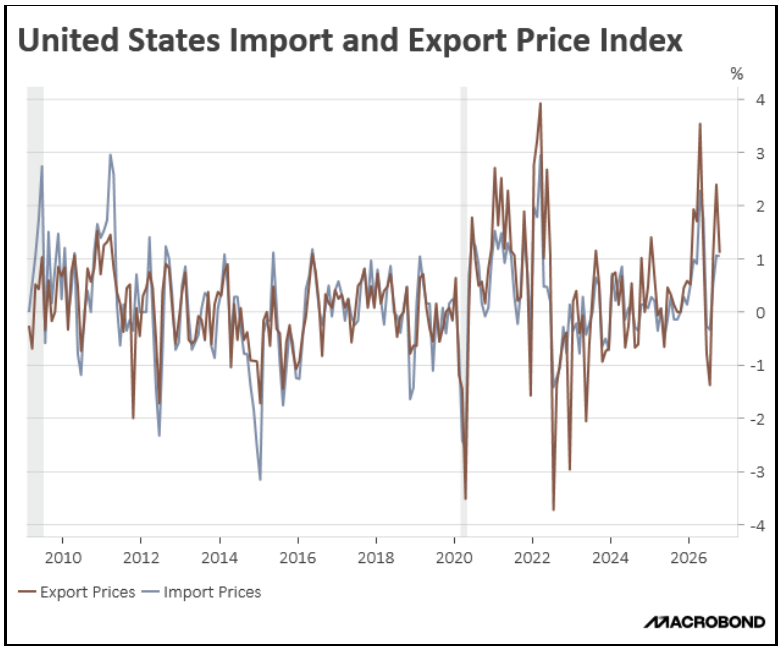
Russia-Ukraine War: In its second attack in as many days on the Kerch Bridge linking the Russian mainland with the Russian-occupied Crimean Peninsula, the Ukrainian military has reportedly brought down key sections of the span. The attacks will likely complicate Russia's ability to supply its forces on the peninsula. They also show how successful the Ukrainians have been in perfecting drone warfare and developing their own missiles and other weapons — developments that could eventually help force Russia to the negotiating table.

US Economic Releases

October ***retail sales*** rose by a seasonally adjusted 0.1%, in line with the market expectations but still decelerating from the September increase of 0.8%. Overall retail sales are often driven by the volatile auto and auto parts sector, which makes up almost one-fifth of the total, but that wasn't the case this time. October ***retail sales excluding autos and auto parts*** were up 0.6%, also beating their expected rise of 0.4% but decelerating from the previous month's jump of 1.1%. Overall retail sales in October were up 6.8% from the same month one year earlier, while sales excluding autos and auto parts were up 8.3%. The chart below shows how retail sales have changed since just before the GFC.



October ***import prices*** were up 1.1% from the previous month, well above expectations of 0.7%. Of course, import prices are often driven by volatility in the petroleum fuels category. October ***import prices excluding fuels*** were up 0.8%, more than both their anticipated rise of 0.6% and their revised September rise of 0.5%. Export prices in October were up 1.1% from the previous month, well above expectations of 0.3% but a marked deceleration from the previous month's revised pace of 2.4%. There were no year-over-year readings due to the government shutdown. The chart below compares the month-over-month change in US export and import prices since just before the GFC.



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	Business Inventories	m/m	Sep	0.5%	0.4%	*
10:00	NAHB Housing Market Index	m/m	Nov	29	29	*
Federal Reserve						
EST	Speaker or Event	District or Position				
07:30	Fed's Musalem Speaks at Banco Central de la República Argentin	President of the Federal Reserve Bank of St. Louis				
09:10	Fed's Waller Speaks on Payments	Member of the Board of Governors				
09:30	Fed's Hammack Speaks at Brookings Institution	President of the Federal Reserve Bank of Cleveland				
14:25	Fed's Williams Speaks in Fireside Chat	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		Period	Current	Prior	Expected	Rating	Market Impact
ASIA-PACIFIC								
Japan	Tertiary Industry Index	m/m	Sep	-0.50%	-0.70%	0.10%	***	Equity bearish, bond bullish
New Zealand	2-Year Inflation Expectations	q/q	1Q	2.36%	2.34%		***	Equity and bond neutral
	Non Resident Bond Holdings	m/m	Nov	57.0%	59.3%		**	Equity and bond neutral
	Food Prices	m/m	Nov	-0.4%	-0.4%		***	Equity and bond neutral
EUROPE								
Eurozone	ZEW Survey Expectations	m/m	Nov	26.5	18.5		**	Equity and bond neutral
Germany	ZEW Survey Expectations	m/m	Nov	35.6	28.1	28.8	***	Equity bullish, bond bearish
	ZEW Survey Current Situation	m/m	Nov	-33.2	-35.9	-35.3	***	Equity bullish, bond bearish
Italy	CPI, EU Harmonized	y/y	Oct F	5.6%	5.6%	5.6%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Oct F	5.5%	5.4%	5.4%	**	Equity and bond neutral
UK	Average Weekly Earnings 3M/YoY	m/m	Sep	3.6%	3.8%	3.5%	***	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Sep	4.6%	4.7%	4.7%	***	Equity and bond neutral
	Claimant Count Rate	m/m	Oct	4.5%	4.4%		***	Equity and bond neutral
	Jobless Claims Change (Thousand)	m/m	Oct	33.2	9.8		***	Equity and bond neutral
AMERICAS								
Canada	CPI	y/y	Oct	3.10%	3.10%	3.20%	***	Equity and bond neutral
	Consumer Price Index	y/y	Oct	170.4	170.0	170.5	*	Equity and bond neutral
Brazil	Trade Balance Weekly (Million)	w/w	15-Nov	$1,979	$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	414	-2	Up
U.S. Sibor/OIS spread (bps)	418	417	1	Up
U.S. Libor/OIS spread (bps)	414	414	0	Up
10-yr T-note (%)	5.11	5.13	-0.02	Down
Euribor/OIS spread (bps)	278	278	0	Up
Currencies	**Direction**			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Up
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	$92.85	$92.44	0.44%	
WTI	$86.15	$85.72	0.50%	
Natural Gas	$3.13	$3.12	0.32%	
Crack Spread	$42.15	$43.14	-2.31%	
12-mo strip crack	$43.58	$44.41	-1.88%	
Ethanol rack	$2.14	$2.13	0.18%	
Metals				
Gold	$3,863.19	$3,856.46	0.17%	
Silver	$47.66	$47.02	1.36%	
Copper Contract	$608.25	$610.25	-0.33%	
Grains				
Corn contract	$461.25	$459.00	0.49%	
Wheat contract	$607.50	$601.00	1.08%	
Soybeans contract	$1,227.25	$1,229.00	-0.14%	
Shipping				
Baltic Dry Freight	2,921	2,980	-59	
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)		62		

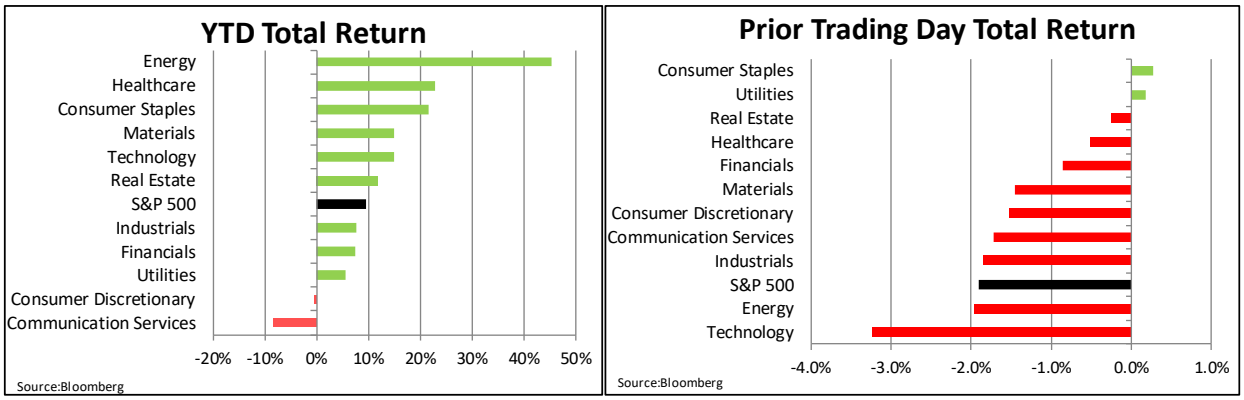
Weather

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 Texas and parts of Louisiana. The precipitation outlook calls for wetter-than-normal conditions in most regions of the country, with near normal conditions in the Midwest, and the eastern Rocky Mountains.

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

Data Section

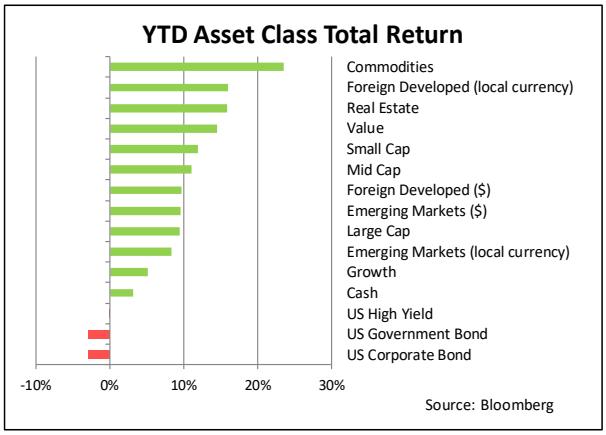
US Equity Markets – (as of 11/16/2026 close)



(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 11/16/2026 close)

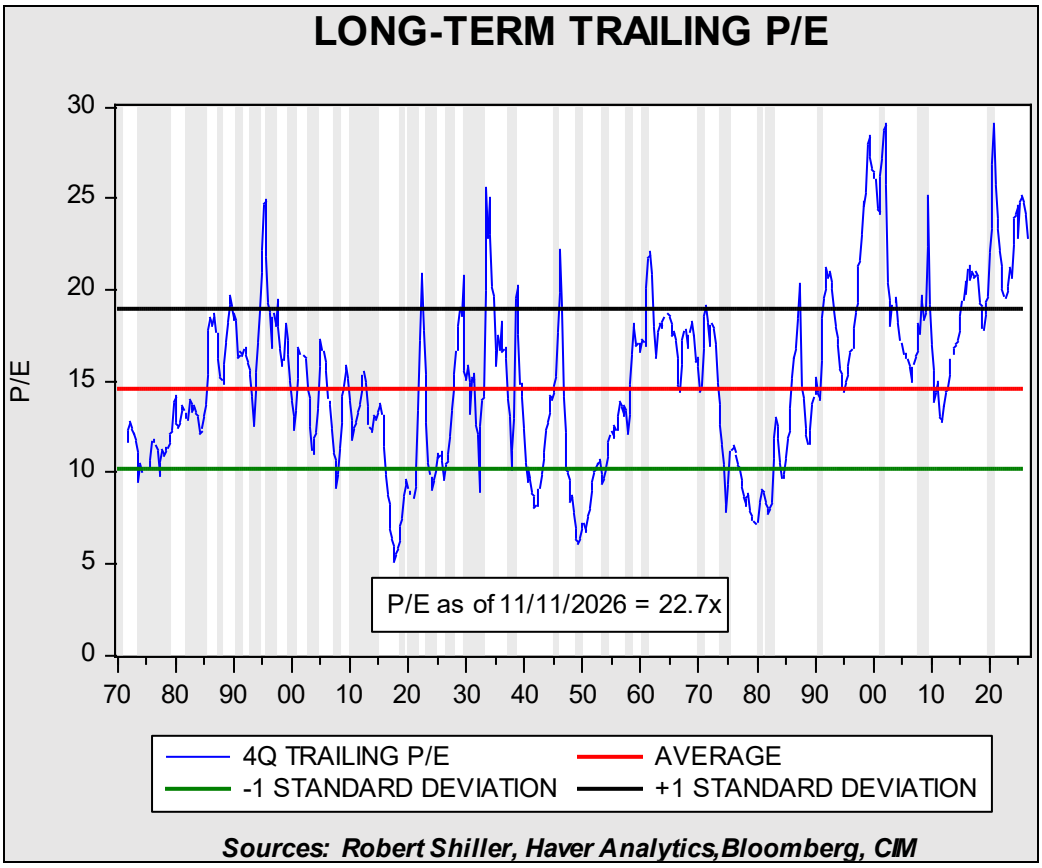


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.