# Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: November 19, 2026 — 9:30 AM ET]** Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.5%. Chinese markets were lower, with the Shanghai Composite down 0.3% and the Shenzhen Composite down 1.5%. US equity index futures are signaling a higher open.

With 463 companies having reported so far, S&P 500 earnings for Q3 are running at $95.10 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 11.9% 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* begins with our thoughts on the trilateral meeting among the US, Russia, and China and what it may mean for the EU. We then turn to Iran, examining how the conflict may be evolving into hybrid warfare. Next, we briefly cover an attack on Saudi Arabia, Anthropic's IPO, and reluctance from the Venezuelan opposition leader regarding the US oil deal. As always, we conclude with a review of recent domestic and international economic data.

**Yalta 2.0?** The US could be seeking to reset its relationship with Russia and China. Observers have compared the summit among Washington, Beijing, and Moscow to the World War II conferences where the US, the Soviet Union, and the UK reshaped the global order. Beyond the historical parallel, the symbolism of this new meeting underscores a growing rift between the US

and its traditional Western allies, signaling that the US may be shifting from a cooperative global leader to a more self-interested power.

- China sought to project leadership during the talks, a sign of its growing diplomatic influence. In their opening remarks, Chinese officials stated that the world is a safer place when major powers are at peace. Beijing later called for nuclear disarmament as a pathway to peaceful coexistence among the three nations. Following the summit, President Trump described the US-China dynamic as a "very special relationship," pointing to a potential thaw in bilateral tensions.
- Although China hosted the summit, the talks were largely guided by the US in an effort to ease tensions and resolve global conflicts. During the meeting, President Trump pushed for arms control, noting that it would be difficult for nations to eliminate their nuclear arsenals entirely. Washington also sought progress toward ending ongoing conflicts. Before the trilateral session, Trump held a one-on-one meeting with Russian President Vladimir Putin, who reportedly left the discussion in a good mood.
- The talks suggest that the US could be moving away from preserving traditional alliances and toward maintaining peaceful relations with rival powers. This is underscored by the use of the term "special relationship," a phrase historically reserved for the UK. Applying it to Beijing indicates that Washington now views China as either the world's second-most-powerful nation or a potential equal. Furthermore, it implies that the US may no longer believe the EU belongs at the table for major discussions.
- A shift in the US stance means Washington is less willing to coordinate with Europe, particularly in foreign policy negotiations. The EU will therefore need to both broaden its diplomatic reach and build an independent foreign policy mechanism, or risk being left at Washington's whim. This is especially pressing as talks on a settlement to the war in Ukraine continue. If this assessment holds, the EU will need to become self-reliant for its security.

**Iran Threats Rise:** There are mounting signs that the conflict between the US and Iran is expanding beyond the traditional battlefield and into cyberspace. In testimony to Congress on Wednesday, Homeland Security Secretary Markwayne Mullin warned that Iranian actors have targeted US critical infrastructure and networks. While he maintained that recent outages were unrelated, his warning indicates the two nations may be engaging in hybrid warfare. Mullin's remarks come as Iranian cyberattacks have started to spread into other parts of the world.

- During his testimony, Mullin noted that the attacks began when the war broke out in February, targeting a broad range of sectors, including transportation, financial services, energy, healthcare, and water systems. He added that while past Iranian cyber operations have caused only localized, minimal disruption, vulnerable systems and poor cyber hygiene could lead to far more severe consequences.
- Even so, Director of National Intelligence Jay Clayton stated that recent disruptions were caused by system upgrades rather than cyberattacks. According to an agency official, the service outages, which affected everything from the FAA to the banking system, stemmed from maintenance and technical updates. Some of these changes were triggered

by newly discovered flaws in PHP-based websites, and the fixes temporarily upended the networks forming the backbone of our digital infrastructure.

- Although Iranian links to the recent outages appear to have been dismissed, evidence suggests the country was behind a series of cyberattacks in Europe over the past month. According to French authorities, Iranian hackers targeted over 700 supermarket refrigerators, raising their temperatures and causing widespread food spoilage. While Iran has denied the allegations, French officials are already calling for new sanctions in retaliation.
- The escalation of this hybrid warfare could delay efforts to wind down US involvement in the conflict. Direct attacks, whether kinetic or cyber, typically invite retaliation, creating an escalatory cycle. Furthermore, Tehran's growing assertiveness signals an unwillingness to capitulate, significantly limiting the near-term viability of diplomacy. While oil markets have largely priced in an easing of US-Iran tensions, investors should prepare for a prolonged standoff absent a diplomatic breakthrough.

**Saudi Arabia:** Iran has continued to expand its campaign against its Middle East neighbors as it seeks to cement its role as a dominant power in the region. On Wednesday, the headquarters of Saudi Arabia's Public Investment Fund was struck in an attack likely launched by Iran-backed Houthi forces. The strike suggests that the conflict in the Middle East may be widening, even as markets have priced in the possibility of easing tensions. A further escalation would likely weigh on risk sentiment in the year ahead.

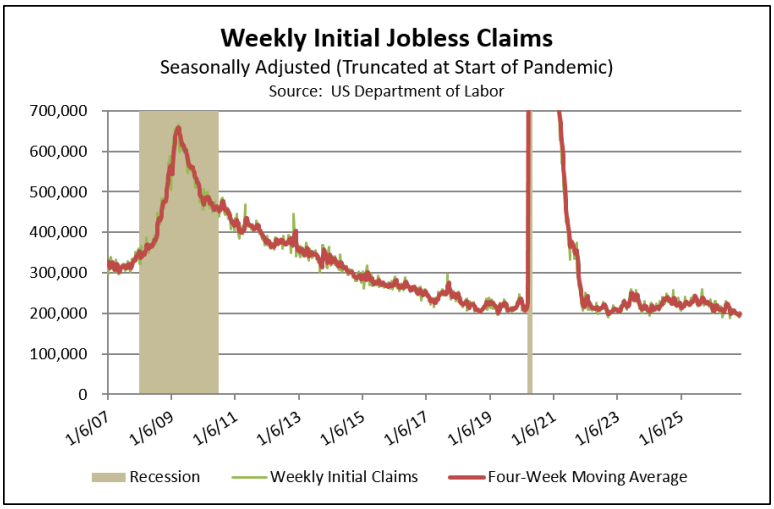
**Anthropic IPO:** Anthropic, the maker of Claude, priced its initial public offering after the close on Wednesday at $83 a share, raising $81.3 billion in what Reuters called the largest IPO on record. Thursday's trading debut will be a fresh test of investor appetite for AI at a time of considerable uncertainty about what the coming year holds for the tech sector. A strong debut could lift demand for AI stocks and restore confidence that the AI rally still has momentum.

**Venezuela Oil Deal:** Venezuelan opposition leader María Corina Machado has raised doubts about an oil agreement with the US. While she reaffirmed her support for closer ties with Washington, she argued that the arrangement should be reviewed before any commitment is made. Her remarks come ahead of Venezuela's expected 2027 elections, in which polls show her as the early favorite. Her reluctance to endorse the deal could prompt the White House to throw its support behind a rival candidate in that vote.

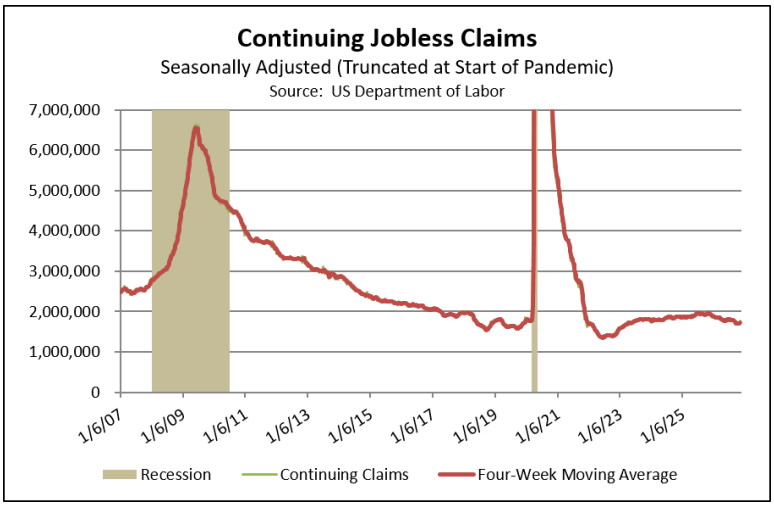
---

## US Economic Releases

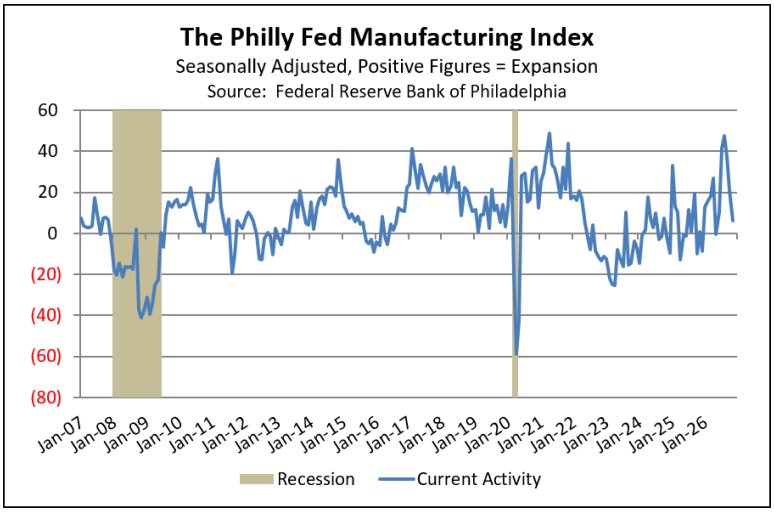
In the week ended November 14, ***initial claims for unemployment benefits*** edged up to a seasonally adjusted 203,000, above both the expected level of 198,000 and the previous week's revised level of 202,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, rose to a still-modest 197,750. The chart below shows how initial jobless claims have fluctuated since just before the Great Financial Crisis. 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 November 7, the number of ***continuing claims for unemployment benefits*** (people continuing to draw benefits) rose to a seasonally adjusted 1.763 million, well above both the anticipated reading of 1.703 million and the prior week's revised reading of 1.693 million. The four-week moving average of continuing claims rose to 1.717 million but remained quite modest. 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.




Separately, the Philadelphia FRB said its November Philly Fed Index fell sharply to a seasonally adjusted 6.3, well short of the expected level of 20.1 and the October level of 20.9. The index, officially designated as the Philadelphia FRB Manufacturing Activity Index, is designed so that positive readings point to expanding factory activity in the mid-Atlantic region. At its current level, the index suggests mid-Atlantic manufacturing is still growing, but only modestly. 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** | | | | | | |
|---|---|---|---|---|---|---|
| **EST** | Indicator | | | Expected | Prior | Rating |
| **10:00** | Leading Economic Index | m/m | Oct | 0.0% | 0.0% | *** |
| **11:00** | Kansas City Fed Manfacturing Index | m/m | Nov | 11 | 11 | * |
| **Federal Reserve** | | | | | | |
| **EST** | Speaker or Event | District or Position | | | | |
| **08:50** | Fed's Hammack Delivers Opening Remarks | President of the Federal Reserve Bank of Cleveland | | | | |
| **09:25** | Fed's Jefferson Participates in Panel Event | Vice-Chair of the Board of Governors | | | | |
| **12:30** | Fed's Goolsbee Speaks at Economic Club of Indiana Luncheon | President of the Federal Reserve Bank of Chicago | | | | |
| **14:15** | Fed's Barr Speaks on Artificial Intelligence | Members of the Board of Governors | | | | |
| **16:00** | Fed's Barkin in Fireside Chat | President of the Federal Reserve Bank of Richmond | | | | |
| **18:30** | Fed's Paulson Speaks at Money Marketeers | President of the Federal Reserve Bank of Philadelphia | | | | |

## 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** | Core Machine Orders | y/y | Sep | 13.40% | 18.60% | 13.50% | ** | Equity and bond neutral |
| | Japan Buying Foreign Bonds (JPY Bilion) | w/w | Nov 13 | -440.7 | -534.1 | | ** | Equity and bond neutral |
| | Japan Buying Foreign Stocks (JPY Bilion) | w/w | Nov 13 | 363.1 | -658.2 | | ** | Equity and bond neutral |
| | Foreign Buying Japan Bonds (JPY Bilion) | w/w | Nov 13 | 650.1 | 1370.9 | | ** | Equity and bond neutral |
| | Foreign Buying Japan Stocks (JPY Bilion) | w/w | Nov 13 | -224.1 | -102.3 | | ** | Equity and bond neutral |
| | Tokyo Condominiums for Sale | y/y | Oct | -24.2% | -40.1% | | ** | Equity and bond neutral |
| **Australia** | Employment Change (Thousand) | m/m | Oct | -43.5 | -36.4 | 25.0 | *** | Equity bearish, bond bullish |
| | Unemployment Rate | m/m | Oct | 4.9% | 4.7% | 4.7% | *** | Equity and bond neutral |
| | Participation Rate | m/m | Oct | 66.6% | 66.8% | 66.8% | *** | Equity and bond neutral |
| **New Zealand** | Exports (NZD Billion) | m/m | Oct | 6.95 | 6.29 | | ** | Equity and bond neutral |
| | Imports (NZD Billion) | m/m | Oct | 9.72 | 8.42 | | ** | Equity and bond neutral |
| | Trade Balance (NZD Million) | m/m | Oct | -2772 | -2123 | | *** | Equity and bond neutral |
| **EUROPE** | | | | | | | | |
| **Eurozone** | ECB Current Account SA (Billion) | y/y | Sep | 12.5 | 11.6 | | * | Equity and bond neutral |
| | Construction Output | y/y | Sep | -1.5% | -2.3% | | * | Equity and bond neutral |
| **Italy** | Current Account Balance (Million) | y/y | Sep | 1570 | 2766 | | * | Equity and bond neutral |
| **Switzerland** | Real Exports | m/m | Oct | 2.40% | 0.40% | | ** | Equity and bond neutral |
| | Real Imports | m/m | Oct | 0.70% | 6.30% | | ** | Equity and bond neutral |
| | Industrial Output WDA | y/y | 3Q | 0.80% | 5.50% | | ** | Equity and bond neutral |
| **AMERICAS** | | | | | | | | |
| **Mexico** | International Reserves Weekly (Million) | w/w | 13-Nov | $256,330 | $257,905 | | ** | 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)** | 415 | 416 | -1 | Up |
| **U.S. Sibor/OIS spread (bps)** | 421 | 419 | 2 | Up |
| **U.S. Libor/OIS spread (bps)** | 418 | 416 | 2 | Up |
| **10-yr T-note (%)** | 5.10 | 5.07 | 0.03 | Down |
| **Euribor/OIS spread (bps)** | 283 | 278 | 5 | 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 | $92.67 | $91.95 | 0.78% | |
| WTI | $83.89 | $83.26 | 0.76% | |
| Natural Gas | $3.40 | $3.37 | 0.68% | |
| Crack Spread | $41.02 | $41.85 | -1.98% | |
| 12-mo strip crack | $42.08 | $42.61 | -1.25% | |
| Ethanol rack | $2.12 | $2.13 | -0.33% | |
| **Metals** | | | | |
| Gold | $3,716.60 | $3,725.38 | -0.24% | |
| Silver | $45.07 | $45.07 | 0.00% | |
| Copper Contract | $575.85 | $575.55 | 0.05% | |
| **Grains** | | | | |
| Corn contract | $449.75 | $448.50 | 0.28% | |
| Wheat contract | $592.25 | $586.00 | 1.07% | |
| Soybeans contract | $1,224.25 | $1,216.75 | 0.62% | |
| **Shipping** | | | | |
| Baltic Dry Freight | 2,914 | 2,893 | 21 | |
| **DOE Inventory Report** | | | | |
| | **Actual** | **Expected** | **Difference** | |
| Crude (mb) | 3.38 | -0.02 | 3.40 | |
| Gasoline (mb) | 5.19 | 0.92 | 4.27 | |
| Distillates (mb) | 1.57 | 0.55 | 1.02 | |
| Refinery run rates (%) | 0.00 | 0.17% | 0.00 | |
| Natural gas (bcf) | | 25 | | |

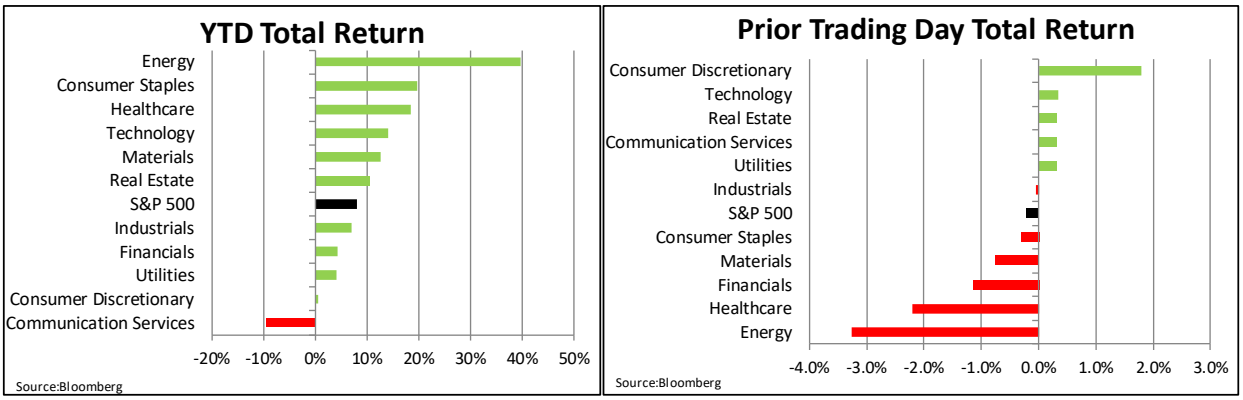
## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures everywhere except Texas and the Deep South, with cooler-than-normal temperatures in Texas. The outlook also calls for wetter-than-normal conditions along the West Coast, in the central Rocky Mountains, in Texas, and from the Mississippi River to the East Coast, with dry conditions in the Desert Southwest and the Upper Midwest.

In the Atlantic Ocean area, there is now an atmospheric disturbance along the East Coast. It is moving to the north/northeast and is assessed to have a 20% chance of cyclonic formation in the next seven days.

## Data Section

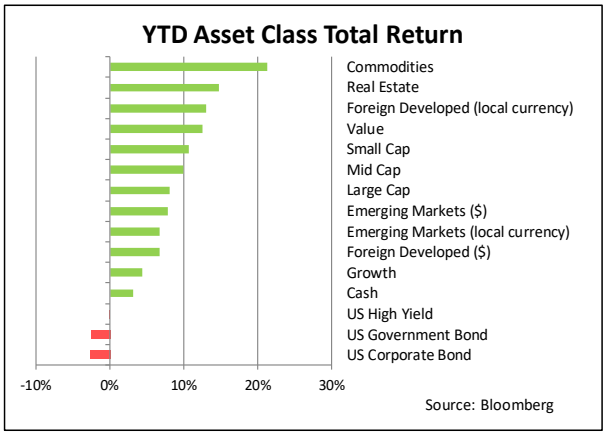
**US Equity Markets** – (as of 11/18/2026 close)




*(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 11/18/2026 close)

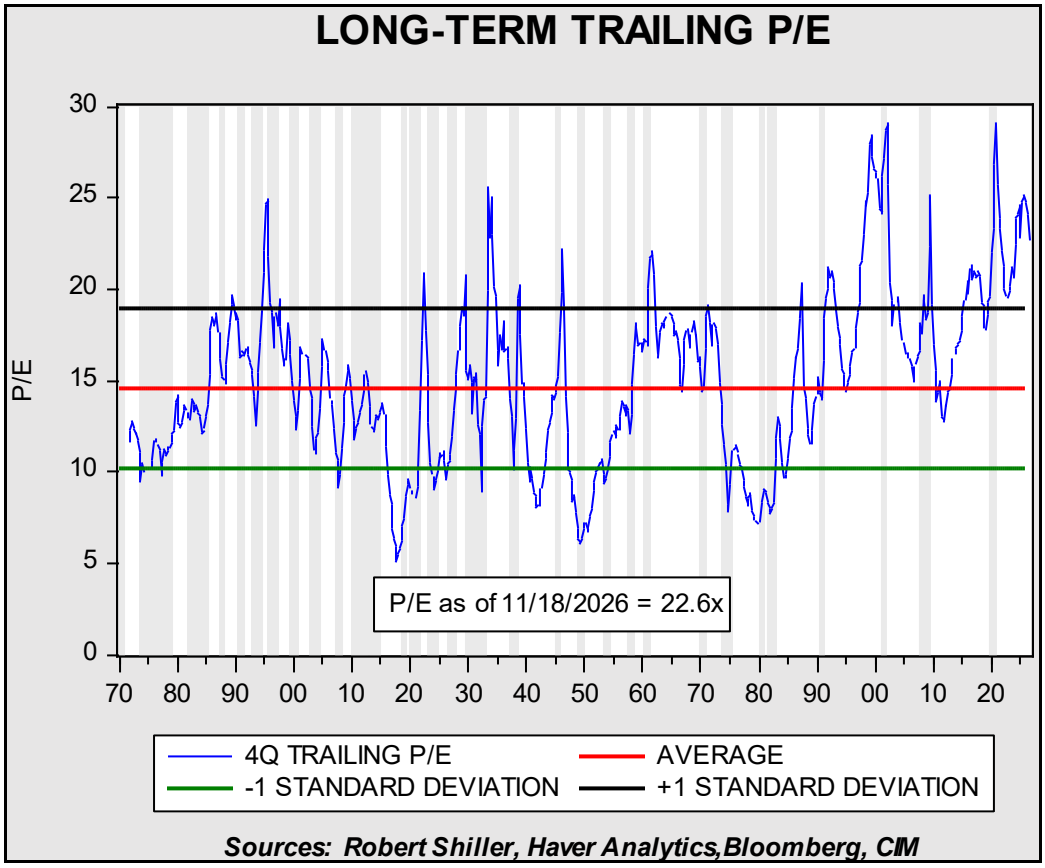



This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 19, 2026




Based on our methodology,[1] the current P/E ratio is 22.6x, which fell 0.1 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.