

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 20, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is up 0.8% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.6%. Chinese markets were lower, with the Shanghai Composite down 0.4% and the Shenzhen Composite down 0.8%. US equity index futures are signaling a higher open.

With 469 companies having reported so far, S&P 500 earnings for Q3 are running at \$72.50 per share compared to estimates of \$68.15, which is up 8.0% from Q3 2024. Of the companies that have reported thus far, 81.7% have exceeded expectations, while 14.7% 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) + podcast	“The COLA for Social Security Benefits in 2026” (11/17/25) + podcast	Q4 2025 Report Q4 2025 Rebalance Presentation	Confluence Mailbag podcast Value Equities Quarterly Video Update

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* today opens with a few words on Nvidia’s third-quarter earnings release and its broader implications. We next review several other international and US developments that could affect the financial markets today, including the minutes from the Federal Reserve’s October policy meeting and more details on the administration’s new plan to end the war in Ukraine.

US Artificial Intelligence Sector: After market close yesterday, Nvidia [said its third-quarter revenues and profits reached new record highs](#), amid what CEO Jensen Huang called "off the charts" demand for its advanced Blackwell artificial-intelligence chips. Revenues were up 62% year-over-year, while earnings were up 65%, in both cases beating expectations. Looking

forward, the results could well give a new rush of momentum to Nvidia's stock price and the broader AI sector.

- Separately, the Commerce Department late yesterday [approved the sale of up to 70,000 advanced AI chips to two firms based in the United Arab Emirates and Saudi Arabia](#), reversing a decision earlier this year that rejected the application over security concerns.
- The earlier security concerns focused on the risk that the state-owned firms receiving the chips could give China or other adversarial countries access to them, potentially undermining the US lead in the technology.
- In our view, the decision to allow the sale illustrates how the administration is now clearly favoring the so-called “tech bros” element of President Trump’s political coalition over its “China hawk” element.

US Fiscal Policy: As President Trump continues to push his idea of using new tariff revenues to provide a \$2,000 “dividend” payment to low- and moderate-income households, reports today [say legislators are politely pushing back on the idea](#). One key theme of the reporting is that Republicans in the Senate and House prefer to use the new revenues to lower the US’s yawning budget deficit. The Republicans’ willingness to push back against the White House could also reflect a subtle shift of power toward Congress after the recent Epstein files controversy.

US Monetary Policy: Minutes released yesterday from the Fed’s October policy meeting [showed that the policymakers were deeply divided and expressed “strongly differing views” on the need to cut interest rates for a third time this year](#) at the meeting in December. Recent public statements by policymakers had already made it clear that there is disagreement on the policy committee about how quickly to cut rates. However, the minutes suggest the disagreement is even deeper than previously known.

- The deep divisions on the policy committee suggest that if the White House is able to replace Chair Powell and perhaps other committee members with more dovish officials next year, as expected, it could dramatically shift the Fed’s policy stance.
- Futures trading currently suggests there is more than a 70% chance that the officials will keep the benchmark fed funds rate steady at a range of 3.75% to 4.00% at the meeting in December, despite administration pressure for another rate cut.

US Labor Market: The Bureau of Labor Statistics yesterday [said it won’t produce a monthly employment report for October, when the federal government was shut down](#) because of the Congressional budget dispute. However, the agency said the November report will be released on December 16 — 11 days later than normal — and it will include nonfarm payroll data for October.

- The news means that the Federal Reserve officials meeting to update their monetary policy on December 9-10 will have no employment data for either October or November to work with.
- As shown in our Economic Releases section below, the BLS today released its monthly labor market report for September.

United States-Russia-Ukraine: Reports yesterday said the Trump administration [has been in direct talks with Russia about a new 28-point plan to end the war in Ukraine](#). Russian officials are reportedly delighted with the proposal because it addresses their key concerns. The plan would apparently require Ukraine to make unpalatable concessions, but White House officials believe President Zelensky's weakened political position would prevent him from resisting. The US officials have given some details to allies and believe it could be publicized by month's end.

- The plan would reportedly require Ukraine to cede the remainder of its eastern Donbas region — including land currently under Kyiv's control — and cut the size of its armed forces by half. The plan also calls for Ukraine to abandon key categories of weaponry and would include the rollback of US military aid that has been vital to its defense. In return, the US would offer Europe and Ukraine security guarantees. Russia would be required to stop its current aggression against Ukraine.
- The details so far imply the plan is lopsided in Russia's favor and would leave Ukraine open to renewed Russian aggression in the future. That suggests it will be resisted by the US's allies in Europe and by Ukraine itself. Indeed, reports this morning say European officials [are already pushing back against the plan](#).
- News of the plan helped give a boost to global stocks yesterday, but the likely resistance from Europe and Ukraine suggests it is far from a done deal.
- Even if the plan is put into place, it appears unlikely to diffuse Russia's political and military aims in Eastern Europe. We therefore believe that European defense firms will continue to benefit from rearmament efforts on the Continent, giving a boost to European defense stocks.

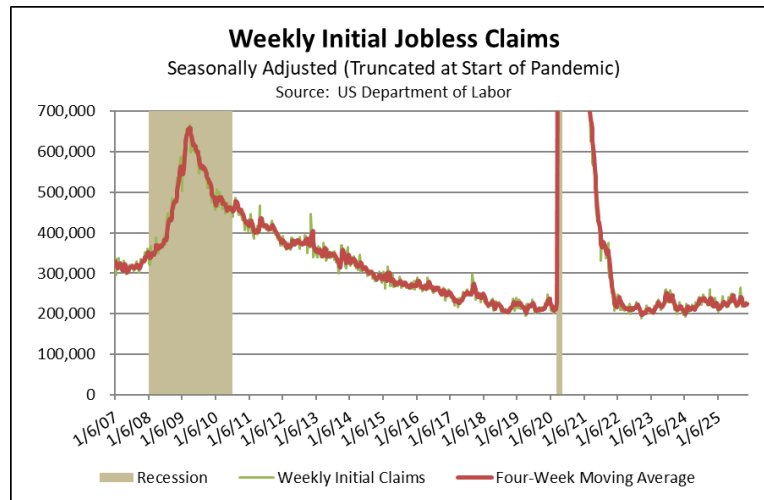
United States-Saudi Arabia: President Trump and Crown Prince Muhammad bin Salman yesterday [reached a deal in which US rare-earths miner MP Materials will partner with the Department of Defense and Saudi Arabia's state-owned mining company](#) to build a rare-earth processing facility in the kingdom. The deal reflects the continuing frenzy for Western rare-earth investment to help reduce vulnerabilities from relying on China for supplies.

China-Japan: In further retaliation for Japanese Prime Minister Takaichi's recent statement that a Chinese blockade of Taiwan would require Japan to intervene militarily, Beijing [has now reinstituted its ban on Japanese seafood imports, suspended talks on resuming Japanese beef imports, and threatened more countermeasures](#). As we have noted before, the key risk in the escalating crisis is that Beijing could reimpose a ban on exporting Chinese critical minerals to Japan, a move that could severely crimp Japan's auto production and other industries.

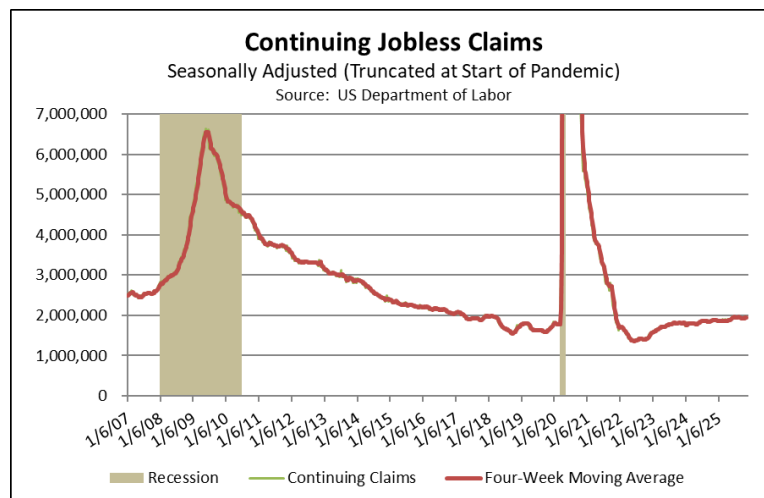
US Economic Releases

In the week ended November 15, *initial claims for unemployment benefits* came in at a seasonally adjusted 220,000, modestly lower than the expected level of 227,000. The four-week moving average of initial claims, which helps smooth out some of the volatility in the series, came in at 224,250. The chart below shows how initial jobless claims have fluctuated since just

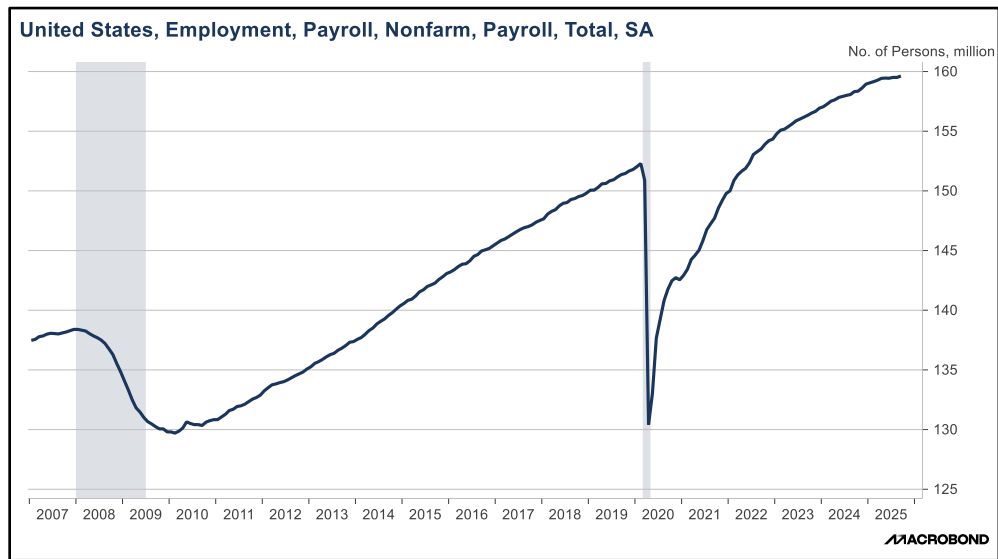
before the Great Financial Crisis. The chart is truncated through much of the pandemic period because of the extremely high level of claims at that time.



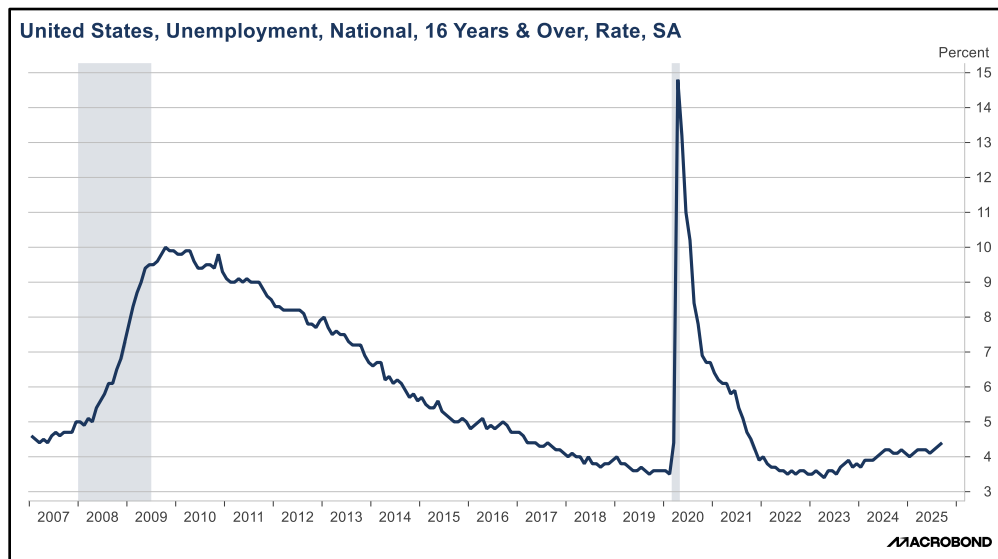
In the week ended November 8, the number of *continuing claims for unemployment benefits* (people continuing to draw benefits) came in at a seasonally adjusted 1.974 million, higher than the expected reading of 1.950 million. The four-week moving average of continuing claims came in at 1,952,500. The 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.



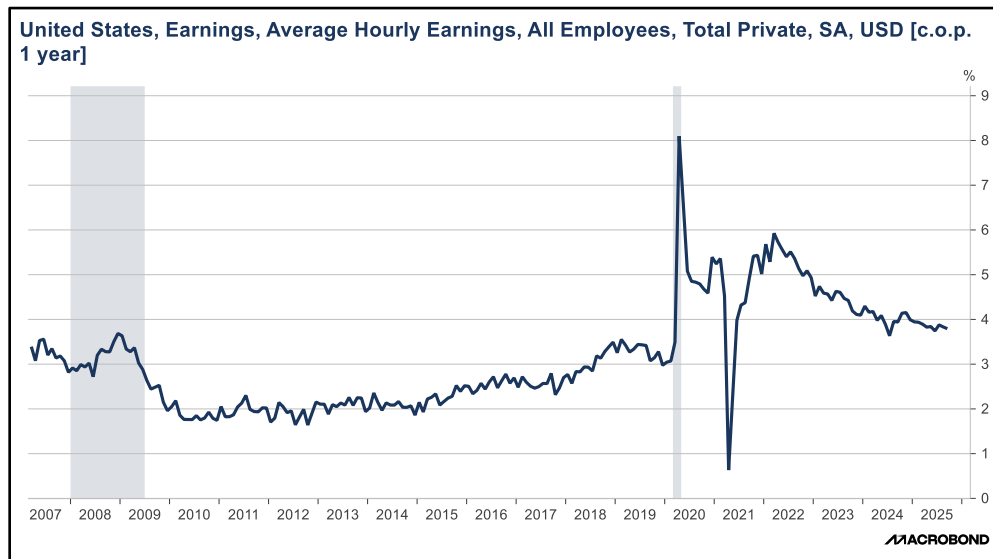
Separately, September *nonfarm payrolls* rose by a seasonally adjusted 119,000, beating the expected gain of 51,000 and easily reversing the revised decline of 4,000 in August. The vast majority of the payroll gains in September came from the private sector. The chart below shows the change in nonfarm payrolls since shortly before the GFC.



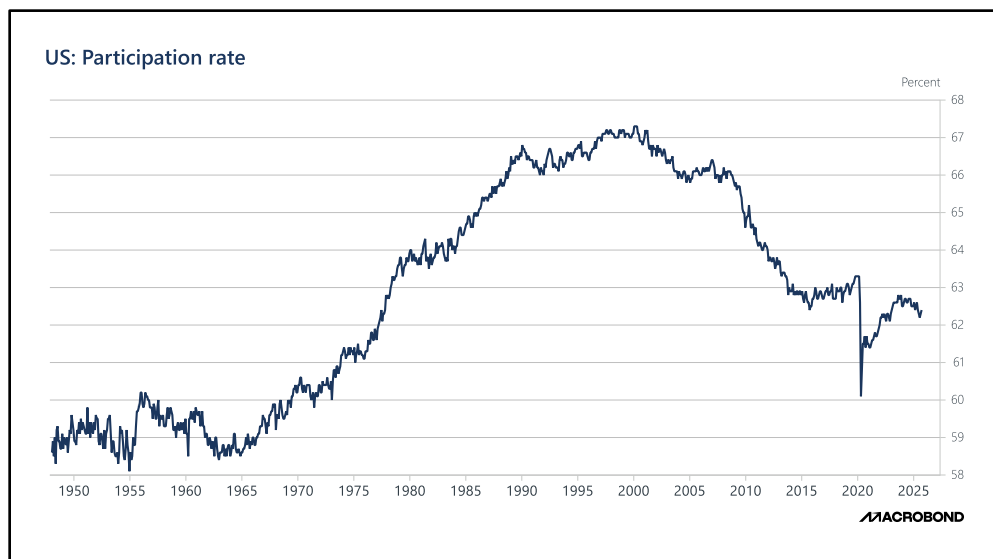
The September **unemployment rate** rose to a seasonally adjusted 4.4%, worse than expectations that it would be unchanged from the August rate of 4.3%. The chart below shows how the unemployment rate has evolved since just before the GFC.



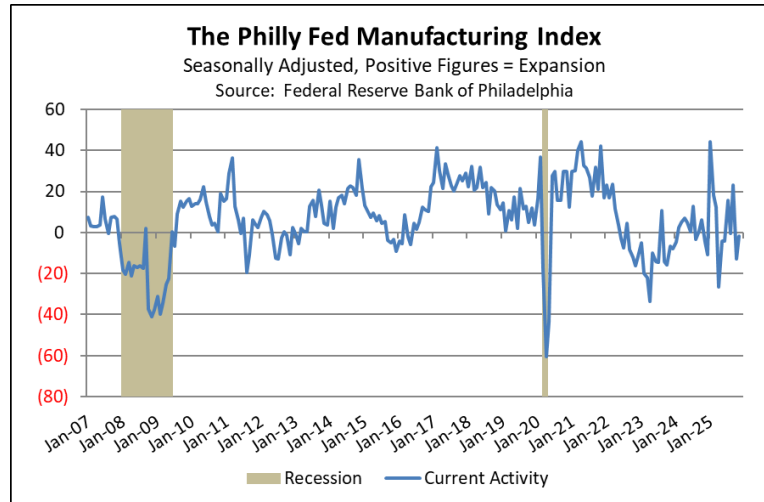
According to the report, **average hourly earnings** in September rose to a seasonally adjusted \$36.67, up 3.8% from the same month one year earlier, slightly beating the expected annual rise of 3.7%. The chart below shows the year-over-year growth in average hourly earnings since just before the GFC.



A final key indicator in the monthly employment report focuses on the share of the adult, civilian, non-institutionalized population that is either working or looking for work. The September **labor force participation rate (LFPR)** rose to a seasonally adjusted 62.4%, beating expectations that it would be unchanged at the same 62.3% rate as in August. The chart below shows how the LFPR has changed over the last several decades.



Finally, the Philadelphia FRB said its November **Philly Fed Index** rose to a seasonally adjusted -1.7, not quite as good as the anticipated level of 1.0 but far better than the -12.8 reading in October. 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 now nearly stable again after a big fall in October. 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 Date	EST	Indicator			Expected	Prior	Rating
11/20/2025	10:00	Existing Home Sales	m/m	Oct	4.08m	4.06m	***
11/20/2025	10:00	Existing Home Sales MoM	m/m	Oct	0.5%	1.5%	**
11/20/2025	11:00	Kansas City Fed Manf. Activity	m/m	Nov	3	6	*
11/20/2025-12/19/2025	TBD	Housing Starts	m/m	Sep	1329k	1307k	***
11/20/2025-12/19/2025	TBD	Building Permits	m/m	Sep P	1347k	1330k	**
11/20/2025-12/19/2025	TBD	New Home Sales	m/m	Sep	--	--	***
11/20/2025-12/19/2025	TBD	New Home Sales MoM	m/m	Sep	--	--	*
Federal Reserve							
EST	EST	Speaker or Event	District or Position				
11/20/2025	8:45	Beth Hammack Delivers Opening Remarks	President of the Federal Reserve Bank of Cleveland				
11/20/2025	9:30	Michael Barr in Discussion on Artificial Intelligence	Members of the Board of Governors				
11/20/2025	11:00	Lisa Cook Speaks on Financial Stability at Georgetown University	Members of the Board of Governors				
11/20/2025	12:40	Austan Goolsbee Speaks in Moderated Discussion in Indianapolis	President of the Federal Reserve Bank of Chicago				
11/20/2025	18:00	Austan Goolsbee Speaks on PBS NewsHour	President of the Federal Reserve Bank of Chicago				
11/20/2025	18:15	Stephen Miran Speaks at American Investment Council	Members of the Board of Governors				
11/20/2025	18:45	Anna Paulson Speaks on Economic Outlook	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 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	Japan Buying Foreign Bonds	w/w	14-Nov	¥348.4b	¥566.5b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	14-Nov	¥183.3b	-¥424.2b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	14-Nov	¥961.6b	¥101.5b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	14-Nov	¥1020.9b	-¥346.6b		*	Equity and bond neutral
	Tokyo Condominiums for Sale	y/y	Oct	-28.2%	4.3%		*	Equity and bond neutral
EUROPE								
Eurozone	Construction Output	y/y	Sep	-0.3%	1.0%		*	Equity and bond neutral
Germany	PPI	y/y	Oct	-1.8%	-1.7%	-1.7%	**	Equity and bond neutral
Switzerland	Real Exports	m/m	Oct	-0.6%	2.8%		*	Equity and bond neutral
	Real Imports	m/m	Oct	0.1%	2.0%		*	Equity and bond neutral
Russia	PPI	y/y	Oct	0.7%	-0.4%		***	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	14-Nov	\$249078m	\$248855m		*	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)	377	379	-2	Down
U.S. Sibor/OIS spread (bps)	390	389	1	Down
U.S. Libor/OIS spread (bps)	381	380	1	Down
10-yr T-note (%)	4.15	4.14	0.01	Up
Euribor/OIS spread (bps)	207	205	2	Up
Currencies	Direction			
Dollar	Flat			Up
Euro	Down			Down
Yen	Up			Down
Pound	Flat			Down
Franc	Up			Down
Central Bank Action	Actual	Prior	Expected	
PBOC 1-Year Loan Prime Rate	3.00%	3.00%	3.00%	On Forecast
PBOC 5-Year Loan Prime Rate	3.50%	3.50%	3.50%	On Forecast

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.

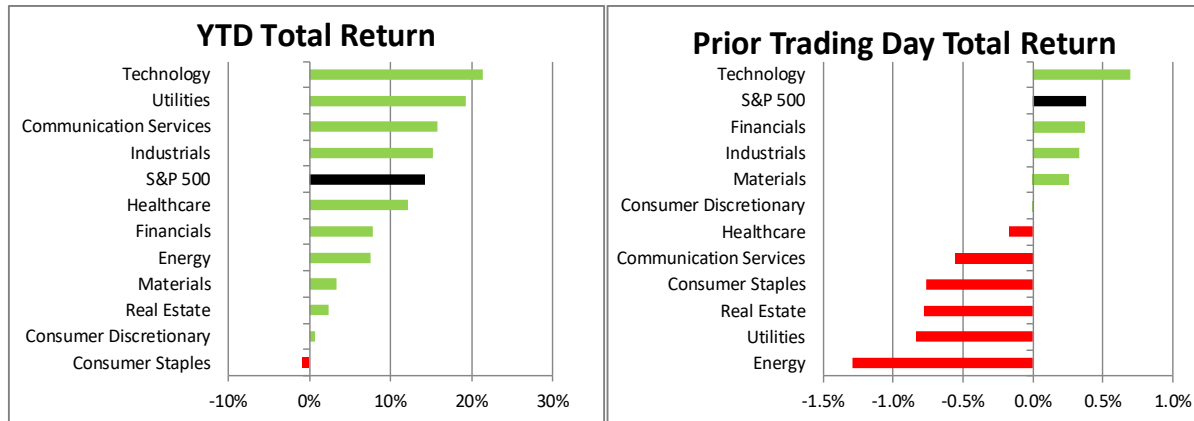
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$64.10	\$63.51	0.93%	
WTI	\$60.03	\$59.44	0.99%	
Natural Gas	\$4.57	\$4.55	0.37%	
Crack Spread	\$30.88	\$31.79	-2.87%	
12-mo strip crack	\$27.53	\$27.84	-1.09%	
Ethanol rack	\$1.96	\$1.96	-0.08%	
Metals				
Gold	\$4,076.92	\$4,077.98	-0.03%	
Silver	\$51.13	\$51.36	-0.44%	
Copper contract	\$511.05	\$509.70	0.26%	
Grains				
Corn contract	\$442.25	\$441.50	0.17%	
Wheat contract	\$553.00	\$549.50	0.64%	
Soybeans contract	\$1,136.75	\$1,136.25	0.04%	
Shipping				
Baltic Dry Freight	2,260	2,216	44	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)	-3.43	-1.70	-1.73	
Gasoline (mb)	2.33	0.05	2.28	
Distillates (mb)	0.17	-1.14	1.32	
Refinery run rates (%)	0.1%	0.9%	-0.01	
Natural gas (bcf)		-15		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in Oregon, Washington, and Florida, with cooler-than-normal temperatures only in the northern Rocky Mountains and the northern and central Great Plains. The outlook calls for wetter-than-normal conditions in the Rocky Mountains, the Great Plains, the Midwest, and the Northeast, with dry conditions in California.

Data Section

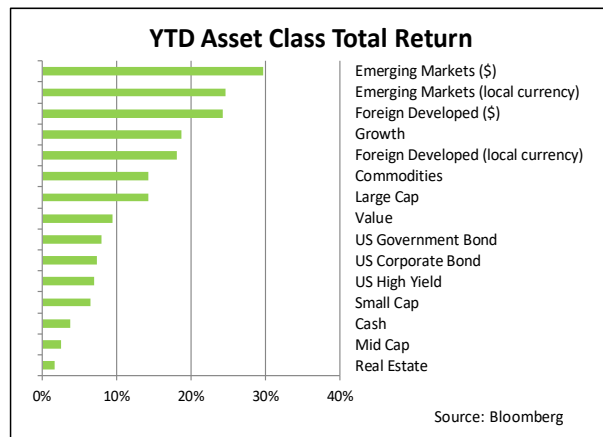
US Equity Markets – (as of 11/19/2025 close)



(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 11/19/2025 close)

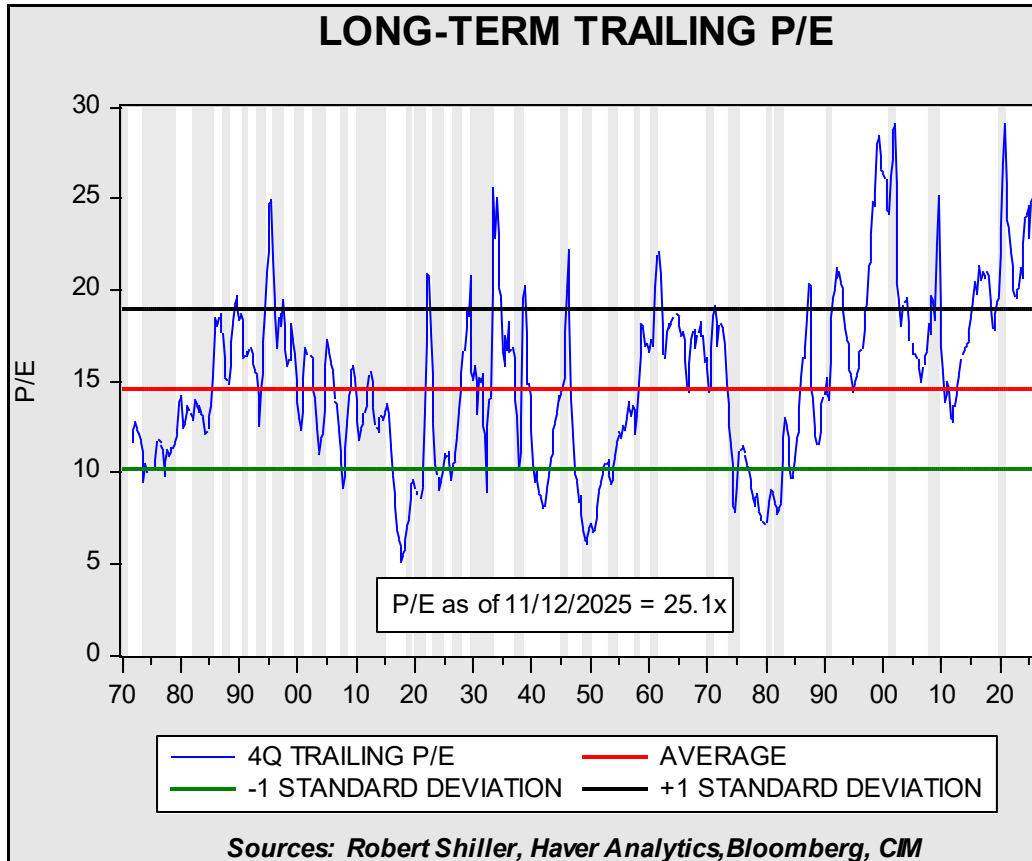


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.