Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: November 20, 2026 — 9:30 AM ET] Global equity markets are decidedly lower this morning. In Europe, the Euro Stoxx 50 is down 2.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 4.4%. Chinese markets were lower, with the Shanghai Composite down 1.2% and the Shenzhen Composite down 3.6%. US equity index futures are signaling a lower open.

With 468 companies having reported so far, S&P 500 earnings for Q3 are running at $95.20 per share compared to estimates of $94.17, which is up 29.6% from Q3 2025. Of the companies that have reported thus far, 84.4% exceeded expectations, while 11.8% 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

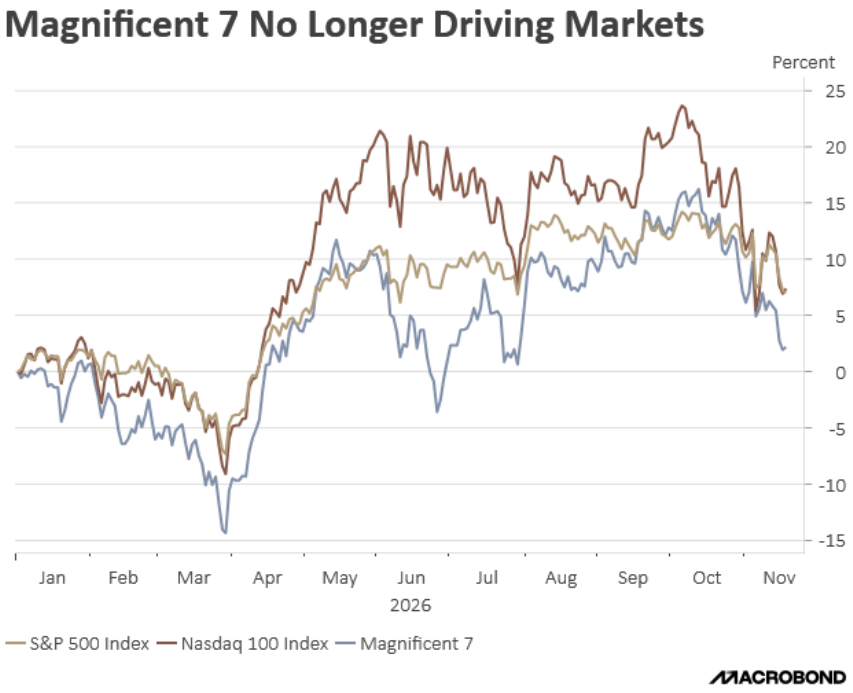
Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Our *Comment* opens with our take on why Anthropic's IPO failed to lift broader market sentiment. Next, we examine the UK's push to strengthen ties with the EU, followed by brief updates on the cyberattacks in Germany, Putin's openness to an EU proposal to end the Ukraine conflict, and the protests erupting in Italy. As always, we conclude with a review of recent domestic and international economic data.

Anthropic Fails to Lift Sentiment: Even Anthropic's successful initial public offering (IPO) was not enough to allay broader fears surrounding the AI sector. On Thursday, equities sold off following the Claude maker's strong Nasdaq debut, weighed down by lingering investor

concerns over the overall chip sector's exposure to China. The pullback underscores how the once-broad AI rally has narrowed as investors have become more selective about their AI exposure, seeking to shield portfolios from segments seen as vulnerable to disruption.

- On its first day of trading, Anthropic shares opened strongly before giving back some of their early gains. The stock climbed from the IPO price of $83 to a peak of around $115 intraday before closing below $100. The initial surge was fueled by a rush of investor demand, with some traders offloading shares in other companies to buy into the debut. Ultimately, the offering topped SpaceX's IPO fundraising record set earlier this year, underscoring robust investor appetite for AI companies.
- While Anthropic drew heavy demand, investors pulled back from chipmakers. AMD sold off earlier in the day after short-seller Hunterbrook and its sister company published a report highlighting the chipmaker's China exposure and reliance on circular financing. Specifically, the report alleged that AMD software was used by Washington-blacklisted Chinese entities, and warned that its reliance on data center leases and backstops leaves it vulnerable to an AI capex "bank run" if sentiment sours.

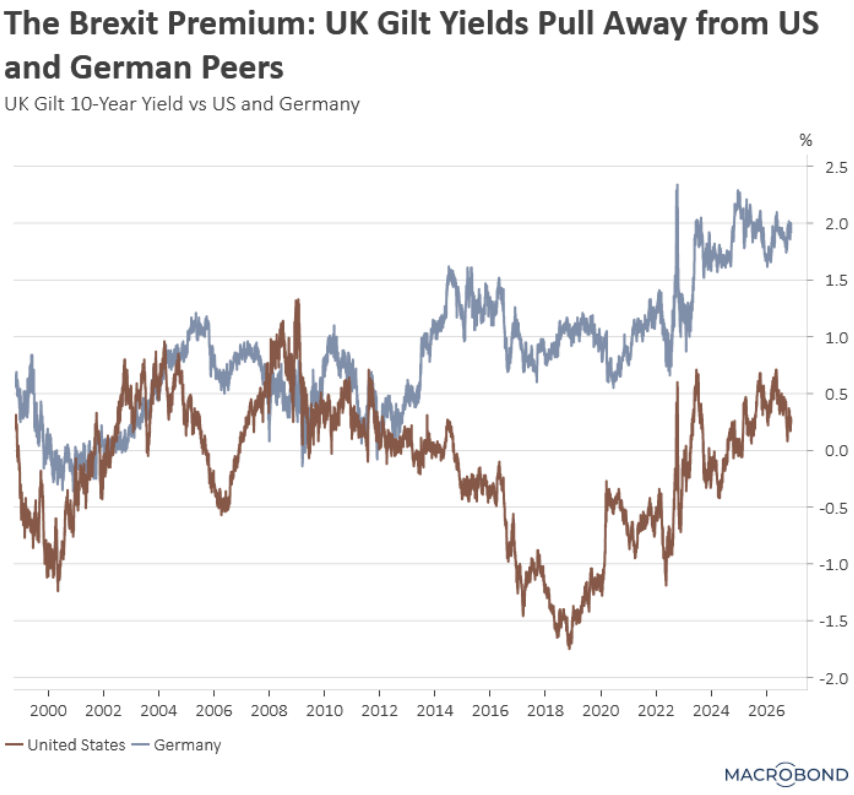


- Although the Magnificent 7 have long served as the primary bellwether for the AI trade, the group has underperformed both the Nasdaq and the S&P 500 this year. Meanwhile, chipmakers, which were among the strongest performers at the start of the year, have given up much of their gains amid growing concerns over the sustainability of the AI buildout. Tech has still done well, but the weak performance in these areas highlights fragility within the AI trade.
- So far, the successful IPOs of SpaceX and Anthropic have reinforced the view that the AI trade remains alive. However, time will tell how much of that momentum can carry over

into 2027. We are closely monitoring the ongoing buildout of data centers, as any slowdown could significantly weigh on corporate earnings. While we remain optimistic that the trade will continue, we advocate diversifying into non-AI sectors to limit downside risk if the trend unwinds.

UK Reset: The UK is making progress in rebuilding its ties with the European Union. On Friday, the two sides reached an agreement aimed at unwinding elements of their Brexit arrangements. The push forms part of Prime Minister Andy Burnham's effort to bring greater stability to the UK after years of policy upheaval following its departure from the bloc. While full reintegration remains far from certain, the approach could offer a blueprint for other nations considering leaving the EU.

- The agreement follows a meeting at the EU summit in Brussels. During discussions over whether the UK might apply to rejoin the bloc or the single market, the two sides agreed to ease some import restrictions on food and drink, as well as to expand mobility for young people. However, EU officials have pressed Burnham to grant equal tuition fee treatment to EU students within six months, a clear sign that the negotiations will require significant concessions.
- Burnham has made building closer ties with the EU a centerpiece of his economic agenda. Since taking office, he has argued that Brexit has failed to deliver the gains promised at the outset of the UK's exit. He has also called for a public debate on the issue, contending that rejoining the bloc could help revitalize an economy that has struggled to attract foreign direct investment since Brexit.



- UK gilt yields have risen relative to those of on German and US government debt. Much of this underperformance stems from a wider government deficit as ministers try to restart growth, as well as from political instability. Public sector net borrowing has increased from 2.3% of GDP in 2016–17 to 4.3% in 2025–26. The country has also had seven prime ministers in the past decade.
- Burnham's push to establish deeper ties with the EU is likely to reignite a broader debate around Brexit. Any potential agreement will largely hinge on immigration policy, which was the primary driver behind the initial decision to leave the bloc. That said, the prospect of closer alignment, or even a potential reapplication to join the EU, should help boost the attractiveness of equities within the region.

More Cyberattacks: Germany's information security authority reports that the country was hit by a series of attacks on its critical infrastructure. The incidents appear to stem from AI agents, signaling what could be a large-scale campaign against technical infrastructure in the West. Officials consider the cyber threat severe and expect it to escalate in the coming year, raising urgent questions about the resilience of the digital systems underpinning modern society.

Moscow Invite: Russian President Vladimir Putin has invited the European Union to participate in preliminary discussions as he weighs giving the bloc a formal role in talks to end the war in Ukraine. The move follows a positive one-on-one meeting between Putin and President Trump. As part of a broader resolution to the conflict, Russia is seeking a formal security agreement with the EU. While Putin maintains he will not compromise on his established red lines, he has signaled openness to reviewing a proposal from the bloc.

Major Protests: Italy has become the latest country hit by widespread protests over rising living costs and cuts to public services, including one of the largest strikes in its history. The unrest comes as the country faces mounting stagflation: Annual inflation jumped to 5.5% in October from 4.2% the previous month, while economic growth stalled in the third quarter, remaining flat quarter-over-quarter and up less than 1% year-over-year.

US Economic Releases

No major US 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	U. of Michigan Current Conditions	m/m	Nov F	52.3	51.0	*
10:00	U. of Michigan Future Expectations	m/m	Nov F	51.2	50.9	*
10:00	U. of Michigan 5-10 Year Inflation Expectation	m/m	Nov F	3.4%	3.4%	*
10:00	U. of Michigan 1-Year Inflation Expectation	m/m	Nov F	4.2%	4.3%	*
10:00	U. of Michigan Consumer Sentiment	m/m	Nov F	51.6	51.0	***
11:00	Kansas City Fed Services Activity	m/m	Nov	9	10	*
Federal Reserve						
EST	Speaker or Event	District or Position				
08:25	Fed's Waller Gives Welcoming Remarks	Members of the Board of Governors				
12:15	Fed's Cook Speaks on US Economy	Members 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 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	National CPI	y/y	Oct	2.3%	2.1%	2.5%	***	Equity and bond neutral
	National CPI Ex-Fresh Food	y/y	Oct	2.2%	2.1%	2.3%	***	Equity and bond neutral
	National CPI Ex-Fresh Food & Energy	y/y	Oct	2.2%	2.4%	2.3%	*	Equity and bond neutral
South Korea	PPI	y/y	Oct	7.2%	7.6%		**	Equity and bond neutral
India	Foreign Exchange Reserves (Billion)	w/w	Nov 13	$705.3	$719.5		*	Equity and bond neutral
	Core Industries Output	m/m	Oct	10.90%	8.20%		*	Equity and bond neutral
EUROPE								
Germany	PPI	#N/A	Oct	8.1	6.7	7.3	**	Equity and bond neutral
France	Business Confidence	m/m	Nov	95	97	96	*	Equity and bond neutral
	Manufacturing Confidence	m/m	Nov	104	105	103	**	Equity and bond neutral
	Retail Sales ex-Auto	m/m	Sep	-0.8%	0.3%		*	Equity and bond neutral
UK	GfK Consumer Confidence	m/m	Nov	-22	-24	-22	**	Equity and bond neutral
	Public Finances (PSNCR) (Billion)	m/m	Oct	10.8	17.4		**	Equity and bond neutral
	Public Sector Net Borrowing (Billion)	m/m	Oct	17.0	22.9	18.0	**	Equity and bond neutral
	PSNB ex Banking Groups (Billion)	m/m	Oct	17.0	22.9		**	Equity and bond neutral
	Retail Sales	y/y	Oct	2.3%	0.4%	1.7%	***	Equity bullish, bond bearish
	Retail Sales Ex-Auto Fuel	y/y	Oct	2.5%	0.4%	1.8%	***	Equity bullish, bond bearish
Russia	Gold and Forex Reserves (Billion)	m/m	Nov 13	718.90	724.30		***	Equity and bond neutral
	Money Supply, Narrow Definition (Trillion)	w/w	Nov 13	23.08	23.01		*	Equity and bond neutral
AMERICAS								
Canada	Industrial Product Price	m/m	Oct	0.3%	1.5%	0.5%	**	Equity and bond neutral
	Raw Material Prices	m/m	Oct	-1.0%	4.5%	1.0%	**	Equity bearish, bond bullish
Mexico	Retail Sales	y/y	Sep	2.2%	3.3%	3.4%	***	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)	414	415	-1	Up
U.S. Sibor/OIS spread (bps)	419	420	-1	Up
U.S. Libor/OIS spread (bps)	415	416	-1	Up
10-yr T-note (%)	4.97	5.05	-0.08	Down
Euribor/OIS spread (bps)	285	283	2	Up
Currencies	**Direction**			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Up
Pound	Down	UK		Down
Franc	Down	Switzerland		Down
Central Bank Action	**Current**	**Prior**	**Expected**	
PBOC 5-Year Loan Prime Rate	3.50%	3.50%	3.50%	On Forecast
PBOC 1-Year Loan Prime Rate	3.00%	3.00%	3.00%	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.

Energy Markets	Today	Prior	Change	Explanation
Brent	$91.65	$91.98	-0.36%	
WTI	$82.83	$83.21	-0.46%	
Natural Gas	$3.19	$3.27	-2.51%	
Crack Spread	$42.98	$42.09	2.12%	
12-mo strip crack	$42.51	$42.01	1.18%	
Ethanol rack	$2.22	$2.21	0.37%	
Metals				
Gold	$3,571.17	$3,625.47	-1.50%	
Silver	$42.23	$42.95	-1.67%	
Copper Contract	$561.85	$572.25	-1.82%	
Grains				
Corn contract	$450.75	$452.50	-0.39%	
Wheat contract	$596.25	$595.00	0.21%	
Soybeans contract	$1,211.75	$1,207.50	0.35%	
Shipping				
Baltic Dry Freight	2,901	2,914	-13	
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)	20	25	-5	

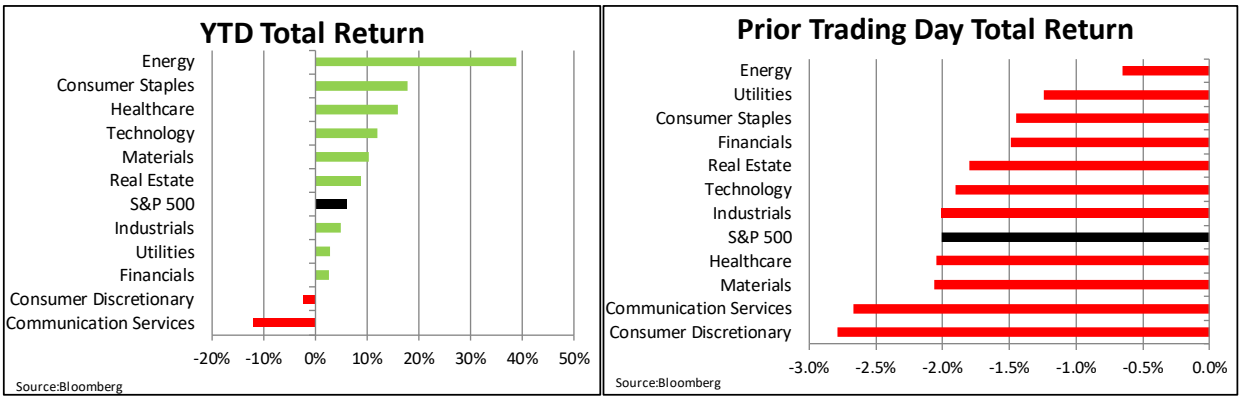
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Far West, the northern Great Plains, the Great Lakes region, the Northeast, and southern Florida, with cooler-than-normal temperatures along the Gulf Coast. The outlook also calls for wetter-than-normal conditions along all the coasts and in the central Rocky Mountains, with dry conditions in the Great Lakes region.

In the Atlantic Ocean area, there is now an atmospheric disturbance moving north/northeast along the southern part of the East Coast. It is assessed to have a 50% chance of cyclonic formation in the next seven days.

Data Section

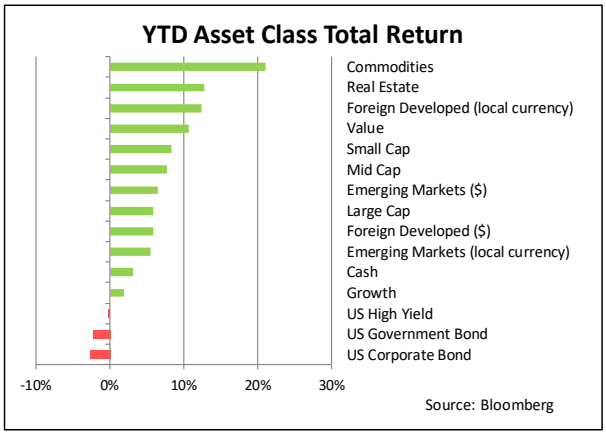
US Equity Markets – (as of 11/19/2026 close)



(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 11/19/2026 close)

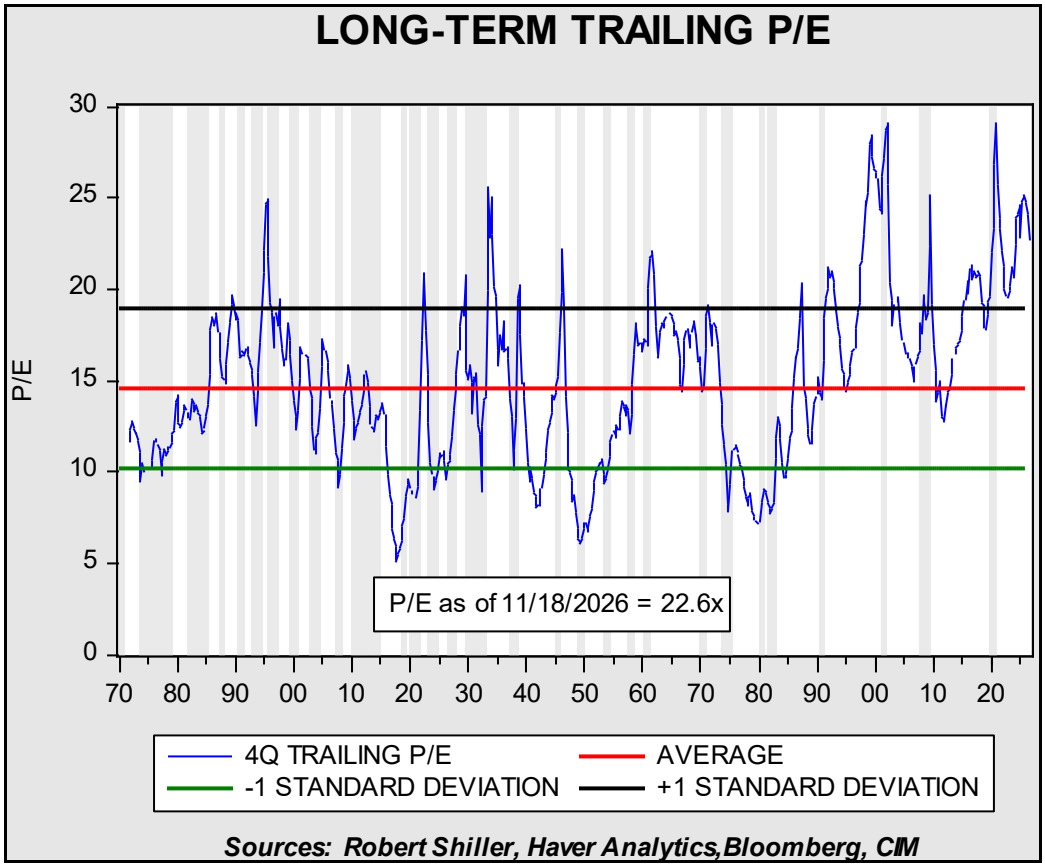


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.