Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: November 23, 2026 — 9:30 AM ET] Global equity markets are mostly higher 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 down 0.1%. Chinese markets were higher, with the Shanghai Composite up 0.2% and the Shenzhen Composite up 2.3%. US equity index futures are signaling a higher open.

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.

Note: Due to the holiday, the* Bi-Weekly Geopolitical Report *will not be published until next week.

Our *Comment* today opens with a few words on the big drop in stock prices over the past several weeks. We next review several other international and US developments that could affect the financial markets today, including new reports that touch on the economic and security threats associated with artificial intelligence and signs that China is continuing to throttle back its exports of critical minerals to the US — a move that could impinge on manufacturing operations at key US companies.

US Stock Market: Now that US stock prices have fallen into a "correction" since the start of October, we think it's worth reiterating that the boom in stock prices through the third quarter seemed unmoored from company fundamentals. Based on our fundamentals-driven model, we forecast in our *Economic and Financial Market Outlook for 2026* late last year that the S&P 500

price index would end the year between 6,400 and 7,000, with a point estimate of 6,710. The index on Friday ended at 6,910.39, well within that range.

- Of course, stock prices often overshoot their fundamentals, so we would not be surprised if the S&P 500 index continues to fall in the near term, even though futures prices so far this morning point to a meaningful rebound today. If the index reached the bottom of our range, however, we would increasingly expect the market to find a floor soon after.
- As we have noted previously, much of the upward momentum in market prices so far this year has reflected optimism about the prospects for artificial intelligence. The problem is that it is increasingly obvious that the high profit expectations related to AI are running up against the reality of competition from Chinese AI models, popular pushback against data centers, concern over rogue AI agents, and the like. Until market prices fully reflect those risks, AI-related stock prices could keep falling.
- At the same time, a repricing in AI-related stocks could well prompt investors to take another look at laggards, such as high-quality, well-managed value names that pay dividends or may have lower market caps. The rotation in favor of such stocks that began in early October seems likely to continue.

US Artificial Intelligence Industry: At his press conference Friday afternoon, President Trump said he plans to stop US firms from building data centers in foreign countries. According to the president, "If they do that, they can, but we're going to put a tremendous tax on them. If they do it, we want them to build it here... We have a lot of places that want them badly, and they're great places." Trump said this was a new policy that he hadn't even warned his advisers about.

- The president's statement comes despite voters rejecting dozens of data-center initiatives in the midterm elections early this month. It appears to stem from Trump's tendency to view economic policy through a mercantilist lens, in which the nation's wealth is defined by its trade surplus.
- The president's willingness to push for even more US data centers when voters have rejected them is evidence that he is inclined to keep advancing his longstanding policy agenda despite rebukes in the elections.
- If implemented, the proposed policy could disrupt the plans of major US firms that already have foreign data-center projects in progress, including Meta, Amazon, Google, and Microsoft.

US Copper Market: Copper prices in the US have stabilized today, rising 0.4% to $5.5055 per pound as of this writing. However, that follows a steep slide that began around the midterm elections, when prices were at $6.5000 per pound. One reason for the slide is the unraveling of the AI investment frenzy, which had assumed massive new copper demand for data centers. Another factor is the Democrats' forthcoming control of Congress, which traders believe could prevent added tariffs and allow US stockpiles to be sold in China, where prices are higher.

US Transportation Industries: Reports say major US energy-exporting ports and cargo ships have been suffering a barrage of cyberattacks in recent months, carried out by both AI-armed

cybercriminals and groups linked to hostile states. Separately, Delta Air Lines had to delay hundreds of flights over the weekend due to issues with its system that calculates and balances the weight of its aircraft. The airline described the problem as strictly technical, but the reports are still likely to exacerbate fears of AI-driven cyberattacks that could disrupt businesses.

United States-Israel-Iran: Bahrain on Saturday said Iranian missiles or drones struck a civilian industrial facility, causing a fire and damage but no casualties, while other reports said two oil tankers were hit in the Strait of Hormuz. The reports underscore how both the US and Iran continue to stage limited strikes on each other or their allies despite ongoing regional efforts to mediate a ceasefire. The ongoing strikes suggest Middle Eastern energy supplies remain at risk of disruption, buoying energy costs worldwide.

China-United States: According to Chinese customs data, October rare-earth magnet exports to the US were down 6.7% from the previous month and 14.1% from the same month one year earlier. The persistent downward trend suggests that Beijing continues to flout its agreement last year to ensure ample supplies to the US in return for a trade-war truce. Washington may be pushing back against the ongoing downtrend in private, but there has been little public sign that it is willing to confront the Chinese or risk renewed trade tensions.

- Separately, the Federal Communications Commission late last week adopted a new rule banning Chinese telecommunication firms — including China Mobile, China Telecom, and China Unicom — from directly accessing US phone numbers, citing national security. On Sunday, Beijing issued a blistering complaint that the rule's definition of national security was spurious and that the regulation violated principles of non-discrimination and fair competition.
- The FCC rule shows how lower-level officials and agencies in the US continue to adopt measures against Chinese interests based on national security or economic grounds, despite the desire of President Trump and others in the White House to go easier on Beijing and not upset the new Constructive Strategic Stability agreement with General Secretary Xi. Even if the president and some of his advisers are prioritizing stable relations with China, such moves could spark new US-China tensions.

European Union-United States: As the EU works to finalize its next seven-year budget, European Council President Antonio Costa on Saturday proposed a version that would rely on new taxes on digital services. Under the proposal, firms with annual digital-services revenue of at least 50 million EUR ($55 million) in the EU and 750 million EUR ($820 million) globally would face a 3% tax on their net turnover from online advertising, digital intermediation services, and user-generated data.

- Given President Trump's sharp criticisms of past EU regulations and taxes on US technology firms, the proposal is likely to spur strong pushback from the US administration.
- Judging by the administration's trade playbook to date, there is a significant risk that the proposal will spark additional US tariffs or other trade barriers against the EU, potentially hurting EU companies.

European Union-China: A Dutch court today banned Chinese electric-vehicle giant BYD from selling its seven-seat sport utility vehicle in the EU on the grounds that it unlawfully copied the design of a Jaguar Land Rover model. BYD said it will appeal the decision, so it's not clear that the ban will remain in place. Nevertheless, the ruling is a setback for the company and could reignite EU-China trade tensions, which had recently eased even as Brussels mulled policies to protect its key industries from low-priced Chinese competitors.

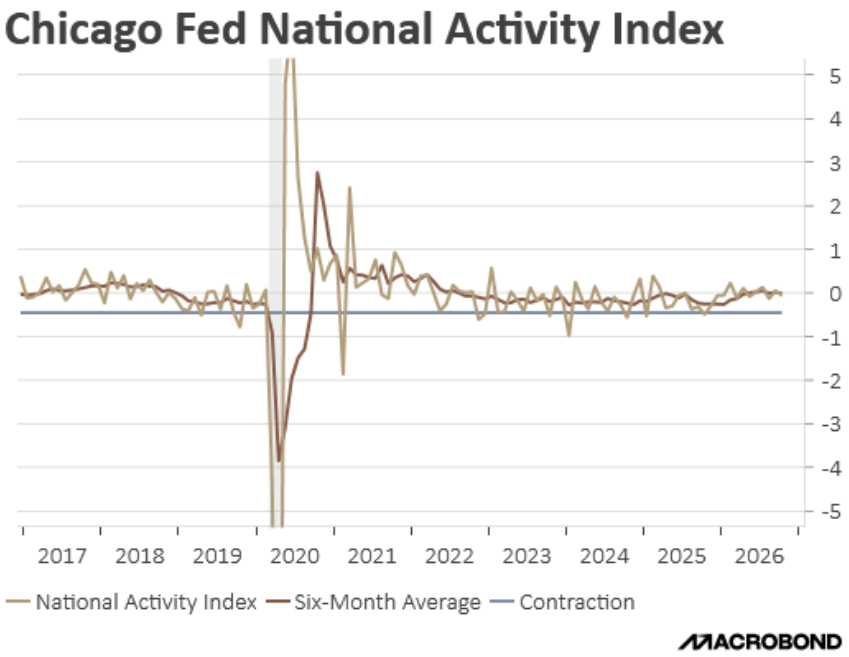
European Union-Indonesia: Brussels and Jakarta on Saturday signed a free-trade deal that will remove tariffs from 98% of EU exports to the world's fourth most populous country and boost the bloc's exports to it by 40% over the next 15 years, according to EU estimates. Under the deal, approximately 90% of Indonesian exports to the EU will be tariff-free. The deal shows how the EU is working hard to diversify its trade relations as the US adopts more protectionist policies.

Russia-Poland-NATO: After three Russian cruise missiles and a jet-powered drone struck Polish territory last week, Polish Prime Minister Donald Tusk on Friday said the incident appeared to be part of an "intentional provocation" from Moscow. Although President Trump hours earlier downplayed the incident as a "mistake," the strike is consistent with the spate of sabotage and other gray-zone attacks that Russia has staged against European countries in recent years.

- As with China's frequent provocations against Taiwan, the Russian provocations against the European members of the North Atlantic Treaty Organization (NATO) are likely aimed at destabilizing them and normalizing incursions into their territory. One probable goal is to make it hard for the targeted countries to discern when an attack is real or just another head fake.
- In any case, the attacks reflect a Kremlin assessment that neither the US nor the European NATO members will respond in kind. That raises the risk of unexpected military retaliation or some other response in the future.

US Economic Releases

The Chicago Fed said its October National Activity Index (CFNAI) came in at -0.06, lower than both the expected reading of +0.4 and the revised September reading of +0.05. The CFNAI, which encompasses dozens of separate indicators to capture all aspects of current economic activity, is designed so that readings of 0.00 reflect the economy growing at trend. Our analysis shows that when the six-month moving average of the CFNAI falls below -0.45, it suggests the economy is in recession. The chart below shows how the CFNAI has fluctuated over the last few years but remains near its long-term average, suggesting the economy is growing near its historical trend.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	**Indicator**			**Expected**	**Prior**	**Rating**
9:45	S&P Global US Composite PMI	m/m	Nov P	55.6	55.9	**
9:45	S&P Global US Manufacturing PMI	m/m	Nov P	54.5	54.9	***
9:45	S&P Global US Services PMI	m/m	Nov P	55.5	56.1	**
Federal Reserve						
EST	**Speaker or Event**	**District or Position**				
16:00	John Williams Delivers Keynote Address	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								
Australia	S&P Global Australia Composite PMI	m/m	Nov P	46.1	48.2		*	Equity and bond neutral
	S&P Global Australia Manufacturing PMI	m/m	Nov P	48.7	49.6		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Nov P	46.2	48.5		*	Equity and bond neutral
New Zealand	Retail Sales Ex Inflation	q/q	4Q	2.2%	-0.4%	0.5%	**	Equity bullish, bond bearish
India	HSBC India PMI Composite	m/m	Nov P	56.3	56.2		**	Equity and bond neutral
	HSBC India PMI Mfg	m/m	Nov P	56.0	54.7		***	Equity and bond neutral
	HSBC India PMI Services	m/m	Nov P	55.3	55.8		**	Equity and bond neutral
EUROPE								
Eurozone	Consumer Confidence	m/m	Nov P	-16.9	-17.9	-18.0	**	Equity bullish, bond bearish
	S&P Global Eurozone Composite PMI	m/m	Nov P	51.7	51.7	52.0	***	Equity and bond neutral
	S&P Global Eurozone Manufacturing PMI	m/m	Nov P	52.9	52.7	52.7	***	Equity and bond neutral
	S&P Global Eurozone Services PMI	m/m	Nov P	51.2	51.4	51.8	**	Equity and bond neutral
Germany	PPI	y/y	Oct	8.10%	6.70%	7.30%	**	Equity bearish, bond bullish
	S&P Global Germany Composite PMI	m/m	Nov P	55.0	53.4	53.2	***	Equity bullish, bond bearish
	S&P Global Germany Services PMI	m/m	Nov P	54.0	52.5	52.3	***	Equity bullish, bond bearish
	S&P Global/BME Germany Manufacturing PMI	m/m	Nov P	55.0	54.2	54.2	***	Equity bullish, bond bearish
France	S&P Global France Manufacturing PMI	m/m	Nov P	47.9	49.5	49.8	***	Equity bearish, bond bullish
	S&P Global France Services PMI	m/m	Nov P	46.6	46.2	47.5	***	Equity bearish, bond bullish
	S&P Global France Composite PMI	m/m	Nov P	46.2	46.6	47.9	***	Equity bearish, bond bullish
UK	S&P Global UK Services PMI	m/m	Nov P	52.0	52.8	53.0	***	Equity and bond neutral
	S&P Global UK Manufacturing PMI	m/m	Nov P	52.7	52.8	53.0	***	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Nov P	52.3	52.9	52.8	***	Equity and bond neutral
Switzerland	Domestic Sight Deposits (CHF Billion)	w/w	Nov 20	424.1	425.3		*	Equity and bond neutral
	Total Sight Deposits (CHF Billion)	w/w	Nov 20	444.3	443.7		**	Equity and bond neutral
	M3 Money Supply	y/y	Oct	3.9%	3.8%		**	Equity and bond neutral
AMERICAS								
Canada	Retail Sales	m/m	Sep	0.8%	1.4%	0.7%	***	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Sep	1.0%	1.2%	0.7%	**	Equity and bond neutral
Mexico	GDP NSA	y/y	3Q F	3.3%	3.2%	3.1%	***	Equity and bond neutral
	Economic Activity IGAE	y/y	Sep	3.02%	3.58%	2.50%	***	Equity and bond neutral
	GDP Nominal	y/y	3Q	6.8%	6.7%		**	Equity and bond neutral
Brazil	FGV CPI IPC -S	w/w	Nov 22	0.38%	0.38%		***	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)	413	413	0	Up
U.S. Sibor/OIS spread (bps)	419	417	2	Up
U.S. Libor/OIS spread (bps)	415	414	1	Up
10-yr T-note (%)	4.94	4.95	-0.01	Down
Euribor/OIS spread (bps)	285	285	0	Up
Currencies	**Direction**			
Dollar	Up	US		Up
Euro	Down	Euro		Down
Yen	Up	Japan		Flat
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	$91.23	$92.57	-1.45%	
WTI	$82.22	$83.41	-1.43%	
Natural Gas	$3.22	$3.41	-5.72%	
Crack Spread	$39.53	$41.24	-4.15%	
12-mo strip crack	$41.26	$42.31	-2.48%	
Ethanol rack	$2.14	$2.16	-0.95%	
Metals				
Gold	$3,615.05	$3,538.49	2.16%	
Silver	$42.33	$41.16	2.85%	
Copper Contract	$559.20	$557.25	0.35%	
Grains				
Corn contract	$452.25	$448.75	0.78%	
Wheat contract	$594.50	$592.00	0.42%	
Soybeans contract	$1,225.50	$1,220.75	0.39%	
Shipping				
Baltic Dry Freight	2,898	2,901	-3	

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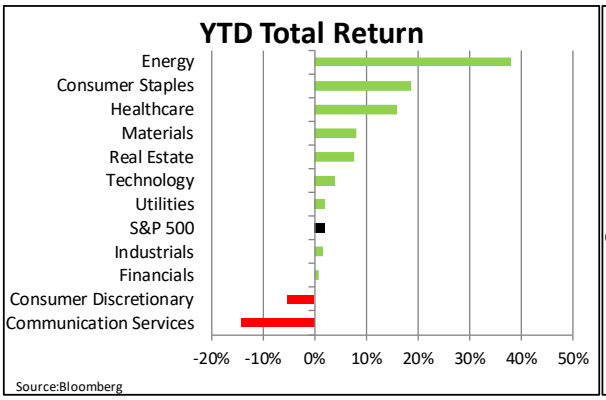
Weather

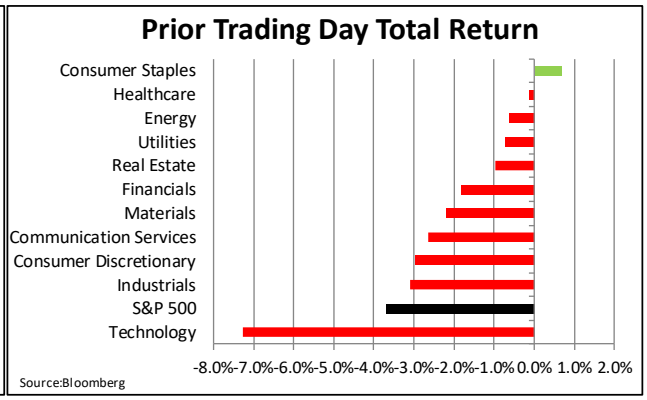
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for the entire country. The outlook also calls for wetter-than-normal conditions throughout most regions with near-normal temperatures expected in New England, parts of the Midwest, and the lower Mississippi Valley.

There is no tropical cyclone activity expected within the next seven days in the Atlantic Ocean.

Data Section

US Equity Markets – (as of 11/20/2026 close)

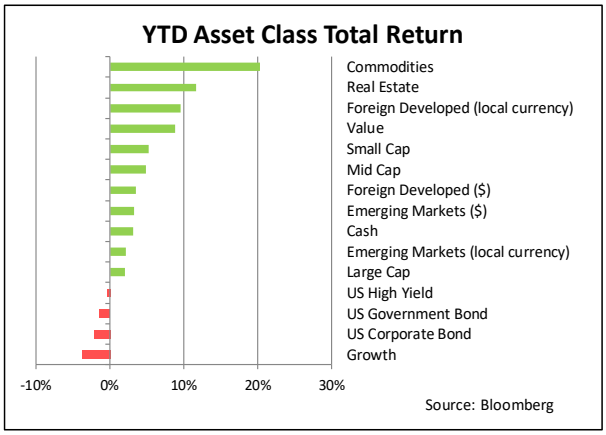




(Source: Bloomberg)

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 11/20/2026 close)

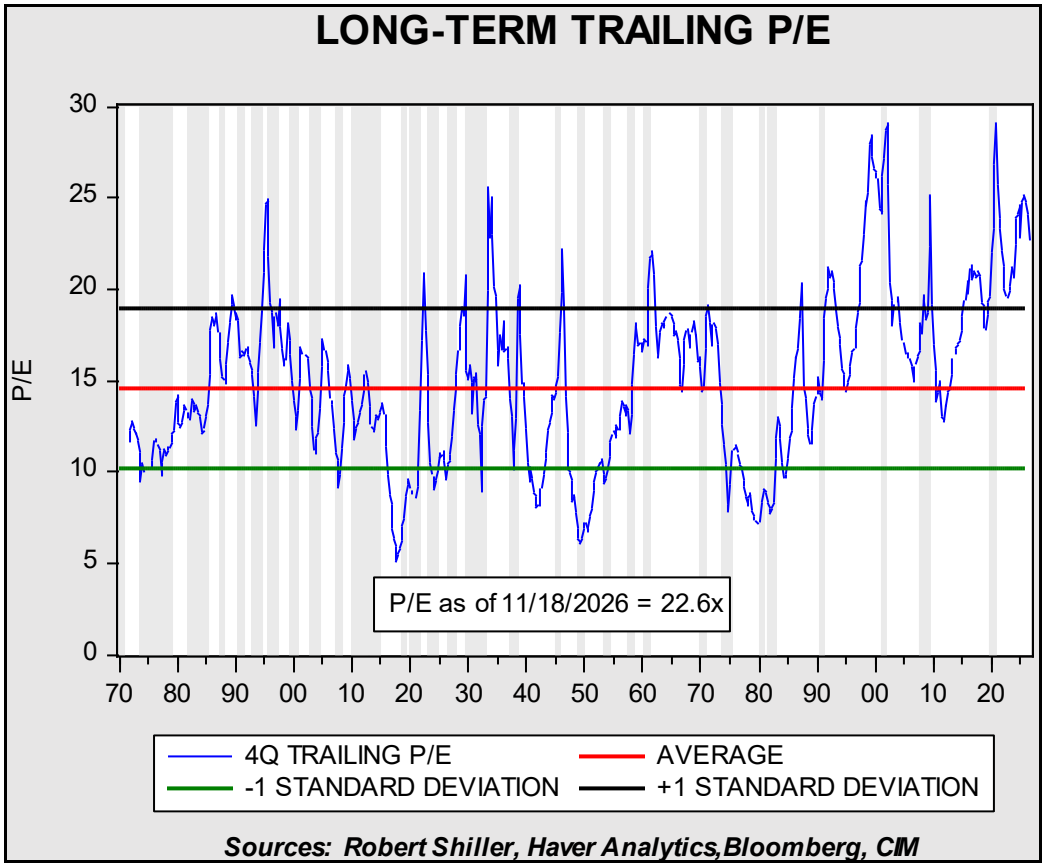


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.