Daily Comment

Confluence INVESTMENT MANAGEMENT

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: November 24, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.8% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 5.6%. Chinese markets were mixed, with the Shanghai Composite up 0.3% and the Shenzhen Composite down 0.2%. US equity index futures are signaling a lower 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Note: Due to the holiday, the* Bi-Weekly Geopolitical Report *will not be published until next week.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 naturally opens with some thoughts on yesterday's astounding reinstatement of Jensen Huang as the chief executive of Nvidia. We next review several other international and US developments that could affect the financial markets today, including new evidence that Iran is running cyberattacks against commercial shipping and the Pentagon asking civilian US manufacturers to help with the mass production of military drones.

US Artificial Intelligence Industry: We suspect that most informed investors already know that the board of AI chip giant Nvidia yesterday reinstated founder Jensen Huang as its CEO, despite his resignation just 11 days earlier over multiple extramarital affairs, including with a subordinate and, separately, with a woman who appears to be an intelligence asset for China's Ministry of State Security (MSS). Restoring Huang to the leadership of Nvidia was applauded by many investors, but the incident also raises concerns about US economic and financial governance.

- First, we remind our readers that we discussed the increasingly cozy relationship between the federal government and the tech sector one year ago in our *2026 Outlook*, which we subtitled "Implications of the New Techno-Industrial State." The analysis posited that the White House is becoming ever more comfortable overriding private property rights and intervening in the free market, not just to protect favored US firms, but also to steer their activities for political or policy purposes.
- Indeed, President Trump yesterday admitted that he had been pressuring Nvidia's board to take Huang back, even making sure he was "represented" at its latest board meeting. Given that a company's board is supposed to represent the interests of its shareholders, that action amounts to an override of the shareholders' private property rights without due process and potentially for personal political purposes.
- We have argued that such an increasingly cozy government-business relationship could be useful for investors in the short term, as favored firms are likely to benefit from the government's protection, subsidies, or other support. Sure enough, Nvidia's stock price surged yesterday after the news of Huang's reinstatement. Nowadays, it may make sense for investors to overweight those firms that are favored by policymakers in Washington.
- In the longer term, however, we continue to think that such an approach will be bad for investors. We think the government will be increasingly tempted to overreach and treat favored private firms as arms of the state to help achieve political goals — overhiring to keep unemployment down, for example. It could try "picking winners and losers" to an excessive extent with its industrial policies. That would eventually produce an economy that is much less dynamic and innovative than the US has traditionally been.
- In addition, the forced rehiring of Huang undercuts Nvidia's ethical policies — essentially signaling that those at the top can act with impunity while those at lower levels must observe the rules. The White House pressure to rehire Huang despite the clear risk of espionage and technology transfers to China is further evidence that at least parts of the administration prioritize commercial opportunities over national security. That can be good for business and stocks in the near term, but probably not in the long term.
- In any case, we think AI-related stock prices remain at risk of further declines. That assessment is based on the enormous revenue and profit expectations built into them despite risks such as the competitive threat from low-priced Chinese models, popular pushback against data centers, concerns about rogue AI agents, and prospects for new, onerous regulation. As a reminder, our *Outlook* last year forecast that the S&P 500 price index would end 2026 between 6,400 and 7,000, with a point estimate of 6,710.

United States-China-Artificial Intelligence: Late yesterday, the US Commerce Department said that it had placed Megaspeed International and six of its affiliates in Southeast Asia on its "Entity List" of firms that are not allowed to acquire advanced US information technology. The move was almost certainly aimed at easing concerns about advanced Nvidia computer chips being funneled to China now that Huang is back as the company's chief executive. All the same, we doubt that it will allay the national security worries about Huang's reinstatement.

- It's not entirely clear that Megaspeed and its affiliates are the only firms that China's Ministry of State Security has used to illegally acquire advanced US chips. Even if those are the only firms it has used to date, the MSS's determination to break the US technology blockade against China suggests it would simply set up replacement conduits.
- That process would be facilitated by high-level US technology leaders, such as Huang, who advocate for the freedom to expand their sales abroad.

US Defense Industrial Base: The Pentagon is reportedly in talks with General Motors and other traditionally civilian manufacturers to support the mass production of military drones and other autonomous weapon systems. While the Pentagon had already been trying to broaden its supplier base for legacy systems such as missiles and tactical trucks, the new talks represent an effort to rapidly surge production of new military technologies that are likely to dominate future wars. However, it isn't yet clear how profitable the new products would be for civilian firms.

United States-Israel-Iran: US officials are reportedly probing as many as 50 incidents in which Iranian operatives or proxies have staged cyberattacks on ships carrying oil, liquefied petroleum gas, chemical products, or other explosive substances. Some of the ships have also received warnings and bomb threats indicating the vessels could be blown up. The risk raised by this development is that a high-profile successful attack could lead to re-escalation of the Iran war, threaten global energy supplies again, and reverse the recent decline in oil prices.

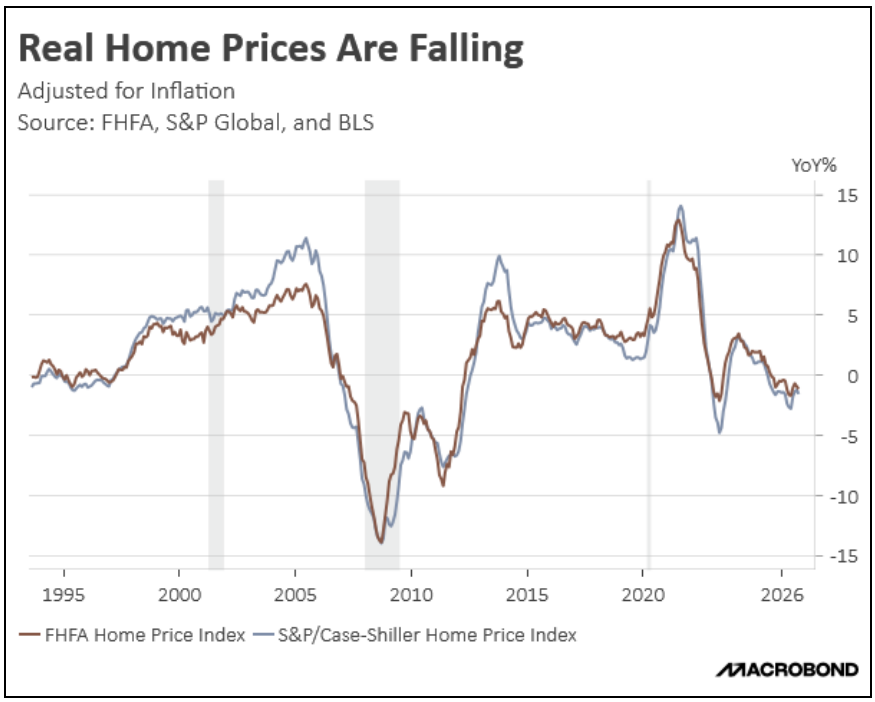
European Union-United Kingdom: As Brussels and London try to "reset" their trade relations and reverse elements of Brexit, the two sides are reportedly close to a deal under which British automakers would be able to participate in the EU's "Made in Europe" program. Under the deal, electric cars made or assembled in the UK would become eligible for EU clean-energy subsidies if the UK continues to give EU-made vehicles access to its own subsidies. If the deal is finalized, it could help preserve auto manufacturing in the UK.

European Union: New analysis by commodity pricing agency Argus shows that at least 28% of Europe's ammonia production has been shut down because of high natural gas prices sparked by the Iran war. The spike in energy prices has reportedly pushed the cost of producing ammonia in Europe to $1,096 per ton, while the commodity can be imported from the US, Trinidad and Tobago, and North Africa for about $760 per ton. The shutdown of domestic ammonia output is likely to cut jobs and make Europe's fertilizer supply more susceptible to global shipping disruptions.

Russia: The German government says it and other allied countries have intelligence suggesting Russia plans to launch its nuclear-armed satellite, the Sputnik-S, as early as next month. The report follows a recent revelation by the US Defense Intelligence Agency that Russia was preparing to deploy a space-based nuclear weapon. The reporting suggests the Sputnik-S is coming close to becoming a real threat to US and allied satellites — a development that could pose a grave risk to US national security.

US Economic Releases

In September, two key housing indexes highlighted a broader moderation in national real estate prices. The FHFA House Price Index was unchanged month-over-month, below forecasts of a 0.2% gain. Meanwhile, the S&P CoreLogic Case-Shiller 20-City Composite Index fell 0.5% for the same period, trailing expectations of a 0.3% decline.



The chart above shows the year-over-year percentage change for both the FHFA House Price Index and the S&P Cotality Case-Shiller Home Price Index. Adjusted for inflation, the FHFA index declined by 1.2% since 2025, while the S&P Cotality index dropped 1.6%. Although nominal home prices continue to rise, their growth remains below the rate of inflation, which suggests that buyers are gaining bargaining power.

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	Conf. Board Consumer Confidence	m/m	Nov	92.2%	91.7%	***
10:00	Richmond Fed Manufact. Index	m/m	Nov	-2	-2	**
10:00	Richmond Fed Business Conditions	m/m	Nov		-5	*
Federal Reserve						
No Fed speakers or events for the rest of today						

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	S&P Global Japan Composite PMI	m/m	Nov P	51.5%	52.1%		**	Equity and bond neutral
	S&P Global Japan Manufacturing PMI	m/m	Nov P	53.7%	53.3%		***	Equity and bond neutral
	S&P Global Japan Services PMI	m/m	Nov P	50.5%	51.7%		**	Equity and bond neutral
South Korea	Consumer Confidence	m/m	Nov	103.1	105.4		**	Equity and bond neutral
EUROPE								
Eurozone	EU27 New Car Registrations	y/y	Oct	2.6%	9.3%		**	Equity and bond neutral
Germany	IFO Business Climate	m/m	Nov	90.6	90.1	90.5	***	Equity and bond neutral
	IFO Current Assessment	m/m	Nov	89.4	88.8	89.1	**	Equity and bond neutral
	IFO Expectations	m/m	Nov	91.9	91.5	92.0	***	Equity and bond neutral
AMERICAS								
Brazil	FGV Consumer Confidence	y/y	Nov	83.5	84.7		*	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	415	0	Up
U.S. Sibor/OIS spread (bps)	421	421	0	Up
U.S. Libor/OIS spread (bps)	417	417	0	Up
10-yr T-note (%)	4.89	4.95	-0.06	Down
Euribor/OIS spread (bps)	281	285	-4	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	$89.21	$89.37	-0.18%	
WTI	$79.97	$80.17	-0.25%	
Natural Gas	$3.26	$3.18	2.42%	
Crack Spread	$38.36	$37.75	1.62%	
12-mo strip crack	$39.95	$39.66	0.74%	
Ethanol rack	$2.12	$2.12	-0.20%	
Metals				
Gold	$3,627.27	$3,634.58	-0.20%	
Silver	$42.31	$43.08	-1.80%	
Copper Contract	$552.10	$572.20	-3.51%	
Grains				
Corn contract	$450.25	$449.75	0.11%	
Wheat contract	$594.25	$595.50	-0.21%	
Soybeans contract	$1,233.75	$1,228.75	0.41%	
Shipping				
Baltic Dry Freight	3,000	2,898	102	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		2.32		
Gasoline (mb)		2.00		
Distillates (mb)		1.50		
Refinery run rates (%)		-0.25%		
Natural gas (bcf)		-16		

+

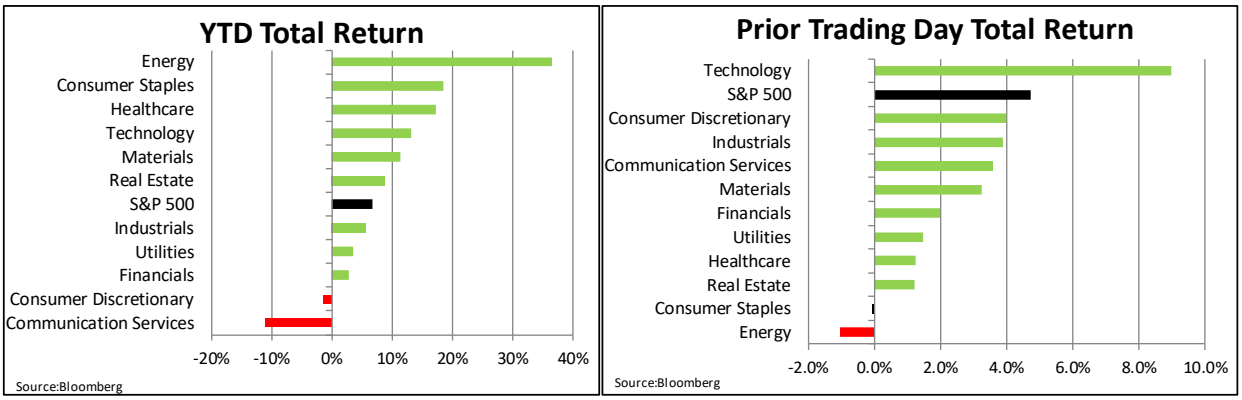
Weather

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

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

Data Section

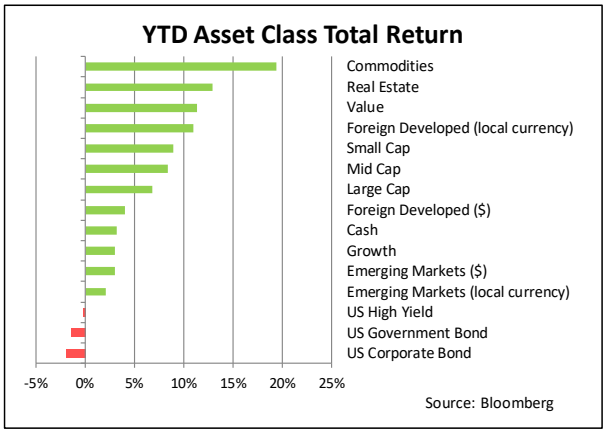
US Equity Markets – (as of 11/23/2026 close)



(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 11/23/2026 close)

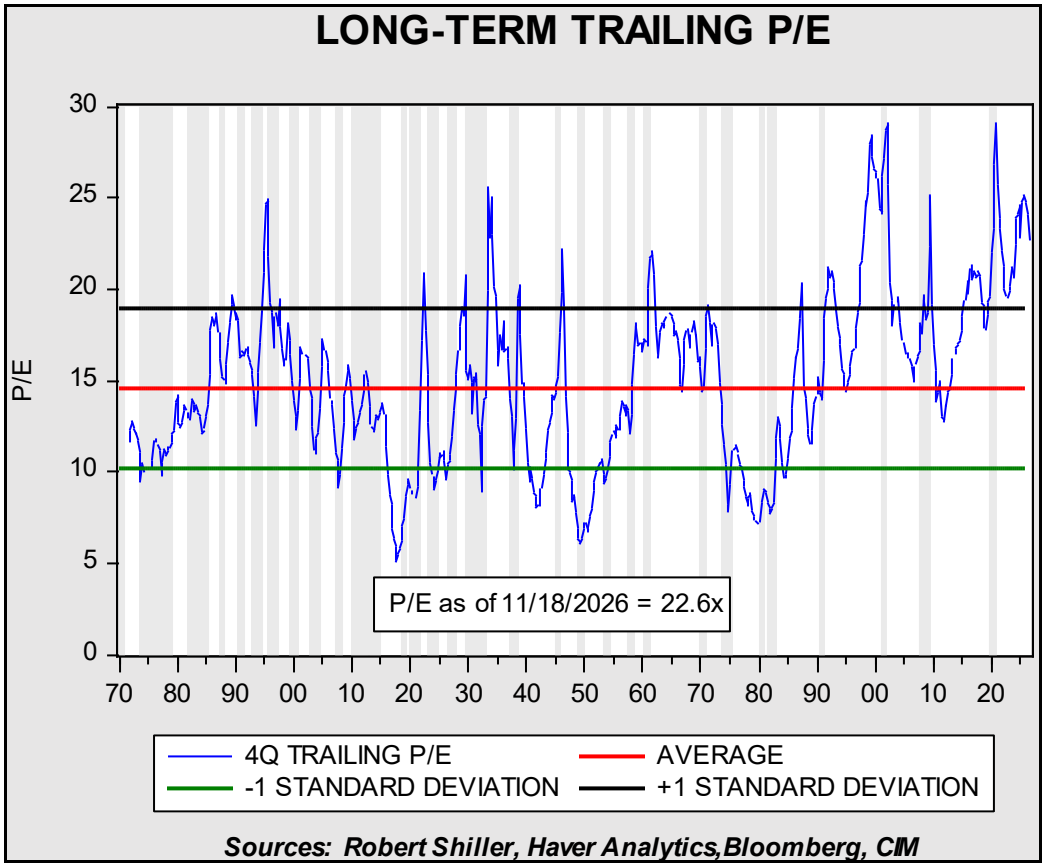


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.