

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

The Daily Comment will go on hiatus beginning Wednesday, November 26, and will return on Monday, December 1. Confluence wishes everyone a Happy Thanksgiving!

[Posted: November 25, 2025 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.5%. Chinese markets were higher, with the Shanghai Composite up 0.9% and the Shenzhen Composite up 1.4%. Conversely, 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. (***Note: There will not be a Geopolitical Report this week.***)

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 sudden shift in the US’s proposed new peace deal to end the war in Ukraine. We next review several other international and US developments with the potential to affect the financial markets today, including a statement by another influential Federal Reserve policymaker supporting a further interest rate cut in December and new Chinese economic retaliation against Japan for Prime Minister Takaichi’s recent comments suggesting Japan would intervene militarily against a Chinese blockade of Taiwan.

United States-Russia-Ukraine: Press reports last night said US and Ukrainian negotiators [have reached a tentative 19-point peace deal to end Russia’s invasion of Ukraine](#), intending it to replace last week’s 28-point, Russian-inspired proposal. The reports say several points from the original proposal have been left for President Trump and Ukrainian President Zelensky to hash

out. Nevertheless, the revised plan is much more palatable to the Ukrainians, confirming our view that the original plan was likely a non-starter.

- Now, however, the question is whether the Russians will find the revised proposal acceptable. The *Financial Times* today [reports that Russian Foreign Minister Lavrov has already complained that the revised plan overrides “key understandings”](#) that President Putin believed that he had reached with President Trump.
- If the Russians do reject the revised plan, as they have rejected previous proposals that didn’t meet their maximalist goals, it seems likely that the war will continue.

United States-European Union: US Commerce Secretary Lutnick said on a visit to Brussels yesterday that the EU [must relax its digital commerce regulations before the US would consider lowering its 50% import tariffs on EU steel and aluminum](#). The statement is consistent with the US administration’s longstanding effort to increase business for its allies in the technology sector.

United States-Venezuela: President Trump yesterday [reportedly told his advisors that he is planning to talk directly with Venezuelan President Maduro](#), even as the State Department designated Maduro as the head of a terrorist organization, and even as the US continues its big military buildup off Venezuela’s coast. Trump’s statement suggests that any attack on Venezuela to force Maduro from power isn’t necessarily imminent.

US Monetary Policy: San Francisco FRB President Daly yesterday [said she supports cutting the benchmark fed funds interest rate again at the Fed’s policy meeting early next month](#), citing her fear that weakened labor demand is more likely than worsening price inflation. Daly doesn’t sit on the policymaking committee this year, but she usually reflects the views of Chair Powell. Her statement, therefore, will likely help raise expectations for a new rate cut in December. Per futures trading, investors now see an 85% chance of a rate cut at the meeting.

US Fiscal Policy: Faced with White House plans to extend the Affordable Care Act’s enhanced tax credits for two years in return for tighter eligibility rules, which we flagged in our *Comment* yesterday, House Speaker Johnson [has warned the administration that most Republicans in his chamber wouldn’t support the move](#). Even though the White House wants to avoid spiking health insurance premiums once the current subsidies expire at the end of the year, Johnson’s warning shows that extending the subsidies will be a political challenge.

US Artificial Intelligence Industry: OpenAI CEO Sam Altman [has reportedly told company staffers to brace for “rough vibes” and “temporary economic headwinds”](#) as the company suddenly faces an intense challenge from Google’s latest AI program, Gemini 3. Analysts, users, and industry insiders say Gemini 3’s superior benchmarks, integration into Google’s ecosystem, and cost efficiencies are poised to help it grab market share from OpenAI’s Chat-GPT, especially after the underwhelming August release of GPT-5.

US Travel Industry: In its annual pre-Thanksgiving projections, AAA [said 81.8 million US residents will travel at least 50 miles from home from November 25 to December 1](#), up from just

over 80.0 million last year. According to AAA's forecast, 73 million people, or about 90% of Thanksgiving travelers, are expected to travel by car. The good growth in travelers is a reflection of continued economic expansion, which we expect to keep supporting stock values in 2026.

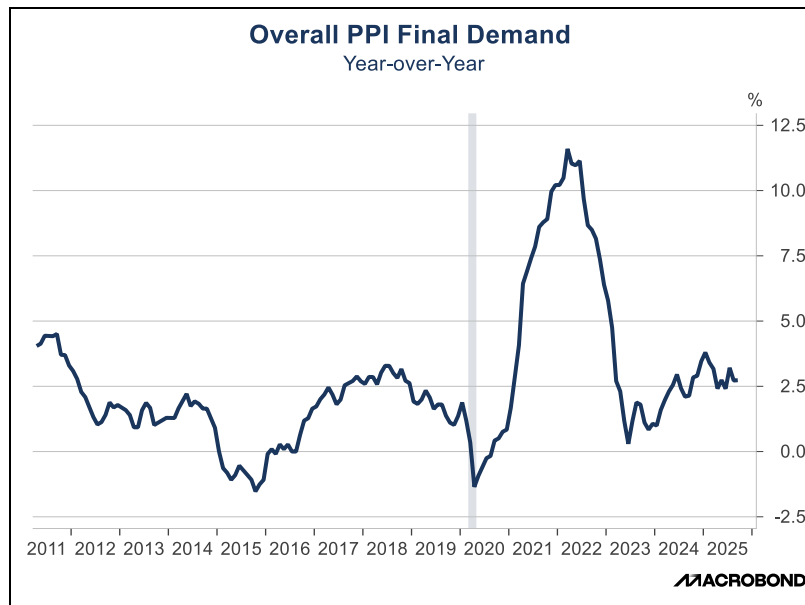
China-Japan: Reports today say the Chinese government [has told the country's airlines to cut their flights to Japan through March 2026](#). Beijing had already warned its citizens against travel to Japan and taken other measures to retaliate for Prime Minister Takaichi's recent comments suggesting Japan would intervene militarily against a Chinese effort to blockade Taiwan. The prolonged flight cuts are being taken as a signal that Beijing is bracing for a protracted spat between the two nations, which could potentially weigh on Japan's economy and stocks.

Global Demographics: According to new research by the European Bank for Reconstruction and Development (EBRD), falling birthrates and shrinking workforces [will reduce per-capita gross domestic product in Eastern Europe and the Caucasus by about 0.4% per year between 2025 and 2050](#). The expected hit to per-capita GDP is expected to be even greater in South Korea, at 1.7%, Italy and Spain, at 0.7%, and 0.6% in Japan and China.

- The EBRD research echoes a study earlier this year by the Organization for Economic Cooperation and Development.
- Both studies show how low birth rates and population aging are putting upward pressure on government budget deficits and debt. However, the studies suggest that politically powerful older people are resisting efforts to tackle the fiscal fallout, such as raising retirement ages, cutting social spending, and allowing more migration.
- As a result, the demographic pressures are likely to keep pushing government debt loads higher in key developed and emerging countries alike, raising the risk of eventual debt crises.

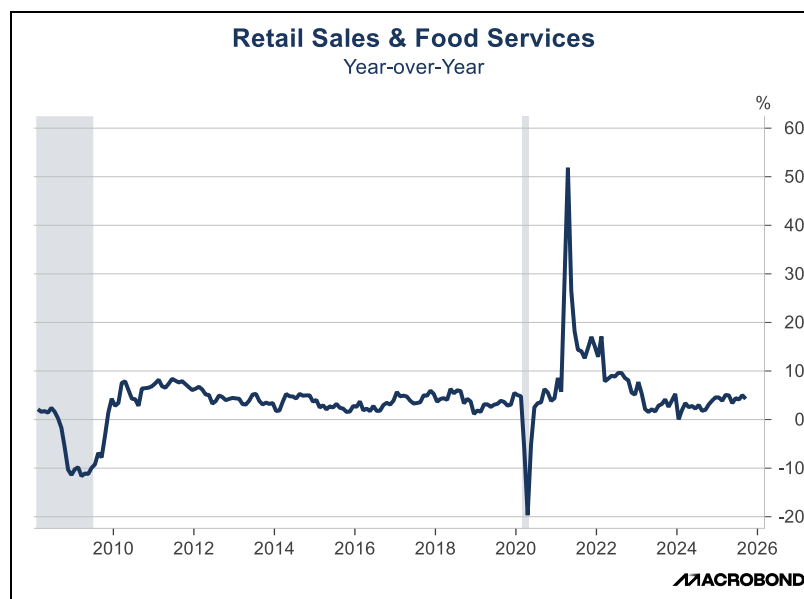
US Economic Releases

The September *producer price index (PPI)* rose by a seasonally adjusted 0.3%, in line with expectations of an increase of 0.3% and well above the previous month's decline of 0.1%. Excluding the volatile food and energy components, the September "*core*" *PPI* rose 0.1% from the previous month.



The chart above shows the annual change since 2011. The overall PPI in September was up 2.7% from the same month one year earlier, while the core PPI was up 2.9%.

September **retail sales** rose by a seasonally adjusted 0.2%, lower than the expected gain of 0.4% and the August rise of 0.6%. Of course, overall retail sales are often driven by the volatile auto and auto parts sector, which makes up almost one-fifth of the total. September **retail sales excluding autos and auto parts** were up 0.1% from the previous report, well below expectations of 0.6%.



The chart above shows how retail sales have changed since just before the Great Financial Crisis. Overall retail sales in September were up 4.3% from the same month one year earlier, while sales excluding autos and auto parts were up 3.5%.

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

Economic Releases							
EST Date	EST Time	Indicator			Expected	Prior	Rating
	10:00	Business Inventories	m/m	Aug	0.0%	0.2%	*
	10:00	Richmond Fed Manufacturing Index	m/m	Nov	-5	-4	**
	10:00	Conf. Board Consumer Confidence	m/m	Nov	93.3	94.6	***
	10:00	Pending Home Sales	m/m	Oct	0.2%	0.0%	**
	10:00	Pending Home Sales NSA	y/y	Oct	-1.2%	1.5%	**
11/25/2025-11/26/2025	TBD	Federal Budget Balance	m/m	Oct	-\$230.0b	-\$257.4b	**
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 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	Nationwide Dept Sales	y/y	Oct	4.30%	1.40%	--	***	Equity and bond neutral
South Korea	Consumer Confidence	m/m	Nov	112.4	109.8		*	Equity and bond neutral
EUROPE								
Eurozone	EU27 New Car Registrations	y/y	Oct	5.8%	10.0%		***	Equity and bond neutral
Germany	GDP NSA	y/y	Q3 F	0.3%	0.3%	0.3%	**	Equity and bond neutral
	GDP WDA	y/y	Q3 F	0.3%	0.3%	0.3%	**	Equity and bond neutral
France	Consumer Confidence	m/m	Nov	89	90	90	***	Equity and bond neutral
AMERICAS								
Mexico	Retail Sales	y/y	Sep	3.3%	2.4%	2.2%	***	Equity bullish, bond bearish
Brazil	Current Account Balance	m/m	Oct	-\$5121m	-\$9821m	-\$4600m	**	Equity and bond neutral
Brazil	Foreign Direct Investment	m/m	Oct	\$10937m	\$10671m	\$6000m	**	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)	370	370	0	Down
U.S. Sibor/OIS spread (bps)	381	382	-1	Down
U.S. Libor/OIS spread (bps)	370	371	-1	Down
10-yr T-note (%)	4.03	4.03	0.00	Down
Euribor/OIS spread (bps)	206	205	1	Up
Currencies	Direction			
Dollar	Flat			Up
Euro	Flat			Down
Yen	Down			Down
Pound	Up			Down
Franc	Up			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.

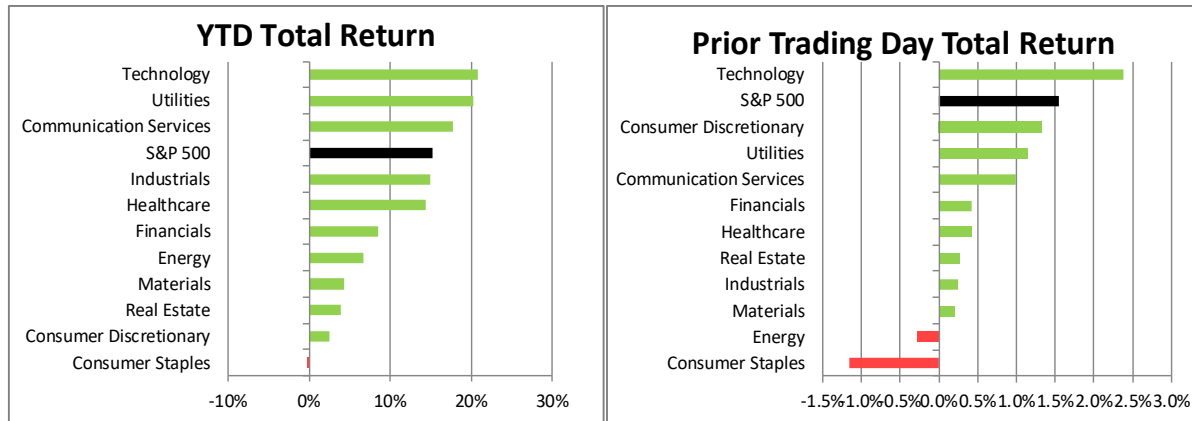
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$63.11	\$63.37	-0.41%	
WTI	\$58.60	\$58.84	-0.41%	
Natural Gas	\$4.40	\$4.55	-3.23%	
Crack Spread	\$25.51	\$25.42	0.36%	
12-mo strip crack	\$25.44	\$25.41	0.13%	
Ethanol rack	\$2.03	\$2.02	0.11%	
Metals				
Gold	\$4,136.66	\$4,136.31	0.01%	
Silver	\$51.34	\$51.36	-0.04%	
Copper contract	\$514.20	\$505.30	1.76%	
Grains				
Corn contract	\$438.75	\$436.75	0.46%	
Wheat contract	\$536.00	\$534.75	0.23%	
Soybeans contract	\$1,123.00	\$1,123.25	-0.02%	
Shipping				
Baltic Dry Freight	2,295	2,275	20	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-1.00		
Gasoline (mb)		1.33		
Distillates (mb)		1.00		
Refinery run rates (%)		0.5%		
Natural gas (bcf)		-15		

Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for cooler-than-normal temperatures in most of the country, with warmer-than-normal temperatures in the Southeast and Mid-Atlantic. The precipitation outlook calls for wetter-than-normal conditions for the entire country, with dry conditions expected on the West Coast.

Data Section

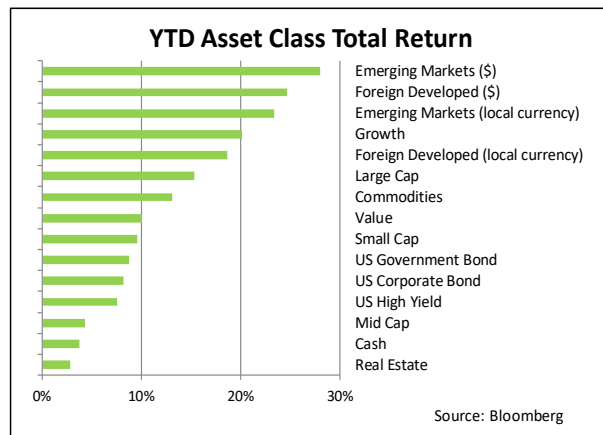
US Equity Markets – (as of 11/24/2025 close)



(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 11/24/2025 close)

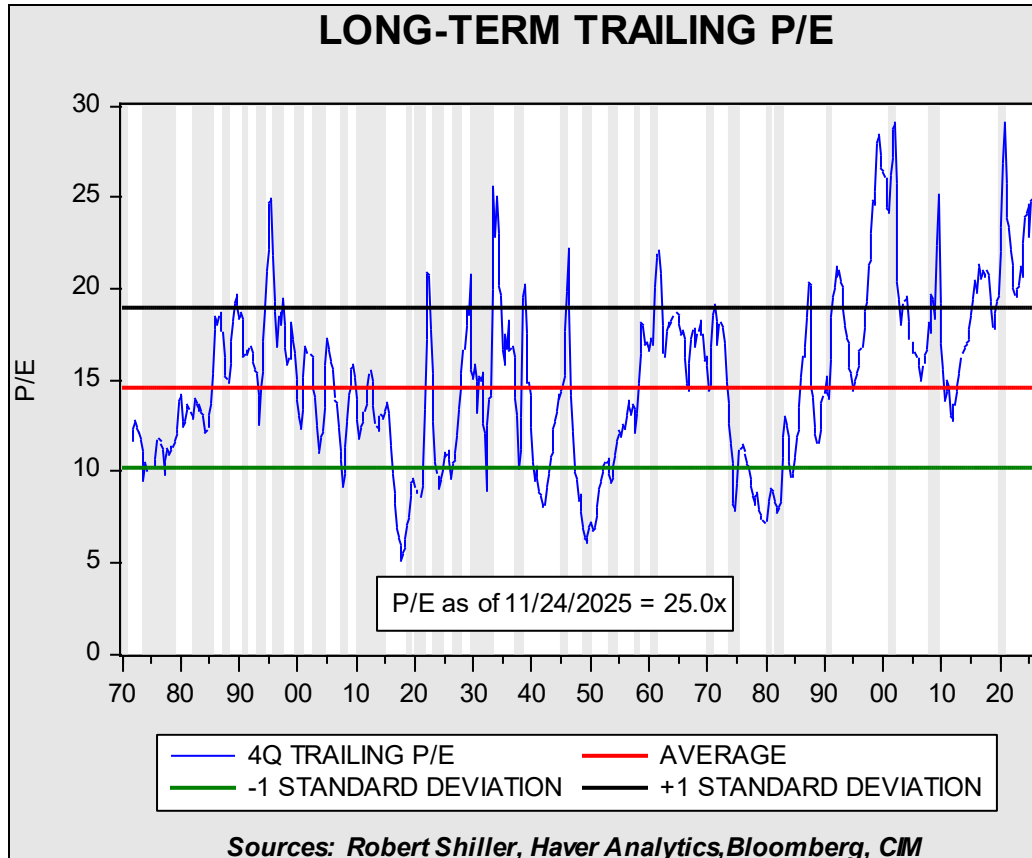


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 25, 2025



Based on our methodology,¹ the current P/E is 25.0x, which is down 0.1 from the previous report. The drop in the multiple was due to a slight decline 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 (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.