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[Posted: November 5, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.3%. Chinese markets were higher, with the Shanghai Composite up 0.2% and the Shenzhen Composite up 0.5%. US equity index futures are signaling a lower open.

With 376 companies having reported so far, S&P 500 earnings for Q3 are running at \$71.80 per share compared to estimates of \$68.15, which is up 8.0% from Q3 2024. Of the companies that have reported thus far, 81.6% have exceeded expectations, while 14.4% 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
“China’s Rising Power and the Implications for US Hegemony” (10/27/25) + podcast	“When the Financial System Finds a Cockroach” (11/3/25) + podcast	Q4 2025 Report	Keller Quarterly Confluence of Ideas podcast

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* begins with an analysis of Tuesday's electoral contests. We then delve into the factors driving the recent cryptocurrency sell-off. Further coverage includes the continuing government shutdown, the EU's relaxation of certain climate rules, and the escalation of US-Venezuela tensions. A summary of key domestic and international data releases is also included.

Democratic Sweep: In the first major electoral test of the cycle, [strong Democratic turnout secured critical gubernatorial wins in Virginia and New Jersey](#). The party's momentum extended down-ballot, with voters in New York electing Democratic Socialist Zohran Mamdani as the city's next mayor and a key Pennsylvania Supreme Court race also falling in their favor. Overall,

these outcomes suggest that voter dissatisfaction with the status quo is high — even with a relatively good economy — signaling a potentially contentious midterm election.

- The Democratic wins immediately intensify the national redistricting battle ahead of the 2026 midterms. Following partisan map-redrawing efforts in Republican-led states like Texas and Missouri, [California responded by advancing Proposition 50](#). This ballot measure would allow the state to suspend its independent commission and implement new, legislatively drawn congressional maps to gain Democratic seats, effectively escalating a state-by-state partisan "arms race" for control of the US House.
- Given the White House's "build fast and fix later" strategy, there is speculation that the administration could seek to inject additional stimulus into the economy. Such a move would likely be aimed at boosting economic sentiment to help the party in power retain control of both houses of Congress. This approach is consistent with current efforts to expand [Medicare coverage for pharmaceuticals and pressure drug companies to lower prices](#), which are popular, consumer-focused policies.
- While the recent Democratic win might superficially suggest a shift in partisan allegiance, we propose a more fundamental driver: the global trend of electoral dealignment fueled by rising income inequality. Consequently, we anticipate that established political parties will be increasingly compelled to calibrate their platforms, adopting policies that appeal to lower-income households without alienating their wealthier base, a strategic maneuver essential for maintaining broad coalition support.
- That said, the broader political environment is poised to be favorable for equities leading up to the 2026 midterm elections. The administration is expected to utilize its policy levers for additional fiscal stimulus. Critically, the impact of the recent tax bill — likely generating larger tax refund checks for consumers and incentivizing greater capital investment — should provide a material boost, further fortifying an economy that has demonstrated consistent resilience.

Bitcoin Doubts: On Tuesday, [bitcoin plunged below \\$100,000](#), a critical support level not seen since late June. This sustained decline is largely driven by long-term holders executing a risk-off strategy, [having liquidated over \\$45 billion in holdings in the past month](#). The sell-off highlights a pivotal shift for the digital asset, which has recently gained popularity among retail investors while also attracting institutional flows due to recent regulatory changes.

- Although a single catalyst remains elusive, the recent downward pressure on crypto assets appears to stem from a confluence of three key factors: tech-sector deleveraging, a persistent liquidity crunch in the repo market, and growing interest in potential quantum-based alternatives to current blockchain protocols.
 - **Tech Narrative:** Over the past few years, bitcoin has exhibited an increasingly strong correlation with technology equities. According to CME Group, bitcoin's 60-day correlation with the Nasdaq 100 has [risen from its near zero level prior to 2020 to as high as 60% over the past two years](#). This trend suggests that a portion of the skepticism surrounding crypto may reflect broader shifts in sentiment toward the technology sector as a whole.

- **Repo Problem:** Recently, there has [been a rise in liquidity stress within the crucial repo market](#). This environment has forced various financial institutions to increasingly tap Federal Reserve facilities, such as the Standing Repo Facility and the Discount Window, to meet short-term funding needs. While there is no definitive link, the highly liquid nature of certain digital assets makes them prime targets for institutions needing to quickly raise clean capital
- **Quantum Hype:** Adding to long-term uncertainty is [the emergence of “quantum money,” a theoretical alternative to code-based blockchain systems](#) that would secure ledgers through the laws of physics rather than cryptography. Though still conceptual, recent breakthroughs in quantum technology — especially the release of specialized hardware like the Willow Chip — have fueled speculation about the eventual obsolescence of current cryptographic infrastructure.
- Of the three possibilities, the most concerning is that the crypto sell-off signals underlying liquidity strain. If confirmed, this could point to a broader systemic issue. While it is worrisome, the Federal Reserve does possess the necessary tools to manage such liquidity pressures. Therefore, we do not expect this specific issue to have significant long-term repercussions on the broader market.

Tech Skepticism: The tech sell-off persisted as mixed earnings reports dampened sentiment in the AI sector, keeping investors focused squarely on quarterly results. On Tuesday, [chipmaker AMD beat expectations but offered weak guidance](#), and [Super Micro Computer failed to excite investors with earnings](#) that fell short of forecasts. The disappointing performance from these companies highlights the growing expectations for AI-related firms (particularly those outside of established tech giants) despite concerns over high valuations and weak underlying fundamentals.

Shutdown Tensions: The [US government shutdown is now the longest on record](#), but a bipartisan compromise is finally emerging among centrist senators. The [proposed deal involves immediately reopening the government with a short-term bill](#). In exchange, Republican leadership would commit to holding a dedicated vote on the expiring Affordable Care Act premium subsidies. This shift towards accepting a promise to vote, rather than a guaranteed extension, signals growing post-election momentum to resolve the standoff.

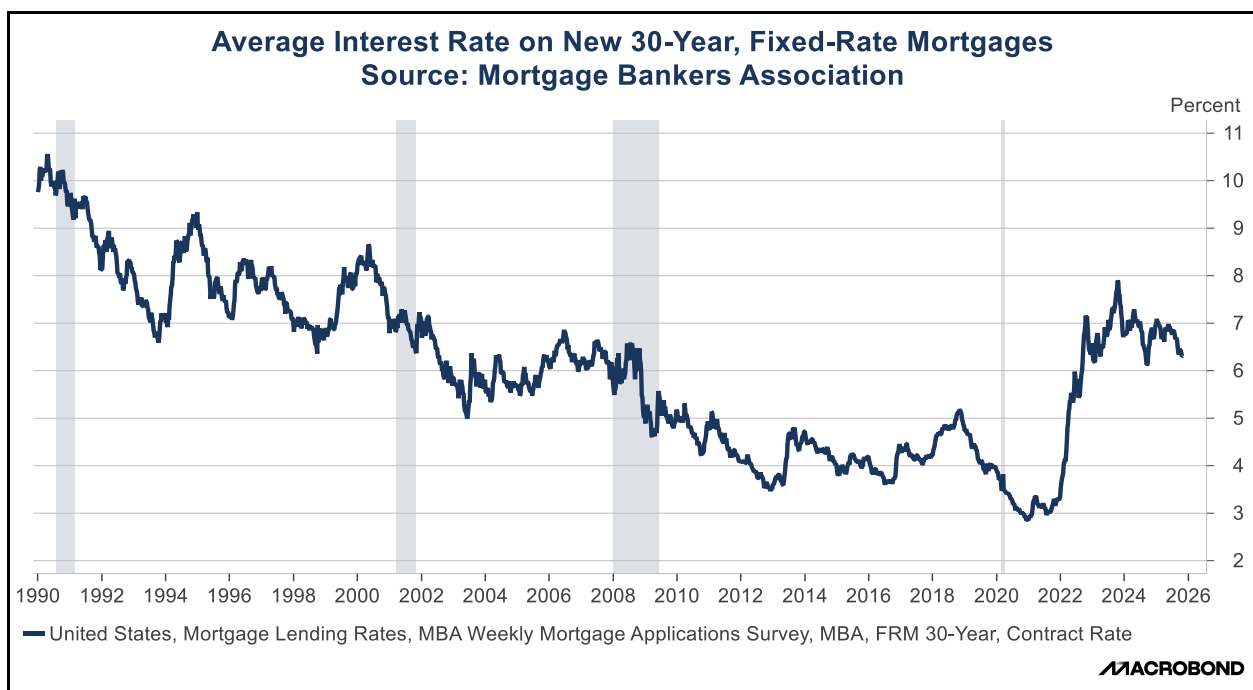
EU Soft Regulation: The European Union [has agreed to scale back its ambitious 2040 climate targets](#) following 18 hours of intense negotiations. The revised plan lowers the carbon emission reduction target to 90% and includes key concessions, such as delaying the expansion of its carbon pricing system and permitting member states to outsource a portion of their emission reductions to other countries. This policy shift is viewed favorably for European equities, as it reduces the near-term regulatory burden on domestic industries.

Venezuela Pressure: Venezuelan [President Nicolás Maduro is escalating domestic repression in response to heightened US pressure over alleged drug trafficking](#). This American pressure, which has manifested as a ramped-up Caribbean military presence under the guise of anti-narcotics operations, is widely viewed as a modern echo of the Monroe Doctrine. This effort to reassert

hemispheric dominance and deter states like Venezuela from partnering with China carries a real risk of escalation.

US Economic Releases

The Mortgage Bankers Association said **mortgage applications** in the week ended November 1 fell 1.9%, partially reversing the 7.1% jump in the previous week. Applications for home purchase mortgages fell 0.6%, compared with their rise of 4.5% in the prior week. Applications for refinancing mortgages fell 2.8%, after jumping 9.3% the week before. According to the report, the average interest rate on a 30-year, fixed-rate mortgage rose by 1 basis point to 6.31%. The chart below shows how mortgage rates have changed over time.



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 Services PMI	m/m	Oct F	55.2	55.2	***
9:45	S&P Global US Composite PMI	m/m	Oct F	54.9	54.8	***
10:00	ISM Services Index	m/m	Oct	50.8	50	***
10:00	ISM Services Prices Paid	m/m	Oct	68	69.4	*
10:00	ISM Services New Orders	m/m	Oct	51	50.4	*
10:00	ISM Services Employment	m/m	Oct	47.6	47.2	*
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	Monetary Base	y/y	Oct	-7.8%	-6.2%		**	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Oct F	52.1	52.6		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Oct F	52.5	53.1		*	Equity and bond neutral
New Zealand	Unemployment Rate	q/q	3Q	5.3%	5.2%	5.3%	***	Equity and bond neutral
	Employment Change	q/q	3Q	-0.6%	-1.2%	-0.2%	**	Equity and bond neutral
	Participation Rate	y/y	3Q	70.3%	70.5%	70.5%	**	Equity and bond neutral
	ANZ Commodity Price	m/m	Oct	-0.3%	-1.1%		**	Equity and bond neutral
South Korea	Foreign Reserves	m/m	Oct	428.82b	\$422.02b		**	Equity and bond neutral
China	RatingDog China PMI Composite	m/m	Oct	51.8	52.5		**	Equity and bond neutral
	RatingDog China PMI Services	m/m	Oct	52.6	52.9	52.5	**	Equity and bond neutral
EUROPE								
Eurozone	HCOB Eurozone Services PMI	m/m	Oct F	53.0	52.6	52.6	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	Oct F	52.5	52.2	52.2	*	Equity and bond neutral
	PPI	y/y	Sep	-0.2%	-0.6%	-0.2%	**	Equity and bond neutral
Germany	Factory Orders WDA	y/y	Sep	-4.3%	2.1%	-4.1%	***	Equity and bond neutral
	HCOB Germany Services PMI	m/m	Oct F	54.6	54.5	54.5	**	Equity and bond neutral
	HCOB Germany Composite PMI	m/m	Oct F	53.9	53.8	53.8	**	Equity and bond neutral
France	Industrial Production	y/y	Sep	1.3%	0.1%	0.6%	***	Equity and bond neutral
	Manufacturing Production	y/y	Sep	1.5%	0.2%		**	Equity and bond neutral
	HCOB France Services PMI	m/m	Oct F	48.0	47.1	47.1	**	Equity bullish, bond bearish
	HCOB France Composite PMI	m/m	Oct F	47.7	46.8	46.8	**	Equity bullish, bond bearish
Italy	HCOB Italy Services PMI	m/m	Oct	54.0	52.5	53.0	**	Equity and bond neutral
	HCOB Italy Composite PMI	m/m	Oct	53.1	51.7	52.1	**	Equity bullish, bond bearish
	Retail Sales	y/y	Sep	0.5%	0.6%		**	Equity and bond neutral
UK	New Car Registrations	y/y	Oct	0.5%	13.7%		*	Equity and bond neutral
	S&P Global UK Services PMI	m/m	Oct F	52.3	51.1	51.1	**	Equity bullish, bond bearish
	S&P Global UK Composite PMI	m/m	Oct F	52.2	51.1	51.1	**	Equity bullish, bond bearish
	Official Reserves Changes	m/m	Oct	\$1335m	\$4618m		*	Equity and bond neutral
AMERICAS								
Mexico	Gross Fixed Investment NSA	y/y	Aug	-10.4%	-6.7%	-7.0%	**	Equity bearish, bond bullish
	International Reserves Weekly	w/w	31-Oct	\$248852m	\$249341m		*	Equity and bond neutral
Brazil	S&P Global Brazil Composite PMI	m/m	Oct	48.2	46.0		***	Equity and bond neutral
	S&P Global Brazil Services PMI	m/m	Oct	47.7	46.3		***	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)	378	379	-1	Down
U.S. Sibor/OIS spread (bps)	386	388	-2	Down
U.S. Libor/OIS spread (bps)	377	378	-1	Down
10-yr T-note (%)	4.08	4.09	-0.01	Up
Euribor/OIS spread (bps)	201	202	-1	Up
Currencies	Direction			
Dollar	Flat			Up
Euro	Flat			Down
Yen	Flat			Down
Pound	Up			Down
Franc	Flat			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	\$64.29	\$64.44	-0.23%	
WTI	\$60.38	\$60.56	-0.30%	
Natural Gas	\$4.27	\$4.34	-1.61%	
Crack Spread	\$27.50	\$27.61	-0.40%	
12-mo strip crack	\$26.43	\$26.58	-0.59%	
Ethanol rack	\$1.93	\$1.93	0.09%	
Metals				
Gold	\$3,967.29	\$3,932.09	0.90%	
Silver	\$47.65	\$47.16	1.05%	
Copper contract	\$493.85	\$494.85	-0.20%	
Grains				
Corn contract	\$432.00	\$431.50	0.12%	
Wheat contract	\$549.25	\$550.25	-0.18%	
Soybeans contract	\$1,128.75	\$1,121.50	0.65%	
Shipping				
Baltic Dry Freight	1,958	1,945	13	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-0.29		
Gasoline (mb)		-1.85		
Distillates (mb)		-2.50		
Refinery run rates (%)		1.1%		
Natural gas (bcf)		33		

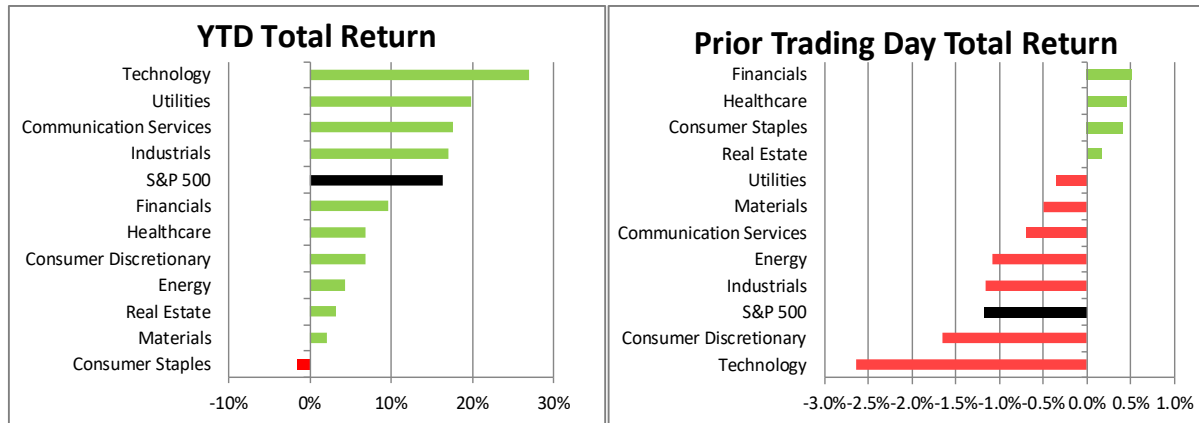
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the West Coast to the Mississippi River, with cooler-than-normal temperatures only in the Northeast. The outlook calls for wetter-than-normal conditions in the Far West and northern New York, with dry conditions in Texas and the Southeast.

No tropical cyclone activity is expected in the Atlantic Ocean area within the next seven days.

Data Section

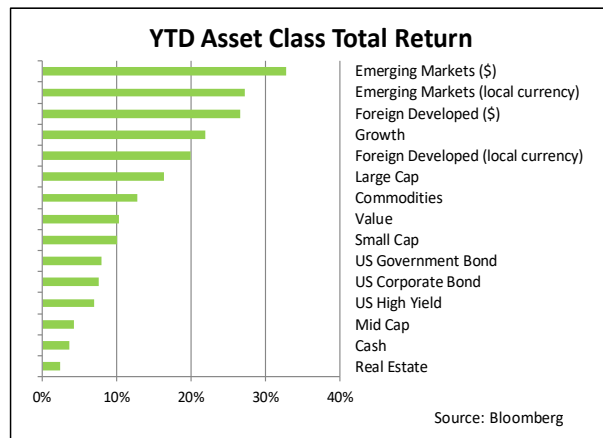
US Equity Markets – (as of 11/4/2025 close)



(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 11/4/2025 close)

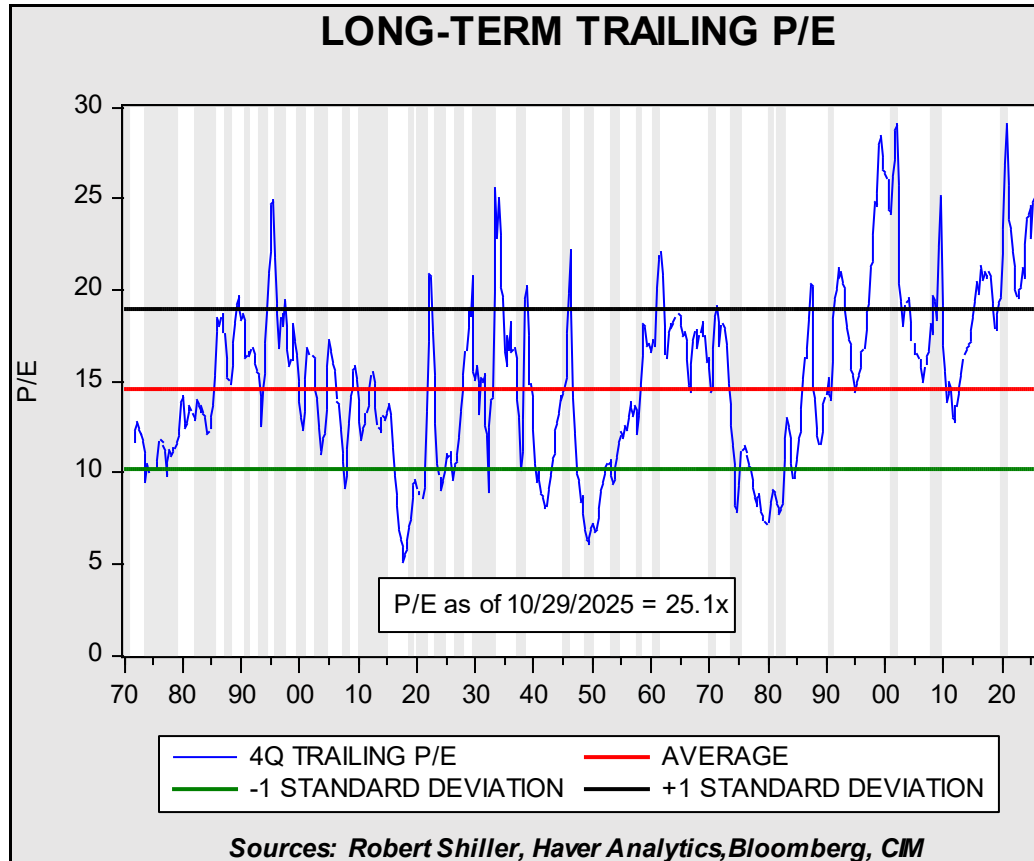


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

October 30, 2025



Based on our methodology,¹ the current P/E is 25.1x, which is down 0.1 from the previous report. This slight decline was due to the rise in the price index being offset by a bigger increase 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.