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[Posted: October 14, 2025 — 9:30 AM ET] Global equity markets are lower this morning. In Europe, the Euro Stoxx 50 is down 1.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed down 1.3%. Chinese markets were lower, with the Shanghai Composite down 0.6% and the Shenzhen Composite down 1.9%. US equity index futures are signaling a lower open.

With 24 companies having reported so far, S&P 500 earnings for Q3 are running at \$68.00 per share compared to estimates of \$68.15, which is up 8.0% from Q3 2024. Of the companies that have reported thus far, 70.8% have exceeded expectations, while 29.2% 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
“Why the US Is Offering to Bail Out Argentina” (10/13/25) + podcast	“The AI Arms Race” (10/6/25) + podcast	Q3 2025 Report Q3 2025 Rebalance Presentation	The Confluence Mailbag 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* today opens with yet another blow-up in the US-China trade war, with Beijing imposing sanctions on South Korean firms that allegedly assisted a US probe into the Chinese shipping industry. We next review several other international and US developments with the potential to affect the financial markets today, including another big artificial-intelligence deal and the first new record in silver prices since 1980.

United States-China: Beijing [added five subsidiaries of South Korean shipbuilder Hanwha Ocean to its sanctions list overnight for allegedly helping a US investigation](#) into China’s shipping industry. Because of the action, Chinese individuals and entities will now be banned from working with the Hanwha firms. More importantly, the Chinese action is being seen as

another provocative move in the US-China trade war. The news has therefore sparked a new sell-off in equity markets, setting the stage for a decline in the US market at its open.

- One concerning aspect of Beijing's move against Hanwha Ocean is that it signals China's willingness to punish US allies and their companies for supporting US geopolitical and military goals. That raises the prospect that US-China tensions will broaden.
- Indeed, in a *Financial Times* interview yesterday, US Treasury Secretary Bessent [slammed China's recent moves in the trade war, saying, "they want to pull everybody else down with them."](#) The statement detracted mightily from Bessent's encouraging statement in another venue yesterday that [President Trump and General Secretary Xi still plan to meet later this month](#), despite the sudden rekindling of US-China trade tensions over the last week.

United States-Netherlands-China: New reports say the Dutch government's recent seizure of Chinese-owned, Netherlands-based semiconductor firm Nexperia [arose after the US warned that it wouldn't remove the company from its sanctions list as long as its Chinese chief executive remained in control](#). That means Nexperia could have been left to "wither on the vine," depriving the Netherlands of an important technology company. The news shows how third-party countries and their companies are increasingly being caught in the trade crossfire between the US and China.

US Artificial Intelligence Industry: In the latest big AI deal, OpenAI and Broadcom [said they are working jointly to develop and deploy 10 gigawatts of custom AI processors and related computing systems](#). The firms didn't release financial details, but sources said the deal will result in billions of dollars of new revenues for Broadcom, boosting its stock price dramatically.

- Along with OpenAI's recent deals to buy chips from Nvidia and Advanced Micro Devices, it appears the company has sealed commitments to buy 26 gigawatts of chips in the coming few years, worth hundreds of billions of dollars.
- As large as that amount is, sources say OpenAI plans to buy a total of 250 gigawatts of chips by 2033, for a total commitment of about \$10 trillion. If its actual purchases are anywhere near that goal, it suggests chip designers and manufacturers still have plenty of AI business in front of them.
- Of course, OpenAI's rising purchase commitments and firms' vast AI investments are also raising the risk of wasted resources and over-extension. The AI frenzy is therefore looking more risky, although there are few signs of problems in the near term.

Global Precious Metals Market: Prices for near silver futures yesterday [surged to \\$50.13 per ounce, up almost 7% on the day and 85% for the year-to-date](#). The action brought silver prices to their [first record high since 1980](#). Silver prices typically move in the same direction as gold prices, though with a lag and greater volatility, like a skier to a motorboat. Given the recent surge in gold prices, the jump in silver is no surprise, and silver prices could well continue to rise in the near term.

US Auto Industry: General Motors today [said it will cut its electric-vehicle manufacturing capacity and take a \\$1.6-billion charge against it as demand falls](#) in response to reduced government subsidies and regulatory requirements. While companies across the industry look forward to reduced regulatory burdens under the new US administration, the charge is a reminder that policy changes could also generate at least short-term adjustment costs that could affect stock and bond prices.

German Defense Industry: Defense firm Thyssenkrupp said it will [spin off its Marine Systems warship business on Monday, when the shipbuilder has its initial public offering on the Frankfurt stock exchange](#). Thyssenkrupp will retain a 51% stake in the company, while the rest will be floated to the public.

- The IPO shows that Thyssenkrupp is trying to take advantage of the continuing frenzy for European defense stocks.
- As we've noted many times before, growing concern about Russian territorial aggression and questions about US defense commitments continue to spur European countries to boost their defense spending, creating new opportunities for European defense firms.

German Labor Policy: The government of center-right Chancellor Merz reportedly [plans to introduce a measure that would allow German pensioners to work and earn up to 2,000 EUR \(\\$2313\) a month tax-free](#). The new "active pension" plan is designed to address the country's severe labor shortages as birth rates continue to fall, and European governments clamp down on immigration. However, it's not clear whether the new program will be effective enough to boost German companies' growth prospects.

Russia-NATO: Officials at the North Atlantic Treaty Organization say the Russian navy [has sharply reduced its presence in the Mediterranean Sea in recent months](#), likely because of resource constraints amid the continued fighting in Ukraine and a need to put more focus on the Arctic and Baltic Seas. Despite widespread concern about Russian territorial designs on Central and Western Europe, the development suggests the threat is not necessarily acute, at least as long as Russian forces remain bogged down in their invasion of Ukraine.

US Economic Releases

Due to the federal government shutdown, no economic reports have been released so far today. The table below lists the economic releases and/or Fed events scheduled for the rest of the day.

Economic Releases			
No economic releases for the rest of today			
Federal Reserve			
EST	Speaker or Event	District or Position	
8:45	Michelle Bowman in Moderated Conversation at IIF	Member of the Board of Governors	
12:20	Jerome Powell Speaks on Economic Outlook and Monetary Policy	Chairman of the Board of Governors	
15:25	Christopher Waller on Payments Panel at IIF	Member of the Board of Governors	
15:30	Susan Collins Speaks to the Greater Boston Chamber of Commerce	President of the Federal Reserve Bank of Boston	

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	Money Stock M2	y/y	Sep	1.6%	1.3%		**	Equity and bond neutral
	Money Stock M3	y/y	Sep	1.0%	0.8%		**	Equity and bond neutral
Australia	NAB Business Confidence	m/m	Sep	7	4		***	Equity and bond neutral
	NAB Business Conditions	m/m	Sep	8	8		***	Equity and bond neutral
India	Wholesale Prices	m/m	Sep	0.13%	0.52%	0.40%	*	Equity and bond neutral
EUROPE								
Eurozone	ZEW Survey Expectations	m/m	Oct	22.7	26.1		**	Equity and bond neutral
Germany	CPI	y/y	Sep F	2.4%	2.4%	2.4%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep F	2.4%	2.4%	2.4%	**	Equity and bond neutral
	ZEW Survey Expectations	m/m	Oct	39.3	37.3	41.1	**	Equity bearish, bond bullish
	ZEW Survey Current Situation	m/m	Oct	-80.0	-76.4	-74.2	**	Equity bearish, bond bullish
	Current Account Balance	m/m	Aug	8.3b	15.6b		**	Equity and bond neutral
UK	Average Weekly Earnings 3M/YoY	m/m	Aug	5.0%	4.8%	4.7%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Aug	4.8%	4.7%	4.7%	**	Equity and bond neutral
	Claimant Count Rate	m/m	Sep	4.4%	4.3%		**	Equity and bond neutral
	Jobless Claims Change	m/m	Sep	25.8k	-2.0k		**	Equity and bond neutral
Switzerland	Producer & Import Prices	y/y	Sep	-1.8%	-1.8%		**	Equity and bond neutral
Russia	Trade Balance	m/m	Aug	7.5b	12.7b		**	Equity and bond neutral
	Exports	m/m	Aug	31.5b	38.0b		*	Equity and bond neutral
	Imports	m/m	Aug	24.1b	25.3b		*	Equity and bond neutral
AMERICAS								
Brazil	IBGE Services Volume	y/y	Aug	2.5%	2.8%	2.5%	*	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)	385	386	-1	Down
U.S. Sibor/OIS spread (bps)	389	391	-2	Down
U.S. Libor/OIS spread (bps)	382	384	-2	Down
10-yr T-note (%)	4.03	4.03	0.00	Down
Euribor/OIS spread (bps)	201	203	-2	Flat
Currencies	Direction			
Dollar	Up			Up
Euro	Down			Down
Yen	Down			Down
Pound	Down			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	\$61.86	\$63.32	-2.31%	
WTI	\$58.04	\$59.49	-2.44%	
Natural Gas	\$3.08	\$3.12	-1.25%	
Crack Spread	\$23.68	\$23.56	0.52%	
12-mo strip crack	\$24.03	\$23.96	0.28%	
Ethanol rack	\$2.00	\$2.01	-0.30%	
Metals				
Gold	\$4,132.30	\$4,110.27	0.54%	
Silver	\$51.59	\$52.37	-1.50%	
Copper contract	\$499.60	\$514.40	-2.88%	
Grains				
Corn contract	\$410.50	\$410.75	-0.06%	
Wheat contract	\$493.25	\$496.75	-0.70%	
Soybeans contract	\$1,003.75	\$1,007.75	-0.40%	
Shipping				
Baltic Dry Freight	2,144	1,936	208	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		0.35		
Gasoline (mb)		-1.38		
Distillates (mb)		-0.73		
Refinery run rates (%)		-1.8%		
Natural gas (bcf)		78		

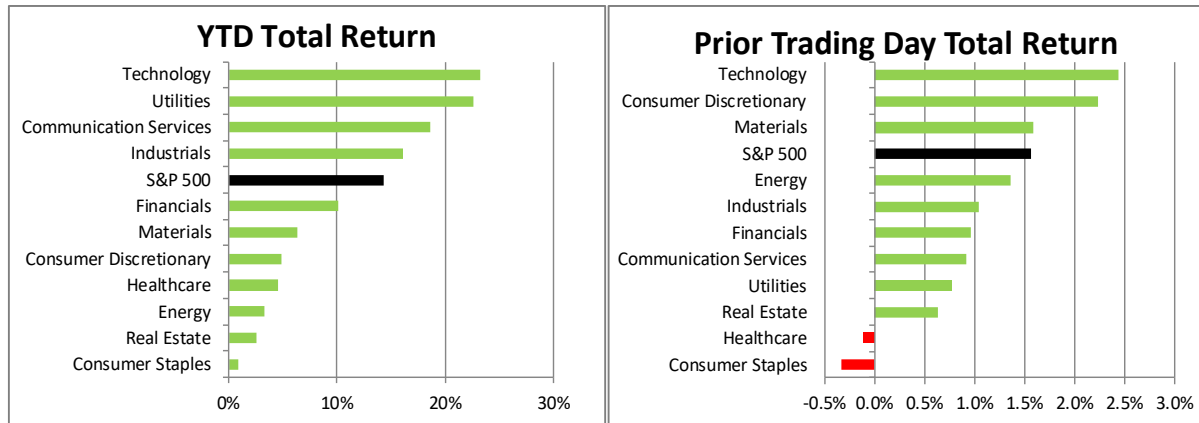
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures east of the Rocky Mountains, with cooler-than-normal temperatures for the rest of the country. The forecasts call for wetter-than-normal conditions in most states, with dry conditions expected in the southern part of New Mexico.

There is one tropical disturbance, Tropical Storm Lorenzo, deep in the Atlantic Ocean area. It is not expected to make landfall within the next seven days.

Data Section

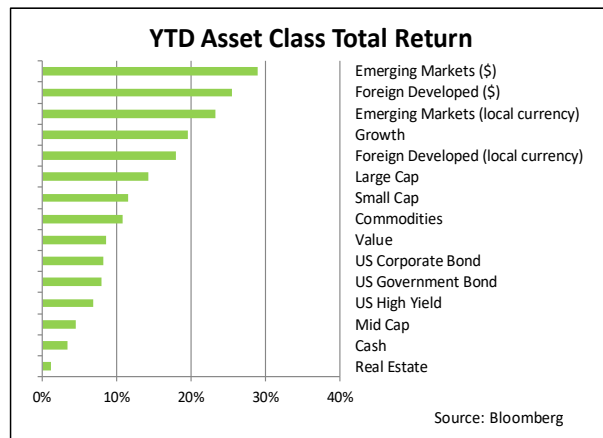
US Equity Markets – (as of 10/13/2025 close)



(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 10/13/2025 close)

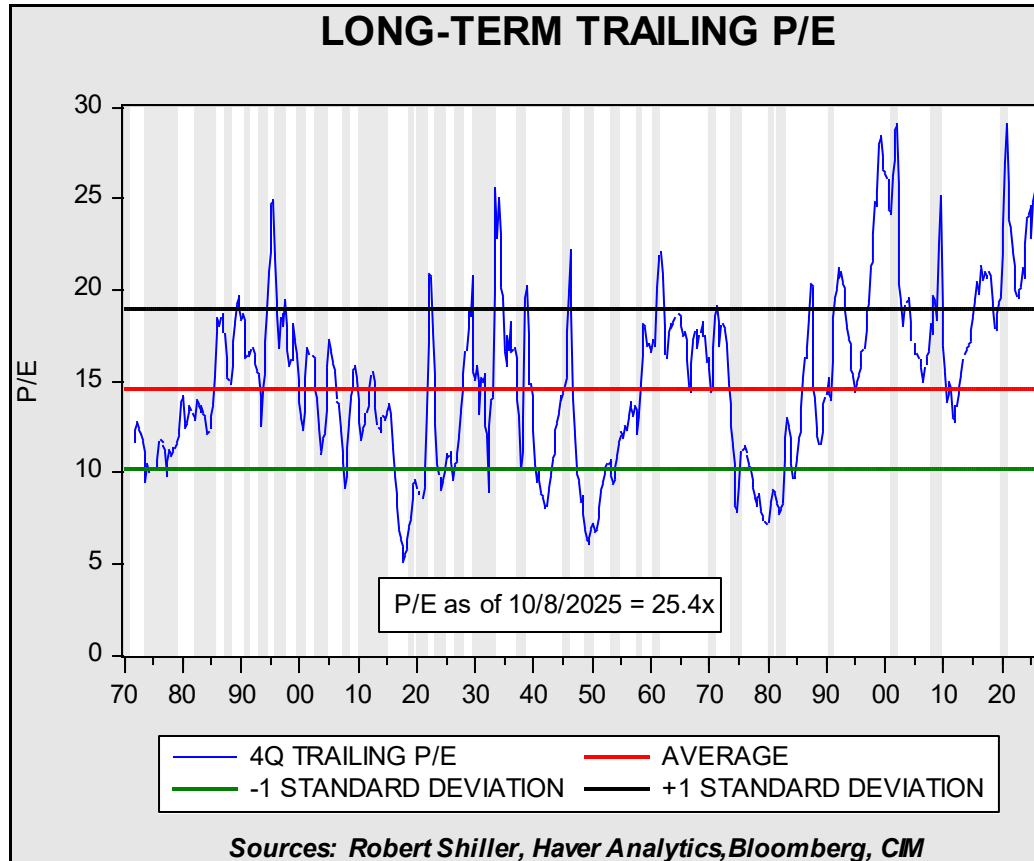


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 9, 2025



Based on our methodology,¹ the current P/E is 25.4x, which is up 0.5 from the previous report. This notable jump resulted from the transition in the price index calculation to incorporate the next quarter's average stock price.

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.