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[Posted: October 21, 2025 — 9:30 AM ET] Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 0.2% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.1%. Chinese markets were higher, with the Shanghai Composite up 1.4% and the Shenzhen Composite up 1.8%. US equity index futures are signaling a mildly higher open.

With 60 companies having reported so far, S&P 500 earnings for Q3 are running at \$68.10 per share compared to estimates of \$68.15, which is up 8.0% from Q3 2024. Of the companies that have reported thus far, 84.5% have exceeded expectations, while 13.8% 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 Debasing Hedge: A Tale of Two Safeties” (10/20/25) + 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 confirmation that the Japanese parliament has formally approved Sanae Takaichi as Japan’s first female prime minister. We next review several other international and US developments with the potential to affect the financial markets today, including a big corporate finance scandal in emerging-market darling Vietnam that has sharply pushed down its stock prices and an adjustment to the US administration’s new \$100,000 fee for H1-B visas that will greatly limit its impact on the labor market.

Japan: As we flagged in our *Comment* yesterday, the Diet today [has confirmed the ruling Liberal Democratic Party’s leader, conservative Sanae Takaichi, as the country’s first female prime minister](#). Takaichi is expected to push for strong ties with the US, a bigger defense budget,

deregulation, and a return to stimulative “Abenomics” policies. However, her new coalition partner, the right-wing Nippon Ishin no Kai (Japan Innovation Party), is expected to resist overly loose fiscal and monetary policies and push idiosyncratic policies such as decentralization.

- Takaichi immediately [named her cabinet, including Japan’s first female finance minister](#). In an effort to help unify the LDP, she also named several of her rivals in the recent party leadership race to positions in the government.
- Reflecting investor excitement and optimism about Takaichi, Japanese stock price indexes yesterday rose to a new record high, although they more recently have given up some of their gains.

Vietnam: The country’s main stock price index [plunged 5.5% yesterday after a Friday report by government inspectors noted multiple irregularities in \\$17 billion of corporate bond issues](#) from 2015 to 2023. The investigators also referred Novaland, one of Vietnam’s biggest property developers, to police for a criminal investigation. The scandal is a major fly in the ointment given that FTSE Russell lifted Vietnam from “frontier” status to “emerging market” just this month. Before yesterday, the main stock price index had been up 25% in dollars for the year-to-date.

United States-Australia: President Trump and Australian Prime Minister Albanese yesterday [signed a deal designed to cut US dependence on Chinese critical minerals](#). Under the deal, the US and Australia will both invest \$1 billion to develop Australian mines and processing facilities for unspecified critical minerals, while also supporting billions of dollars of private investments into the sector. The deal also involves minimum purchase prices for the mineral products to help incentivize the investments — a move that has helped spark intense investor interest in the sector.

- Trump [also confirmed his support for the AUKUS submarine deal](#), under which the US and the UK are helping Australia develop a fleet of nuclear-powered submarines to bolster its defenses against China.
- The AUKUS deal is seen as a critical project to leverage Australia’s geographic location near China, but critics have worried that it will strain the beleaguered US shipbuilding industry, which is struggling to deliver submarines to the US Navy on schedule.

US Labor Market: US Citizenship and Immigration Services yesterday [said the White House’s new \\$100,000 fee for H1-B visa applications would only apply to those seeking initial visas from outside the country](#). That’s likely to sharply narrow the impact of the new fee and allow many current visa holders who are already working or studying in the US to remain. The narrower policy probably stemmed at least in part from lobbying by companies worried that they would be left without qualified workers in technology and other fields.

European Union: The European Commission’s top health official, Olivér Várhelyi of Hungary, [is under increasing pressure to resign over accusations that he helped the Hungarian government run a network of spies at EU institutions](#) in Brussels. If the accusations are correct, they highlight just how bad the tensions have become between the EU and Hungary’s right-wing populist

leader, Prime Minister Viktor Orbán, who is pushing against a number of EU initiatives in areas such as rule of law and relations with Russia.

Germany: In a sign of what could be coming for US and British investors, Deutsche Bank and other retail financial institutions in Germany [have begun offering private equity funds to small investors](#). For example, Deutsche's fund only has a 10,000 EUR (\$11,600) minimum investment and merely requires that clients hold at least 200,000 EUR (\$232,200) in assets with the bank. The US and UK are also working to change their retirement finance rules to allow everyday investors to invest in private equity, largely reflecting private equity firms' difficulty in raising new capital.

United Kingdom: New data [shows net borrowing by the UK government in the first half of the fiscal year \(April through September\) totaled 99.8 billion GBP](#) (\$133 billion), a record high excluding the pandemic year of 2020. Borrowing in the first half was 7.2 billion GBP (\$9.6 billion) more than forecast and 11.5 billion GBP (\$15.4 billion) higher than in the same period in 2024. The heavy borrowing reportedly reflects tepid economic growth and high costs. The burgeoning debt creates further pressure for the government to impose new taxes during its budget review in November.

Argentina: Despite the US Treasury buying some \$400 million of Argentine pesos (ARS) since October 9 and offering a \$20-billion swap line, the currency [has continued to depreciate and yesterday fell 1% to a new record low of 1,477 per dollar](#). The continued decline in the peso suggests the unusual US intervention in support of the currency is so far proving ineffective. The peso, therefore, could keep weakening up until Argentina's midterm elections on October 26, when libertarian President Milei is likely to fall short of earlier expectations for big legislative gains.

US Economic Releases

Due to the federal government shutdown, no economic reports have been released so far today. There are no economic releases or Fed events scheduled for the rest of the day.

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	Machine tool orders	y/y	Sep F	11.0%	9.9%		**	Equity and bond neutral
	Tokyo Condominiums for Sale	y/y	Sep	4.3%	78.7%		*	Equity and bond neutral
New Zealand	Exports NZD	m/m	Sep	5.82b	5.85b		**	Equity and bond neutral
	Imports NZD	m/m	Sep	7.18b	7.08b		**	Equity and bond neutral
	Trade Balance NZD	m/m	Sep	-1355m	-1235m		**	Equity and bond neutral
EUROPE								
France	Retail Sales SA	y/y	Sep	-1.2%	-1.0%		*	Equity and bond neutral
UK	Public Finances (PSNCR)	m/m	Sep	-10.900	10.2b		*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	Sep	20.2b	15.3b	20.8b	*	Equity and bond neutral
	PSNB ex Banking Groups	m/m	Sep	20.2b	15.3b		**	Equity and bond neutral
Switzerland	Real Exports	m/m	Sep	2.7%	0.0%		*	Equity and bond neutral
	Real Imports	m/m	Sep	1.9%	0.8%		*	Equity and bond neutral
	M3 Money Supply	y/y	Sep	3.9%	4.5%		**	Equity and bond neutral
AMERICAS								
Canada	Industrial Product Price	m/m	Sep	0.8%	0.2%	0.2%	**	Equity and bond neutral
	Raw Material Prices	m/m	Sep	1.7%	-8.0%	-0.3%	*	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)	387	387	0	Down
U.S. Libor/OIS spread (bps)	378	378	0	Down
10-yr T-note (%)	3.97	3.98	-0.01	Down
Euribor/OIS spread (bps)	202	201	1	Up
Currencies	Direction			
Dollar	Up			Up
Euro	Down			Down
Yen	Up			Down
Pound	Down			Down
Franc	Up			Up

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	\$61.42	\$61.01	0.67%	
WTI	\$58.06	\$57.52	0.94%	
Natural Gas	\$3.47	\$3.40	2.12%	
Crack Spread	\$24.31	\$24.41	-0.39%	
12-mo strip crack	\$24.39	\$24.41	-0.06%	
Ethanol rack	\$1.97	\$1.96	0.39%	
Metals				
Gold	\$4,255.71	\$4,356.30	-2.31%	
Silver	\$50.19	\$52.45	-4.31%	
Copper contract	\$498.50	\$503.60	-1.01%	
Grains				
Corn contract	\$423.00	\$423.25	-0.06%	
Wheat contract	\$502.75	\$504.75	-0.40%	
Soybeans contract	\$1,056.00	\$1,050.00	0.57%	
Shipping				
Baltic Dry Freight	2,071	2,069	2	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-1.20		
Gasoline (mb)		-1.00		
Distillates (mb)		-1.00		
Refinery run rates (%)		-1.0%		
Natural gas (bcf)		81		

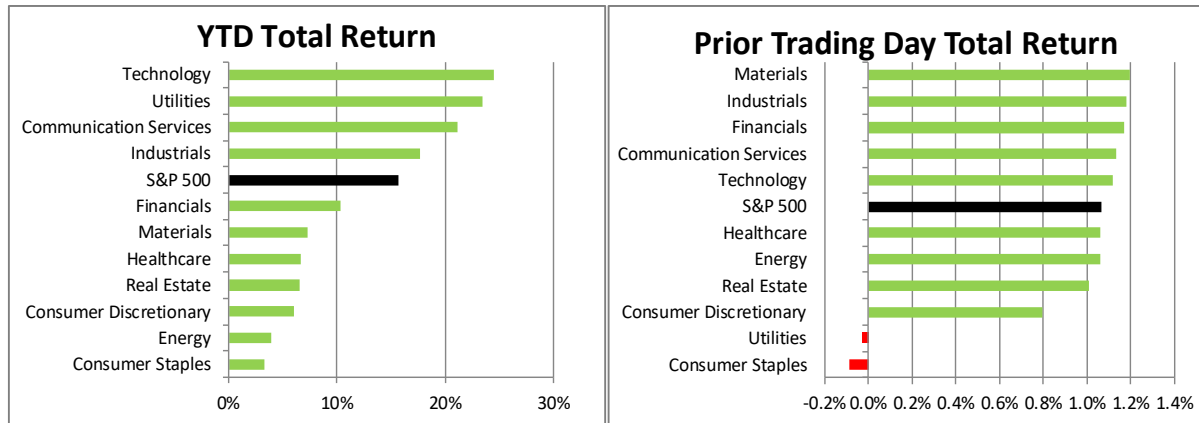
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with near-normal temperatures expected in the Pacific Northwest, Midwest, and Southeast. The precipitation outlook calls for wetter-than-normal conditions for most of the country, with dry conditions in the Southwest.

There is one tropical disturbance forming in the Atlantic. The disturbance has a 100% chance of cyclone formation within the next seven days and is located in the southeastern Caribbean Sea.

Data Section

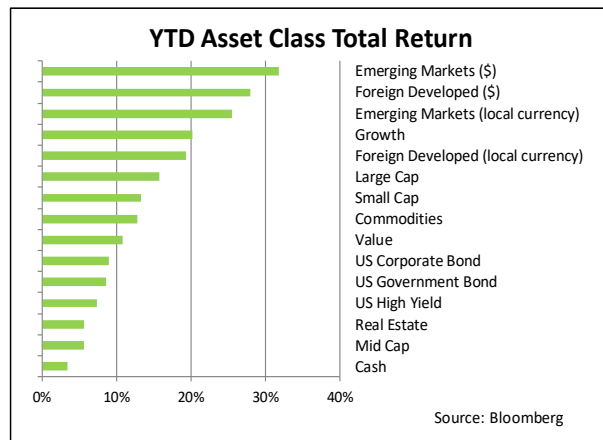
US Equity Markets – (as of 10/20/2025 close)



(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 10/20/2025 close)

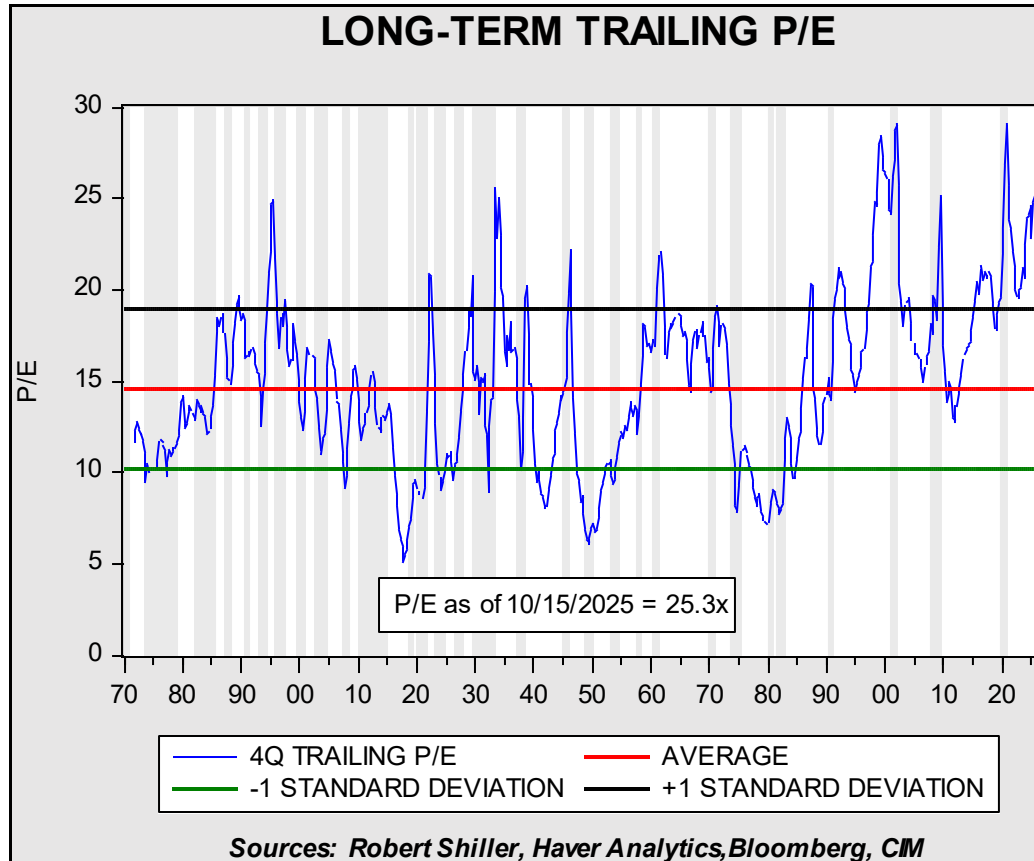


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 16, 2025



Based on our methodology,¹ the current P/E is 25.3x, which is down 0.1 from the previous report. This slight decline resulted from a minor drop in the price index and an 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.