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**[Posted: October 2, 2025 — 9:30 AM ET]** Global equity markets are higher this morning. In Europe, the Euro Stoxx 50 is up 1.5% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 2.3%. Chinese markets are closed today in observance of National Day and the Golden Week holiday. US equity index futures are signaling a higher 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
<a href="#">“US Influence on the Wane: New Evidence”</a> (9/29/25) + <a href="#">podcast</a>	<a href="#">“Stopping the Bond Vigilante”</a> (9/22/25) + <a href="#">podcast</a>	<a href="#">Q3 2025 Report</a>  <a href="#">Q3 2025 Rebalance Presentation</a>	<a href="#">The Confluence Mailbag Podcast</a>  <a href="#">Business Cycle Report</a>

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](mailto:mailbag@confluenceim.com).

Our *Comment* begins with an update on Stargate's latest ventures. We then shift our focus to global developments, including stricter EU tariffs on Chinese steel and Beijing's strategy to counter potential isolation from the West. Further analysis covers the decline in ADP private payrolls, the US defense pledge to Qatar, and the latest on the government shutdown. We also provide a summary of key economic indicators from the US and global markets.

**Stargate Deals:** Market optimism remains underpinned by the public-private AI infrastructure push. On Wednesday, OpenAI solidified this trend by [securing key agreements with Samsung Electronics and SK Hynix](#) for its ambitious Stargate projects. Crucially, the deal involves both the supply of next-generation chips and a commitment to jointly build AI data centers in Seoul. This strategic expansion is a clear indicator of the effort by the US-led AI ecosystem to diversify its computation capacity and deepen alliances with key global hardware partners.

- Stargate's deal with a South Korean tech company forms part of its broader strategy for international growth. This follows closely on the heels of a similar infrastructure agreement with the UAE as well as with the UK, demonstrating a coordinated push to

establish a global footprint that spans both advanced technology and critical data center capacity.

- The US push to develop AI infrastructure is a key component of a broader strategy to solidify its position as the global epicenter of artificial intelligence. The administration's approach appears to be one of expanding US influence through technological supremacy, while simultaneously reducing the rest of the world's reliance on international trade.
- The central challenge to watch for is the US's ability to compete with China as both nations expand their AI reach abroad. US success hinges on convincing more countries to adopt US-based AI infrastructure and technology over Chinese alternatives. Successfully winning these build-out contracts will directly increase US market share, making it significantly easier for US tech companies to justify their aggressive, high-growth valuations.

**EU Trade Restrictions:** The EU has proposed [doubling tariffs on imported steel to 50% in an effort](#) to shield its domestic industry from dumping by China and other Asian nations. This new rate is designed to align with the US tariff level, a move intended to prevent steel exports that are being diverted by US policies from flooding the European market. Although the EU has steel import quotas in place already, this new plan is far more granular, introducing specific quotas based on individual product types and originating countries.

- The global move to restrict imports reflects a concerted effort to economically isolate China, as US trade policy is prompting a worldwide realignment. In response, key US partners and regional powers — including Canada, Mexico, Japan, and India — have enacted new anti-dumping measures targeting Chinese goods.
- Concurrently, efforts are underway to counter China's potential to weaponize its own imports in retaliation. Last month, [G-7 members began talks to establish price floors for rare earths](#). This strategy aims to incentivize investment in alternative production and reduce collective reliance on China. The group is also considering targeted tariffs on Chinese exports of these critical minerals.
- As Western nations toughen their stance, China is expected to deepen its ties with the Global South to reduce its own economic dependencies. This shift is already visible, with Chinese exports being increasingly redirected to Africa and Latin America, leveraging existing investment partnerships. We can expect this trend to accelerate as China works to establish an alternative trading bloc.

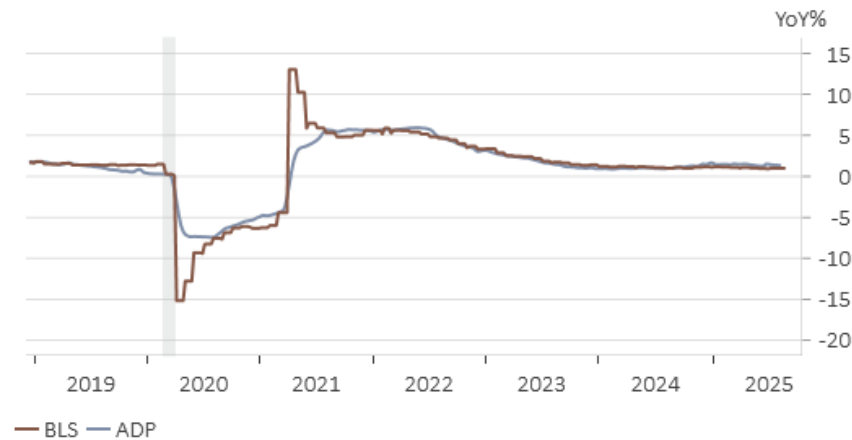
**Cook Safe for Now?** The [Supreme Court will hear arguments in January on the president's authority to fire Federal Reserve Governor Lisa Cook](#), a case that will define the limits of presidential power over independent agencies. The delayed hearing has, for now, secured Cook's position on the FOMC. However, her eventual removal could undermine confidence in the Fed's independence, potentially weighing on the US dollar.

**ADP Payrolls:** [Private sector payrolls recorded their steepest decline since 2023](#), falling by 32,000 jobs in a fresh sign of a cooling labor market. The downturn appears broader than initially thought, as the prior month's data was revised down from a gain of 51,000 to a loss of 4,000.

Although the ADP report and official government data can differ, they typically move in tandem, offering a critical glimpse into the labor market while the federal government's release is suspended.

## With the Government Data on Hold, ADP Fills the Void

Private Payroll Change



MACROBOND

**China Soybean Purchases:** The [White House is preparing to confront China over its halted purchases of American soybeans](#), a critical point in the ongoing trade negotiations. China's shifting of its massive agricultural orders to competitors like Brazil and Argentina has damaged the US farm sector. While a resumption of Chinese buying would offer significant relief, the agreement hinges on unspecified concessions that Beijing is expected to demand. The two nations face a November deadline, after which previously suspended tariffs are slated to be reinstated.

**Qatar Protection:** The [White House has pledged to defend Qatar in the event of an attack](#), a move aimed at securing the country's continued participation in the Abraham Accords. This assurance comes in response to a recent Israeli airstrike on Qatari soil targeting Hamas leaders — an act Israel has since apologized for but was seen as a severe breach of trust. By extending US protection, the Trump administration hopes to reassure Qatar that such an incident will not be repeated.

**Federal Job Cuts:** The White House is considering [permanent layoffs to pressure Democratic lawmakers into ending the government shutdown](#). This escalation comes as the two parties remain deadlocked over a spending agreement to fund the government. While the threat of layoffs suggests the stalemate could persist longer than expected, there are indications that both sides remain willing to negotiate a deal.

## US Economic Releases

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

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:00	Factory Orders	m/m	Aug	1.4%	-0.6%	***
10:00	Factory Orders Ex Transportation	m/m	Aug	0.3%	2.1%	**
10:00	Durable Goods Orders	m/m	Aug F	2.9%	-0.6%	***
10:00	Durable Goods Orders ex Transportation	m/m	Aug F	0.4%	-0.6%	**
10:00	Cap Goods Orders Nondef Ex Air	m/m	Aug F	0.6%	0.5%	*
10:00	Cap Goods Ship Nondef Ex Air	m/m	Aug F	-3.0%	0.7%	*
Federal Reserve						
EST	Speaker or Event	District or Position				
10:30	Lorie Logan Speaks at University of Texas Conference	President of the Federal Reserve Bank of Dallas				
13:40	Austan Goolsbee Speaks on Fox Business	President of Federal Reserve Banks of Chicago				

## 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
<b>ASIA-PACIFIC</b>								
<b>Japan</b>	Monetary Base	y/y	Sep	-6.2%	-4.1%		**	Equity and bond neutral
	Japan Buying Foreign Bonds	w/w	26-Sep	-¥162.0b	¥816.7b		*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	26-Sep	-¥11.6b	-¥151.5b		*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	26-Sep	-¥1997.0b	¥53.4b		*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	26-Sep	-¥963.3b	-¥1747.1b		*	Equity and bond neutral
	Consumer Confidence Index	m/m	Sep	35.3	34.9	35.2	*	Equity and bond neutral
<b>Australia</b>	Trade Balance	m/m	Aug	A\$1825m	A\$6612m	A\$6200m	***	Equity and bond neutral
	Exports	m/m	Aug	-7.8%	2.5%		*	Equity and bond neutral
	Imports	m/m	Aug	3.2%	-2.4%		*	Equity and bond neutral
	Household Spending	y/y	Aug	5.0%	5.3%	5.2%	*	Equity and bond neutral
<b>South Korea</b>	BoP Current Account Balance	m/m	Aug	\$9148.8m	\$10778.7m		**	Equity and bond neutral
	BoP Goods Balance	m/m	Aug	\$9397.8m	\$10269.9m		*	Equity and bond neutral
	CPI	m/m	Sep	2.1%	1.7%	2.0%	***	Equity and bond neutral
<b>EUROPE</b>								
<b>Eurozone</b>	Unemployment Rate	m/m	Aug	63.3%	6.2%	6.2%	**	Equity and bond neutral
<b>France</b>	Budget Balance YTD	y/y	Aug	-157.5b	-142.0b		***	Equity and bond neutral
<b>Italy</b>	Unemployment Rate	m/m	Aug	6.0%	6.0%	6.1%	**	Equity and bond neutral
	New Car Registrations	y/y	Sep	4.07%	-2.68%		*	Equity and bond neutral
	Budget Balance	m/m	Sep	-25.3b	-0.1b		*	Equity and bond neutral
<b>Switzerland</b>	CPI	y/y	Sep	0.2%	0.2%	0.3%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep	0.0%	0.0%		*	Equity and bond neutral
	Core CPI	y/y	Sep	0.7%	0.7%	0.7%	*	Equity and bond neutral
<b>Russia</b>	Retail Sales	m/m	Aug	2.8%	2.0%	2.2%	**	Equity and bond neutral
	Unemployment Rate	m/m	Aug	2.1%	2.2%	2.2%	***	Equity and bond neutral
	Real Wages	y/y	Jul	6.6%	5.1%	3.4%	*	Equity bullish, bond bearish
	GDP	y/y	2Q F	1.1%	1.1%	1.1%	**	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	S&P Global Canada Manufacturing PMI	m/m	Sep	47.7	48.3		***	Equity and bond neutral
<b>Mexico</b>	S&P Global Mexico Manufacturing PMI	m/m	Sep	49.6	50.2		***	Equity and bond neutral
	Remittances Total	y/y	Aug	\$5578.2m	\$5329.9m	\$5389.0m	*	Equity and bond neutral
	IMEF Manufacturing Index SA	y/y	Sep	46.5	45.6	46.4	*	Equity and bond neutral
	IMEF Non-Manufacturing Index SA	y/y	Sep	48.8	49.7	49.5	*	Equity and bond neutral
	Vehicle Domestic Sales	y/y	Sep	117182	124167		*	Equity and bond neutral
<b>Brazil</b>	S&P Global Brazil Manufacturing PMI	m/m	Sep	46.5	47.7		***	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)	384	384	0	Down
U.S. Sibor/OIS spread (bps)	394	395	-1	Down
U.S. Libor/OIS spread (bps)	387	388	-1	Down
10-yr T-note (%)	4.10	4.10	0.00	Down
Euribor/OIS spread (bps)	202	203	-1	Up
Currencies	Direction			
Dollar	Up			Up
Euro	Down			Down
Yen	Up			Down
Pound	Down			Down
Franc	Down			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
<b>Energy Markets</b>				
Brent	\$64.88	\$65.35	-0.72%	
WTI	\$61.34	\$61.78	-0.71%	
Natural Gas	\$3.44	\$3.48	-1.09%	
Crack Spread	\$22.91	\$23.34	-1.87%	
12-mo strip crack	\$23.64	\$23.98	-1.41%	
Ethanol rack	\$2.14	\$2.12	0.58%	
<b>Metals</b>				
Gold	\$3,883.79	\$3,865.74	0.47%	
Silver	\$47.49	\$47.32	0.36%	
Copper contract	\$495.65	\$488.25	1.52%	
<b>Grains</b>				
Corn contract	\$416.50	\$416.50	0.00%	
Wheat contract	\$510.25	\$509.25	0.20%	
Soybeans contract	\$1,011.25	\$1,013.00	-0.17%	
<b>Shipping</b>				
Baltic Dry Freight	1,980	2,134	-154	
<b>DOE Inventory Report</b>				
	Actual	Expected	Difference	
Crude (mb)	1.79	-0.05	1.84	
Gasoline (mb)	4.13	-0.08	4.21	
Distillates (mb)	0.58	-1.65	2.23	
Refinery run rates (%)	-1.6%	-0.3%	-1.4%	
Natural gas (bcf)		66		

## **Weather**

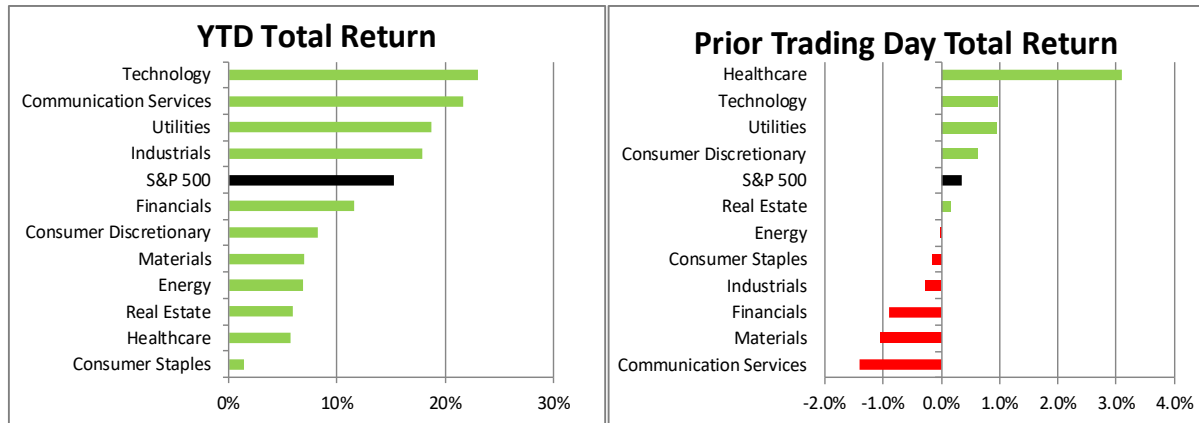
The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Rocky Mountains eastward, with near-normal temperatures in the Far West. The forecasts call for wetter-than-normal conditions in the Rocky Mountains, the Great Plains, and Florida, with dry conditions in the Pacific Northwest and the Deep South.

There are now three tropical disturbances in the Atlantic Ocean area. Hurricane Imelda is now in the central Atlantic and moving northeasterly; it is not expected to hit the US mainland. There is also a disturbance in the south-central Atlantic off the coast of Africa and another sitting over Florida, but each is assessed to have only a 20% chance of cyclonic formation within the next seven days.



## Data Section

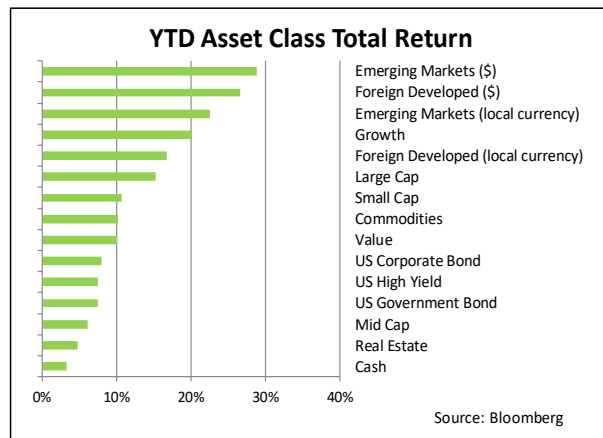
### US Equity Markets – (as of 10/1/2025 close)



(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 10/1/2025 close)



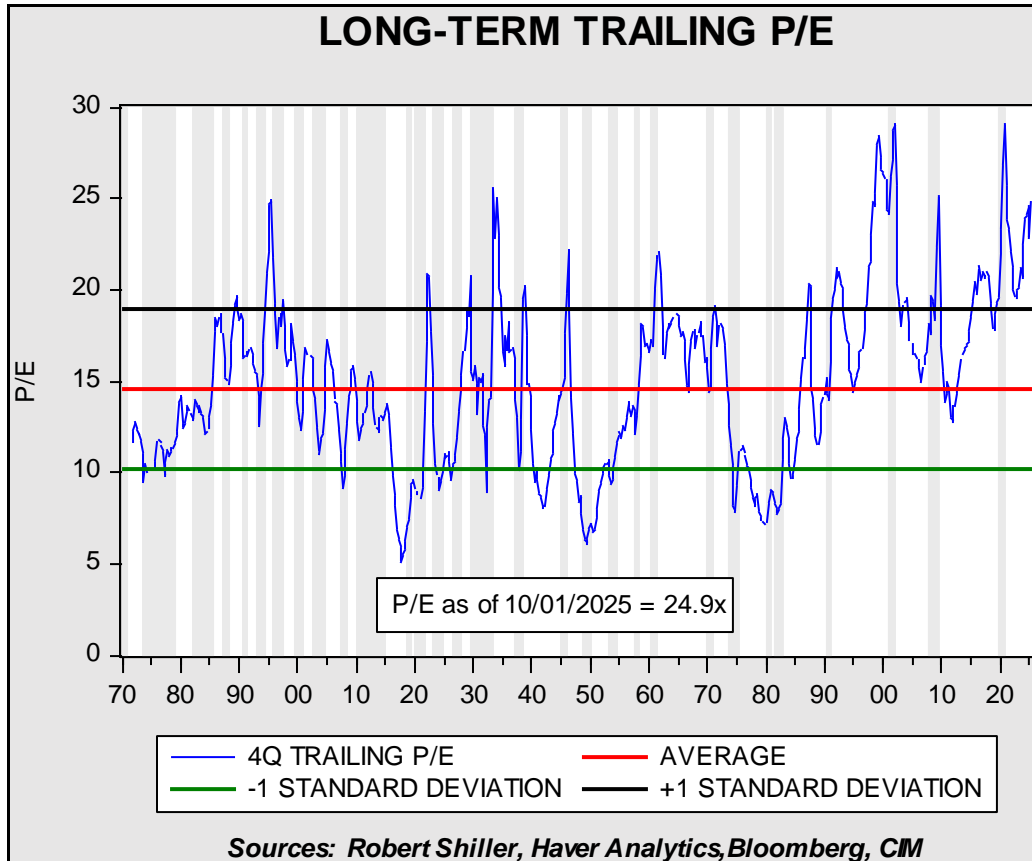
This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 2, 2025



Based on our methodology,<sup>1</sup> the current P/E is 24.9x, which is up 0.1 from the previous report. The gain was attributable to an appreciation in the stock price index, whereas earnings remained flat relative to the previous week.

*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.*

<sup>1</sup> 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, Q3, Q4) 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.