

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 7, 2025 — 9:30 AM ET] Global equity markets are generally higher this morning. In Europe, the Euro Stoxx 50 is up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.5%. Chinese markets remain closed 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
“US Influence on the Wane: New Evidence” (9/29/25) + 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 news of another US government investment in a key critical minerals company. We next review several other international and US developments with the potential to affect the financial markets today, including signs that the Trump administration may be ready to negotiate with Democrats in Congress to end the federal government shutdown and expectations that the European Union will impose its own big, new tariffs on imported steel today.

US Private Property Policy: The White House yesterday [said it will take a 10% stake in Canadian critical minerals firm Trilogy Minerals in return for approving a controversial road infrastructure project](#) in Alaska. The road project will allow access to remote mineral resources sought by the company. In response to the news, shares in Trilogy tripled in value, mimicking the stock surges in other recent deals where the federal government has taken partial ownership of firms.

- It’s becoming obvious that a profitable near-term strategy for investors is to purchase private-sector enterprises that are in good graces with the administration, in which case

they are likely to receive special treatment in terms of regulatory relief, contracts, or state investment and other support.

- Of course, the long-term risk is that mass “state ownership of the means of production” could lead to unprofitable decisions, high costs, and less economic efficiency.

US Fiscal Policy: President Trump late yesterday [hinted that Republicans in Congress are in talks with Democrats over healthcare subsidies to potentially reach a funding compromise](#) and end the ongoing federal government shutdown. Democratic leaders said no such talks are taking place, which suggests the president’s statement may have been a smokescreen or just a hint that he wants to discuss such a deal. Nevertheless, Trump also said he would like to see a deal on healthcare, pointing toward a potential path toward a funding deal and an end to the shutdown.

US Tariff Policy: In a social media post yesterday, President Trump [said he will impose a 25% tariff on imports of medium and heavy trucks starting November 1](#). The announcement came just a day before Trump’s scheduled meeting with the prime minister of Canada, which would be heavily affected by the new truck tariffs. In the past, Trump has sometimes exempted Canadian and Mexican imports compliant with the USMCA trade deal, but his post yesterday made no mention of such an exemption.

US Artificial Intelligence Industry: In the latest AI-related tech deal, private AI model developer Anthropic [is in talks to include its Claude model in IBM’s latest integrated developer environment, or IDE](#). If completed, the deal would make Claude available to software engineers using IBM’s tools at large businesses for tasks such as modernizing code or building proprietary AI agents. In pre-market trading so far today, IBM’s share price has risen about 4.6%.

US Energy Industry: Research by energy consulting firm Wood Mackenzie shows US firms [plan to invest \\$50 billion in new and expanded pipelines in the next five years](#) to cash in on booming natural gas demand and deregulation under President Trump. That amounts to some 8,800 miles of new pipelines aimed at removing bottlenecks that have arisen because of booming production, meeting record liquefied natural gas exports, and fueling electricity generation for data centers. Midstream firms involved in the boom include Kinder Morgan and Enbridge.

US Auto Industry: Novelis, which produces some 40% of the sheet aluminum used by US auto manufacturers, [has announced that one of its major plants in New York has been knocked offline until early next year because of a fire](#) three weeks ago. The shutdown is expected to disrupt production for major automakers. Reports suggest Ford is especially at risk, as its profit-driving F-150 pickup is particularly dependent on aluminum from the shuttered plant. Other automakers that could be affected include Toyota, Hyundai, Volkswagen, and Stellantis.

European Union-United Kingdom: According to the *Financial Times*, the EU today [plans to impose a 50% tariff on all imported steel](#). All steel-exporting countries would face the tariff above quotas set at 2013 levels. If fully implemented, the protectionist tariff would likely be devastating for the UK, which currently sends some 80% of its steel exports to the EU. In response, trade association UK Steel warned that many of the UK’s remaining steel firms could go extinct unless the British government imposes its own protectionist tariffs.

Germany: The German government [has recently granted domestic arms makers a string of “direct award” contracts with no public tenders](#), such as a 390-million EUR (\$455 million) contract to Rheinmetall to develop anti-drone lasers. The direct-award contracts have sparked complaints by foreign defense contractors and members of parliament who say the deals could be wasteful. Another key takeaway is that Berlin may be prioritizing the development of its own defense technology to reduce its reliance on foreign suppliers, potentially including US defense firms.

Japan: Now that the ruling Liberal Democratic Party has selected conservative Sanae Takaichi as its new leader, putting her in position to become prime minister and push economic policy back toward stimulative “Abenomics,” one of her key advisors [has said the Bank of Japan shouldn’t hike interest rates as expected this month](#). The statement by influential advisor Etsurō Honda suggests the central bank’s next rate hike might be delayed, which helps explain why the yen (JPY) has weakened further today, falling about 0.4% to 150.80 per dollar (\$0.0066).

New Zealand: The Reserve Bank of New Zealand [has established a new body with enormous powers to ensure financial stability and address prudential issues for banks](#). The central bank’s new Financial Policy Committee will set debt-to-income and loan-to-value ratios for banks, so it will also have enormous power over the country’s housing sector.

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
15:00	Consumer Credit	m/m	Jul	\$32.000b	\$40.154b	*
Federal Reserve						
EST	Speaker or Event	District or Position				
10:00	Raphael Bostic Speaks at Fisk University	President of the Federal Reserve Bank of Atlanta				
10:05	Michelle Bowman Delivers Welcoming Remarks	Member of the Board of Governors				
10:30	Stephen Miran in Fireside Chat	Members of the Board of Governors				
11:30	Neel Kashkari Speaks at Star Tribune Summit	President of the Federal Reserve Bank of Minneapolis				
16:05	Stephen Miran at Deutsche Bank Event	Members of the Board of Governors				

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	Household Spending	y/y	Apr	2.3%	1.2%	0.5%	**	Equity bullish, bond bearish
	Coincident Index	y/y	Apr P	113.4	113.6		**	Equity and bond neutral
	Leading Economic Index	m/m	Apr P	107.4	112.2		**	Equity and bond neutral
Australia	Westpac Consumer Conf SA	m/m	Oct	-3.5%	-3.1%		**	Equity and bond neutral
	Westpac Consumer Conf Index	m/m	Oct	92.1	95.4		**	Equity and bond neutral
	ANZ-Indeed Job Advertisements	m/m	Sep	-3.3%	0.1%		*	Equity bearish, bond bullish
China	Foreign Reserves	m/m	Sep	\$3.3386t	\$3.3221t		**	Equity and bond neutral
EUROPE								
Germany	Factory Orders WDA	y/y	Aug	1.5%	-3.4%	3.0%	***	Equity and bond neutral
France	Trade Balance	m/m	Apr	-5529m	-5558m		*	Equity and bond neutral
	Current Account Balance	m/m	Mar	1.5b	-2.5b		*	Equity and bond neutral
Switzerland	Foreign Currency Reserves	m/m	Sep	726.7b	715.1b		*	Equity and bond neutral
AMERICAS								
Mexico	Vehicle Production	m/m	Sep	355525	349856		*	Equity and bond neutral
Mexico	Vehicle Exports	m/m	Sep	314656	296796		*	Equity and bond neutral
Brazil	Trade Balance	m/m	Sep	\$2990m	\$6133m	\$2700m	**	Equity bullish, bond bearish
	FGV Inflation IGP-DI	y/y	Sep	2.31%	3.00%	2.40%	**	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)	383	382	1	Down
U.S. Sibor/OIS spread (bps)	394	395	-1	Down
U.S. Libor/OIS spread (bps)	387	387	0	Down
10-yr T-note (%)	4.17	4.15	0.02	Up
Euribor/OIS spread (bps)	203	202	1	Up
Currencies	Direction			
Dollar	Up			Up
Euro	Down			Down
Yen	Up			Down
Pound	Down			Down
Franc	Up			Flat

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	\$65.51	\$65.47	0.06%	
WTI	\$61.72	\$61.69	0.05%	
Natural Gas	\$3.42	\$3.36	1.85%	
Crack Spread	\$23.16	\$23.05	0.46%	
12-mo strip crack	\$23.78	\$23.81	-0.12%	
Ethanol rack	\$2.14	\$2.14	-0.10%	
Metals				
Gold	\$3,970.21	\$3,960.98	0.23%	
Silver	\$48.58	\$48.51	0.13%	
Copper contract	\$507.75	\$503.80	0.78%	
Grains				
Corn contract	\$421.75	\$421.75	0.00%	
Wheat contract	\$513.50	\$512.75	0.15%	
Soybeans contract	\$1,020.75	\$1,017.75	0.29%	
Shipping				
Baltic Dry Freight	1,932	1,901	31	

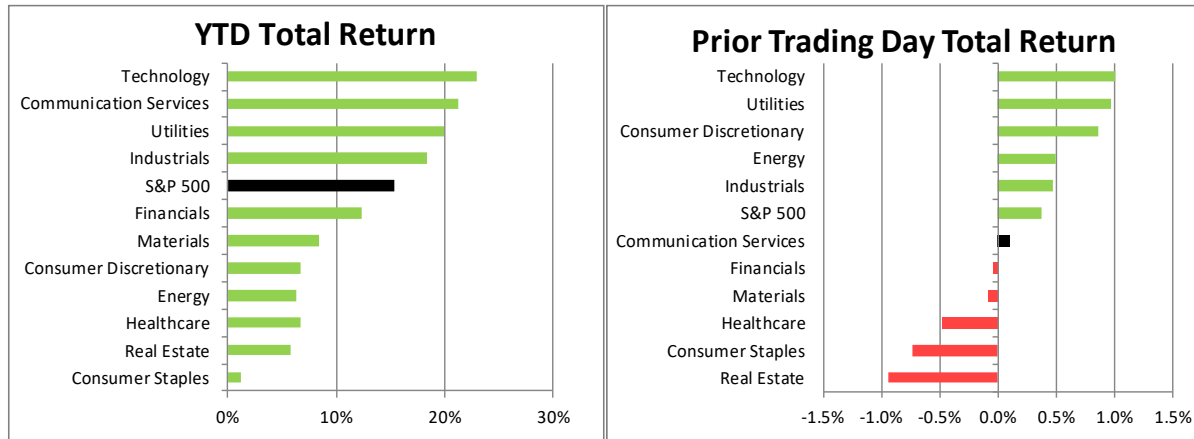
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with cooler temperatures expected in the Pacific region. The forecasts call for wetter-than-normal conditions for most of the country west of the Mississippi River, with dry conditions expected in the Southeast.

There are two tropical disturbances in the Atlantic Ocean area. One is located off the Yucatan Peninsula and is moving toward the Gulf of Mexico. The other is located in the south-central Atlantic off the coast of Africa and is moving westward toward the Caribbean. This disturbance is assessed to have a 90% chance of cyclonic formation within the next seven days.

Data Section

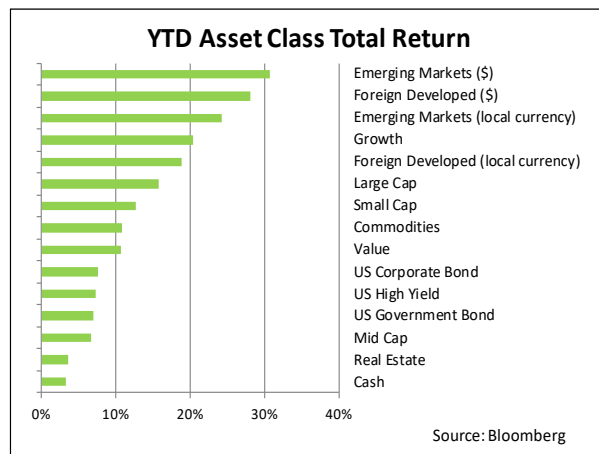
US Equity Markets – (as of 10/6/2025 close)



(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 10/6/2025 close)

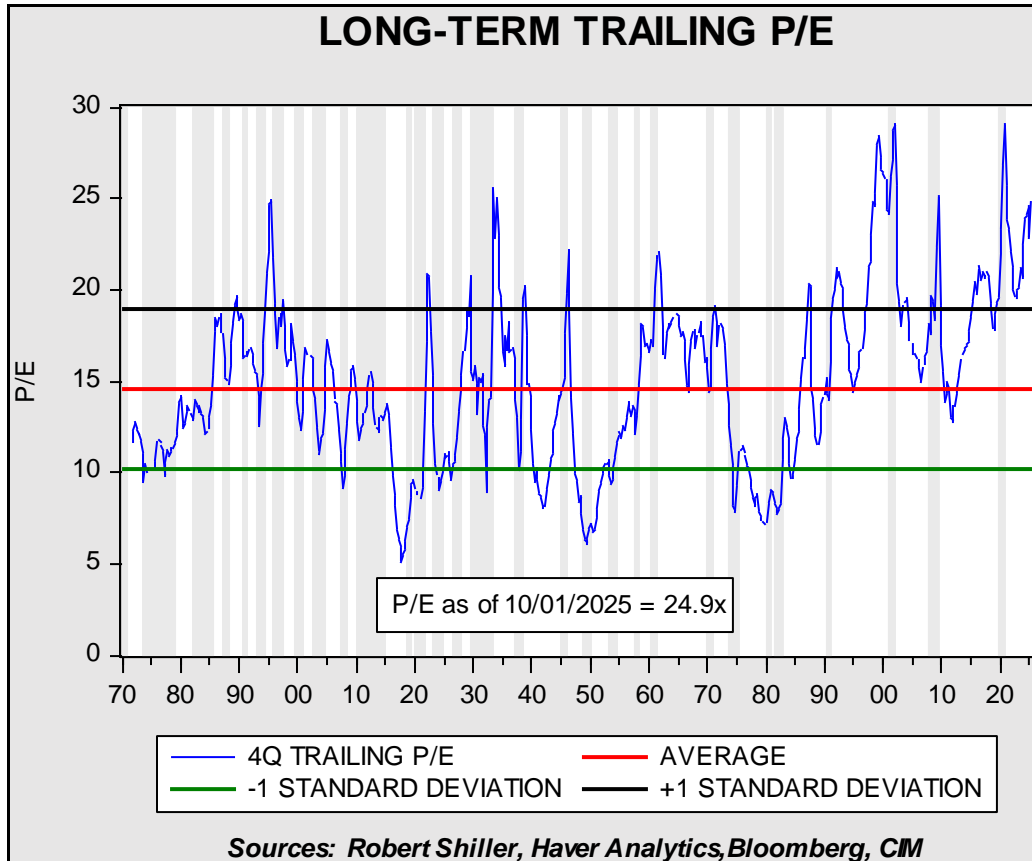


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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, 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.