

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: October 9, 2025 — 9:30 AM ET] Global equity markets are mostly 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 3.9%. Chinese markets were higher, with the Shanghai Composite up 1.3% and the Shenzhen Composite up 1.2%. US equity index futures are signaling a flat 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* begins with a deep dive into the new ceasefire agreement between Israel and Hamas. Next, we turn to the global economic stage and break down the latest maneuvers from the US and China ahead of critical trade negotiations. From there, we decode the revealing Fed minutes that have markets buzzing and investigate fresh signs of an escalation in tensions between NATO and Russia. We also provide a summary of key economic indicators from the US and global markets.

Hamas and Israel Deal: [Israel and Hamas are reportedly set to agree on a ceasefire](#) on Thursday. The plan centers on the release of all hostages, a withdrawal of Israeli forces from the front lines, and a substantial increase in humanitarian aid to the war-torn territory. Although the deal will face some resistance from hardliners within the Israeli government, Prime Minister Netanyahu is expected to get it approved easily. The news led to a drop in global oil prices and a rally across US and international equity markets.

- The agreement was achieved after the [White House successfully mediated an outline for a 21-point peace plan](#) among all negotiating parties, though the document has yet to be

formally finalized. While the full details remain pending, the plan is widely anticipated to leverage and expand upon the framework of the Abraham Accords, aiming for broader normalization and reengagement between Israel and its Middle Eastern allies.

- This political shift is expected to facilitate the long-planned US "pivot" by freeing up resources and attention currently committed to the Middle East. With the immediate conflict addressed, Washington can intensify its focus on China, which it designates as the main strategic threat. Crucially, a stable Middle East will enable the US to be able to strengthen alliances more readily and mitigate Chinese influence across the region.
- The broader agreement is likely to ease market anxieties regarding Middle Eastern supply chain stability. A key focus is the Strait of Hormuz, a critical chokepoint that has seen attacks escalate due to regional hostilities. By reducing this security threat, the pact should help keep oil prices in check and prevent volatility in global shipping rates.

China Crackdown: The US and China escalated their trade war with dueling security-related actions this week. Beijing [imposed stringent new export controls on critical minerals](#), requiring authorization for any goods containing even trace amounts. Concurrently, Washington [sanctioned a network of Chinese firms](#) for allegedly supplying components to Iran's military and its proxies. The tit-for-tat measures, justified by both sides on national security grounds, cast a shadow over upcoming bilateral trade talks.

- China's decision to restrict exports of critical minerals is a strategic response to US controls on advanced semiconductors. By targeting goods with even trace amounts of these materials, Beijing is mirroring the [US "foreign direct product rule,"](#) effectively using its own strategic resource as a counterweight by adopting a key tactic from the American regulatory playbook.
- Additionally, the US sanctions on Chinese firms serve as a form of pressure, aiming to secure Beijing's cooperation in restraining its allies. While these recent measures primarily target Iran, their underlying goal is to enlist China's help in persuading Tehran to cease backing groups hostile to Israel. This tactic reflects a broader US strategy of seeking foreign policy coordination, as Washington has also repeatedly urged Beijing to end its support for Russia to help end the war in Ukraine.
- While the recent tit-for-tat actions by Beijing and Washington have undoubtedly raised tensions, they may also be setting the stage for more comprehensive negotiations. We believe these talks are likely to extend beyond trade to encompass critical issues of technology and foreign policy. A resulting "grand bargain" between the two powers, should it materialize, could provide a significant boost to US equities.

Fed Noncommittal: Federal Reserve officials [were hesitant to cut interest rates at the last Federal Open Market Committee \(FOMC\) meeting](#), according to the recently released minutes, suggesting a potential division within the committee. The minutes indicate that while many members saw the labor market softening, significant concern over elevated inflation persisted. A few officials even suggested that tariffs were hindering the path to the Fed's 2% inflation target, though this view was met with some internal pushback.

- The Federal Reserve's lack of policy certainty likely stems from the conflicting signals within its dual mandate. While some officials acknowledge the cooling of the labor market, the persistently low unemployment rate suggests that economic conditions have not deteriorated sufficiently to warrant an aggressive policy shift.
- Although inflation has ticked slightly higher, several committee members believe this increase was less than anticipated and project that price pressures will ease in the coming months, complicating the decision on whether to prioritize employment or price stability.
- The latest FOMC minutes confirm that members have retained the option for at least one final rate cut before the year ends. Our view is that the upcoming September labor market data — currently delayed by the shutdown — will be the critical pivot point. A report showing a marked deceleration in hiring will provide the necessary evidence for officials to proceed with easing monetary policy at the October 29 meeting.

NATO Escalation: The [Western military alliance is debating a shift toward a more forceful deterrent strategy](#) against Russian provocation. Recent discussions have focused on potential escalations, including deploying armed drones along the Russian border and authorizing pilots to shoot down Russian aircraft. This proposed reinforcement is designed to counter what the alliance now describes as Russian "hybrid warfare." Such measures, however, are likely to significantly raise the risk of direct conflict as both sides test the new boundaries of engagement.

EU Port Strikes: [Twin strikes by lashers — workers who secure and unload ships — at the key European hubs](#) of Rotterdam and Antwerp-Bruges is escalating existing supply chain chaos. The industrial action, driven by demands for a 7% wage hike, comes immediately after recent storms had already strained port capacity. A prolonged stoppage at these critical gateways threatens to severely impede international trade and trigger adverse ripple effects across global commerce.

Finland-US Ties: The [United States and Finland are set to sign a defense cooperation agreement](#) focused on icebreaker vessels, reflecting the Arctic's growing strategic importance. The deal will facilitate joint work on ships capable of navigating ice-covered waters, a capability essential for maintaining access and presence in the region. This move signals the US's increased commitment to asserting control and ensuring freedom of navigation in the increasingly contested Arctic seas.

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
8:30	Jerome Powell Gives Welcoming Remarks	Chairman of the Board of Governors
8:35	Michelle Bowman Delivers Welcoming Remarks	Member of the Board of Governors
8:45	Michelle Bowman Moderates Discussion	Member of the Board of Governors
9:00	Austan Goolsbee Appears in Podcast	President of the Federal Reserve Bank of Chicago
12:45	Michael Barr Speaks on Economic Outlook	Members of the Board of Governors
13:00	Neel Kashkari and Barr Speak in Conversation	President of the Federal Reserve Bank of Minneapolis
15:45	Michelle Bowman Delivers Speech on Community Banking	Member of the Board of Governors
21:40	Michelle Daly at the Silicon Valley Directors Exchange	President of the Federal Reserve Bank of San Francisco

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	Japan Buying Foreign Bonds	w/w	3-Oct	-¥926.6b	-¥1658.7b	--	*	Equity and bond neutral
	Japan Buying Foreign Stocks	w/w	3-Oct	-¥1452.7b	-¥11.6b	--	*	Equity and bond neutral
	Foreign Buying Japan Bonds	w/w	3-Oct	¥1258.4b	-¥1997.0b	--	*	Equity and bond neutral
	Foreign Buying Japan Stocks	w/w	3-Oct	¥2479.9b	-¥961.8b	--	*	Equity and bond neutral
EUROPE								
Germany	Trade Balance	m/m	Aug	17.2b	16.3b	15.0b	*	Equity and bond neutral
	Exports	m/m	Aug	-0.5%	-0.2%	0.2%	*	Equity and bond neutral
	Imports	m/m	Aug	-1.3%	-0.7%	-0.5%	*	Equity and bond neutral
UK	RICS House Price Balance	y/y	Sep	-15.00%	-18.00%	-18.00%	**	Equity and bond neutral
AMERICAS								
Mexico	CPI	y/y	Sep	3.76%	3.57%	3.78%	***	Equity and bond neutral
	Core CPI	y/y	Sep	4.28%	4.23%	4.28%	**	Equity and bond neutral
Brazil	IBGE Inflation IPCA	y/y	Sep	5.17%	5.13%	5.21%	***	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	385	-1	Down
U.S. Sibor/OIS spread (bps)	391	393	-2	Down
U.S. Libor/OIS spread (bps)	384	386	-2	Down
10-yr T-note (%)	4.13	4.12	0.01	Up
Euribor/OIS spread (bps)	202	203	-1	Up
Currencies	Direction			
Dollar	Flat			Up
Euro	Down			Down
Yen	Flat			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	\$66.08	\$66.25	-0.26%	
WTI	\$62.39	\$62.55	-0.26%	
Natural Gas	\$3.32	\$3.33	-0.39%	
Crack Spread	\$23.26	\$23.20	0.29%	
12-mo strip crack	\$24.15	\$24.23	-0.35%	
Ethanol rack	\$2.03	\$2.06	-1.20%	
Metals				
Gold	\$4,040.15	\$4,042.03	-0.05%	
Silver	\$49.95	\$48.89	2.18%	
Copper contract	\$520.45	\$509.45	2.16%	
Grains				
Corn contract	\$422.00	\$422.00	0.00%	
Wheat contract	\$511.50	\$507.25	0.84%	
Soybeans contract	\$1,024.75	\$1,029.50	-0.46%	
Shipping				
Baltic Dry Freight	1,963	1,947	16	

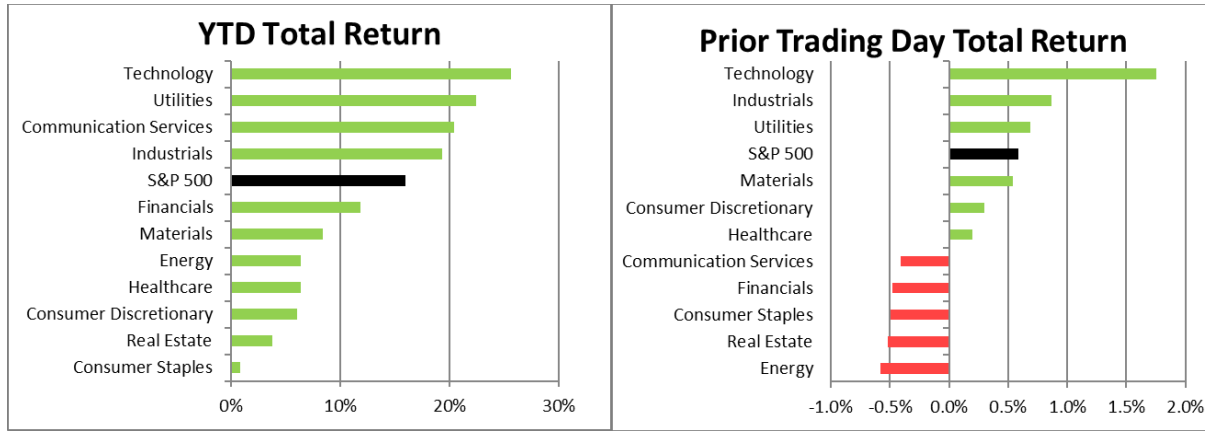
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures from the Rocky Mountains through the Mississippi Valley region and into Maine, with cooler-than-normal temperatures along the West Coast. The forecasts call for wetter-than-normal conditions from the West Coast to the Great Plains, with dry conditions in the Deep South.

There are now two tropical disturbances in the Atlantic Ocean area. Hurricane Jerry is just east of the Leeward Islands but heading north, so it is not expected to hit the US mainland. There is also a disturbance in the north-central Atlantic, but it is assessed to have only a 10% chance of cyclonic formation in the next seven days.

Data Section

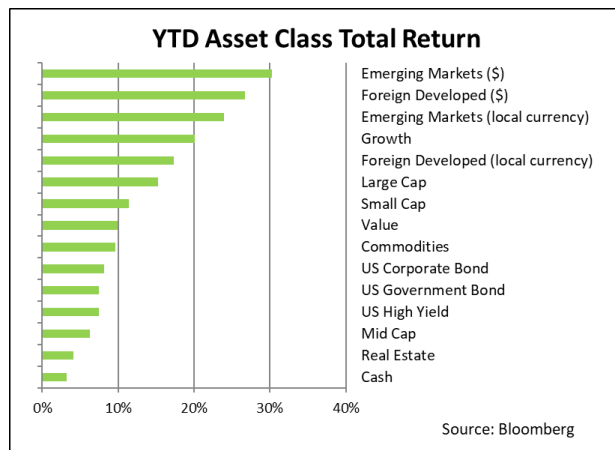
US Equity Markets – (as of 10/8/2025 close)



(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 10/8/2025 close)

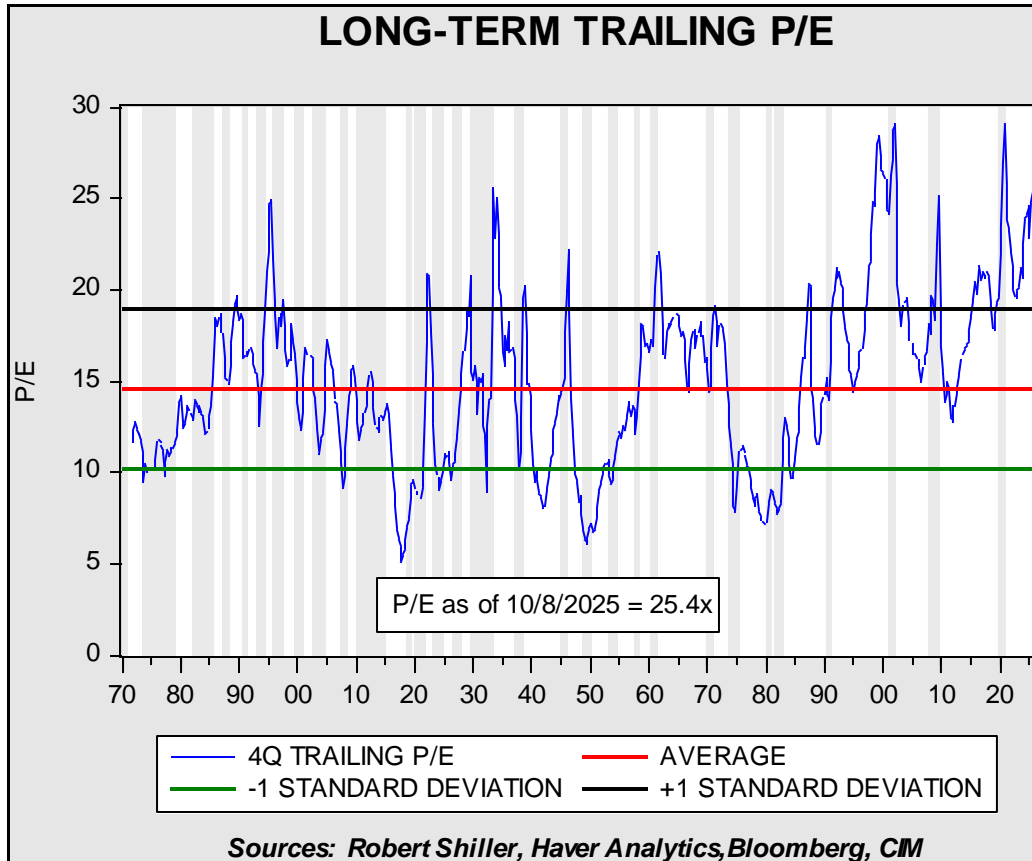


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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.