

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: September 15, 2025 — 9:30 AM ET]** Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 0.9% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.1%. Chinese markets were mixed, with the Shanghai Composite down 0.3% from its previous close and the Shenzhen Composite up 0.4%. US equity index futures are signaling a higher open.

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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="#">“Tariff Trilemma: The Three Rs Driving US Trade Policy”</a> (8/25/25) + <a href="#">podcast</a>	<a href="#">“The Cap-Weighted and Equal-Weighted S&amp;P 500”</a> (9/8/25) + <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).

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Our *Comment* today opens with key news on the US-China and US-Russia relationships that could affect US technology companies and global energy supplies. We next review several other international and US developments with the potential to affect the financial markets today, including a further slowdown in Chinese economic growth and signs that the European Central Bank is close to ending its campaign of interest rate cuts.

**United States-China:** In a report on the first day of its pre-orders for the new Series 17 iPhone on Saturday, technology giant Apple [said Chinese pre-orders were even stronger than for the Series 16 last year, even though its ultra-thin model is still unavailable because of regulatory issues](#). The strong Chinese orders came despite the worsening of US-Chinese geopolitical and economic tensions. They therefore highlight how top US brands retain significant loyalty in China, which may limit Beijing’s ability to target them as part of the US-China rivalry.

- On the other hand, Beijing today [said US artificial intelligence giant Nvidia was found to have violated Chinese antitrust law](#). The announcement didn't lay out any punishment for Nvidia, but it did say the company would be subject to further probes, which will likely weigh on the firm's stock price. In pre-market trading, Nvidia's stock was down 1.4%.
- Separately, Beijing on Saturday [announced that it has opened an anti-dumping probe into US analog computer chips](#) and initiated an anti-discrimination investigation over Washington's handling of Chinese chips.
- The Chinese probes could well lead to tariffs or other trade barriers against US chips, so they could serve as a threat ahead of the new round of US-China trade talks in Spain this week. If such tariffs or trade barriers are eventually implemented, US chip firms could lose access to the large, important Chinese market, especially if they don't enjoy strong brand loyalty like Apple does. That could lead to further bifurcation of the global tech industry and hurt the profits and value of US chip firms.

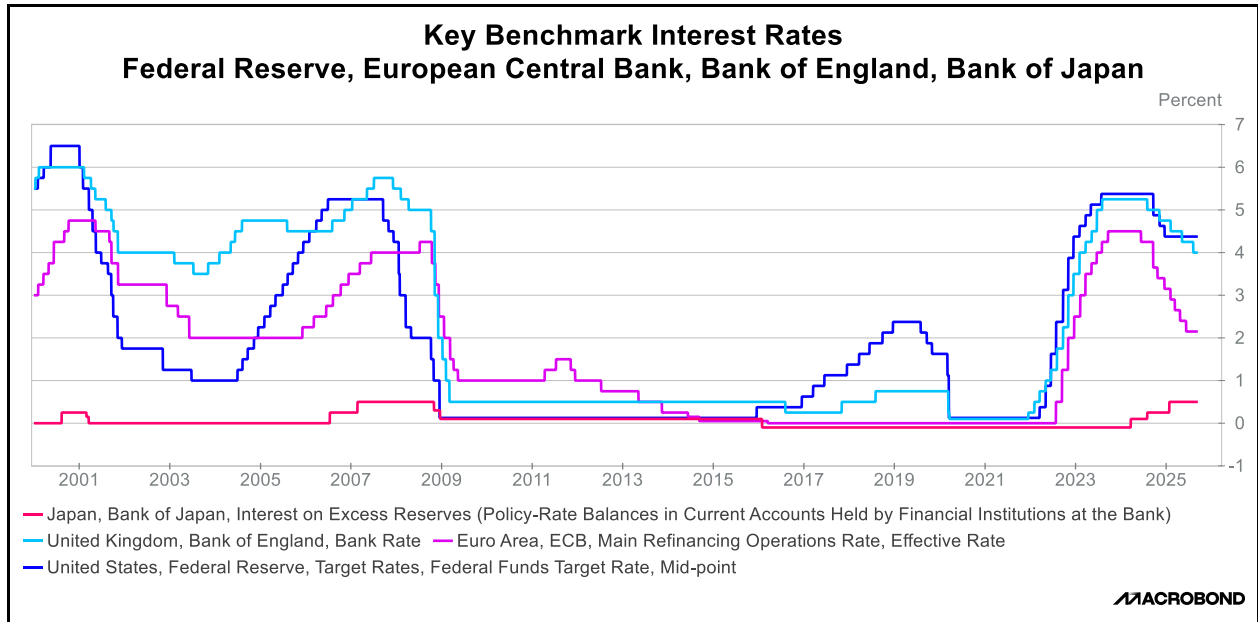
**United States-Russia:** *Politico* over the weekend said Sen. Lindsey Graham (R-SC) and Rep. Brian Fitzpatrick (R-PA) [will try to attach their bill imposing major economic sanctions against Russia to the upcoming legislation to keep the US government funded](#). Senate Majority Leader Thune is reportedly supportive of the idea, and it seems consistent with President Trump's pledge this weekend to level "major sanctions on Russia" when NATO countries stop buying Russian oil and levy tariffs on China.

- The effort by Graham and Fitzpatrick probably raises the possibility of major new US sanctions against Russia.
- The result could be new geopolitical tensions between the US and NATO versus China and Russia and possible disruptions in global energy markets. However, the moves may not be enough to convince Russia to stop its war against Ukraine.

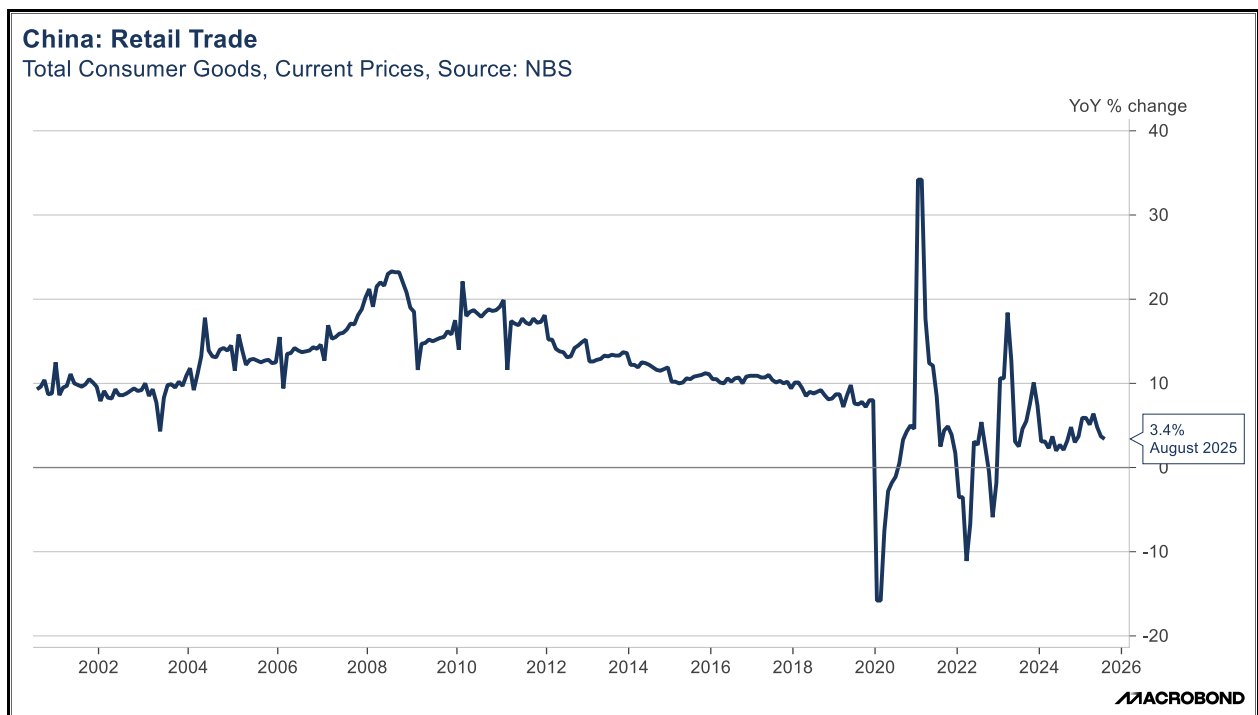
**US Monetary Policy:** Mortgage-related documents seen by media sources [appear to show that Fed board member Lisa Cook properly listed her Atlanta condominium as a vacation property](#), contradicting allegations of mortgage fraud by Federal Housing Finance Agency Director Bill Pulte. Those allegations, apparently based on other documents, were the basis for President Trump's effort to fire Cook. The effort to fire Cook is now mired in judicial proceedings, but the new documentary evidence suggests she may have a fighting chance to stay in her position.

**US Stock Market:** President Trump this morning [threw his support behind the idea of allowing companies listed in the US to issue their earnings reports every six months, rather than quarterly](#). In a social media post, Trump wrote that, "This will save money, and allow managers to focus on properly running their companies." Such a change would require action by the Securities and Exchange Commission, which has required quarterly reporting since 1970.

**Eurozone:** In an interview with the *Financial Times*, Martin Kocher, the newly appointed governor of Austria's central bank, [said the European Central Bank's monetary easing has now essentially ended](#), leaving the benchmark interest rate at 2.00% or slightly lower for the time being. If Kocher is right, the differential between US and eurozone interest rates could finally begin to narrow as the Fed re-starts its rate-cutting campaign this week.



**China:** As a reminder that the US-China tensions are occurring against a backdrop of slowing economic growth, Beijing today said August retail sales [were up just 3.4% from the same month one year earlier](#). That was much weaker than expected and significantly slower than the increase of 3.7% in the year to July. Other data showed slowing growth in fixed investment and industrial production as well, at least in part reflecting the government’s effort to rein in excess capacity and untenable price competition.



**Russia-Romania:** Bucharest over the weekend [said one Russian drone had entered and exited Romanian airspace](#), marking the second time Russian drones have violated NATO territorial skies in the last week. The Romanian air force monitored the drone but didn't take it down. The incidents suggest Russia is taunting NATO, testing its defenses, and gauging its willingness to respond to Russian aggression. The incidents point to a growing risk that the Kremlin will go too far and spark a kinetic conflict with NATO that would likely be negative for global financial markets.

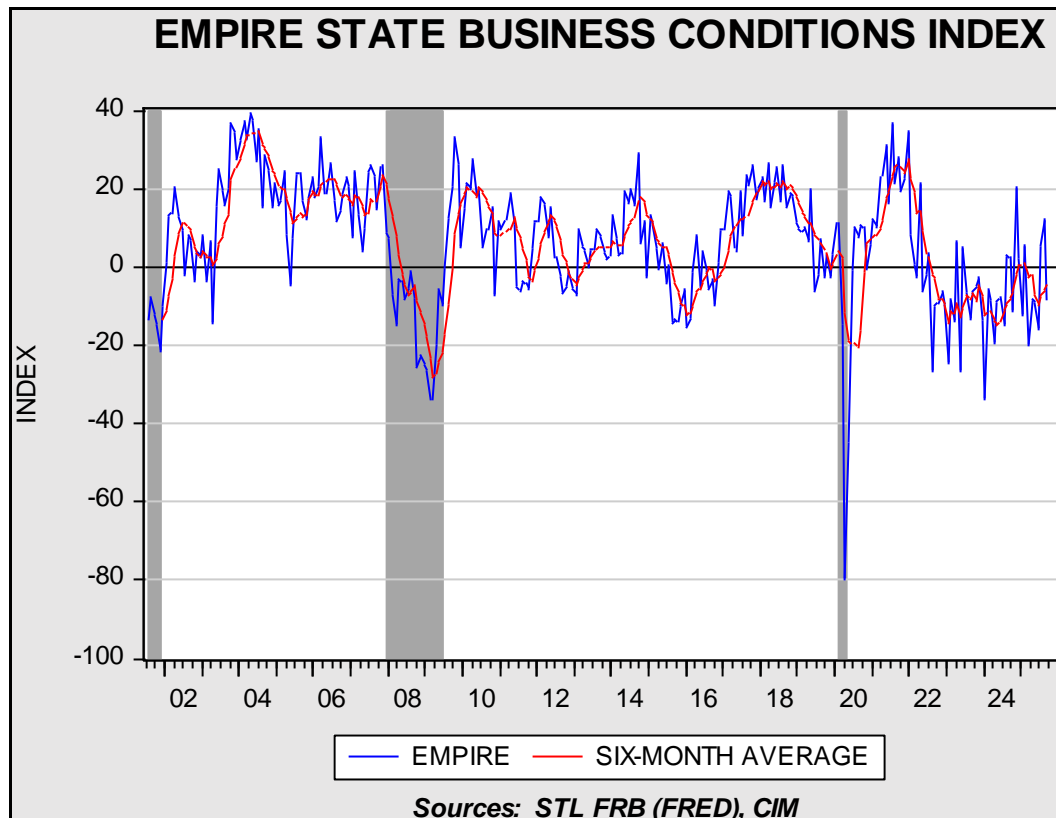
**Turkey:** A judge today [postponed a decision on ousting Özgür Özel as chair of the opposition Republican People's Party over allegations of vote-rigging](#) at a 2023 party congress. Since the effort to force out Özel has been seen as a ploy by President Erdogan to weaken the opposition and stay in power beyond the end of his current term in 2028, the postponement has raised hopes that the judiciary is pushing back against Erdogan's authoritarian approach to governance. Turkish stock prices have therefore jumped about 4.5% today.

**Global Critical Minerals Supply:** New reporting by the *Financial Times* shows that global supplies of germanium, which is critical for high-technology military products such as thermal imaging systems, [have practically dried up in response to a recent export ban by China](#). Although the US convinced China to quickly reverse a separate clampdown on rare earths earlier this year, it appears the restrictions on germanium and related minerals remain in place, driving global prices higher and threatening to disrupt high-tech manufacturing around the world.

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## US Economic Releases

Manufacturing activity in the New York area experienced an unexpected and sharp decline, according to a recent Fed survey. The New York Empire State Manufacturing Index fell dramatically to -8.70 in September, a stark reversal from the previous month's reading of +11.90 and well below the consensus forecast of +5.0. The sudden slowdown suggests that factory demand is struggling to recover, possibly due to lingering economic uncertainties.



The chart shows the Empire State Current Conditions Index and its six-month moving average. Last month, the moving average rose from -5.98 to -4.1. While the moving average is in negative territory, we remain optimistic that the economy is still in expansion.

There are no other 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
<b>ASIA-PACIFIC</b>								
<b>China</b>	Retail Sales	y/y	Aug	3.4%	3.7%	3.8%	**	Equity and bond neutral
	Industrial Production	y/y	Aug	5.2%	5.7%	5.6%	***	Equity and bond neutral
	Fixed Assets Ex Rural YTD	y/y	Aug	0.5%	1.6%	1.5%	**	Equity and bond neutral
<b>India</b>	Wholesale Prices	y/y	Aug	0.52%	-0.58%	0.30%	**	Equity and bond neutral
<b>India</b>	Unemployment Rate	m/m	Aug	5.1%	5.2%		*	Equity and bond neutral
	Exports	y/y	Aug	6.7%	7.3%		**	Equity and bond neutral
	Imports	y/y	Aug	-10.1%	8.6%		**	Equity and bond neutral
	Trade Balance	m/m	Aug	-\$26490m	-\$27350m	-\$24815m	**	Equity and bond neutral
<b>EUROPE</b>								
<b>Eurozone</b>	Trade Balance SA	m/m	Jul	5.3b	2.8b	12.0b	*	Equity and bond neutral
<b>UK</b>	Rightmove House Prices	y/y	Sep	-0.10%	0.30%		**	Equity and bond neutral
<b>Switzerland</b>	Producer & Import Prices	y/y	Aug	-1.8%	-0.9%		**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	12-Sep	441.7b	442.0b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	12-Sep	468.5b	471.9b		*	Equity and bond neutral
<b>AMERICAS</b>								
<b>Canada</b>	Building Permits	m/m	Jul	-0.1%	-9.5%	0.04	**	Equity and bond neutral
	Existing Home Sales	m/m	Aug	1.1%	3.8%		*	Equity and bond neutral
<b>Brazil</b>	Economic Activity	y/y	Jul	1.15%	1.38%	1.40%	**	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)	393	394	-1	Down
U.S. Sibor/OIS spread (bps)	404	404	0	Down
U.S. Libor/OIS spread (bps)	397	397	0	Down
10-yr T-note (%)	4.07	4.07	0.00	Up
Euribor/OIS spread (bps)	200	201	-1	Up
Currencies	Direction			
Dollar	Up			Down
Euro	Down			Up
Yen	Up			Down
Pound	Down			Up
Franc	Down			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
<b>Energy Markets</b>				
Brent	\$67.08	\$66.99	0.13%	
WTI	\$62.83	\$62.69	0.22%	
Natural Gas	\$2.94	\$2.94	-0.10%	
Crack Spread	\$25.22	\$25.09	0.51%	
12-mo strip crack	\$24.35	\$24.25	0.41%	
Ethanol rack	\$2.14	\$2.12	0.77%	
<b>Metals</b>				
Gold	\$3,645.39	\$3,643.14	0.06%	
Silver	\$42.22	\$42.19	0.09%	
Copper contract	\$465.95	\$465.20	0.16%	
<b>Grains</b>				
Corn contract	\$425.75	\$430.00	-0.99%	
Wheat contract	\$524.25	\$523.50	0.14%	
Soybeans contract	\$1,040.75	\$1,046.25	-0.53%	
<b>Shipping</b>				
Baltic Dry Freight	2,126	2,111	15	

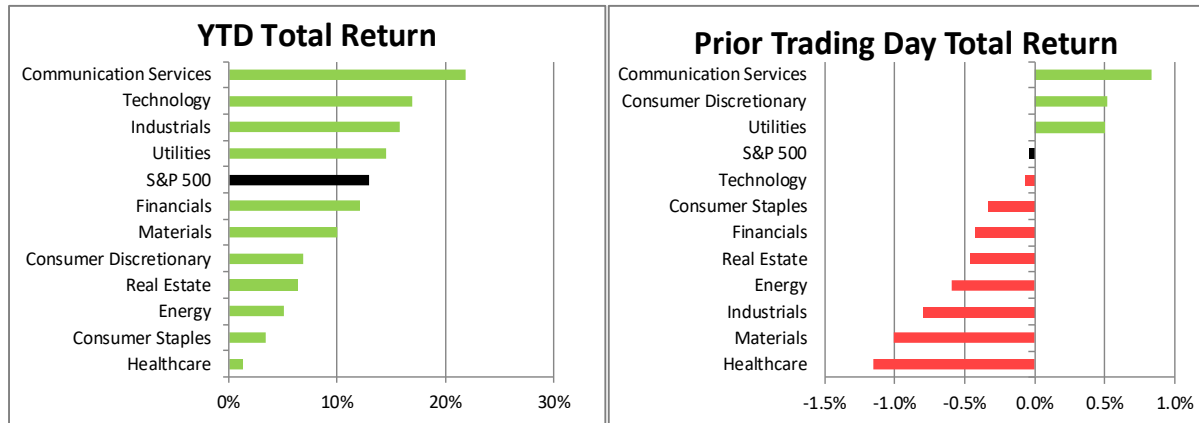
## Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for the entire country. The forecasts call for wetter-than-normal conditions in most states west of the Mississippi River, with dry conditions expected in the northern Great Lakes and New England regions.

There is now one tropical disturbance in the central Atlantic Ocean, which is moving slowly westward and is assessed to have an 80% chance of forming a cyclone within the next seven days.

## Data Section

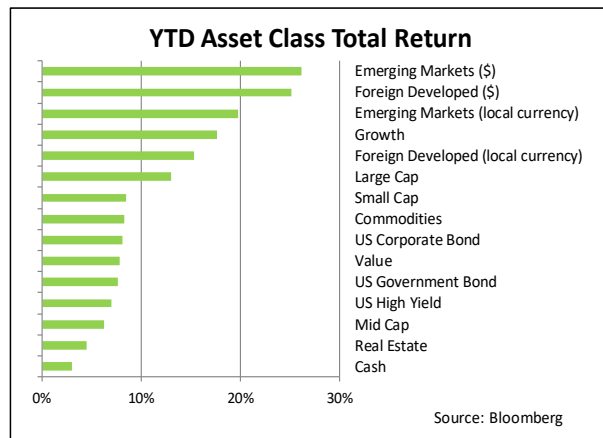
### US Equity Markets – (as of 9/12/2025 close)



(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 9/12/2025 close)

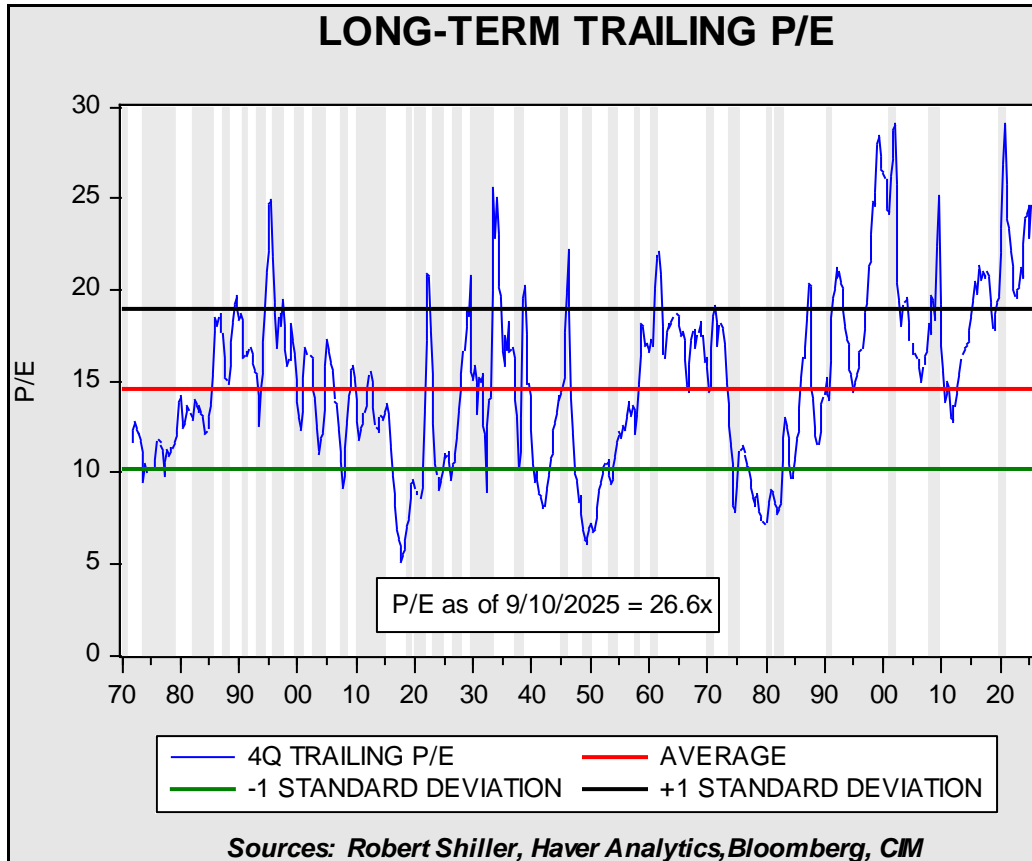


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

September 11, 2025



Based on our methodology,<sup>1</sup> the current P/E is 24.6x, which is unchanged from the previous report. The increase in the stock price index was offset by 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.*

<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.