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[Posted: September 16, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 1.2%. Chinese markets were mixed, with the Shanghai Composite essentially unchanged from its previous close and the Shenzhen Composite up 0.7%. 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
“The Great AI Race: A Sputnik Moment for the 21st Century” (9/15/25) + podcast	“The Cap-Weighted and Equal-Weighted S&P 500” (9/8/25) + podcast	Q3 2025 Report Q3 2025 Rebalance Presentation	The Confluence Mailbag Podcast Business Cycle Report

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 a US-China deal that would allow Chinese social media app TikTok to keep operating in the US, although virtually no details have been released. We next review several other international and US developments with the potential to affect the financial markets today, including a report on weak production growth in the world’s oil and gas fields and a preview of this week’s Federal Reserve policy meeting.

United States-China: According to a social media post by President Trump last night, US and Chinese negotiators in Spain [have reached a “framework” deal on US ownership and operating rights of Chinese social media firm TikTok](#). Although few details are available, it appears the basic deal will allow TikTok to keep operating in the US in return for concessions. Those concessions probably include selling the US operations of TikTok to a domestic company. If so, the US buyer could gain a lucrative social media asset with a huge usage base.

US Monetary Policy: The Fed today [begins its latest policy-setting meeting](#), with its decision due tomorrow at 2:00 pm ET. Based on interest rate futures trading, investors are nearly unanimous in expecting the central bank to cut its benchmark fed funds interest rate by 25 basis points to a range of 4.00% to 4.25%. Investors also expect at least one more rate cut by the end of the year. The prospect of falling interest rates continues to buoy US stock prices despite clear signs that economic activity is slowing.

- Separately, a federal appeals court last night [rejected an emergency Trump administration request to remove Fed Governor Lisa Cook ahead of the policy meeting](#). Despite allegations of mortgage fraud by Federal Housing Finance Agency Director Pulte, documents seen and reported by major media sources indicate Cook correctly listed her properties as owner-occupied or vacation-oriented. If Cook remains on the policymaking board, she seems likely to vote against an interest rate cut at this time.
- In another development yesterday, the US Senate [voted to confirm White House economic advisor Stephen Miran to fill the current vacant seat on the Fed's board of directors](#). Miran should therefore be able to participate in this week's policy meeting, at which we suspect he will vote to cut interest rates as President Trump desires.

European Union: A year after publishing his influential report laying out the causes of Europe's faltering economic competitiveness and offering recommendations, former European Central Bank Governor Mario Draghi today [warned that slow adoption of the plan has led to further deterioration in the region's ability to compete](#). Despite the warning, however, hurdles such as political resistance and high debt seem likely to limit long-term progress, even if new fiscal stimulus and higher defense spending spur faster growth and stronger markets in the near term.

Russia-Poland: In an interview, Poland's deputy minister for digital affairs said Russian operatives [are currently launching 20 to 50 cyberattacks against critical infrastructure every day](#). Most of the attacks have been thwarted, but a few have temporarily closed down facilities, including hospitals. The minister said the attacks have forced Warsaw to hike its cybersecurity budget to €1 billion this year from €600 million in 2024. The news is a reminder that Europe's current defense spending hikes include opportunities for cybersecurity firms.

United States-Mexico: In a little-noticed report last week, Reuters revealed that the Central Intelligence Agency [has been more deeply involved in helping Mexico's security services than previously known](#). For example, the report said the CIA has leveraged its eavesdropping assets to help locate drug cartel members, while its analysts have helped develop target lists. Mexico has even relied on CIA polygraphs to vet members of its security services. The news suggests the US has more leverage than previously known in its trade negotiations with Mexico.

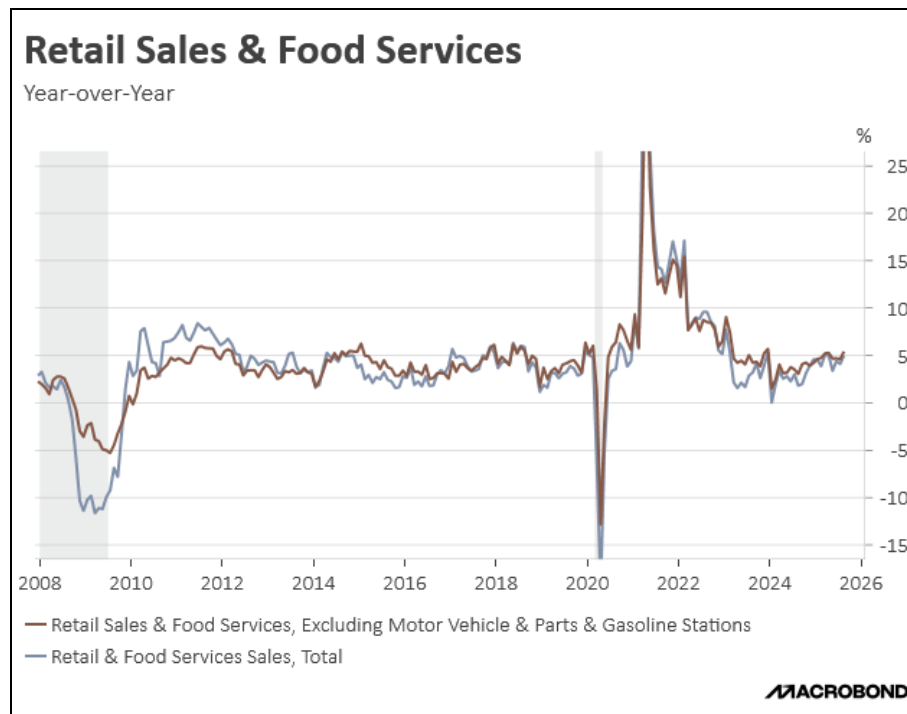
United States-Venezuela: President Trump yesterday [said the US military has destroyed a second boat operated by Venezuela drug cartels in the Caribbean Sea](#). The administration provided no further details. Nevertheless, the incident illustrates the US's strong new military focus on regional operations, including drug interdiction in the Caribbean. The new approach continues to raise concerns among Latin American countries about US interference in their internal affairs.

Global Energy Market: The International Energy Agency today [said production is declining faster than expected at oil and gas fields across the globe](#). According to the IEA, the fall in output largely reflects today's greater reliance on shale resources, where production declines relatively quickly unless there is ongoing capital investment. The report says that since 2019, roughly 90% of global oil and gas investment, or \$500 billion, was just to keep production steady. The report says the market has therefore become more precarious and at risk of price spikes.

Global Aluminum Market: According to the *Financial Times*, global aluminum prices [have now risen 17% since their recent low in April, while regional prices within the US have jumped even more dramatically](#). The report says prices have climbed in response to factors such as a clampdown on production in China, limited smelting capacity elsewhere, the new US import tariffs, and rising demand for the product. Naturally, the jump in prices holds out the prospect of strong stock performance by aluminum producers.

US Economic Releases

August **retail sales** rose by a seasonally adjusted 0.6%, higher than the expected gain of 0.2% and above the July rise of 0.5%. Of course, overall retail sales are often driven by the volatile auto and auto parts sector, which makes up almost one-fifth of the total. August **retail sales excluding autos and auto parts** were up 0.7% from the previous report, well above expectations of 0.4%.



The chart above shows how retail sales have changed since just before the Great Financial Crisis (GFC). Overall retail sales in August were up 5.0% from the same month one year earlier, while sales excluding autos and auto parts were up 5.4%.

Finally, August **import prices** jumped 0.3% from the previous month, far higher than the expected decline of 0.1% and slightly more than the increase of 0.2% in July. Import prices are often driven by volatility in the petroleum fuels category, but that wasn't much of an issue this time. August **import prices excluding fuels** were up 0.4%, better than expectations that they would remain relatively unchanged and the previous month's decline of 0.1% in July. At the same time, export prices rose 0.3% from the previous month, roughly in line with the previous month's pace but above consensus expectations.



The chart above shows the year-over-year change in import prices since just before the GFC. Overall import prices in August were unchanged from the previous year, while export prices were up 3.4%.

The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
10:00	Business Inventories	m/m	Jul	0.2%	0.2%	*
10:00	NAHB Housing Market Index	m/m	Sep	33	32	*
Federal Reserve						
No Fed speakers or events for the rest of today						

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	Tertiary Industry Index	m/m	Jul	0.5%	-0.2%	0.1%	***	Equity and bond neutral
New Zealand	Food Prices	m/m	Aug	0.3%	0.7%		***	Equity and bond neutral
	Non Resident Bond Holdings	m/m	Aug	61.5%	62.8%		*	Equity and bond neutral
South Korea	Export Price Index	y/y	Aug	-1.0%	-4.5%		*	Equity and bond neutral
	Import Price Index	y/y	Aug	-2.2%	-5.9%		*	Equity and bond neutral
EUROPE								
Eurozone	ZEW Survey Expectations	m/m	Sep	26.1	25.1		**	Equity and bond neutral
	Industrial Production WDA	y/y	Jul	1.8%	0.7%	1.8%	**	Equity and bond neutral
Germany	ZEW Survey Expectations	m/m	Sep	37.3	34.7	25.0	**	Equity and bond neutral
	ZEW Survey Current Situation	m/m	Sep	-76.4	-68.6	-73.6	**	Equity and bond neutral
Italy	CPI, EU Harmonized	y/y	Aug F	1.6%	1.7%	1.7%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Aug F	1.6%	1.6%	1.6%	**	Equity and bond neutral
UK	Average Weekly Earnings 3M/YoY	m/m	Jul	4.70%	4.60%	4.70%	**	Equity and bond neutral
	ILO Unemployment Rate 3Mths	m/m	Jul	4.70%	4.70%	4.70%	**	Equity and bond neutral
	Claimant Count Rate	m/m	Aug	4.4%	4.3%		**	Equity and bond neutral
	Jobless Claims Change	m/m	Aug	17.4k	-33.3k		**	Equity and bond neutral
AMERICAS								
Canada	Manufacturing Sales	m/m	Jul	2.5%	0.3%	1.8%	**	Equity and bond neutral
	Wholesale Sales ex Petroleum	m/m	Jul	1.2%	1.0%	1.3%	**	Equity and bond neutral
Brazil	National Unemployment Rate	m/m	Jul	5.6%	5.8%	5.7%	*	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)	388	387	1	Down
U.S. Sibor/OIS spread (bps)	403	404	-1	Down
U.S. Libor/OIS spread (bps)	397	398	-1	Down
10-yr T-note (%)	4.04	4.04	0.00	Down
Euribor/OIS spread (bps)	203	200	3	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
Energy Markets				
Brent	\$67.78	\$67.44	0.50%	
WTI	\$63.71	\$63.30	0.65%	
Natural Gas	\$3.08	\$3.04	1.08%	
Crack Spread	\$26.00	\$25.71	1.10%	
12-mo strip crack	\$24.78	\$24.63	0.60%	
Ethanol rack	\$2.15	\$2.15	-0.16%	
Metals				
Gold	\$3,696.18	\$3,678.99	0.47%	
Silver	\$42.80	\$42.68	0.27%	
Copper contract	\$470.50	\$471.75	-0.26%	
Grains				
Corn contract	\$426.75	\$423.25	0.83%	
Wheat contract	\$528.75	\$525.00	0.71%	
Soybeans contract	\$1,049.00	\$1,042.75	0.60%	
Shipping				
Baltic Dry Freight	2,153	2,126	27	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-1.40		
Gasoline (mb)		0.50		
Distillates (mb)		0.02		
Refinery run rates (%)		-0.9%		
Natural gas (bcf)		68		

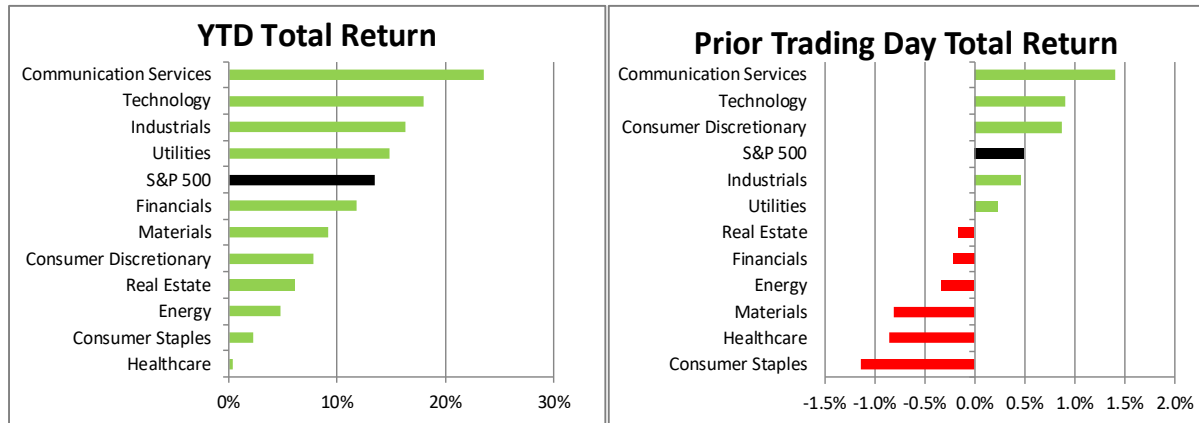
Weather

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 the Pacific, Midwest, and Southeast regions, with dry conditions expected in the northern Great Lakes and Rocky Mountain regions.

There are now two tropical disturbances in the central Atlantic Ocean, one that is moving slowly westward and is assessed to have a 90% chance of forming a cyclone within the next seven days and the other moving off the coast of West Africa with a 20% chance of cyclone formation.

Data Section

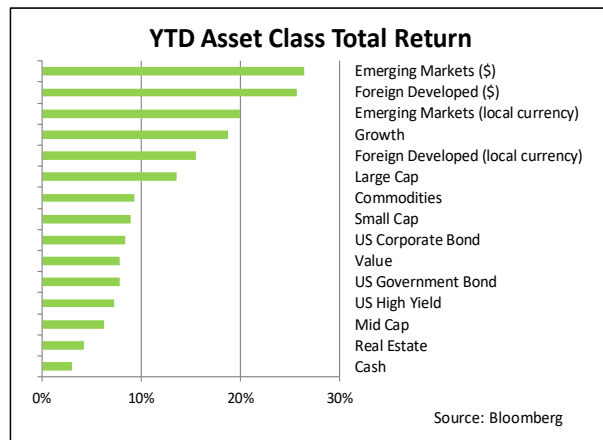
US Equity Markets – (as of 9/15/2025 close)



(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 9/15/2025 close)

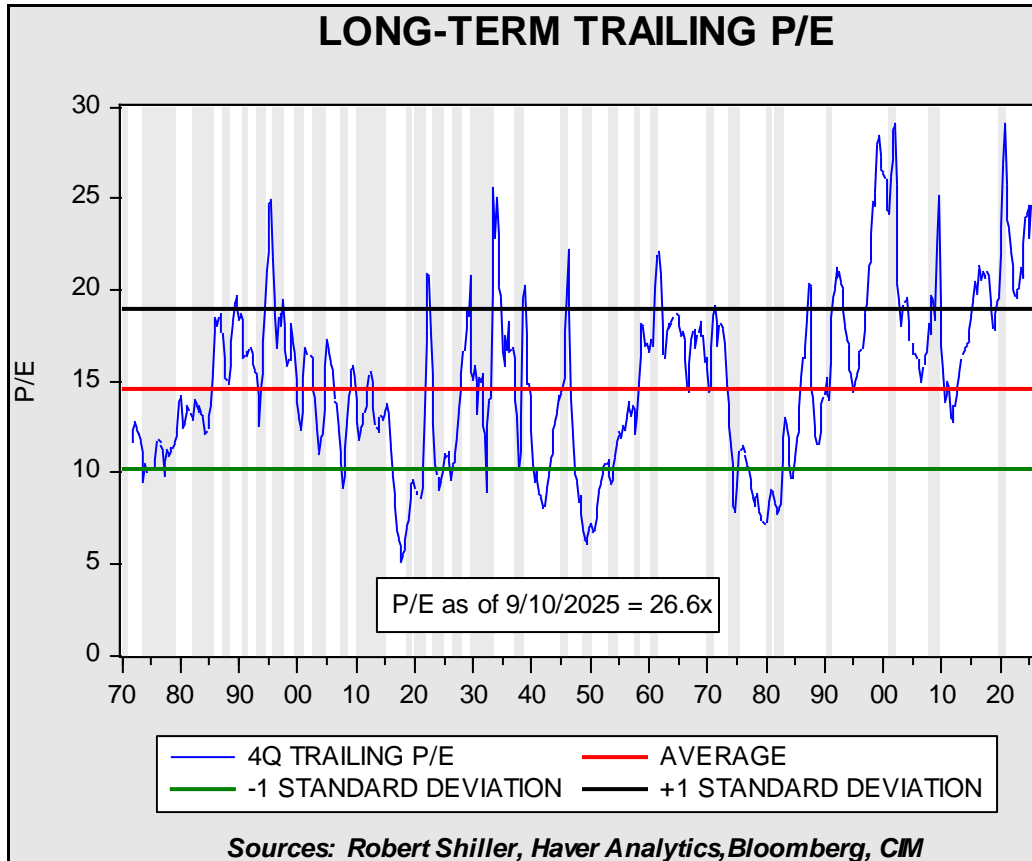


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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.