



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: September 22, 2025 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.4%. Chinese markets were higher, with the Shanghai Composite up 0.2% from its previous close and the Shenzhen Composite up 0.6%. US equity index futures are signaling a lower 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	“Stopping the Bond Vigilante” (9/22/25) + 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 some observations regarding the latest surge in global gold prices. We next review several other international and US developments with the potential to affect the financial markets today, including a potential new wealth tax in France, big anti-corruption protests in the Philippines, and the White House’s new \$100,000 application fee for H-1B worker visas.

Global Gold Market: Near gold futures prices as of this writing [have jumped approximately 1.4% to a new record high above \\$3,760 per ounce](#), apparently reflecting investors’ increasing confidence that the Federal Reserve will cut US interest rates aggressively over the coming year. On that note, traders are looking ahead to scheduled comments later today by Stephen Miran, essentially the White House’s new representative on the Fed’s policymaking committee. Miran will likely continue to press the argument for aggressive rate cuts.

- Other developments are probably also helping to convince investors that deeper rate cuts are coming and will continue to boost gold prices. For example, the Fed’s preferred

gauge of inflation, the PCE price deflator, will be updated for August at the end of the week. If it shows well-behaved inflation, the Fed will be more likely to keep cutting rates.

- In addition, it appears that global central banks are continuing to buy gold aggressively to diversify their portfolios away from the dollar.
- Geopolitical tensions, central bank buying, and falling real interest rates have historically been associated with strong gold prices. As just one example of our continued positive outlook on gold, we currently maintain meaningful exposure to the yellow metal in all of Confluence's Asset Allocation strategies and in our Global Hard Assets portfolio.

US Industrial Policy: Reports late Friday said the White House [intervened last week to prevent US Steel from shutting down a major facility in Granite City, Illinois, invoking the controversial "golden share"](#) granted to the federal government to allow Japan's Nippon Steel to buy the firm. The move will likely fuel further concern about rising government intrusion into private-sector business decisions.

- If those concerns worsen too much, high-profile firms at risk of intervention could see their stock values decline.
- More broadly, such activist policy by the government could further undermine global investors' view of the US investment environment, pushing down the value of the dollar and giving a further boost to foreign stock values.

US Immigration Policy: President Trump on Friday [signed an order imposing a \\$100,000 fee when firms apply for H-1B visas](#), which are widely used to bring technology workers from China and India to work in the US. Administration officials argued the fee would ensure that firms only bring in exceptionally skilled workers, creating more opportunities for US graduates and raising their pay.

- For US companies in the technology sector and beyond, a key risk is that the pool of competent US workers may not expand quickly enough to replace the foreign workers, leaving them with insufficient tech talent to innovate, grow, and keep boosting the value of their stock.
- So far today, the new policy [is also weighing on Indian technology service providers](#), which provide many of the Indian workers who arrive in the US on H-1B visas. For example, Infosys, Wipro, and Tata Consultancy Services have all seen their stock price fall by at least 2.2% so far today.

France: With political polarization continuing to complicate the effort to cut the government's gaping budget deficit, the center-left Socialist Party [is pressing for an annual 2% wealth tax on anyone with a fortune greater than 100 million EUR \(\\$118 million\)](#). Importantly, the Socialists are crucial to the survival of Prime Minister Lecornu's government. If they can use that position to get the proposal passed, it would undermine President Macron's effort to make France more business friendly and would likely weigh on French equities.

Israel: After the United Kingdom, Portugal, Canada, and Australia [recognized Palestine as a state](#) over the weekend, right-wing members of Prime Minister Netanyahu's government [have responded by demanding that Israel immediately annex the West Bank](#), which Israel has occupied since the 1967 war. Netanyahu is reportedly mulling a range of options, including partial annexation, and may announce his decision in the coming days. Any move to annex even a part of the territory would likely further isolate Israel, weighing on its economy and markets.

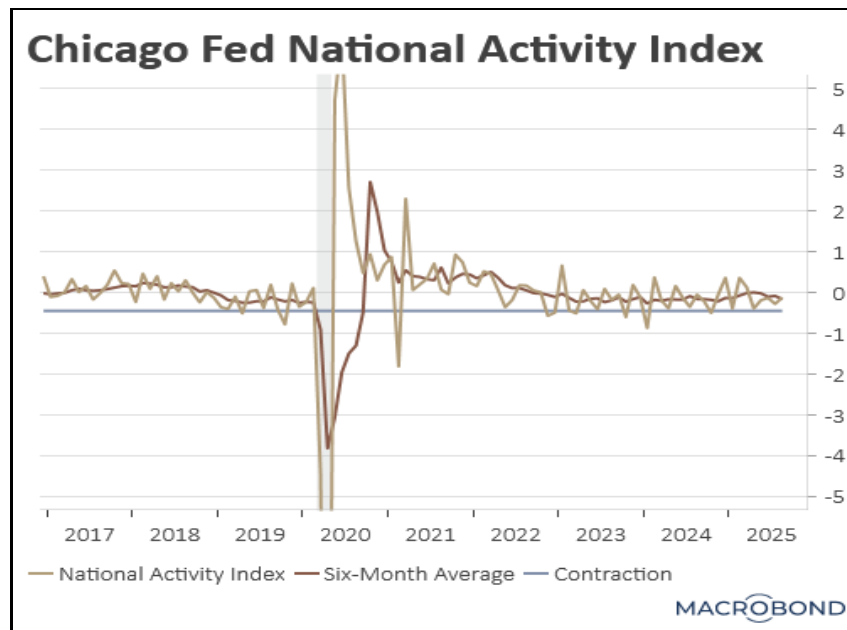
Russia-Estonia: Reports late Friday said three Russian MiG-31 fighter jets [flew over Estonian territory for 12 minutes before being chased away by Italian F-35 fighters operating in NATO's "Baltic Sentry" program](#). The incident marks the third incursion of Russia aerial assets into NATO territory in the last week. That suggests Russia has taken a page from China's strategy in the Asia-Pacific region, where it gradually increases its "grey zone" activity in territory it covets in order to normalize its presence and potentially mask future aggression.

Philippines: Continuing a recent trend, tens of thousands of protesters [marched in locations around the country yesterday to decry public corruption, prompting the government to put the armed forces on alert](#). The protests stem from news that officials and their cronies siphoned some \$2 billion from fake flood-control projects in a province north of Manila. The protests are now morphing into a broader movement against public corruption, which could potentially topple the Marcos government, spark political instability, and weigh on Philippine asset values.

Argentina: The central bank [bought more than \\$1 billion of pesos Wednesday through Friday to keep the currency's value from falling below the band](#) set by President Milei in April. In addition, Economy Minister Caputo vowed the government would "sell to the very last dollar" to keep the peso within its band. The currency has plunged some 9% over the last two weeks after Milei's party unexpectedly lost local elections in a landslide, suggesting his libertarian policies may not have staying power. Argentine stock prices have fallen some 30% since early August.

US Economic Releases

The Chicago Fed said its August *National Activity Index (CFNAI)* improved to -0.12, beating the expected level of -0.15 and July's revised level of -0.28. The CFNAI, which encompasses dozens of separate indicators to capture all aspects of current economic activity, is designed so that a reading of 0.00 reflects the economy growing at trend. Our analysis shows that when the six-month moving average of the CFNAI falls below -0.45, it suggests the economy is in recession. With the latest reading, this indicator suggests the economy is now growing only slightly below trend. The chart below shows how the six-month moving average of the CFNAI has fluctuated over the last several decades.



The table below lists the economic releases and 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
9:45	John Williams Speaks on Monetary Policy Panel	President of the Federal Reserve Bank of New York
10:00	Alberto Musalem Speaks of Economic Outlook & Monetary Policy	President of the Federal Reserve Bank of St. Louis
12:00	Beth Hammack Speaks on Reserve Banks and the Economy	President of the Federal Reserve Bank of Cleveland
12:00	Thomas Barkin Speaks at Howard County Chamber	President of the Federal Reserve Bank of Richmond
12:00	Stephen Miran Speaks at The Economic Club of New York	Member 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								
India	Foreign Exchange Reserves	w/w	12-Sep	\$703.0b	\$698.3b		*	Equity and bond neutral
EUROPE								
Switzerland	M3 Money Supply	y/y	Aug	4.6%	4.6%		**	Equity and bond neutral
	Domestic Sight Deposits CHF	w/w	19-Sep	445.1b	441.7b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	19-Sep	472.3b	468.5b		*	Equity and bond neutral
AMERICAS								
Canada	Retail Sales	m/m	Jul	-0.8%	1.6%	-0.8%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Jul	-1.2%	2.2%	-0.6%	**	Equity bearish, bond bullish

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	388	0	Down
U.S. Sibor/OIS spread (bps)	400	401	-1	Down
U.S. Libor/OIS spread (bps)	393	393	0	Down
10-yr T-note (%)	4.12	4.13	-0.01	Up
Euribor/OIS spread (bps)	202	203	-1	Down
Currencies	Direction			
Dollar	Up			Down
Euro	Down			Up
Yen	Up			Down
Pound	Down			Down
Franc	Down			Up
Central Bank Action	Current	Prior	Expected	
PBOC 1-Year Loan Prime Rate	3.00%	3.00%	3.00%	On Forecast
PBOC 5-Year Loan Prime Rate	3.50%	3.50%	3.50%	On Forecast

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	\$66.29	\$66.68	-0.58%	
WTI	\$62.39	\$62.68	-0.46%	
Natural Gas	\$2.87	\$2.89	-0.52%	
Crack Spread	\$24.41	\$24.60	-0.78%	
12-mo strip crack	\$24.10	\$24.22	-0.48%	
Ethanol rack	\$2.10	\$2.10	-0.07%	
Metals				
Gold	\$3,723.37	\$3,685.30	1.03%	
Silver	\$43.56	\$43.08	1.11%	
Copper contract	\$463.30	\$462.75	0.12%	
Grains				
Corn contract	\$421.00	\$424.00	-0.71%	
Wheat contract	\$517.50	\$522.50	-0.96%	
Soybeans contract	\$1,015.25	\$1,025.50	-1.00%	
Shipping				
Baltic Dry Freight	2,203	2,205	-2	

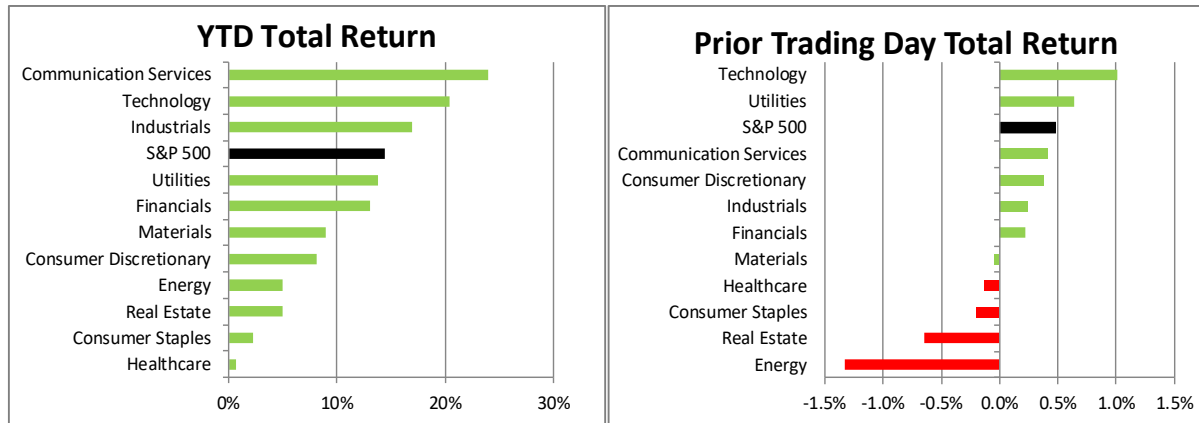
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for the entire country. The precipitation outlook calls for wetter-than-normal conditions in the Pacific, Rocky Mountain, and the Southeast states, with dry conditions in the Midwest and the Northeast.

There are now two tropical disturbances in the central Atlantic Ocean. Hurricane Gabrielle is in the central Atlantic and continues to move slowly to the northwest. There is also a disturbance located near the Leeward Islands that is moving northwesterly with a 40% chance of cyclone formation in the next seven days.

Data Section

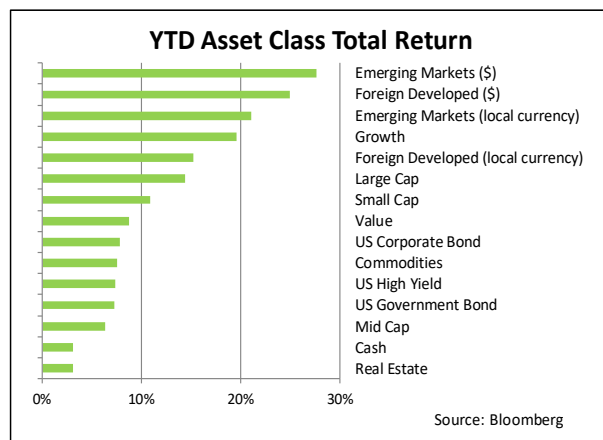
US Equity Markets – (as of 9/19/2025 close)



(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 9/19/2025 close)

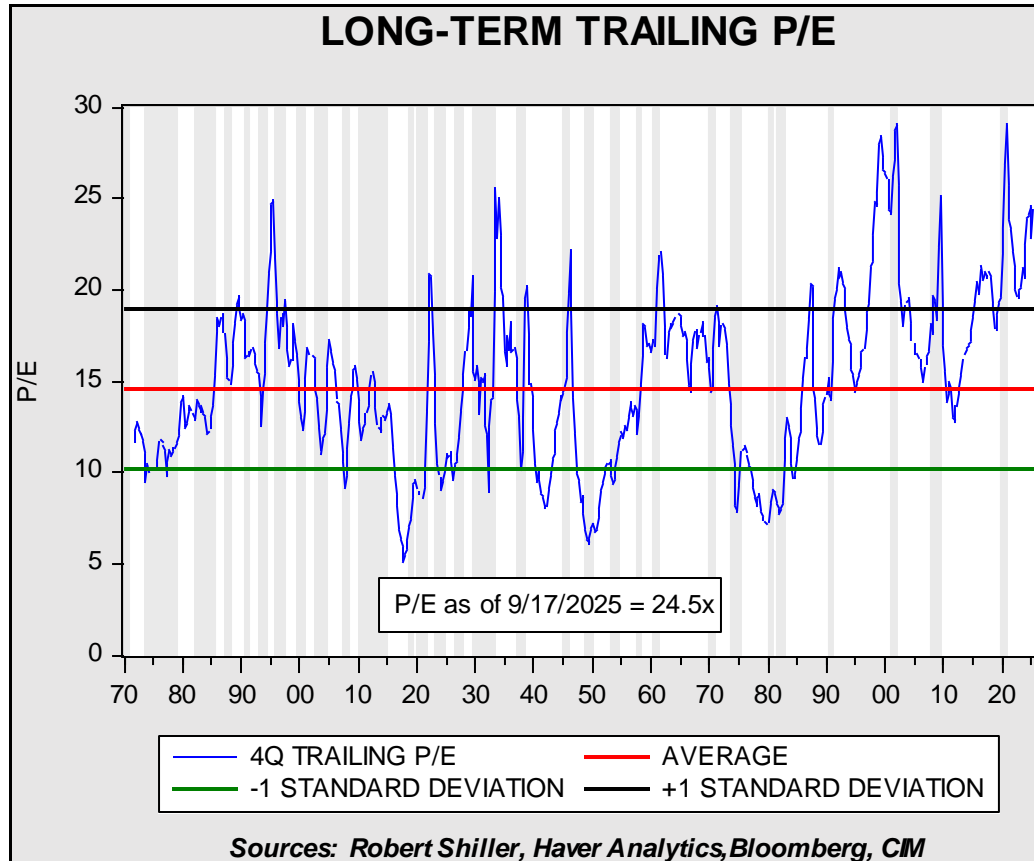


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 18, 2025



Based on our methodology,¹ the current P/E is 24.5x, which is down 0.1 from the previous report. The decrease was due to a decline in the stock price index.

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.