



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

**[Posted: September 29, 2025 — 9:30 AM ET]** Global equity markets are 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 1.4%. Chinese markets were higher, with the Shanghai Composite up 0.9% from its previous close and the Shenzhen Composite up 1.5%. 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
<a href="#">“The Great AI Race: A Sputnik Moment for the 21<sup>st</sup> Century”</a> (9/15/25) + <a href="#">podcast</a>	<a href="#">“Stopping the Bond Vigilante”</a> (9/22/25) + <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).

Our *Comment* today opens with reports that China plans to demand an important change in the US’s policy toward Taiwan in return for trade concessions. We next review several other international and US developments with the potential to affect the financial markets today, including the prospects for a US government shutdown this week and a risk that the French government could fall in the coming days.

**United States-Taiwan-China:** An exclusive weekend report by the *Wall Street Journal* said Chinese General Secretary Xi [plans to leverage President Trump’s desire for a bilateral trade deal to secure a US commitment to “oppose” independence for Taiwan](#). Such a policy would require a shift from the US’s traditional “strategic ambiguity,” in which it hasn’t explicitly said it would support or oppose Taiwanese independence.

- By easing tensions with China, the shift in US policy could remove a key risk for the financial markets and allow US stock prices to keep rising. However, the shift would

likely be alarming to traditional US allies and investors in the Asia-Pacific region, as it might undermine their confidence in Washington's support against Chinese aggression.

- The potential loss of US support could also undermine long-run prospects for economies and stock markets in other regions, such as Europe.

**US Fiscal Policy:** President Trump today [meets with the top two Republicans and the top two Democrats from each chamber of Congress to try to flesh out a compromise for the funding bill](#) to keep the federal government operating after the current stopgap financing measure ends on Tuesday night. However, the Democrats are demanding an extension to Affordable Care Act subsidies that are set to expire at the end of the year and a reversal of the cuts to Medicaid and other health programs that Republicans made unilaterally over the summer.

- The impasse makes it increasingly probable that the government will face at least a short-term shutdown starting this week.
- As a potential shutdown looms, it is likely that US and global financial markets could become more volatile. Already, for example, gold prices have surged to new record highs above \$3,800 per ounce.

**US Defense Policy:** New reporting says the Pentagon [began pushing defense contractors over the summer to dramatically increase their production of 12 important types of missiles](#) to be sure the US has sufficient stockpiles in case of war with China. The missile makers have pushed back because some of the production goals are so aggressive, and they aren't confident the defense budget will grow enough for them to get paid. Nevertheless, the reports are consistent with our oft-stated expectation for global defense firms to see stronger sales going forward.

**US Politics:** New York City Mayor Eric Adams [has dropped his bid for re-election](#), boosting the odds that former New York Governor Andrew Cuomo could beat current front-runner Zohran Mamdani. Since Mamdani's socialist policies threaten to increase regulation and costs for business firms in New York — especially financial companies — a surprise win for Cuomo could potentially give at least a short-term boost to major US financial stocks.

**US Private Credit Market:** As we had flagged early on, auto parts maker First Brands last night [filed for Chapter 11 bankruptcy protection](#), disclosing more than \$10 billion in total liabilities. While details on the firm's finances haven't yet been made available, the sudden collapse of the company and the large amount of liabilities will likely make this a key test of the US's booming private-credit industry. One important issue is whether there will be any spillover into the broader US financial markets.

**United Kingdom:** Chancellor Reeves [has signaled that her proposed budget for 2026 will include big tax increases, adding to the tax hikes in her budget for 2025](#). Reeves argued the new measures have become necessary due to the wars in Ukraine and Gaza, rising global borrowing costs, the US's new tariffs, and pessimistic economic projections. The rising tax burden will likely add to the headwind of slow economic growth that has weighed on UK stock prices in recent years.

**France:** After newly-installed Prime Minister Lecornu rejected budgetary demands on Friday from the leftist Socialist Party, including a large wealth tax on the rich, the Socialists today [have warned that they are prepared to withdraw support from Lecornu and topple his government](#). The threat suggests the Socialists are prepared to launch a no-confidence vote for Lecornu sometime after Friday. If Lecornu loses such a vote, it could potentially lead to early elections and open the door for the far-right National Rally to take power.

**Moldova:** In the final round of parliamentary elections yesterday, the Party of Action and Solidarity of President Maia Sandu [won 55 of the 101 seats in parliament](#), which should allow it to continue pursuing its goal of having Moldova eventually join the European Union. Meanwhile, the pro-Russian Patriotic Electoral Bloc received less than half the votes that Sandu's party won.

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## US Economic Releases

There were no economic releases prior to the publication of this report. 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	Pending Home Sales	m/m	Aug	0.0%	-0.4%	**
10:00	Pending Home Sales NSA	y/y	Aug		0.3%	**
10:30	Dallas Fed Manufacturing Activity	m/m	Sep	-1.6	-1.8	**
Federal Reserve						
EST	Speaker or Event	District or Position				
7:30	Christopher Waller Speaks on Payments	Member of the Board of Governors				
8:00	Beth Hammack, David Ramsden, & Philip Lane Participate in Policy Panel	Pres of Cleveland Fed, BOE Governor, & ECB Executiv Board Member				
13:00	Alberto Musalem Speaks on Panel	President of the Federal Reserve Bank of St. Louis				
18:00	Raphael Bostic Moderates a conversatin with Delta CEO	President of the Federal Reserve Bank of Atlanta				

## 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>								
Japan	Leading Economic Index	m/m	Jul F	106.1	105.9		**	Equity and bond neutral
	Coincident Index	y/y	Jul F	114.1	113.3		**	Equity and bond neutral
China	Industrial Profits	y/y	Aug	20.4%	-1.5%		*	Equity and bond neutral
India	Industrial Production	y/y	Aug	4.0%	4.3%	5.1%	***	Equity bearish, bond bullish
<b>EUROPE</b>								
Eurozone	Consumer Confidence	m/m	Sep F	-14.9	-14.9		**	Equity and bond neutral
	Economic Confidence	m/m	Sep	95.5	95.3	95.2	***	Equity and bond neutral
	Industrial Confidence	m/m	Sep	-10.3	-10.2	-10.5	***	Equity and bond neutral
	Services Confidence	m/m	Sep	3.6	3.8	3.9	**	Equity and bond neutral
UK	Net Lending Sec. on Dwellings	m/m	Sep	4.3b	4.5b	4.8b	*	Equity and bond neutral
	Mortgage Approvals	m/m	Aug	64.7k	65.2k	64.6k	***	Equity and bond neutral
	M4 Money Supply	y/y	Aug	3.4%	2.9%		*	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	26-Sep	446.6b	445.1b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	26-Sep	474.7b	472.3b		*	Equity and bond neutral
<b>AMERICAS</b>								
Canada	GDP	y/y	Jul	0.9%	0.9%	0.7%	***	Equity and bond neutral
Mexico	Unemployment Rate NSA	m/m	Aug	2.93%	2.77%	2.85%	***	Equity bearish, bond bullish
Brazil	FGV Inflation IGPM	y/y	Sep	2.82%	3.03%	2.77%	***	Equity and bond neutral
	Total Outstanding Loans	m/m	Aug	6757b	6722b		**	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)	386	386	0	Down
U.S. Sibor/OIS spread (bps)	398	399	-1	Down
U.S. Libor/OIS spread (bps)	392	392	0	Down
10-yr T-note (%)	4.15	4.18	-0.03	Flat
Euribor/OIS spread (bps)	200	198	2	Up
<b>Currencies</b>	<b>Direction</b>			
Dollar	Up			Up
Euro	Down			Down
Yen	Up			Down
Pound	Down			Down
Franc	Down			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
<b>Energy Markets</b>				
Brent	\$68.96	\$70.13	-1.67%	
WTI	\$64.46	\$65.72	-1.92%	
Natural Gas	\$3.18	\$3.21	-0.94%	
Crack Spread	\$23.90	\$23.97	-0.30%	
12-mo strip crack	\$24.36	\$24.55	-0.78%	
Ethanol rack	\$2.11	\$2.11	0.04%	
<b>Metals</b>				
Gold	\$3,823.09	\$3,759.98	1.68%	
Silver	\$47.03	\$46.08	2.06%	
Copper contract	\$481.20	\$477.15	0.85%	
<b>Grains</b>				
Corn contract	\$419.75	\$422.00	-0.53%	
Wheat contract	\$520.25	\$519.75	0.10%	
Soybeans contract	\$1,010.50	\$1,013.75	-0.32%	
<b>Shipping</b>				
Baltic Dry Freight	2,259	2,266	-7	

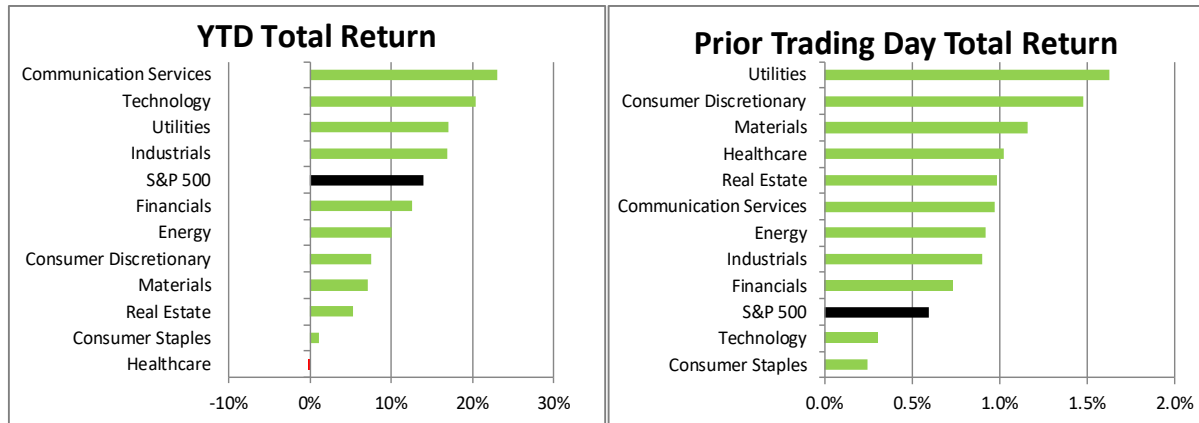
## Weather

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 Northern Rockies and Midwest, with dry conditions in the Pacific Northwest, New England, and the Mississippi Valley region.

There are now two tropical disturbances in the Atlantic Ocean. Hurricane Humberto is currently off the coast of Bermuda, tracking northwest. Meanwhile, Tropical Storm Imelda is situated just off the Florida coast and is expected to move parallel to the shoreline.

## Data Section

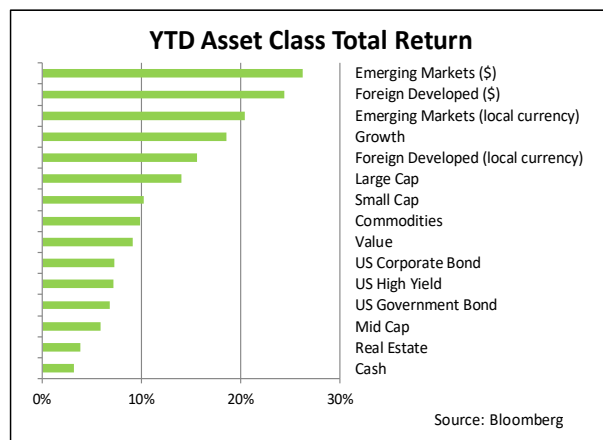
### US Equity Markets – (as of 9/26/2025 close)



(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 9/26/2025 close)

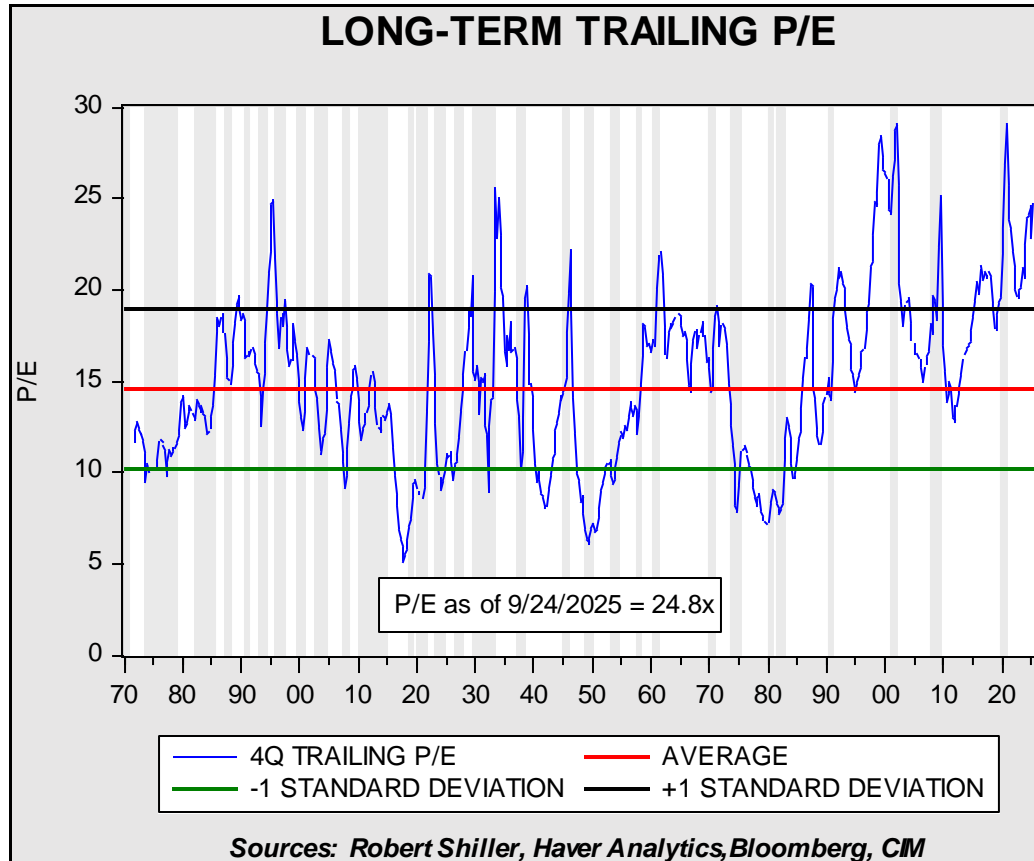


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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 25, 2025



Based on our methodology,<sup>1</sup> the current P/E is 24.8x, which is up 0.3 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.*

<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.