



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: September 30, 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 0.4%. Chinese markets were higher, with the Shanghai Composite up 0.5% from its previous close and the Shenzhen Composite up 0.4%. 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
“US Influence on the Wane: New Evidence” (9/29/25) + 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 a note on the high likelihood of a federal government shutdown starting tonight. We next review several other international and US developments with the potential to affect the financial markets today, including a US-Swiss deal that should allow Switzerland to keep intervening in the currency market to hold down the value of the franc and new Chinese retaliatory measures against the US’s new port fees targeting Chinese ships.

US Fiscal Policy: Yesterday’s meeting between President Trump and the top Republicans and Democrats in Congress [broke up with no deal on a short-term funding bill to avert a partial federal government shutdown starting Wednesday](#). Democrats continue to push for restoring billions of dollars of healthcare spending. Republicans say they’re willing to discuss the issue, but not under the pressure of a deadline. If it happens, a shutdown could potentially disrupt financial markets and [would likely postpone the monthly labor report due Friday](#).

US Artificial Intelligence: *Fortune* magazine today [released its first-ever “AIQ 50” list, which ranks Fortune 500 companies generating significant and measurable impact with AI.](#) In a surprise, many of the firms on the list aren’t in technology at all, but they have been at the forefront of implementing and leveraging AI in their financial, manufacturing, mining, or retailing operations. The top 10 companies on the list are:

1. Alphabet
2. Visa
3. JPMorgan Chase
4. Nvidia
5. Mastercard
6. Coca-Cola
7. ExxonMobil
8. Amazon
9. Ecolab
10. Wesco International

United States-Switzerland: The US and Swiss governments yesterday [signed an agreement not to “target exchange rates for competitive purposes.”](#) although the document also recognizes that market interventions are a valid tool for addressing currency volatility or “disorderly” moves in exchange rates. The deal is being taken as a green light for Switzerland to keep intervening in the currency markets to hold down the value of the franc against the dollar.

United States-China: The Commerce Department yesterday [said its “entity list” of foreign firms subject to export controls would be expanded to include the subsidiaries of any named entities.](#) The entity list isn’t focused only on China, but Chinese entities make up a large share of it. Therefore, the move will probably be a further source of tension in the US-China relationship and could potentially invite Chinese retaliation against US firms.

Australia: The Reserve Bank of Australia today [held its benchmark short-term interest rate unchanged at 3.60%, as widely expected.](#) The central bank has cut rates three times since February, but it said rebounding economic activity and an uncertain outlook justified holding rates steady today. In response, the Australian dollar has appreciated about 0.5% so far today, reaching \$0.6611 and continuing its upward trajectory that started in January.

China: The official purchasing managers’ index for manufacturing [rose to a seasonally adjusted 49.8 in September, beating expectations and rising from 49.4 in August.](#) Like most major PMIs, the official China indicator is designed so that readings over 50.0 signify expanding activity, so the latest reading suggests Chinese factory activity is now basically stagnant or declining only slightly. The modest improvement suggests the manufacturing sector is seeing some improvement from government stimulus and relative stability in the US-China trade war.

China-United States: Beijing yesterday [released new measures to retaliate against the US’s new port fees for Chinese-owned and Chinese-operated ships calling at US ports.](#) The new Chinese measures will allow Beijing to impose special fees or restrictions on US-connected ships trying to access Chinese ports. The US isn’t a shipping power, so the number of affected vessels could

be small. However, the rules may allow Beijing to take an expansive view of what US-connected ships could be targeted, potentially making this a more important issue for shippers.

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
9:45	MNI Chicago PMI	m/m	Sep	43.3	41.5	***
10:00	JOLTS Job Openings	m/m	Aug	7200k	7181k	*
10:00	Conf. Board Consumer Confidence	m/m	Sep	96.0	97.4	***
Federal Reserve						
EST	Speaker or Event	District or Position				
6:00	Philip Jefferson Gives Keynote Speech	Vice-Chair of the Board of Governors				
9:00	Susan Collins Speaks at Council on Foreign Relations	President of the Federal Reserve Bank of Boston				
13:30	Austan Goolsbee Participates in a Q&A at Midwest Agriculture Co	President of the Federal Reserve Bank of Chicago				
15:30	Austan Goolsbee Speaks on Fox Business	President of the Federal Reserve Bank of Chicago				
19:10	Lorie Logan Speaks in Moderated Conversation	President of the Federal Reserve Bank of Dallas				

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	Industrial Production	y/y	Aug P	-1.3%	-0.4%	-0.9%	***	Equity and bond neutral
	Retail Sales	y/y	Aug	-1.1%	0.3%	1.0%	**	Equity bearish, bond bullish
	Depart. Store & Supermarket	y/y	Aug	1.8%	0.4%		*	Equity and bond neutral
	Housing Starts	y/y	Aug	-9.8%	-9.7%	-5.2%	**	Equity bearish, bond bullish
	Annualized Housing Starts	y/y	Aug	0.711m	0.712m	0.750m	*	Equity and bond neutral
Australia	Building Approvals	m/m	Aug	-6.0%	-10.0%	2.6%	***	Equity bearish, bond bullish
	Private Sector Credit	y/y	Aug	7.2%	7.2%		**	Equity and bond neutral
New Zealand	ANZ Activity Outlook	m/m	Sep	43.4	38.7		*	Equity and bond neutral
	ANZ Business Confidence	m/m	Sep	49.6	49.7		**	Equity and bond neutral
South Korea	Industrial Production	y/y	Aug	0.9%	5.0%	2.6%	***	Equity bearish, bond bullish
China	Official Manufacturing PMI	m/m	Sep	49.8	49.4	49.6	***	Equity and bond neutral
	Official Services PMI	m/m	Sep	50.0	50.3	50.2	**	Equity and bond neutral
	Official Composite PMI	m/m	Sep	50.6	50.5		*	Equity and bond neutral
	RatingDog China PMI Composite	m/m	Sep	52.5	51.9		**	Equity and bond neutral
	RatingDog China PMI Services	m/m	Sep	52.9	53.0	52.6	**	Equity and bond neutral
	RatingDog China PMI Mfg	m/m	Sep	51.2	50.5	50.2	***	Equity bullish, bond bearish
China	BoP Current Account	q/q	2Q F	\$128.7b	\$135.1b		**	Equity and bond neutral
EUROPE								
Germany	Import Price Index	y/y	Aug	-1.5%	-1.4%	-1.4%	**	Equity and bond neutral
	Retail Sales	y/y	Aug	-1.1%	3.3%	2.3%	*	Equity bearish, bond bullish
	Unemployment Change (000's)	m/m	Sep	14.0k	-7.0k	8.0k	***	Equity and bond neutral
	Unemployment Claims Rate SA	m/m	Sep	6.3%	6.3%	6.3%	**	Equity and bond neutral
	CPI	y/y	Sep P	2.4%	2.2%	2.3%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep P	2.4%	2.1%	2.2%	**	Equity and bond neutral
France	CPI	y/y	Sep p	1.2%	0.9%	1.3%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep P	1.1%	0.8%	1.3%	**	Equity and bond neutral
	PPI	y/y	Aug	0.1%	0.5%		*	Equity and bond neutral
Italy	PPI	y/y	Aug	0.5%	2.4%		**	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep P	1.8%	1.6%	1.7%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Sep P	1.6%	1.6%	1.6%	**	Equity and bond neutral
	Industrial Sales WDA	y/y	Jul	1.2%	0.3%		*	Equity and bond neutral
UK	GDP	y/y	2Q F	1.4%	1.2%	1.2%	***	Equity and bond neutral
	Private Consumption	q/q	2Q F	0.1%	0.1%	0.1%	***	Equity and bond neutral
	Government Spending	q/q	2Q F	1.3%	1.2%	1.2%	**	Equity and bond neutral
	Gross Fixed Capital Formation	q/q	2Q F	0.5%	-1.1%	-1.1%	**	Equity and bond neutral
	Total Business Investment	y/y	2Q F	3.0%	0.1%	0.1%	**	Equity and bond neutral
	Current Account Balance	q/q	2Q	-28.9b%	-21.2b	-25.0b	**	Equity and bond neutral
Switzerland	KOF Leading Indicator	m/m	Sep	98.0	96.2	97.0	**	Equity and bond neutral
AMERICAS								
Brazil	Total Outstanding Loans	m/m	Aug	6757b	6722b		*	Equity and bond neutral
	Formal Job Creation Total	m/m	Aug	147358	134251	181950	*	Equity and bond neutral
	Central Govt Budget Balance	m/m	Aug	-15.6b	-59.2b	-19.b	*	Equity and bond neutral
	Primary Budget Balance	y/y	Aug	-17.3b	-66.6b	-21.0b	*	Equity and bond neutral
	Net Debt % GDP	m/m	Aug	64.20%	63.60%	64.00%	**	Equity and bond neutral
	National Unemployment Rate	m/m	Aug	5.6%	5.6%	5.6%	*	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)	383	385	-2	Down
U.S. Sibor/OIS spread (bps)	398	398	0	Down
U.S. Libor/OIS spread (bps)	391	391	0	Down
10-yr T-note (%)	4.14	4.14	0.00	Up
Euribor/OIS spread (bps)	202	200	2	Up
Currencies	Direction			
Dollar	Up			Up
Euro	Down			Down
Yen	Up			Down
Pound	Down			Down
Franc	Down			Down
Central Bank Action	Current	Prior	Expected	
RBA Cash Rate Target	3.60%	3.60%	3.60%	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	\$67.48	\$67.97	-0.72%	
WTI	\$62.95	\$63.45	-0.79%	
Natural Gas	\$3.29	\$3.27	0.58%	
Crack Spread	\$23.49	\$23.73	-1.03%	
12-mo strip crack	\$24.07	\$24.23	-0.65%	
Ethanol rack	\$2.12	\$2.11	0.22%	
Metals				
Gold	\$3,816.72	\$3,833.55	-0.44%	
Silver	\$46.22	\$46.93	-1.52%	
Copper contract	\$485.90	\$489.20	-0.67%	
Grains				
Corn contract	\$419.25	\$421.50	-0.53%	
Wheat contract	\$518.50	\$519.50	-0.19%	
Soybeans contract	\$1,006.25	\$1,010.50	-0.42%	
Shipping				
Baltic Dry Freight	2,220	2,259	-39	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		0.50		
Gasoline (mb)		-1.00		
Distillates (mb)		2.00		
Refinery run rates (%)		-0.8%		
Natural gas (bcf)		74		

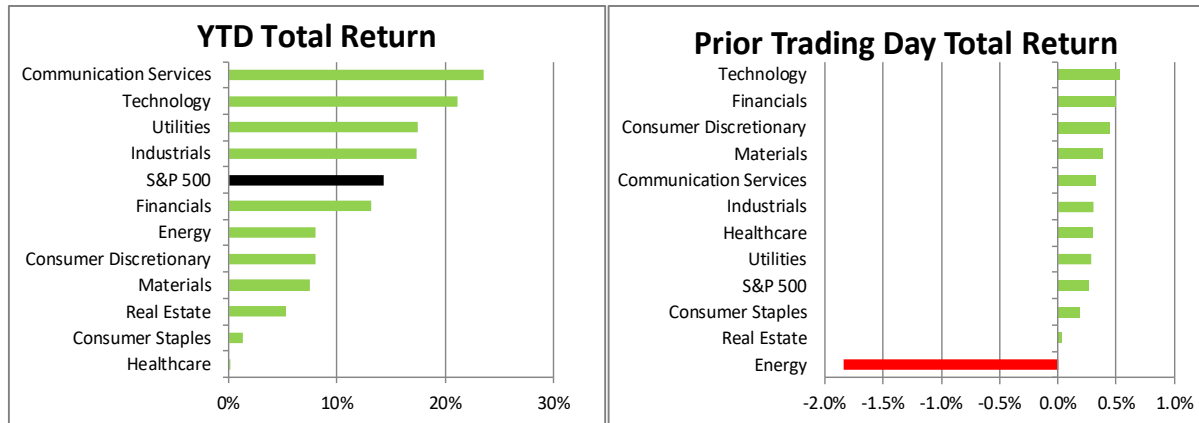
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures for most of the country, with cooler-than-normal temperatures expected in Pacific region. The precipitation outlook calls for wetter-than-normal conditions in most states, with dry conditions expected in the Pacific Northwest and New England.

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

Data Section

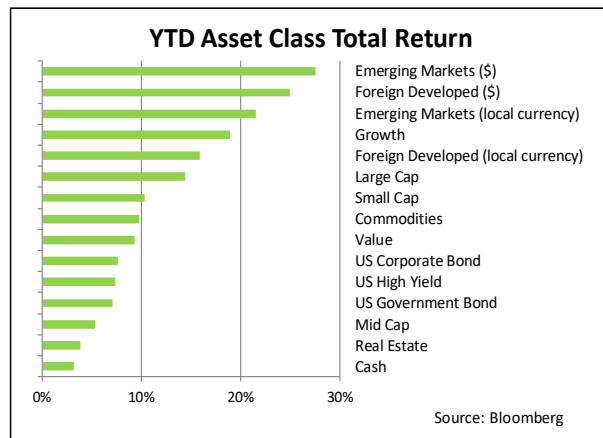
US Equity Markets – (as of 9/29/2025 close)



(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 9/29/2025 close)

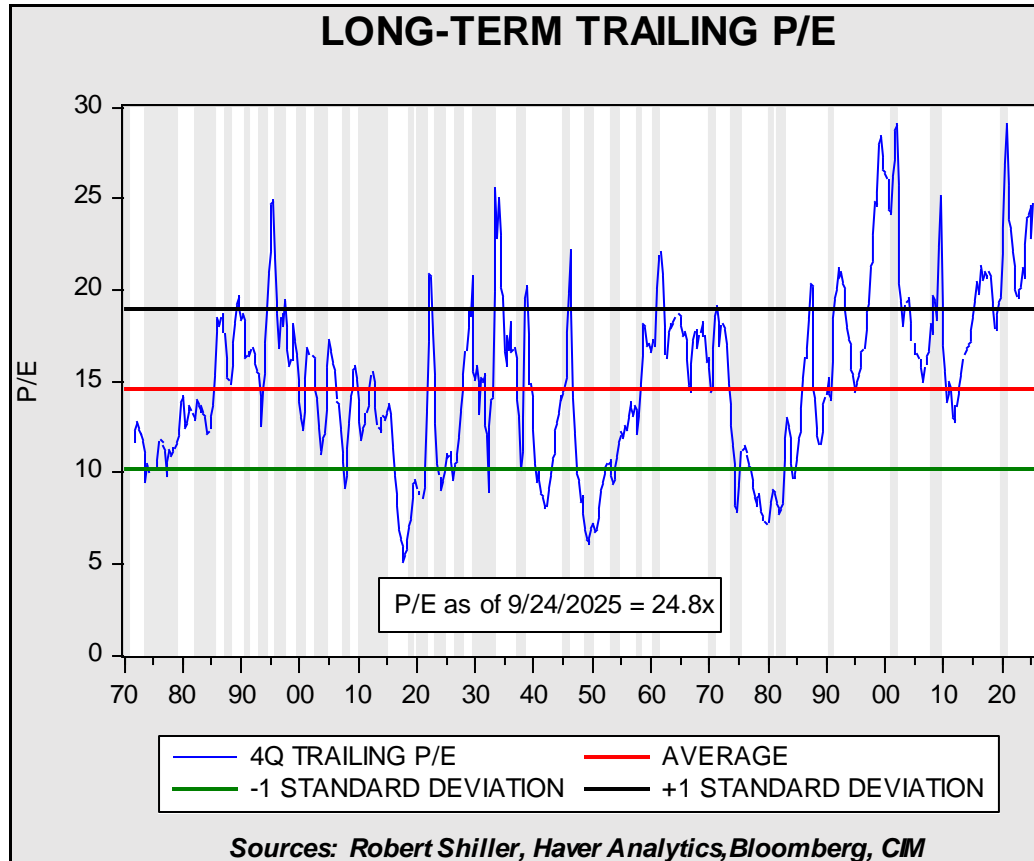


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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,¹ 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.

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.