



By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: March 24, 2025 – 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 closed up 0.1% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.5%. Chinese markets were mixed, with the Shanghai Composite up 0.2% from its previous close and the Shenzhen Composite down 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:

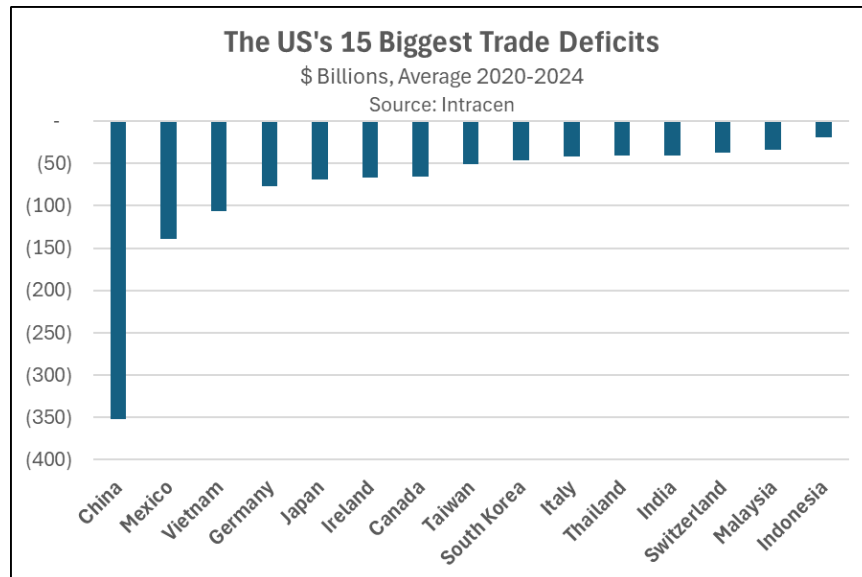
Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“United Arab Emirates: An Overview” (3/10/25) + podcast	“Equities as an Inflation Hedge?” (3/17/25) + podcast	Q1 2025 Report Q1 2025 Rebalance Presentation	The Confluence of Ideas podcast Business Cycle Report

Our *Comment* today opens with new indications that the Trump administration’s “reciprocal” tariffs to be announced on April 2 could be narrower than expected. The news is giving a significant boost to US stocks so far this morning. We next review several other international and US developments with the potential to affect the financial markets today, including a snap election called in Canada for April 28 and growing pushback against a US plan to impose big, new fees on Chinese ships calling at US ports.

US Tariff Policy: Administration officials over the weekend [said the new “reciprocal” tariffs that President Trump plans to announce on April 2 will likely be narrower than expected](#). It appears that officials are coalescing around a plan to impose big tariffs against just 15 nations that have especially large trade imbalances with the US, although other countries could also be hit with more modest levies. The officials also suggest Trump will hold off on some of the broad sectoral tariffs that he has threatened, such as those on autos and pharmaceuticals.

- News of the narrower tariffs [has given a strong boost to US stock futures so far this morning](#), suggesting that stock prices will jump after the open.

- Nevertheless, we would caution that President Trump could still change his mind and impose broader tariffs than what today’s reports indicate. In addition, whatever tariffs are announced on April 2 could subsequently be modified, and other tariff announcements could come later. In other words, the situation remains fluid, which will probably prompt continued stock market volatility in the coming weeks.



European Stock Market: Now that European stocks have performed so well in the first quarter of 2025, it’s notable that German software firm SAP today [has overtaken Danish pharmaceutical giant Novo-Nordisk as the continent’s most valuable company in terms of market cap](#). SAP’s stock price has surged some 40% over the last year as it successfully migrated its business to the cloud. In contrast, Novo-Nordisk’s stock value has been roughly halved as investors question how it will follow up its recent success with weight-loss drugs.

Eurozone: In a preliminary report, S&P Global and Hamburg Commercial Bank [said their March composite purchasing managers’ index rose to 50.4 from 50.2 in February](#). Like most major PMIs, the one for the eurozone is designed so that readings over 50 indicate expanding activity. At its current level, the data suggests that the eurozone economy is growing, but just barely. The region’s slow growth and susceptibility to new US tariffs will likely be a test for European stocks going forward.

Japan: In an interview with the *Financial Times* today, Finance Minister Katō [warned that Japan hasn’t truly exited its long period of deflation](#), even though the headline consumer price index has shown annual inflation as high as 4.0% in recent months. According to Katō, inflation in Japan today is largely the “wrong kind,” reflecting the weak yen (JPY) and high commodity prices, rather than strong underlying economic growth. The statement suggests the government will continue looking for ways to boost consumer demand and overall economic growth.

China: Researchers [have unveiled a device that can cut through armored subsea communication cables at a depth of up to 4,000 meters](#) — twice the maximum operational depth of today’s

subsea telecom infrastructure. The revelation apparently marks the first time any country has officially disclosed that it has such an asset.

- Although ostensibly for civilian salvage and deep-sea mining, the device could be deployed by submarines to cut critical communication lines between Chinese adversaries in time of geopolitical tension or war. For example, the device could be used to cut the telecom cables linking the US to Japan or Taiwan.
- China and Russia have already been linked to multiple cable-cutting incidents in relatively shallow waters around Taiwan and in the Baltic Sea, but the damage in those cases has been from ships dragging their anchors. The new Chinese device, if it's real, could threaten a much bigger swath of the world's telecom infrastructure.

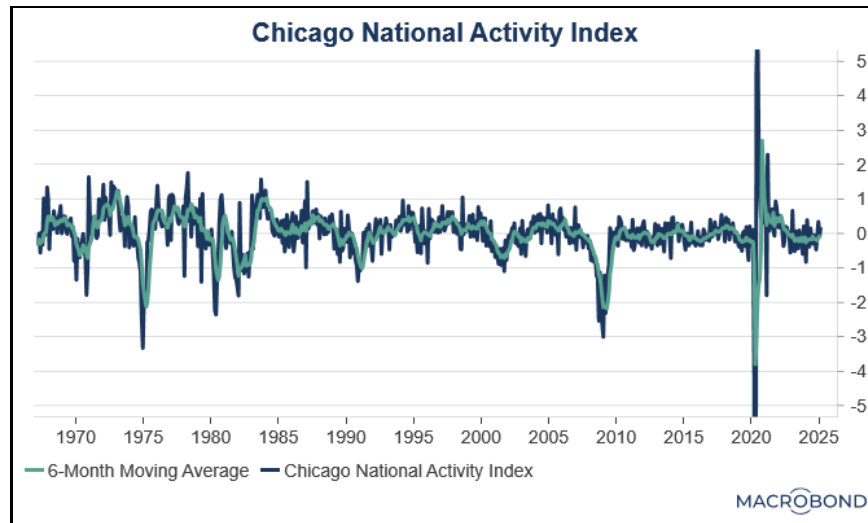
Turkey: Mass protests against the detention of Istanbul mayor Ekrem İmamoğlu [continued over the weekend, resulting in the arrests of hundreds of demonstrators](#). President Erdoğan apparently had the popular İmamoğlu arrested last week to keep him from potentially winning the country's upcoming elections. The arrest of İmamoğlu has raised concerns about Erdoğan's government becoming even more authoritarian, raising the risk of continued political unrest, economic disruptions, and weaker stock prices.

Canada: Yesterday, Prime Minister Carney, who assumed the office from Justin Trudeau just nine days earlier, [called snap elections for April 28](#). The quick election comes as Carney's Liberal Party has seen a resurgence in support in response to US President Trump's threat to take control of Canada. If Carney can take advantage of the Liberals' rebound in the polls, Ottawa's economic policy would likely see only a limited moderation versus the progressive policies followed by Trudeau.

US Port Fees: The *Wall Street Journal* today [says that hundreds of trade associations, farmers, and other individuals have filed protests or asked to speak](#) at a hearing this week on the Trump administration's proposal to impose big fees on Chinese ships calling at US ports. The proposed fees have bipartisan support among policymakers, having stemmed from a probe ordered last year by President Biden. However, the groundswell of criticism by shippers concerned about higher costs raises the chance that the fees will be reduced or eliminated.

US Economic Releases

The *Chicago Fed National Activity Index* — a key gauge of US economic health — rose to +0.18 in February, rebounding from January's slightly negative reading of -0.08. The uptick was driven by stronger production, income, and employment trends, though weaker consumer spending and sales partially offset the gains. The chart below displays the index alongside its six-month moving average, which edged up from -0.08 to -0.05.



The following table lists the releases and/or Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
9:45	S&P Global US Manufacturing PMI	m/m	Mar P	51.8	52.7	***
9:45	S&P Global US Services PMI	m/m	Mar P	51.0	51.0	***
9:45	S&P Global US Composite PMI	m/m	Mar P	51.3	51.6	***
Federal Reserve						
EST	Speaker or Event	District or Position				
13:45	Raphael Bostic is Interviewed on Bloomberg TV	President of the Federal Reserve Bank of Atlanta				
15:10	Michael Barr Speaks on Small Business Lending	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								
Japan	Jibun bank Composite PMI	m/m	Mar P	48.5	52.0		*	Equity and bond neutral
	Jibun Bank Manufacturing PMI	m/m	Mar P	48.3	49.0		***	Equity and bond neutral
	Jibun Bank Services PMI	m/m	Mar P	49.5	53.7		**	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Mar P	51.3	50.6		*	Equity and bond neutral
	S&P Global Australia Manufacturing PMI	m/m	Mar P	52.6	50.4		***	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Mar P	51.2	50.8		*	Equity and bond neutral
India	HSBC India PMI Composite	m/m	Mar P	58.6	58.8		**	Equity and bond neutral
	HSBC India PMI Mfg	m/m	Mar P	57.6	56.3		***	Equity and bond neutral
	HSBC India PMI Services	m/m	Mar P	57.7	59.0		**	Equity and bond neutral
EUROPE								
Eurozone	HCOB Eurozone Manufacturing PMI	m/m	Mar P	48.7	47.6	48.2	***	Equity and bond neutral
	HCOB Eurozone Services PMI	m/m	Mar P	50.4	50.6	51.1	**	Equity and bond neutral
	HCOB Eurozone Composite PMI	m/m	Mar P	50.4	50.2	50.7	*	Equity and bond neutral
Germany	HCOB Germany Manufacturing PMI	m/m	Mar P	48.3	46.5	47.0	***	Equity and bond neutral
	HCOB Germany Services PMI	m/m	Mar P	50.2	51.1	52.0	**	Equity and bond neutral
	HCOB Germany Composite PMI	m/m	Mar P	50.9	50.4	51.1	**	Equity and bond neutral
France	HCOB France Manufacturing PMI	m/m	Mar P	48.9	45.8	46.1	***	Equity and bond neutral
	HCOB France Services PMI	m/m	Mar P	46.6	45.3	46.0	**	Equity and bond neutral
	HCOB France Composite PMI	m/m	Mar P	47.0	45.1	46.1	**	Equity and bond neutral
UK	S&P Global UK Manufacturing PMI	m/m	Mar P	44.6	46.9	47.2	***	Equity and bond neutral
	S&P Global UK Services PMI	m/m	Mar P	53.2	51.0	51.0	**	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Mar P	52.0	50.5	50.5	**	Equity and bond neutral
Switzerland	Domestic Sight Deposits CHF	w/w	21-Mar	440.4b	440.7b		*	Equity and bond neutral
	Total Sight Deposits CHF	w/w	21-Mar	449.2b	448.5b		*	Equity and bond neutral
AMERICAS								
Canada	Retail Sales	m/m	Jan	-0.6%	2.6%	-0.4%	**	Equity and bond neutral
	Retail Sales Ex-Autos	m/m	Jan	0.2%	2.9%	-0.2%	**	Equity and bond neutral
Mexico	Economic Activity IGAE	y/y	Jan	-0.08%	-0.44%	-0.02%	**	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)	419	419	0	Up
U.S. Sibor/OIS spread (bps)	430	430	0	Down
U.S. Libor/OIS spread (bps)	432	432	0	Down
10-yr T-note (%)	4.29	4.25	0.04	Down
Euribor/OIS spread (bps)	239	239	0	Down
Currencies	Direction			
Dollar	Up	US		Down
Euro	Down	Euro		Up
Yen	Up	Japan		Up
Pound	Down	UK		Up
Franc	Down	Switzerland		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.

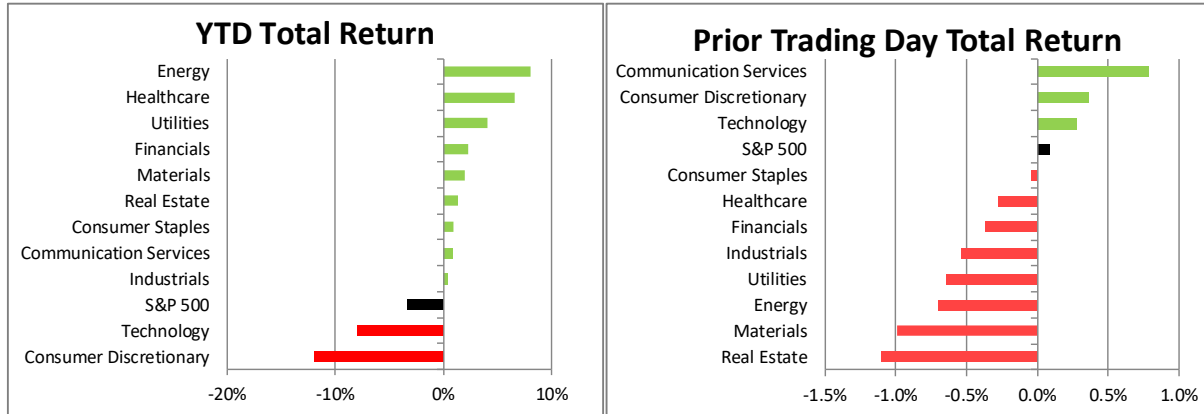
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$72.59	\$72.16	0.60%	
WTI	\$68.76	\$68.28	0.70%	
Natural Gas	\$3.92	\$3.98	-1.53%	
Crack Spread	\$24.02	\$24.15	-0.54%	
12-mo strip crack	\$20.89	\$21.01	-0.54%	
Ethanol rack	\$1.90	\$1.90	-0.10%	
Metals				
Gold	\$3,027.37	\$3,022.15	0.17%	
Silver	\$33.16	\$33.03	0.39%	
Copper contract	\$517.70	\$511.35	1.24%	
Grains				
Corn contract	\$461.00	\$464.25	-0.70%	
Wheat contract	\$551.75	\$558.25	-1.16%	
Soybeans contract	\$1,007.75	\$1,009.75	-0.20%	
Shipping				
Baltic Dry Freight	1,643	1,635	8	

Weather

The 6-to-10 and 8-to-14-day forecasts indicate warmer-than-normal temperatures across most of the country, with cooler conditions expected along the West Coast. For precipitation, wetter-than-normal conditions are likely in the Northern Rockies, Pacific Northwest, and New England, while the Southwest and Texas are expected to have drier conditions.

Data Section

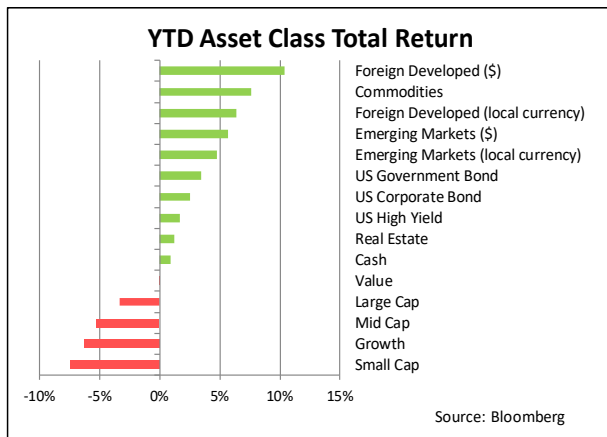
US Equity Markets – (as of 3/21/2025 close)



(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 3/21/2025 close)

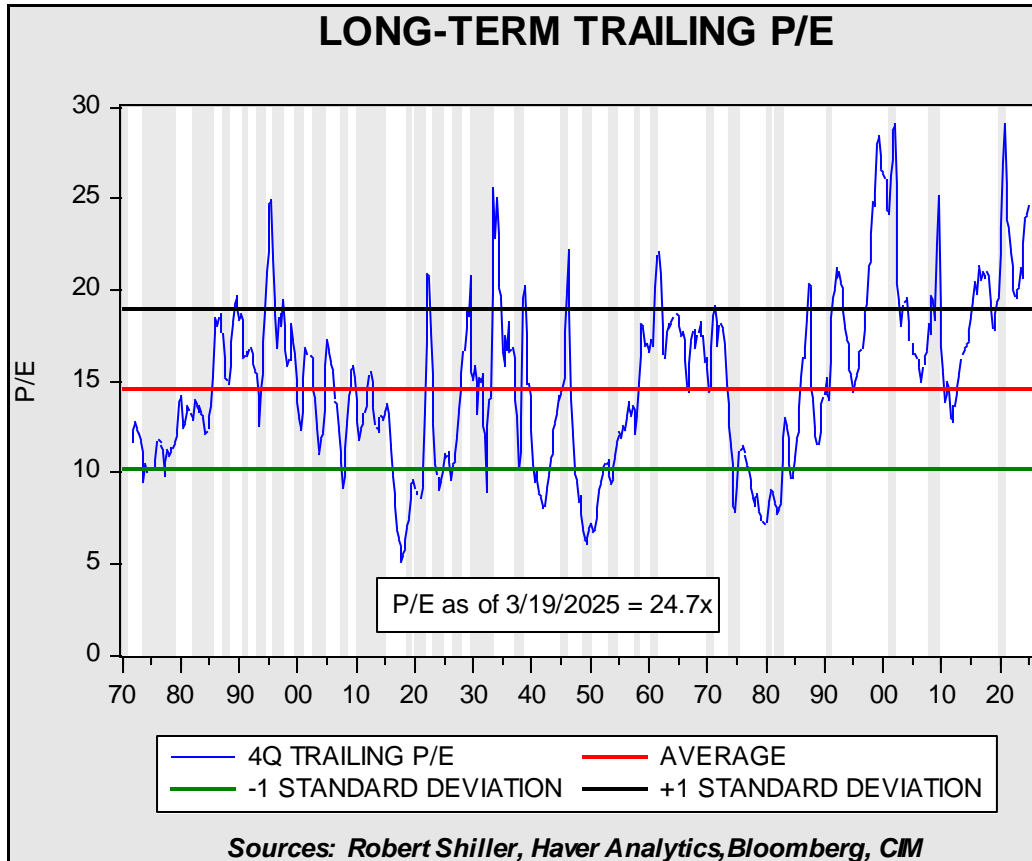


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

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

March 20, 2025



Based on our methodology,¹ the current P/E is 24.7x, down 0.1 from our last report. The drop in multiple was driven primarily by 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, Q2, and Q3) and one estimate (Q4). 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.