AACHEN INVESTMENT CLUB

Newsletter CW 37/38

News Recap

FED lowers interest rates

The Federal Reserve voted to lower the interest rate paid on reserve balances to a range of 4.00 to 4.25 percent, effective September 18, 2025.” This decision, which comes amid concerns about a weakening job market, also signals that policymakers intend to continue gradually reducing borrowing costs through the remainder of the year. Recent indicators suggest that economic activity slowed in the first half of 2025. Job gains have slowed, and while the unemployment rate has edged up but remains low by historical standards. Inflation has risen somewhat and continues to run above the Federal Reserve’s long-run target, reflecting persistent price pressures despite signs of cooling demand. The rate cut has already begun to affect borrowing costs, with consumer loans and mortgage rates gradually easing. Markets reacted with falling Treasury yields and an initial boost in equities, especially technology stocks, though investor sentiment remains cautious. Fed officials signalled that one or two more cuts could follow this year, depending on upcoming inflation and labour market data. Analysts echoed the Fed’s cautious stance. Michael Gapen, Chief U.S. Economist at Morgan Stanley, noted that the Fed sees increased downside risk to employment and expects further rate cuts, while inflation forecasts were revised slightly higher, signalling a dovish outlook. Overall, the Fed’s move aims to support continued economic growth while keeping an eye on inflation and labour market trends, reflecting a cautious but proactive approach to monetary policy. (Sources: Reuters, Federal Reserve Board, Schwab Brokerage, Morgan Stanley)

Germany approves 2025 budget with record investments

Germany’s parliament has adopted the federal budget for 2025, setting total expenditures at just over 500 billion euros. The plan represents one of the most ambitious spending programs in recent years and reflects a clear shift away from the country’s traditional fiscal restraint. New borrowing of around 82 billion euros is foreseen in the core budget, while additional spending will be channelled through special funds. The most significant of these is the newly created “Sondervermögen Infrastruktur und Klimaneutralität,” worth 500 billion euros over twelve years. It is designed to finance long-term projects in transport, energy, digitalization, education, research, and healthcare, with a share also flowing to states and municipalities to support regional investment. The budget has sparked intense debate. Supporters highlight the need for massive investment after years of underfunding, noting that without decisive action Germany risks falling behind in key technologies and infrastructure. Critics, however, warn that the heavy reliance on debt could burden future generations. Rising interest rates and growing obligations may place strain on public finances, and there are concerns over whether all the planned spending will genuinely serve long-term investment goals rather than covering ongoing expenses.

The 2025 budget thus marks a turning point in German fiscal policy: it opens a path toward record-level investments in modernization and climate neutrality, but it also raises fundamental questions about financial sustainability and the balance between growth and stability. *(Source: Tagesschau)*

Ford to Cut Jobs at Cologne Plant Amid EV Market Slowdown

Ford has announced plans to eliminate up to 1,000 jobs at its Cologne factory as the company scales back production in response to weaker demand and a more gradual transition to electric vehicles. According to reports from both Tagesschau and Die Zeit, the carmaker will reduce operations from two shifts to a single shift beginning in early 2026.

The company says the cuts will initially be handled through voluntary measures such as severance offers and early retirement programs. However, management has warned that if not enough employees accept these packages, forced redundancies cannot be ruled out. Ford's works council has called for constructive negotiations to avoid compulsory layoffs and to protect the plant's long-term viability. Cologne is central to Ford's European EV strategy, housing its new Electric Vehicle Center, but the shift to battery-powered models has proved challenging. Demand for higher-priced electric vehicles has softened, and the sudden end of Germany's federal EV purchase incentive last year further dampened sales. Analysts note that while Ford remains committed to electrification, its product lineup will need more affordable models to stay competitive in a crowded market.

These job reductions come on top of an earlier plan to cut nearly 3,000 positions in Cologne by 2027 as part of a Europe-wide restructuring. Local officials and union leaders warn that the latest announcement underscores the broader pressures facing Germany's auto industry, from rising costs to intensifying global competition. *(Source: Tagesschau, Die Zeit)*

Google and PayPal Launch Strategic Commerce Alliance

PayPal and Google have announced a multi-year strategic partnership aimed at transforming digital commerce through artificial intelligence and next-generation payment solutions. The collaboration will combine Google's advanced AI capabilities with PayPal's established payment infrastructure to create more seamless, secure, and intelligent shopping experiences across digital platforms. A core focus of the partnership is the development of so-called "agentic commerce" — a model in which AI agents assist users with product searches, comparisons, and purchases. This shift is expected to change the way consumers interact with online shopping by automating routine decisions and enabling faster, more personalized transactions. To support this, the two companies are also promoting new industry standards to ensure security and trust in AI-led commerce. As part of the agreement, PayPal's services — including branded checkout, payouts, and card processing — will be deeply integrated into Google products such as Google Ads, Google Play, and Google Cloud. At the same time, PayPal will migrate parts of its infrastructure to Google Cloud, aiming to boost performance, scalability, and fraud detection capabilities.

The partnership comes at a time when both companies are looking to strengthen their positions in a rapidly evolving digital commerce landscape. While PayPal gains access to a broader ecosystem, Google reinforces its ambitions in AI-driven shopping and digital payments. The success of this initiative will depend on effective implementation, regulatory compliance, and the ability to maintain user trust in an increasingly automated environment. *(Source: PayPal, MarketScreener, Spiegel)*

France Faces Debt Turmoil as Political Crisis Deepens

Concerns are mounting that France's rising debt could spiral out of control, prompting speculation in financial markets over whether the European Central Bank might step in with bond purchases to support the eurozone's second-largest economy. While economists currently consider a repeat of the euro crisis of the last decade unlikely, France is facing mounting pressure. Borrowing costs have surged, with risk premiums on French government bonds climbing sharply. The yield on 10-year bonds has even risen above those of Greek securities. A recent downgrade by Fitch is expected to further worsen the outlook.

The political turmoil has added fuel to the fire. Former Prime Minister François Bayrou, who lost a confidence vote after unveiling sweeping austerity plans, lashed out at the downgrade, warning that a nation led by elites who "reject the truth" would pay the price. Bayrou's agenda to freeze public spending, including pensions and social

benefits, slash civil service jobs, merge agencies, and even eliminate public holidays sparked fierce protests. His successor, Sébastien Lecornu, has pledged to bridge the widening gap between political leadership and public expectations. The downgrade has also drawn criticism within parliament. Éric Coquerel, chairman of the finance committee and a lawmaker from the far-left LFI party, said the rating cut was the result of "two months of catastrophist rhetoric about the country's finances." He warned that if the next government also seeks to rely on financial markets to enforce harsh austerity, it would be steering directly into the very disaster it has forecast, deepening France's economic, social, and ecological crisis.
(Source: Tagesschau)

Nvidia Invests $5 Billion in Intel Forming Strategic Alliance

In a surprising move, Nvidia has announced a $5 billion investment in Intel. As part of the agreement, Nvidia will acquire Intel shares, while both companies confirmed plans to jointly develop chips for PCs and data centers.
Nvidia CEO Jensen Huang emphasized that the partnership is intended to expand both companies' ecosystems and lay the foundation for a "new era of computing."
For Intel, the backing from the world's most valuable chipmaker comes as a crucial boost after a period of challenges. However, Intel did not secure an anticipated production order for Nvidia processors.
Markets reacted strongly: Intel's share price jumped by around 25 percent, the sharpest rise in decades, following the announcement. The deal is still subject to approval by U.S. regulators. *(Source: Tagesschau, Süddeutsche Zeitung)*

M&A/VC News

Roche acquires 89bio for $3.5 billion

Swiss pharma group Roche will acquire U.S. biotech 89bio for $3.5 billion. 89bio's lead drug pegozafermin, an FGF21 analogue, is in late-stage trials for fatty liver disease (MASH) linked to obesity. Roche said the deal strengthens its cardiovascular, renal and metabolic portfolio and complements its push into the booming weight-loss market. "It is a very nice complement in terms of treating a common comorbid condition with obesity," said Teresa Graham, head of Roche's pharma division. *(Source: Reuters)*

Nothing raises $200 million Series C

London-based smartphone maker Nothing announced on September 16, 2025, that it secured $200 million in a Series C funding round at a valuation of $1.3 billion. The round was led by Tiger Global with participation from GV, Highland Europe, EQT, Latitude, I2BF, and Tapestry. Founder Carl Pei said the funds will be used to expand the integration of artificial intelligence into Nothing’s hardware and software, aiming to build an “AI-native platform where hardware and software converge.” *(Source: Reuters)*

Lila Sciences raises $235 million Series A

Biotech startup Lila Sciences, founded by Flagship Pioneering, announced on September 15, 2025, that it closed a $235 million Series A. The round was led by Braidwell and Collective Global, with participation from multiple investors. Lila, founded in 2023 and led by Flagship partner Geoffrey von Maltzahn, aims to fully automate the scientific method through AI-driven “Science Factories,” where models design and run experiments autonomously. CRISPR pioneer George Church serves as chief scientist. The new funding will support facilities in Boston, San Francisco and London. *(Source: lila.ai)*

Figure valued at $39 billion after latest funding round

U.S. robotics startup Figure announced on September 16, 2025, that it raised $1 billion in a Series C round, bringing its valuation to $39 billion. The funding was led by Parkway Venture Capital, with participation from Nvidia, Intel Capital, LG Technology Ventures, Salesforce, T-Mobile Ventures and Qualcomm Ventures.
Figure is developing humanoid robots designed to work in industrial and commercial environments. The fresh capital will accelerate product development and scale deployment, highlighting strong investor confidence in advanced robotics. *(Source. Reuters)*

VoLo Earth Ventures secures $143 million for Early-Stage Climate Tech Fund

Climate-focused investor VoLo Earth Ventures has closed its second fund at $135 million, announced on September 17, 2025. The raise marks a 50% increase over its first fund despite a tougher venture capital market.

The firm invests in startups working on solutions across energy, mobility, buildings and industrial sectors to accelerate decarbonization. With Fund II, VoLo Earth plans to expand its portfolio of early-stage companies developing breakthrough climate technologies. *(Source: Reuters)*

Anglo American and Teck to merge in $53 billion mining deal

Anglo American and Teck Resources have agreed to merge in a transaction valued at $53 billion, announced on September 9, 2025. The combined company, to be called Anglo Teck, will become one of the world's largest copper producers. Under the terms, Anglo American shareholders will hold about 62.4% of the new company and Teck shareholders about 37.6%. Headquartered in Canada with a primary listing in London, Anglo Teck expects to achieve annual cost synergies of up to $800 million. The merger underscores growing demand for copper, a critical metal for the global energy transition. *(Source: Reuters)*

Outlook

Earnings and key events

- 23.09. AutoZone, Micron Technology
- 24.09.: Cintas Corporation
- 25.09.: Accenture, Costco Wholesale
- 30.09.: Nike
- 02.10.: Fast Retailing

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