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AACHEN INVESTMENT CLUB

Newsletter CW 43/44

News Recap

ECB keeps rates steady as inflation nears target

At its meeting in Florence on October 30, 2025, the European Central Bank (ECB) decided to keep interest rates unchanged, maintaining the key deposit rate at 2.0%. After eight consecutive cuts earlier this year, this marks the third straight pause, signaling that policymakers feel comfortable with the current level of monetary accommodation.

The move comes as inflation in the euro area continues to ease toward the ECB's 2% target. Consumer prices rose by 2.2% year-on-year in September, and early estimates for October suggest a further decline. In Germany, inflation dipped to 2.3%, reinforcing the view that the post-pandemic and energy-driven price surge has largely subsided.

Meanwhile, the eurozone economy has shown unexpected resilience. According to Eurostat, GDP grew by 0.2% in the third quarter compared with the previous quarter. Despite headwinds from global trade tensions and higher U.S. tariffs, output in the region managed to expand modestly, supported by a robust labor market and solid household balance sheets.

Still, some analysts believe the rate-cutting cycle may not be over. Falling energy prices and easing wage pressures could open the door for further monetary loosening in the months ahead. For now, however, the ECB prefers caution, signaling that any future decisions will remain strictly data-dependent as inflation moves closer to target and growth stabilizes. *(Sources: Tagesschau, Eurostat, Reuters)*

VW reports billions in losses in Q3 as Porsche slows earnings

The Volkswagen Group reported a significant net loss in the third quarter of 2025. The company reported a deficit of around €1.07 billion, following a profit of €1.56 billion in the same period last year. The Wolfsburg-based company cited problems in the Porsche sports car division as the main reason. According to the report, necessary strategy adjustments at Porsche and write-downs on its goodwill led to extraordinary expenses. Chief Financial Officer Arno Antlitz spoke of special effects totaling €7.5 billion (primarily due to higher US tariffs, Porsche's change in strategy, and associated write downs) – €4.7 billion of which was attributable to Porsche-specific value adjustments.

Porsche itself had already presented disastrous figures shortly before: The sports car manufacturer posted an operating loss of almost €1 billion in July–September because it had to scale back its electrification plans and focus on more classic combustion engine models. This led to a 96% drop in profits at Porsche in the first nine months. VW CEO Oliver Blume responded with a change in leadership: Blume will hand over the reins at Porsche to Michael Leiters at the turn of 2025/26, while remaining CEO of the group in Wolfsburg.

Despite the overall loss, the core business of the VW brand itself remained relatively stable. In the first nine months, the core brand's operating return on sales improved to around 2.3%, and sales volume and revenue rose slightly. According to the Group, after deducting special factors, the profit margin for the company as a whole would have been around 5.4% – a respectable figure given the environment. Investors reacted calmly to the quarterly figures: experts had expected the loss, so VW shares even rose slightly the day after the announcement.

Overall, the figures show how much Porsche's performance is currently weighing on the group. As long as Porsche's new strategies continue to incur high costs and demand remains weak, VW will remain under pressure. The recovery in profits will depend largely on how quickly Porsche can overcome the costs of restructuring and return to profitability. *(Sources: VW, FAZ, Zeit, ZDF, Reuters)*

Stabilization in Global Car Markets

In September 2025, 235,528 passenger cars were newly registered in Germany, an increase of 12.8% year-on-year (calendar-adjusted: approximately +7.6%). Battery-electric vehicles accounted for just under 20% of registrations, while hybrid models grew significantly faster than combustion engines. This marks the third consecutive month of market growth.

Across EU + UK + EFTA, registrations rose 10.7% in September to 1.237 million units. Major manufacturers recorded broad-based growth, with Germany and the UK leading the expansion. The year-to-date BEV share in the EU stands at 16.1%, while hybrids continue to gain the strongest momentum.

In China, the “Golden September” period saw domestic auto sales rise to 2.27 million units (+6.6% YoY). New Energy Vehicles (BEV, PHEV, FCEV) continued to gain share and accounted for nearly half of the market year-to-date. From January to September, NEV wholesales reached around 10.45 million units, with overall production and sales both showing double-digit growth.

Globally, the market environment appears to be stabilizing. Europe has now recorded three consecutive months of higher registrations, and full-year 2025 outlooks suggest a slightly positive volume trend, implying low single-digit growth versus the previous year. *(Sources: Handelsblatt, Reuters, acea)*

Fed Cuts Rates by 25 bps as Jobs Risk and Political Pressure Mount

On 29 October 2025, the U.S. Federal Reserve (Fed) lowered its target range for the federal funds rate by one quarter-percentage point, from 4.00 %–4.25 % to 3.75 %–4.00 %. The move marks the second rate cut this year and reflects rising concerns that the labour market is losing momentum.

The decision balances conflicting forces: inflation remains above the Fed's 2 % target, yet several indicators point to weakening economic activity and softer job growth. The central bank's statement highlighted that "downside risks to employment rose in recent months", signalling a gradual shift in focus from inflation containment toward growth support.

Fed Chair Jerome Powell emphasized that the committee remains highly data-dependent and that another cut in December is not guaranteed. He pointed out that a prolonged U.S. government shutdown had limited access to key labour and inflation data, complicating the policy assessment. Markets interpreted his comments as cautious, reflecting the Fed's intention to maintain flexibility amid uncertainty.

The latest cut follows months of political tension surrounding the central bank. Former President Donald Trump has repeatedly urged the Fed to reduce rates more aggressively, even suggesting that he might try to fire Powell. In April 2025, he claimed that "Powell's termination can't come fast enough" and stated that he could remove him "real fast" if he wanted to. Although such a move is legally implausible, the remarks sparked volatility in financial markets and renewed debate over the Fed's independence.

Against this backdrop, the Fed's recent decision represents not only an economic adjustment but also a statement of institutional credibility. By easing moderately while reaffirming its independence, the central bank aims to steer a delicate course between supporting the economy and preserving long-term stability. Policymakers will continue to monitor incoming data closely before deciding whether further cuts are warranted. *(Sources: Federal Reserve, Reuters)*

U.S. Credit Rating Downgrade and Current Fiscal Situation

The United States currently records a federal debt exceeding 38 trillion dollars, corresponding to a debt-to-GDP ratio of over 122 percent. As this ratio rises, a growing share of government revenue is absorbed by interest payments, reducing fiscal room for other public expenditures.

The European rating agency Scope has downgraded the U.S. credit rating from AA to AA-. The agency cites persistently high budget deficits and rising debt-servicing costs as key reasons. It also highlights increased political polarization and institutional gridlock, noting reduced legislative capacity to advance long-term fiscal reforms in areas such as taxation, healthcare, and pension systems.

Recent U.S. economic policy has combined higher tariffs with expanded fiscal spending programs. While tariff revenues have increased, they cover only part of the associated expenditures. The Federal Reserve has indicated the possibility of a more accommodative monetary stance to support economic activity, depending on inflation dynamics.

Despite the rating change, the U.S. economy remains highly diversified, and U.S. Treasury securities continue to be widely held internationally. The U.S. dollar maintains its central role as the world's primary reserve currency. Treasury yields thus remain a key indicator of international confidence in the fiscal position of the United States. *(Sources: Tagesschau, Die Zeit)*

U.S. and China Suspend New Tariffs

The United States and China have agreed to postpone the introduction of further tariffs after a meeting between U.S. President Donald Trump and China's President Xi Jinping in South Korea. According to information from the White House, the United States will not implement the previously announced additional tariffs on Chinese imports before November 10, 2026. The current tariff rate of ten percent will remain in place. This follows an earlier reduction from twenty percent, which had been introduced in connection with measures related to the fentanyl crisis in the United States.

China announced that it will suspend the export controls on rare earth elements introduced on October 9. Rare earths are used in a wide range of high-technology and industrial applications. China also indicated that it will resume the purchase of U.S. soybeans. The United States will withdraw certain measures that targeted companies suspected of assisting in circumventing U.S. export restrictions.

The agreement regarding rare earths is valid for one year and may be extended following further negotiations. The decisions were reached during bilateral discussions held in South Korea in the previous week. *(Source: Tagesschau)*

M&A/VC News

SM Energy to merge with Civitas in $12.8 billion shale deal

U.S. oil and gas producers SM Energy and Civitas Resources have agreed to merge in an all-stock transaction that will create a $12.8 billion energy company focused on two of the country's most productive shale regions. The combined company will operate across the Permian Basin and DJ Basin, with enhanced scale and operational efficiency. The boards of both companies have approved the merger, which is expected to close in the first half of 2026. Executives said the deal will position the firm to deliver stronger returns through disciplined capital allocation and portfolio optimization. *(Source: Reuters)*

Novartis to buy Avidity Biosciences in $12 billion rare disease bet

Swiss drugmaker Novartis has agreed to acquire U.S.-based Avidity Biosciences for about $12 billion in an all-cash transaction as it strengthens its focus on rare diseases and RNA-targeted therapies. Novartis will pay $72 per share, representing a 46% premium to Avidity's last closing price. The deal includes plans to spin off Avidity's early-stage cardiology programs into a new public company. Executives said the acquisition aligns with Novartis's strategy of pursuing high-value, precision medicines, and expands its presence in the neuromuscular disorder treatment space. *(Source: Reuters)*

Blackstone, TPG launch $18.3 billion deal to acquire U.S. diagnostics firm Hologic

Private equity firms Blackstone and TPG have agreed to acquire Hologic in a deal valued at $18.3 billion, including debt, as they seek to expand their presence in women's health diagnostics. The offer includes a cash payment of $76 per share and a contingent value right that could bring the total to $79. The transaction marks one of the largest healthcare buyouts of the year and comes amid growing investor interest in diagnostic platforms with strong recurring revenue. Hologic, which specializes in breast and cervical cancer screening, will be taken private and delisted from Nasdaq. *(Source: Reuters)*

Mercor raises $350 million to scale AI-powered hiring marketplace

AI recruitment startup Mercor has raised $350 million in Series C funding to expand its global marketplace for software engineering talent. The round was led by Felicis and included participation from Benchmark, General Catalyst, and Robinhood’s venture arm. Founded in 2022, Mercor uses artificial intelligence to match developers with companies, automating vetting, onboarding, and workforce management. The company plans to use the fresh capital to grow its enterprise solutions, improve talent sourcing infrastructure, and scale operations across emerging markets. The funding values Mercor at approximately $2.5 billion. *(Source: Mercor)*

Fireworks AI secures $250 million to expand GenAI cloud infrastructure

Generative AI infrastructure startup Fireworks AI has closed a $250 million Series C round to accelerate development of its cloud-native inference platform. The round was led by Lightspeed Venture Partners and Index Ventures, with additional backing from Evantic and existing investor Sequoia. Fireworks AI enables companies to deploy large language models with low latency and high reliability, offering developer tools and scaling infrastructure for enterprise AI products. The company said it will use the funding to grow its engineering team, expand global cloud partnerships, and invest in open-source foundation model support. *(Source: Fireworks AI)*

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Outlook

Earnings and key events

- 03.11.: Palantir, Vertex Pharmaceuticals
- 04.11.: Pfizer, Shopify, Uber, AMD, Arista Networks, Spotify, Nintendo, Ferrari
- 05.11.: McDonald’s, Qualcomm, ARM Holdings, Siemens Healthineers, BMW, Toyota
- 06.11.: ConocoPhillips, Airbnb, DHL, Rheinmetall, U.S. CPI Release
- 07.11.: Duke Energy, U.S. Employment Situation
- 12.11.: Cisco Systems
- 13.11.: Disney, Siemens, Deutsche Telekom, Tencent, Alibaba Group
- 14.11.: Allianz

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