

# AIC

AACHEN INVESTMENT CLUB

## Newsletter CW 21/22

### News Recap

#### **Eurozone Edges Closer to Its First Rate Increase**

The European Central Bank is facing renewed inflation pressure after headline inflation rose back to 3%. Higher oil and gas prices have revived concerns that the latest energy shock may prove too persistent to ignore, increasing the likelihood of a rate hike as soon as June.

The clearest signal has come from ECB Executive Board member Isabel Schnabel. She warned that inflation could move toward 4% by year-end if current pressures persist. Her concern is not that higher rates can lower energy prices directly, but that expensive energy could spread through supply chains, influence firms' pricing plans, lift wage demands, and become embedded in inflation expectations.

That makes the policy choice difficult. If the shock remains limited to headline inflation, the ECB could still look through it. But if it starts affecting underlying inflation, wages, or expectations, the case for tightening becomes stronger. Schnabel said that, from today's perspective, a June hike would be needed, while stressing that the ECB remains data-dependent.

The debate is also shaped by geopolitical risk. The oil-price shock following the escalation around Iran has alarmed ECB policymakers and made a June move more likely. Still, a hike is not certain. Weak growth and the lagged effects of past policy moves argue for caution.

For markets, the key question is whether a June hike would be a one-off response or the start of a new tightening cycle. A limited move would signal that the ECB is defending its inflation target while preserving flexibility. A series of hikes would suggest that inflation risks have again become the dominant concern.

For now, the ECB appears to be preparing markets for the possibility of a June hike without committing to further tightening.

*(Sources: ECB, Tagesschau)*

#### **Anthropic Climbs Above OpenAI in Market Value**

Anthropic has overtaken OpenAI in private market value after raising \$65bn in a new funding round, lifting its post-money valuation to \$965bn. The deal marks a major shift in the competitive landscape of artificial intelligence, placing the Claude maker ahead

of OpenAI's last reported valuation and highlighting continued investor appetite for leading AI platforms.

The funding round was backed by major investors including Altimeter Capital, Dragoneer, Greenoaks, and Sequoia Capital. Strategically, the transaction reflects how capital is increasingly concentrating around a small number of AI companies with strong enterprise adoption, advanced model capabilities, and access to large-scale compute infrastructure. Anthropic's recent momentum has been driven particularly by demand from business customers and developer-focused products, including Claude Code.

For investors, the valuation jump underlines both the scale of the AI opportunity and the intensity of competition in the sector. Building frontier AI models requires enormous investment in chips, data centers, and talent, making access to capital a key competitive advantage. At the same time, valuations close to the trillion-dollar mark raise questions about whether future revenue growth can justify current expectations. Overall, Anthropic's rise above OpenAI signals that the AI market remains far from settled. While OpenAI continues to benefit from strong consumer recognition and its ChatGPT ecosystem, Anthropic's enterprise positioning and safety-focused brand have made it one of the most important challengers in the industry. The latest funding round therefore reinforces a broader trend: investors are no longer only betting on AI adoption, but increasingly on which platform will become the long-term infrastructure layer for businesses.

*(Sources: Euronews, Reuters, The Guardian)*

## EU-U.S. Tariff Deal Near Completion as Final Approvals Pending

The European Union has moved closer to finalizing the rollout of its tariff agreement with the United States, after EU member states backed the deal on May 27, 2026, paving the way for its formal adoption. The agreement, originally negotiated in July 2025, aims to avert higher U.S. tariffs on European exports and comes under a July 4 deadline set by Washington. While the United States has already implemented its tariff measures, the EU is now completing its internal ratification process. The transatlantic trade relationship, valued at roughly €1.7 trillion annually and representing nearly 30% of global trade in goods and services and 43% of global GDP, forms the economic backdrop to the deal.

The legislative process is in its final stage but not yet complete. Ambassadors of the 27 EU member states have approved the implementing legislation, following earlier negotiations between the European Parliament, the Council, and the European

Commission on the legal framework. However, the deal still requires formal approval by the European Parliament, beginning with a trade committee vote and followed by a plenary vote expected in mid-June. Only after this step, and formal adoption by the Council, can the agreement fully enter into force. The agreement provides for the EU to eliminate tariffs on most U.S. industrial goods and expand access for agricultural and seafood products, while the U.S. maintains tariffs of around 15% on most EU exports. Safeguard mechanisms and a sunset clause extending to 2029 are included to allow suspension of concessions if commitments are not met.

The finalized rollout marks a significant step in stabilizing transatlantic trade relations after a period of tariff disputes and political uncertainty. By formalizing tariff reductions while retaining protective mechanisms, the agreement reshapes market access conditions for both sides and reinforces the institutional framework governing one of the world's largest bilateral trade relationships.

*(Sources: European Council, Euronews, Global Banking & Finance Review, Associated Press)*

## China's Imports Rise While German Exports Falter

China remained Germany's largest trading partner in the first quarter of 2026, with total trade between the two countries reaching €61.5 billion, narrowly ahead of the United States. However, the headline figure masks a growing imbalance in the economic relationship. While Chinese exports to Germany continued to rise, German exports to China fell sharply, highlighting the challenges facing Europe's largest economy in one of its most important markets.

German exports to China declined by 12.5% year-on-year to just €18 billion during the first three months of the year. As a result, China has dropped to ninth place among the most important destinations for German goods and could even fall out of the top ten by the end of 2026. Analysts attribute the decline to weak domestic demand in China, driven by the country's ongoing property crisis, demographic challenges, and broader geopolitical uncertainty. In addition, many German companies increasingly produce locally for the Chinese market rather than exporting from Europe.

In contrast, imports from China rose by 6.4% to €43.5 billion, reinforcing China's position as Germany's most important source of imported goods. Experts expect this trend to continue, particularly as Chinese manufacturers seek to expand their presence in Europe. The introduction of new incentives for electric vehicles in Germany could further strengthen the position of Chinese EV producers in the European market.

The widening trade gap has fueled concerns about the competitiveness of German industry. A recent study by the Centre for European Reform warned that state-supported Chinese exports are putting increasing pressure on key German sectors, from automotive manufacturing to industrial machinery. The report argues that without a more coordinated European response, Germany could face a gradual erosion of its industrial base.

For policymakers and businesses alike, the latest trade figures underscore a growing reality: while China remains indispensable to Germany's economy, the balance of the relationship is shifting increasingly in Beijing's favor.

*(Source: Tagesschau)*

## Inflation Cools Faster Than Expected, Hits 2.6%

Inflation cooled faster than expected, with the latest consumer price data showing annual price growth falling to 2.6%. The decline marks a further step toward price stability and strengthens hopes that the inflationary pressures seen over the past years are gradually easing. The figure came in below market expectations and suggests that previous monetary tightening is continuing to feed through into the broader economy. The slowdown was supported by weaker price growth across several major categories. Energy and goods prices remained relatively contained, while core inflation also showed signs of moderation. This is particularly important for central banks, as underlying inflation measures are often seen as a better indicator of persistent price pressure than headline inflation alone. However, services inflation and housing-related costs remain areas of concern, as they tend to adjust more slowly and could keep inflation above target for longer.

For financial markets, the lower inflation print was interpreted as a positive signal. Falling inflation reduces pressure on central banks to keep interest rates high for an extended period and could increase the likelihood of rate cuts later in the year. Equity markets reacted positively, especially rate-sensitive sectors such as technology and real estate, while bond yields moved lower as investors adjusted their expectations for future monetary policy.

Overall, the latest inflation data provides a more encouraging macroeconomic backdrop, but it does not remove uncertainty entirely. Central banks are likely to remain cautious until they see more evidence that inflation is sustainably returning toward target. For investors, the key question is now whether disinflation can continue without a meaningful deterioration in economic growth.

*(Sources: Bloomberg, Bureau of Labor Statistics, Reuters)*

## M&A/VC News

### Equity Residential and AvalonBay agree \$69 billion apartment REIT merger

U.S. real estate investment trusts Equity Residential and AvalonBay Communities have agreed to merge in an all-stock transaction valued at approximately \$69 billion, creating the largest publicly traded apartment landlord in the United States. The combined company will have a stronger presence across major metropolitan markets and expects to benefit from significant operational efficiencies due to the high overlap of its property portfolios.

Management projects roughly \$175 million in annual synergies within 18 months of closing, driven by lower overhead costs and streamlined property management. The merger also aims to enhance investment capacity in technology and AI-driven operational tools as competition in the rental housing sector intensifies.

*(Source: Reuters)*

### Fertitta Entertainment launches \$17.6 billion buyout of Caesars Entertainment

Hospitality billionaire Tilman Fertitta has agreed to acquire Caesars Entertainment in a transaction valued at \$17.6 billion, including debt, taking one of America's largest casino operators private. Fertitta Entertainment will pay \$31 per share, representing a substantial premium to Caesars' pre-deal trading levels.

The acquisition significantly expands Fertitta's leisure and gaming empire, adding iconic properties such as Caesars Palace and Harrah's to its existing portfolio. The deal comes as casino operators face softer tourism demand and increasing pressure in online betting markets. Executives said the transaction will provide greater flexibility to invest for long-term growth outside the scrutiny of public markets.

*(Source: Reuters)*

### Union Pacific and Norfolk Southern pursue landmark \$85 billion rail merger

U.S. freight rail operators Union Pacific and Norfolk Southern are continuing efforts to complete their proposed \$85 billion merger, a deal that would create the country's first coast-to-coast railroad network. Regulators recently paused their review to

request additional information regarding competition, market concentration and potential effects on customers.

Despite the delay, both companies remain committed to the transaction and expect to work closely with authorities throughout the approval process. If completed, the merger would reshape the North American freight transportation industry by connecting major rail corridors under a single operator and potentially delivering significant network efficiencies across the United States.

*(Source: Reuters)*

## **Berkshire Hathaway acquires Taylor Morrison in \$6.8 billion homebuilding deal**

Berkshire Hathaway has agreed to acquire U.S. homebuilder Taylor Morrison in an all-cash transaction valued at approximately \$6.8 billion, marking the first major acquisition under CEO Greg Abel. Berkshire will pay \$72.50 per share, representing a significant premium to Taylor Morrison's prior trading price.

The acquisition expands Berkshire's presence in the residential housing market and complements existing subsidiaries such as Clayton Homes, Acme Brick and Johns Manville. Management views the deal as a long-term investment in the U.S. housing sector, supported by persistent housing shortages and favorable demographic trends. Morrison will continue to operate under its current management team following closing.

*(Source: Reuters)*

## **Paramount moves closer to \$110 billion acquisition of Warner Bros. Discovery**

U.S. antitrust regulators are reportedly prepared to approve Paramount's proposed \$110 billion acquisition of Warner Bros. Discovery, according to reports cited by Reuters. If completed, the transaction would create one of the largest media and entertainment companies globally.

The merger is intended to strengthen Paramount's position in streaming, film production and television while creating significant scale advantages against competitors such as Netflix and Disney. Regulators have examined the deal's potential impact on competition, content creation and theatrical distribution, but recent discussions suggest approval may be forthcoming. The transaction remains one of the most closely watched media deals of the year.

*(Source: Reuters)*



## AkzoNobel rejects €12.5 billion takeover approach from Nippon Paint and Sherwin-Williams

Dutch coatings manufacturer AkzoNobel has rejected a joint €12.5 billion takeover proposal from Nippon Paint and Sherwin-Williams, arguing that the offer undervalues the company and carries significant execution risk.

The bid would have represented a substantial premium to AkzoNobel's market value and could have reshaped the global paints and coatings industry. The proposed structure involved splitting parts of AkzoNobel's business between the two bidders. Despite rejecting the proposal, AkzoNobel's shares rose sharply as investors speculated that an improved offer could emerge. The company remains focused on its planned merger with Axalta, which is expected to create a coatings group valued at roughly \$25 billion.

*(Source: Reuters)*

## Outlook

### Earnings and key events

- 03.06.: Broadcom, CrowdStrike
- 05.06.: U.S. NFP
- 11.06.: Adobe, ECB Meeting, U.S. CPI
- 12.06.: U.S. PPI

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