Newsletter CW 43/44

AIC
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News Recap

ECB Holds Deposit Rate At 2.50 % As Lagarde Announces Early Exit

The European Central Bank left its three key interest rates unchanged at its policy meeting on 29 October, pausing after two increases earlier this year. The deposit facility rate stays at 2.50 %, while the rates on the main refinancing operations and the marginal lending facility remain at 2.65 % and 2.90 %. The decision was largely expected, but it was overshadowed by the announcement that President Christine Lagarde will leave office on 7 February 2027, roughly nine months before her eight-year term was due to end.

The pause comes despite inflation that is still running well above the 2 % target. Eurozone inflation rose to 3.8 % in September from 3.2 % in August, driven above all by energy, where annual price growth climbed to 18.9 % from 14.3 %. Excluding energy, inflation was considerably lower at 2.3 %. The Governing Council noted that energy prices have continued to rise beyond its September assumptions and that the full effects of the energy shock are still unfolding, creating upside risks to inflation and downside risks to growth.

Tighter financing conditions were a key argument for holding. Ten-year government bond yields in the euro area have risen by around 35 basis points since the cut-off date for the September projections, and borrowing costs for companies and households have edged higher. French yields in particular have come under pressure, with the spread over German Bunds at roughly 155 basis points. Lagarde said a further hike had been debated, but the council agreed unanimously to keep rates on hold for now. Longer-term inflation expectations remain anchored at around 2 %, and wage growth has so far not responded materially to higher prices.

Lagarde attributed her early departure to her wish to speak freely on issues beyond monetary policy, adding that the process to find her successor has already begun. Spain's Pablo Hernández de Cos and the Netherlands' Klaas Knot are seen as leading candidates. Two further seats on the six-member Executive Board, including that of chief economist Philip Lane, will also become vacant in the first half of 2027, which means the leadership of the central bank is set for a substantial overhaul.

The next policy meeting in December will come with new staff projections and is expected to provide more clarity on whether the tightening cycle continues. The central bank has stressed that it is not pre-committing to a particular rate path and will decide meeting by meeting. Much will depend on how energy prices, underlying inflation and the transmission of tighter financial conditions develop over the coming weeks.

(Sources: ECB, Euronews)

Fed Keeps Rates At 3.75–4 % As Two Policymakers Push For Another Hike

The US Federal Reserve (Fed) kept its benchmark interest rate unchanged at 3.75 to 4.00% on October 28, 2026. The decision passed with a 10 to 2 vote, as two Federal Open Market Committee (FOMC) members favoured an additional interest rate increase of 0.25 percentage points. The disagreement reflects ongoing concerns about persistent inflation and the appropriate direction of US monetary policy.

The decision highlights differing views within the FOMC regarding the country's economic outlook and the appropriate response to inflation. While the majority supported maintaining the current interest rate, the two dissenting members argued that further monetary tightening was necessary. The Fed noted that inflation remained above its long term target of 2%, while economic activity continued to expand at a solid pace.

In September 2026, US inflation increased to 3.7% year on year, while core inflation, which excludes food and energy prices, stood at 2.6%. Meanwhile, the labour market showed signs of moderation. The US economy added only 29,000 jobs in September, and the unemployment rate rose to 4.2%. Despite these developments, economic growth remained relatively resilient, with GDP expanding at an annualised rate of 2.2% in the second quarter.

On October 30, Federal Reserve Bank of Dallas President Lorie Logan also commented on the future direction of monetary policy. Although she supported keeping interest rates unchanged at the October meeting, Logan argued that at least two additional rate increases of 0.25 percentage points each would be necessary. This would bring the benchmark rate 0.50 percentage points higher. She emphasised the importance of addressing persistent inflationary pressures while allowing policymakers to reassess economic and financial conditions after gradual adjustments.

The Fed's latest decision demonstrates the continued challenge of balancing inflation control with economic stability. The disagreement among policymakers highlights uncertainty over the appropriate pace and extent of further monetary tightening. For financial markets, the future direction of US interest rates remains particularly relevant, given its influence on borrowing costs, bond yields, equity valuations and overall investment conditions.

(Sources: Euronews, Reuters)

German Economy Grows 0.2 % In Third Quarter As Inflation Eases To 2.8 %

Germany's economy continued its gradual recovery in the summer months. Official data published on 30 October show that gross domestic product rose by 0.2 % in the third quarter compared with the previous quarter, after adjustment for price, seasonal and calendar effects. This follows growth in both the first and second quarters. Compared with the same quarter of 2025, price-adjusted output was 1.3 % higher, or 1.2 % after additional calendar adjustment.

The composition of growth was mixed. Final consumption expenditure increased slightly, while provisional figures point to a decline in capital formation. Exports, which had grown very strongly in the first half of the year, lost considerable momentum in the third quarter. Revisions to earlier quarters did not change the growth rates published so far. Detailed results, including a full breakdown of demand components, are scheduled for release on 25 November.

On the same day, a first estimate showed that consumer price inflation slowed to 2.8 % in October from 3.3 % in September. Prices fell by 0.2 % compared with the previous month. Energy remained the main driver, although its annual rate eased to 12.2 % from 14.9 %. Core inflation, which excludes food and energy, fell to 2.1 % from 2.4 %, services inflation declined to 2.5 % and goods prices rose by 3.0 % after 3.8 %. Food prices were only 0.4 % higher than a year earlier. The harmonised index used for European comparison also stood at 2.8 %.

Upstream price data point to continued cost pressure, however. Import prices in September were 10.4 % higher than a year earlier, producer prices rose by 6.7 % and wholesale prices by 8.7 %. These increases reflect the sharp rise in energy costs and could still be passed on to consumers in the coming months.

Business sentiment has improved slightly. The ifo Business Climate Index rose to 90.2 points in October from 89.9 in September. The increase was driven by more optimistic expectations, which climbed to 91.6 points, while companies rated their current situation somewhat worse at 88.8 points. In manufacturing, the business climate balance turned positive for the first time in more than three years, rising to 1.2 points, whereas sentiment among service providers weakened.

Whether the recovery gains strength remains to be seen. It will depend largely on the path of energy prices, the impact of tighter financing conditions across the euro area and the extent to which export demand stabilises after the slowdown in the third quarter.

(Sources: Destatis, ifo Institute)

Alphabet, Microsoft And Meta Invest Over $125 Billion In One Quarter As AI Spending Soars

The largest U.S. technology groups have once again stepped up their investment in artificial intelligence. Quarterly results published between 21 and 28 October show that Alphabet, Microsoft and Meta together spent more than $125 billion on property and equipment in the three months to September, much of it on data centres and computing capacity. Revenue continued to grow strongly at all three companies, but the scale of spending is increasingly testing how much cash the businesses generate.

Alphabet posted revenue of $127.6 billion for the third quarter, an increase of 25 % on the previous year. Google Cloud more than doubled its revenue to $30.7 billion, a rise of 103 %, and operating income rose by 30 % to $40.6 billion. Capital expenditure reached $51.4 billion in the

quarter. As a result, free cash flow was minus $9.1 billion, although it remained positive at $19.7 billion over the past twelve months.

Microsoft generated revenue of $92.3 billion in the quarter that ended on 30 September, up 19 %, while operating income increased by 21 % to $45.9 billion. Revenue from Microsoft Cloud rose by 30 % to $63.9 billion, and the Azure cloud platform grew by 48 %. Spending on property and equipment roughly doubled to $39.4 billion from $19.4 billion a year earlier.

Meta increased revenue by 26 % to $64.6 billion. Operating income fell by 37 % to $13.0 billion, however, because of a $9.9 billion charge related to an agreement with 52 state attorneys general in August. Capital expenditure, including principal payments on finance leases, amounted to $34.9 billion. The company narrowed its full-year investment outlook to $135–145 billion and said that it intends to keep investing aggressively in AI in 2027, although its budget for next year is still being prepared. For the fourth quarter, Meta expects revenue of $73–76 billion.

The figures show that demand for cloud services and AI applications remains strong, and that the companies are prepared to commit ever larger sums to secure computing capacity. At the same time, investment is now outpacing operating cash generation at some of the groups, which raises questions about financing and returns. Amazon also presented its quarterly figures on 29 October. Whether the heavy spending will translate into proportionate profits will only become clear over the coming years, and investors are likely to watch the investment plans for 2027 closely.

(Sources: Alphabet, Meta, Microsoft)

French Ten-Year Bond Yield Tops 5 % For First Time Since 2002

France's borrowing costs have climbed to their highest level in more than two decades. On 21 October, the yield on the country's benchmark ten-year government bond rose above 5 % for the first time since 2002. The spread over comparable German Bunds, a key measure of the risk premium investors demand, widened to close to 160 basis points. The move reflects growing doubts about whether the government will be able to bring its public finances under control.

The pressure has built up over several weeks. When Prime Minister Sébastien Lecornu presented the draft budget for 2027 at the beginning of October, the ten-year yield stood at 4.96 % and the spread at 132 basis points. The plan targets a deficit of 5 % of gross domestic product next year, after an estimated 5.4 % in 2026, which means the government has missed its target for this year. The budget includes spending cuts of €43 billion, while the tax burden is forecast to rise to 44.2 % of GDP from 43.9 %.

Even if the budget passes, the deficit would remain well above the EU limit of 3 % of GDP. Public debt amounts to around 120 % of economic output, one of the highest ratios in the eurozone and twice the EU reference value of 60 %. The government lacks a majority in parliament, and

protests against cuts to public services have led to the most serious street violence in years. Uncertainty ahead of the presidential election in spring 2027 adds to investor caution.

France is also affected by a broader trend. Government bond yields in developed economies have risen this year after the surge in energy prices prompted central banks to raise interest rates, while many governments are carrying large debt burdens. French borrowing costs, however, have increased more than those of most peers. Moody's kept its Aa3 rating for France with a negative outlook, avoiding the downgrade that many economists had expected.

Higher yields have consequences beyond the state budget. The ten-year bond serves as a benchmark for many interest rates in the French economy, so financing costs for companies and households could rise as well. How the situation develops will depend largely on whether parliament adopts a credible budget and on whether the political tensions ease. For the European Central Bank, the rise in French yields is one of the factors that is already tightening financial conditions in the euro area.

(Sources: Euronews, Il Sole 24 Ore, Reuters)

M&A/VC News

EQT agrees €10.8 billion take-private of diagnostics group QIAGEN

Private equity firm EQT has agreed to acquire QIAGEN, the diagnostics and life-science tools group listed in Frankfurt and New York, for €46.50 per share in cash. Including net debt, the offer values the company at about €10.8 billion ($12.1 billion), a premium of roughly 40 % over the unaffected share price in July, before speculation about a sale lifted the stock. The Abu Dhabi Investment Authority and CPP Investments are co-investing. QIAGEN had held talks with both strategic and financial investors, while Advent and KKR had also explored a bid in July. QIAGEN's supervisory and management boards unanimously support the offer, and the shares are to be delisted afterwards. The deal requires acceptance of at least 50 % plus one share as well as merger-control and foreign-investment approvals. Closing is expected in mid-2027.

(Sources: QIAGEN, Reuters)

Thrive Holdings to acquire ADT in $15.3 billion take-private deal

Thrive Holdings has agreed to acquire U.S. home security provider ADT for $10.00 per share in cash. The transaction, announced on 29 October, gives ADT an equity value of about $7.6 billion and an enterprise value of about $15.3 billion. The price represents a premium of 45.6 % over the unaffected closing price of $6.87 on 27 October. Financing is provided entirely by funds managed by affiliates of Apollo Global Management, and the agreement contains no financing condition. ADT is to become the foundation of Thrive's smart-home security business, combining its nationwide service network with the buyer's long-term capital and engineering

capabilities. ADT's board approved the deal unanimously, and a go-shop period allows competing offers until 28 November. Closing is expected in the first quarter of 2027, subject to shareholder and antitrust approval.

(Source: ADT)

GE Vernova to acquire Trench Group in $9 billion grid equipment deal

GE Vernova has agreed to buy Berlin-based Trench Group from investment firm Triton Partners for the equivalent of about $9.0 billion, roughly 13 times Trench's expected adjusted EBITDA for 2028. Trench manufactures high- and medium-voltage bushings, instrument transformers, coils and capacitors, employs more than 3,000 people across 11 factories and generates annual revenue of more than €1 billion. GE Vernova is already a Trench customer and wants to bring a key supplier in-house, strengthening its electrification business as utilities and data-centre operators expand power grids. Trench contributes a backlog and framework agreements worth around $5 billion. The purchase is to be financed half with cash and half with debt. Closing is expected in late 2027, subject to regulatory approvals and consultation with employee representatives.

(Source: GE Vernova)

DeepSeek raises about $15 billion as China's AI funding race intensifies

Chinese artificial intelligence developer DeepSeek is completing a funding round of about 100 billion yuan ($15 billion), twice its original target of 50 billion yuan. The round values the company at around 500 billion yuan before the new money. In June, its first external round had raised $7.4 billion at an implied valuation of about $52 billion. Battery maker CATL and Tencent are among the largest backers among more than 15 investors, which also include Geely, Meituan, Midea, GigaDevice, NetEase and IDG Capital. Analysts see the valuation as a sign of investor confidence in the company's open-source strategy. DeepSeek has hired CITIC Securities to prepare a possible listing on Shanghai's STAR Market. The round was expected to close within days, and its final terms could still change.

(Source: Reuters)

Kalshi valuation jumps to $40 billion after $1 billion funding round

U.S. prediction-market operator Kalshi has raised $1 billion at a valuation of $40 billion, nearly 82 % above the $22 billion set in a Coatue-led round about five months earlier. Sequoia and Wellington co-led the financing, with Tiger Global and Dragoneer also participating. The New York-based company is expanding beyond event contracts on sports and elections to become a multi-asset trading platform, competing with exchange operators such as CME Group and Intercontinental Exchange. After receiving regulatory approval, it launched perpetual futures on cryptocurrencies, followed by contracts on equity indexes and metals. Investors committed

despite legal headwinds: earlier in the same week, Utah's attorney general filed criminal charges against Kalshi and two senior executives over the alleged unlawful promotion of online gambling. The round was announced on 29 October.

(Source: Reuters)

Legora raises $550 million at $8.8 billion valuation

Legal AI start-up Legora has raised $550 million in a Series E round at a post-money valuation of $8.8 billion, up from $5.55 billion in March. Atreides Management led the round, with Baron Capital, Capital Research, Fidelity Management & Research Company and Glade Brook Capital Partners joining as new investors; Nvidia had already backed the company in its previous round. Legora develops AI tools for law firms, professional services firms and in-house legal teams. Its annual recurring revenue now exceeds $200 million after growing from $1 million to $100 million in about 18 months and adding the next $100 million in less than six months. The new capital will fund expansion in North America, Europe and Asia-Pacific as well as further investment in its agentic operating system, Legora aOS.

(Source: City A.M.)

Outlook

Earnings and key events

- 02.11.: Apple, Palantir
- 03.11.: AMD, Amgen, Bayer, Fresenius Medical Care, Zalando
- 04.11.: BMW, Continental, Fresenius, Heidelberg Materials, Vonovia
- 05.11.: BoE Meeting, Deutsche Telekom, DHL, Rheinmetall, Siemens Healthineers
- 06.11.: Daimler Truck, U.S. Jobs Report
- 09.11.: GEA, Hannover Re
- 10.11.: Henkel, Infineon, U.S. CPI
- 11.11.: Brenntag, E.ON, RWE, Siemens Energy
- 12.11.: Allianz, Enel, Merck KGaA, Munich Re, Siemens
- 13.11.: Richemont

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