

News Recap

ECB Expected To Hike Rates Again In December As Inflation Nears Twice Its Target

The European Central Bank (ECB) is widely expected to raise interest rates for a third time this year at its December meeting, according to a Reuters poll of economists conducted in early October. Of 73 respondents, 64 forecast a 25 basis point increase in the deposit rate, which currently stands at 2.50%. For the policy meeting on 29 October, 70 of the 73 economists expect the ECB to leave rates unchanged. The result marks a clear shift from the previous month's survey, in which more than 90% had expected rates to stay on hold.

The ECB lifted its key rates by 25 basis points each in June and September, after energy prices climbed amid the conflict in the Middle East. Eurozone inflation accelerated to 3.8% in September from 3.2% in August, the highest level since September 2023, according to Eurostat's final data. Energy and services were the largest contributors to the annual rate, while core inflation, which excludes energy, food, alcohol and tobacco, stood at 2.5%. The accounts of the September meeting showed that policymakers saw the risks to inflation as tilted to the upside.

The poll also points to a higher expected peak for rates. A 58% majority, 40 of 70 respondents, sees the deposit rate topping out at 2.75%, while 24 economists expect 3.00%, up from only two a month earlier. Inflation forecasts were revised upwards as well: the median projection is now 3.0% for 2026 and 2.6% for 2027, up from 2.9% and 2.3% in the previous survey. Money markets currently price in nearly three further increases by the end of 2027.

Economists remain divided on how far the ECB will go. Jens Eisenschmidt of Morgan Stanley expects the central bank to stay on its quarterly adjustment path, which would imply a hike in December and possibly one more in March. Anatoli Annenkov of Societe Generale argues that the recent rise in market interest rates is already tightening financial conditions, which weighs against an additional move in October. Government bond yields have risen sharply in recent weeks on higher inflation expectations and fiscal concerns, with France in particular drawing investor attention.

The outcome will depend largely on how energy prices and economic activity develop in the coming weeks. The ECB's October meeting comes without new staff projections,

which are due in December, and the Governing Council has so far avoided committing to a fixed rate path. Whether the forecast hike materialises will therefore remain subject to incoming data and to the ECB's own assessment of the inflation outlook.

(Sources: ECB, Eurostat, Reuters)

AI Debt Fears Push Tech Default Insurance To Record Highs

The cost of insuring against defaults by US technology companies reached record levels in mid-October, according to Reuters, pointing to growing credit stress in the AI trade. The pressure is concentrated on data-centre operators whose financing depends on future revenue. On 15 October, the five-year credit default swap (CDS) spread of Oracle widened by 26 basis points to a record 288 basis points, meaning protection on 100 dollars of its bonds costs 2.88 dollars per year. SoftBank's spread rose by 24 basis points to 424, while that of CoreWeave moved above 1,000 basis points and later topped 1,100 on S&P Global Market Intelligence data.

CDS contracts work like insurance for bondholders. They pay out after a credit event such as bankruptcy or a missed bond payment, and the spread, quoted in basis points, rises with the perceived risk. CoreWeave's level implies a market-implied default probability of roughly 63% over five years, up from around 30% a year earlier. Bloomberg reported that the company's spread touched an intraday record of about 1,195 basis points on 15 October, after the company's plans to tap large pools of insurer capital unsettled holders of its high-yield bonds.

The move reflects a combination of macroeconomic and sector-specific concerns. Higher-than-expected US inflation data and growing expectations of higher interest rates have collided with doubts about how quickly the large investments in artificial intelligence will turn into profits. Many of the companies involved have financed their expansion with substantial debt, and investors question whether returns will arrive fast enough to cover rising interest costs. Kathleen Brooks of XTB described CoreWeave as the "canary in the coal mine" of the AI trade.

The stress is not limited to the most leveraged names. CDS spreads for Amazon, Alphabet, Meta and Nvidia also hit record levels, although they remain far below those of Oracle or CoreWeave, with Nvidia trading around 90 and Meta around 105 basis points. Demand for protection has risen even for companies with strong balance sheets. At the same time, shares of many AI-related companies, which are still among the biggest equity gainers this year, have fallen sharply in recent weeks as investors reassess the cost of capital.

Whether this marks a lasting repricing of AI credit risk or a temporary reaction to inflation and rate worries remains open. CDS spreads are market prices for hedging rather than forecasts, and a wide spread does not mean a default is imminent. The upcoming quarterly reports of the large technology groups, including Alphabet, Microsoft and Amazon at the end of October, will offer further information on investment plans and financing needs, and credit markets are likely to remain a closely watched indicator for the sector.

(Sources: Bloomberg, Reuters)

Diesel Shortages Could Last Well Into 2027

Tight diesel supplies could persist well into next year as conflicts in the Middle East and Russia curb output, while record prices prompt stock drawdowns ahead of peak winter demand. Global diesel and gasoil availability was 1.5 million barrels per day (mb/d) lower year on year in the second quarter and 1.7 mb/d lower in the third quarter. In September alone, combined diesel export losses from the Middle East and Russia amounted to 1.3 mb/d.

The shortage has pushed prices to extremes. Wholesale diesel reached a record of around 220 US dollars per barrel in Europe and the United States in September, and refining margins hit almost 95 dollars per barrel. Prices have since eased but remain nearly double the price of crude oil. Global inventories stood 509 million barrels below pre-war levels at the end of September, with onshore stocks at their lowest since at least 2016. While overall oil demand is expected to fall by 2.6 mb/d in 2026, diesel demand has proven relatively insensitive to prices.

Emergency reserves have only partly eased the pressure. Of the 400 million barrels agreed for release in March, 331 million had been used by the end of September, and the pace has slowed considerably since the summer. The G7 pledged on 2 October to release up to 100 million additional barrels, with diesel given priority.

Global refinery runs are expected to recover from a seasonal low of 81.3 mb/d in October to 84.6 mb/d by year-end, which would begin to replenish stocks. This is not projected to offset the deficit accumulated in middle distillates, so the gasoil market is expected to stay tight in the first half of 2027 and inventories are unlikely to be rebuilt before the second half. The planned easing of Russian diesel export restrictions is seen as having little effect, and wholesale prices in Europe could rise again in the coming weeks.

Higher diesel costs feed into the prices of goods, weigh on real incomes and add to inflation, which is relevant for central banks already considering further rate increases.

The outlook depends largely on developments in the Gulf region, where renewed attacks on energy infrastructure threaten the supply recovery, and a surplus is not expected to emerge before 2027.

(Sources: Euronews, IEA, Reuters)

EU Plans Wider Curbs on Chinese Imports

The European Commission plans to propose further restrictions on Chinese imports, extending its response beyond the recent hybrid-car agreement with Beijing. Speaking after the October 16 EU summit, Commission President Ursula von der Leyen said the deal would not resolve the wider trade imbalance. French President Emmanuel Macron named chemicals, plastics and ferro-alloys as priorities for action.

European manufacturers have been pressing Brussels to intervene, arguing that Chinese subsidies and barriers to China's market leave them competing on unequal terms. The EU's goods trade deficit with China reached roughly €360 billion in 2025, equivalent to almost €1 billion a day.

The hybrid-car agreement provides one model for limiting imports through negotiation. Under the four-year arrangement, imports from China will face an initial annual cap of 350,000 vehicles, rising by 6% a year from the second year. That would more than halve shipments compared with the 800,000 vehicles projected for 2026, easing competitive pressure on European carmakers.

Beijing's willingness to accept the cap suggests that it sees value in securing continued access to Europe as Chinese exporters face barriers elsewhere. Whether it would accept similar limits on chemicals, plastics or other exports remains uncertain.

Brussels is also considering broader powers. France and Germany have proposed faster restrictions on access to the EU single market. A separate Commission proposal, expected in December, would seek to reduce reliance on single suppliers of critical goods.

The benefits for European industry would be uneven. Manufacturers competing with Chinese imports could gain sales, while businesses that depend on Chinese materials and components could face higher costs. Any retaliation from Beijing could also hurt European exporters.

For carmakers, the agreement buys time to improve their competitiveness. Its lasting value will depend on how they use those four years: protection may ease the immediate pressure, but manufacturers still need to offer cars that attract buyers on price and quality.

(Sources: Reuters, South China Morning Post, Tagesschau, The Wall Street Journal)

Germany Signs AI Cooperation Agreement With Nvidia

The German federal government signed a letter of intent with US chipmaker Nvidia on Monday to cooperate on industrial artificial intelligence. The economics and research ministries signed the document at the government's investment summit in Berlin, which Nvidia CEO Jensen Huang attended as a guest. The agreement focuses on "physical AI", meaning AI for machines that interact with their environment, such as robots and autonomous vehicles, and on the development of specialised, open models for industrial use. Nvidia is to expand its engagement with German partners so that the Mittelstand can also benefit from the technology.

The plan had been reported in the days before. Reports on 15 October pointed to a broad agreement built around SOOFI (Sovereign Open Source Foundation Models), a German project launched last year to develop large AI models together with research institutions, universities and companies. Investments in the hundreds of millions of euros were reportedly envisaged, and government sources said further partners beyond Nvidia would be involved. The initiative is part of the government's AI roadmap and is to be linked to the Plattform Industrie 4.0, which is meant to serve as a strategic network for industrial AI.

The agreement builds on earlier steps. After a meeting between Chancellor Friedrich Merz and Huang in June 2025, Berlin had already announced an "Industrial AI Cloud" using Nvidia's AI and simulation technology. Germany is seeking to use its industrial base, from mechanical engineering to the automotive sector, as an advantage in the next generation of AI, while the government has stated that it wants to expand AI capacity to strengthen Europe's digital sovereignty. Huang himself had criticised Germany's technological lag ahead of the summit, while stressing that enough talent is available.

At this stage the document is a political declaration of intent rather than a funding commitment. It remains open how it will translate into concrete projects, which resources will be available and how the roles of government, Nvidia and participating companies will be divided. The cooperation also raises the question of how closely a project aimed at digital sovereignty can rely on a US supplier. Its success will depend on whether usable applications, open standards and affordable computing capacity emerge from the declaration, and on how quickly the follow-up agreements are concluded.

(Sources: Handelsblatt, Reuters, Tagesspiegel)

M&A/VC News

Paramount Skydance completes \$110 billion Warner Bros Discovery merger

Paramount Skydance has completed its \$110 billion takeover of Warner Bros Discovery, bringing major film studios and television and streaming networks under one company named Skydance. The combined business includes brands and services such as Warner Bros, DC Studios, CBS, CNN, HBO Max and Paramount+. The transaction aims to give the group greater scale as it competes with established entertainment companies and technology platforms. Management is targeting \$6 billion in savings, while the combined company is expected to carry about \$80 billion in debt.

(Source: Reuters)

EU clears Kimberly-Clark's \$40 billion Kenvue acquisition subject to divestments

The European Commission has approved Kimberly-Clark's \$40 billion acquisition of consumer-health company Kenvue, subject to measures intended to protect competition in feminine hygiene products. To address the concerns of the regulators, Kimberly-Clark committed to sell its tampon and other feminine-hygiene brands across the European Economic Area. The Commission had identified a risk of reduced competition in the tampon market, particularly in the Czech Republic, Estonia and Slovakia. Turkey-based distributor Dilek Gida Uretim has agreed to purchase the assets being divested, and the Commission also approved that transaction.

(Source: Reuters)

C.H. Robinson to acquire RXO in \$5.8 billion logistics deal

The proposed \$5.8 billion acquisition of freight broker RXO would strengthen C.H. Robinson's position in the North American logistics market while broadening its service offering to include additional last-mile delivery capabilities. The companies would form a logistics business valued at about \$25 billion, with RXO shareholders receiving \$17.25 in cash and 0.0856 C.H. Robinson shares for each share held. The offer values RXO at \$30.25 per share, a 29% premium to its previous closing price. C.H. Robinson expects the transaction to generate \$300 million in annualized cost synergies within two years. Closing is anticipated in the first half of 2027.

(Source: Reuters)

Ramp raises \$1.85 billion at \$60 billion valuation as revenue tops \$2 billion

Fintech startup Ramp raised \$1.85 billion in a primary financing round that values the company at \$60 billion, up from \$44 billion in June. The round was led by Dragoneer Investment Group and co-led by Thrive Capital, Founders Fund, Sands Capital and Avenir Growth, with Fidelity, T. Rowe Price, GIC and Coatue also participating. The New York-based provider of corporate cards and expense management software generates more than \$2 billion in annualized revenue, reports positive cash flow and serves over 85,000 companies, whose annualized purchase volume exceeds \$275 billion, up 175% year over year. The round underscores investor interest in AI-driven financial automation.

(Source: Reuters)

Manus parent Butterfly Effect raises more than \$500 million after Meta exit

Butterfly Effect, the parent company of AI agent startup Manus, completed a funding round of more than \$500 million as it resumed independent operations following the unwinding of Meta's acquisition, worth over \$2 billion. The round was co-led by Boyu Capital and IDG Capital, with existing investors Tencent, Sequoia China and ZhenFund also participating; no valuation was disclosed. Manus develops general-purpose AI agents that carry out tasks such as research and automation with minimal human input. Beijing ordered Meta to unwind the deal in April amid tighter scrutiny of US investment in Chinese AI startups. Earlier reports put Manus's annualized revenue at about \$500 million.

(Source: Reuters)

1Komma5Grad valued at \$1.35 billion after €70 million funding round

Hamburg-based home electrification startup 1Komma5Grad raised €70 million from existing and new investors, including Japan's Marunouchi Innovation Partners, at a valuation of \$1.35 billion. The company plans to invest more than €100 million in its AI-based energy platform Heartbeat AI next year, where demand has been boosted by the planned phase-out of feed-in tariffs in Germany; German orders rose by almost 50% in September. CEO Philipp Schröder said the company is considering entering the

US market next year, and that a renewed attempt at a stock-market listing, after abandoning a Nasdaq IPO last year, will depend on its 2027 results.

(Source: Reuters)

Outlook

Earnings and key events

- 20.10.: General Motors
- 21.10.: AT&T, Meta, SAP
- 22.10.: Comcast, Nestlé
- 26.10.: Verizon
- 28.10.: Alphabet, BASF, Deutsche Bank, Mercedes-Benz, Microsoft
- 29.10.: Amazon, ECB Meeting, Shell, TotalEnergies, Volkswagen
- 30.10.: BP, Chevron, Eurozone GDP, Exxon Mobil, Samsung Electronics

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