Newsletter CW 45/46

AIC
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News Recap

Bank Of England Raises Bank Rate To 4 % As Energy Costs Push Inflation Higher

The Bank of England has raised its key interest rate by 0.25 percentage points to 4 %, lifting Bank Rate from 3.75 %. The decision of the Monetary Policy Committee was taken at the meeting that ended on 4 November and published on 5 November. Eight of the nine members voted for the quarter-point increase, while Catherine Mann preferred a larger step of half a percentage point, which would have taken the rate to 4.25 %.

Energy is the central reason for the move. Over the 15 working days to 27 October, front-month Brent crude averaged $108 per barrel and UK wholesale gas averaged 216 pence per therm, around 38 % and 81 % above the levels assumed in the July projections. Consumer price inflation stood at 3.5 % in September, and direct energy effects accounted for roughly one percentage point of that figure.

The new staff projections point to a further rise in inflation before any relief arrives. Inflation is now expected to reach about 4.5 % in the first quarter of 2027, roughly 1.25 percentage points higher than in the July report, and about 5 % in the second quarter. After that, the rate is projected to decline as the energy effects drop out of the annual comparison and restrictive monetary policy takes hold. The committee also noted that activity had proved more resilient than expected and that the labour market appeared to be stabilising, and that the risk of material second-round effects on wages and prices had increased since September, even though evidence of such effects remains limited so far.

The minutes reveal clear differences on the path ahead. Several members judged that monetary policy might be less restrictive than previously assumed, while others considered it too early to draw that conclusion. Governor Andrew Bailey and Deputy Governor Clare Lombardelli indicated that a further increase in the near term was possible unless incoming data softened, and Megan Greene and Huw Pill expect additional tightening. Alan Taylor, by contrast, stressed that the decision did not mark the start of a hiking cycle and that the next move could be in either direction. The median expectation in the Bank's survey of market participants pointed to a further increase to 4.25 % by February.

The committee emphasised that policy is not on a pre-set course and that it will decide meeting by meeting how to bring inflation back to the 2 % target in the medium term. The next decision is due on 17 December. Since the cut-off date for the projections, however, oil prices have fallen considerably, which could ease part of the pressure. How far the Bank tightens further will depend on whether energy prices stay lower and whether higher costs feed through into wages and services prices.

(Sources: Bank of England, Reuters)

U.S. Economy Adds 165,000 Jobs As Consumer Prices Rise 0.4 % In October

The U.S. labour market delivered a clear upside surprise in October. Official data released on 6 November show that nonfarm payrolls rose by 165,000 jobs, well above the average monthly gain of 48,000 over the previous twelve months. The unemployment rate edged down to 4.1 % and has remained in a narrow range of 4.1–4.3 % since March. Four days later, consumer price data for October showed that inflation pressure eased somewhat but remains elevated.

Hiring was led by professional and business services, which added 70,000 jobs, followed by health care with 42,000, transportation and warehousing with 25,000 and manufacturing with 19,000. Employment showed little change in most other sectors, including construction, retail, leisure and hospitality and government. Earlier months were also revised higher: August now shows 186,000 new jobs instead of 133,000 and September 60,000 instead of 29,000, a combined upward revision of 84,000. Average hourly earnings rose by 0.4 % to $38.00, which is 3.1 % above the level of a year earlier. The participation rate held at 61.9 %.

Consumer prices rose by 0.4 % in October on a seasonally adjusted basis, after an increase of 0.6 % in September. Energy prices climbed by 0.7 %, a sharp slowdown from 5.2 % in the previous month, and gasoline rose by 1.0 % after 9.1 %. Food prices increased by 0.5 %, while the core index excluding food and energy rose by 0.3 % for the third consecutive month. Shelter costs were up 0.3 %, electricity 0.9 % and motor vehicle insurance 0.7 %, whereas used cars and trucks became 1.2 % cheaper.

Annual inflation rates for October could not be published for most categories. Because of the lapse in federal appropriations in autumn 2025, price data for October 2025 were not collected, so there is no basis for a twelve-month comparison. This makes it harder for markets and policymakers to judge underlying price trends at a moment when the energy shock is still working its way through the economy.

For the Federal Reserve, the figures complicate the picture. The strong jobs report revived concerns among investors that the central bank could raise interest rates again, after it left the target range unchanged at 3.75–4 % in October with two members voting for a hike. At the same time, the slower rise in energy and gasoline prices points to some relief at the pump. The next policy meeting is scheduled for 8 and 9 December. Whether the Fed tightens further will depend on whether core inflation stays at its current pace and whether wage growth accelerates.

(Sources: BLS, Federal Reserve, Reuters)

Brent Crude Falls 16 % In One Week As Hopes Grow For An End To The Iran War

Oil prices have retreated sharply over the past two weeks. In the week to 6 November, Brent crude fell by about 16 %, its steepest weekly percentage decline since the start of the COVID-19

pandemic. The international benchmark settled at $98.32 a barrel on 6 November, while U.S. crude WTI ended at $90.83. A week later, both contracts posted a second weekly loss of around 2.5 %, with Brent settling at $95.84 and WTI at $88.56 on 13 November.

The slide marks a turnaround after months of elevated prices caused by the U.S.-Israeli war against Iran, which is now in its ninth month. In the three weeks to 27 October, Brent had still averaged around $108 per barrel. The decisive trigger came from the U.S. midterm elections: the Democratic victory raised expectations that Washington could seek to de-escalate the conflict, and Brent dropped by almost 9 % on 4 November to a two-month low. Traders also pointed to signs of an emerging oversupply after high prices had dampened demand, with spot premiums for Middle Eastern crude returning to pre-war levels.

Developments in the second week added to the pressure. On 8 November, President Donald Trump signalled that a fresh attack on Iran was highly unlikely while negotiations continued, and Brent fell by more than 4.5 % on the following day, trading below $94 and at its lowest level since early September. Supply is also rising: OPEC output increased by 1.38 million barrels per day in October to 22.87 million barrels per day, driven by Saudi Arabia, Kuwait and Iraq, survey data show. Iraq said it had reached understandings with Washington that allow its exports to pass through the Strait of Hormuz via a shipping lane near Oman.

Considerable risks remain, however. Attacks on tankers in the Gulf and the Strait of Hormuz have continued, and Yemen's Houthis claimed strikes on a pumping station of Saudi Arabia's East-West pipeline, a facility in Yanbu and an Aramco building in Riyadh. Washington is maintaining its blockade of Iran, and the President stated that a deal with Tehran was not necessary to end the war. On 13 November, the International Energy Agency pointed to a growing global oil surplus, and U.S. crude and fuel inventories rose in the latest weekly data.

Lower oil prices could ease some of the inflation pressure that has prompted central banks to raise interest rates this year. Whether the decline lasts will depend on the course of the talks between Washington and Tehran, the security of shipping through the Strait of Hormuz and the supply policy of major producers.

(Sources: Bank of England, Reuters)

German Economic Experts Raise 2026 Growth Forecast To 1.3 % But Warn Of Budget Gaps

Germany's Council of Economic Experts has become considerably more optimistic about the economy. In its annual report for 2026/27, which council chair Monika Schnitzer handed to Chancellor Friedrich Merz on 11 November, the council forecasts growth in gross domestic product of 1.3 % for 2026 and 1.0 % for 2027. In its spring report, it had expected only 0.5 % and 0.8 %. At the same time, the report, which focuses on fiscal policy, warns that Germany faces hard decisions on public finances.

In the experts' assessment, the recovery is continuing despite high energy prices and external headwinds. Growth is supported by robust exports and high government spending, in particular additional outlays for infrastructure and defence, while private domestic demand remains subdued. Energy prices have risen further since the spring report. The forecasts are broadly in line with the government's autumn projection, which expects growth of 1.3 % this year and 1.1 % next year.

The council's main concern is the medium-term outlook for public finances. Expected spending in the federal budget and the social insurance systems clearly exceeds expected revenue, and debt-financed special funds are pushing up the debt ratio. If defence spending continues to be financed largely through new borrowing, the gap in the federal budget could reach up to 4.8 % of GDP by 2040 in an unfavourable scenario. The experts therefore recommend phasing out credit financing of defence step by step from 2031 and anchoring this in the constitution. Even then, they calculate a consolidation need of 4.6 % of GDP in 2040.

To close the gap, the council calls for limiting the growth of federal spending and for reforms of the social insurance systems. Its proposals include abolishing the option of retiring at 63 for long-term contributors, reversing the latest expansion of pension credits for mothers and cutting inefficient and environmentally harmful subsidies. The experts also see considerable potential in raising productivity: the most productive manufacturing firms are around 3.5 times as productive as the weakest, and in services the gap is about five times. More flexible labour markets and faster adoption of technologies such as artificial intelligence are intended to narrow these differences.

The government welcomed the report and said that it shares the view that sound public finances are necessary. It pointed to annual staff reductions, cuts to subsidies and financial aid as well as a new pension concept that is to be adopted by the cabinet this year. Germany is the only G7 country with a AAA credit rating, and the government aims to keep it. A formal response will follow in the annual economic report in early 2027. Whether the consolidation plans can be reconciled with higher spending on defence and infrastructure remains to be seen.

(Sources: Federal Government, Federal Ministry for Economic Affairs and Energy, ZDFheute)

Dow Jumps 3 % As Democrats Win Control Of Both Chambers Of Congress

Financial markets reacted positively to the outcome of the U.S. midterm elections on 3 November. The Democrats won control of both the House of Representatives and the Senate, ending the Republicans' hold on Congress. On 4 November, the Dow Jones Industrial Average rose by 3.03 %, the S&P 500 by 1.58 % and the Nasdaq Composite by 1.44 %. Global equities followed: the MSCI All-World index gained 1.38 %, and Europe's STOXX 600 climbed 1.82 % to a two-month high.

Investors interpreted the result mainly as a sign of fewer policy surprises. A divided government, with a Republican President and a Democratic Congress, makes major legislative changes less

likely over the next two years, which many market participants regard as a source of predictability. In addition, a Democratic majority is expected to exercise stricter oversight of the budget and to limit increases in spending. With U.S. government debt recently exceeding $40 trillion, this outlook supported Treasuries: the yield on ten-year bonds fell by 6.6 basis points to 4.88 %. The U.S. dollar index slipped by 0.23 %, while gold rose 3.49 % to $4,065.80 an ounce.

The election also affected oil prices, as investors saw a greater chance that the administration would seek to end the war with Iran. Brent crude fell to $94.62 a barrel on 4 November, contributing to its sharpest weekly drop since 2020.

Beneath the surface, the reaction differed considerably across sectors. Chip stocks came under pressure, with the PHLX Semiconductor index falling 3.6 %, and data centre operators such as IREN, Applied Digital and Core Scientific also declined. Investors expect closer scrutiny of artificial intelligence, although strategists anticipate guardrails rather than outright bans at state level. The large cloud providers Amazon, Meta and Alphabet, by contrast, gained. Managed-care companies and hospitals could benefit if there is bipartisan support for extending subsidies under the Affordable Care Act, whereas sectors that depend on deregulation, including parts of the financial, defence and crypto industries, may face a less favourable environment.

Historically, midterm elections have often been followed by solid equity returns: since 1946, the S&P 500 has gained an average of 19.9 % in the twelve months after the vote. Nevertheless, risks remain. A divided Congress raises the likelihood of budget disputes and government shutdowns, and lawmakers face a deadline of 11 December to agree on funding for fiscal year 2027. How markets develop will also depend on executive actions, the course of the Iran conflict and the approach to AI regulation.

(Source: Reuters)

M&A/VC News

Marvell to acquire Lumentum in $115 billion all-stock AI connectivity deal

Marvell Technology has agreed to buy optical components maker Lumentum in an all-stock transaction announced on 2 November that implies an enterprise value of about $115 billion. Lumentum shareholders will receive 4.5 Marvell shares for each Lumentum share, worth about $1,132 and a premium of roughly 23.9 % over Lumentum's unaffected closing price on 28 October. Marvell investors will own about 67 % of the combined group, which is expected to generate revenue of more than $21 billion. The deal combines electrical and optical interconnect technology for AI data centres, targets annual cost synergies of more than $1 billion and strengthens Marvell's position against Broadcom. Both boards approved the deal unanimously; shareholder and regulatory approvals are still required, and closing is expected in the first half of 2028.

(Sources: Marvell, Reuters)

Mitsui Chemicals to buy chip materials maker JSR for $11.6 billion

Mitsui Chemicals has agreed to acquire JSR, a leading producer of photoresists for advanced semiconductors, from the state fund Japan Investment Corp for ¥1.84 trillion ($11.6 billion), a filing showed on 9 November. JIC had taken JSR private two years earlier. The state-owned Development Bank of Japan will contribute ¥200 billion, to be converted into non-voting preferred shares, while the rest is financed through share sales of up to ¥150 billion, a ¥1.64 trillion bridge loan, bank loans, bonds and mezzanine debt. The deal fits a government-backed push to consolidate Japan's chip-materials sector. Mitsui targets around ¥40 billion of additional annual profit and plans to sell JSR's life sciences unit and other non-core businesses. Concerns about the debt load sent Mitsui shares down 8.5 %.

(Source: Reuters)

Germany agrees to buy families' 50 % stake in Leopard tank maker KNDS for €6.6 billion

The German government has struck a deal with the founding families of KNDS to acquire their 50 % stake in the Franco-German maker of the Leopard tank for about €6.6 billion. The French state holds the other half, so Berlin would gain equal standing with Paris and could no longer be outvoted on key decisions about armoured-vehicle technology. The price is based on the €11.2 billion valuation discussed before a planned stock market listing was called off, plus a premium of about €1 billion. Lower valuations in the defence sector made the purchase cheaper than the €7.2 billion earmarked in June for a 40 % stake. Both governments intend to reduce their holdings to 40 % each later, possibly through an IPO. The purchase contract has yet to be signed and is due to be signed in November.

(Sources: Reuters, Spiegel)

OpenAI raises $11 billion at $1.25 trillion valuation

OpenAI has secured $11 billion in fresh capital at a valuation of $1.25 trillion, a person familiar with the matter said on 6 November. SoftBank and Abu Dhabi's MGX participated in this tranche. The amount is the first portion of a larger round originally targeted at up to $30 billion; the remainder has not yet closed. The valuation is below the $1.5 trillion the ChatGPT developer had initially sought, which suggests that even the most prominent AI companies face limits to investor appetite at current price levels. OpenAI has not officially confirmed the terms, and the size of the full round could still change.

(Sources: Bloomberg, Reuters)

Zipline valued at $21.5 billion after $1.5 billion funding round

U.S. drone delivery company Zipline has raised $1.5 billion at a post-money valuation of $21.5 billion, almost three times the $7.6 billion at which it raised $600 million earlier this year. The round, announced on 5 November, was led by Paradigm, WCM Investment Management and Layer Global, with Valor Equity Partners, Fidelity, Uber, Tiger Global, J.P. Morgan, ARK Invest and Salesforce Ventures also participating. Zipline will use the money to expand manufacturing and hiring in the United States as it builds a nationwide drone delivery network. Alongside the financing, the company signed a new national, multi-year agreement with Walmart to launch service at 300 additional sites, underlining growing retail demand for autonomous last-mile delivery.

(Sources: Reuters, Zipline)

AI training-data start-up Mercor raises $750 million at $20 billion valuation

Mercor, which supplies expert data and evaluations for training artificial intelligence models, has raised $750 million in a Series D round at a valuation of $20 billion. The financing, announced on 10 November, includes a tender offer for employees, so not all of the money flows to the company as new capital. Investors include Benchmark, Felicis, General Catalyst, Nvidia, Salesforce, Sapphire Ventures, StepStone Group, G Squared, Glade Brook Capital, XTX Ventures, Zoom and funds managed by affiliates of Apollo. Mercor plans to invest in infrastructure and research for model evaluation and post-training and to build more environments in which AI agents can learn complex workflows. The round highlights how much investors value high-quality human data as AI labs compete to improve their models.

(Source: Mercor)

Outlook

Earnings and key events

- 17.11.: Home Depot, Nvidia, Walt Disney
- 18.11.: Lowe's, Palo Alto Networks, TJX
- 19.11.: Alibaba, Walmart
- 24.11.: Analog Devices, Medtronic
- 25.11.: Deere, Germany GDP, U.S. GDP

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