

Before diving into this week's edition of *The Weekly Market Brief*, I would like to briefly thank you for the positive feedback so far. The goal of this blog remains unchanged: to highlight and analyze the developments in global markets that matter most. Once again, this week delivered no shortage of headlines and signals across markets, policy, and corporate activity. I've done my best to filter through the noise and focus on the themes and events that stood out to me as particularly relevant or interesting.

With that said, let's take a closer look at what happened this week in the world of finance.

M&A activity – Deal of the Week

Once again, this week delivered a heavy flow of M&A-related activities across technology, infrastructure, and private capital markets. Given the breadth of announced, ongoing, and speculative transactions, it's neither practical nor particularly useful to cover every development in depth. Instead, I'll highlight the M&A news that stood out most this week, either for their strategic significance, valuation implications, or the signals they send about broader trends shaping capital allocation.

I'll then take a closer look at one transaction in particular. This week's **Deal of the Week** is Apple's acquisition of Israeli AI startup **Q.AI**, a deal that underscores how competitive dynamics in artificial intelligence and wearable technology are increasingly driving strategic M&A.

Key M&A Developments This Week

SpaceX / xAI (Proposed Merger)

Elon Musk's SpaceX and artificial-intelligence startup xAI are in discussions to merge, further consolidating Musk's expanding ecosystem of technology companies. While details remain fluid and no agreement is guaranteed, the potential tie-up would combine one of the world's most valuable private companies with an AI firm still searching for scale and commercial traction. The proposal highlights Musk's long-term vision of integrating space infrastructure with AI development, including the idea of operating AI data centers in orbit. Investors will be watching closely how such a combination would affect SpaceX's planned IPO and whether regulators would raise concerns around complexity, governance, and capital intensity.

OpenAI Prepares for a Potential IPO

OpenAI is laying the groundwork for a public listing, with informal talks underway with Wall Street banks and internal preparations accelerating. While timelines remain uncertain, the move reflects the enormous capital requirements facing leading AI developers and intensifying competition with rivals such as Anthropic. With potential valuations discussed well north of \$800 billion, any IPO would rank among the largest in history and could reshape how public-market investors gain exposure to the generative AI boom.

Leidos to Acquire Entrust Solutions Group

Leidos agreed to acquire Entrust Solutions Group from Kohlberg & Co. for

approximately **\$2.4 billion in cash**, a deal that will effectively double Leidos' energy-infrastructure-engineering business. The transaction reflects growing investment in grid modernization and energy infrastructure, driven by electrification and AI-related power demand.

Advisors: Citi served as lead financial advisor to Leidos, with legal advice from Davis Polk & Wardwell and accounting advice from PwC.

KKR-Led Consortium to Acquire ST Telemedia Global Data Centres

A KKR-led consortium, alongside Singtel, is nearing a deal to acquire ST Telemedia Global Data Centres at a valuation exceeding **\$10 billion**. The transaction builds on KKR's earlier minority investment and underscores private equity's continued appetite for data-center assets, particularly in Asia, where AI-driven demand for computing capacity is accelerating.

CVC Capital Partners to Buy Marathon Asset Management

CVC agreed to acquire U.S. credit manager Marathon Asset Management for an initial **\$1.2 billion**, expanding its presence in the fast-growing private credit market. The deal highlights ongoing consolidation among alternative asset managers as firms seek scale, distribution, and exposure to U.S. credit markets.

Advisor: Freshfields acted as legal advisor on the transaction.

IonQ to Acquire SkyWater Technology

Quantum-computing company IonQ announced a **\$1.8 billion** acquisition of U.S.-based chip maker SkyWater Technology, creating what IonQ describes as a vertically integrated quantum platform. The deal reflects rising government and investor interest in quantum computing as a strategic technology, particularly in the context of U.S. industrial policy and national security priorities.

Deal of The Week: Apple Acquires Q.AI in Push Toward AI-Driven Wearables

Apple has agreed to acquire Israeli startup **Q.AI** for close to **\$2 billion**, marking one of the largest acquisitions in the company's history and a notable departure from its usual preference for smaller, under-the-radar deals.

Advisor: Qatalyst Partners served as exclusive financial advisor to Q.AI.

At its core, this acquisition is about positioning. Q.AI specializes in technology that analyzes subtle facial micro-movements to interpret "silent speech", enabling non-verbal interaction with devices. For Apple, this capability directly supports its ambitions in AI-enabled wearables, including headphones and smart glasses, and addresses growing investor concern that the company has fallen behind peers such as Meta, Google, and OpenAI in AI-driven user experiences.

Rather than competing solely on software assistants, Apple appears focused on redefining the interface itself. Silent, private interaction with AI assistants could become a key differentiator in future wearable devices, particularly as concerns around privacy and ambient computing intensify.

The acquisition aligns with Apple's long-standing strategy of tightly integrating hardware, software, and proprietary technology. Q.AI's imaging and machine-learning capabilities complement Apple's in-house chip design and sensor expertise, allowing Apple to internalize critical intellectual property rather than rely on external partners.

Importantly, the deal also signals urgency. Apple has faced criticism for delays in rolling out advanced AI features, including an upgraded Siri. Acquiring Q.AI accelerates Apple's ability to deliver differentiated AI experiences without starting from scratch.

Opportunities:

- **Product differentiation:** Silent speech and non-verbal interaction could create entirely new use cases for AirPods, Vision Pro, and future smart glasses.
- **Privacy advantage:** On-device processing of facial signals aligns with Apple's privacy-first brand positioning.
- **Talent and IP acquisition:** Q.AI's team and patents strengthen Apple's capabilities in computer vision and human-machine interaction.

Risks:

- **Execution risk:** Translating cutting-edge research into mass-market consumer products remains challenging.
- **Competitive response:** Rivals such as Meta and Google are aggressively investing in similar wearable technologies.
- **Scale and adoption:** Consumer acceptance of non-verbal AI interaction is unproven and may take time to materialize.

In my view, this deal reflects a broader shift in Big Tech M&A: as AI models become more commoditized, differentiation increasingly moves toward interfaces, data, and proprietary hardware integration. Apple's acquisition of Q.AI is less about catching up in AI model performance and more about redefining how users interact with AI altogether.

If successful, this transaction could mark a turning point in Apple's AI strategy and set the foundation for a new generation of AI-first devices.

Market Movements

This week, markets sent mixed signals: headline indices held up reasonably well, but underneath the surface, dispersion widened sharply across sectors, single names, and asset classes. Rather than trying to comment on every move, I'll focus on the market developments that mattered most this week, what drove them, what they reveal about positioning, and where the pressure points are building.

I'll then zoom in on one theme that stood out in particular: **the sharp tech selloff triggered by Microsoft's earnings**, and what it says about investor tolerance for AI spending and "priced-to-perfection" expectations.

Key Market Movements This Week

Indices: resilience at the top, but no clear direction

Major benchmarks ended the week roughly flat to slightly mixed: the Dow Jones Industrial Average and NASDAQ Composite Index both slipped modestly, while the S&P 500 Index finished slightly higher. Outside the U.S., the Hang Seng Index stood out on the upside,

while the FTSE 100 Index gained moderately. The message: risk appetite isn't collapsing, but conviction remains selective.

Earnings reactions were extreme, stock picking mattered

Friday's tape was a good snapshot of the current market: strong results didn't always translate into gains, and "good-but-not-perfect" often got punished.

- Apple posted strong iPhone sales and profits, but rising component costs kept investors cautious; shares finished modestly higher.
- SanDisk and Western Digital both beat forecasts, yet the market rewarded one and punished the other, an example of how crowded positioning and expectations can dominate fundamentals.
- Chevron and Exxon Mobil reported their smallest annual profits since 2021, but relative performance still held up as energy remains a key beneficiary of rotation.
- Roblox sold off sharply after regulatory scrutiny in Europe, highlighting ongoing headline risk in consumer platforms.
- SoFi beat expectations but still fell meaningfully, another reminder that guidance and valuation often matter more than "beats."
- Visa delivered strong results tied to holiday spending, yet still traded lower, reinforcing how unforgiving the market can be when expectations are high.
- Verizon jumped after upbeat growth expectations, while Deckers Outdoor surged after strong results and raised forecasts.

Gold and silver: a brutal reversal as Fed expectations shifted

The standout macro move was the violent selloff in precious metals: gold and silver saw their worst single-day falls in decades after reports that Kevin Warsh would be nominated to lead the Federal Reserve once Jerome Powell's term ends. The market read this as a more hawkish inflation stance, triggering a sharp unwind of the "debasement trade" and a strong USD move.

Europe: Adidas pops, but guidance remains the real question

Adidas jumped after announcing a €1bn buyback and strong prelim numbers. Still, the market remains focused on forward guidance, an increasingly common pattern in this earnings season: backward-looking strength matters, but 2026 messaging matters more.

Rates, FX, and the "diversify away from Treasuries" narrative

A growing theme is global diversification away from U.S. assets at the margin, especially as questions around Fed independence and U.S. fiscal sustainability re-enter the conversation. That matters because it can keep long yields higher than investors might expect in a normal "rate cuts incoming" environment, and it can amplify FX volatility when policy credibility becomes part of the price.

Focus Topic: Microsoft Earnings Trigger a Tech Selloff

The clearest sentiment shock this week came from Microsoft's earnings, which sparked a broad tech pullback and reignited a key investor anxiety: **AI is strategically essential, but financially expensive and the market's patience isn't unlimited.**

Microsoft's results pointed to higher AI infrastructure spending and softer cloud growth, and the reaction was immediate: tech sold off hard intraday, pulling the broader market's mood with it. Importantly, this wasn't just "one company missing." It highlighted a broader fragility

in the narrative: many AI-linked stocks are still valued as if execution will be near-flawless, capex will translate cleanly into monetization, and competition won't compress margins.

The contrast with Meta Platforms was telling. Meta was rewarded because it convinced investors it can translate AI into revenue growth (ads and engagement). That gap, **spending vs. spending with visible payback**, is likely to be a defining driver of tech dispersion going forward.

Software names were hit particularly hard, reinforcing that the market is no longer treating the sector as a "defensive growth compounder." Instead, investors are increasingly asking whether AI lowers switching costs and accelerates competition, especially in categories where differentiation is thin. In other words, the market is pricing a world where growth remains, but pricing power and margins may not be as durable as previously assumed.

Risks and Opportunities for Investors

This week reinforced that the market is still functioning in a "selectivity-first" regime. The biggest risk is not necessarily macro deterioration, but valuation and narrative fragility, especially in areas where expectations are high and positioning is crowded. The sharp reaction to Microsoft's earnings showed how quickly mega-cap tech can shift from leadership to liability when investors question the payoff of AI infrastructure spending. That dynamic matters because the broader market remains heavily reliant on a relatively small group of dominant technology names to sustain momentum. A second risk is policy-driven volatility. The reaction across FX, rates, and precious metals following news around the Fed chair succession highlighted how sensitive markets currently are to perceived shifts in monetary credibility and inflation tolerance. Finally, single-name shocks, whether driven by regulation, guidance, or non-financial headlines, continue to remind investors that dispersion is not a short-term anomaly, but increasingly a defining feature of this cycle.

At the same time, the same forces creating risk are also creating opportunity. Rotation beneath the surface is opening up selective entry points, particularly in areas where earnings visibility is clearer and valuations are less dependent on long-duration growth assumptions. In equity markets, weeks like this tend to reward disciplined stock selection rather than broad index exposure, as the spread between winners and losers is widening. The violent move in gold and silver, while unsettling, also serves as a healthy reminder that crowded trades can reset quickly, often creating more attractive forward return profiles once positioning is cleared out. In my view, investors who stay flexible and focus on fundamentals rather than headlines are likely to be best positioned in this environment.

Looking Ahead

Looking ahead, the key question is whether this week's volatility remains contained as a short-term repricing event, or whether it marks the beginning of a broader re-rating, particularly in tech and software. A heavy week of earnings is coming up, and markets will be less focused on whether companies "beat" estimates and more focused on two things: forward guidance and capital spending. In particular, investors will want clearer evidence that AI investment is translating into durable revenue growth, not just higher cost structures. On the macro side, attention shifts to U.S. labor market data and a packed calendar of central bank decisions, which will shape expectations for the timing and pace of future rate moves. With markets already sensitive to any perceived change in Fed credibility, even modest surprises in

jobs data or central-bank tone could generate outsized moves in FX and bonds, with spillovers into equities.

My takeaway from this week is that the path of least resistance for markets is still higher, but it is becoming narrower. The market is willing to sustain elevated valuations when confidence is high, but it is increasingly quick to punish uncertainty, crowded positioning, and narratives that require perfection. Until clearer signals emerge, I expect a familiar mix of consolidation at the index level, sharp sector rotation, and periodic volatility around earnings and policy catalysts.

Economic Policy Shifts & Other Key Developments

EU-India Free Trade Agreement: A major strategic shift in global trade

This week's policy and macro headlines were a reminder that politics and regulation are once again shaping markets almost as much as earnings. The biggest structural story came from trade: the European Union and India concluded negotiations on a major free trade agreement that, if ratified, would create one of the world's largest free trade zones and deepen ties between two economies that are actively trying to reduce geopolitical and supply-chain vulnerability. Beyond the symbolism highlighted by Ursula von der Leyen, the economic impact could be meaningful: the deal aims to sharply reduce tariffs across industrial goods and agri-food, improve access in services, including financial services, and strengthen IP protections. For European exporters, the practical takeaway is improved market access into one of the fastest-growing large economies, while for India the agreement signals continued openness to rules-based trade at a time when global trade policy is fragmenting.

U.S. fiscal politics return: Partial shutdown adds headline risk

In the U.S., fiscal and institutional credibility was back in focus. A partial government shutdown began after the Senate passed a spending package too late to prevent a funding lapse, leaving final approval to the House when it returns. Even if this proves short-lived, shutdown dynamics matter because they create uncertainty around government operations, raise headline risk, and can distort the economic data flow markets rely on.

The Fed leadership transition: Warsh nomination shifts credibility pricing

In parallel, President Donald Trump's decision to nominate Kevin Warsh to succeed Jerome Powell added a second layer of uncertainty: not just about the path of rates, but about how the market should price the future "rules of the game" at the Federal Reserve. Warsh has been a long-time critic of balance-sheet expansion and the broader scope of the Fed, which makes his likely agenda a complicated balancing act, tightening credibility on inflation while shrinking the Fed's footprint without destabilizing funding markets or pushing long yields higher in a politically sensitive way.

China data stays soft: Stable growth targets, weak domestic momentum

China provided another key macro input, and it wasn't particularly encouraging. Recent data continues to point to a familiar pattern: stable top-line growth targets being met, but with soft domestic demand, pressure in the property sector, weak investment momentum, and demographic headwinds weighing on the medium-term outlook. The bigger implication for global markets is that China's growth model remains export-reliant at a time when trade friction is rising, which increases the likelihood of pricing competition abroad and tensions with trading partners.

Trade diversification in practice: China cuts tariffs on U.K. whisky

Interestingly, this week also delivered a small but telling example of shifting trade ties: China agreed to halve tariffs on U.K. whisky during Keir Starmer's visit, another signal that countries are actively diversifying trade relationships as tariff risk and geopolitical alignment become more central to economic strategy.

Mercedes and Europe's competitiveness challenge: Software, margins, and capital

Outside of pure policy, one corporate story captured the broader competitiveness challenge facing Europe. Mercedes-Benz unveiled an unusually extensive update to the S-Class, built around major software and technology upgrades, as CEO Ola Källenius attempts to defend positioning in the global luxury segment amid weaker volumes, margin pressure, and intense competition in China. The broader point is not the model itself, which by the way beat all expectations, but what it represents: premium manufacturers are being forced to compete not only on engineering but on software capability, user experience, and regulatory readiness for assisted driving features.

Capital flows and policy competition: Europe vs. the U.S.

That ties directly into a second narrative Källenius raised this week, Europe's competition with the U.S. for capital and investment, after Howard Lutnick reportedly pitched the advantages of relocating headquarters to the U.S. Even if that specific idea was rejected, the message is clear: lower energy costs, lighter regulation, and tax competitiveness are becoming macro variables for corporate strategy, not just political talking points.

Overall, this week's theme was straightforward: trade blocs are being reshaped, fiscal politics are back in the foreground, central-bank credibility is being repriced, and corporate competitiveness is increasingly tied to policy environments. For markets, these forces don't always move prices day-to-day, but they steadily influence risk premia and they are becoming harder to ignore.

A Few Words

This was another eventful week across markets, policy, and corporate developments, reinforcing why it continues to pay to look beyond the daily noise and focus on the broader picture. With earnings season still unfolding and key macro and policy decisions ahead, the coming weeks and months are likely to remain just as dynamic.

Thank you to everyone who has taken the time to read *The Weekly Market Brief* and to share feedback so far, it's greatly appreciated. If you have any thoughts, questions, or criticism, feel free to leave a comment. And if you haven't already, consider subscribing to the newsletter to be notified when next week's edition is published.

Until then, thanks for reading, and see you next week.

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