<u>The Weekly Market Brief</u> 05/17/2026

Thank you again to everyone who has been reading and sharing feedback on *The Weekly Market Brief* so far. This week was once again shaped by a mix of major market, policy and corporate developments: oil prices remained highly sensitive to the still unresolved situation around the Strait of Hormuz, bond markets continued to react to shifting inflation and rate expectations, and investors closely watched whether the AI-driven market momentum can continue. On the dealmaking side, several large transactions and takeover attempts stood out, including Sony and GIC's move for the Recognition Music catalog, while economic policy developments ranged from China's export strength and Europe's energy-sensitive slowdown to ongoing debates around central-bank policy, immigration, and industrial strategy. As always, I tried to pick out the developments that seemed most relevant and interesting, and to explain why they matter beyond the headlines.

<u>M&A activity - Deal of the Week</u>

M&A activity remained highly active this week, with a mix of strategic consolidation, opportunistic takeover approaches and asset-backed transactions across utilities, consumer ingredients, e-commerce and music rights. One of the most notable updates came from eBay, which rejected GameStop's $56 billion takeover proposal, a deal that was already discussed in last week's Market Brief as the Deal of the Week. At the same time, the market continued to see large-scale strategic moves, including early talks between NextEra and Dominion that could create a $400 billion U.S. utility giant, Tate & Lyle entering discussions with Ingredion over a potential takeover, and Sony's venture with GIC acquiring a major music catalog from Blackstone.

<u>Key M&A Developments</u>

Following **last week's focus** on **GameStop's** bold **bid for eBay**, the story took a decisive turn this week as **eBay rejected** the **$56 billion proposal**. The company's board described the offer as neither credible nor attractive, pointing to uncertainty around financing and the operational risks of combining the two businesses. GameStop had offered $125 per eBay share in a mix of cash and stock, supported partly by a commitment letter from TD Bank for up to $20 billion in debt financing. However, the financing was conditional on the combined company achieving investment-grade ratings, which left a significant question mark over the feasibility of the transaction. The rejection highlights what many investors had already questioned: while the proposal was ambitious and captured market attention, the strategic and financial execution risks were extremely high.

A potentially much larger transaction also emerged in the U.S. **utility sector**, where **NextEra** Energy and Dominion Energy are reportedly **in talks** over a **tie-up** that could create a utility giant worth more than **$400 billion** including debt. The logic behind the deal is closely tied to the AI-driven surge in electricity demand, especially from data centers. By combining with Dominion, NextEra would expand beyond its strong Florida base into regions such as Virginia, one of the key hubs for U.S. digital infrastructure. The deal would give the combined company greater scale at a time when hyperscalers are racing to secure stable power supply. However, due to the size and regulated nature of both businesses, any transaction would likely face intense scrutiny from antitrust authorities as well as federal and state energy regulators.

In the **food ingredients sector**, **Tate & Lyle** said it had **received** a **£2.74 billion**, or roughly **$3.7 billion**, **takeover proposal** from U.S. peer **Ingredion**. The offer values Tate & Lyle at 595 pence per share in cash plus up to 20 pence in dividends, representing a significant premium to the company's prior closing price. The two companies are now in discussions, although there is no certainty that a formal deal will follow. Strategically, the transaction would combine two major players in food and beverage ingredients and could help Ingredion strengthen its position in specialty ingredients, an area where scale, innovation and customer relationships are increasingly important.

<u>This Weeks Deal of The Week: Sony, GIC Venture Strikes Deal to Buy Recognition Music Catalog From Blackstone</u>

This week's Deal of the Week is the **acquisition** of **Recognition Music Group's catalog by** a **joint venture** between **Sony Music Publishing and Singapore's sovereign wealth fund GIC**. The catalog includes more than 45,000 songs, with works performed by global artists such as Beyoncé, Lady Gaga, Rihanna, Journey, Fleetwood Mac and the Red Hot Chili Peppers. Financial terms were not disclosed, but strategically the deal is highly relevant because it shows that music rights remain an attractive long-term asset class for both strategic buyers and institutional investors.

The deal gives **Sony** Music Publishing **ownership** of a **large and highly recognizable portfolio** of songs, strengthening its position in music publishing and expanding its control over valuable intellectual property. Music catalogs have become increasingly attractive because they can generate recurring cash flows through streaming, licensing, synchronization rights, advertising, film, television and other media usage. For Sony, this is not only about owning famous songs, but about deepening its position in a market where high-quality catalogs can create durable revenue streams over many years.

For **GIC**, the transaction **fits well into the broader logic of investing** in long-duration assets with predictable cash-flow characteristics. Music rights can behave differently from traditional market assets, as people continue to stream and consume music across economic cycles. That makes large, diversified catalogs potentially attractive to institutional investors looking for resilient income streams. The deal also shows how sovereign wealth funds and financial investors are increasingly participating in areas once dominated mainly by record labels and publishers.

The seller, **Blackstone**, entered the music-rights market in 2021 through its partnership with Hipgnosis Song Management and later gained control of the listed Hipgnosis Songs Fund, now renamed Recognition Music Group. Selling the catalog to Sony and GIC marks an important exit or monetization step for Blackstone and underlines how alternative asset managers have treated music rights as a serious investment category. On the advisory side, Shot Tower and Deloitte advised Blackstone and Recognition as financial advisors, while Kirkland & Ellis and Latham & Watkins served as legal advisors. For the buyers, financial advisors were not publicly disclosed, while Simpson Thacher & Bartlett, Loeb & Loeb, and Cleary Gottlieb Steen & Hamilton acted as legal advisors, with EY and PwC involved as accounting and tax advisors.

The main **opportunity** lies in Sony's ability to integrate the catalog into its global publishing platform and extract value through licensing, promotion and cross-platform usage. With demand for content remaining strong across streaming, social media, advertising, gaming and entertainment, ownership of proven songs gives Sony a powerful base of monetizable intellectual property. The risk, however, is valuation. Music catalogs became expensive during the low-interest-rate period, and buyers need to be disciplined about expected streaming growth, licensing income and the cost of capital. If growth assumptions prove too optimistic, returns can disappoint.

Overall, the deal stands out because it combines strategic control, institutional capital and intellectual property in one transaction. It is not a classic industrial merger, but it reflects a broader M&A theme: high-quality content and recurring rights-based revenues continue to attract major buyers. For Sony, the acquisition strengthens its global music publishing position; for GIC, it adds exposure to a resilient alternative asset; and for Blackstone, it demonstrates that music rights remain a tradable and institutionalized asset class.

Market Movements

Markets had another highly eventful week, with the Iran conflict and the continued closure of the Strait of Hormuz remaining the dominant driver across asset classes. Oil prices moved sharply higher again, bond yields climbed to their highest levels in more than a year, the dollar strengthened, and investors continued to reassess the path of interest rates. At the same time, technology and AI-related themes remained highly relevant, with investors closely watching corporate travel, data-center exposure, semiconductor restrictions and the upcoming SpaceX IPO.

Key Market Movements This Week

Oil was again at the center of market attention. With the Strait of Hormuz still closed and little visible progress toward a lasting U.S.-Iran agreement, crude prices posted strong weekly gains. WTI settled at $105.42 per barrel, up around 10% for the week, while Brent rose to $109.26 per barrel, gaining almost 8% over the same period. The key concern is no longer only the immediate price spike, but the risk that prolonged disruptions could start draining global inventories and create tighter physical markets in the coming weeks. Strategic releases and some demand reduction have helped prevent immediate chaos, but the market is clearly becoming more sensitive to any sign that the closure could last longer than expected.

U.S. oil producers are responding, but still cautiously. The number of U.S. rigs drilling for oil rose by five to 415, the highest level since November. However, the response remains relatively limited considering oil is trading above $100 per barrel. Producers seem aware that today's price level may not be permanent, especially if there is eventually a diplomatic resolution with Iran and a reopening of the strait. This explains why the energy sector is benefiting from higher prices, but not yet acting as if the current environment will last indefinitely.

Bond markets also came under pressure. The 10-year U.S. Treasury yield moved above 4.5% for the first time since July and reached its highest level in more than a year, while the two-year yield climbed above 4%. This reflects a clear shift in investor expectations: as oil prices rise, markets are increasingly pricing the risk that inflation stays elevated for longer and that the Federal Reserve may have less room to cut rates. The dollar also strengthened, with the

WSJ Dollar Index reaching its highest level since April. In short, higher oil prices are feeding directly into the rates story, and markets are once again moving toward a "higher-for-longer" interest-rate environment.

The Trump-Xi summit did not provide the breakthrough markets had hoped for. While both leaders reportedly agreed that the Strait of Hormuz should remain a free and open waterway, there was no clear solution to the Iran conflict. Investors also expected possible updates on technology and semiconductor issues, especially given the presence of major CEOs such as Nvidia's Jensen Huang, Apple's Tim Cook and Tesla's Elon Musk. However, semiconductors were not a major focus of the meeting, and European semiconductor stocks fell after no major tech-related agreement was announced.

In **technology**, AI infrastructure remained a central theme. Bird Construction surged after its long-term partnership with Bell Canada was linked to AI compute infrastructure projects, with Bell targeting 800 megawatts of projects across Canada. Salesforce also remained in focus as investors looked for evidence that AI products such as Agentforce and Data 360 can support a reacceleration of growth. Meanwhile, Tencent's management appeared confident that domestic chip deliveries in China will improve in the second half of the year, which could ease compute constraints for its AI products.

Precious metals had a more difficult week. Gold and silver sold off sharply as a stronger dollar and rising interest-rate expectations reduced the appeal of non-yielding assets. Silver futures fell heavily, while gold also came under pressure. This shows how even traditional safe-haven assets can struggle when the dominant market reaction is not only geopolitical fear, but also higher yields and tighter financial conditions.

Financials and insurance also saw notable activity. Hiscox shares jumped on reports of possible bid interest from Intact Financial, while India raised tariffs on imported gold in an attempt to support the rupee. In Europe, concerns grew that banks with higher exposure to small-business lending, such as Banco de Sabadell, could be more vulnerable if the Middle East conflict continues to weigh on economic activity and asset quality. Bond strategists increasingly highlighted the 4.5% level on the 10-year Treasury as an important entry point for investors, but also warned that unresolved energy disruptions could keep rate-hike speculation alive.

Focus Topic: SpaceX to Go Public June 12

This week's focus topic is **SpaceX's planned IPO**, which could become one of the largest public listings in history. According to reports, Elon Musk's rocket and satellite company is aiming **to go public on June 12** and could raise as much as **$80 billion** or more. If the timeline holds, SpaceX would likely need to make its IPO paperwork public very soon, giving investors their first real look at the company's financials, business segments, ownership structure and the recently added xAI business.

The **timing** is highly significant. SpaceX is no longer only a rocket company. Its Starlink satellite internet business has become one of the most important growth drivers, and the integration with xAI adds an entirely new layer to the investment case. Investors will want to understand how much revenue comes from launches, how profitable Starlink is, how much capital the company needs for future satellite deployments, and how the AI business changes the risk profile. Until now, SpaceX has been one of the most closely watched private companies in the world, but also one of the least transparent. A public filing would finally reveal details that investors have been waiting years to see.

A SpaceX IPO would also arrive at a time when markets are already heavily focused on AI, satellite infrastructure and high-growth technology assets. The company sits at the intersection of several major themes: space infrastructure, broadband connectivity, defense, AI, data infrastructure and the broader Elon Musk ecosystem. That makes the IPO potentially attractive, but also complex. Investors would not only be buying into a rocket-launch business, but into a broader infrastructure platform that could play a major role in communications, national security and AI-related compute ambitions.

The **potential** size of the IPO matters for the broader market as well. If SpaceX achieves a valuation near the levels previously discussed, it could quickly become one of the largest listed companies in the U.S. That would have implications for index providers, ETFs and passive investors, especially after recent discussions around whether large IPOs such as SpaceX, OpenAI and Anthropic should receive faster access to major stock indexes. In other words, a SpaceX listing would not only be a major corporate event, but also a major market-structure event.

However, the **risks** should not be ignored. SpaceX operates in capital-intensive industries, and both satellite networks and AI infrastructure require enormous upfront investment. Investors will need to assess whether Starlink's revenue growth can justify the valuation, whether launch costs remain a competitive advantage, and how much cash xAI could consume. The IPO could attract massive demand, but it may also test how far investors are willing to stretch valuations for companies tied to AI and frontier infrastructure.

Overall, SpaceX's planned June 12 listing could become one of the defining market events of the year. If successful, it would give public investors direct exposure to one of the most strategically important private companies in the world. But it would also arrive in a market environment already shaped by high valuations, rising bond yields, geopolitical uncertainty and intense enthusiasm around AI. That combination makes the IPO exciting, but also one that investors should approach with careful attention to the numbers behind the story.

Risks and Opportunities for Investors

For investors, the biggest **risk** remains the same as in recent weeks: the longer the Strait of Hormuz stays closed, the greater the chance that the oil shock moves from a market event into a broader economic problem. Higher oil prices are already feeding into bond yields, inflation expectations and currency markets. If crude remains above $100 for an extended period, pressure on consumers, transport companies, manufacturers and energy-intensive industries will increase. That could weigh on margins, slow demand and force central banks to remain more cautious on rate cuts, even if growth begins to soften.

At the same time, the current environment also creates **opportunities**. Energy producers, selected utilities, infrastructure companies and firms linked to power demand could benefit from higher prices and rising investment needs. The AI infrastructure theme remains especially strong, as seen in data-center-related partnerships, telecom infrastructure plans and the continued focus on semiconductors. However, investors need to be selective. The same AI theme that supports some companies can also create valuation risks, especially where expectations are already extremely high.

Another important **opportunity** lies in fixed income. With the 10-year Treasury yield moving above 4.5%, some investors may see government bonds as more attractive again, especially if they believe that oil prices will eventually fall once the conflict eases. But this also comes with risk: if the Strait of Hormuz remains closed and inflation expectations rise further, yields could stay elevated or move even higher. The market is therefore caught between two scenarios: a de-escalation scenario that supports bonds and risk assets, and a prolonged-conflict scenario that keeps pressure on rates, consumers and corporate margins.

For equity investors, the week again showed that not all sectors react equally. Energy and selected infrastructure names benefited from the current environment, while precious metals struggled as rising yields and a stronger dollar reduced their appeal. Technology remains supported by AI demand, but semiconductor stocks are vulnerable to political disappointment, especially around U.S.-China relations. The key takeaway is that investors should avoid treating this as a simple "risk-on" or "risk-off" market. Instead, performance is increasingly driven by sector-specific exposure to oil, rates, AI infrastructure and geopolitical risk.

Looking Ahead

Looking ahead, markets will remain highly sensitive to any progress in U.S.-Iran negotiations and any indication that the Strait of Hormuz could reopen. A credible diplomatic breakthrough would likely put downward pressure on oil prices, support risk assets and reduce some of the inflation pressure currently affecting bond markets. However, even in a positive scenario, normalization would probably take time, as shipping flows, inventories and physical energy markets cannot reset overnight.

The next few weeks will also be important for **monetary policy expectations**. With Treasury yields already moving higher and inflation risks rising, investors will closely watch whether central banks continue to look through the energy shock or start signaling a more hawkish stance. Stronger economic data could further support higher yields, while weaker consumer and business indicators would raise concerns that the oil shock is beginning to hurt growth. This balance between inflation and demand will likely define market sentiment in the near term.

Finally, the possible SpaceX IPO will be a major focus for technology and growth investors. If the company releases its filing soon, markets will finally get a clearer view of one of the most anticipated public listings ever. Together with the ongoing AI infrastructure boom, semiconductor tensions, and high bond yields, this means the coming weeks could be especially important for understanding whether markets can continue to absorb geopolitical uncertainty, or whether the pressure from oil, rates and valuations starts to bite more seriously.

Economic Policy Shifts & Other Key Developments

This week's economic policy picture was again shaped by the same broad tension that has dominated markets recently: economies are still showing pockets of resilience, but the longer the Middle East conflict and energy disruption continue, the harder it becomes for policymakers to look through the shock. Across Europe, the U.S. and China, the key question is whether current growth momentum can hold up while higher energy prices, trade frictions and demographic pressures continue to weigh on the outlook.

One important structural theme came from the **European Central Bank**, which highlighted that longer working lives and immigration have become key supports for eurozone growth. Since late 2023, rising employment has accounted for roughly half of eurozone growth, while productivity gains have remained modest. Older workers staying in the labor force have helped offset Europe's aging population, but this can only go so far. Once participation among older workers reaches its limit, the eurozone will increasingly depend on immigration, productivity improvements and potentially AI-driven efficiency gains. This matters because the political environment is moving in the opposite direction: anti-immigration parties have gained ground in several European elections, while many governments are tightening migration rules. In other words, Europe's long-term growth challenge is not only about interest rates or energy prices, but also about whether it can maintain a large enough workforce.

The **U.K. delivered** one of the **more positive economic surprises** of the week. GDP grew 0.6% in the first quarter, outpacing both the U.S. and most European peers, with services, manufacturing, construction, household spending and private investment all contributing. However, the strength may partly reflect activity being pulled forward before costs rise further because of the war in Iran. The U.K. remains heavily exposed to global energy prices, especially through gas imports, which is why the IMF recently cut its 2026 growth forecast for the country from 1.3% to 0.8%. The key point is that the first-quarter data show resilience, but probably not a clean acceleration. Higher energy costs, political uncertainty after Labour's local election losses, and rising long-term borrowing costs could all weigh on activity in the second quarter.

China remained another major focus. **Export growth** accelerated sharply in April, rising 14.1% year-on-year after a much weaker March reading, while imports also came in stronger than expected. This reinforces the idea that trade is still acting as an important stabilizer for the Chinese economy. However, the broader strategic issue is China's increasingly comprehensive industrial policy. Beijing is no longer only supporting a few high-tech sectors; it is targeting a wide range of industries, from electric vehicles and semiconductors to chemicals, textiles, household appliances, drones and high-value services. The problem for the rest of the world is that China's policy does not simply aim to make domestic firms competitive. It also targets supply-chain chokepoints, builds export dominance and increases other countries' dependence on Chinese inputs. That makes the competitive challenge much harder to answer, especially when U.S. tariffs mainly redirect Chinese exports to other markets rather than reducing China's overall global role.

In the **U.S.,** the **policy debate** around the **Federal Reserve** remained active. Fed Governor Michael Barr pushed back against the idea that shrinking the Fed's balance sheet should be a central objective, warning that doing so too aggressively could damage money markets, reduce bank resilience and threaten financial stability. His argument is that the Fed's post-2008 "ample reserves" framework helps keep the payment system stable, while a return to scarce reserves could create funding-market stress and potentially force more intervention rather than less. This is relevant because Kevin Warsh, recently confirmed as Fed chair, has previously argued for a smaller Fed balance sheet. The debate therefore points to a broader question about the future operating framework of U.S. monetary policy: whether the Fed should prioritize reducing its market footprint, or whether financial stability requires keeping more reserves in the system.

U.S. labor-market data continued to suggest resilience, but not overheating. Initial jobless claims rose to 211,000, slightly above expectations, while continuing claims also increased modestly. Still, claims remain relatively low, and the data do not yet show signs of widespread layoffs. This matters because the Fed is balancing two risks at the same time: the risk that energy-driven inflation stays elevated, and the risk that higher prices and uncertainty eventually weaken growth. For now, the labor market gives policymakers room to stay patient, but it also reduces the urgency for immediate rate cuts.

Eurozone retail sales softened in March, giving an early sign that higher energy prices are starting to affect consumers. Sales volumes fell 0.1% on the month, mainly because automotive-fuel sales declined sharply after petrol and diesel prices rose. The March data likely still understate the full effect of the shock, as consumer confidence fell much more sharply in April and inflation has continued to pick up. The concern is that the eurozone consumer, which was supposed to support the region's recovery in 2026, may now face a renewed squeeze from energy, food and broader inflation at the same time. A still-healthy labor market is helping to cushion the hit for now, but if hiring slows or wage growth cools further, retail demand could weaken more visibly over the next few months.

Overall, this week showed that the global economy is not yet breaking under the pressure of the energy shock, but the risks are building. The U.K. and China both showed stronger headline growth signals, the U.S. labor market remains stable, and the eurozone continues to benefit from high employment. At the same time, the underlying picture is more fragile: Europe's growth depends increasingly on labor supply and migration, China's export strength creates new trade tensions, and central banks are being forced to judge whether energy inflation is temporary or likely to spread into wages and broader prices. For policymakers, the challenge is becoming more complicated: support growth too much, and inflation expectations could rise; tighten too much, and the energy shock could turn into a broader slowdown.

A Few Words

From continued uncertainty around the Middle East and energy markets to major M&A activity and shifting investor expectations, there is clearly a lot to watch over the coming weeks and months.

As always, thank you very much to everyone reading *The Weekly Market Brief*. I really appreciate the continued support, feedback and comments. If you have any thoughts, suggestions or criticism, feel free to leave them, it genuinely helps improve the Brief from week to week.

If you have not subscribed yet, I would be very happy if you did, so you get notified when next week's edition is released. With so many important developments still unfolding, it will definitely be worth checking back in next week for another edition of *The Weekly Market Brief*.

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