The Weekly Market Brief

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Welcome back to this week's edition of The Weekly Market Brief, and as always, thank you for the continued feedback and support so far. This week once again brought a lot to cover across deal activity, markets and economic policy, with major transactions in aviation, professional services and life-sciences tools, renewed volatility in AI-linked stocks, falling oil prices, resilient global trade and continued central-bank caution all shaping the broader picture. As usual, I have tried to focus on the developments that felt most relevant and interesting, while picking out the key stories that may matter most for investors and the global economy in the weeks and months ahead.

M&A activity - Deal of the Week

M&A activity remained active this week, with several notable developments across aviation, professional services and life-sciences tools. A key theme was again the search for scale, stronger long-term positioning and access to more resilient growth areas. Castlelake continued its push to take easyJet private after the airline's share price came under pressure, Eide Bailly agreed to sell a majority stake to Reverence Capital as private equity continues to move into accounting, and Germany's Merck announced the week's most important transaction with its $11.3 billion acquisition of Bio-Techne.

Key M&A Developments

One of the most closely watched developments this week came from the aviation sector, where easyJet's board rejected a third takeover proposal from U.S. investment firm Castlelake. Under the latest offer, accepting easyJet shareholders would receive 625 pence per share in cash, valuing the airline at around £4.74 billion, or approximately $6.27 billion. The proposal represented a premium of around 59% to easyJet's closing share price before Castlelake first disclosed it was considering a bid. However, easyJet's board unanimously rejected the offer, arguing that it still fundamentally undervalues the company and its prospects. The board also raised concerns about the elevated leverage and conditionality of the proposal. Strategically, Castlelake appears to be trying to take advantage of temporary weakness in easyJet's share price after higher fuel costs, disrupted routes and weaker travel demand linked to the Middle East conflict weighed on the airline sector. EasyJet, however, remains confident in its standalone plan and continues to target £1 billion in annual pretax profit over the medium term.

Another important development came from the professional services sector, where accounting firm Eide Bailly agreed to sell a majority stake to Reverence Capital Partners and co-investors in a deal valuing the firm at around $1.8 billion. Eide Bailly, which is ranked among the largest U.S. accounting firms outside the Big Four, generated around $840 million in revenue in the year ended April and serves middle-market businesses across audit, tax and consulting. The firm hired BMO Capital Markets to explore a possible outside investment late last year. The transaction reflects the continued private-equity push into accounting and professional services, as firms look for outside capital to invest in technology, expand capabilities and implement artificial intelligence faster. Eide Bailly expects the investment to help it double revenue over the next three to four years. To comply with audit-independence rules, the firm will use an alternative practice structure, with the nonaudit business receiving the investment while the audit business remains a licensed CPA firm. The deal follows several similar transactions in the sector, including Crowe's recently announced stake sale to KKR, and shows how private equity is increasingly reshaping the accounting industry.

This Weeks Deal of The Week: Germany's Merck to Boost Lab-Tools Business With $11.3 Billion Bio-Techne Deal

This week's Deal of the Week is Germany's Merck KGaA's agreement to acquire U.S. life-sciences tools supplier Bio-Techne for $11.3 billion. Under the terms of the transaction, Merck will pay $73 per share in cash, representing a 24% premium to Bio-Techne's closing share price before the announcement. The deal will be funded through a combination of existing cash and new debt and remains subject to regulatory approvals and Bio-Techne shareholder approval.

The reason this deal stands out is that it is Merck's largest acquisition in more than a decade and one of the first major strategic moves under new Chief Executive Kai Beckmann. The transaction comes only weeks after Beckmann took over as CEO and signals that acquisitions will likely play an important role in Merck's growth strategy. Merck has faced several years of relatively flat sales growth, and its share price has fallen significantly since 2022. By acquiring Bio-Techne, the company is trying to strengthen one of its most important growth areas: life-sciences tools and lab equipment.

Strategically, the deal is about building scale and capabilities in a sector with attractive long-term demand. Bio-Techne supplies lab tools, proteins, instruments, disposable supplies and services to academic institutions, diagnostics labs and drugmakers. These products are essential for research, development and manufacturing processes across the biotech and pharmaceutical industries. For Merck, adding Bio-Techne strengthens its life-science division and expands its offering at a time when pharmaceutical companies are increasing investment in research and development.

The timing of the acquisition is also important. Life-sciences tools suppliers are positioning themselves to benefit from renewed funding and investment in biotech after a difficult period caused by higher interest rates and weaker capital-market conditions. As financing conditions improve and pharma companies continue to invest in innovation, demand for research tools, lab supplies and manufacturing support could recover. The deal therefore fits into a broader consolidation trend in the sector, where large players are using acquisitions to expand product portfolios and capture growth. Rivals such as Thermo Fisher Scientific and Danaher have also completed multibillion-dollar acquisitions over the past year.

Bio-Techne is attractive for Merck because it strengthens several parts of the value chain. The company brings a portfolio of lab supplies, instruments and services, while also improving Merck's research, development and manufacturing capabilities. In addition, the deal includes Bio-Techne's 19.9% stake in Wilson Wolf, a maker of cell-culture devices, with an option for Merck to acquire the remaining stake later. Merck has already said it plans to exercise that option, which could further deepen its exposure to cell-culture technologies and bioprocessing.

The main opportunity for Merck lies in strengthening its position as a broader life-sciences tools platform. The company already has operations across pharmaceuticals, life-sciences equipment and materials for semiconductors and electronic devices. Bio-Techne gives Merck additional exposure to a market that benefits from long-term trends such as drug discovery, biologics, diagnostics, personalized medicine and outsourced research. If Merck can successfully integrate Bio-Techne and use its expanded portfolio to serve a wider customer base, the transaction could support stronger growth and make the life-science division more competitive.

There are also potential commercial synergies. Merck can use its global reach and existing customer relationships to expand Bio-Techne's products internationally, while Bio-Techne's specialized tools and services could make Merck's offering more attractive to pharma and biotech customers. The acquisition may also help Merck participate more directly in areas where research complexity is increasing and customers need more specialized solutions. Over time, this could support both revenue growth and stronger customer retention.

However, the risks are also clear. The deal is large, and Merck is paying a meaningful premium for Bio-Techne. Although the offer is 24% above the previous closing price, it is only slightly above Bio-Techne's 52-week high, which means Merck is buying the company at a level that already reflects a significant amount of optimism. The use of new debt also adds financial risk, especially in an environment where interest rates remain elevated and investors are focused on balance-sheet discipline.

There is also execution risk. Merck needs to integrate Bio-Techne successfully while maintaining the quality, innovation and customer relationships that make the business attractive. Life-sciences tools can be a strong long-term market, but demand is still linked to research budgets, biotech funding conditions and pharmaceutical investment cycles. If biotech funding weakens again or pharma companies become more cautious with research spending, growth could disappoint. In that case, the high purchase price would become harder to justify.

Another risk is competitive pressure. The life-sciences tools market includes large and well-established players such as Thermo Fisher and Danaher, which have also been active in M&A. Merck will need to prove that the Bio-Techne acquisition gives it a stronger competitive position rather than simply adding scale in a crowded market. The strategic logic is clear, but the value creation will depend on Merck's ability to turn the larger platform into faster growth, better customer solutions and stronger profitability.

Overall, the deal stands out because it is a major strategic move by Germany's Merck to strengthen a core growth area early under its new CEO. The acquisition gives Merck greater scale in life-sciences tools, expands its product portfolio and increases its exposure to long-term demand from pharma, biotech and diagnostics customers. If integration is successful and biotech funding continues to improve, the transaction could become an important step in revitalizing Merck's growth profile. If growth disappoints or integration proves more difficult than expected, however, the size of the deal, the premium paid and the additional debt could become key pressure points. For that reason, the Bio-Techne acquisition is both a bold growth move and an early test of Kai Beckmann's acquisition-led strategy for Merck.

Market Movements

Market movements this week were shaped by renewed volatility in AI-linked stocks, falling oil prices despite continued security risks in the Strait of Hormuz, pressure on crypto markets and a more cautious interest-rate backdrop. While energy markets increasingly focused on the recovery of oil flows from the Persian Gulf, investors became more concerned about whether the AI trade is beginning to lose momentum. At the same time, consumer sentiment improved as gasoline prices moderated, but inflation and rate expectations remained important drivers of market sentiment.

Key Market Movements This Week

Technology and AI remained the main focus for investors this week, but the tone became more negative. AI-linked stocks came under pressure as concerns grew around the sustainability of the AI boom, rising input costs and whether the enormous investment cycle can continue to support valuations. In the U.S., Micron fell sharply after previously strong earnings, while the broader semiconductor complex also declined. The PHLX semiconductor index dropped around 5%, and the Roundhill Memory ETF fell 6.5%. In Asia, the pressure was even stronger, with Japan's benchmark index falling more than 4% as SoftBank dropped 13%, while South Korea's Kospi index fell almost 6%, weighed down by major chip names such as Samsung and SK Hynix.

The pressure on AI-related stocks was partly linked to concerns that OpenAI could delay going public until next year, which hit sentiment around the broader AI ecosystem. Investors have become increasingly sensitive to any signs that the AI funding cycle may slow, especially after several weeks of debate around stretched valuations, capital raising and whether AI infrastructure spending can generate enough future returns. SpaceX also remained in focus. Its shares briefly traded below their IPO opening price of $150, showing that enthusiasm for even the largest and most closely watched listing can fade quickly when risk appetite weakens. The stock joined the Russell 1000 after Friday's close, but the move did not fully offset concerns about cooling momentum.

OpenAI's potential move into advertising also attracted attention. For now, analysts do not see it as an immediate threat to Meta, Google or Amazon because OpenAI's advertising technology is still at an early stage and commercialization of agentic platforms remains limited. However, if OpenAI can eventually prove strong conversion rates and return on ad spend, its scale could make it a more serious competitor over time. The most likely near-term impact is that OpenAI captures experimental ad budgets rather than taking meaningful share from established high-return advertising channels. This shows that AI is not only changing infrastructure and software, but may also start to affect advertising markets.

Chip and hardware developments also pointed to both opportunity and pressure. ON Semiconductor's planned $7 billion all-stock acquisition of Synaptics was seen as a strategic pivot toward integrated edge AI and physical AI systems. Management argued that the deal expands the company's addressable market and prepares it for areas such as autonomous vehicles, industrial robots and humanoid robots. However, investors reacted negatively, with ON Semiconductor shares falling sharply, because the deal appears to move the company away from a clearer data-center AI exposure and more toward consumer and edge technology. This shows that investors are becoming more selective about what kind of AI exposure they are willing to reward.

At the same time, rising demand for memory and storage chips is starting to affect consumer prices. Apple's decision to raise prices for major products due to higher memory and storage costs sparked concerns that other companies may also pass through the cost of AI-related supply shortages. Microsoft has also announced price increases, suggesting that the enormous demand created by AI infrastructure spending is moving through the supply chain. This is important because the cost of building the AI economy may increasingly be passed on to consumers, creating another link between technology investment and inflation.

Crypto markets remained under pressure. Bitcoin slipped below $60,000 during the week and briefly reached a 21-month low near $58,000. More than $1.3 billion flowed out of bitcoin ETFs from Monday through Thursday, showing that institutional and hedge-fund positioning remains fragile. Strategy Inc., which holds around 4% of circulating bitcoin supply, also weighed on sentiment. At bitcoin prices near $60,000, the company is sitting on large unrealized losses because its average purchase price is significantly higher. While analysts do not view Strategy as a systemic risk to bitcoin itself, the market is treating its situation as a sign of broader fragility in crypto sentiment.

Oil prices continued to fall despite renewed tensions in the Strait of Hormuz. Brent settled near $71.99 a barrel, its lowest level since late February, while WTI fell to around $69.23, also close to pre-war levels. The decline came even after Iran attacked a Singapore-flagged cargo ship, temporarily raising concerns about maritime security. However, traders viewed the incident as isolated and remained focused on the broader recovery in transportation and export conditions. With crude flows through the Strait of Hormuz recovering to around 80% of pre-war levels, the market increasingly expects supply to normalize, even if the process remains uneven.

Energy analysts still warned that the recovery is not completely straightforward. Iran's insistence on fees and coordination could slow further progress, and some tankers have reportedly been turned around. Barclays lowered its Brent price forecasts but also noted that inventory withdrawals could continue for several more weeks because production recovery usually lags shipping recovery. Capital Economics expects around half of the region's shut-in production to return within a month, with pre-war levels potentially reached in the fourth quarter. This means the direction of travel has improved, but the market will still need evidence that production, shipping and inventories are normalizing at the same time.

U.S. energy supply also remained an important part of the picture. The number of oil rigs in the U.S. rose by seven to 440, the highest level since June 2025. Since the start of the U.S.-Iran conflict, the U.S. has added 33 oil rigs, and crude production has averaged around 13.8 million barrels a day in recent weeks. The EIA expects production to rise further to 14.2 million barrels a day in 2027. The U.S. has also been exporting record amounts of crude amid the loss of Middle East supply. This reinforces the idea that U.S. producers are becoming increasingly important in stabilizing global energy markets.

The decline in oil prices weighed on European energy stocks. BP, Shell, Repsol, Eni and TotalEnergies all moved lower as investors focused on weaker crude prices and the potential recovery of supply from the Gulf. At the same time, some companies exposed to Middle East projects remained under pressure. Worley, for example, continued to suffer from concerns around project delays in the region and a stronger Australian dollar. This shows that even if oil prices are falling, companies directly exposed to disrupted project timelines and regional uncertainty may still face earnings pressure.

Consumer sentiment improved as gasoline prices eased. The University of Michigan's consumer-sentiment index rose to 49.5 in June from 44.8 in May, recovering from recent record lows. Lower gasoline prices and news of a ceasefire helped lift household sentiment, while long-run inflation expectations fell to 3.3% from 3.9%. This is important because consumer expectations can influence spending behavior and inflation psychology. However, sentiment remains low overall, meaning households are still cautious even if the worst fears around energy prices have eased.

Rates markets also remained important. With the Federal Reserve offering less forward guidance, U.S. rates markets are likely to keep recalibrating to incoming data. The sharp drop in oil prices and core PCE inflation being in line with expectations helped push bond yields lower and flatten the yield curve. However, some Fed officials, including Minneapolis Fed President Neel Kashkari, continued to emphasize inflation risks and suggested that one rate increase by the end of the year remains possible. This leaves markets in a difficult position: lower oil prices support the case for less tightening, but inflation risks have not fully disappeared.

Focus Topic: AI-Themed Stocks Tank Again, Capping a Wild Week

This week's focus topic is the renewed selloff in AI-themed stocks and what it says about the current market environment. For much of this year, artificial intelligence has been the dominant growth story across global equity markets. It has supported semiconductor stocks, cloud infrastructure names, memory-chip producers, software companies and even power and data-center-related businesses. But this week showed that the AI trade is becoming more fragile, especially as investors start questioning valuations, supply-chain costs and the timing of future AI-related listings.

The selloff was broad. In Asia, SoftBank dropped sharply after reports suggested that OpenAI could delay its IPO until next year. South Korean chip-heavy indexes also came under pressure, with Samsung and SK Hynix contributing to a major decline in the Kospi. In the U.S., Micron reversed part of its earlier earnings-driven gains, and semiconductor indexes fell noticeably. These moves matter because they show that investors are no longer treating AI exposure as an automatic positive. Instead, they are becoming more sensitive to whether companies can turn AI demand into sustainable earnings growth.

One reason for the shift is that the market has become more dependent on the idea that AI investment will keep accelerating. If investors believe that OpenAI, SpaceX or other major AI-linked companies will continue to raise capital, go public and drive infrastructure spending, then valuations across the AI supply chain can stay elevated. But if one of these major catalysts is delayed or becomes less certain, the market can quickly reassess the entire theme. The reaction to reports around OpenAI's potential IPO delay shows how closely sentiment is tied to the next major funding and listing events.

Another issue is that the AI boom is creating real cost pressure. Memory and storage chips are becoming more expensive as demand from data centers rises. Apple and Microsoft have already raised prices, suggesting that the cost of AI infrastructure is being passed through to consumers and businesses. This creates a more complicated narrative. On one hand, strong chip demand supports semiconductor companies. On the other hand, if higher costs reduce consumer demand or pressure margins, the benefits of AI investment may become less evenly distributed across the market.

The selloff also highlights a difference between long-term potential and short-term pricing. AI may still be a transformative technology, but that does not mean every AI-linked stock is attractively valued at any price. The market has increasingly priced in strong growth, high margins and continued capital spending. If any part of that story weakens, valuations can adjust quickly. This is especially true for companies where expectations are high but earnings visibility remains uncertain.

SpaceX is another example of how quickly sentiment can change. After becoming the biggest IPO of all time, the stock briefly traded below its opening IPO price and finished only slightly above it. Its inclusion in the Russell 1000 may create technical demand from index funds, but that does not remove the broader issue that investors are reassessing how much they are willing to pay for very ambitious long-term growth stories. SpaceX remains an important company, but the market is already showing that even the most hyped AI-linked narratives are not immune to volatility.

Overall, the selloff does not necessarily mean the AI cycle is over. Demand for data centers, chips, power infrastructure and AI software remains strong. However, it does suggest that the market is moving into a more selective phase. Investors are beginning to separate companies with clear earnings leverage and durable competitive advantages from those that simply benefit from AI enthusiasm. The coming weeks will show whether this is only a short-term correction or the beginning of a broader reassessment of AI-related valuations.

Risks and Opportunities for Investors

For investors, the main opportunity this week is that some long-term themes remain powerful despite the selloff. AI infrastructure still requires semiconductors, memory, storage, power, data centers and connectivity, and companies with strong market positions in these areas could continue to benefit. The recent weakness may create opportunities in high-quality names if valuations become more reasonable and earnings growth remains intact. At the same time, falling oil prices and improving flows through the Strait of Hormuz could support consumers, lower inflation expectations and give central banks slightly more flexibility if the improvement proves durable.

There are also opportunities in companies linked to energy normalization and consumer recovery. Lower gasoline prices helped consumer sentiment improve, and if energy prices remain near pre-war levels, pressure on households and transport-heavy sectors could ease. Airlines, logistics companies and certain industrial businesses may benefit if fuel costs continue to decline and shipping conditions improve. U.S. oil producers may also remain important because production is rising and exports are at record levels, giving the U.S. a larger role in balancing global supply.

At the same time, the risks remain significant. The AI selloff shows that valuations can move quickly when expectations change. If OpenAI delays its IPO, if SpaceX continues to trade weakly, or if semiconductor demand expectations cool, broader AI-linked equities could face more pressure. Rising memory and storage costs could also become a problem if they squeeze margins or force technology companies to raise prices further. In that case, investors may question whether the AI investment cycle is creating enough returns to justify the spending.

Energy markets are another risk. Oil prices have fallen sharply, but the Strait of Hormuz is not completely free of security concerns. The attack on a cargo ship shows that maritime risks have not disappeared, even if traders currently view the event as isolated. If further attacks slow shipping or interrupt the recovery in production, crude prices could rebound quickly. Rates are also a risk. Lower oil prices have helped bond yields fall, but Fed officials are still warning about inflation, and one rate hike by the end of the year remains possible. That creates uncertainty for growth stocks, crypto and other assets that depend heavily on liquidity and risk appetite.

Looking Ahead

Looking ahead, markets will likely focus on whether the AI selloff stabilizes or spreads further. The key question is whether investors still believe that AI infrastructure spending can translate into durable earnings growth. Upcoming earnings from semiconductor, software and cloud infrastructure companies will matter because investors will look for evidence that demand remains strong and that higher input costs are not damaging margins. Any new signals around OpenAI’s IPO timing, SpaceX’s trading performance or major AI capital-spending plans could also influence sentiment.

The second major theme to watch is the continued normalization of oil flows through the Strait of Hormuz. Oil prices have moved back toward pre-war levels, but the recovery remains incomplete. Markets will need to see whether shipping flows, production and inventories continue improving over the next few weeks. If that happens, inflation expectations could ease further and consumer sentiment may continue to recover. If there are more attacks or delays, energy markets could quickly become volatile again.

Overall, this week showed that markets are becoming more selective. The strongest long-term themes, especially AI and energy security, remain important, but investors are no longer ignoring valuation, cost pressure or execution risk. Lower oil prices and improving consumer sentiment are supportive, but they do not remove uncertainty around inflation, rates and geopolitics. The key takeaway for the coming weeks is that markets may continue to reward real earnings strength and clear business models, while becoming less forgiving toward crowded trades and narratives that depend too heavily on future expectations.

Economic Policy Shifts & Other Key Developments

Economic policy and macro developments this week showed a more mixed global picture. On the one hand, world trade remained surprisingly resilient, supported by AI-related investment, stronger semiconductor demand and some easing in trade-policy pressure. On the other hand, central banks continued to face a difficult inflation environment, with the European Central Bank and the Federal Reserve still warning that price pressures remain too high. At the same time, renewed tariff threats from the U.S. against European digital taxes and mixed manufacturing signals from the U.K. showed that trade policy, industrial competitiveness and inflation risks remain closely connected.

One of the more encouraging developments came from global trade. World trade volumes rose by 0.7% in April after falling sharply in March, according to the Netherlands Bureau for Economic Policy Analysis. This suggests that global trade has remained more resilient than expected despite shipping disruptions, weaker business confidence and uncertainty linked to the Middle East conflict. Part of the rebound was driven by companies building inventories to protect themselves against possible supply disruptions and price increases. However, the bigger structural support came from AI-related investment, which continued to boost trade in semiconductors, electronic equipment and other technology goods.

This matters because global trade has performed better than many economists expected. Last year, trade flows accelerated despite higher U.S. tariffs, and the first quarter of this year also showed solid growth. The World Bank recently raised its trade-growth forecasts for 2026 and 2027, partly because AI investment remains strong and because the trade-policy environment has improved after some U.S. tariffs were ruled illegal. The key takeaway is that the AI boom is not only affecting equity markets and corporate investment, but also the physical movement of goods across borders. Even though commodity trade has been hurt by the conflict, technology-related trade is helping offset some of the weakness.

The European Central Bank remained focused on inflation risks. ECB Executive Board member Isabel Schnabel said the bank will likely need to raise interest rates further to bring inflation back to the 2% target over the medium term. Her comments are important because they suggest that the ECB does not view the recent decline in energy prices as enough to end the inflation problem. The energy-price shock has broadened, and policymakers are worried about second-round effects, especially stronger wage growth and higher inflation expectations. Europe is particularly exposed because it is a net importer of energy, making global oil and gas price movements directly relevant for households, companies and monetary policy.

At the same time, eurozone household inflation expectations cooled in May. Consumers now expect prices to rise by 3.5% over the next 12 months, down from 4.0% in April. This should provide some reassurance for ECB policymakers, because expectations are an important part of the inflation process. If households and workers believe inflation will stay high, wage demands and pricing behavior can make inflation more persistent. However, expectations are still well above the ECB's 2% target and above pre-war levels. This means the data is encouraging, but not strong enough for the ECB to become relaxed. Investors still expect at least one more rate hike before the end of the year.

In the U.S., New York Fed President John Williams said that the current monetary-policy stance is well positioned to bring inflation back to the Federal Reserve's 2% goal. His comments were slightly more balanced than the ECB's tone. Williams acknowledged that inflation remains clearly elevated, but said he expects readings to edge down in the coming quarters. Still, he also pointed to several risks, including tariffs, higher energy and commodity prices from the Middle East conflict, and strong demand for technology goods linked to the AI investment boom. This is important because it shows that AI is now also part of the inflation discussion. The AI buildout could eventually improve productivity, but in the short term it may also push up demand for technology goods, infrastructure, energy and components.

The Fed's challenge is therefore different from a normal inflation cycle. Policymakers are not only dealing with strong demand or wage pressure, but also with supply shocks, tariffs and investment-driven demand from AI. The Fed's preferred inflation gauge rose by 4.1%, its highest year-over-year reading since April 2023 and still more than double the central bank's target. At the same time, the labor market remains resilient and medium-term inflation expectations remain anchored. This gives the Fed some room to stay patient, but it also means that rate cuts remain difficult to justify as long as inflation is still far above target.

Trade policy also returned to the spotlight after President Trump threatened a 100% tariff on European countries that impose digital services taxes on U.S. technology companies. The threat came shortly after the European Union approved tariff reductions on U.S. goods as part of last year's trade deal. The dispute shows that the U.S.-EU trade relationship remains fragile, especially when it comes to digital regulation and taxation. Several European countries have already introduced or discussed taxes on large tech firms, while the U.S. argues that these measures unfairly target American companies. The EU, however, says such taxes are legitimate and nondiscriminatory policy tools.

The risk is that digital tax disputes could reopen broader trade tensions. Trump said the proposed 100% tariff would override the existing U.S.-EU trade pact, although it remains unclear which legal authority would allow such immediate action. This uncertainty matters for companies and investors because trade threats can quickly affect business confidence, export expectations and sector valuations. For Europe, the issue is also about regulatory autonomy. The EU wants to maintain the right to tax and regulate digital activity within its own markets, while the U.S. wants to protect its largest technology companies from what it sees as discriminatory treatment. This could become a recurring source of tension if more European countries move forward with digital services taxes.

The U.K. auto sector offered a more mixed industrial signal. Vehicle manufacturing rose 2.7% in May, helped by a rebound in overseas orders after last year was affected by U.S. tariff uncertainty. Exports to the U.S. rose sharply, reflecting the U.S.-U.K. trade deal that came into force in June 2025. However, exports to the European Union fell, and commercial vehicle production declined. The data suggests that trade agreements can support specific export markets, but the broader industry remains under pressure from weak demand, high industrial costs and the cost of complying with electric-vehicle rules.

The Society of Motor Manufacturers and Traders emphasized that the U.K. must become more competitive as a place to make and sell vehicles. This includes reducing industrial costs, keeping trade open with the EU and making sure the Zero Emission Vehicle mandate reflects actual market conditions. The main concern is that manufacturers are investing heavily in zero-emission technology, but weak demand and higher compliance costs could put jobs, competitiveness and future investment at risk. This fits into the broader global industrial-policy debate: governments want faster decarbonization and more domestic production, but companies are facing high costs and uncertain consumer demand.

Overall, this week's economic policy developments show that the global economy remains resilient but still vulnerable. World trade is holding up better than expected, mainly because AI-related investment continues to support demand for semiconductors and electronic equipment. However, central banks are not ready to declare victory over inflation. The ECB is preparing for possible further rate hikes, while the Fed is keeping policy tight as inflation remains well above target. At the same time, tariff threats over digital taxes and mixed signals from the U.K. auto sector show that trade policy and industrial competitiveness remain important risks. The key takeaway is that AI is now influencing more than just markets: it is affecting trade flows, inflation dynamics, investment patterns and even the policy decisions central banks and governments will need to make in the coming months.

A Few Words

This was another exciting week with a lot happening across markets, deal activity and economic policy. From major M&A developments and renewed volatility in AI-linked stocks to falling oil prices, resilient global trade and continued central-bank caution, there is still plenty to watch in the coming weeks and months. That is also why it will be worth coming back next week for another edition of The Weekly Market Brief.

As always, thank you to everyone who took the time to read this week's brief. I really appreciate the continued support, comments and feedback so far. If you have any thoughts, criticism or suggestions, feel free to leave a comment or reach out directly. And if you have not subscribed to the newsletter yet, make sure to do so to get notified when next week's Market Brief is published.

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