The Weekly Market Brief

07/12/2026

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 renewed takeover activity around easyJet, UniCredit's growing influence over Commerzbank, SK Hynix's historic U.S. trading debut, higher oil prices, resilient German industrial data and shifting global investment flows 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, industrial real estate and European banking. A key theme was again the search for scale, stronger strategic positioning and greater control over valuable assets in sectors where consolidation can meaningfully reshape competitive dynamics. Apollo entered the bidding for easyJet with a higher proposal than Castlelake, Prologis continued to push for talks over its proposed takeover of Segro, and UniCredit's growing stake in Commerzbank stood out as the week's most important development because it could reshape the European banking landscape.

Key M&A Developments

One of the most closely watched developments this week came from the aviation sector, where easyJet received a rival takeover approach from Apollo. The U.S. asset manager proposed to acquire the budget airline for £7.15 per share, valuing easyJet at around £5.7 billion, or approximately $7.6 billion. The offer represents a 22% premium to easyJet's previous closing price and an 81% premium to the closing price before Castlelake's offer period began. Apollo's proposal also tops the earlier agreement in principle with Castlelake, which valued easyJet at roughly $7 billion. EasyJet's shares jumped sharply after the news, suggesting that investors now see a real possibility of a bidding contest. Strategically, the interest in easyJet reflects the value of its brand, airport slots and growing package-vacation business, even though the airline sector has been under pressure from higher fuel costs, disrupted routes and weaker demand linked to the Middle East conflict. If a takeover goes ahead, both Apollo and Castlelake would need to deal with European airline ownership rules, which limit foreign control of carriers.

Another important development came from industrial real estate, where Prologis continued to push for engagement with Segro over its proposed £12.6 billion, or approximately $16.9 billion, takeover approach. Prologis, the world's largest owner of industrial real estate, argued that a merger would create long-term value and allow both companies to explore the full potential of combining their portfolios. Under the proposal, Segro shareholders would receive 0.084 new Prologis shares for each Segro share, implying a value of 925 pence per Segro share at the time of the approach. Existing Segro shareholders would own around 10.5% of the combined company. However, Segro's board has rejected the proposal, arguing that it is opportunistically timed and fails to reflect the quality, scarcity and growth potential of the company's portfolio. The debate highlights the strategic importance of logistics and warehouse real estate, especially as e-commerce, supply-chain resilience and demand for high-quality industrial space continue to support the sector. Prologis has until July 22 to make a formal offer or walk away under U.K. takeover rules.

This Weeks Deal of The Week: UniCredit Secures 48% Stake in Commerzbank

This week's Deal of the Week is UniCredit's move to secure a 47.6% holding in Commerzbank, bringing the Italian bank close to effective control of Germany's second-largest lender. UniCredit said that investors representing 17.6% of Commerzbank shares accepted its €44 billion all-share takeover offer during the acceptance period. This adds to the almost 30% stake UniCredit already held before launching the offer, making it by far the largest shareholder in Commerzbank.

The reason this deal stands out is that it could become one of the most important European banking combinations in years. Cross-border banking consolidation in Europe has long been discussed, but progress has often been slow because of political resistance, regulatory complexity and the difficulty of integrating national banking champions. UniCredit's move on Commerzbank is therefore not only about one bank buying into another. It is also a test case for whether meaningful cross-border consolidation in European banking can actually happen.

Strategically, the deal gives UniCredit a much stronger position in Germany, Europe's largest economy. Commerzbank is Germany's second-largest lender and has a strong position in corporate banking, especially with Mittelstand companies. For UniCredit, which already owns Germany's HypoVereinsbank, increasing its influence over Commerzbank could create a much larger German banking platform. This could improve scale, increase market relevance and create potential cost and revenue synergies over time.

The strategic logic is also linked to Andrea Orcel's broader ambition to build UniCredit into a stronger pan-European banking group. Orcel, who is known as a veteran dealmaker, has already strengthened UniCredit's profitability and capital position in recent years. By building a large stake in Commerzbank, he is trying to use that stronger position to pursue a transformational move. If successful, UniCredit could become one of the leading cross-border banking groups in Europe, with a much larger presence in both Italy and Germany.

The structure of the transaction is also important. UniCredit's offer originally carried only a small premium of around 4%, and many analysts initially viewed it as more of a technical move than a serious attempt to gain control. This was because UniCredit had already built a stake just below 30%, and under German takeover law, crossing that threshold can trigger mandatory offer requirements. Orcel argued that the bid was necessary because Commerzbank share buybacks could have pushed UniCredit above that threshold. However, the final tender result was stronger than expected and moved UniCredit close to a position where it may have effective control even without holding an outright majority.

A stake of 47.6% falls short of the 50% level that would give UniCredit decisive legal influence over board appointments, governance and strategic direction. However, analysts have noted that a stake of around 40% to 45% can often be enough to exercise de facto control at shareholder meetings, because not all shareholders vote. This means UniCredit may be able to influence Commerzbank's strategic direction even before a full legal merger becomes possible. In that sense, the deal is already changing the balance of power around Commerzbank.

The main opportunity lies in potential synergies and stronger European scale. A combination of UniCredit and Commerzbank could create a larger banking platform with broader corporate relationships, more diversified revenue streams and potential cost savings. In banking, scale matters because technology investments, compliance costs and capital requirements are expensive. A larger group may be better positioned to invest in digital capabilities, serve large corporate clients and compete with other European and global banks.

Germany is especially attractive because of its corporate client base. Commerzbank has long been important for German exporters and Mittelstand companies, while UniCredit already has an established presence through HypoVereinsbank. A closer combination could give UniCredit deeper access to German corporate banking, trade finance and lending relationships. If managed carefully, this could strengthen the group's revenue base and make it more relevant in one of Europe's most important banking markets.

There is also a broader market opportunity. European banks have often traded at lower valuations than U.S. peers, partly because the market remains fragmented and many banks lack scale across borders. A successful UniCredit-Commerzbank combination could be seen as a signal that Europe's banking sector is finally becoming more open to consolidation. If investors believe that more cross-border deals could follow, it may support valuations across parts of the sector.

However, the risks are significant. The most obvious challenge is political resistance. The German government still holds a near-13% stake in Commerzbank, and Berlin will need to be placated if UniCredit wants to move from a large shareholder position to a full combination. Commerzbank is not just another listed bank. It is politically important because of its role in financing German companies and because of its history after the financial crisis. A foreign takeover of such an institution is therefore sensitive.

Labor unions and employee representatives are another major obstacle. Banking mergers often involve branch closures, cost cuts, overlapping functions and job losses. Commerzbank's workers' council has already taken a hostile stance, including filing a criminal complaint that prompted Frankfurt prosecutors to conduct a preliminary investigation into potential market manipulation. Even if no wrongdoing is found, the dispute shows how contested the process has become. Any future merger would likely require careful negotiations with employees, unions and political stakeholders.

There are also regulatory risks. UniCredit still needs formal approval from the European Central Bank to increase its holding above 30%. Although this approval is widely expected, the broader regulatory process around a full combination would be more complex. Regulators would need to assess capital, governance, financial stability and integration risks. Cross-border banking mergers can also be difficult because national regulators and policymakers often want to preserve influence over domestic banking systems.

Another risk is that the tender result may not fully reflect broad shareholder support. Commerzbank argued that less than 2% of shares were tendered by independent institutional and retail investors and questioned whether many tendered shares came from counterparties to derivatives trades rather than investors genuinely supporting UniCredit's vision. This matters because effective control through voting power may not be the same as a clear mandate from Commerzbank's broader shareholder base. It could make the next phase more politically and reputationally difficult.

Integration risk is also important. UniCredit and Commerzbank operate in different national banking environments, with different cultures, systems and stakeholder expectations. Even if a full merger eventually happens, Orcel has already suggested that preparing both lenders for a legal merger could take 18 to 24 months. Realizing synergies would require cooperation from management, employees and regulators. Commerzbank itself has said that meaningful synergies are only realistic through a consensual solution involving the bank's management, employees, representatives and the German federal government.

Overall, UniCredit's move stands out because it could mark the beginning of a new phase in European banking consolidation. The Italian bank has built a large enough stake to potentially exercise effective control over Commerzbank, even though it has not yet crossed the 50% threshold. The strategic logic is clear: UniCredit wants greater scale, a stronger German platform and a more important position in European banking. If Orcel can manage the political, regulatory and labor challenges, the deal could become a landmark cross-border banking transaction. If resistance from Berlin, unions or Commerzbank's stakeholders proves too strong, however, UniCredit may find itself with a powerful but complicated stake in a bank it cannot easily integrate. For that reason, the transaction is both a bold strategic move and a major test of whether European banking consolidation can move from theory to reality.

Market Movements

Market movements this week were shaped by renewed volatility around the AI trade, higher oil prices after fresh U.S.-Iran military strikes, continued strength in selected technology and semiconductor names, and mixed signals across airlines, autos and financial services. While investors remained cautious because of geopolitical risks and inflation concerns, the successful U.S. market debut of SK Hynix helped restore some confidence in AI-related stocks. At the same time, oil markets stayed sensitive to developments in the Strait of Hormuz, and the broader market continued to assess whether the AI infrastructure cycle still has room to run.

Key Market Movements This Week

Energy markets moved higher over the week after renewed military strikes by the U.S. and Iran following attacks on tankers in the Strait of Hormuz. WTI ended the week at around $71.41 a barrel, up roughly 4% for the week, while Brent closed near $76.01, gaining around 5.4% from the previous week. The move reflected renewed concerns that the Strait of Hormuz has still not fully normalized, even though market participants appeared to expect the flare-up to remain short-lived. President Trump said the U.S. had agreed to continue talks with Iran even after the ceasefire ended, which helped limit the price reaction.

Oil markets therefore remained caught between two competing forces. On the one hand, military strikes and tanker attacks increased geopolitical risk and highlighted the fragility of shipping routes through the Strait of Hormuz. On the other hand, the market still expects diplomacy to continue and does not currently appear to price in a long-lasting disruption. This explains why oil prices rose for the week but did not spike dramatically. The bigger concern is that the prolonged uncertainty has worsened the global inventory situation, leaving the market more vulnerable if disruptions continue.

U.S. drilling activity stayed steady at elevated levels. The number of oil rigs remained unchanged at 445, the highest level since May 2025 and 38 rigs above the level seen at the start of the U.S.-Iran conflict. Natural gas rigs also remained steady at 126. The increase in drilling activity over recent weeks reflects the earlier rise in oil prices, as producers responded to stronger incentives to drill. However, if oil prices fall again as flows through the Strait of Hormuz improve, rig counts could reverse course. This makes U.S. supply an important variable for the coming months.

AI infrastructure remained one of the most important market themes. Nvidia gained after Morgan Stanley reiterated it as a top semiconductor pick, arguing that the company should retain a large part of the AI data-center business even as hyperscalers explore custom silicon alternatives. Demand from neoclouds, industrial customers and sovereign data centers also remained strong, while the company's Vera Rubin chips are expected to ship on schedule. This helped reinforce investor confidence that Nvidia's position in the AI infrastructure cycle remains strong, even if its valuation and market capitalization limit near-term multiple expansion.

At the same time, the AI hardware sector remained volatile. Stifel argued that the recent selloff in AI hardware stocks should be viewed more as a valuation reset than as evidence that demand is weakening. Samsung's strong operating-profit increase was still treated by markets as not good enough, showing that expectations had moved ahead of fundamentals. The key point is that AI hardware demand still appears supply-constrained rather than demand-limited. Investors may therefore become more selective, focusing on companies where expectations are already lower or where earnings revisions can continue to outpace valuation pressure.

The software side of AI also continued to evolve. Analysts described the emergence of a "headless era" for software, where the polished user interface may become less important than compatibility with AI agents. This could change how software companies create and capture value. If AI agents increasingly interact directly with software systems, the competitive advantage may shift toward platforms that can be easily accessed and integrated by those agents. However, the pricing power of software companies in such an environment remains uncertain, making this an important trend to watch.

Crypto markets had a more positive week after a difficult period. Total cryptocurrency market capitalization rose by around 2.3% to approximately $2.19 trillion, supported by stronger AI and technology equities and some investors buying tokens at multi-year lows. Bitcoin ETF outflows continued, but the pace slowed meaningfully compared with previous weeks. This suggests that sentiment remains fragile but has improved slightly. Crypto continues to trade partly as a high-beta risk asset, taking cues from technology stocks and broader market appetite for growth.

Airlines remained a major focus as earnings season began. Delta Air Lines provided the first look at how higher jet-fuel costs affected carriers in the second quarter. Fuel costs rose 67% year over year to $4.1 billion, the highest quarterly fuel expense in the company's history, pushing total operating costs up sharply. Revenue improved, especially in premium cabins, but higher ticket prices covered only part of the fuel-cost increase. Delta's profit fell 25% to $1.6 billion. The result shows that even stronger demand may not fully offset the pressure from fuel prices, especially for airlines without Delta's refinery advantage.

Within airlines, the split between premium and main cabin demand remained important. Delta's premium revenue grew 17% from a year earlier and remained the larger revenue contributor, helped by higher prices and steady corporate demand. Main cabin revenue also returned to growth, but the company is not planning to add significant main cabin capacity because it is satisfied with the balance between premium and economy seating. This suggests that premium travel remains a key profit driver for large carriers, while lower-margin capacity growth remains more carefully controlled.

European airlines also remained in focus after Apollo's takeover proposal for easyJet increased the likelihood of a successful acquisition. Analysts viewed Apollo's higher offer as a stronger proposal than Castlelake's bid, and easyJet's board indicated it would support the offer if it becomes firm. The takeover interest shows that investors still see long-term value in European low-cost airlines, especially where brands, airport slots and holiday businesses provide strategic appeal. However, fuel costs, ownership restrictions and the need for operational improvements remain important considerations.

The auto sector showed mixed signals. Volkswagen's future plan received a cautious reaction because analysts viewed it as ambitious but short on concrete details. The company plans to streamline its model lineup, reduce complexity and improve competitiveness, but questions remain around European manufacturing capacity, possible job cuts and the pace of innovation relative to Chinese competitors. Chinese automakers are also expected to report weaker second-quarter results because of soft domestic demand and rising raw-material prices. However, BYD and Geely may outperform due to stronger exports, while NIO could benefit from a better model cycle and product mix.

Financial markets also saw several notable developments. Hong Kong's Hang Seng Index recorded its best week since October 2025, supported by renewed strength in Hong Kong-listed technology stocks. As investors moved away from some crowded parts of the AI trade, especially South Korean chip names after their recent volatility, Chinese tech stocks became more attractive as a potential AI efficiency trade. Alibaba, JD.com and Baidu all gained, reflecting a broader rotation within technology rather than a complete retreat from AI exposure.

In banking, UniCredit's potential takeover of Commerzbank remained in focus. CreditSights warned that a full takeover could weaken UniCredit's credit metrics, with its common equity tier 1 ratio potentially falling from 14.2% to a pro-forma level of 11.4%. This matters because even strategically attractive bank consolidation can pressure capital ratios and profitability indicators in the short term. Investors therefore need to balance the potential long-term benefits of scale and synergies against the near-term financial impact of integration and capital usage.

The Federal Reserve also remained important for market sentiment. Minutes from the June meeting showed that the Fed remains uneasy about inflation, but also reluctant to raise rates immediately because of mounting growth uncertainties. This suggests that the bar for further rate increases remains relatively high, while the door to cuts could reopen once inflation improves and labor-market softness becomes clearer. For markets, that creates a somewhat supportive but still uncertain backdrop: investors may not fear immediate tightening, but rate cuts are not yet guaranteed either.

Focus Topic: South Korean Memory Chip Maker's Historic U.S. Debut Jolts Stocks

This week's focus topic is SK Hynix's historic U.S. trading debut and what it says about the current state of the AI trade. The South Korean memory-chip maker completed a $26.5 billion

U.S. share sale, the largest ever by a foreign company, and its American depositary receipts rose 13% on their first day of trading. After the debut, SK Hynix reached a market value of around $1.2 trillion, putting it ahead of U.S. chipmakers such as Micron Technology and Advanced Micro Devices.

The reason this matters is that SK Hynix sits at the center of the AI infrastructure boom. The company is one of the most important suppliers of high-bandwidth memory chips, which are essential for advanced AI systems and data-center workloads. As artificial-intelligence models become larger and more complex, demand for memory capacity and advanced packaging continues to rise. The strong U.S. debut therefore showed that investors still have significant appetite for companies directly tied to the physical infrastructure behind AI.

The timing was also important. The offering came after a volatile period for technology and AI-related stocks, during which investors questioned whether the AI rally had moved too far ahead of fundamentals. SK Hynix and Samsung had both been under pressure earlier in the week as global technology stocks sold off. However, the success of the U.S. listing helped restore some confidence by showing that large institutional investors still want exposure to memory and AI infrastructure. Major tech-focused investors reportedly showed interest in buying billions of dollars of shares, which supported the view that demand for AI-linked assets remains strong.

The U.S. listing also addresses an important market-access issue. South Korea has been one of the strongest-performing equity markets this year, partly because SK Hynix and Samsung together make up a very large share of the Kospi. However, many U.S. investors had limited direct access to these companies because large Korean technology stocks have historically had fewer liquid American depositary receipts. The SK Hynix debut gives global investors a much easier way to gain direct exposure to the Korean memory-chip cycle.

This matters because the AI trade is becoming more global. Earlier parts of the AI rally were dominated by U.S. names such as Nvidia, Microsoft and other mega-cap technology companies. But the underlying AI supply chain is international. Memory chips from South Korea, foundry capacity from Taiwan, equipment from the U.S., Japan and Europe, and power infrastructure across multiple regions all play a role. SK Hynix's successful U.S. debut highlights how investors are increasingly looking beyond the most obvious U.S. AI winners and into companies that control critical parts of the global AI supply chain.

The offering also shows that investors remain confident in the memory cycle despite its historical cyclicality. Memory markets have often been volatile because supply can expand quickly and prices can fall sharply when demand slows. That is one reason some investors remain cautious about the long-term durability of the rally. However, the current AI cycle may be different because high-bandwidth memory is more specialized, supply remains constrained and customers are still asking for more capacity. SK Hynix said that it plans to use the proceeds to help fund a new memory chip-making cluster, advanced packaging capacity and next-generation chip-making equipment. Management also indicated that even a plan to double capacity within five years may not be enough to satisfy customer demand.

At the same time, the debut also creates questions. Existing shareholders face dilution because new shares are being issued. In addition, a U.S. listing could narrow the valuation discount to peers such as Taiwan Semiconductor Manufacturing, but it also raises the bar for future performance. Once more global investors own the stock, SK Hynix may face greater scrutiny around margins, capital spending and cyclicality. The company will need to prove that its investment plans can generate returns and that AI demand remains strong enough to support its expansion.

The broader market reaction suggests that AI remains a central driver of equity sentiment. On Friday, major U.S. indexes edged higher, with the S&P 500 up 0.4%, the Nasdaq up 0.3% and the Dow Jones Industrial Average up 0.3%. For the week, the S&P 500 gained 1.2% and the Nasdaq rose 1.7%, while the Dow slipped 0.5%. The PHLX semiconductor index was nearly flat on Friday, but the strong SK Hynix debut helped shift the narrative away from fears of an AI unwind and back toward confidence in long-term infrastructure demand.

Overall, SK Hynix's U.S. debut stands out because it shows that investor demand for the AI infrastructure story remains alive, even after recent volatility. The market is no longer rewarding every AI-linked stock equally, but it is still willing to pay for companies with clear exposure to bottleneck technologies such as memory chips. The key question now is whether SK Hynix can turn strong demand into sustainable earnings growth while managing the risks of capacity expansion, cyclicality and dilution. If it succeeds, the debut could mark an important broadening of the AI trade. If demand slows or supply catches up too quickly, the same listing could increase pressure by putting the company under a brighter global spotlight.

Risks and Opportunities for Investors

For investors, the main opportunity this week is that the AI infrastructure cycle still appears to have strong momentum. SK Hynix's successful U.S. debut, Nvidia's continued strength and the view that AI hardware demand remains supply-gated rather than demand-limited all suggest that demand for chips, memory, data-center infrastructure and related supply-chain companies remains robust. This could benefit companies with clear exposure to bottleneck areas, especially high-bandwidth memory, advanced packaging, data-center components and power infrastructure. The renewed strength in Hong Kong-listed technology stocks also suggests that investors may look for AI exposure outside the most crowded U.S. names, creating opportunities in regional technology markets.

There are also opportunities in selected travel, financial and energy names. Delta's results showed that premium travel demand remains strong, even though fuel costs are pressuring profitability. Airlines with strong premium exposure, better cost control or hedging advantages may therefore outperform weaker competitors. In energy, higher oil prices and continued geopolitical uncertainty could support producers and infrastructure companies, while steady U.S. rig activity shows that supply remains responsive. In financial services, the UniCredit-Commerzbank story and stronger Hong Kong markets show that sector rotation and consolidation themes remain relevant.

The risks, however, are still meaningful. The AI trade remains volatile, and strong demand does not automatically protect stocks from valuation pressure. If investors expect too much too quickly, even good earnings can be treated as disappointing. SK Hynix's debut increases global access to the stock, but it also increases scrutiny around capacity expansion, margins and dilution. Nvidia and other large AI names may also face pressure if hyperscalers shift more spending toward custom silicon or if investors become more concerned about capital intensity.

Geopolitical and energy risks also remain central. The renewed U.S.-Iran strikes and tanker attacks show that the Strait of Hormuz remains vulnerable, even if markets currently expect hostilities to remain contained. If the conflict escalates or energy infrastructure is targeted, oil prices could rise sharply and revive inflation pressure. Airlines are especially exposed, as Delta's record fuel expense shows how quickly higher fuel prices can damage margins. Finally, the Fed remains uneasy about inflation, which means markets cannot fully rely on easier monetary policy yet. If inflation proves sticky, rate expectations could again become a headwind for growth stocks and risk assets.

Looking Ahead

Looking ahead, markets will likely focus on whether the recovery in AI sentiment can continue. SK Hynix's U.S. debut was a clear sign that investors still want exposure to the AI infrastructure cycle, but the next step will be earnings confirmation. Investors will watch whether memory-chip demand remains strong, whether Nvidia continues to defend its position against custom silicon and whether AI hardware companies can deliver results that justify their valuations. The key question is whether the AI trade can broaden in a sustainable way rather than relying on only a few mega-cap names.

Energy markets will also remain important. Oil prices rose this week because of renewed strikes and tanker attacks, but the market still seems to expect the conflict to remain contained. That expectation will be tested in the coming weeks. If U.S.-Iran talks continue and shipping through the Strait of Hormuz stabilizes, oil prices may remain manageable. If hostilities intensify or shipping routes are disrupted again, inflation concerns could quickly return and weigh on equities, bonds and consumer sentiment.

The policy backdrop will also matter. Fed minutes suggest that policymakers remain uncomfortable with inflation but hesitant to tighten further because of growth uncertainty. That leaves markets highly dependent on incoming inflation and labor-market data. If inflation eases and growth remains resilient, risk assets could remain supported. If inflation stays high while growth weakens, investors may face a more difficult environment. Overall, this week showed that the market is still willing to reward strong structural themes such as AI infrastructure, but it is also highly sensitive to geopolitics, energy prices and interest-rate expectations. The coming weeks will show whether the latest rebound in risk appetite can hold or whether volatility returns as investors reassess these risks.

Economic Policy Shifts & Other Key Developments

Economic policy and macro developments this week were shaped by a mix of global investment shifts, signs of resilience in German industry, continued North American trade uncertainty and a stabilizing Canadian labor market. A key theme was that the global economy is still adjusting to the new reality of industrial policy, strategic investment and geopolitical risk. While Germany showed some encouraging signs of recovery in production and exports, the United Nations warned that the global investment boom is increasingly concentrated in strategic sectors and advanced economies, leaving many developing countries at risk of being left behind.

One of the most important developments came from the United Nations' latest report on foreign direct investment. Global overseas investment rose by 6% in 2025 to $1.6 trillion, continuing the recovery after two years of decline. However, the increase was largely driven by advanced economies, while foreign direct investment in developing economies rose by only 2%. This matters because foreign investment has historically been an important channel for developing countries to create jobs, attract technology and raise productivity. If more investment flows mainly to richer economies, it could make it harder for poorer countries to follow the traditional path of export-led and investment-driven development.

The reason for this shift is that foreign investment is increasingly shaped by strategic priorities rather than only by cost and efficiency. During earlier phases of globalization, companies often invested abroad to reduce costs and build efficient global supply chains in sectors such as textiles, autos and electronics. Now, governments are increasingly steering investment toward areas considered strategically important, including AI infrastructure, semiconductors, critical minerals, advanced technologies and energy transition projects. According to the UN, new investment in these sectors rose sharply to $576 billion in 2025, compared with just $109 billion in 2020. AI infrastructure and AI-related technologies accounted for around 60% of that total.

This shows how strongly artificial intelligence and industrial policy are reshaping global capital flows. The AI boom is no longer only a market or technology story. It is also changing where companies build factories, data centers, supply chains and strategic infrastructure. Advanced economies can attract these investments by offering subsidies, tax incentives and political support, while developing countries often do not have the same financial resources. The UN warned that this new model rewards countries with deep pockets, making it harder for poorer economies to compete. As labor-intensive and cost-driven industries lose momentum, developing countries may face fewer opportunities to attract the kind of investment that previously helped lift incomes.

Germany offered a more positive industrial signal this week. Industrial production unexpectedly rose by 0.9% in May, following a smaller increase in April and marking the strongest reading since March 2025. Economists had expected a decline, so the result suggests that German manufacturers have been more resilient than expected despite higher energy costs and uncertainty linked to the Middle East conflict. The improvement was driven by stronger output in the automotive industry, construction and energy-intensive sectors.

This is important because Germany’s industrial sector has been one of the weaker parts of the eurozone economy for several years. High energy costs, weaker global demand, supply-chain disruption and competition from China have all weighed on output. A sustained recovery in German industry would therefore be important not only for Germany, but also for the broader eurozone. The latest data, together with stronger factory orders, suggests that the economy may have avoided a contraction in the second quarter. Lower oil and gas prices after the easing of Middle East tensions could also provide further relief in the second half of the year.

However, the recovery is still not guaranteed. Some of the recent strength may reflect companies bringing forward purchases and production because they feared future supply disruptions or price increases. That makes the data harder to interpret. At the same time, higher borrowing costs after the European Central Bank’s June rate hike could still weigh on investment and demand. The German government’s large defense and infrastructure spending plans remain an important medium-term support, but it will take time before those funds translate into stronger industrial activity.

Germany’s export data also showed resilience. Exports rose by 0.9% in May to €137.9 billion, the highest level since September 2022. The increase was mainly driven by strong trade with the U.S., where exports rose 23% from the previous month. Exports to China also increased, while exports to the European Union declined. The strength in U.S. demand helped German manufacturers offset some of the uncertainty caused by the Iran war and weaker regional demand. It also suggests that the U.S. economy remains an important support for European exporters.

At the same time, imports into Germany fell by 2.5%, which helped widen the trade surplus to €19.1 billion. This was somewhat surprising because higher oil prices would normally lift the value of energy imports. One possible explanation is that companies used domestic inventories as a buffer instead of importing more at elevated prices. Overall, the export and production data suggest that German industry has held up better than expected, but the outlook still depends heavily on energy prices, global demand and geopolitical stability.

In North America, trade-policy uncertainty remained a key theme. The U.S. and Canada reached an agreement that clears the way for the Gordie Howe International Bridge between Detroit and Windsor to open on July 27. The bridge is an important piece of trade infrastructure because the Detroit-Windsor corridor is one of the most important crossings for U.S.-Canada commerce, especially for the auto industry and integrated supply chains. The opening had previously been delayed because of unresolved issues between Washington and Ottawa, including toll arrangements and questions around the original agreement.

The deal is positive because it removes a temporary trade irritant and allows a major infrastructure project to move forward. However, it also highlights the broader uncertainty in U.S.-Canada trade relations. President Trump had previously threatened to block the bridge's opening unless the U.S. received an ownership stake and compensation. The dispute came against a backdrop of tariffs, threats of additional duties and uncertainty around the future of the USMCA. Even when practical solutions are reached, businesses still face a more unpredictable policy environment than in previous years.

Canada also received a somewhat encouraging labor-market report. Employers added 18,200 jobs in June, slightly above expectations, and the unemployment rate fell to 6.5%, a six-month low. This followed a much stronger increase in employment in May and suggests that Canada's labor market has stabilized after a weak start to the year. Job gains were concentrated in part-time roles and services sectors such as accommodation, food services and retail trade, which may have benefited from World Cup-related hiring and seasonal summer jobs.

For the Bank of Canada, the data is helpful but not strong enough to change the overall policy picture. The labor market is improving, but the economy still appears soft in several areas. Goods-producing sectors, especially manufacturing and construction, remained weak, reflecting pressure from tariffs and trade uncertainty. Wage growth also picked up to 3.7% year over year, which is still above inflation and something policymakers will watch. However, most economists still expect the Bank of Canada to hold rates steady because the economy does not look strong enough to justify tightening.

The Canadian data therefore fits into a broader low-hire, low-fire environment. Companies are not cutting workers aggressively, but they are also not hiring with strong confidence. This suggests that the economy is stabilizing but not accelerating meaningfully. The outlook will depend on whether trade tensions with the U.S. ease, whether tariffs continue to pressure manufacturing and whether the Middle East conflict keeps affecting energy prices and inflation.

Overall, this week's economic policy developments show an economy that is resilient in some areas but increasingly shaped by strategic competition and policy uncertainty. Global foreign investment is rising, but the gains are concentrated in advanced economies and strategic sectors such as AI, semiconductors and energy transition technologies. Germany's industrial production and exports showed encouraging resilience, especially thanks to stronger U.S. demand and lower energy-price pressure. In North America, the Gordie Howe Bridge agreement removes one trade obstacle, while Canada's labor market shows signs of stabilization. The key takeaway is that growth is still possible, but the direction of investment, trade and monetary policy is becoming more dependent on geopolitics, industrial strategy and the ability of companies and governments to adapt to a more fragmented global economy.

A Few Words

This was another exciting week with a lot happening across markets, deal activity and economic policy. From UniCredit's growing influence over Commerzbank and renewed takeover activity around easyJet to SK Hynix's historic U.S. trading debut, higher oil prices, resilient German industrial data and shifting global investment flows, 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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