THE FELIX MARKET UPDATE

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THE BRIEF

I come with a *smile.*

In case you haven't heard, Britain has a new Prime Minister. Andy Burnham arrives with something politics has been short of recently: warmth, plain speaking and the promise of a reset. Tone is not policy, but it can change the temperature. After years of churn, frustration and exhausted public services, a leader who sounds more connected to ordinary life may buy the government some political oxygen. Perhaps this is part of the reason why the typically quite tough British media is, at least, giving the new Prime Minister a chance before telling us why he, too, is not adequate. A welcome respite.

And timing matters. Burnham is arriving mid-parliament, not at the start of a fresh mandate. That gives him enough time to shift tone and maybe reset priorities, but not unlimited time to prove delivery before the next election cycle starts to dominate behaviour again.

The bigger question is what he can actually do with it. Burnham inherits a country that cannot be magically fixed by vibes alone. It needs productivity, growth, housing, infrastructure, innovation, NHS capacity, cheaper energy, functioning utilities, fiscal credibility and a clearer sense that government can, and wants to, deliver. None of those are quick fixes. None are solved by a leadership change on its own.

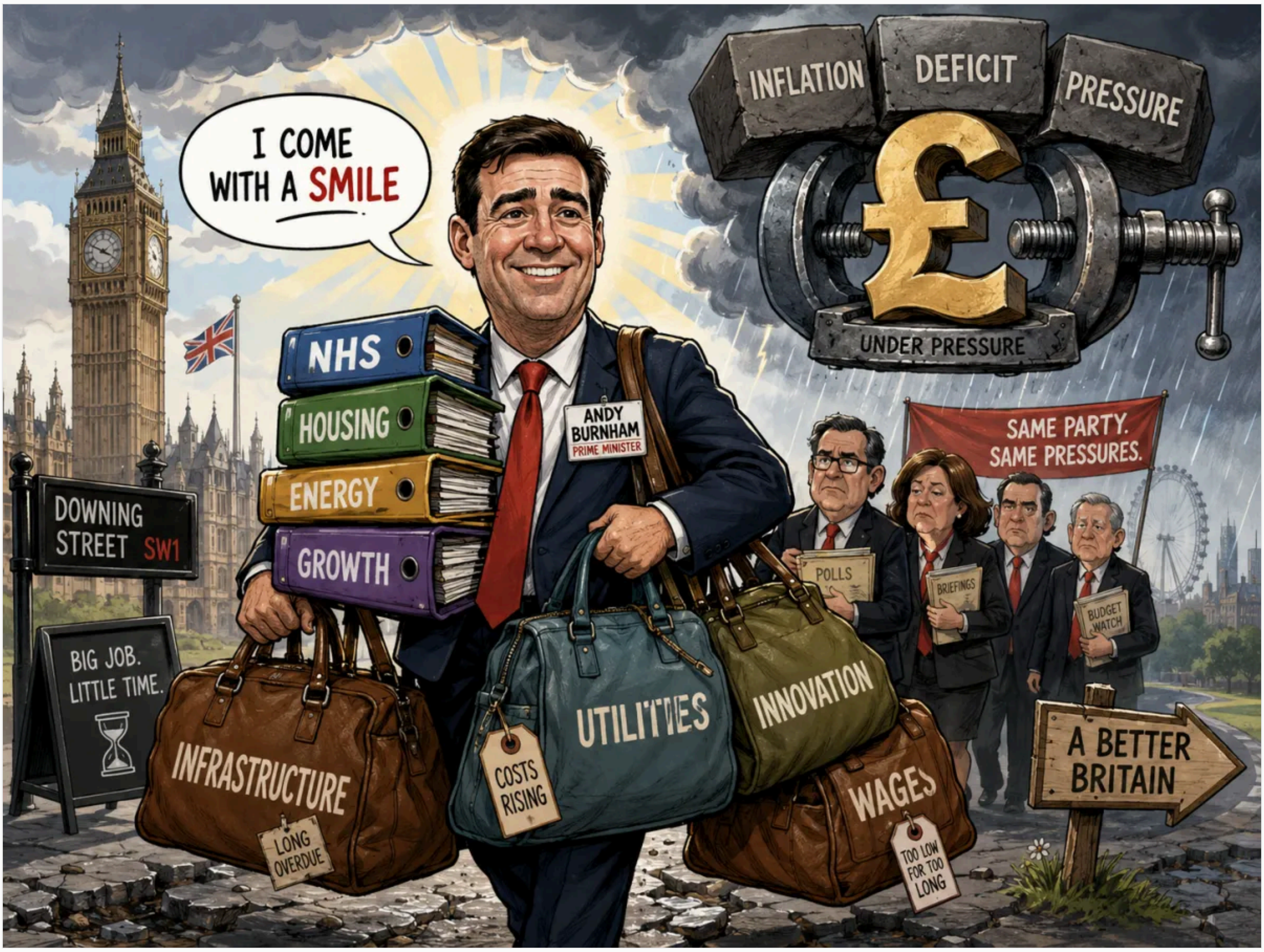
There is also a harder political question: this is still the same party in government. Many of the people are the same, some, like Angela Rayner, are coming back from exile. The constraints are the same. The fiscal inheritance is the same. The public-sector pressures are the same. The electorate may welcome a new face, but it will soon ask whether this is a genuine change in direction or just a change in presentation. The public, and public markets, are weary of empty promises.

Our view: the smile helps, but it is not the investment case. The real test is whether Burnham, the self-proclaimed "pro-business Prime Minister", can turn political curiosity into operational credibility quickly and decisively enough, before voters and markets lose patience. Can he simplify the agenda? Can he make hard trade-offs? Can he show progress on the issues people actually feel every month: bills, housing, transport, healthcare and wages, in a format that markets can stomach, or even support?

Markets and voters do not need a perfect answer immediately. But they do need evidence that the government is asking the right questions.

A reset is useful. A plan is better. Delivery is the only thing that compounds.

IN THIS ISSUE



Britain's new Prime Minister arrives with a smile.

Macro

The macro backdrop, theme by theme — and our read.

FACTOR / THEME	OUR READ
Global growth: resilient, but increasingly uneven	The global economy is still expanding, but the underlying picture is becoming less comfortable. Technology investment continues to support activity in some markets, while energy-importing economies, consumers and traditional industries face greater pressure. The central risk is not necessarily an immediate recession, but a gradual narrowing of the sources of growth.
The return of stagflation risk	Higher energy prices create an unfavourable combination: weaker household purchasing power, greater pressure on corporate margins and renewed headline inflation. The longer energy disruption persists, the harder it becomes for markets to treat it as a temporary geopolitical shock.
Central banks have less room to support growth	The path towards easier monetary policy is no longer straightforward. Even where wage and underlying price pressures are moderating, higher energy costs may keep inflation above target and force central banks to remain restrictive. This increases the risk of policy tightening into a slowing growth environment.
AI investment is supporting growth — but also masking divergence	The technology and AI investment cycle remains an important economic tailwind. However, strong spending on data centres, chips and infrastructure should not be confused with broad-based economic strength. The key question is whether this investment translates into productivity, earnings and demand across the wider economy.
China's growth model remains unbalanced	China's slowdown is being driven by weak domestic demand despite continued strength in manufacturing and exports. Without a more meaningful recovery in household consumption and private investment, policy support may stabilise headline growth without resolving the underlying imbalance.
Europe remains particularly exposed	Europe faces the difficult combination of weak underlying growth, sensitivity to imported energy costs and limited monetary-policy flexibility. Softer wage and selling-price expectations are encouraging, but the region remains vulnerable if the energy shock lasts or global demand weakens further.
Financial conditions may tighten before policy rates move	Rising oil prices and long-term bond yields can tighten financial conditions even without an immediate central-bank decision. Higher discount rates, borrowing costs and risk premia would place pressure on highly valued equities, leveraged businesses and rate-sensitive sectors such as housing.

Public markets

<table>
<tr><th>NAME / THEME</th><th>WHAT HAPPENED</th></tr>
<tr><td>AI and semiconductor sell-off</td><td>Semiconductor shares fell sharply despite strong operating results from ASML and TSMC. ASML raised its 2026 revenue guidance and announced substantial capacity expansion, but the broader chip sector continued to weaken. By Friday, the Philadelphia Semiconductor Index was around 20% below its June peak.</td></tr>
<tr><td colspan="2">OUR READ
The reaction matters more than the earnings beat. Investors are no longer rewarding evidence that AI spending is merely continuing; they want confidence that growth can exceed increasingly demanding expectations. Strong results accompanied by falling share prices suggest that valuation and positioning have become as important as fundamentals.</td></tr>
<tr><td>AI competition broadens</td><td>Semiconductor weakness accelerated after China's Moonshot released a large open-weight AI model that it said could approach the performance of leading Western systems. The announcement added to concerns that competitive models may become cheaper and more widely available.</td></tr>
<tr><td colspan="2">OUR READ
Cheaper and more capable models are positive for AI adoption, but potentially less positive for every company currently valued as a scarce AI beneficiary. The value created by AI may broaden across users and applications while becoming less concentrated among infrastructure providers.</td></tr>
<tr><td>U.S. banks and capital-markets activity</td><td>Major U.S. banks reported strong trading and investment-banking results. JPMorgan delivered record quarterly profit, while Goldman Sachs, Bank of America and Citi exceeded expectations. Morgan Stanley's investment-banking revenue increased 58%, supported by stronger M&A and IPO activity.</td></tr>
<tr><td colspan="2">OUR READ
The capital-markets recovery looks increasingly real. However, strong trading revenue partly reflects elevated volatility, while announced deal volumes still need to translate into completed transactions and sustained fee income. The direction is encouraging, but it is too early to assume a fully normalised cycle.</td></tr>
<tr><td>Inflation relief versus higher oil prices</td><td>Softer-than-expected U.S. inflation initially supported equities and lowered short-term Treasury yields. That relief was subsequently challenged by renewed increases in oil prices as the U.S.–Iran conflict intensified and risks around the Strait of Hormuz increased.</td></tr>
<tr><td colspan="2">OUR READ
Markets are being pulled between improving underlying inflation data and a new external inflation shock. One soft CPI print helps, but it may quickly become backward-looking if higher energy costs persist. The path for rates remains dependent on geopolitics as well as domestic economic data.</td></tr>
<tr><td>Long-term bond yields</td><td>The U.S. 10-year Treasury yield remained around 4.6%, while the 30-year yield moved back above 5%. Markets also increased expectations of further tightening from both the Federal Reserve and the ECB.</td></tr>
<tr><td colspan="2">OUR READ
The long end of the bond market is becoming a more important constraint on equities. A 30-year yield above 5% offers investors a credible alternative to expensive growth stocks and raises the discount rate applied to long-duration earnings. Even resilient profits may not be enough if valuation multiples compress.</td></tr>
<tr><td>Oil-sensitive sector rotation</td><td>As Brent crude moved above $80 per barrel intraday, European energy shares outperformed while travel and leisure stocks weakened. Ryanair fell after reporting lower profit, with higher fuel costs contributing to the pressure.</td></tr>
<tr><td colspan="2">OUR READ
The market is beginning to differentiate between the beneficiaries and casualties of higher energy prices. Energy producers gain, but airlines, transport businesses, manufacturers and consumer-facing companies face margin or demand pressure. The wider index impact may initially look limited even as the underlying sector damage grows.</td></tr>
<tr><td>Equity-market resilience</td><td>Major indices remained relatively resilient despite the semiconductor correction, geopolitical escalation and rising long-term yields. European equities were broadly flat at the start of the week, while U.S. futures stabilised ahead of major technology earnings.</td></tr>
<tr><td colspan="2">OUR READ
This resilience is constructive, but it should not be confused with complacency-free markets. Investors are still willing to buy weakness, but leadership is narrowing and the threshold for positive earnings reactions is rising. The next stage of the earnings season will test whether the correction remains concentrated or spreads into the broader market.</td></tr>
</table>

M&A

NAME / THEME	WHAT HAPPENED
Stripe / Advent / PayPal	Stripe and Advent submitted a joint offer to acquire PayPal for more than $53.0bn, at $60.50 per share, backed by around $50.0bn of committed bank financing. PayPal's board reportedly viewed the bid as undervaluing the company and carrying regulatory and financing risk.

OUR READ

Payments is moving back towards scale. The strategic logic is obvious: merchant infrastructure, consumer wallets, Venmo, checkout data and crypto optionality. The hard part is price, antitrust and whether PayPal shareholders believe the business is worth more independent than inside a larger payments platform.

NAME / THEME	WHAT HAPPENED
Uber / Delivery Hero	Uber launched a public takeover offer for Delivery Hero, valuing the German food-delivery group at c. €13.0bn and offering €41.50 per share in cash.

OUR READ

Food delivery is entering the scale-or-suffer phase. The category has always promised operating leverage, but competition, regulation and local execution make it hard to capture. Uber is trying to turn global breadth into a stronger profitability story.

NAME / THEME	WHAT HAPPENED
ABB / Rotork	ABB announced its largest ever acquisition, agreeing to buy UK automation company Rotork for around $5.5bn. Management also said ABB still has capacity for further acquisitions.

OUR READ

Industrial automation remains one of the cleaner long-term M&A themes. Electrification, process control, water, energy and industrial efficiency are all structural markets. The UK remains a hunting ground for overseas buyers looking for scarce industrial assets.

NAME / THEME	WHAT HAPPENED
Aditya Birla Renewables / Sprng Energy	India's Grasim Industries, through Aditya Birla Renewables, agreed to buy Sprng Energy from Shell in a $1.8bn deal including debt, adding 5.0GW of capacity and taking the group's renewables portfolio to 9.3GW.

OUR READ

Energy transition M&A is still active where assets are operating, scalable and strategically useful. Shell is recycling capital, while Indian corporates are building domestic renewable platforms to meet rising power demand.

NAME / THEME	WHAT HAPPENED
Eli Lilly / AtaiBeckley	Eli Lilly agreed to acquire mental-health-focused AtaiBeckley for an initial $2.8bn, strengthening its neuroscience pipeline.

OUR READ

Pharma buyers are still paying for pipeline optionality, especially where large unmet need meets differentiated science. Mental health is a huge market, but clinical and regulatory risk remain high, so the structure and milestones matter.

NAME / THEME	WHAT HAPPENED
Bridgepoint / GBA Group	Bridgepoint agreed to buy a majority stake in German laboratory-testing business GBA Group from Ardian.

OUR READ

Testing, inspection and compliance remain attractive sponsor assets: recurring demand, regulatory tailwinds and scope for buy-and-build. Not glamorous, but exactly the kind of defensible B2B services market private equity likes.

NAME / THEME	WHAT HAPPENED
Thomson Reuters / KKR	Thomson Reuters agreed to sell a 51% stake in its Global Print business to KKR for about $500m, creating a joint venture while retaining a 49% stake and editorial control.

OUR READ

This is classic portfolio sharpening. Thomson Reuters keeps the strategic IP and editorial control, while KKR gets a mature cash-generative asset with room for operational focus outside the core group.

NAME / THEME	WHAT HAPPENED
Hyundai / Boston Dynamics	Hyundai Motor Group disclosed it would make Boston Dynamics wholly owned by acquiring SoftBank's remaining c. 10% stake.

OUR READ

Robotics is moving from demo theatre to industrial deployment. Full ownership gives Hyundai more control over roadmap, integration and use cases across manufacturing and mobility.

NAME / THEME	WHAT HAPPENED
EQT / Perpetual	EQT returned with a sweetened A$2.5bn, or c. $1.75bn, proposal for Australian wealth manager Perpetual, after an earlier bid was rejected. Perpetual later rejected the revised proposal as well.

OUR READ

Wealth and asset management consolidation is not going away. Fee pressure, technology investment and scale economics are forcing boards to consider combinations, but public-market shareholders are still pushing back when premiums feel light.

ConocoPhillips / BP Iraq stake	ConocoPhillips agreed to acquire a 42% stake in BP Energy Company of Kirkuk, linked to major oilfields in northern Iraq.

OUR READ

Energy majors are still using partnerships and asset-level deals to manage geopolitical exposure. Iraq offers resource depth, but the underwriting is as much political as geological.

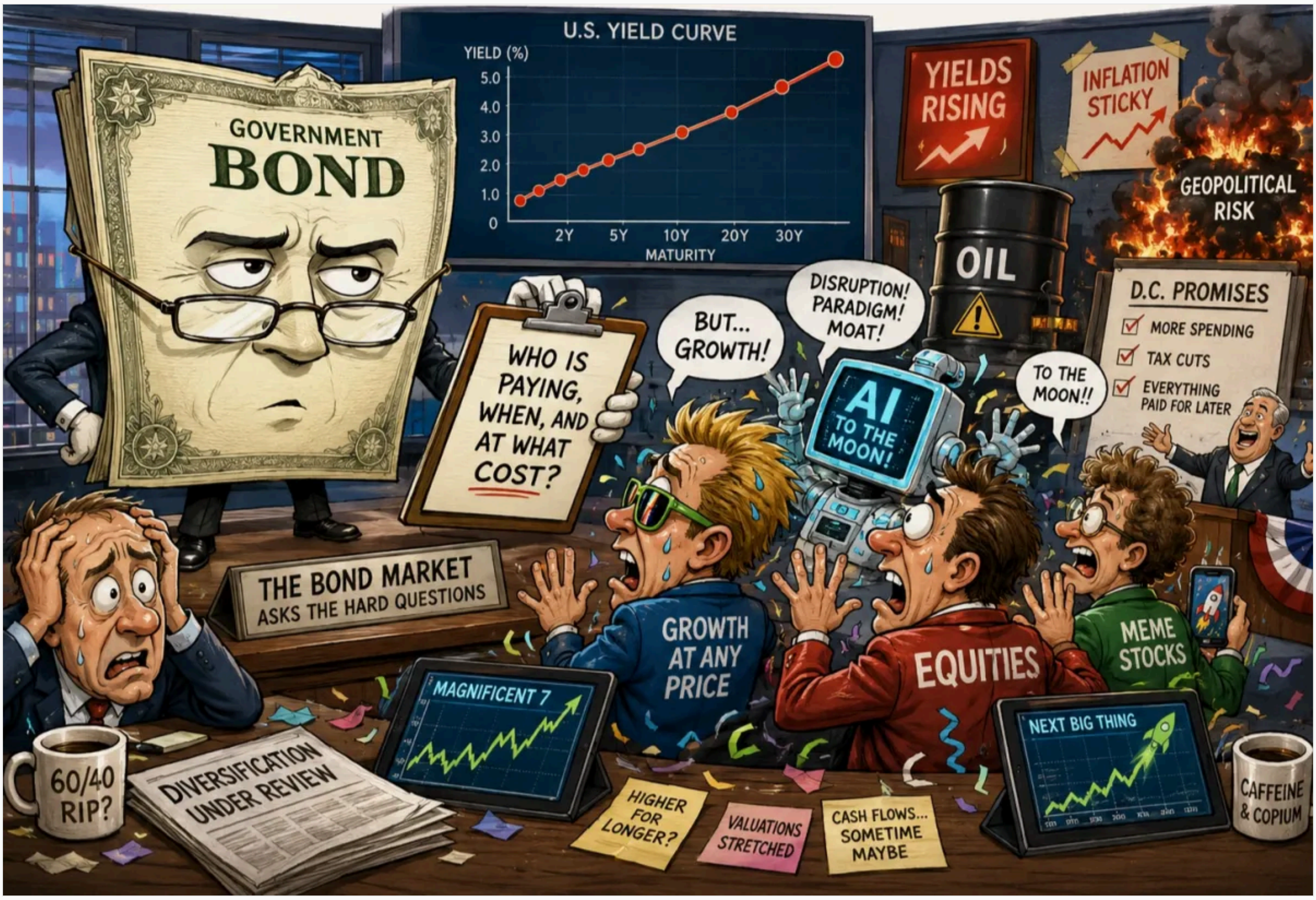
Staying Diligent

Things we are watching this week: 20-24 July 2026.

- Global flash PMIs The week's broadest real-time test of the growth outlook. Friday's readings from the U.S., UK, eurozone, Germany, France and Japan should show whether activity is stabilising or whether weakness is spreading across regions and sectors. The detail on new orders, employment and input prices will matter as much as the headline numbers.
- ECB decision The main policy event of the week. The ECB must balance weak regional growth against inflation risks from energy and supply disruption. A more hawkish message would raise the risk that monetary policy remains restrictive precisely as the eurozone economy loses momentum.
- UK labour market Employment, unemployment, vacancies and wage growth will help determine whether the UK slowdown remains orderly. Gradual wage moderation would give the Bank of England more flexibility; a sharper deterioration in hiring would point to a more concerning loss of economic momentum.
- UK retail sales Another test of whether the consumer can continue supporting growth. The key distinction is between households spending more and households actually buying more: resilient nominal sales are less reassuring if volumes remain weak or are being supported by temporary factors.
- China's policy response China left its benchmark lending rates unchanged after second-quarter growth slowed to 4.3%. That puts more pressure on fiscal measures and targeted support to revive domestic demand. Without a stronger consumer or property response, China may remain dependent on exports and industrial policy rather than a broad-based recovery.
- U.S. labour and housing Weekly jobless claims and new-home sales provide useful checks on two rate-sensitive parts of the economy. A gradual cooling would support the soft-landing narrative; a simultaneous weakening in employment and housing would be harder to dismiss as healthy normalisation.
- Alphabet, Tesla, IBM and Intel This week's earnings are also macro data. Alphabet and IBM should provide evidence on enterprise spending and AI investment, Intel on semiconductor and industrial demand, and Tesla on the consumer's appetite for expensive discretionary purchases. The market needs to see that investment and demand are producing revenue, not simply higher capex. **Our view**: Alphabet remains a particularly interesting bellwether for the current AI investment cycle, as the player that has most irons in the fire, across data, own models, partnerships and a potentially ever larger role offering TPUs and compute to new customers.
- Oil and bond yields Energy volatility remains one of the clearest threats to the growth outlook. Higher oil prices can weaken household demand while keeping inflation and long-term yields elevated — a combination that leaves central banks with less room to support slowing economies. Must be nice to be a vol trader these days.
- Growth breadth Watch whether economically sensitive sectors, smaller companies and lower-quality credit participate in any market strength. If the indices rise while cyclicals, small caps and credit spreads remain cautious, markets may be pricing resilience at the headline level without confirming it underneath.

Unhedged Commentary

When bonds stop being boring



An illustration for "when bonds stop being boring".

Equity markets get the headlines. Bonds usually get the footnotes. That works until the footnotes start moving the whole page. For the past few years, investors have been able to talk about AI, earnings, M&A and growth as if the bond market was just background music. But bonds are not background music. They are the price of money, the price of time and, increasingly, the price of credibility.

That is why the recent move in yields matters. Oil and gas prices have risen again due to the Iranian conflict, geopolitical risk is back in the macro conversation, and investors are being reminded that inflation is not only a domestic data point. It can also arrive through energy, supply chains, shipping routes and fiscal responses.

When that happens, bonds stop being boring very quickly. Higher yields do not just affect bond investors. They change the discount rate for equities. They increase government interest costs. They make refinancing more expensive. They pressure leveraged companies. They test housing markets. They force investors to ask whether growth stories are still worth the same multiple when safe assets pay more.

This is the part equity markets sometimes forget. A company can report decent earnings and still struggle if the rate used to value those earnings moves against it. A government can announce ambition and still be questioned if the bond market doubts the funding path. A consumer can keep spending for a while, but mortgages, credit cards and energy bills eventually have a vote.

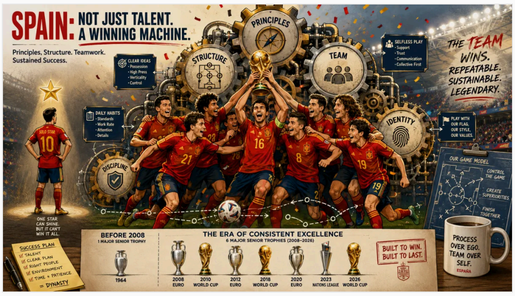
The market's current tension is simple. Equities want to believe in earnings resilience and AI-led growth. Bonds are asking whether inflation, fiscal pressure and energy risk are being underpriced. Both cannot be ignored.

This does not mean a bond market crisis is the base case. It does not mean equities have to fall simply because yields move higher. But it does mean that the market's lie detector may not only be earnings season. It may also be the long end of the curve.

If long-term yields rise because growth is improving, markets can usually live with that. If they rise because inflation risk, fiscal credibility and geopolitical pressure are returning, that is a very different message.

> **Our view**: bonds are becoming more important, not less. They are where energy shocks, fiscal promises, inflation expectations and policy credibility meet. In a market full of exciting stories, the bond market is the less glamorous adult in the room asking who is paying, when, and at what cost. That question is boring only until the answer changes.

In Other News



Spain, world champions again — the machine behind the talent.

The team that became a winning machine

Spain are world champions again. The immediate story is simple enough: Spain beat Argentina 1-0 in the 2026 World Cup final, with Ferran Torres scoring the winner in extra time. It is Spain's second World Cup, and another major trophy added to a run that has become difficult to dismiss as just a golden generation. Spain delivered a performance across the tournament of a team truly deserving the win, conceding just one goal throughout the tournament, and offering up moments of genuinely beautiful football.

The longer story is more interesting. Before 2008, Spain's senior men's national team had won one major trophy: the 1964 European Championship. A country full of talent, clubs, history and expectation, but not many medals at international level.

Since 2008, Spain have become a winning machine. Euro 2008. World Cup 2010. Euro 2012. Nations League 2023. Euro 2024. World Cup 2026. Six major trophies in less than 20 years, after winning only one before.

That kind of change does not happen because of individual brilliance alone. Spain are not short of individual quality, but much like the 2014 German squad, what delivered the victory ultimately was that the team plays like a TEAM. Structure that survives substitutions. Principles that survive pressure.

Spain leave New Jersey triumphant because there is a system behind the talent: technical development, positional discipline, comfort on the ball, pressing intelligence, role clarity and a national football culture that knows what it wants to be. Players are not just selected because they are good. They are selected because they fit, and understand, the system.

There is a business lesson here. Many companies have talented people. Fewer have principles clear enough to make those people better together. Fewer still have a structure that survives stress, growth, leadership changes and competitive pressure. The best organisations do not suppress individuality, but they do channel it. They make the whole more valuable than the sum of the parts.

Spain's lesson is not that genius does not matter. It is that genius compounds faster when it has a framework. The trophy belongs to the players. The machine belongs to the principles.

The Thinking Corner

> *When a new leader arrives with better tone and fresh energy, what evidence should we look for before calling it a real change rather than a change in presentation?*

FROM THE FELIX VIEW

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