THE FELIX MARKET UPDATE

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THE BRIEF

Elon meets the *wall.*

The market gave Elon Musk a rare reminder last week: even gravity eventually applies to companies building rockets. Last week Tesla fell 17.8%, SpaceX fell 7.2%, and the broader tech complex lost some of the effortless confidence that has carried it for much of the year. The issue is not that investors suddenly think Tesla, SpaceX, AI, autonomy or space are irrelevant. Quite the opposite. These are still some of the most ambitious companies and markets in the world.

The issue is price. Musk remains one of the great company builders of modern markets. Tesla changed the automotive industry. SpaceX changed the economics of launch, satellite connectivity and private space infrastructure. Very few people can turn impossible-sounding ideas into industrial reality, and even fewer can do it more than once.

But markets do not only price ambition. Eventually, they price proof. Tesla's results reminded investors that the company still needs to show the bridge between today's car business and tomorrow's autonomy, robotics and AI opportunity. The market may believe in the destination, but it is becoming less relaxed about the cost, timing and execution risk of getting there.

SpaceX adds a different version of the same question. The company remains strategically extraordinary, but the stock has moved from scarcity-driven excitement to liquidity-driven scrutiny. A post-IPO sell-off is one thing. A sell-off before major lock-up expiries is another. Investors are now asking what happens when more holders are allowed to sell, and whether the valuation can absorb that supply without the benefit of unlimited hype.

There is a slightly absurd version of this story where hundreds of billions of dollars can disappear from quoted market value and the companies involved are still among the most important in the world. That is the Elon premium and the Elon problem in the same sentence. The companies can be exceptional, and the stocks can still have been too expensive.

Our read: this is not the end of the Musk industrial empire. The market is still willing to fund big visions. But it now wants more than theatre, timelines and future optionality. It wants margins, cash flow, credible capex returns and evidence that the next chapter is not just larger, but economically better.

The rocket may still fly. The question is whether the valuation can survive re-entry.

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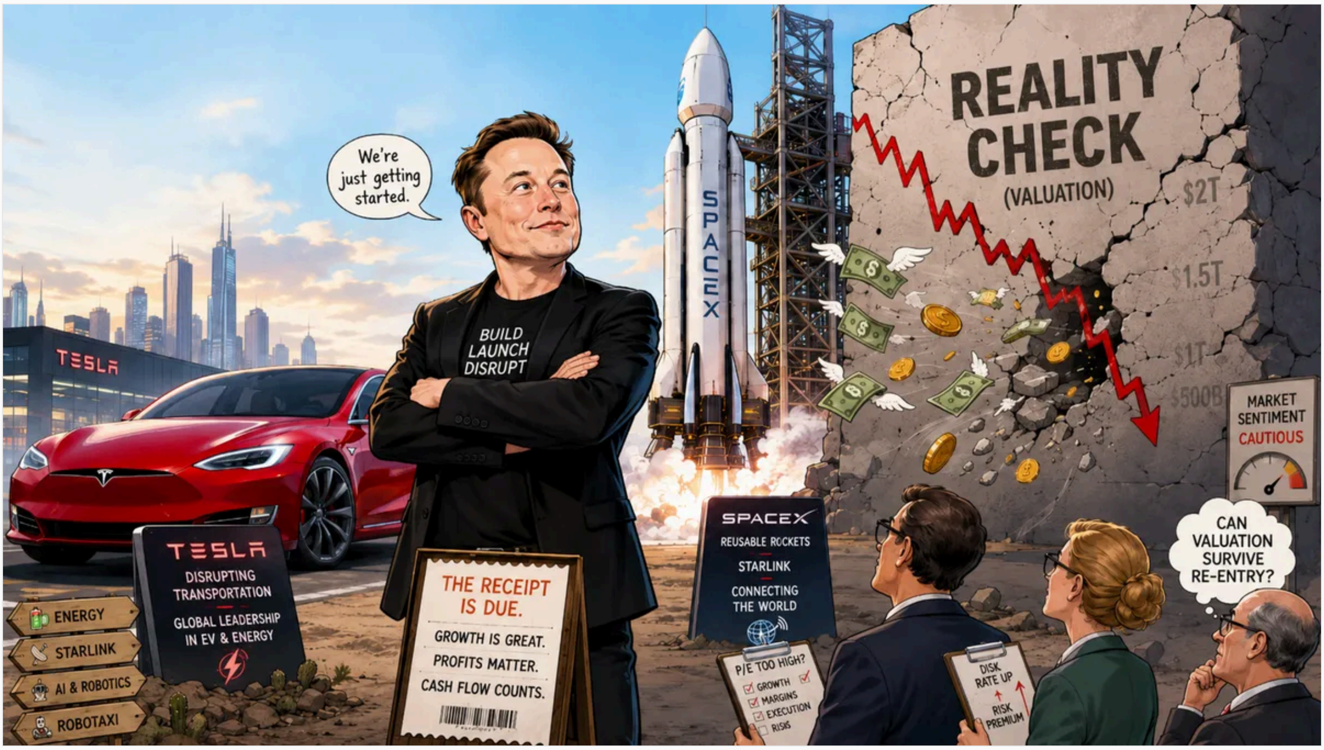


Elon Musk, Tesla and SpaceX meet valuation gravity.

Macro

FACTOR / THEME	OUR READ
Rates / Fed	The market is still looking for policy relief, but the bar for cuts remains high if oil, inflation expectations and resilient earnings keep financial conditions loose. The Fed matters this week not just for the rate decision, but for the language around inflation risk, labour cooling and how much patience it still has.
Oil / geopolitics	Oil remains the fastest route from geopolitical noise to macro pressure. If energy prices stay elevated, inflation expectations, transport costs, household disposable income and central-bank pricing all become more difficult at the same time.
AI capex and productivity	AI investment remains a growth support, but the macro question is becoming more nuanced. Is AI capex creating productivity, or just pulling demand, power consumption and infrastructure spending forward? The answer matters for growth, inflation, utilities and corporate margins.
Consumer resilience	Earnings season is testing whether consumers are still genuinely resilient, or simply stretched but still spending. The read-through matters for retailers, travel, autos, payments and banks. Volumes, defaults and guidance are more important than headline revenue.

Public Markets

NAME / THEME	WHAT HAPPENED
Elon / Tesla / SpaceX	Tesla and SpaceX both came under pressure as investors became more cautious on valuation, execution risk and the cost of turning big visions into cash flow.
OUR READ This is not the end of the Musk industrial story. Tesla and SpaceX remain extraordinary companies. But even exceptional builders eventually meet valuation gravity. The rocket may still fly, but investors are asking whether the valuation can survive re-entry.	
Alphabet / AI capex	Alphabet's results put AI spending back at the centre of the debate: share price dropped 8% post-results.
OUR READ The market is not rejecting AI. It is rejecting the idea that all AI spend should be treated as automatically value-accretive. The next phase is about revenue, margins, return on capex and evidence that the spending compounds.	
Semiconductors / AI infrastructure	Chip and AI infrastructure names remained under scrutiny as investors questioned whether demand, supply-chain capacity and capex expectations can all rise at the same time.
OUR READ Semis remain central to the AI story, but crowding risk is real. The sector can still be structurally attractive and tactically vulnerable at the same time.	
Oil / Energy equities	Energy prices moved back into focus as geopolitical risk pushed oil higher and revived inflation concerns.
OUR READ Energy is no longer just a sector call. It is a macro input. If oil stays elevated, it can support energy equities while pressuring consumers, margins and rate-cut hopes.	
Financials / Capital markets	Banks and asset managers continued to offer a read-through on trading activity, credit quality, flows and M&A pipelines.
OUR READ Financials are still one of the best early-warning systems for the cycle. Strong markets help, but the more important question is whether credit, deal flow and client risk appetite remain healthy together.	

M&A

<table>
<tr><th>NAME / THEME</th><th>WHAT HAPPENED</th></tr>
<tr><td>· Brookfield / CPP Investments / LXP Industrial Trust</td><td>Brookfield and CPP Investments agreed to acquire LXP Industrial Trust in a $5.2bn all-cash transaction, taking the U.S. industrial REIT private. LXP shareholders will receive $61.20 per share in cash.</td></tr>
<tr><td colspan="2">OUR READ
Industrial real estate remains firmly in demand, especially logistics and warehouse assets linked to e-commerce, supply-chain resilience and modernisation. The premium was not huge, but the strategic appetite for scaled, income-producing industrial assets remains clear.</td></tr>
<tr><td>· Tempus AI / Personalis</td><td>Tempus AI agreed to acquire cancer-testing company Personalis in a deal valued at around $1.5bn, adding Personalis' NeXT Personal MRD cancer test to Tempus' AI-enabled precision oncology platform.</td></tr>
<tr><td colspan="2">OUR READ
This is AI meeting healthcare diagnostics in a very practical way. The market is no longer just buying generic AI stories; buyers want proprietary data, clinical workflows and specialised use cases where AI can improve outcomes and economics.</td></tr>
<tr><td>· Utz Brands / Intersnack</td><td>Germany's Intersnack Group agreed to take U.S. salty-snacks maker Utz Brands private in a deal valued at around $2.9bn, including debt. Utz shareholders will receive $14.25 per share in cash.</td></tr>
<tr><td colspan="2">OUR READ
Consumer staples M&A is still alive where buyers can access brands, distribution and market entry. This is also a public-market dislocation story: a family-owned European buyer using a depressed listed valuation to enter the U.S. snacks market.</td></tr>
<tr><td>· OCS / Mitie</td><td>OCS announced a recommended cash acquisition of Mitie, with Mitie shareholders entitled to receive up to 221.6p per share, including 218.5p in cash and a final dividend of up to 3.1p.</td></tr>
<tr><td colspan="2">OUR READ
Facilities management is not glamorous, but it is exactly the kind of scale-led services market where consolidation makes sense. Buyers are looking for density, contract depth, operational leverage and cross-selling in essential outsourced services.</td></tr>
<tr><td>· Prologis / SEGRO</td><td>Prologis made a "best and final" possible offer for SEGRO, valuing the UK-listed warehouse group at around £14.0bn, with consideration including 0.0920 Prologis shares per SEGRO share and a partial cash alternative of up to £3.5bn.</td></tr>
<tr><td colspan="2">OUR READ
Logistics real estate remains strategically scarce. This is not just about warehouses, but about scale, location, e-commerce, supply chains and potential data-centre adjacency. It also reinforces the broader theme of overseas buyers testing UK-listed valuations.</td></tr>
<tr><td>· Paramount / Warner Bros. Discovery</td><td>Paramount Skydance secured European Commission approval for its $110bn acquisition of Warner Bros. Discovery, but the deal then faced a major U.S. delay after legal challenges from U.S. states.</td></tr>
<tr><td colspan="2">OUR READ
Media consolidation still has strong industrial logic, but regulatory and political risk are now central to the deal thesis. Scale helps in streaming and content, but the larger the deal, the more it becomes a public-interest and competition story.</td></tr>
<tr><td>· Saudi PIF / Silver Lake / Electronic Arts</td><td>A consortium including Saudi Arabia's PIF, Silver Lake and Affinity Partners received EU merger-rule approval for its $55bn acquisition of Electronic Arts.</td></tr>
<tr><td colspan="2">OUR READ
Gaming remains a strategic asset class, sitting at the intersection of entertainment, IP, communities and digital consumption. The bigger read-through is sovereign and private capital continuing to buy scarce global media and technology platforms.</td></tr>
</table>

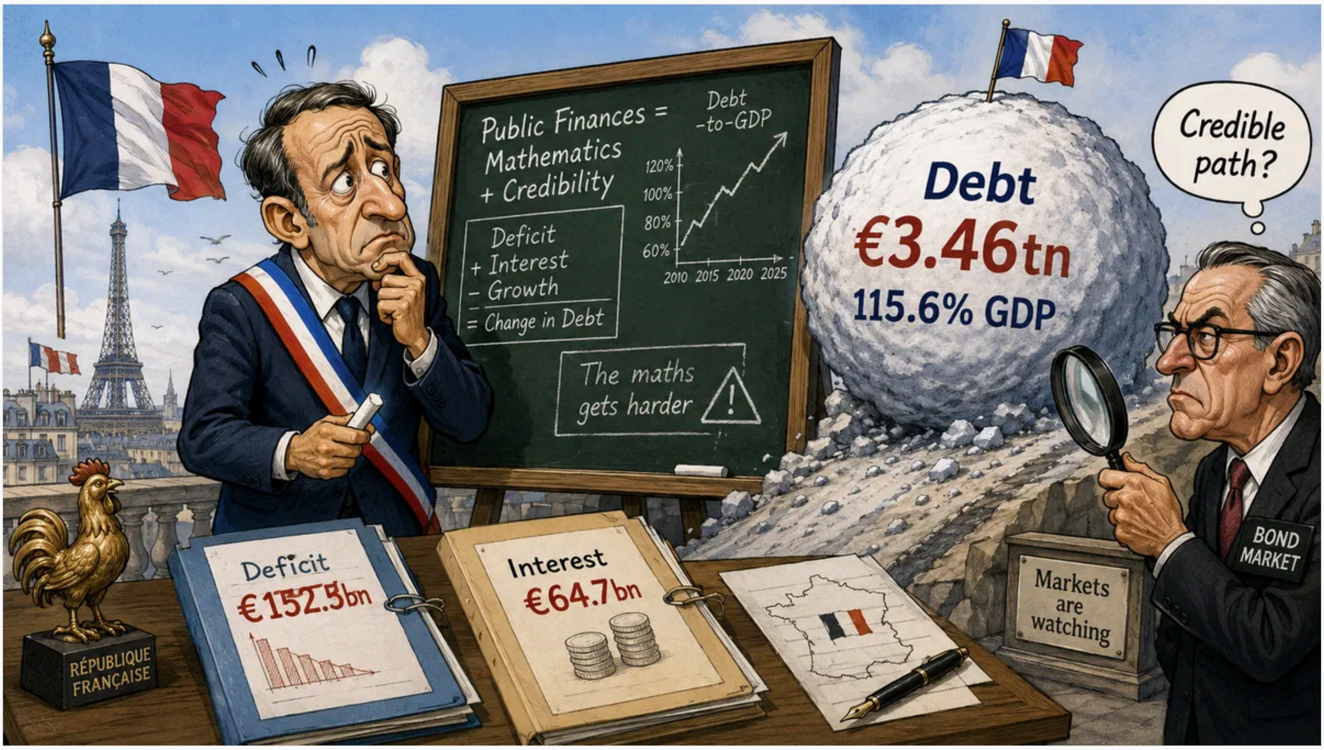
Staying Diligent

Things we are watching this week: 27-31 July

EVENT / THEME	WHY WE CARE
FOMC decision and Powell press conference	The rate decision itself may not be the only story. The more important signal is whether the Fed sounds more worried about sticky inflation, energy prices and financial conditions, or more open to future easing if growth and labour data soften.
Microsoft, Meta, Amazon and Apple earnings	This is the real AI capex test. Investors will look for cloud growth, AI monetisation, margins, data-centre spend and whether management teams can explain the return on investment clearly enough.
U.S. PCE inflation	PCE is the Fed's preferred inflation measure, so it matters for rate pricing. A soft print keeps the policy-relief narrative alive. A sticky print makes high valuations and heavy capex harder to defend.
U.S. Q2 GDP	GDP will show whether the U.S. economy is still expanding with enough momentum to support earnings, or whether growth is becoming more fragile under the surface.
Eurozone inflation and growth data	Europe is valuation-sensitive and politically fragile. Inflation, GDP and fiscal credibility matter together, especially with France now under closer market scrutiny.
Oil and Middle East headlines	Any escalation can quickly feed into inflation expectations, shipping costs, consumer confidence and bond yields. Oil remains the macro risk that can interrupt almost every other narrative.
AI equity breadth	Watch whether weakness stays concentrated in the more expensive or execution-sensitive names, or spreads into the highest-quality mega-caps. Narrowing breadth would suggest the market is becoming more selective, not simply more bearish.

Unhedged Commentary

France and the maths of credibility



France's public finances meet the bond market's credibility test.

The broader market usually starts caring about sovereign debt too late. For years, France's public finances have looked uncomfortable but manageable. High spending, modest growth, recurring deficits and a rising debt ratio were not new. Markets knew the story. They priced it, complained about it, then moved on, because well, it's France, and they're solid enough.

The problem is that the maths is changing. France ended 2025 with a general public deficit of €152.5bn, equal to 5.1% of GDP, and public debt of €3.46tn, or 115.6% of GDP. Interest expenditure rose to €64.7bn, up 11.2% year-on-year, and now stands at roughly 2.2% of GDP.

France is not running out of buyers tomorrow. The average maturity of its debt means higher rates feed through gradually rather than all at once. But gradually is not the same as harmless. The issue is the direction of travel. When debt is high, growth is weak and interest costs are rising, the bond market starts asking a different question. Not "can France pay next month?" but "what is the credible path from here?"

That question is becoming harder to answer. Growth is low, the deficit remains well above 3% and debt is forecast to move above 120% of GDP. Ageing, defence, climate investment and energy security all require money. Politics makes hard trade-offs difficult. And markets are less patient when higher yields offer them alternatives.

This is not a Greece-style story. France is larger, richer, more diversified and central to the euro project. It also benefits from a deeper bond market and the broader architecture of the eurozone, not to mention a rather patriotic community of banks that make sure its standing in markets is sound. Still, even the French are not immune from bond worries. In some ways, its size is exactly why it matters.

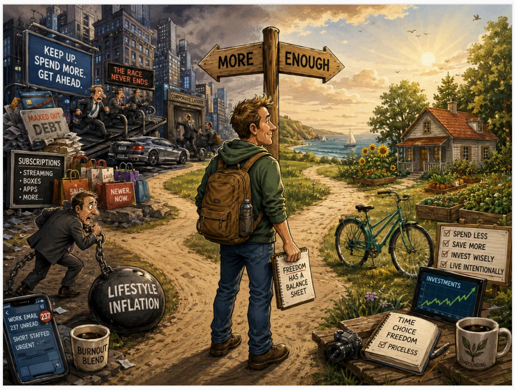
A French fiscal scare would not stay French for long. It would move through OAT-Bund spreads, bank balance sheets, insurers, utilities, infrastructure assets, corporate funding costs and the wider credibility of the euro area. France is too big to be treated as a local problem. Just like its banking community loves France and helps it, so does the sovereign.

What should France do? Not panic, and not pretend. The answer is not blunt austerity for its own sake (especially because in France, the mere mention of the word austerity would cause more in losses due to protests and riots than the state would save). Cutting productive investment would be a mistake. So would relying mainly on temporary tax rises in a country where the tax burden is already high. The better answer is harder: a credible multi-year fiscal plan, slower current spending growth, reform of ageing-related expenditure, fewer inefficient tax breaks, protection of investment that improves productivity, and structural reforms that make it easier for companies to grow. It's the boring, sensible answer, but also the one that has legs.

The bond market does not need France to become Germany overnight. It needs evidence that the trajectory has changed.

Our read: France is not on the edge of a euro crisis today. But it is on a collision course with the question that eventually catches every high-debt economy: who is paying, when, and at what cost. That question is boring only until markets decide it is not.

In Other News



The quiet rebellion of enough.

The quiet rebellion of enough

There is a growing corner of the internet built around four letters: **FIRE**. Financial Independence, Retire Early.

The idea is simple enough. Save aggressively. Invest consistently. Avoid lifestyle inflation. Build enough financial independence that work becomes a choice rather than a necessity. For some, the dream is to retire in their 30s or 40s. For others, it is less dramatic: work less, choose better, own their time, and stop running a life that only makes sense if income keeps rising forever.

It is easy to mock. Some of it can sound extreme: spreadsheets for happiness, lentils as a lifestyle strategy, and a suspicious amount of content about compound interest. But underneath the optimisation culture is a serious question: how much is actually enough?

That question matters because modern life is very good at expanding the definition of need. Bigger house. Better car. More holidays. Better restaurants. More subscriptions. More status. More everything. The problem is that "more" often comes with a hidden invoice: more stress, more fixed costs, more dependence on income, and less room to make choices.

FIRE is not really about doing nothing. At its best, it is about reducing the number of things that own you. Less can be more because fewer obligations can create more freedom. A lower cost base gives you more options. A simpler life gives you more resilience. A smaller ego makes it easier to walk away from things that look impressive but feel empty.

There is a business lesson here too. Companies make the same mistake individuals do. They confuse growth with progress. They add products, markets, headcount, software, offices and complexity, then wonder why everything feels heavier. Revenue may be higher, but so is the break-even point. The organisation becomes more successful on paper and less free in reality.

The best operators understand the power of enough. Enough cost discipline to survive a downturn. Enough focus to avoid chasing every opportunity. Enough margin of safety to make decisions calmly. Enough clarity to say no.

That does not mean ambition is bad. FIRE without purpose can become another optimisation trap. Businesses that only cut and never build become small for the wrong reasons. The point is not to worship minimalism. The point is to understand the trade-off.

More is not always more. Sometimes more is just a longer chain. The real lesson from FIRE is not that everyone should retire at 40. It is that freedom has a balance sheet. The fewer things that depend on everything going perfectly, the more choices you have when life does not.

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