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BULL & BEAR RESEARCH

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Equities Outlook

Nasdaq Heads for Record as Treasury Yields Climb Near Past Highs

American stocks rallied on Monday, with the Nasdaq Composite Index closing at a record high. Nvidia, the world's most valuable company by market capitalization, also climbed toward its all-time high of ~$237. Also on Monday, the AI sector saw positive performance alongside news of engineering firm Schneider Electric buying American software company PTC as part of efforts to expand its product offerings for industrial artificial intelligence use.

PTC saw its stock price surge over 30%, making it the best-performing stock in the S&P 500. In addition, the 10-year increased to around 5.35%, approaching a multidecade high. The increase was driven by positive economic news and worries surrounding persistent inflation. Additionally, the FX market witnessed the U.S. dollar strengthen to near an 18-month high against a basket of currencies.

Elsewhere in the financial world, Brazilian equities witnessed a sharp rise, while the Brazilian real appreciated over 4% against the dollar following Flávio Bolsonaro's first-place finish in the first round of Brazil's presidential election, ahead of incumbent President Luiz Inácio Lula da Silva.

Looking ahead, investors will be watching whether rising Treasury yields begin to weigh on equity valuations, particularly among the high-growth technology names that have powered the Nasdaq's advance. Among small caps, the Russell 2000 finished at 2,806.98, while overseas, the FTSE 100 closed at 10,552.05 and the Nikkei 225 at 69,030.92. In commodities, WTI crude settled at $91.85 per barrel.

Metric	10/9/26 Close
S&P 500	7,811.54
DJIA	51,654.95
NASDAQ	27,366.17
Russell 2000	2,806.98
FTSE 100	10,552.05
Nikkei 225	69,030.92
WTI Crude	$91.85
10-yr Treasury	5.24%

AI Is Squeezing Out the Rest of Equities as Rates and Oil Prices Rise

AI has become a major driving force in financial markets, with its influence on stock performance becoming increasingly apparent. What initially sparked this trend was when the 10-year Treasury yield climbed from 4.70% to 5.31%. On the surface, it appeared as if there was no issue, as the S&P 500 index stayed relatively unchanged, and the Nasdaq 100 actually increased by roughly ~3%. However, after looking deeper, it turns out that almost 80% of stocks in the S&P 500 index declined. Furthermore, out of the eleven different sectors that make up the S&P 500 index, only two experienced positive returns. These two sectors were AI-related or involved in operating data centers.

Recently, the United States economy has performed rather well, growing at a 3.7% annualized rate in Q3 based on estimates from the Atlanta Federal Reserve Bank's GDPNow forecast. This strong growth could make the Fed more comfortable with raising rates. Higher rates would mean more expensive borrowing, and in turn, any firm that isn't linked to AI technology would be forced to confront growing interest charges, increasing energy expenses, and competition from rival firms attempting to lure away workers and capital.

According to Arend Kapteyn, chief economist at UBS's investment bank, capital expenditure outside of AI "is running at zero." We believe this trend is worth monitoring closely. While the major indexes have held up well, the gap between AI-related stocks and the broader market suggests that recent gains have been driven by a relatively small group of companies. Should rates remain elevated, firms outside of AI may continue to face pressure from higher borrowing and energy costs. At the same time, an improvement in market breadth could create opportunities in sectors that have lagged. We will continue to track how these dynamics develop in the coming months.

Sources: Bloomberg, The Wall Street Journal

Luxury Stocks Trade at Fast-Fashion Valuations as Growth Model Fades

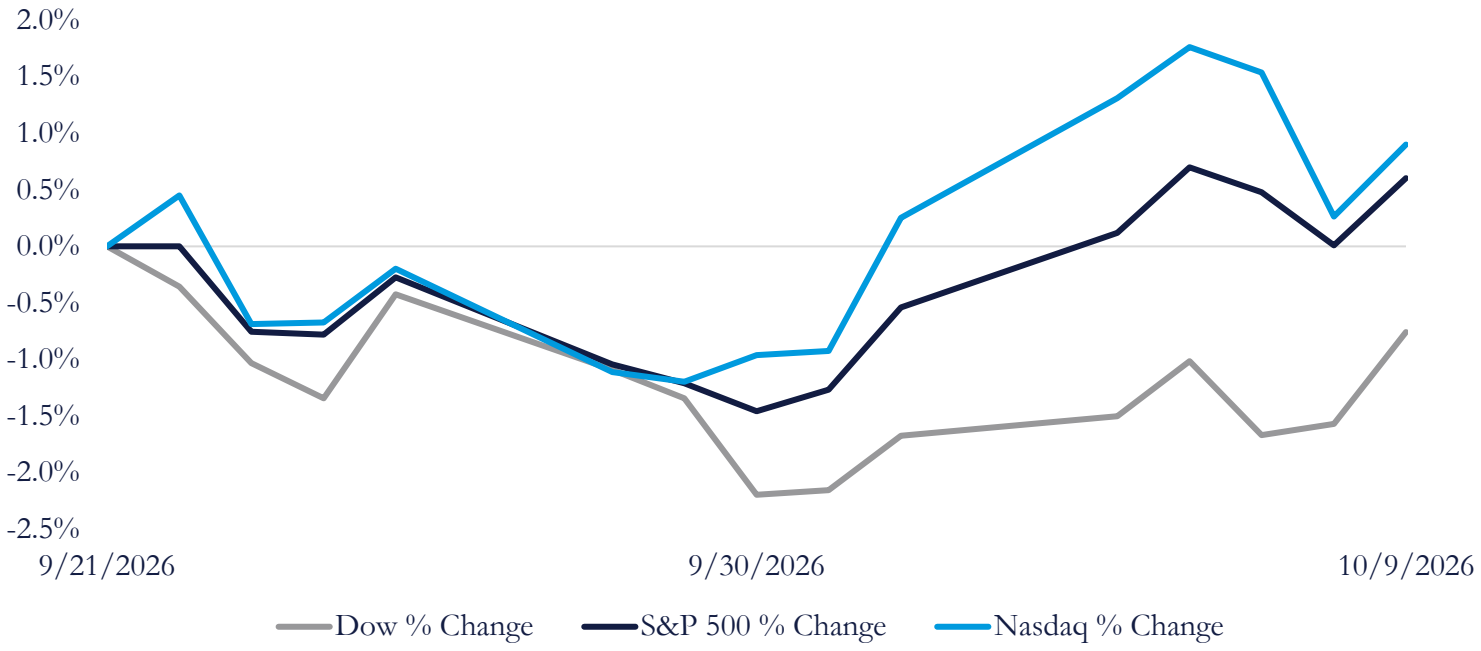
Currently, luxury companies such as LVMH (Louis Vuitton) and Prada have shares valued 30% lower compared to fast-fashion companies such as Inditex (Zara). Despite this, investors are not interested in buying shares, which could indicate that luxury brand names may become much less relevant. Over the past three years, sales in the luxury market have been constant, and thus it seems unlikely that this sector will return to an annual growth rate of 8%.

There are two primary factors reducing the appeal of luxury brands to investors. Firstly, concerns arise around consumer spending from Chinese citizens, as the economic growth rate has fallen below 1% per month for five consecutive months now. In addition, property prices in China are said to be 40% lower than the peak recorded before Christmas in 2021. Consumers then feel the pressure of inflation and end up buying fewer luxury items. Another demographic to consider is Europeans and Americans belonging to the middle class, as their rising electricity bills and various other banking expenses have also lowered consumer spending. For luxury corporations such as Louis Vuitton, this proves to be a challenge, as over 50% of their profits are derived from the middle class. Even at cheaper valuations, these luxury stocks cannot sustain the same growth that originally attracted investors

.

We believe the challenges facing the luxury sector reflect a broader shift in consumer conditions. With demand softening among both Chinese and middle-class consumers, lower valuations alone may not be enough to draw investors back. The sector's reliance on middle-class buyers makes it particularly sensitive to inflation and rising living costs. We will continue to monitor consumer spending trends in China, Europe, and the United States for any signs of a recovery in demand.

UNITED STATES STOCK INDEXES (SEPT 21 – OCT 9)



Note: % Change Based on Adjusted Closing Prices

Sources: The Wall Street Journal, Yahoo Finance

Fixed Income Outlook

Long-Term Treasury Yields Sees Record High with Persistent Inflationary Pressure

U.S. Treasury yields rose to levels not seen in over two decades. The 10-year yield reached 5.31%, its highest close since April 2002, and the 30-year yield reached 5.66%, its highest close since May 2002. Meanwhile, shorter-term yields moved far less, with the 2-year Treasury remaining around 4.83%. While 2-year Treasury yields may continue to rise until economic data weakens, the difference between short- and long-term yields suggests that the recent bond sell-off is not driven solely by expectations for Federal Reserve policy. Instead, investors are now demanding additional compensation, also known as a term premium, for the risks associated with holding long-term government debt.

Several factors can be seen as contributors to this shift. Oil prices remain elevated due to the ongoing Middle Eastern conflict, creating concerns that high, volatile energy costs could keep inflation above the Fed's target. Simultaneously, the U.S. economy continues to expand. September's ISM services index was marked at 54.9, remaining above 50, which depicts continued growth in the service sector. These conditions will reduce the chances of monetary easing. However, the particularly sharp increase in longer-term yields also reflects concerns about fiscal sustainability and the large amount of Treasury debt that markets will need to absorb over the coming years.

The effects extend beyond government bonds. Higher Treasury yields increase the benchmark cost of capital throughout the economy, resulting in higher borrowing costs for mortgages, corporate debt, and investment projects. They can also create pressure on equity valuations since higher risk-free rates decrease the current value of future corporate earnings. This impact can be especially vital for growth and technology companies because their valuations depend heavily on profits expected well into the future rather than on current earnings.

The broad takeaway is that the market is beginning to distinguish between interest-rate risk and fiscal risk. Even if inflation moderates and the Fed stops monetary tightening, long-term yields could remain elevated if investors continue demanding greater compensation for fiscal uncertainty and Treasury supply. This can possibly create a persistently higher cost of capital for both businesses and investors, even if the broader economy begins to slow.

Corporate Bonds Expected to Outperform Treasuries as Tech Borrowing Slows

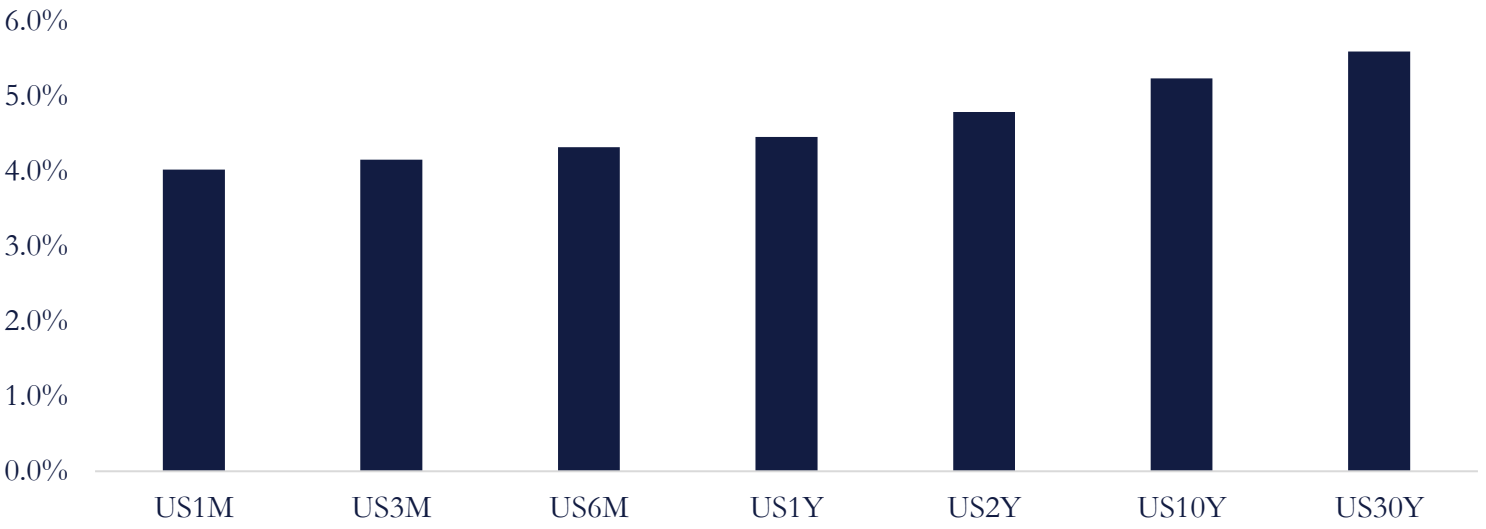
Treasury yields are near their highest levels since 2002, but J.P. Morgan strategists expect U.S. investment-grade corporate bonds to outperform Treasuries in the fourth quarter. Corporate bond prices should be more stable than Treasuries because their yields will rise less if rates keep climbing. The bank expects the credit spread to narrow to about 0.73% points on the Bloomberg U.S. corporate index from 0.82 at the Oct. 2 close. This prediction stems from slowing bond sales from big tech companies and strong corporate earnings.

JPMorgan also predicts that interest-rate volatility will decrease, bringing stronger domestic and foreign demand. Large buyers like pension funds and foreign central banks tend to hold off when rates swing sharply and return once yields stabilize. Hyperscalers, the large cloud and technology companies, may still sell another $50 billion of bonds this year, but that is relatively small compared with how much these companies have already sold. The bank also expects about $305 billion of new corporate bonds for the rest of the year, making the fourth quarter the slowest of 2026. With more buyers and less new bonds, corporate bond prices should hold up, which is why bank expects spreads to narrow.

When looking across the bond market, JPMorgan strategists called U.S. investment-grade bonds "the best house on a bad block," meaning corporate bonds are the strongest option in a weak bond market. They add that the higher yields driven by strong economic growth carry significantly more positive implications for corporate earnings than other fixed-income assets like mortgage-backed securities and municipal bonds. Overall, our sentiment sees corporate bonds in a stronger place than the rest of the bond market through year-end.

Sources: Bloomberg, The Wall Street Journal

UNITED STATES TREASURY YIELDS (IN %)



Note: As of 10/9/26

Oil Prices and Inflation Concerns are No Longer Sole Pirce Drivers of Bond Market

Rising oil prices and inflation concerns appear to be major triggers for the recent global bond market selloff. However, government debt has become an equally important factor. Although higher energy prices triggered increased expectations of inflation and tighter monetary policy, disparities in bond-market performance among countries suggest that inflation alone cannot explain the recent movements. Instead, investors appear to be increasingly sensitive to governments' fiscal positions.

During the third quarter, the U.S. 10-year Treasury yield increased 83 basis points, its largest quarterly increase since 1994. France and Italy experienced even larger increases of approximately 1.29% and 1.28% points, respectively, with both countries also being among the largest government debt holders. Italy's debt stands at approximately 149% of GDP in 2025 and France's at 117%, compared with 126% in the U.S. Meanwhile, countries with lower debt-to-GDP ratios, including Germany, Canada, and the U.K., generally experienced smaller increases in bond yields. The pattern suggests that investors are demanding higher returns from governments facing fiscal risk.

This relationship is important because high debt can create a cycle. When investors demand higher yields, governments must refinance debt at higher interest rates, increasing future interest expenses and potentially worsening deficits. That cycle of deterioration can then cause investors to demand an even bigger risk premium, creating a continuous loop. France demonstrates how political uncertainty can amplify this process, as concerns surrounding its budget and future elections continue to contribute to widening spreads against German bonds.

Japan, however, provides an exception. Despite gross government debt exceeding 200% of GDP, its 10-year yield only increased around 0.4% points during the quarter. However, this fails to take into account Japan's significant financial assets and a comparatively small current government deficit, which makes its fiscal position more sustainable than surface-level debt-to-GDP ratios suggest.

The key takeaway is that fiscal credibility is gradually becoming vital for investors. Oil prices may have initially triggered the selloff, but concerns over government finances can prevent yields from returning to previous levels even after energy prices eventually decline.

Sources: Bloomberg, The Wall Street Journal

Fiscal/Monetary Policy Outlook

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Fred's Additional Rate Increase Might be On a Hold For Now

While the bond market is facing record-high rates as inflationary pressure remains, Federal Reserve officials are signaling that another interest-rate increase may not be necessary at the October meeting. Vice Chair Philip Jefferson argued that policymakers need additional economic data and time before determining whether further tightening is appropriate. New York Fed President John Williams also stated earlier that there is "no need for urgency," with Vice Chair for Supervision Michelle Bowman expressing a similar position. These comments together significantly reduce market expectations for an October rate increase.

Yet, opposing arguments still exist. Dallas Fed President Lorie Logan claimed that the central bank may still need at least another 0.50 basis points of rate increases to prevent inflation from remaining above the Fed's 2% target. Logan also emphasized the distinction between the causes of rising yields: expectations of Fed rate hikes or investors' increased demand for a higher term premium. The latter can directly slow down the economy, diminishing the need for additional Fed action.

The Fed is currently handling an unusual situation: financial markets might already be tightening monetary conditions independently. The 10-year Treasury yield climbed from roughly 5.00% at the September Fed meeting to around 5.31% by October 5th. Higher long-term yields increase mortgage, corporate, and other borrowing rates, inevitably discouraging consumption and investment in the economy. Therefore, if rising yields reflect a higher term premium, the bond market may effectively perform some of the Fed's tightening without another rate increase.

Overall, the Fed appears increasingly willing to wait for additional data, particularly because rising long-term Treasury yields are already tightening financial conditions. This shift directly impacted the bond and commodities markets.

Weak September Jobs Report Eases Rate-Hike Fears and Sparks a Stock Rally

September saw an increase of about ~29,000 jobs added to the U.S. economy. Even though these numbers missed expectations, they fared much better than in August. The stock markets reacted positively to these job numbers, as seen with the Nasdaq increasing 1.2%, the S&P 500 adding 0.7%, and the Dow Jones gaining 0.5%. Based on the increase in jobs, investors expected that the Fed would not increase interest rates, with the current probability of the Fed maintaining its interest rates sitting at around 77%, according to CME FedWatch.

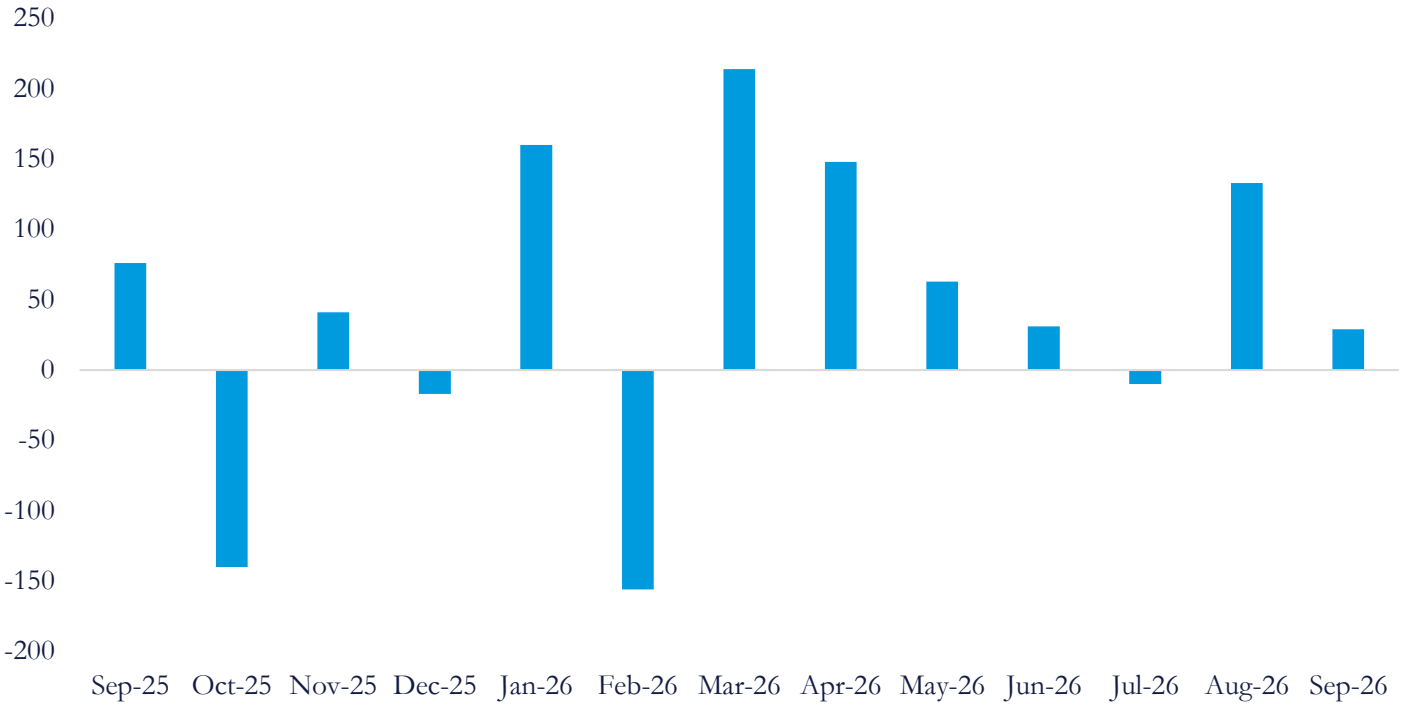
Prior to the rally, September was marked by volatile trading for stocks, especially the S&P 500 and Dow Jones indexes, which ended the month below where they began. The primary reason for the decline was a sell-off in bonds because of rising crude oil costs, growing deficits, and overall strength in the economy. For example, early in the week, yields on 10-year Treasuries reached levels last seen in 2002 before coming back down slightly on Friday morning, yet finishing above previous levels.

As Thomas Urano from Sage Advisory states, this relief rally "does not change the fundamentals driving the bond yield higher." Robert Schein from Blanke Schein Wealth Management says, "right now we are living in the Goldilocks world, unless things deteriorate further."

Taken together, these views suggest that while the softer jobs data offered short-term relief, the broader pressures on yields remain in place. Investors will likely look to upcoming inflation reading and the Fed's next meeting for direction. Until then, markets may stay sensitive to signs that economic strength or energy costs could keep rates elevated.

Sources: CME FedWatch, The Wall Street Journal

U.S. NONFARM PAYROLLS (MONTHLY CHANGE, THOUSANDS)



Mortgage Rates Climb to 7.40%, Highest Since 2023

Last week, mortgage rates jumped from 7.03% to 7.28%, the largest weekly increase since October 2022, with the 30-year fixed-rate mortgage climbing to 7.40% on October 8th. The rise is being driven by the bond market selloff, which the housing market feels faster than almost any other part of the economy. Investors have been selling bonds over worries about inflation, rising government debt, and heavy borrowing by tech companies to fund AI. That selling pushes bond prices down and yields up, and the 10-year Treasury yield recently hit its highest level since 2002. Since mortgage rates closely track the 10-year Treasury yield, borrowing costs for homebuyers have climbed with it.

Mortgage rates spiked similarly in 2022, when post-pandemic inflation pushed rates above 5% for the first time in years and froze the housing market. Mortgage rates fell below 6% earlier this year, but the ongoing Iran war has pushed them higher as investors worry about sticky inflation. Buyers are already pulling back, with mortgage applications falling 6% in the week ending Sept. 25, the fourth straight weekly decline. Now, with mortgage rates at their highest since 2023, fewer buyers are expected to enter the market, and some sellers may decide to wait.

Higher rates could also worsen the lock-in effect. Homeowners with low mortgage rates have little reason to sell, since buying a new home would mean taking on a loan at a much higher rate. Since the pandemic, that has kept many owners from listing their homes, but it had started to ease, with inventory approaching pre-pandemic levels in August. Rates above 7% could reverse that progress. With buyers squeezed and sellers holding onto low rates, the housing market could stay frozen.

The direction of mortgage rates will likely depend on whether Treasury yields continue to climb or begin to stabilize. Any easing in oil prices or inflation could offer some relief to buyers, while continued pressure in the bond market may keep borrowing costs elevated. For now, affordability remains one of the biggest challenges facing the housing market heading into the end of the year.

Sources: The U.S. Bureau of Labor Statistics, The Wall Street Journal

Commodities Outlook

G7 to Release 100 Million Barrels as Diesel Prices Stay Near Record Highs

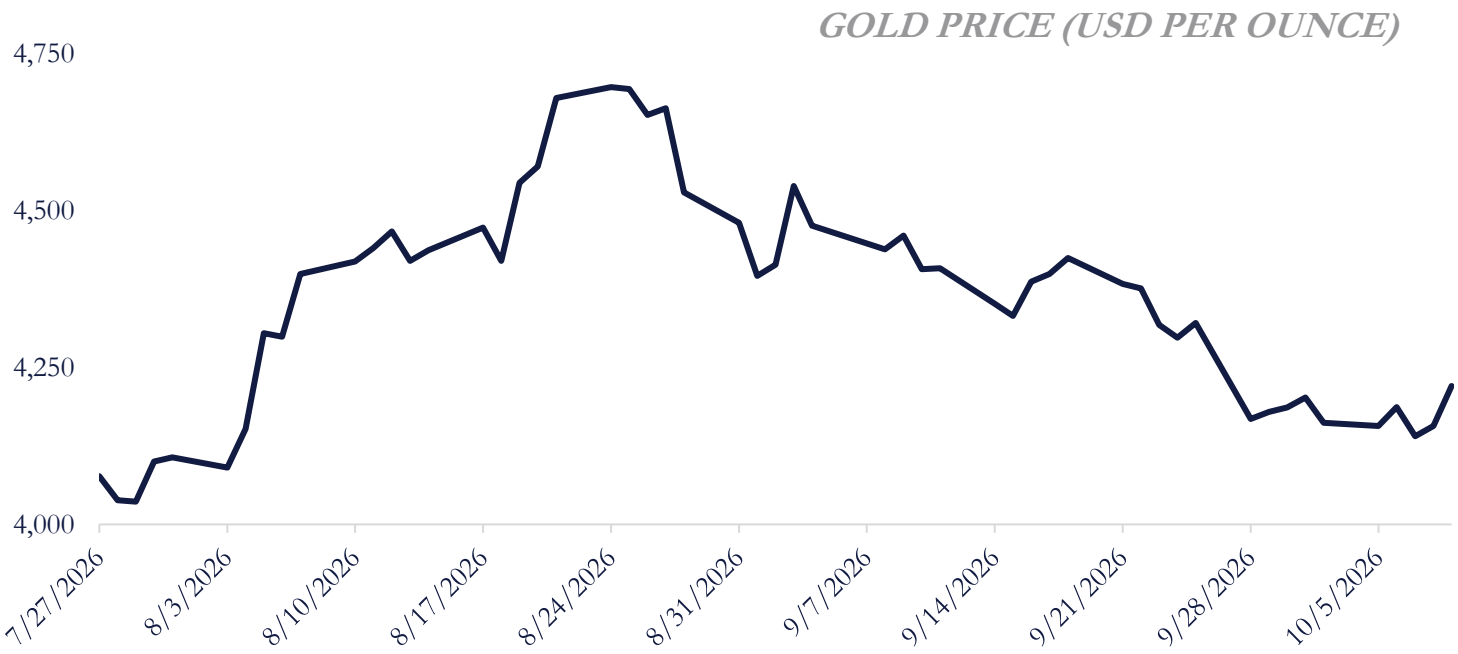
On October 2nd, the Group of Seven nations, made up of France, Canada, Germany, Italy, Japan, the United Kingdom, and the United States, agreed to release 100 million barrels of oil and fuel from emergency reserves to bring down surging diesel prices. G7 leaders said the release would begin immediately and run over four months through the International Energy Agency, with a large share of diesel coming in the first 20 days. Diesel supply has faced tremendous constraints as Ukraine strikes Russian refineries and the Iran war disrupts Middle East shipments. U.S. diesel prices hit record highs in September and were still averaging $6.37 per gallon on October 2nd.

Europe has been pressured by the Trump administration to release diesel stocks as an alternative to the U.S. imposing an export ban. The U.S. is the world's largest diesel exporter and supplied about half of the European Union's diesel imports in August, so a ban would have cut off a major source of Europe's fuel. The G7 leaders, however, agreed on October 2nd to "refrain from export restrictions on energy and energy products" and called on all producers to refrain from imposing bans that could "exacerbate market tensions."

The pressure on Europe traces back to March, when IEA members agreed to make about 400 million barrels of crude oil and refined products available after the Iran war disrupted supply. The U.S. pledged 172 million barrels, all of it crude, while Europe pledged about 107 million, 68% of it refined fuel. U.S. Energy Secretary Chris Wright said in late September that several European countries had released "only a fraction" of what they pledged. Overall, the release should ease prices in the short term, but diesel prices are expected to remain elevated through 2027.

Gold Prices Return to One-Week High Following Significant Pressure

Gold prices rebounded on October 9th following seven-week lows as U.S. Treasury yields declined and the dollar weakened. Spot gold increased around 1.4% to approximately $4,190 per ounce, while U.S. gold futures also increased. The rebound followed significant pressure on gold earlier this week. Shifting expectations for the Fed's policy were a primary driver of the recovery in gold prices. While investors had previously expected the Fed to continue its hawkish stance as inflation concerns remained high, more recent comments from Fed officials suggested a potential wait for more data and confirmation before implementing another increase. A decline in expectations for an immediate rate hike led to Treasury yields easing, improving demand for precious metals.



Note: Gold Futures (GC=F) closing prices, Jul 27 – Oct 9 , 2026

Sources: CNBC, EIA, Yahoo Finance

Fred's Additional Rate Increase Might be ON a Hold For Now

The movement in Treasury yields is especially important for gold prices since gold does not generate interest income as bonds do. A rise in government bond yields allows investors to receive higher returns from Treasurys, making non-yielding assets such as gold less attractive. The current weaker position of the U.S. dollar also supported gold, as dollar-denominated commodities such as gold appeared less expensive for international buyers using other currencies.

Nevertheless, gold continues to be in a vulnerable position, facing competing forces. Persistent inflation and the chances of additional tightening from the Fed still remain despite current shifts, yet geopolitical uncertainty and concerns about government debt could provide additional support. Overall, the recent rebound reflects lower Treasury yields and reduced expectations for another rate increase in October rather than a major change in economic outlook.

Tariff Uncertainty Pulls Copper Into the U.S., Squeezing Global Supply

In 2025, Trump imposed a 50% tariff on imports of semi-finished copper products, but it did not include refined copper, the raw metal manufacturers use. Instead, he ordered a study on whether refined copper should be taxed, and still no decision has been made. This uncertainty has caused many U.S. buyers to stockpile copper due to the possibility of a future tariff. The U.S. now holds as much as 2 million tons, according to BMO Capital Markets.

Once copper reaches U.S. warehouses, it's difficult for global buyers to access some of the supply. Analysts are still working out how much metal is tied up in inventory. Deutsche Bank's Daniel Ghali estimates the U.S. and China, which has been stockpiling copper for years, will have removed about 70% of global inventories from the market by year-end. Rising demand from copper-heavy industries such as data centers, grid upgrades, and electric cars is also pushing prices higher, and that demand is expected to keep growing for decades. Copper futures are up more than 16% this year.

There are currently other efforts to boost U.S. copper supplies, like mining projects, new refineries, and a new government-supported stockpiling program. All of these are long-term efforts, and the ambiguity around copper trade policy has been an indirect short-term strategy that has given the U.S. an abundant supply. A Goldman Sachs analyst wrote in late September that the tariff threat achieves a "national-security objective" by pulling copper into the U.S. without large government purchases or immediate cost increases for U.S. manufacturers.

M&A Environment

North American M&A Drops 23% in Third Quarter as Global Deal Activity Cools

Over the first nine months of the year, global M&A volumes rose by 27% to $4.44 trillion, largely due to a surge in AI dealmaking. Around 43% of total deal volume came from the second quarter, including OpenAI's $122 billion fundraising rounds, which helped drive deal activity. However, despite the first two quarters' success, North American M&A dropped 23% in the third quarter to $560 billion, signaling that the momentum seen earlier in the year may be beginning to cool. The third-quarter slowdown reflects a combination of higher borrowing costs, geopolitical uncertainty in the Middle East, and heightened safety concerns around developing AI models. During the third quarter, only six megadeals worth $10 billion or more were completed, compared to 19 deals completed in the second quarter. This drop is significant considering that megadeals have been a major driver of M&A activity this year, particularly within the technology sector, and only Nvidia's $12.9 billion acquisition of the AI platform Hugging Face landed in the third quarter. Despite fewer deals being completed this year, global deal volumes are up by almost $1 trillion compared to 2025. This signifies that M&A activity has primarily been driven by much larger deal transactions, rather than an increase in the number of deals completed. Evidently, megadeals have accounted for around 35% of total deal volume.

Sources: Bloomberg, The Wall Street Journal, Yahoo Finance

The sharp plunge between the second and third quarters also highlights how quickly investor and corporate sentiment around AI investments and large deals can shift. Earlier in the year, AI helped fuel the surge in dealmaking, but new concerns surrounding safety, high valuations, and financing costs have made companies more cautious and chilled the M&A environment. The remainder of the year will show whether this third-quarter slowdown is temporary or signals a more cautious M&A environment moving forward.

Schneider Electric to Acquire PTC in $22.6 Billion Deal

French energy technology and industrial automation group Schneider Electric has agreed to acquire Boston-based software company PTC in a $22.6 billion all-cash transaction. Expected to close by the third quarter of 2027, the acquisition accelerates Schneider Electric's expansion into the industrial software and AI space. Upon the deal announcement, PTC shares surged 35%, putting it on track for the S&P 500's largest percentage age increase of the day. Schneider Electric offered PTC shareholders $205 per share, representing a 42% premium to its previous closing price. PTC's CEO Neil Barua emphasized that this transaction was intended to maximize shareholder value, with the acquisition premium providing a direct and immediate benefit to PTC investors. Following the acquisition, software and services are expected to account for approximately 24% of Schneider Electric's total revenue, bringing together more than 15,000 software employees and over 50,000 software customers. PTC specializes in industrial design and product lifecycle management software, meshing well with Schneider Electric's existing energy and automation operations. Together, these factors allow Schneider Electric to provide more comprehensive solutions across the manufacturing industry as demand for industrial AI continues to increase. While the acquisition provides strategic benefits and opportunities for growth, Schneider Electric will take on additional financing commitments as it plans to finance the all-cash transaction through new debt and equity. The company expects to raise approximately €16–17 billion in new debt, along with €5–6 billion through equity issuance. By the third year following the acquisition, Schneider Electric expects approximately €800 million in revenue synergies and €250 million in annual cost savings, primarily through joint market initiatives, broader geographic reach, and the development of combined digital solutions. Overall, the deal positions Schneider Electric to capitalize on the growing demand for industrial AI while expanding its global reach in the software space.

Piper Sandler in Talks to Acquire Perella Weinberg to Expand M&A Advisory Business

Middle-market investment bank Piper Sandler has been in talks to acquire advisory firm Perella Weinberg in a potential deal that would combine two Wall Street firms with established M&A advisory businesses. According to The Wall Street Journal, Piper Sandler has a market valuation of approximately $5 billion, while Perella Weinberg is valued at around $1.4 billion. Although discussions about this acquisition are still ongoing and no agreement has been officially finalized, the potential acquisition shows Piper Sandler's efforts to expand its client base and advisory capabilities to better compete against larger investment banks for major M&A transactions. Strategically, the acquisition would allow Piper Sandler to expand its advisory capabilities by combining its existing investment banking operations with Perella Weinberg's expertise in mergers and acquisitions and corporate restructuring. Bringing together the two firms could strengthen Piper Sandler's ability to compete for large advisory deals while expanding its overall presence in the investment banking industry. Despite the potential benefits of the deal, investors have reacted cautiously, with Piper Sandler shares falling nearly 10% following the news of the potential acquisition. Because the discussions remain in the early stages and no agreement has been finalized, uncertainty around the transaction, among other factors, has added volatility to the stock. Perella Weinberg has also faced financial challenges, with annual revenue declining from a record $878 million in 2024 to approximately $750 million in 2025.

Sources: Bloomberg, The Wall Street Journal, Yahoo Finance

Analysts at Bank of America have suggested that the acquisition could make financial sense for Piper Sandler but have also raised concerns about the cultural challenges of integrating the two firms. Specifically, Bank of America highlighted the importance of retaining Perella Weinberg's 67 advisory partners, as losing key employees and their established client relationships could undermine the potential benefits of the acquisition.

C.H. Robinson to Acquire RXO for $5.8 Billion Amid Freight Industry Downturns

America's largest freight broker, C.H. Robinson Worldwide, is acquiring rival RXO in a $5.8 billion deal. Expected to close in the first half of 2027, the acquisition will make C.H. Robinson the fifth-largest third-party logistics company in the world by annual revenue at $25 billion, with the deal also expected to generate $300 million in annual savings within two years of closing.

The acquisition comes as the freight industry continues to struggle with weak shipping demand and excess trucking capacity that have pushed freight rates lower and pressured brokers' profits. Acquiring RXO will help C.H. Robinson navigate these conditions, with RXO providing a larger pool of manufacturers and expanding its specialty customer base of packaging, retail, and electronics shippers. The combination of both companies is also expected to give C.H. Robinson greater buying power for trucking capacity, strengthening the company's position as the freight market continues to face excess capacity.

Following the acquisition announcement, investors had mixed reactions, with RXO shares rising more than 20% while C.H. Robinson shares fell around 11%. The difference in reaction reflects the immediate benefit for RXO shareholders compared to the larger financial burden C.H. Robinson will soon take on. There is additional financial risk at play as C.H. Robinson plans to fund the cash portion of the acquisition through cash on hand along with taking on new debt, creating additional financial obligations for the company. Despite the initial market reaction, the acquisition gives C.H. Robinson an opportunity to strengthen its use of AI, with access to RXO's data expected to improve the speed and precision of its existing AI models. Ultimately, the deal positions C.H. Robinson to use greater scale and AI to navigate the freight downturn and further solidify its position as a dominant player in the freight industry.

Trade of the Week

Long German Industrial Equities – Dhilan Vyas

German industrial equities present an attractive medium-term investment opportunity, supported by expanding fiscal spending, improving earnings expectations, and relatively cheap valuations. Three key drivers support this view: growing government expenditures in Germany; rising earning estimates due to improved conditions; and cheap valuations. Historically, European equities tend to be trading at a discount to the US; however, the increasing trend toward government spending in Germany may create a major driver of industrial growth.

Government expenditure is increasing significantly in Germany. This spend will be focused on: infrastructure; defense; and domestic production. Unlike other developed countries, Germany has more room to increase its expenditure and thus, can encourage economic growth. The direct beneficiaries of this increased government expenditure include companies involved with government contracting and capital investments. As government stimulus flows through the economy, industrial demand is anticipated to grow and revenue and earnings for the industrial sector will follow.

Sources: Bloomberg, The Wall Street Journal, Yahoo Finance

This expectation is supported by data from Goldman Sachs which states that estimate revisions for German companies benefiting from fiscal spending have grown by roughly 13-14% compared to historical averages. Also, German manufacturing PMI numbers are outpacing PMI number increases in the United States, indicating increasing industrial momentum. Additional earnings growth is anticipated for companies benefiting from increasing government expenditure in Germany within the next 1-2 years.

Valuation presents another positive aspect of investing in German industrials. Although the earnings of these companies are expected to rise significantly, the valuation of these companies has declined by more than 20%, and they currently trade at less than a 10x P/E ratio. This provides an opportunity for both earnings growth and multiple expansion as investors price in the anticipated changes to fiscal policy in Germany.

Key risks include elevated energy prices, higher European interest rates, and delays in implementing fiscal policies. However, these risks may already be partially reflected in valuations. Overall, increasing fiscal spending, improving earnings expectations, and attractive valuations support the potential for German industrial equities to outperform over the medium term.

Long Flutter Entertainment (FLUT) – Jack Whalen

Flutter Entertainment, the parent company of FanDuel, hit $73.50 on October 2nd, its lowest level since listing on the New York Stock Exchange in 2024. Flutter has been on a steep downward trend since the start of 2026 for a multitude of reasons. The emergence of prediction markets such as Kalshi has drawn bettors away from traditional sportsbooks. Kalshi is reportedly seeking a nearly $40 billion valuation in a new funding round, more than DraftKings and Flutter combined, which have a combined valuation of roughly $30 billion.

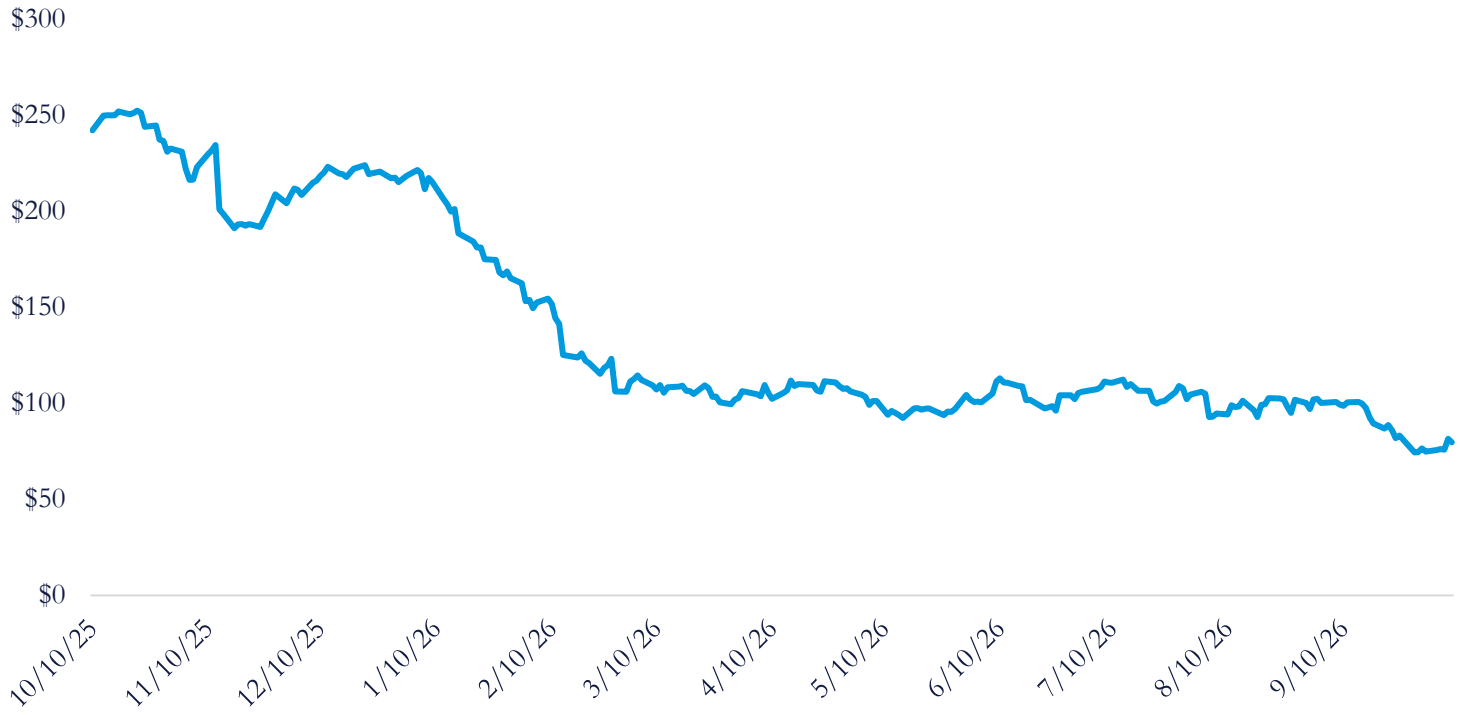
Flutter Entertainment's diversification efforts in India and Brazil have also faced major roadblocks. India passed legislation restricting online wagers last year, costing Flutter an expected $250 million in revenue in 2026. Brazil's president banned online betting in late September, potentially reducing revenue by $70 million if upheld. In addition, CEO Peter Jackson stepped down on October 1st, with Dan Taylor succeeding him.

The negative news released in short succession caused the market to undervalue Flutter as a failing sportsbook company. Flutter's market cap sits at almost $15 billion, and it trades at 0.91 times sales, down from 3.60 in June 2025, with its forward P/E falling from 33 to 13 over the same period. But Flutter isn't entirely FanDuel, as its international revenue grew 10% to $2.64 billion in the second quarter, well above the U.S. business at $1.68 billion. New CEO Dan Taylor previously ran Flutter International, which generated over $9 billion in revenue in 2025.

On October 7th, Citi upgraded Flutter from neutral to buy with a price target of $91, citing sentiment that the market was overreacting to Brazil, with the downside already priced in. With third quarter results coming November 4th in Taylor's first report as CEO, investors will get a better outlook on the future of the company. With Flutter valued at less than one year of revenue, the stock looks like a buy before then, though the rise in prediction markets and $10.5 billion in net debt remain real risks.

Sources: CNBC, European Gaming, Sportico, Yahoo Finance

FLUTTER ENTERTAINMENT (FLUT) STOCK PRICE (USD)



Note: Adjusted Closing Price, Oct. 9, 2025 – Oct. 9, 2026

Sources: Yahoo Finance