



EQUITY AND BOND INVESTORS APPEAR UNCONCERNED BY US GOVERNMENT SHUTDOWN

This week there was little reaction to the US government's shutdown. US equities were part of the global rally in risk assets and US government bonds also gained, as yields fell, as part of the general move up in developed government bond prices. The shutdown and furlough of non-essential staff means, among other things, that there is no monthly update from the federal government on employment, which was due today. As a result, the private sector ADP payroll update, which was out earlier this week, has taken on more importance. The drop in private sector jobs in September is at least partly behind this week's gains, as a 0.25% cut from the Federal Reserve is now seen as a racing certainty.

The benign market reaction is partly because the shutdown was foreseeable. At the start of the week many observers thought the shutdown would last a few days, but the consensus is now for two to four weeks. The last shutdown was in 2018 lasting 35 days. With both parties showing little signs of conceding, this shutdown's length will likely be determined by who is most worried about getting the blame.

THE MARKETS THIS WEEK

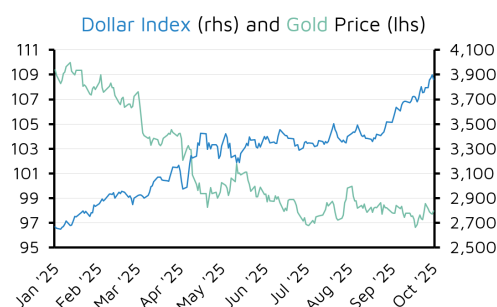
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+2.50%	+1.86%	+1.54%	+3.26%	+3.97%	-0.08%	-0.04%	-0.56%	+2.27%	+5.39%	+0.56%

US: GOVERNMENT SHUTS DOWN AS PARTIES PLAY BLAME GAME



The US government has begun temporarily laying off non-essential workers as politicians have been unable to agree on next year's federal budget. Republicans do not have enough votes to pass a short-term extension and Democrats are demanding an extension of healthcare subsidies for lower income Americans which expire this year. As many as 750,000 government employees are expected to be temporarily laid off and many may be fired instead of being furloughed.

Markets have been unaffected by the closure of parts of the US government as equities and bonds gained this week. The shutdown means the government is unlikely to publish its monthly non-farm payrolls employment data on Friday. Instead investors have been paying closer attention to the private sector ADP jobs report. This was expected to show up to 50,000 jobs created but private sector employment fell by 32,000. This caused the dollar to fall and gold extended its rally as investors grow more confident of interest rate cuts.



SK Hynix, Samsung shares and the KOSPI Index Rebased (%)



TECH: KOREAN TECH JUMPS AS OPENAI SECURES \$500BN VALUATION

Shares in SK Hynix and Samsung made further gains after they agreed to supply OpenAI with more high bandwidth memory chips. The Korean firms are among the leading producers of the powerful chips that generative AI systems need to manage the huge amount of data they process. The two firms have agreed to supply the chips as part of the construction of OpenAI's \$500bn Stargate network of data centres. SK Hynix's shares are up 12% this week and Samsung's share gained 5%. Their rise this year has helped make the Korean Kospi index one of the best performing equity markets this year.

OpenAI's valuation increased to \$500bn following a secondary share sale. However, there are more concerns about valuations of AI firms. James Anderson, former manager of the Baillie Gifford run Scottish Mortgage Trust, described the rapid rise in OpenAI and Anthropic's value as 'disconcerting'. Case in point, US start-up data centre and power provider Fermi's rise to a \$19bn valuation after its shares surged 55% on its first day on the Nasdaq index.

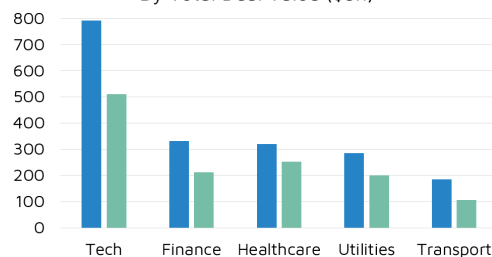
M&A: BANKS POCKET RECORD FEES AS DEALMAKING BOOMS



A consortium headed by Saudi Arabia's Public Investment Fund is taking video game maker Electronic Arts private for \$55bn. This is the largest leveraged buyout ever and it pushes the total value of mergers and acquisitions in the third quarter past the \$1tn mark. Other top summer deals include Union Pacific's \$85bn takeover of Norfolk Southern, Anglo American's \$50bn merger with Teck Resources and cyber security group Palo Alto Networks' \$25bn acquisition of CyberArk.

The volatility caused by US trade policy changes led to a stellar first two quarters for trading desks at investment banks, overshadowing dealmaking. But M&A activity has been rising throughout the year, with the total value of deals jumping 32% for the first three quarters to \$3.3tn. This is the highest amount of activity since 2021, and banks have earned \$95.4bn in fees from advising on these deals—the second-highest year-to-date total on record. The tech sector tops the deals list with finance and healthcare a distant second and third.

Top Global M&A Sectors in 2025 and 2024 By Total Deal Value (\$bn)



Data sourced from Dealogic and Investing.com

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