



## SPACEX IPO WILL TEST INVESTOR APPETITE FOR BIG TECH AS AI RIVALS ALSO PREPARE TO LIST

This week brought news of the impending IPO of Elon Musk’s SpaceX. If it achieves its rumoured valuation of \$1.75tn, it would be the seventh largest US listed company, worth more than Meta, Berkshire Hathaway and Walmart. The company remains loss making – more so since it merged with xAI – but much of its valuation is being pegged to the potential for space exploration and the massive growth of AI. OpenAI, owner of ChatGPT, and Anthropic (the company behind the popular Claude AI assistant) are also expected to seek stock market listings soon. With all three tipped for valuations above \$1tn, investor faith in AI’s ability to generate future profits will be tested. Another issue for investors to consider is concentration risk as tech stocks, specifically AI, are set to increase their domination of the US market.

Meanwhile, UK gilts rallied strongly this week after a difficult few weeks for bond investors. Weaker UK wage growth, a better (but short-term) inflation reading and lower retail sales all help reduce pressure on the Bank of England to raise rates.

### THE MARKETS THIS WEEK

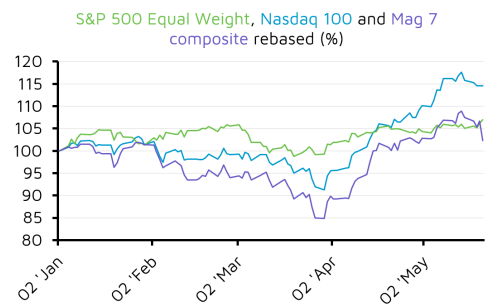
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+2.35%	+0.39%	+2.07%	+2.55%	-1.78%	-0.18%	-0.23%	-2.90%	-1.24%	+0.26%	+0.60%



#### TECH: SPACEX AND AI FIRMS SET TO LAUNCH IN US

Space exploration company SpaceX is expected to float on the Nasdaq exchange next month after the company published its prospectus. The Elon Musk-owned company is reported to be trying to raise \$75bn in the public listing. With a potential valuation of up to \$1.75tn, this would be the world’s largest IPO by some margin. The prospectus reveals large losses from the company’s space programme, as well as growing losses from its AI business. The Starlink satellite internet service is profitable and growing rapidly, but SpaceX expects most revenue growth from its AI business.

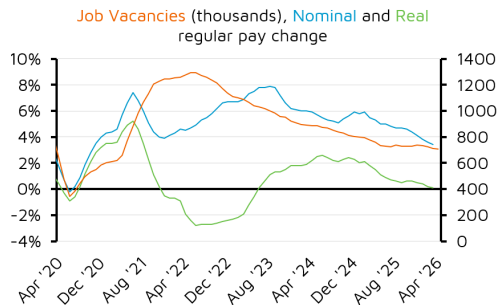
An IPO from OpenAI, the company behind ChatGPT, is also expected soon after it defeated a legal challenge brought by Musk, which would have forced it to revert to charitable status. It is tipped for a valuation of more than \$1tn. Anthropic, another AI competitor, could also make its stock market debut in the coming months. Its success in targeting corporate users means it is expected to be the first of the major AI platforms to become profitable.



#### GLOBAL: AI TAKES ANOTHER BITE FROM THE JOBS MARKET

Finance firms are joining the tech industry in using AI to cut staff. Standard Chartered chief executive Bill Winters announced the loss of 8,000 back-office jobs as it reduces employees by 15% by 2030. Morgan Stanley predicts that up to 200,000 banking jobs could be lost in Europe as AI is used to streamline many businesses.

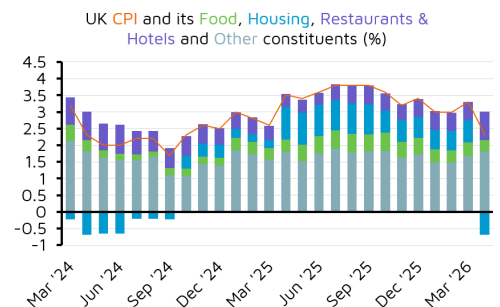
This is already an established pattern in the tech sector. So far more than 100,000 tech job losses have been attributed to AI in 2026. Firms including Intuit, PayPal, Cisco and Cloudflare have all announced redundancies due to AI. Meta became the latest firm to cut employees due to AI as it began to lay off 8,000 staff and cancelled plans to hire 6,000 people as it looks to offset the cost of AI investment and use the technology to reduce employee numbers. Meanwhile, the UK labour market has continued to cool, with vacancies falling to 705,000, their lowest level since the 2021 Covid lockdown. Private-sector wage growth also slowed to 3.4%.



#### UK: SLOWING INFLATION EASES PRESSURE ON GILTS

Headline inflation in the UK fell in April as the annual rate of CPI slowed from 3.3% to 2.8%. Core inflation (excluding volatile energy and food prices) also fell. However, the decline was helped by a big drop in domestic gas and electricity prices due to a reduction in the energy cap in April. As the cap is based on prices before the conflict in the Middle East, inflation is expected to bounce back in the coming months.

Weaker wage inflation and a slowdown in hiring may reduce pressure on the Bank of England to increase interest rates. Along with Labour leadership contender Andy Burnham’s commitment to stick with the government’s tax and borrowing rules, this helped gilts rally, and gilt yields fell back from recent highs. In contrast, US bond yields continued to rise as minutes from the last meeting of the Federal Reserve showed the bank may be more willing to hike interest rates than previously thought. The yields on government bonds from Germany, France and Japan also continued to rise as government bonds fell in value.



Data sourced from FE Analytics, Office for National Statistics

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