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Ulbrich ECONOMIC UPDATE

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EXECUTIVE SUMMARY

ECONOMY: U.S. MANUFACTURING REMAINED IN EXPANSION WHILE JOB GROWTH SLOWED SHARPLY AND INFLATION STAYED ELEVATED, as the **ISM Manufacturing PMI registered 53.3% in June**, its sixth consecutive month of expansion, though down slightly from **54.0% in May**. Factory orders fell **1.3% in May** on a collapse in commercial aircraft bookings, though **core capital goods orders rebounded 1.6%** with AI-driven investment continuing to support manufacturing demand. **Retail sales rose 0.9% in May**, beating expectations, with core retail sales up **0.7%**, while **construction spending edged up just 0.1%** as Iran war-driven mortgage rate increases weighed on new single-family housing. The labor market delivered a sharp miss, with **nonfarm payrolls rising only 57,000 in June**—well below the 110,000 forecast—and April and May revised down a combined **74,000**; the unemployment rate fell to **4.2%** but only because **720,000 people left the labor force**, pushing the participation rate to **61.5%**, its lowest since March 2021. **Consumer confidence inched up 0.6 points to 91.2** in June as oil prices eased, though the Expectations Index held at **74.4**, still below the recession-risk threshold of 80. Inflation remained elevated, with **CPI up 0.5% in May** and **4.2% year-over-year**, while **PPI jumped 1.1% on the month** and **6.5% annually**, the largest 12-month advance since November 2022. The **Leading Economic Index rose 0.1% in May** for a second straight monthly gain but remained negative on a six-month basis, with The Conference Board projecting **1.8% GDP growth in 2026**, down from 2.1% in 2025. **Durable goods orders fell 4.5% in May** on aircraft weakness, while the **trade deficit widened 42.2% to $77.6B**, its highest level in 14 months.

STEEL: CAPITAL INVESTMENT AND LABOR TALKS DROVE THE DOMESTIC STORY, as U.S. Steel committed $475M to a new quench-and-tempering line at Fairfield Tubular, Hybar broke ground on a $1.1B second rebar mill in Arkansas, and Tenaris announced more than $90M in Pennsylvania upgrades. USW master contract talks with both Cleveland-Cliffs and U.S. Steel are set to open July 20 ahead of September labor expirations, while Cleveland-Cliffs separately secured a $400M grain-oriented electrical steel contract from the Defense Logistics Agency. South Korea overtook Canada as the top foreign steel supplier to the U.S.

AUTOMOTIVE: EV INVESTMENT, PRODUCTION RESHORING, AND SAFETY ACTIONS KEPT THE AUTO SECTOR IN MOTION, as Toyota announced a $3.6B San Antonio plant to move Tacoma production back from Mexico and BMW completed a $1.7B South Carolina investment ahead of its first U.S.-built electric vehicle. Ford issued recalls covering nearly 890,000 vehicles across four separate actions while topping J.D. Power's initial quality rankings for the first time in 16 years.

ENERGY: HORMUZ DISRUPTIONS, RECORD U.S. OUTPUT, AND NORTH AMERICAN PIPELINE ACTIVITY DOMINATED ENERGY DEVELOPMENTS, as the U.S. reimposed sanctions on Iranian oil following vessel attacks near the Strait of Hormuz while domestic crude production set a new record of 13.93 million barrels per day in April. Alberta and Ontario proposed a 2,050-mile cross-Canada crude pipeline and the DOE announced $17.5B in conditional loans to accelerate domestic nuclear reactor construction.

MEDICAL: MAJOR ACQUISITIONS AND FDA APPROVALS DEFINED THE MEDICAL LANDSCAPE, as AbbVie agreed to buy Apogee Therapeutics for $10.9B, Vertex struck a $10B deal for Crinetics, and Germany's Merck KGaA reached a deal to acquire Bio-Techne for $11.3B in its largest transaction in over a decade. The FDA approved Orca Bio's Tregzi for blood cancers and Vera Therapeutics' Trutakna for IgA nephropathy, while China cleared CARsgen's satri-cel as the world's first CAR-T therapy approved for a solid tumor indication.

AEROSPACE: DEFENSE DEMAND, SPACE INVESTMENT, AND ADVANCED AIR MOBILITY MOVED THE SECTOR, as Lockheed Martin agreed to acquire Ultra Maritime for $3.45B, Germany's Quantum Systems raised $1.2B in one of Europe's largest private defense technology rounds, and Canada selected Thyssenkrupp Marine Systems for its largest-ever defense procurement. NASA awarded $590M in Artemis lunar lander contracts and the EIB committed €3B ($3.42B) to Airbus.

COMMODITIES: ENERGY VOLATILITY, METALS SUBSTITUTION, AND LITHIUM'S RECOVERY SHAPED COMMODITY MARKETS, as Iranian oil sanctions, Hormuz shipping risks, and Saudi Arabia's consideration of East-West pipeline expansion kept energy supply chains under pressure. Lithium prices more than tripled from their 2025 lows with battery storage demand growing at 40% annually, shifting the sector's foundation away from volatile EV sales cycles.

OVERSEAS: TRADE REALIGNMENT, ENERGY POLICY, AND DEFENSE INVESTMENT KEPT GLOBAL FLOWS IN FLUX, as the U.S. declined to renew the USMCA and launched bilateral reviews with Mexico, while Switzerland moved to ease recognition of U.S. standards in pursuit of a formal trade deal. China's new five-year energy plan set a 50% non-fossil power target by 2030, the Philippines emerged as the world's leading solar market since the Iran war began, and South Korea, Japan, and the U.S. signed a trilateral agreement to cooperate on small modular reactor deployment in third countries.

THE AMERICAS:

Cleveland-Cliffs has been awarded a $400M contract from the U.S. Defense Logistics Agency, covering grain-oriented electrical steel (GOES) under a five-year indefinite-delivery/indefinite-quantity agreement with a performance completion date of Sept. 8, 2030. The pact includes no option periods and will serve the U.S. Army, Marine Corps, Navy, Air Force, and Space Force, funded through fiscal years 2025–2029 transaction funds. Chairman, President, and CEO Lourenco Goncalves previously indicated Cliffs would supply up to 53,000 short tons of GOES under the arrangement, noting that the government typically stockpiles the material for national security purposes.

Canada has selected Germany's Thyssenkrupp Marine Systems as its preferred submarine supplier, passing over South Korea's Hanwha Ocean in what Prime Minister Carney called the largest defense procurement in Canadian history. The decision is a setback for Algoma Steel, which had signed a binding memorandum of understanding with Hanwha that included up to $250M in potential value tied to structural steel development and submarine-program supply. Negotiations with TKMS are to be concluded by the end of 2027, with the first four submarines targeted for delivery in 2034; if talks fail, Canada may pivot to Hanwha as an alternate supplier.

The United Steelworkers and Cleveland-Cliffs will begin master contract negotiations on July 20, with local-level bargaining already underway ahead of the broader talks. The USW bargaining committee traveled to Pittsburgh for planning and preparation before the master discussions begin, and the union said it plans to send regular updates as negotiations progress. Talks with U.S. Steel are set to open on the same date, with labor agreements at both steelmakers expiring Sept. 1.

The United States declined to renew the USMCA in its current form, with U.S. Trade Representative Jamieson Greer confirming the agreement was not extended following the July 1 joint review. The pact remains in force while talks continue, with a third round of U.S.-Mexico bilateral negotiations set for the week of July 20. If no consensus is reached, the agreement enters annual reviews through a potential termination date of July 1, 2036.

Target Steel and Target Metal Blanking have opened Target Steel de México in San Pedro Garza García, Nuevo León, marking the family-owned network's first foray into the Mexican market. The new operation will serve the automotive and manufacturing base in the region with precision metal processing, stamping, blanking, and cutting services, with Matthew Simone of Sauk Village, Ill.-based Target Metal Blanking named as CEO.

Hybar LLC has broken ground on a second rebar mill in Osceola, Ark., a $1.1B project that will bring the company's total capacity to roughly 1.3 million short tons per year within 22 to 24 months. CEO Dave Stickler also said Hybar is 30 to 60 days from producing rebar entirely on renewable energy, with the mill already at 80% solar-plus-battery power.

Tenaris is investing more than $90M to modernize its Pennsylvania operations, targeting its steel shop and scrap processing facility in Koppel and its seamless pipe manufacturing plant in Ambridge. Planned upgrades include increased EAF capacity, a new steel bar yard and cutting area, and a shredder upgrade at its Steel Recycling Services subsidiary in Koppel, with most work extending into the second half of 2027.

U.S. Steel is investing approximately $475M in its Fairfield Tubular Operations in Alabama, funding a new quench-and-tempering line at the 750,000-short-ton-per-year facility expected to reach full production by Q2 2029. The project also includes facility improvements and a virtual reality-equipped training center, and is part of parent company Nippon Steel's wider $11B U.S. investment push.

South Korea has overtaken Canada as the top foreign supplier of steel to the U.S. market, a shift driven largely by the 50% Section 232 tariff hike that has caused Canadian monthly shipments to fall from an average of 546,750 short tons in 2024 to just 249,392 st through April 2026. South Korean exports have moved in the opposite direction, rising 32.3% year-over-year to 293,394 st per month, with rebar shipments up more than 2,000% from their 2025 average. South Korea has held the top position every month since December, and May import licenses suggest another significant jump ahead.

Bull Moose Tube has agreed to acquire Hanna Steel, picking up structural and mechanical tubing operations in Tuscaloosa, Ala., and Pekin, Ill., a coil-coating facility in Fairfield, Ala., and Hanna's in-house trucking fleet. Hanna Steel will operate as a division of Bull Moose following closing, which is expected in early Q3. Financial terms were not disclosed.

Lockheed Martin has agreed to acquire Ultra Maritime from private equity firm Advent for $3.45B, adding anti-submarine warfare and undersea defense technologies to its rotary and mission systems segment. Ultra Maritime's naval sonar sensing systems and exportable anti-submarine warfare portfolio are expected to complement Lockheed's existing sonar solutions as sustained conflicts in Ukraine and the Middle East continue to drive defense spending higher.

THE AMERICAS:

Amazon expects to launch initial internet service from its Leo broadband satellite constellation later this year, after its 14th batch of launches brought the network to 394 satellites in orbit. The constellation is positioned as a rival to SpaceX's Starlink, though its buildout has been complicated by grounded rockets; a New Glenn explosion last month and a separate issue with ULA's Vulcan have left the Atlas V as the primary launch vehicle for now.

NASA has awarded $590M in contracts to Astrobotic, Firefly Aerospace, and Intuitive Machines for uncrewed lunar lander missions targeting late 2028, as the agency accelerates commercial moon activity under its Artemis program. Astrobotic received $297.9M for two landers, Firefly $144.2M for one, and Intuitive Machines $148.3M for one, with all three missions aimed at building reliable surface delivery capability ahead of more ambitious crewed lunar efforts.

Joby Aviation and Toyota have formed a joint venture to produce Joby's S4 air taxi, with Toyota holding a 51% stake in the newly formed Joby Toyota Aero Manufacturing Preparation Company. Joby will grant the venture exclusive manufacturing rights and license its relevant intellectual property on a royalty-free basis as the Santa Cruz, Calif.-based company works toward commercial deployment of its six-rotor electric aircraft.

ResMed has agreed to sell its MatrixCare software business to Frazier Healthcare Partners for $490M, as the health technology company narrows its focus to sleep, breathing, and home-based care. MatrixCare serves more than 15,000 providers across skilled nursing, senior living, and home health markets and generated roughly $220M in revenue in fiscal 2026. Proceeds will be used for share repurchases and general corporate purposes, with the deal expected to close in the first quarter of fiscal 2027.

Vertex Pharmaceuticals has struck a deal to buy Crinetics Pharmaceuticals for roughly $10B, adding rare hormonal disease treatments to its portfolio at a 102% premium to Crinetics' share price. The deal gives Vertex access to Palsonify, the only FDA-approved once-daily oral pill for adult acromegaly, as well as an experimental treatment for congenital adrenal hyperplasia in late-stage development. Vertex expects the transaction to close in Q3 and become accretive to adjusted operating income in 2029.

Cigna's health services unit Evernorth has launched an AI-powered specialty pharmacy program backed by $100M in investment through 2028, aimed at cutting prescription processing times and reducing clinician documentation time by up to 50%. The program, called Pharmacy Forward, will debut through Cigna's Accredo specialty pharmacy and is expected to generate roughly $400M in value by the end of 2028.

The FDA has approved Orca Bio's Tregzi for certain blood cancers, including acute myeloid leukemia, acute lymphoblastic leukemia, and myelodysplastic syndromes, with the therapy also aimed at reducing graft-versus-host disease complications from stem cell transplants. In a late-stage trial, 78% of patients receiving Tregzi were alive and free from moderate-to-severe GvHD at one year, versus 38% with a conventional transplant.

The U.S. and Mexico have inaugurated a sterile fly production plant in Chiapas as part of a joint effort to contain the New World screwworm outbreak that has infected more than 30,000 animals in Mexico and recently reached Texas. The $50M+ facility will eventually produce up to 100 million sterile flies per week, doubling available supply beyond what COPEG's Panama plant currently produces. The U.S. has kept its border largely closed to Mexican live cattle since May 2025, disrupting a trade that previously supplied more than 1 million animals annually to U.S. feedlots.

Antares Therapeutics has signed a collaboration with Novartis worth up to $1.9B, targeting historically hard-to-drug cancer targets using Antares' small molecule drug discovery platform. Antares will receive $105M upfront and is eligible for up to $1.8B in additional milestone payments, along with tiered royalties on global net sales. The company, which launched in June 2025 as a spinout of Scorpion Therapeutics, will continue advancing its own oncology pipeline alongside the partnership.

AbbVie has agreed to buy Apogee Therapeutics for $10.9B, its largest buyout in more than five years, at a 49% premium to Apogee's share price. The deal centers on Apogee's lead drug candidate zumilokibart, an experimental treatment for inflammatory diseases, including atopic dermatitis and asthma, that analysts have compared favorably to Sanofi and Regeneron's blockbuster Dupixent. The transaction is expected to close in Q3 and add to adjusted earnings per share in 2032.

Jazz Pharmaceuticals has signed a research collaboration with Canada's AbCellera to develop T-cell engaging antibodies for gastrointestinal cancers and other solid tumors, in a deal worth up to $876M. AbCellera will receive $56M upfront for two initial programs and is eligible for up to $792M per program in option fees and milestone payments, along with tiered royalties, as it leads early-stage discovery work using its antibody platform.

THE AMERICAS:

Biogen has agreed to acquire San Diego-based RayThera for up to $1B, adding several anti-inflammatory drug candidates to its immunology pipeline, with RayThera's lead program expected to enter Phase 1 trials in early Q3. The deal follows Biogen's $5.6B acquisition of Apellis Pharmaceuticals in March.

The U.S. Department of Health and Human Services has announced more than $700M in new funding targeting mental illness, addiction, and homelessness. The package includes $238.6M for the 988 Suicide and Crisis Lifeline, $223.1M for Certified Community Behavioral Health Clinics, $96M for a new community grant program aimed at coordinating care for people experiencing homelessness, and $80M for substance use prevention and recovery programs.

Ford is recalling nearly 890,000 U.S. vehicles across four separate actions, covering 741,195 Navigators, Expeditions, Explorers, Lincoln Aviators, and F-150s with transmission defects that could damage the park system and allow the vehicles to roll away; windshield wiper malfunctions in 67,842 Mustang and Mustang GTD vehicles; a rear differential pinion shaft that may fracture in 42,784 Mustang Mach-E vehicles; and improperly secured fender flares on 36,046 Broncos. Dealers will repair or replace affected components at no cost.

Toyota will build a $3.6B assembly plant in San Antonio, Texas, moving Tacoma pickup truck production from its facility in Baja California, Mexico to the new 2.5-million-square-foot campus when it opens in 2030, creating 2,000 jobs. The automaker said it will continue producing Tacoma trucks at its Guanajuato, Mexico, plant and remains committed to its broader North American operations.

Micron Technology and Ford have signed a long-term semiconductor supply agreement covering memory and storage platforms for the automaker's next-generation vehicles, following a similar deal Micron struck with General Motors days earlier. The agreements come as DRAM prices have risen roughly 70% since December amid surging AI-driven demand, with automakers now competing alongside data centers for tightening chip supply.

BMW has completed a $1.7B investment in its South Carolina manufacturing operations, expanding its main plant in Spartanburg and completing a new facility in Woodruff ahead of U.S. electric vehicle production. The automaker's iX5 SUV will be its first fully electric model built in the U.S., launching in late 2026, with at least five additional EV models scheduled for American assembly by 2030.

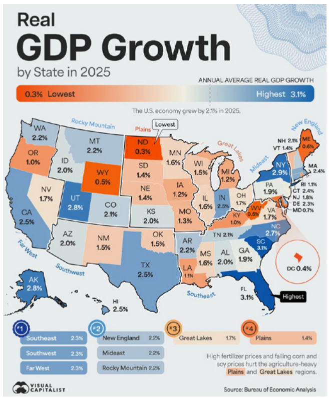
Chinese automakers, including BYD, Chery, Lotus, and Changan, are moving aggressively into the Canadian EV market, despite a limited import quota of 49,000 vehicles annually at a 6.1% tariff, with industry analysts describing Canada as a deliberate staging ground for eventual U.S. market entry. Canada's consumer tastes and regulatory framework are nearly identical to those of the U.S., making the transition potentially straightforward, though Chinese brands remain blocked from the American market by steep tariffs and restrictions on Chinese-made connected-car hardware and software.

General Motors is adding 3.5B reais ($675M) to its Brazil investment plan, bringing its total commitment through 2028 to 10.5B reais ($2B). The additional funding will support hybrid vehicle production, portfolio renewal, and factory modernization, primarily at its São Paulo state operations.

Trans Mountain has reached a settlement with oil shippers over a tolling dispute that had been ongoing for 18 months, covering the substantial majority of contracted shipping volumes on Canada's only east-west oil pipeline. As part of the deal, Trans Mountain will seek regulator approval to raise contracted capacity to 90% of its 890,000-barrel-per-day system, up from 80%, reducing spot availability. The pipeline, which offers Canada direct access to Asian markets, has faced shipper pushback over higher tolls tied to cost overruns from the C$34B ($23.9B) expansion completed in 2024.

U.S. airline fuel costs jumped 85% year-over-year in May to nearly $6.7B, with the cost per gallon rising $1.88 to $4.09 as the Middle East conflict drove energy prices higher. Jet fuel prices have since fallen roughly 40% from their April highs, though airfares have not yet followed, and renewed vessel attacks near the Strait of Hormuz have pushed oil prices back up in recent days.

Florida and South Carolina led U.S. state economic growth in 2025, each expanding at 3.1%, as Sun Belt states broadly outperformed the 2.1% national average driven by population growth, favorable tax environments, and continued migration from higher-cost regions. New York (2.9%), Utah and Alaska (2.8% each), and North Carolina (2.7%) also outpaced the national figure, while the Plains (1.4%) and Great Lakes (1.7%) regions



THE AMERICAS:

lagged, hurt by falling corn and soy prices and trade-related manufacturing disruptions. North Dakota posted the slowest growth of any state at 0.3%, though every state economy expanded.

U.S. power consumption is projected to set new records in both 2026 and 2027, rising from a record 4,195 billion kilowatt-hours in 2025 to 4,399 billion kWh by 2027, driven largely by AI data centers and broader electrification, according to the Energy Information Administration. Commercial electricity demand is expected to surpass residential demand for the first time on record in 2026, while renewables' share of generation is forecast to grow from 24% in 2025 to 27% in 2027.

BP has agreed to sell its 37.2% stake in the Bay du Nord offshore oil project to partner Equinor, leaving the Norwegian company as sole owner of the development located roughly 500 km east of Newfoundland. The project is expected to yield more than 400 million barrels in its initial phase, with required investment estimated at C$14B ($9.84B) and first oil targeted for 2031. Equinor said it will assess opportunities to bring in additional partners and is targeting a final investment decision in early 2027.

Alberta and Ontario have proposed a 2,050-mile crude oil pipeline running from Hardisty, Alberta, to refineries in Sarnia, Ontario, with an initial capacity of 500,000 barrels per day and potential to reach 800,000 bpd. A feasibility study is expected by year-end, though no builder has been identified. The announcement follows last week's proposal for a separate 1-million-bpd pipeline from Alberta to the Pacific coast, underscoring Canada's push to diversify oil export routes away from the U.S. market.

Pembina Pipeline has approved its C$4.6B ($3.24B) Greenlight Electricity Centre in Alberta, a 932-megawatt natural gas-fired power facility in Sturgeon County that will supply a first-of-its-kind Canadian hyperscale data center for an unnamed customer. The project, developed in partnership with Morgan Stanley Infrastructure Partners and Kineticor Asset Management, is expected to be in service by late 2030 and will consume roughly 150 million cubic feet of natural gas per day.

Canada's South Bow and U.S.-based Bridger Pipeline plan to jointly develop a new oil pipeline from Guernsey, Wyoming, to Cushing, Oklahoma, forming the third leg of a larger project to move Alberta crude to the Cushing hub. The corridor was acquired from Tallgrass Energy, which had previously proposed a similar route. South Bow's Prairie Connector pipeline, the first leg running from Alberta to Guernsey, is expected to be in service by Q4 2028, following a construction restart planned for Q2 2027.

U.S. crude oil production rose to a record 13.93 million barrels per day in April, up 216,000 bpd from the prior month as producers ramped up output in response to higher prices tied to the Iran war. New Mexico hit an all-time high of 2.37 million bpd, while Texas edged up to 5.83 million bpd, with the Permian Basin accounting for roughly half of total U.S. output.

Stalled federal permits are putting more than $121B in U.S. wind, solar, and storage investment at risk, with roughly 92 gigawatts of clean energy projects now facing heightened federal scrutiny following permitting policy changes introduced last year, according to Wood Mackenzie. About 32% of the early-stage U.S. renewable pipeline is affected, with wetland permits and sluggish Defense Department airspace reviews among the primary bottlenecks, and around 7 GW of capacity on federal land was cancelled or stalled in 2025.

KKR will acquire EDF's North American renewable energy unit for $4.2B, with up to $390M in additional payments, picking up 26 gigawatts of wind, solar, battery storage, and EV charging assets across the U.S. and Canada. EDF is selling the unit to raise capital for maintenance of its 57 aging domestic nuclear reactors and construction of six new ones in France.

SpaceX plans to begin construction next month on an eight-mile natural gas pipeline called Starpipe to its launch facilities in Starbase, Texas, targeting a January completion as the company works to replace the hundreds of tanker trucks currently needed to fuel each Starship launch. The pipeline is part of a wider strategy that includes a planned liquefaction facility at Starbase and potential gas drilling operations, reflecting SpaceX's push to control its own propellant supply chain as it targets a significantly higher Starship launch cadence.

The U.S. electric grid is expanding fast enough to effectively add a system the size of PJM Interconnection—the country's largest regional grid—by 2030, with ICF International forecasting 445 gigawatts of capacity additions through the end of the decade. Despite the pace of buildout, ICF estimates only 26 GW of excess generating capacity remains above minimum reliability needs, with Texas and PJM already having no spare capacity to support new demand beyond next year. Grid upgrade spending could potentially surpass $1T over the next decade as data centers, EVs, and electrified heating compete for access.

THE AMERICAS:

TotalEnergies plans to launch a new multi-well drilling campaign in Suriname next year, targeting up to four exploration wells at Block 58 as the company looks to extend its reserve base ahead of the $10.5B Gran Morgu offshore project, which is set to begin oil production in 2028. Additional discoveries could support a second development or be tied back into Gran Morgu, according to Suriname's state energy company Staatsolie.

The U.S. Department of Energy has announced $17.5B in conditional loans to strengthen the domestic nuclear power supply chain, backing up to five projects each supporting two 1.1-gigawatt Westinghouse AP1000 reactors. The funding is intended to help the U.S. get 10 new large-scale reactors under construction by 2030, potentially three years ahead of schedule, by financing long-lead procurement items such as reactor vessels and steam generators that can take years to secure. Each project requires Westinghouse and a utility partner to commit $500M before accessing DOE funds, and seven utilities have expressed interest.

Walmart has signed a nuclear power purchase agreement with Constellation Energy to supply roughly 176 megawatts from the Dresden Clean Energy Center in Illinois to a new perishable distribution facility in Belvidere, Ill., through two 15-year terms beginning in 2029 and 2030. The deal is among the first between a major U.S. retailer and a nuclear energy provider and will support planned efficiency upgrades at Dresden, which is licensed to operate through 2051.

The largest clean energy infrastructure project in U.S. history is now fully operational, with Pattern Energy's $11B SunZia wind farm and 550-mile transmission line in New Mexico completing construction after nearly two decades of permitting and development. The 3,650-megawatt project can serve the annual needs of roughly 1 million homes and is three times larger than the next two biggest U.S. wind farms, with about two-thirds of its output destined for customers in California.

Lithium producers are growing more optimistic about a market recovery as surging demand for stationary battery storage offsets a slowdown in EV markets, with Fastmarkets estimating lithium demand for battery storage systems is growing at 40% per year. Prices have more than tripled since last year's conference, and industry executives say storage is shifting from a secondary demand driver to a primary one, though they continue to urge governments to do more to support lithium processing capacity currently dominated by low-cost Chinese producers.

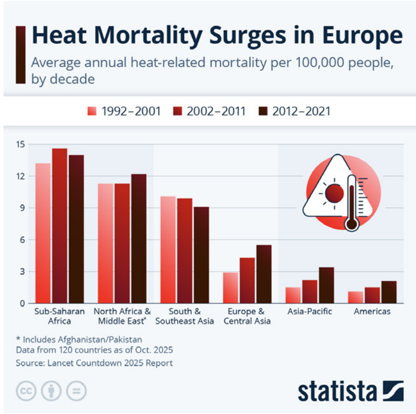
EUROPE, AFRICA, & THE MIDDLE EAST:

Germany's Quantum Systems has raised $1.2B in fresh funding, valuing the Munich-based drone maker at roughly $8B, about eight times its valuation a year ago. Co-led by Airbus, the round will support production expansion and development of its Mosaic UXS autonomous systems platform, and ranks among the largest private defense technology investment rounds in European history.

Saab has signed a contract to deliver 16 Gripen E fighter aircraft to Ukraine in a deal valued at 24.6B Swedish crowns ($2.54B), with deliveries scheduled for 2029–2030. The agreement also includes technical support, and Ukrainian President Zelenskiy said older-model Gripen C/D aircraft would begin arriving in early 2027 as part of broader defense cooperation with Sweden.

The European Investment Bank has committed €3B ($3.42B) to Airbus in what the EIB described as the largest corporate loan it has ever authorized. The financing, which includes an initial €1B loan as part of the larger package, will support Airbus's planned investments through 2030 across commercial aviation, defense, and technology as Europe moves to shore up its industrial base against U.S. and Chinese competition.

Heat-related mortality in Europe has nearly doubled over the past three decades, rising from roughly 2.9 deaths per 100,000 people annually in the 1992–2001 period to 5.5 per 100,000 in the 2012–2021 decade, according to the Lancet Countdown 2025 Report. Similar upward trends were observed in Asia-Pacific and the Americas, though from lower baselines. Researchers attribute Europe's sharper rise to its aging population and comparatively limited preparation for extreme heat, including lower air conditioning rates and less heat-adapted building stock in historically temperate regions.



The Trump administration has formally notified Congress of its intent to sell more than $700M worth of jet engines to Turkey, with the GE-built engines set to power Ankara's indigenous KAAN combat aircraft. The move signals U.S. support ahead of next month's NATO summit in Turkey, though some lawmakers have raised objections over Turkey's

EUROPE, AFRICA, & THE MIDDLE EAST:

continued possession of Russian S-400 defense systems.

Britain will provide 150,000 drones to Ukraine by the end of 2026 as part of a £752M ($996M) funding package that also includes 350 air defense missiles and ground-based radar systems. The package is funded through Britain's £2.26B loan to Ukraine, backed by proceeds from immobilized Russian sovereign assets.

The Democratic Republic of Congo's Ebola outbreak has reached 1,561 confirmed cases and 506 deaths, with the UN warning the crisis could cost Africa up to $3.6B and 328,000 jobs if the Bundibugyo strain—for which no tested vaccine or treatment exists—spreads beyond Congo and Uganda to neighboring countries. In a contained scenario, the UN estimates the impact on Congo's GDP alone at $1B.

Novartis has agreed to acquire London-based Myricx Bio for up to $1.5B, including $1.1B upfront and up to $400M in milestone payments, in a deal expected to close in the second half of 2026. Myricx Bio develops antibody-drug conjugates for cancer treatment, a platform Novartis said it plans to scale similarly to its radioligand therapy business.

A June heatwave across Western Europe has been linked to at least 3,700 excess deaths in France, Belgium, and the Netherlands, with authorities warning the preliminary figures are likely to rise. France recorded 2,025 excess deaths, Belgium approximately 1,200, and the Netherlands around 480, with the elderly disproportionately affected. Scientists said the heat event, which ran from roughly June 20–28, was the worst on record in Europe.

The United States has signed a memorandum of understanding with Tanzania to invest more than $1.3B in Tanzania's health sector over five years, with Tanzania committing $1.8B of its own over the same period. The agreement is part of the U.S. "America First Global Health Strategy" and follows similar pacts with Rwanda, Kenya, and Uganda, though some African nations have pushed back over conditions tied to mineral access and health data sharing. Tanzania's health minister noted the deal does not include a specimen-sharing component.

France's Ipsen is set to acquire U.S.-based Kartos Therapeutics for $450M, adding navtemadlin, a late-stage oral therapy for myelofibrosis, to its oncology pipeline. Kartos shareholders are eligible for up to $1.3B in additional milestone payments, with initial trial data expected in 2027 and a potential commercial launch as early as 2028.

Germany's Merck KGaA has reached a deal to acquire U.S. research tools supplier Bio-Techne for $11.3B, its largest deal since the 2014 purchase of Sigma-Aldrich, at $73 per share, a 24% premium. The acquisition expands Merck's footprint in biological research, cell and gene therapy, and precision diagnostics, adding Bio-Techne's catalog of 6,000 proteins and 425,000 antibodies to its life sciences unit. The deal, funded through a combination of cash and debt, is expected to close in late 2026 or early 2027, with roughly €140M ($159M) in projected cost savings by year three.

Dutch investment company Prosus has invested $460M in French health tech startup Alan, valuing the company at $6.3B. Alan, which offers health insurance and telehealth services across France, Canada, Belgium, and Spain, reported annual recurring revenue of €800M ($909M) as of Q1 2026, with the funding set to support international expansion and AI-driven product development.

Moderna has expressed interest in investing in production facilities in Germany, with CEO Stephane Bancel telling Handelsblatt the company sees an opportunity in plants that rival BioNTech plans to close. Bancel said the existing facilities would be an attractive option compared to building new ones, contingent on finding the right partnership with the German government.

China's Chery has formally taken over Nissan's former manufacturing plant in Rosslyn, South Africa, with plans to begin vehicle production in mid-2027 and establish the facility as its African hub for manufacturing, exports, and R&D. The company will retain all 692 existing employees and expects the project to generate nearly 3,000 direct and indirect jobs, with a longer-term target of exceeding 100,000 annual vehicle sales in South Africa.

Ferrari and BMW are rolling out new vehicle models featuring aluminum wiring, joining Tesla and several Chinese EV makers in a broader industry shift away from copper driven by price and weight advantages. Copper currently trades at more than four times the price of aluminum, and JPMorgan estimates the substitution could affect roughly 2% of global copper demand this year, potentially rising to 6% by 2030 as structural supply shortfalls keep copper prices elevated.

Switzerland is moving to streamline recognition of U.S. standards for automobiles and medical devices as it works to formalize a trade agreement with Washington following a preliminary tariff accord reached last November. The measures, announced as Swiss President Guy Parmelin traveled to the U.S. for meetings with trade officials, also include facilitating recognition of U.S. conformity assessment bodies and government procurement practices. Switzerland's

EUROPE, AFRICA, & THE MIDDLE EAST:

tariffs were cut from 39% to 15% under the November deal, mirroring the EU rate.

The United States has reimposed sanctions on Iranian oil sales following attacks on three commercial vessels in and near the Strait of Hormuz, cutting a previously authorized wind-down period to July 17. Oil prices rose more than 5% on the news, with analysts warning that the attacks suggest the ceasefire between Washington and Tehran is less stable than markets had assumed. U.S. officials said negotiations toward a broader agreement with Iran are continuing despite the escalation.

Saudi Arabia is considering expanding its East-West crude pipeline to the Red Sea by up to 2 million barrels per day, with preliminary talks underway with neighboring countries including Kuwait, which has expressed interest in routing its own barrels through the system. The pipeline, which can currently transport up to 7 million bpd to the Red Sea port of Yanbu, has become a critical bypass route since the Iran war disrupted Strait of Hormuz shipping earlier this year. Any expansion would take years and cost billions of dollars, but the conflict has sharpened regional focus on reducing reliance on the strait as a single export corridor.

An investment firm linked to Abu Dhabi's ruling family has committed $1.13B to LNG company MidOcean Energy, marking its first investment in the global LNG sector. MidOcean, which is backed by private equity firm EIG, Saudi Aramco, and Mitsubishi and holds stakes in LNG projects across the Americas and Australia, said the deal further strengthens its institutional shareholder base. The two parties also established a strategic partnership to explore broader energy and infrastructure investment opportunities across the UAE and the wider region.

Britain's National Grid will invest $1.75B for a 35% stake in U.S. energy platform Joulent, which is developing a 2.67-gigawatt gas-fired power facility in West Texas in partnership with Chevron to supply a Microsoft data center campus under a 20-year power purchase agreement. The project, known as Kilby, is targeting a 2028 startup and has already secured GE Vernova turbines and construction capacity, with a final investment decision on National Grid's stake expected by the end of 2026.

Britain's National Energy System Operator estimates the country needs to invest around £89B ($118B) to overhaul its power grid through the 2030s, up 53% from a 2024 estimate, driven by the need for new offshore wind connections and inflation. The upgrades are needed to meet electricity demand projected to grow more than 30% by the mid-2030s, fueled by electric vehicles, new housing, and AI data centers, with network fees currently accounting for roughly 25% of a typical domestic energy bill.

Germany has joined more than a dozen EU member states pushing back against the bloc's planned methane emissions rules for oil and gas imports, warning the regulations could disrupt jet fuel supplies already under pressure from the Iran war. German Economy Minister Katherina Reiche called for at least a postponement, arguing the rules could block both LNG and petroleum product imports from 2027 onward. The European Commission said it would make implementation easier but declined to rewrite the law, which requires methane monitoring and verification for fuel deliveries into the EU.

NatPower and Tesla have agreed to build 25 gigawatt-hours of battery storage across sites in Italy and Britain, the first phase of a broader program targeting more than 100 GWh at a total construction cost of $4B–$5B. NatPower will use Tesla's Megapack system and trading technology across five initial projects, with the full buildout targeting more than $15B in revenue over 20 years.

Europe's largest gas distributor Italgas will invest €13B ($14.85B) through 2032 as it expands its Italian network and increases the use of artificial intelligence across its operations. The plan targets €280M in cost synergies and efficiencies, with AI-driven productivity gains raised to €100M from a prior €70M target, while €1B is earmarked for network expansion in Greece.

Azule Energy and its partners have approved the $5.1B Greater PAJ offshore oil project in Angola, the country's first integrated cross-block development, with first oil targeted for the first half of 2029. The deepwater project in the Lower Congo Basin, operated by the BP-Eni joint venture alongside Equinor, Angola's ANPG, and Sonangol, will tie together existing Block 31 production with nearby discoveries and is estimated to hold 252 million barrels of total reserves.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

Sino Biopharmaceutical has granted AstraZeneca exclusive rights to develop and commercialize TQC3721 outside China in a deal worth up to $1.9B, including a $200M upfront payment and additional milestone payments. The drug is designed to simultaneously open airways and reduce inflammation, targeting improved lung function and fewer severe flare-ups in patients with chronic respiratory conditions.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

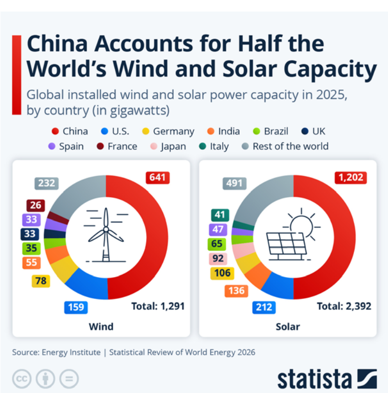
AstraZeneca has entered a deal with China's CSPC Pharmaceutical worth up to $1.77B to discover and develop experimental kidney disease treatments, with CSPC eligible for a $30M upfront payment and up to $1.74B in additional milestone payments. AstraZeneca will have the option to obtain exclusive global rights to one preclinical drug candidate and rights outside China for a second, building on an existing collaboration between the two companies.

Alibaba and its U.S.-based payment processor have agreed to pay $600M to resolve allegations that they failed to prevent illegal drug sales on Alibaba's e-commerce platforms. The companies entered non-prosecution agreements with the Justice Department, admitting that roughly 80,000 transactions involving illegal chemicals, drugs, and pharmaceutical counterfeiting equipment, with a combined merchandise value of more than $200M, went through their platforms between 2016 and 2024.

China has approved CARsgen Therapeutics' satri-cel as the world's first CAR-T cell therapy for solid tumors, marking a significant milestone for a treatment type previously limited to blood cancers. The injection targets stomach cancer and works by engineering patients' immune cells to recognize and attack cancer cells, with commercial dosing expected to begin within weeks of approval.

Major Chinese EV battery makers, including CATL, CALB, and Sunwoda, have pledged to pay suppliers within 60 days, as price wars and weakening demand continue to squeeze margins across China's auto industry. Eleven battery makers have responded to the initiative, which follows similar commitments by Chinese automakers in 2025 after steelmakers publicly complained about payment delays.

China accounted for roughly half of global installed wind and solar capacity as of 2025, with 641 gigawatts of wind and 1,202 gigawatts of solar out of worldwide totals of 1,291 GW and 2,392 GW respectively, according to the Energy Institute's Statistical Review of World Energy. The United States ranked second in both categories, with 159 GW of wind and 212 GW of solar. The large gap reflects China's years of aggressive expansion driven by policy support, large-scale investment, and the strategic goal of reducing reliance on imported fossil fuels.



Chinese automakers are accelerating expansion into right-hand-drive markets across Australia and Southeast Asia, targeting affluent consumers in segments long dominated by Japanese brands. At the Hong Kong auto show, BYD, Zeekr, Hongqi, and MG unveiled premium EV strategies for overseas markets, as slowing domestic demand pushes Chinese manufacturers to grow internationally. Toyota's market share dropped 1.4% in Southeast Asia and 4.1% in Oceania in the first four months of the year, while Chery and BYD posted gains in both regions over the same period.

China has lifted refined fuel export restrictions for July and allowed private refiner Zhejiang Petrochemical to resume shipments after a four-month halt, as the world's largest refiner moves toward normal operations following disruptions tied to the Iran war. Refiners are planning to export roughly 3 million metric tons of gasoline, diesel, and jet fuel this month, in line with last year's average, though it remains unclear whether the easing will extend into August.

South Korea, Japan, and the United States have signed a trilateral agreement to cooperate on the deployment of small modular reactors in third countries, with foreign ministers from all three nations signing the memorandum on the sidelines of the NATO summit in Ankara. The allies said they will work together to offer competitive nuclear energy options to meet growing power demand across the Asia-Pacific region and beyond.

Chinese independent refiners are snapping up discounted Middle Eastern crude as Gulf producers ramp up exports following the interim U.S.-Iran peace deal, with Iraqi, UAE, and Qatari barrels trading at discounts of $5–$9 per barrel to benchmark prices. The surge in non-sanctioned supply is pushing Russian and Iranian oil to the sidelines, with Russian ESPO Blend flipping to a $3 discount and Iranian crude widening to a similar level as teapot refiners prioritize the newly available Gulf barrels.

China Resources New Energy more than doubled on its Shenzhen debut after raising 24.5B yuan ($3.6B) in Asia's largest IPO of 2026, with shares closing up 137% from the offering price on retail demand that saw the online tranche 683 times oversubscribed. The wind and solar power operator, which runs roughly 4% of China's wind capacity and 1.2% of its solar assets, is not a manufacturer and may be more insulated from the overcapacity pressures that have weighed on Chinese clean energy stocks in recent years.

Vietnam has extended fuel tax suspensions and import tariff cuts through the end of September, keeping relief measures in place that were originally introduced in late March to stabilize the market amid supply disruptions tied to the Iran war. The extensions cover environment and special consumption taxes as well as import tariffs on crude oil, refined petroleum products, and jet fuels.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

China's new five-year energy plan targets 50% of electricity from non-fossil sources by 2030, up from a 42.3% target for 2025, with wind and solar alone expected to reach 30% of generation and exceed 50% of installed capacity. Analysts described the renewable targets as conservative relative to China's recent deployment pace, with some warning the goals do little to boost investment confidence in a sector already slowing. The plan also calls for 300 gigawatts of non-pumped hydro energy storage by 2030 and a tenfold increase in renewable hydrogen output.

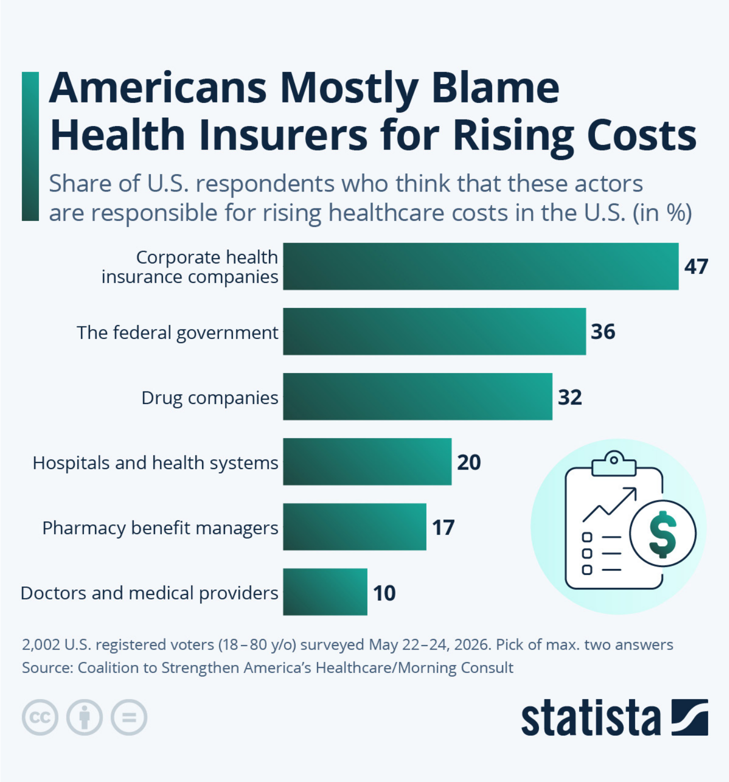
Japan's power industry has welcomed the government's roadmap for replacing aging nuclear reactors, which calls for rebuilding two to five reactors by the 2040s and up to 14 by the 2050s to ensure stable power supply. The Federation of Electric Power Companies of Japan called the targets significant for securing talent and supply chains, but urged the government to move faster on financial support measures and regulatory reforms given the lengthy lead times involved in nuclear development.

The largest LNG supply expansion on record could face bottlenecks as more than 260 LNG carriers on order are almost entirely being built in South Korean and Chinese shipyards, according to Wood Mackenzie. The concentration raises risks of delivery delays and rising vessel costs at a critical time, with analysts warning that the sector's ability to physically move future LNG supplies could become as constraining as the development of liquefaction projects themselves.

Abu Dhabi's International Holding Company and India's Adani Group plan to invest $11.5B in an integrated aluminum complex in Odisha, marking the largest foreign investment in India's metals sector. The 50-50 joint venture will include a refinery, smelter, captive power plant, and downstream manufacturing park with annual capacity of 4 million tons of alumina and 2 million tons of aluminum, and is expected to create 53,500 jobs.

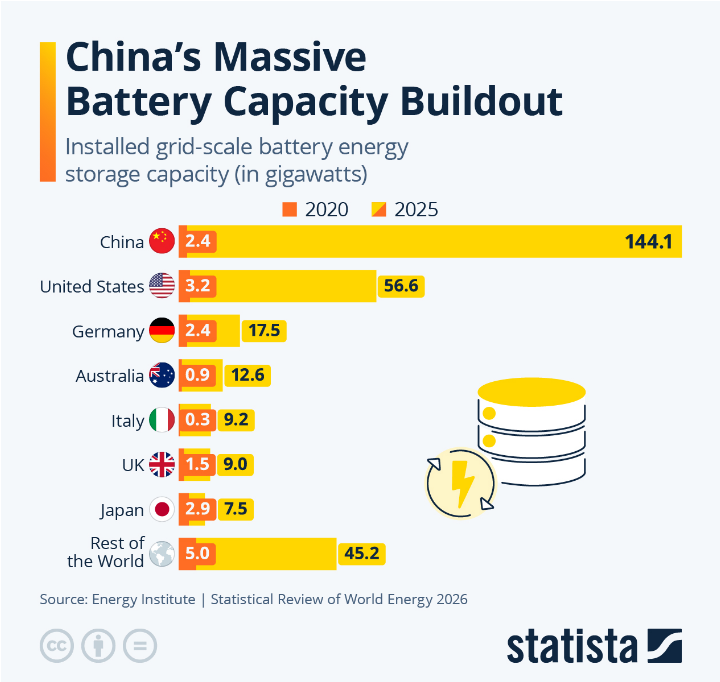
ECONOMIC UPDATE: APPENDIX TO THE JULY 2026 ISSUE

MEDICAL: AMERICANS MOSTLY BLAME HEALTH INSURERS FOR RISING COSTS



Nearly half of Americans—47%—hold corporate health insurance companies primarily responsible for rising healthcare costs in the U.S., according to a May 2026 survey of 2,002 registered voters by the Coalition to Strengthen America's Healthcare and Morning Consult. The federal government was cited by 36% of respondents, followed by drug companies at 32%, hospitals and health systems at 20%, pharmacy benefit managers at 17%, and doctors and medical providers at 10%. Respondents could select up to two answers. Separately, half of Americans said they do not trust health insurers or drug companies to act in their best interest, while trust in hospitals, doctors, and nurses remained considerably higher. When asked about the biggest issues in U.S. healthcare, nearly half cited premiums and deductibles as too expensive, and 40% pointed to high drug prices and insurer coverage denials or delays as top concerns.

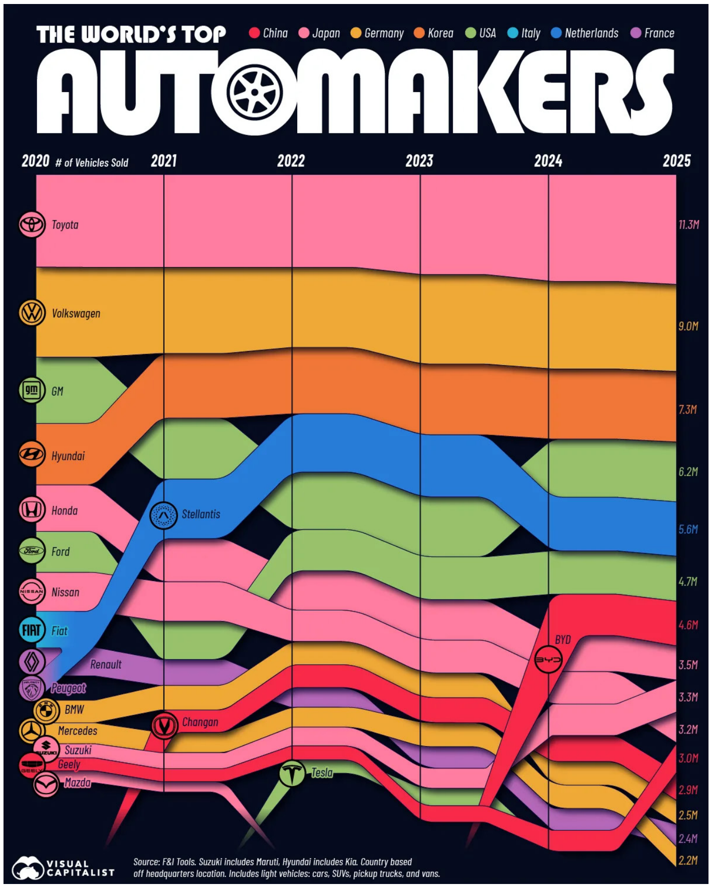
ENERGY: CHINA'S MASSIVE BATTERY CAPACITY BUILDOUT



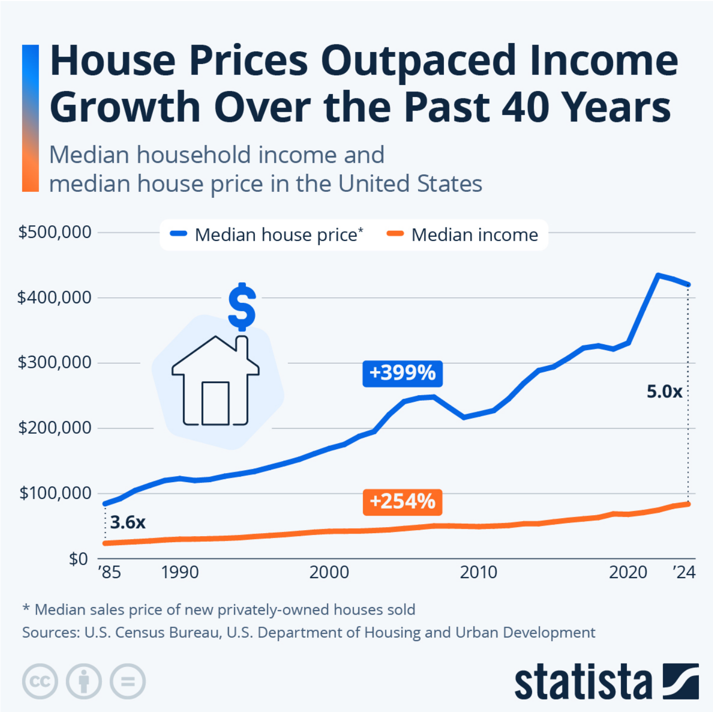
China's grid-scale battery energy storage capacity surged from 2.4 gigawatts in 2020 to 144.1 gigawatts in 2025, far outpacing the United States at 56.6 GW and Germany at 17.5 GW, according to the Energy Institute's Statistical Review of World Energy 2026. The buildout has been driven by China's rapid expansion of wind and solar power, which require storage to manage intermittency, with policymakers in many regions now requiring new renewable projects to include co-located storage capacity. Falling battery costs and strong domestic manufacturing have reinforced China's position as the world's largest market for battery energy storage systems.

AUTOMOTIVE: THE WORLD'S BIGGEST CARMAKERS (2020–2025)

Toyota and Volkswagen held their positions as the world's two largest automakers in 2025, with 11.3M and 9.0M vehicles sold respectively, while Chinese brands made the most significant gains in global rankings over the five-year period. BYD entered the top 10 for the first time, reaching 4.6M sales in 2025, and Geely climbed to 11th with more than 3M units, more than double its 2020 volume. Japanese legacy brands lost ground, with Honda falling from fifth to eighth and Nissan from seventh to tenth, while Renault dropped five positions to 14th and Mercedes-Benz slipped to 15th as European competition intensified.



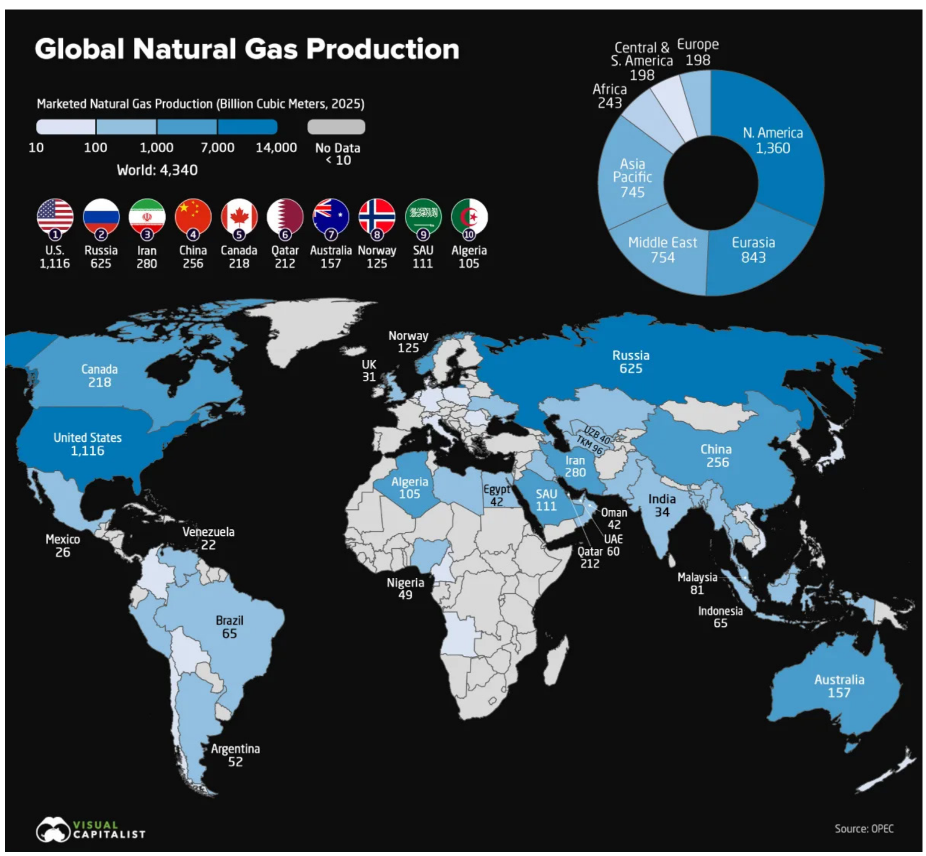
ECONOMY: HOUSE PRICES OUTPACED INCOME GROWTH OVER THE PAST 40 YEARS



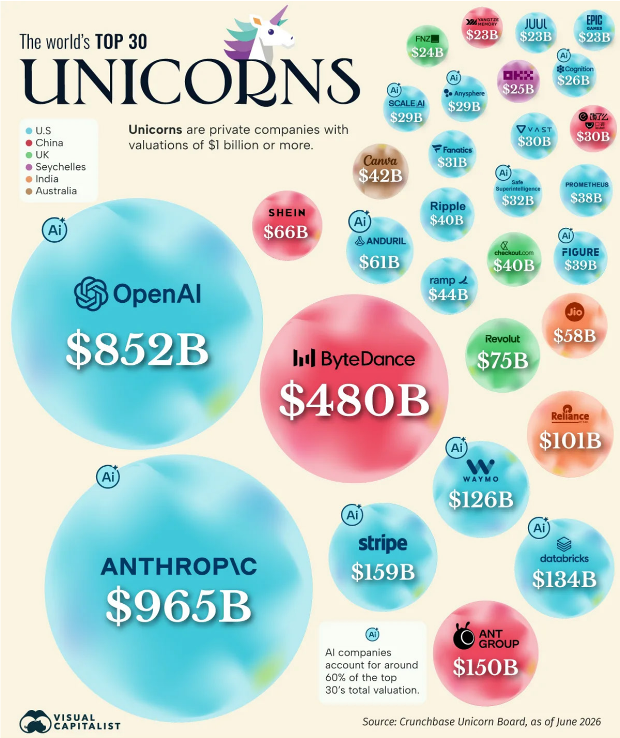
The median price of new homes sold in the United States rose 399% between 1985 and 2024—from $84,300 to roughly $420,000—while median household income grew 254% over the same period, from $23,620 to $83,730, according to U.S. Census Bureau and HUD data. The resulting affordability gap, measured as the ratio of home prices to median income, climbed from 3.6x in 1985 to a peak of 5.8x in 2022 before easing slightly to 5.0x in 2024. The widening was driven by pandemic-era demand surges, historically low mortgage rates that pulled buyers forward, constrained housing supply, and subsequent Federal Reserve rate hikes that pushed borrowing costs to levels not seen since the early 2000s.

ENERGY: GLOBAL NATURAL GAS PRODUCTION BY COUNTRY (2025)

The United States produced 1,116 billion cubic meters of natural gas in 2025—more than a quarter of the 4,340 bcm global total and nearly twice second-place Russia's 625 bcm—according to OPEC data. Iran, China, Canada, and Qatar rounded out the top six producers, while North America as a region led all others at 1,360 bcm, ahead of Eurasia at 843 bcm and the Middle East at 754 bcm. The three regions together accounted for roughly 68% of global supply, underscoring how concentrated natural gas production remains despite growing output across Asia-Pacific and Africa.



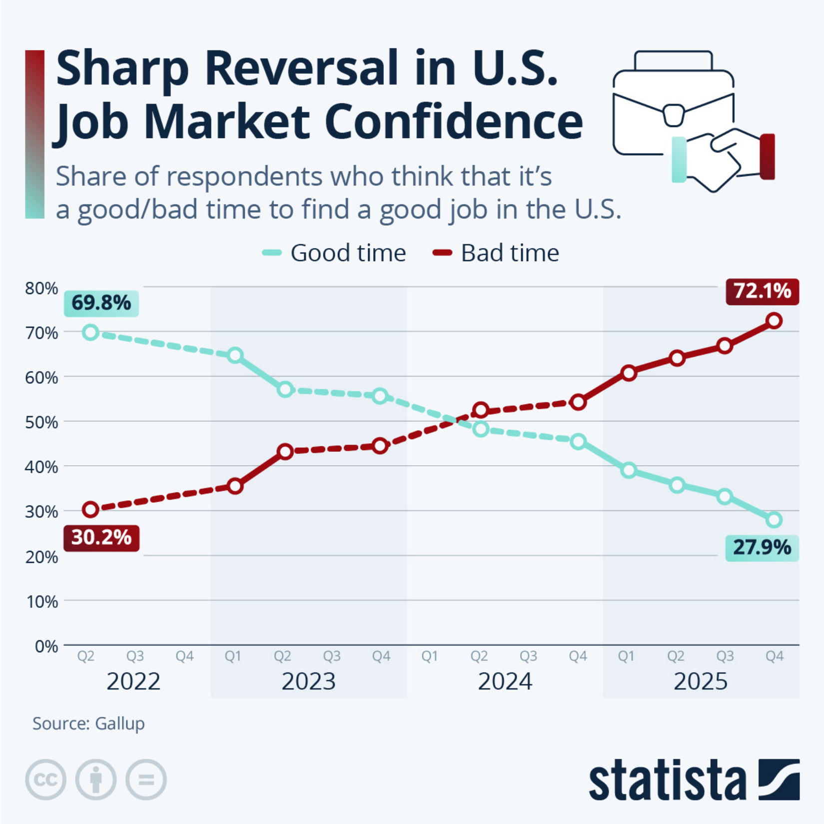
TECHNOLOGY: THE WORLD'S MOST VALUABLE UNICORNS IN 2026



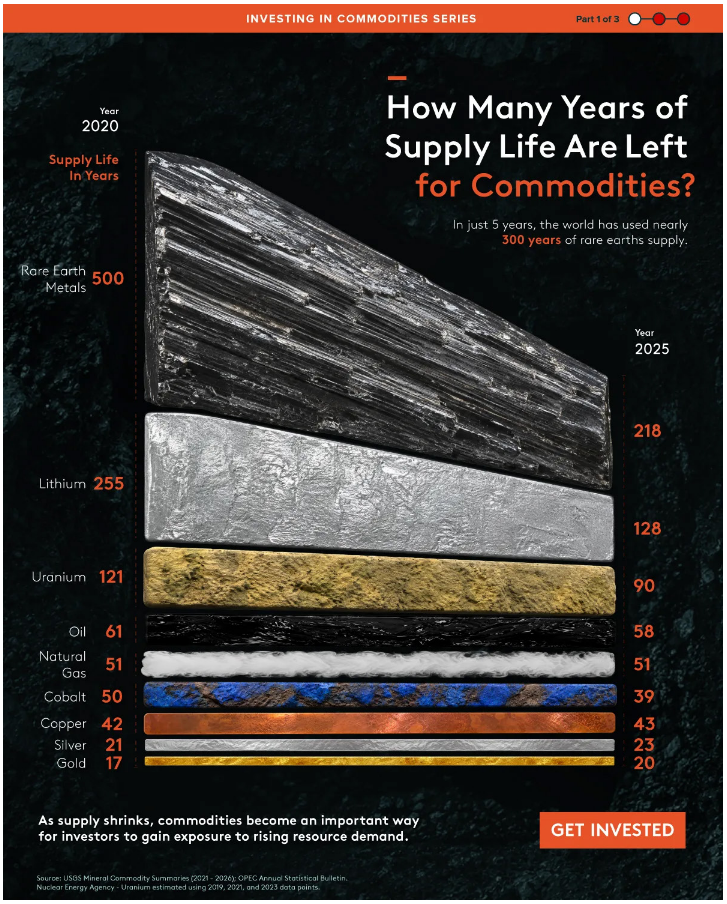
Anthropic and OpenAI topped the global unicorn rankings as of June 2026, valued at $965B and $852B respectively, with AI companies collectively accounting for roughly 60% of the combined $3.9T valuation of the world's 30 most valuable private companies, according to Crunchbase data. ByteDance ranked third at $480B, followed by Stripe at $159B and Ant Group at $150B, while other AI-focused firms including Databricks ($134B), Waymo ($126B), and Anduril ($61B) also featured prominently. U.S. companies dominated the list, though China, India, the U.K., and Australia were all represented among the top 30.

ECONOMY: SHARP REVERSAL IN U.S. JOB MARKET CONFIDENCE

American workers' confidence in the job market has undergone a dramatic reversal since 2022, with 72.1% of respondents saying it was a bad time to find a good job as of Q4 2025, compared to just 30.2% who felt that way in Q2 2022, according to Gallup survey data. Over the same period, the share saying it was a good time to find a job fell from 69.8% to 27.9%. The shift in sentiment helps explain why workers have been increasingly reluctant to change jobs even as traditional labor market indicators—payrolls, unemployment—have remained relatively stable.



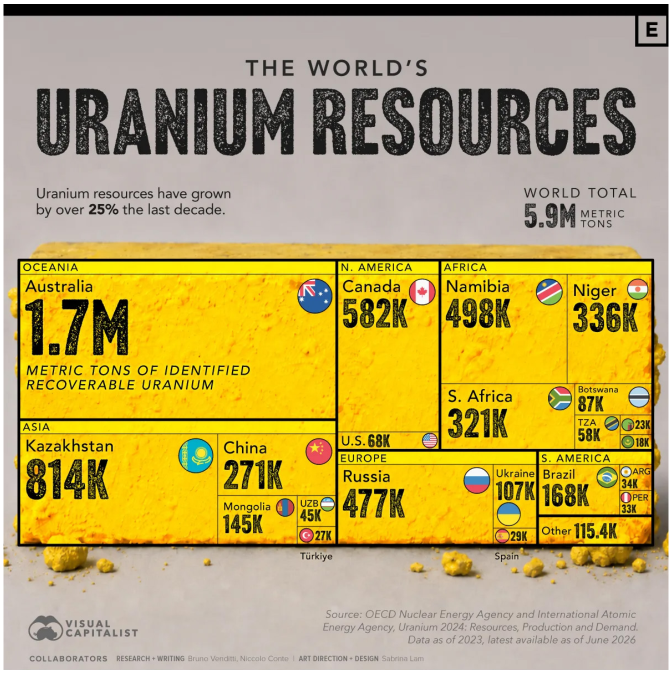
COMMODITIES: HOW MANY YEARS OF SUPPLY LIFE ARE LEFT?



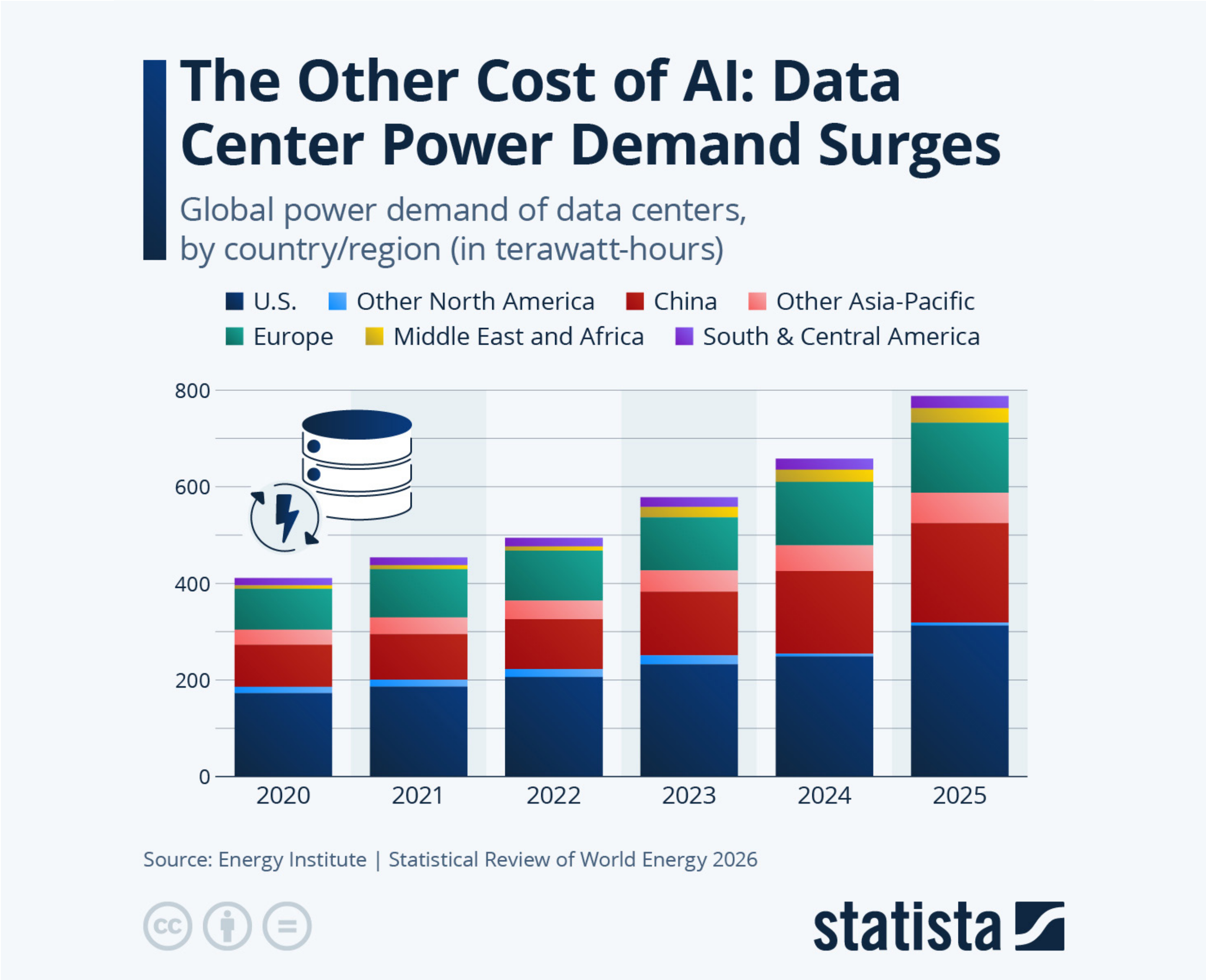
Rare earth metals saw the steepest decline in estimated supply life between 2020 and 2025, falling from 500 years to 218 years, a reduction of nearly 300 years in just five years, according to USGS Mineral Commodity Summaries data. Lithium supply life dropped by 127 years to 128 years remaining, and uranium fell 31 years to 90 years, reflecting surging demand from electric vehicles, wind turbines, and defense technologies. Traditional commodities remained comparatively stable, with oil edging down from 61 to 58 years, natural gas holding flat at 51 years, and copper, silver, and gold seeing only minor changes over the period.

ENERGY: THE COUNTRIES WITH THE MOST URANIUM

Australia holds 1.7 million metric tons of identified recoverable uranium—28% of the global total of 5.9 million metric tons—more than double second-place Kazakhstan's 813,900 metric tons, according to OECD Nuclear Energy Agency and International Atomic Energy Agency data as of 2023. Canada ranks third at 582,000 metric tons, with the three countries together accounting for 52% of global uranium resources. Identified uranium resources have grown more than 25% over the last decade as exploration activity expanded, with Namibia, Russia, Niger, and South Africa rounding out the next tier of major resource holders.



ENERGY: DATA CENTER POWER DEMAND SURGES GLOBALLY



Driven largely by growth in AI and cloud computing, global data center electricity consumption nearly doubled from roughly 400 terawatt-hours in 2020 to nearly 800 terawatt-hours in 2025, exceeding Germany's total annual electricity consumption, according to the Energy Institute's Statistical Review of World Energy 2026. The United States remained the largest market by a wide margin, with data center demand exceeding 300 terawatt-hours in 2025, followed by China, which has also seen strong growth. Global data center power consumption is projected to double again by 2030 to more than 1,500 terawatt-hours, equivalent to total U.S. residential electricity use in 2025.

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