



PKB's Market Espresso

Short. Rich. Strong.



US Retail Sales: a strong August

US retail sales rose more than expected in August, marking the third consecutive monthly gain and highlighting the resilience of consumer spending despite tariffs, weaker sentiment, and a softening labor market.

Strength was broad-based, particularly in online shopping, clothing and sporting goods, supported by back-to-school demand and the **wealth effect from equity markets**.

- **Retail sales +0.6% MoM** vs. +0.2% est. (ex-autos +0.7%)
- **Broad advance**: 9 of 13 categories posted gains
- Consumer spending remains key support for US GDP



China vs Nvidia on Antitrust Law

China's State Administration for Market Regulation has announced that **a preliminary probe found Nvidia in violation of China's antimonopoly laws**. The issue centers on the conditions tied to Nvidia's 2020 acquisition of Mellanox Technologies — which included guarantees to China about chip supply and non-discriminatory treatment — and whether those conditions have been met in light of subsequent U.S. export controls.

- The probe alleges Nvidia breached its commitments made during the 2020 Mellanox acquisition
- U.S. export controls since 2022 have restricted Nvidia's ability to export advanced chips to China
- Beijing has also raised cybersecurity concerns over Nvidia's H20 chip



Musk Buys \$1 Billion of Tesla Stock

Elon Musk has made a major move in Tesla shares, purchasing about **\$1 billion** worth of stock last week—his largest ever such transaction. The purchase has been interpreted by the market as a show of confidence in Tesla and some recovery in sentiment about the company's future.

- Musk acquired 2.57 million Tesla shares at prices between \$296–\$371, marking his **largest personal buy ever** (~\$1B)
- Before this, Musk's last meaningful stock purchase was ~200,000 shares (~\$10M) in February 2020, so this is a notable escalation
- He held ~13% of Tesla prior to the purchase; the move may also be tied to the upcoming shareholder vote on a proposed compensation package possibly worth \$975 billion if targets are met

Source: Bloomberg, Goldman Sachs research



Increase in Capital Requirement

UBS Group AG is facing a **\$26 billion increase** in **capital requirements** from the **Swiss government**, prompting the bank to consider various options to meet the new rules.

- Options on the table range from the dramatic — a **merger** or **acquisition** deal with a non-Swiss bank — to the more mundane, such as a range of technical tweaks that can put just **enough capital** away over the coming years
- The clash stems from **measures** unveiled after UBS's government-brokered rescue of Credit Suisse in 2023. The firm's enlarged size has prompted worries that Switzerland won't be able to **bail it out** in any future crisis
- To increase capitalization, the bank can **limit investor payouts** or ask investors for more **cash**; It can also change the mix of the business units in the bank over time, in order to **reduce assets**
- UBS CFO has declared that the bank is looking at **every option** available, including the costs and trade-offs of each



The End of the Road for the ECB?

As widely expected the **European Central Bank kept** interest **rates unchanged** at 2.00% amidst contained inflationary pressures and risks on economic growth that have become more balanced.

- Policymakers gave **no guidance** concerning **future moves** signaling that data dependency will remain central
- President **Lagarde expressed satisfaction** saying **inflation is where the ECB wants** it to be, even if the **outlook for prices** remains “more **uncertain** than usual” due to volatile environment
- **Traders** reacted by **reducing bets** on **additional easing** – the market now doesn’t expect any further cuts during this cycle
- Updated quarterly projections released by the central bank show **inflation will rise 1.7% next year** and by **1.9% in 2027**. GDP is seen rising 1.2% this year and 1% in 2026



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