ICEBERG FINANCIAL

WEEKLY NEWSLETTER

European Exceptionalism? Market Tides Turn as Europe Outperforms the US

Discover The Unknown Depth of Financial Markets

03
Monday
March
2025

INSIGHTS FROM THIS WEEK'S ANALYTICS REVIEW

EXPLORING THE FINANCIAL DEVELOPMENTS

DELVE DEEPLY INTO THE WORLD OF WEB3

This NEWSLETTER is targeted towards institutional. professinal. and qualified investores. as well as qualified clients.

Context

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- The AI Spending Shift: Inference Takes Center Stage
- Encryption Mandate Threatens UK Cybersecurity and Privacy
- High-Risk, High-Reward: Apple's AI Leadership Shift
- US Redraws Chip Race: Domestic Production at the Forefront
- The Fortuitous Rise: Nvidia's Unexpected AI Monopoly

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- Europe's Market Surge: Outpacing the US in a Surprising Turn
- Recession or Stagflation? Fed's Policy Decisions Amidst Tariffs
- The Weight of Debt: Interest Costs Surpass Defense Budgets in Rich Countries
- The Copper Surge: AI, EVs, and Renewables Fuel Record Demand
- Stalled Central Banks: Trump's Trade Policies Create Global Gridlock

ICELAB

- A Complex Crypto Scene: Memecoins, Solana, and the Regulatory Maze
- The Ethereum Dilemma: Scaling's Double-Edged Swordx
- A New Era of Leverage: Moving Past Collateral for Digital Asset Growth
- The Rise of Regulated Stablecoins: Transforming Global Payments

CHARTS

- Tilting portfolios more aggressively amid volatility
- US equity markets
- The need for speed?

Insights From Past Weeks Analytics Revivew

USD vs. Major Currencies

USD vs. Major Currencies

Name	Symbol	Rate	Change	Change %	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Australian Dollar	USD:AUD	1.59416	0.0076	0.48%	0.86%	1.33%	-1.33%	4.73%	17.97%	1.58572 1.59795	1.44074 1.64222
British Pound	USD:GBP	0.77397	0.0028	0.36%	0.10%	-2.24%	-3.11%	-2.05%	1.89%	0.77087 0.77594	0.74443 0.82233
Canadian Dollar	USD:CAD	1.43469	0.0022	0.15%	-0.19%	0.82%	-0.21%	5.79%	13.93%	1.43139 1.43731	1.34208 1.47935
Chinese Renminbi ("Yuan")	USD:CNY	7.25718	0.005	0.07%	0.25%	0.07%	-1.09%	-0.04%	13.90%	7.24648 7.26024	6.97349 7.39915
Euro	USD:EUR	0.92449	0.0029	0.31%	0.59%	-3.29%	-4.25%	0.40%	1.82%	0.92068 0.92622	0.89181 0.97934
Japanese Yen	USD:JPY	149.32	0.54	0.36%	0.40%	-0.01%	-5.10%	-1.48%	24.99%	148.5885 149.666	140.049 161.679
Swiss Franc	USD:CHF	0.88238	0.00024	0.03%	-0.21%	-1.84%	-2.76%	-1.86%	-5.51%	0.87966 0.88402	0.83739 0.92044

- The US Dollar rebounded above 104.00 after reaching a five-month low near 103.20, despite declining US yields and uncertainty about the Federal Reserve's rate policy. The DXY remains below its 200-day moving average, signaling potential downside risks, while trade tensions and concerns over a slowing US economy shape market sentiment. The Biden administration temporarily exempted Mexican and Canadian imports from additional duties but maintained a 20% tariff on Chinese goods. Despite inflation being above the Fed's target, strong labor market data complicates the economic outlook. The Fed decided to keep rates unchanged at 4.25%-4.5% in its March meeting, adjusting its 2025 GDP growth forecast downward and raising its inflation projection, reflecting concerns over stagflation. Fed Chair Powell emphasized caution, noting that further rate cuts are not urgent but indicating that persistent trade tensions and inflation pressures could force policy adjustments.

Energy

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Oil	USO	0.08%	2.09%	-2.07%	-2.33%	-3.94%	-7.23%	73.14 73.96	66.02 84.58
Brent Oil	BNO	0.03%	2.27%	-2.14%	-0.57%	-4.76%	-7.46%	29.54 29.85	26.77 33.91
Natural Gas	UNG	-1.56%	-4.36%	-5.66%	23.97%	36.03%	-70.13%	20.81 21.36	12.35 24.33
Gasoline	UGA	-0.00%	2.26%	-2.92%	-2.27%	-12.98%	3.24%	61.07 61.73	55.37 74.57

- Friday saw an increase in oil prices for the second straight week, with U.S. West Texas Intermediate (WTI) crude up 0.3% to $68.28 and Brent crude up 0.2% to $72.16 per barrel. The new U.S. sanctions on Iran and OPEC+'s output goals, which raised expectations of a tighter global oil supply, caused Brent to gain 2.1% and WTI to rise 1.6% during the course of the week. Targeting a Chinese refiner and companies involved in Iranian supplies, the U.S. placed restrictions on Iranian oil exports, indicating a possible cutback of one million barrels per day. In order to combat oversupply, OPEC+ also intends to reduce output by 189,000 to 435,000 barrels per day until June 2026. However, compliance from countries like Iraq, Kazakhstan, and Russia, which have exceeded production quotas, will be crucial for the plan's success.

Metals

Metals

Precious Metals

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Palladium	PALL	0.64%	-0.71%	-1.21%	4.91%	-6.34%	-63.86%	87.09 87.78	77.52 113.92
Gold	GLD	-0.80%	1.18%	2.86%	15.02%	37.89%	54.14%	276.59 279.46	200.97 281.48
Platinum	PPLT	-0.18%	-1.09%	1.40%	8.28%	7.71%	-6.62%	89.03 89.93	81.94 100.00
Silver	SLV	-1.57%	-2.25%	1.45%	14.01%	32.54%	28.95%	29.72 30.25	22.29 31.80

- Gold (XAU/USD) rebounded from a bearish start to the week and surged past $3,000 on Friday, fueled by broad USD weakness and risk-averse flows. Early in the week, concerns about a US economic slowdown and rising global trade tensions, especially following President Trump's announcement of new tariffs on steel and aluminum, pressured gold. However, a slight softening of annual inflation to 2.8% and speculation about a potential reserve requirement ratio (RRR) cut by the People's Bank of China helped propel gold prices upward. As the metal broke its previous record high, attention shifted to the Federal Reserve's upcoming monetary policy decision, with market expectations for no rate cuts in March. A more dovish stance from the Fed could weaken the USD further, supporting gold, while a stronger inflation outlook could boost the USD and lead to a gold price retreat.

Analytica

- **AI Spending Revolution: From Training Titans to Inference Investments**

- The AI arms race is seeing a major economic realignment, as tech giants prepare to pump over half a trillion dollars annually into the field by the early 2030s. The key driver? A dramatic shift away from costly training models and towards the increasingly vital, and cost-efficient, realm of AI inference.

- The combined annual spending on artificial intelligence by the biggest tech companies is set to surpass $500 billion by the early 2030s, driven by a shift towards more efficient AI models from companies like DeepSeek and OpenAI. In 2025, hyperscale companies such as Microsoft, Amazon, and Meta are expected to spend $371 billion on data centers and computing resources for AI, marking a 44% increase from the previous year. This spending is projected to rise to $525 billion by 2032, growing faster than initially expected due to the rise of more cost-effective AI models.

- Historically, most AI investments were focused on developing data centers and chips for training massive AI models. However, the focus is shifting towards inference—running AI systems after they've been trained. This change has been accelerated by the introduction of reasoning models from OpenAI and China's DeepSeek, which mimic human thinking and require more time to compute responses. These new models are prompting tech companies to invest more in inference, shifting some of the costs from development to post-deployment stages.

- The rise of DeepSeek, which has developed a competitive AI model at a fraction of the cost of U.S. rivals, has raised questions within the U.S. tech industry about the high cost of AI development. As a result, many companies are focusing on more efficient AI systems that require fewer resources to operate. This shift in strategy is expected to drive greater investment in inference models, making it the fastest-growing segment in the generative AI market. Bloomberg Intelligence forecasts that inference-driven investments will represent nearly half of AI spending by 2032, up from just 14% of hyperscalers' AI budgets that year.

- Google is well-positioned to capitalize on this shift, thanks to its in-house chips that handle both training and inference tasks. In contrast, companies like Microsoft and Meta, which rely heavily on Nvidia chips, may face challenges in adapting as quickly. Despite this, the growing focus on inference is set to reshape the landscape of AI investments, with spending on training models expected to slow significantly in the coming years.

- **UK's Encryption Mandate: Cybersecurity and Privacy at Risk**

- The UK government's decision to weaken Apple's end-to-end encryption for iCloud backups raises significant cybersecurity and privacy concerns, potentially exposing sensitive data to breaches and setting a global precedent.
- The UK government's decision to force Apple to weaken its end-to-end encryption for iCloud backups has sparked major concerns over cybersecurity and privacy. This move, done under the "Snoopers' Charter," not only exposes UK users' sensitive data to potential hacks and breaches but also creates a precedent that could affect users worldwide. Since digital communication transcends borders, anyone who has shared data with a UK-based contact is now at risk.
- Apple, despite its strong stance on privacy, had little choice but to comply or face legal consequences. While it opted to strip encryption only in the UK and filed a legal challenge, this still compromises security. More alarmingly, the secrecy surrounding this mandate raises concerns that other tech companies may have quietly followed similar orders. Businesses relying on cloud services and encrypted communications now face heightened risks of government surveillance and cyberattacks.

- The UK is not alone in this approach. Sweden, France, and the EU are considering similar legislation that could mandate backdoor access to encrypted services, undermining cybersecurity on a global scale. These vulnerabilities don't just threaten personal privacy—they pose risks to national security. History has shown that backdoors intended for government use can be exploited by hostile actors, as seen in the Salt Typhoon attacks, where Chinese state-backed hackers infiltrated U.S. telecom systems.

- Fundamentally, encryption is a mathematical safeguard that cannot differentiate between lawful investigators and malicious hackers. Weakening it under the guise of national security only creates greater exposure to cyber threats. If the UK aspires to be a leading tech hub, its government should be reinforcing cybersecurity rather than dismantling it.

- Governments and business leaders must recognize that strong encryption is essential for security, not a threat to it. Instead of mandating vulnerabilities, policies should focus on strengthening digital protections to safeguard both individual privacy and national infrastructure.

- **The AI Race Heats Up: Apple's Leadership Shake-Up Signals a High-Stakes Bet**

- As Apple faces mounting pressure to deliver on its AI promises, a significant executive reshuffle, placing key figures in new roles, reveals the company's urgent push to reclaim its competitive edge."

- Apple is undergoing a significant shake-up in its executive ranks, particularly in the AI division, as it struggles to catch up with industry rivals in artificial intelligence. CEO Tim Cook has lost confidence in AI head John Giannandrea's ability to lead product development, prompting a change in leadership. Mike Rockwell, known for his role in creating the Vision Pro headset, will now take over the Siri virtual assistant, reporting to software chief Craig Federighi. This move removes Siri from Giannandrea’s leadership and places it under Rockwell’s oversight, reflecting Apple's growing focus on AI as a critical area.

- The decision to shift leadership comes as Apple’s AI efforts, including the Apple Intelligence platform, have faced delays and underwhelming results. Siri, which has had multiple leadership changes over the years, has struggled with new feature rollouts, with some features advertised in the iPhone 16 launch still not ready. Rockwell’s technical experience and success in launching complex products like the Vision Pro are expected to help revitalize Siri and deepen AI integration in Apple’s future products, such as the rumored AI-powered AirPods.

- Giannandrea, a former Google executive brought on to lead Apple's AI efforts in 2018, will remain at the company, overseeing research, testing, and technologies related to AI, including robotics. Despite challenges with Siri, Giannandrea has made strides in unifying Apple’s AI initiatives and attracting top AI talent. Rockwell’s move to head Siri also underscores Apple’s ambition to better integrate AI with hardware, leveraging his expertise in product development to enhance the company’s future offerings.

- The leadership reshuffling, which has been months in the making, follows a series of adjustments within Apple’s AI group. Rockwell’s trusted deputies, Kim Vorrath and Aimee Nugent, have been moved to assist the Siri team, helping address existing issues with the voice assistant. Rockwell’s involvement with the AI team is expected to increase, especially as Apple plans to roll out AI features in the Vision Pro later this year. This strategic shift highlights the company’s determination to reclaim its position in the competitive AI space.

- **Chip Race Reshaped: US Stakes its Future on Domestic Production**

- With billions in government funding, the U.S. is aggressively vying to reclaim its dominance in semiconductor manufacturing, a move driven by national security and economic resilience.

- The Chips and Science Act, signed by President Joe Biden in 2022, aims to bolster the U.S. semiconductor industry with a $52 billion investment. The goal is to reduce the U.S.'s reliance on Asian markets for semiconductor production, which is crucial for many modern technologies. The Act has already spurred around $450 billion in private investments to build manufacturing facilities within the U.S., generating significant returns for every dollar spent by the government. However, former President Donald Trump has criticized the law, calling it a waste of taxpayer money, and has suggested that tariffs would be a more effective way to encourage domestic manufacturing.

- The Chips Act includes $39 billion in grants for semiconductor manufacturing and $11 billion for research and development. It also provides up to $75 billion in loans and loan guarantees, although few companies have utilized this funding. The Act's tax incentives, including a 25% credit for manufacturing projects, are designed to make U.S.-based factories competitive with those in Asia, which have lower labor costs. These efforts are aimed at making U.S. manufacturing more cost-effective, but some estimates suggest the tax credit could cost the government over $85 billion, exceeding initial projections.

- Major beneficiaries of the Chips Act include Intel, TSMC, Samsung, and Micron Technology, with the bulk of grant funding directed toward these companies. Intel, for instance, received a $7.9 billion grant to support commercial factories and military chip production. Several other companies, including Texas Instruments and GlobalFoundries, also benefit from the Act's funding, along with smaller businesses across the semiconductor supply chain. The investments are spread across various U.S. states, including Arizona, Ohio, New York, and Texas, which are becoming key locations for chip manufacturing.

- Although the Chips Act represents a significant investment, the funding is small relative to the overall costs of the semiconductor industry. For example, TSMC's capital expenditure is expected to reach $42 billion in 2025 alone. Nonetheless, the Act has contributed to a rise in U.S. chip manufacturing, with projections indicating the U.S. could increase its global market share in semiconductor production from 10% to 14% by 2032. The American push to expand semiconductor production is happening alongside similar efforts in other countries, particularly China, which is also investing heavily in its own chipmaking sector.

- While the Chips Act has broad support in Congress, Trump's administration could attempt to undo some of its provisions. A full repeal is unlikely due to the Act's bipartisan support, but there may be efforts to roll back specific regulations or provisions. Trump's administration may also seek to undermine the law by renegotiating contracts or delaying the disbursement of funds, though it remains legally obligated to spend the money appropriated by Congress for the program. Regardless of these challenges, the U.S. semiconductor industry is on track for significant growth, thanks in part to the Chips Act.

• Nvidia's AI Monopoly: A Serendipitous Rise to Dominance

- Nvidia Corp. has become the dominant player in the AI hardware space, controlling the market for AI accelerators (GPUs) and relying on key partners to create a near-monopoly in the industry.
- The AI sector is currently dominated by a few key players, with Nvidia Corp. leading the charge. Nvidia, which initially gained prominence in the gaming industry, has become the primary supplier of artificial intelligence accelerators (GPUs), which are essential for powering AI technologies like ChatGPT. Its dominance extends beyond its own products, as Nvidia relies on partners such as SK Hynix, TSMC, and ASML to supply the necessary components for its chips. These companies control substantial portions of the markets for their respective products, creating a near-monopoly in the AI hardware space.
- Nvidia's rise to dominance in AI was somewhat serendipitous. Its graphics processing units (GPUs), originally designed for video gaming, were discovered to be well-suited for deep learning, which is the foundation of modern AI systems. The company's strategic move to support the emerging AI industry, including its partnership with OpenAI in 2016, helped cement its position as the leader in AI hardware. Nvidia’s extensive software ecosystem, including its proprietary CUDA programming language, made it difficult for competitors to catch up, and other tech giants like Intel failed to challenge its market position.
- To produce its powerful GPUs, Nvidia relies on SK Hynix for high-bandwidth memory chips, TSMC for chip manufacturing, and ASML for the advanced equipment needed to make semiconductors. ASML, in particular, holds a near-monopoly on the production of extreme ultraviolet (EUV) machines, which are critical for creating the latest semiconductors. These companies have been able to maintain their dominance through innovation and scale, making it nearly impossible for new competitors to enter the market. Nvidia’s market share, along with its reliance on these suppliers, has led to substantial market valuations for the entire AI hardware ecosystem.
- Despite their dominance, these companies face significant competition and threats from both existing players and new entrants. While Nvidia's GPUs remain the top choice for AI developers, rival companies like Amazon, Microsoft, and Google are investing heavily in developing their own AI chips to reduce dependency on Nvidia. These companies are also working to create more competitive alternatives, which could challenge Nvidia’s current market position. However, Nvidia still holds an advantage due to its advanced chip designs, software ecosystem, and established supply chain.
- The rise of Nvidia and its partners has prompted regulatory scrutiny, with concerns about monopolistic practices and anti-competitive behavior. While these companies have not been formally accused of price-gouging or unfair practices, the sheer dominance of their respective markets has drawn attention from regulators. In the case of Nvidia, there are questions about whether the company’s bundling of services or preferential treatment of certain customers may violate antitrust laws. However, proving such claims remains difficult, as the companies argue that their success is a result of innovation and scale, rather than anti-competitive behavior.

• Financial

• European Exceptionalism? Market Tides Turn as Europe Outperforms the US

- After a decade of underperformance, European equity markets are staging a comeback, challenging the long-held belief in US market dominance. A combination of shifting fiscal and monetary policies, along with potential hurdles for US tech, is driving this unexpected shift.

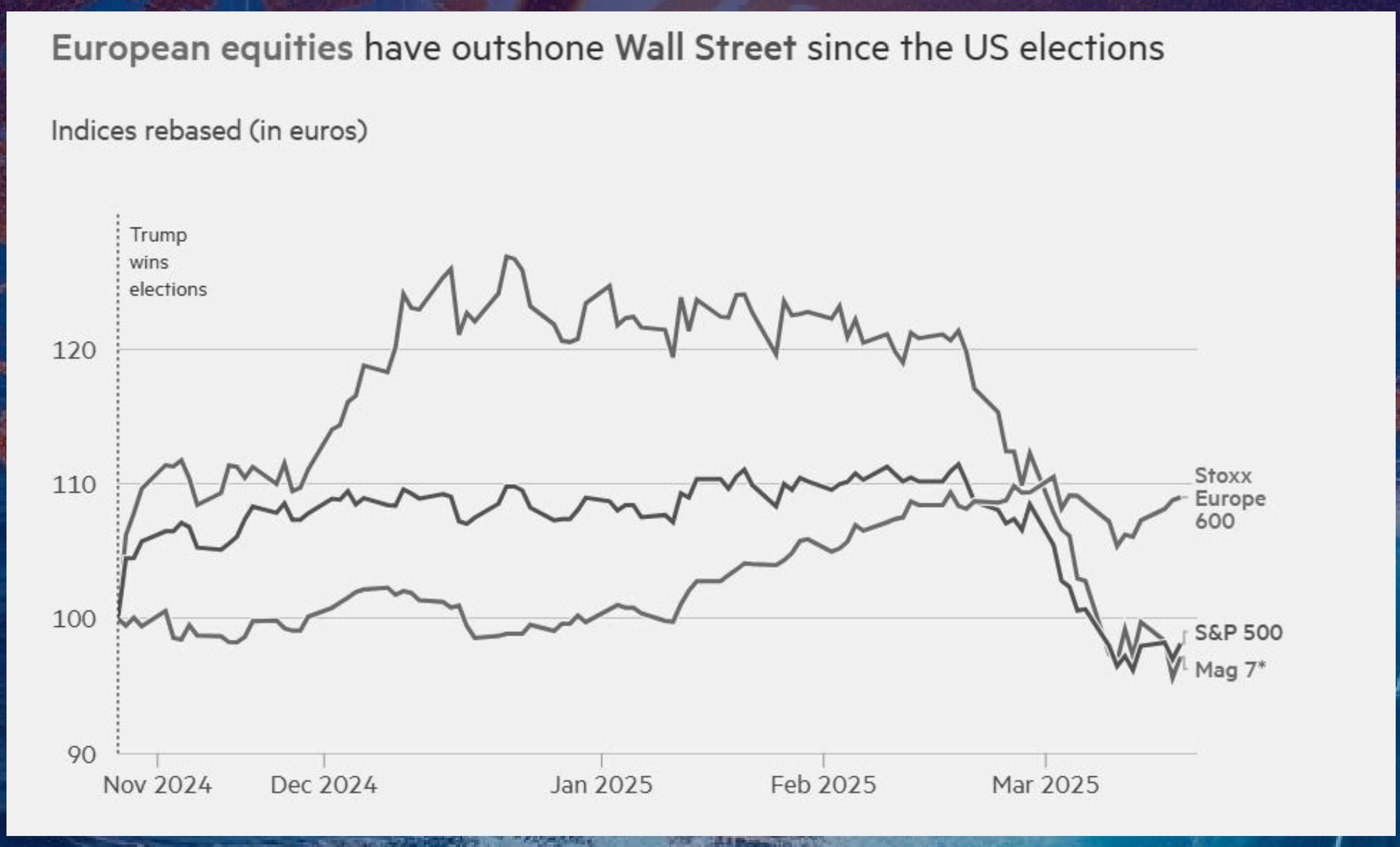
- The idea of European exceptionalism in markets, once deemed unlikely, is gaining traction as the MSCI Europe index has outperformed the S&P 500 by 9% this year, while the S&P 500 has dropped by 9%. For over a decade, Europe's equity markets underperformed due to macroeconomic weaknesses and an unfavorable sectoral mix. Structural issues, such as demographics and fragmentation, were commonly blamed, but another key factor has been Europe's tight fiscal, monetary, and regulatory policies compared to the more stimulus-driven U.S. approach.

- The U.S. economy has been bolstered by government subsidies, tax cuts, and direct payments to households, causing government debt as a percentage of GDP to rise by 17 percentage points. In contrast, Eurozone countries saw their debt fall by 5 percentage points. Furthermore, while U.S. mortgage borrowers were largely shielded from interest rate hikes due to long-term, low-rate contracts, European borrowers were more affected by floating rate loans, leading to tighter financial conditions in Europe compared to the U.S. over the past two years.

- Regulatory policies also played a role in Europe's underperformance, particularly climate change regulations that pushed companies toward net-zero targets. Additionally, Europe's stock markets lacked significant exposure to the tech stocks that drove the U.S. market, especially amid the growing excitement around artificial intelligence. However, the political and economic landscape is shifting, with fiscal policy loosening and Germany's €500 billion infrastructure package expected to stimulate economic growth. Monetary policies are also easing, likely pushing real interest rates in the Eurozone and the UK closer to zero, further encouraging loan growth.

- Despite these positive developments, Europe's recovery could be tempered by challenges such as U.S. tariffs and the ongoing situation in Ukraine. Additionally, U.S. technology stocks, which have been major drivers of market returns, may face hurdles in meeting the high expectations set by AI investments. While U.S. tech companies have shown strong earnings and hold significant cash reserves, they are now under pressure to deliver on the massive investments made in AI. This creates uncertainty about whether U.S. tech stocks will maintain their dominance.

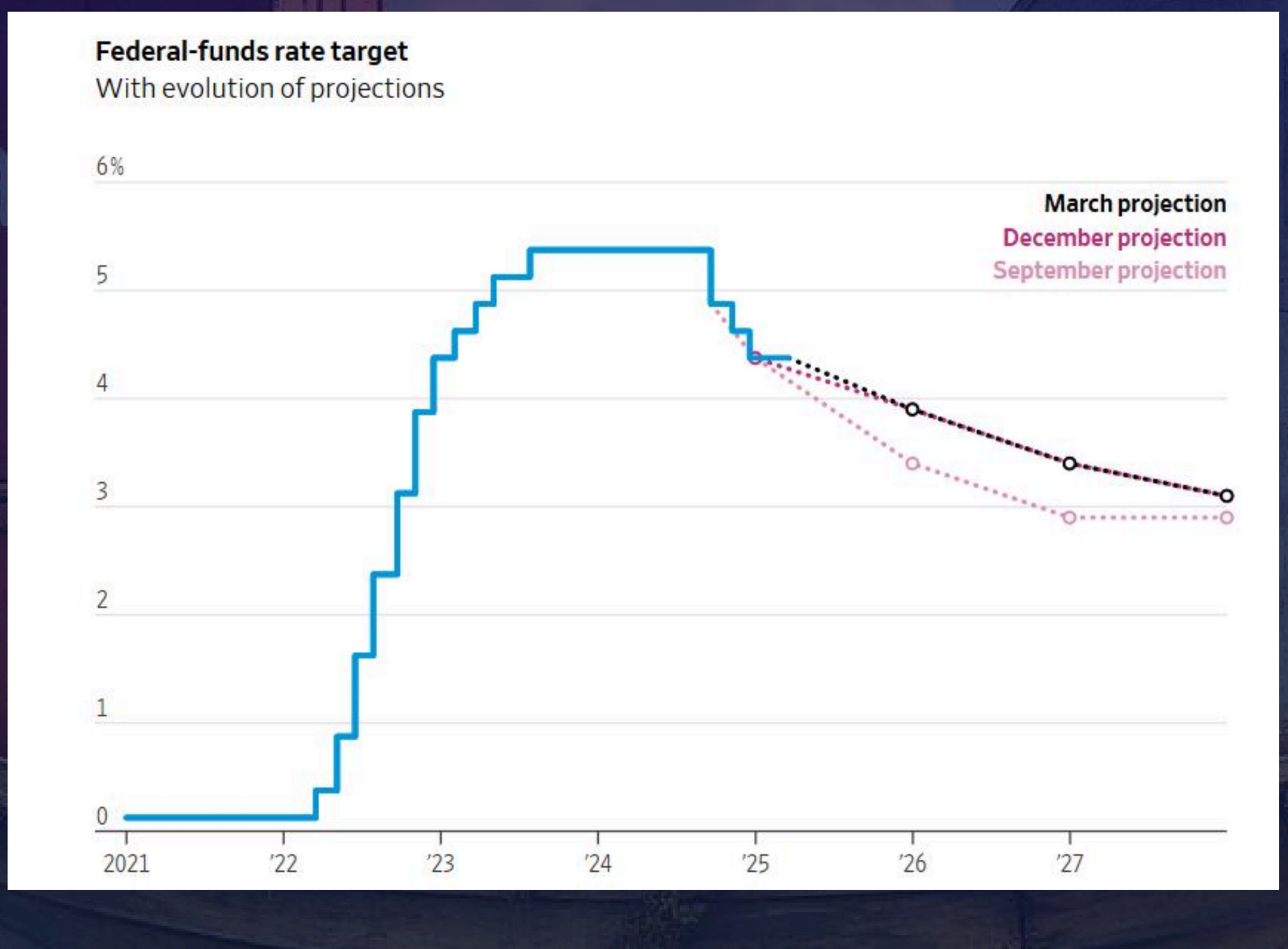
- Despite Europe's recent outperformance, European stocks still trade at a significant discount compared to their U.S. counterparts. Investors who have focused on passive investing may want to reconsider their portfolios, as the weight of U.S. stocks in global benchmarks like the MSCI ACWI has increased dramatically, from 42% in 2009 to 66% today. With European markets showing signs of recovery, this period of outperformance may not be over, and investors should assess whether an overweight position in U.S. equities is still the right approach for the future.



- **Tariffs vs. Soft Landing: Fed Navigates Stagflation Fears Amid Uncertain Outlook**

- President Trump's tariff policies are throwing a wrench into the Federal Reserve's plans, forcing policymakers to grapple with the specter of stagflation.
- The Federal Reserve’s latest projections highlight the economic uncertainty created by Trump’s tariff policies. While the Fed had previously anticipated rate cuts in 2025 to ensure a soft landing, tariffs are now expected to push inflation higher while weakening investment and growth. Officials foresee slower growth, rising unemployment, and firmer inflation, raising concerns about stagflation. Despite this, stocks rallied as the Fed still signaled two rate cuts for the year, though some policymakers leaned toward fewer cuts, citing an uncertain outlook.
- Powell’s comments suggest that the Fed is grappling with whether tariff-induced inflation is a temporary shock, much like past episodes in 2019 and 2021. In 2019, the Fed cut rates despite Trump’s tariffs, believing the drag on business confidence would outweigh inflationary effects. In 2021, officials misjudged supply shocks as “transitory” and later had to aggressively hike rates. Powell acknowledged that tariff inflation could be similarly short-lived, but policymakers remain cautious given that inflation has exceeded targets for years.

- The challenge is that tariffs represent a negative supply shock, restricting output while raising prices. Traditional monetary policy suggests the Fed should look past such shocks if they are one-off events. However, prolonged shifts in global supply chains and inflation expectations could make it harder to dismiss the price increases as temporary. Some officials worry that businesses and consumers have become more tolerant of higher inflation, making it more persistent.
- A key difference between now and 2021 is that interest rates are already at restrictive levels, meaning the Fed isn't actively stimulating the economy. However, there's concern that the central bank might overcorrect for past mistakes, waiting too long to react to weakening growth. Some believe the Fed's cautious approach is necessary to prevent another inflationary spiral, even if it means delaying rate cuts. In this environment, officials appear willing to prioritize inflation control over preemptive action on growth.



- **Debt's Growing Burden: Interest Payments Outpace Defense Spending in Wealthy Nations**

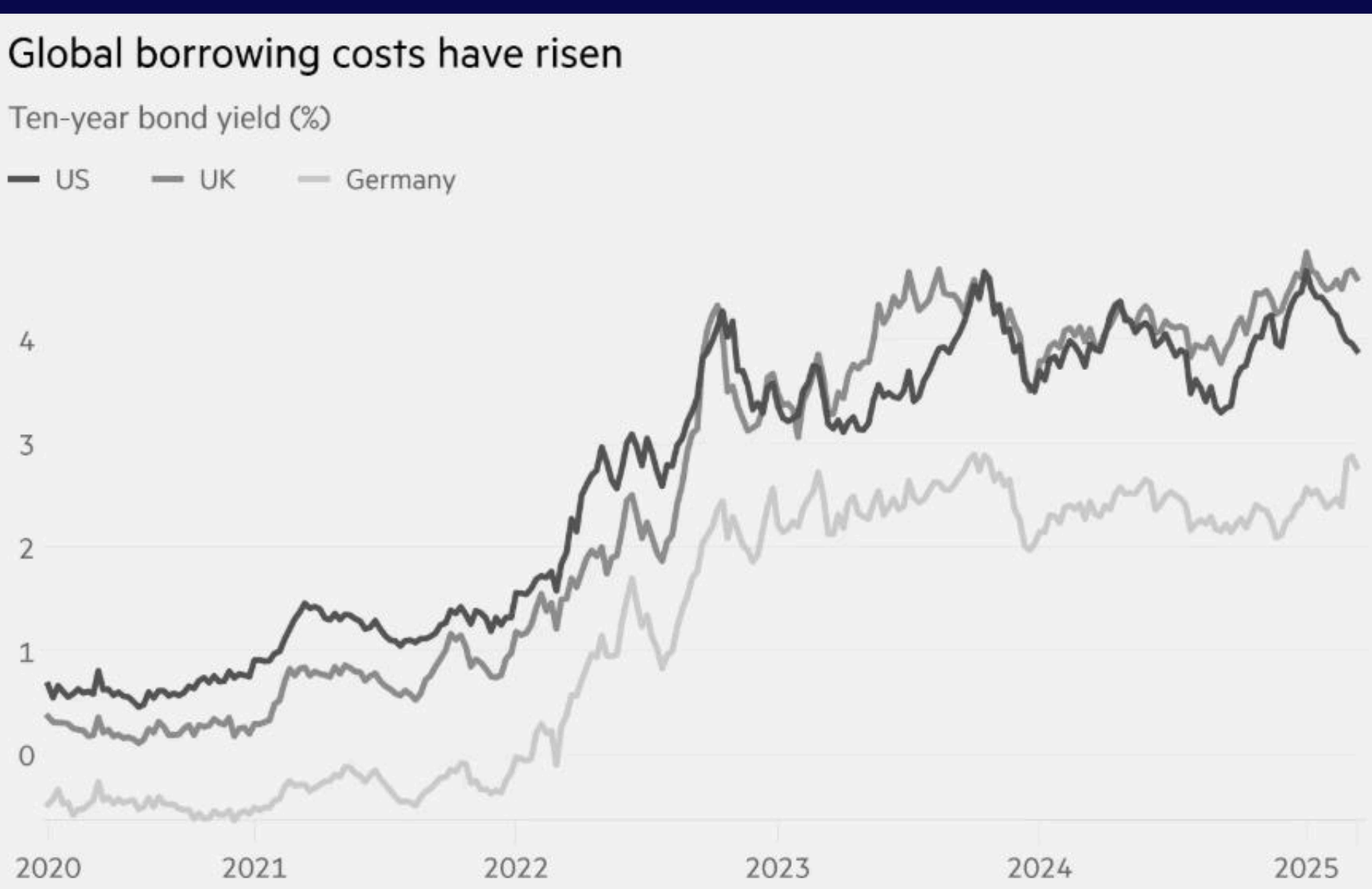
- A stark financial shift is underway as interest payments on sovereign debt surge, now exceeding defense and housing expenditures in OECD countries.

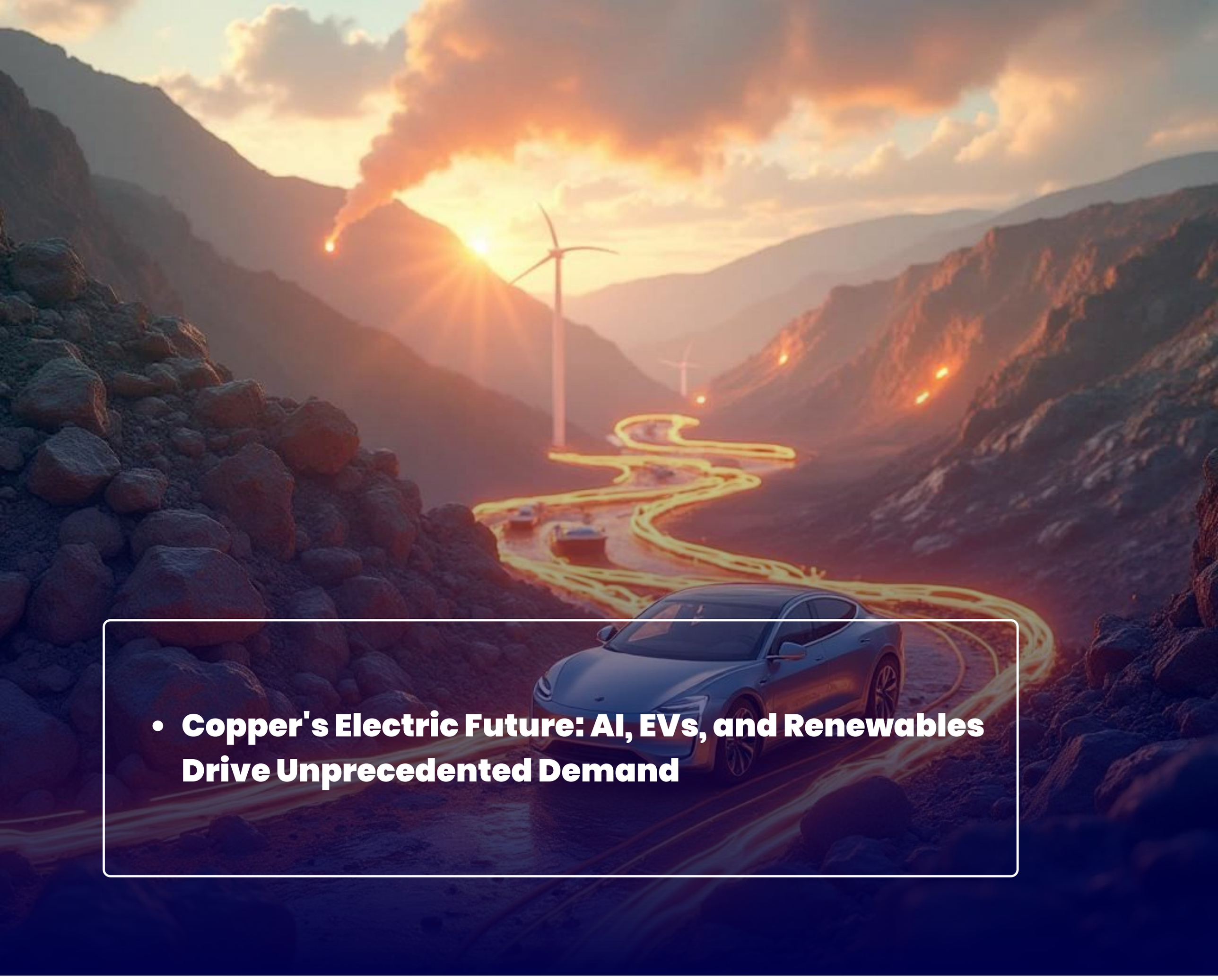
- Interest payments on sovereign debt are now consuming a larger portion of economic output in wealthy nations than spending on defense and housing, according to the OECD's latest Global Debt Report. Debt service costs for the 38 OECD countries have risen sharply, reaching 3.3% of GDP in 2024, up from 2.4% in 2021. In comparison, military spending for these countries was 2.4% of GDP in 2023. The US, UK, and Germany, in particular, are experiencing significant increases in interest payments, with the US facing 4.7% of GDP in interest costs.

- This rise in borrowing costs is due to persistent inflation and higher bond yields, as investors brace for ongoing fiscal stimulus and defense spending. The OECD warned that rising yields and growing debt could limit future borrowing capacity, especially when investment needs, such as infrastructure and climate projects, are growing. Sovereign borrowing is projected to hit a new record of $17 trillion in 2025, up from $16 trillion in 2024.

- While the OECD acknowledges that the large debt burden itself is not inherently negative, it emphasizes the need to shift from recovery-focused spending to investment-driven growth. However, the higher bond yields complicate this transition, making it more expensive to refinance debt. Nearly 45% of OECD sovereign debt is set to mature by 2027, which will further challenge governments' debt management.

- The report also highlights a shift in the profile of sovereign bondholders, as central banks reduce their holdings of government bonds. With central bank holdings having dropped significantly since 2021, private investors, who are more sensitive to price fluctuations, are now absorbing the difference. This shift increases the vulnerability of governments to market volatility and geopolitical uncertainty.





- **Copper's Electric Future: AI, EVs, and Renewables Drive Unprecedented Demand**

- Copper's remarkable 20% surge signals a fundamental shift in its market dynamics, driven by the explosive growth of generative AI, electric vehicles, and renewable energy technologies.

- Copper has been one of the standout performers among commodities, with a 20% surge since the end of 2024. Whether this rise can continue hinges on several factors, particularly demand drivers such as the growth of generative AI, electric vehicles (EVs), and the evolution of renewable energy technologies. Alongside these emerging demands, traditional uses in construction also contribute to copper's strong outlook. However, the supply of copper is growing slowly, creating a potential imbalance where demand might outpace the available supply, keeping prices high.

- Historically, copper prices have closely tracked crude oil prices and China's economic growth. From 2000 to 2022, copper followed oil prices due to its energy-intensive production process, with oil acting as a proxy for production costs. Similarly, China's demand for copper, driven by its construction sector, used to correlate with the price of copper. However, since 2022, this correlation has broken down, as copper prices have continued to rise even amid falling oil prices and a slowdown in China's growth. While the Chinese government is considering stimulus measures that could boost demand, copper's price surge is primarily being driven by other factors.

- Technological advancements, particularly in AI, EVs, and renewable energy, are significantly increasing copper demand. The rise of generative AI and data centers is particularly noteworthy, as these centers are projected to account for a larger share of electricity consumption, directly increasing demand for copper. Likewise, the global shift towards electric vehicles is copper-intensive, as each EV contains significantly more copper than a traditional combustion engine vehicle. The adoption of EVs, particularly in China, alongside the growing use of solar and wind energy, further amplifies copper's demand.

- On the supply side, copper production has struggled to keep pace with demand. Since 2016, copper supply has grown at a rate of just 1.2% annually, and there are few new mines set to begin production in the near future. The long lead time required to bring new copper mines into production—averaging 18 years—further limits supply. As a result, copper remains a demand-driven market, and prices are likely to remain volatile, influenced primarily by changes in industry needs and technological progress rather than significant supply increases.

- However, there are some headwinds. For instance, the slowdown in the global housing market, particularly in China, has dampened one of the traditional demand drivers for copper. Additionally, demographic trends in countries like China, Japan, and most of Europe, which have aging populations and declining construction activity, may further suppress demand in these regions. In contrast, countries like India with growing populations may offset some of these losses. Nonetheless, if U.S. equities face a downturn, it could ultimately reduce demand for copper, given the historical correlation between the two.

- **A World on Hold: How Trump's Trade Policies Are Freezing Central Bank Action**

- From Europe to Asia, central banks are pausing their planned rate cuts, as the ripple effects of President Trump's trade policies create a climate of global uncertainty.

- U.S. President Donald Trump’s trade policies are reshaping global markets, particularly central banking, by increasing uncertainty for policymakers worldwide. Central banks, once the primary drivers of macroeconomic policy, are now forced to follow the developments in U.S. policies, with many pausing their rate-cutting plans. This shift in central bank behavior is largely due to the unpredictable nature of Trump’s tariff strategies, which have forced institutions like the Federal Reserve, the Bank of England, and the European Central Bank to remain cautious, awaiting greater clarity on international trade and economic conditions.

- The global impact of Trump's trade policies is creating significant challenges for central banks. U.S. tariffs on countries like Mexico, Canada, China, and the European Union have led to retaliatory measures, and there is a looming risk of further global tariff imbalances. This uncertainty is affecting the ability of central banks to make clear decisions on interest rates. For instance, the Bank of England recently shifted away from a dovish stance, signaling a more cautious approach to rate cuts due to heightened international risks, while the Riksbank similarly halted its easing cycle due to global uncertainty.

- The European Central Bank, too, has been cautious, cutting rates earlier this month but now facing divided expectations regarding future actions. ECB President Christine Lagarde and other policymakers have expressed concerns about the far-reaching consequences of the U.S. administration's policies, with some describing the uncertainty as "phenomenal." As global trade policy uncertainty intensifies, central banks are left in a difficult position, caught between the risks of slowing economic growth and the potential inflationary effects of tariffs, making it hard to predict future rate movements.

- Countries like Japan, Taiwan, and Indonesia also kept their rates unchanged amid ongoing trade uncertainties, while Switzerland's central bank took the rare step of cutting rates to weaken its currency, traditionally seen as a safe haven. The Japanese and Chinese central banks have similarly refrained from significant rate changes, signaling their caution as they assess the broader implications of U.S. trade policies. The global economic outlook, downgraded by the OECD due to higher trade barriers, points to slower growth, further complicating the central banks' decision-making.

- Amid these developments, President Trump has advocated for rate cuts from the Federal Reserve to ease the impact of tariffs, stating that the central bank would benefit from such a move as tariffs make their way into the U.S. economy. His comments reflect the ongoing tension between political policies and central banking, as the global economic system grapples with an unprecedented level of uncertainty stemming from the White House's actions. The next few months will be crucial as the world watches whether Trump's tariffs will lead to a reshaping of global trade and monetary policies.

• Crypto's Chaotic New Era: Memecoins, Solana ETFs, and Shifting Regulatory Sands

- The U.S. digital asset market is navigating a turbulent phase, where the rise of memecoins, including those linked to political figures, clashes with the SEC's cautious approach to cryptocurrency ETFs.

- The U.S. digital assets market has entered a new phase of regulatory activity, with the focus shifting from obstruction to a more chaotic and unpredictable landscape. The introduction of memecoins, including one created by the incoming president, has sparked proposals for cryptocurrency ETFs that include these unconventional digital assets. While the value of such coins remains debatable, they represent a form of creative expression that holds cultural value for some investors, particularly in the retail space. Despite their novelty, these coins could be seen as valid assets for investment products like ETFs, though opinions about their utility remain divided.

- Solana, one of the largest and most active blockchain networks, is positioned as a prime candidate for its own ETF. Unlike Bitcoin, which has evolved into a digital store of value, Solana is designed for blockchain smart contracts and boasts the unique Proof of History consensus mechanism. This scalability and capacity for powering decentralized applications make it a logical choice for broader investment access, especially considering the challenges and delays faced in getting Bitcoin and Ethereum ETFs approved. However, the SEC's reluctance to approve a Solana ETF, particularly one that includes staking rewards, is a point of contention.

- The approval process for cryptocurrency ETFs has been slow, with Bitcoin’s approval taking a decade and Ethereum’s approval marked by restrictions. One key issue is the SEC's decision to disallow staking rewards in Ethereum ETFs, which puts U.S. investors at a disadvantage compared to their European counterparts, who can access staking rewards through their investment products. This limitation means U.S. investors miss out on the opportunity to earn yield by participating in the blockchain's security, despite European investors being able to do so through their own exchange-traded products (ETPs).

- In light of these disparities, the call for a Solana ETF is growing louder. Given the popularity and transaction volume handled by Solana’s blockchain, particularly demonstrated by its role in the release of a presidential memecoin, Solana’s scalability and potential real-world applications in traditional finance make it a significant asset. Not allowing U.S. investors to access Solana through traditional investment channels is seen as a missed opportunity, akin to restricting early investments in major tech companies like Amazon and Google. The case for a Solana ETF is strong, and its approval would give investors broader access to a blockchain that could be central to the future of decentralized finance and real-world asset applications.

- As the SEC reviews multiple ETF proposals from firms like Grayscale, VanEck, and Bitwise, it is hoped that the new administration will approve these applications and reinstate staking rewards in the products. With Canary Capital’s application already in the second stage of review, there is optimism that Solana’s ETF will eventually gain approval. The impact of the current administration's approach to cryptocurrency regulation remains to be seen, but the potential for a more robust and inclusive framework for crypto-asset products could prove to be a significant development in the financial world.

• Ethereum's Success Paradox: Scaling Brings Fragmentation, Funding Holds the Key

- Ethereum's remarkable growth, fueled by Layer 2 solutions, has led to a fragmented ecosystem, creating user challenges and funding hurdles.

- Ethereum has evolved significantly over the past four years, scaling from a network that could handle only 15 transactions per second to one capable of processing thousands, with transaction costs dropping dramatically. This growth has been facilitated by Layer 2 (L2) solutions and rollups, allowing Ethereum to scale without compromising its decentralized nature. However, this success has introduced new challenges, particularly fragmentation. Ethereum now consists of over 50 L2s, each functioning as a separate ecosystem. For end-users, this fragmentation means navigating multiple networks, bridging assets, and dealing with complex processes for basic actions.

- In addition to these technical hurdles, Ethereum's funding landscape has become increasingly difficult to navigate. Traditional funding programs typically focus on early-stage projects, neglecting the long-term needs of builders in the Web3 space. As a result, many projects struggle to secure sustainable funding, hindering innovation. To address this issue, Ethereum needs blockchain-based funding models that align with its community-driven and experimental nature.

- One promising solution is RetroPGF (Retroactive Public Goods Funding), which rewards projects based on their proven impact rather than speculative potential. RetroPGF pools funds from DAOs or ecosystem contributors and distributes them retroactively to projects that demonstrate value. This model ensures that essential infrastructure, such as cross-chain bridges or developer frameworks, receives support at the right time. It helps align incentives, allowing projects to focus on delivering real value rather than competing for speculative investment.

- Another effective funding model is quadratic funding, which allocates capital based on community support rather than the size of individual contributions. This approach ensures that smaller projects and grassroots initiatives receive the majority of funding, even if they lack large backers. By tokenizing the value of public goods, such as governance rights or revenue streams, projects can attract micro-investments from a broader pool of supporters. This creates a more diverse investor base and democratizes access to capital, encouraging collaboration and shared ownership in Ethereum's fragmented ecosystem.

- On-chain ownership is central to these blockchain-powered funding models. By tokenizing their work, creators and builders can establish direct relationships with their supporters, ensuring that value flows back to those who believed in them from the start. The transparency provided by on-chain transactions also reduces fraud and fosters trust, which is especially important in a fragmented ecosystem where funding structures can be opaque.

- Addressing Ethereum's fragmentation requires a funding strategy that supports the development of common goods across different L2s. One approach is to make funding for Ethereum common goods a condition of achieving decentralization in Stage 1 or Stage 2 rollups. Alternatively, the Ethereum Foundation's grants program could be redirected to focus on supporting the cross-L2 experience and funding common goods. By adopting blockchain-powered funding models, Ethereum can align incentives, amplify community support, and ensure that resources flow to the projects that need them most, ultimately addressing the ecosystem's fragmentation.

- **Beyond Collateral: Reimagining Leverage in Digital Assets for Sustainable Growth**

- The current collateral-heavy leverage model in crypto markets is unsustainable for widespread adoption.
- The mainstream adoption of digital assets is gaining momentum, fueled by recent support from the US administration. If properly implemented, a more developed digital asset ecosystem could bring substantial benefits. However, a critical challenge remains: the current inability to assess counterparty risk effectively. For digital assets to scale within global financial systems, this issue must be addressed.
- While blockchain technology is often seen as risk-free due to its transparency and immediate transactions, most trading happens through exchanges, which act as custodians. This introduces risk, particularly when traders fail to meet their commitments, leading to credit risk, as seen in past crypto market failures like Three Arrows Capital and Celsius.
- The crypto market's volatility highlights its failure to price these risks adequately. A parallel can be drawn to the late 19th-century financial markets, which were rife with fraud and poor oversight. Credit rating agencies like Moody's and S&P Global Ratings emerged to address these issues, and similar mechanisms are needed for digital assets. Platforms like Agio Ratings, co-founded by the author, aim to provide the much-needed credit ratings for digital assets, enabling better risk pricing and reducing the cost of capital.

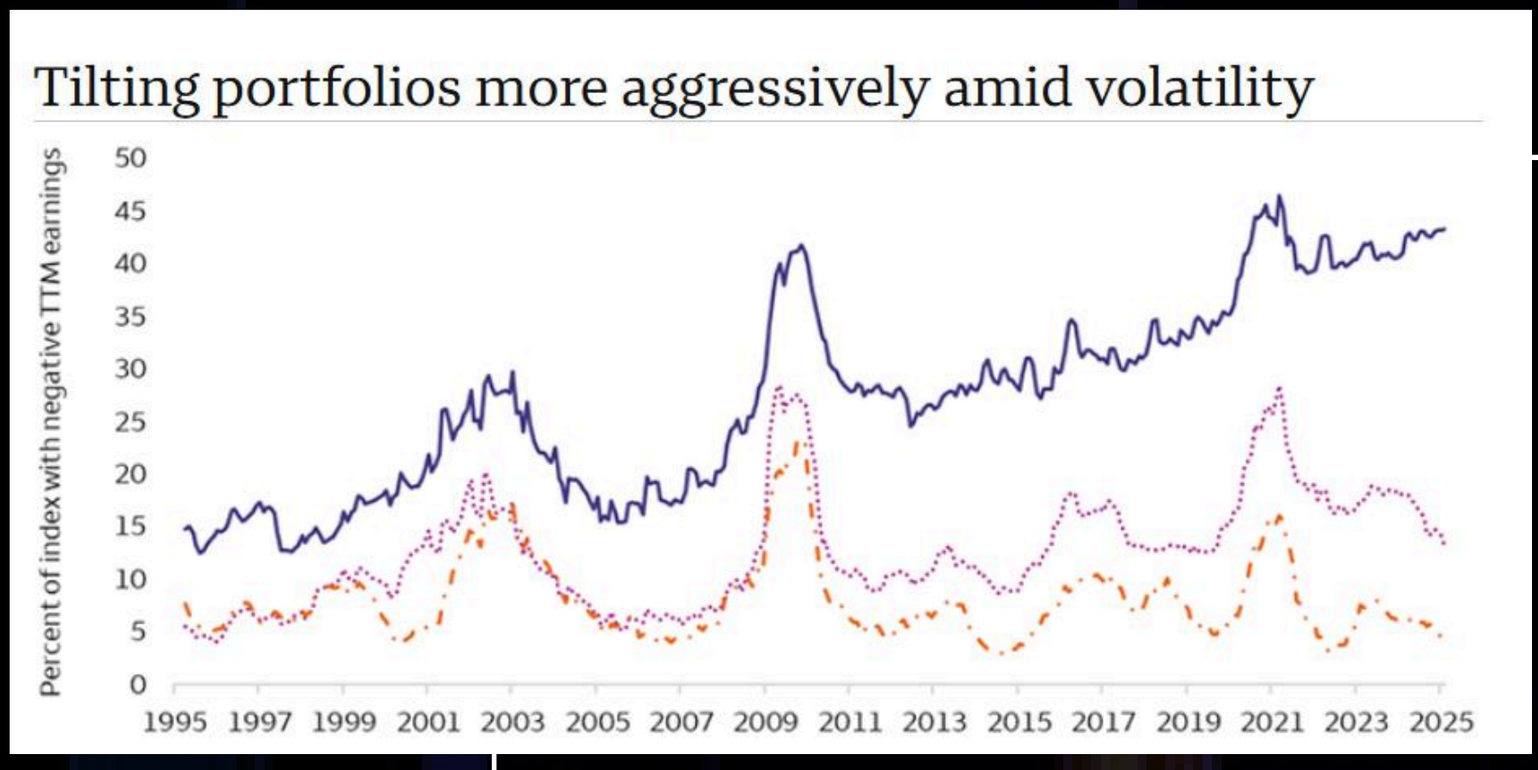
- The current leverage model in digital asset markets, which requires constant collateral posting, is unsustainable for long-term adoption. Just as it would be impractical for homeowners to post collateral when house prices fluctuate, the current crypto model discourages broad participation. A better framework for assessing counterparty credit risk would not only lower capital costs but also build trust in the industry.

- As digital assets expand, regulators will need to understand the links between traditional finance and digital assets to properly manage risks. With better credit risk analysis, the digital asset industry can reduce capital costs and compete with traditional finance, unlocking its full potential. However, without addressing these risk assessment gaps, the promise of digital assets may remain unfulfilled.

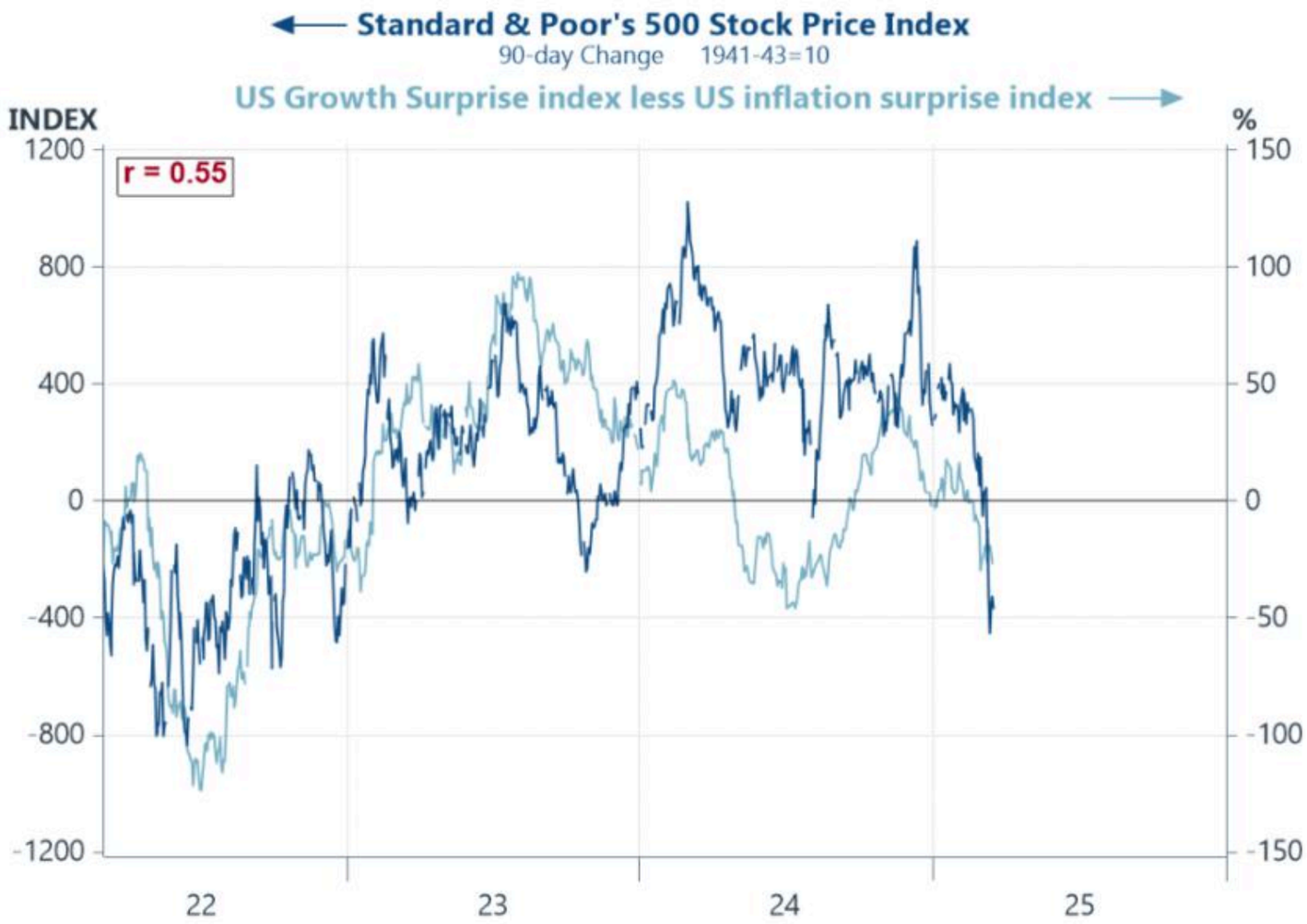
- **Regulated Stablecoins: A New Era for Global Payments, Driven by Bank and Fintech Interest**

- With regulatory frameworks taking shape in the U.S., Europe, and the U.K., large banks and fintech companies are increasingly confident in the potential of stablecoins.
- A growing number of large banks and fintech companies are rushing to launch their own stablecoins, aiming to capture a share of the cross-border payments market that they believe will be transformed by cryptocurrencies. Recently, Bank of America indicated it may issue its own stablecoin, joining companies like PayPal, Revolut, and Stripe in competing against cryptocurrency giants Tether and Circle. This move is fueled by the increasing regulatory acceptance of stablecoins, which are designed to maintain a consistent value, typically pegged to the U.S. dollar. The shift toward accepting these digital assets has been further accelerated by U.S. President Donald Trump's positive stance on cryptocurrencies.
- Stablecoins, which have traditionally been used to facilitate transactions between cryptocurrencies, are now gaining traction in emerging markets as alternatives to local banking systems, particularly in sectors like commodities and agriculture. These digital tokens provide a cheap and instant means for companies and individuals to access hard currency, typically the U.S. dollar, outside of the traditional banking infrastructure. Currently, approximately $210 billion worth of stablecoins are in circulation, with Tether and Circle accounting for the majority. Transaction volumes have been steadily rising, and stablecoin addresses have increased significantly over the past year, further highlighting their growing popularity.
- As stablecoin regulations take shape, large financial institutions are becoming more confident in their potential. U.S. lawmakers are debating bills that would set standards for stablecoins, providing greater security for banks and consumers to use them. The European Union has already introduced regulations to ensure stablecoin operators comply with specific rules, and the U.K. is set to consult on similar regulations. Companies like Standard Chartered are exploring launching their own stablecoin-backed tokens, while PayPal plans to expand its stablecoin offering, PYUSD, in 2025, targeting U.S. businesses making international payments.
- Despite the optimism, the new entrants face challenges in establishing themselves in a market dominated by Tether. PayPal, for instance, processed significantly fewer stablecoin transactions in comparison. Stablecoins also face scrutiny in developed markets, where the demand for such tokens may not be as strong. Analysts note that while stablecoins offer advantages in regions with poor infrastructure and high currency risk, their value proposition in Western markets remains unclear. Moreover, the market may struggle to support numerous stablecoins, with users likely to focus on the credibility and stability of the companies behind them.
- In summary, while stablecoins are poised to revolutionize cross-border payments, their future success will depend on regulatory clarity and their ability to meet the demands of both emerging and developed markets. The competition among large banks and fintechs is expected to intensify, but the market may not sustain all players, especially as users begin to prioritize the reliability of the issuing companies.

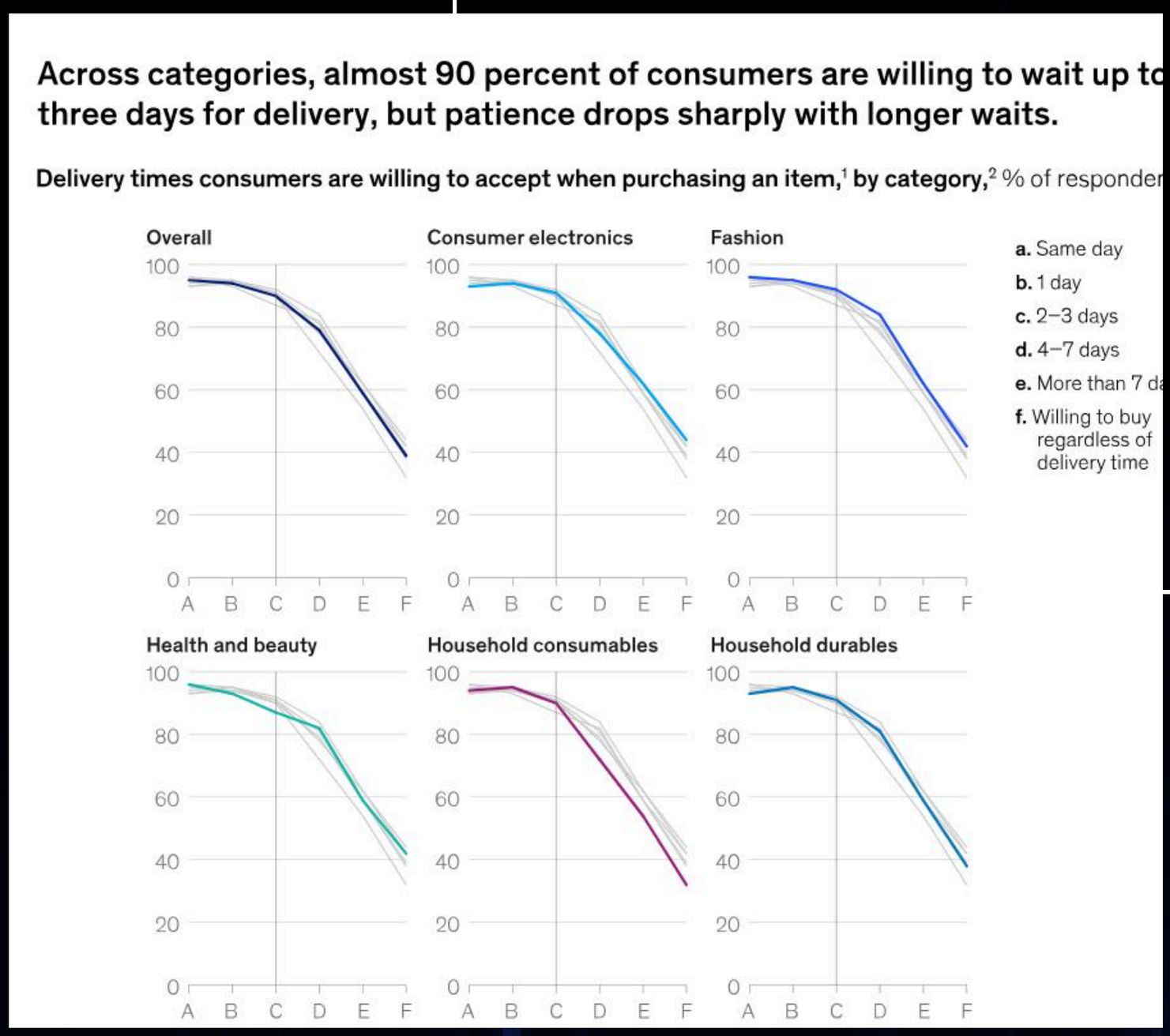
CHARTS



- U.S. Mid Cap Equities generally offer higher quality than smaller companies and are only a modest step lower in quality versus their larger peers — this can be seen, in part, through the percentage of non-earners, as shown in the chart above. While the percentage of non-earners in mid caps is only nine percentage points higher than that of large caps (13% versus 4%), small caps have 30 percentage points more non-earners compared to mid caps (43% versus 13%).
- The percentage of non-earners, as displayed in the above figure, is one indicator that U.S. mid-cap stocks are generally of greater quality than smaller businesses and only slightly lower quality than their bigger counterparts. Small caps have 30 percentage points more non-earners than mid caps (43% versus 13%), yet the percentage of non-earners in mid caps is only 9 percentage points greater than that of large caps (13% versus 4%).



- The chart below illustrates how, historically, the US equities market has done well when economic surprises have been positive but has failed when growth data has been disappointing. This pattern has reappeared in early 2025. The policies of the Trump administration have heightened investor concerns about stagflation and supply-side limitations. As policy uncertainty and tight monetary conditions continue to hurt corporate earnings, the recent decline in growth surprises indicates the US is losing momentum more quickly than expected, igniting recessionary speculation.



- Online shopping is still popular, but during the past two years, customer preferences have shifted and e-commerce development in the US is slowing down. What aspects of package delivery are most valued by today's internet shoppers? In 2022, delivery speed ranked first, but according to coauthors and partner Sandy Gosling, it is currently in fifth place. Indeed, according to a McKinsey report, 90% of consumers are prepared to wait two to three days for delivery provided shipping is free.

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