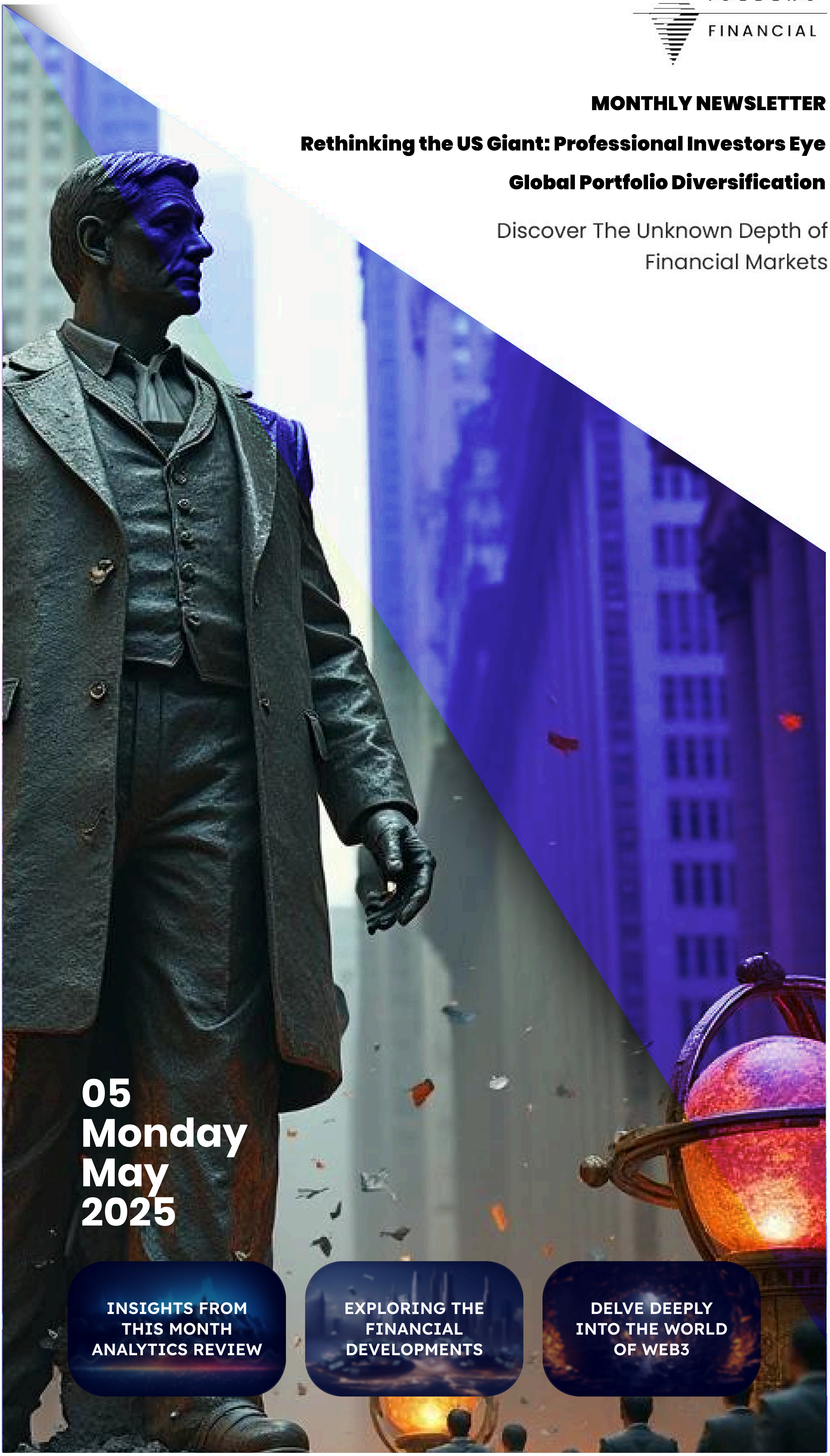
ICEBERG FINANCIAL

MONTHLY NEWSLETTER

Rethinking the US Giant: Professional Investors Eye Global Portfolio Diversification

Discover The Unknown Depth of Financial Markets



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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	1.55241	-0.014	-0.91%	-1.05%	-2.57%	-3.91%	1.25%	9.38%	1.5456 1.5685	1.44074 1.69085
British Pound	USD:GBP	0.75388	0.00056	0.07%	0.18%	-1.53%	-5.62%	-5.72%	-5.83%	0.75014 0.75399	0.74382 0.82233
Canadian Dollar	USD:CAD	1.38052	-0.0049	-0.36%	-0.50%	-3.09%	-3.98%	1.04%	7.22%	1.37602 1.38559	1.34208 1.47935
Chinese Renminbi ("Yuan")	USD:CNY	7.21155	-0.067	-0.92%	-1.17%	-1.32%	-1.72%	0.21%	8.04%	7.20898 7.27912	6.97349 7.42774
Euro	USD:EUR	0.88521	-0.00056	-0.06%	0.48%	-3.42%	-8.32%	-5.31%	-7.02%	0.87864 0.88697	0.86599 0.97934
Japanese Yen	USD:JPY	144.9245	-0.46	-0.31%	0.94%	-1.59%	-7.90%	-5.28%	11.36%	143.731 145.927	140.049 161.679
Swiss Franc	USD:CHF	0.82756	-0.0023	-0.28%	-0.08%	-5.50%	-8.80%	-9.00%	-15.36%	0.82059 0.83185	0.80693 0.9189

- The US Dollar has entered its second straight week of gains, rebounding from mid-April lows but still hovering below the key 100.00 level on the Dollar Index, driven by improved sentiment around US-China trade relations and rising US Treasury yields. This recovery follows a nearly 9% decline since March and is bolstered by speculation that President Trump may ease previously imposed tariffs, signaling a broader retreat from aggressive economic policies. However, uncertainty remains, as economists warn that lingering tariffs could stoke inflation and reduce consumer demand, possibly prompting the Fed to adjust its policy stance. At its March meeting, the Fed kept rates unchanged, lowered its growth outlook, and raised inflation projections, with Chair Powell emphasizing caution amid stagflation concerns. While the labor market remains strong, with April job gains surpassing expectations, inflationary pressures and rising consumer inflation expectations continue to weigh on market sentiment, leaving the Dollar's path closely tied to upcoming Fed decisions and further US-China trade developments.

Energy

Energy

Energy

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Oil	USO	-0.79%	-7.27%	-17.66%	-15.27%	-15.70%	-18.33%	63.11 – 64.60	60.67 – 84.58
Brent Oil	BNO	-0.50%	-6.52%	-16.60%	-12.92%	-16.14%	-15.95%	25.71 – 26.25	24.72 – 33.39
Natural Gas	UNG	5.77%	16.69%	-12.97%	8.98%	23.28%	-82.38%	17.66 – 18.39	12.35 – 24.33
Gasoline	UGA	-1.02%	-4.10%	-12.59%	-9.17%	-16.76%	-8.83%	56.65 – 57.66	52.80 – 70.72

- Oil prices fell over 1% on Friday, closing out their steepest weekly decline since March, with Brent at $61.29 and WTI at $58.29 per barrel, down about 8% and 7.7% respectively, as traders grew cautious ahead of a hastily rescheduled OPEC+ meeting. Concerns that the group may raise output in June, combined with Saudi Arabia's reluctance to support prices through deeper cuts, added to bearish sentiment amid ongoing worries about weak demand due to US-China trade tensions. While China's review of a US trade proposal offered some hope, analysts noted that confidence remains fragile. Strong US job data and rising equities helped temper losses, though President Trump's warning of secondary sanctions on Iranian oil buyers introduced further geopolitical uncertainty. A modestly supportive factor was a reduction in US oil drilling activity, with Baker Hughes reporting four fewer rigs—the first decline in three weeks—hinting at possible stabilization if US output trends lower over time.

Metals

Precious Metals

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Palladium	PALL	0.74%	1.18%	-2.46%	3.96%	0.80%	-57.80%	86.34 – 87.36	77.52 – 113.92
Gold	GLD	0.17%	-2.22%	3.41%	23.07%	39.81%	71.62%	297.03 – 300.85	211.54 – 317.63
Platinum	PPLT	-0.08%	-0.85%	-0.64%	6.21%	0.79%	1.37%	87.70 – 88.90	82.35 – 100.00
Silver	SLV	-0.92%	-3.09%	-5.33%	10.60%	19.54%	39.53%	29.04 – 29.65	24.25 – 31.80

- Gold (XAU/USD) saw a significant decline from its peak of $3,500 last week, dropping below the $3,300 support level and closing around $3,200. This marked its worst weekly performance since February, as diminishing fears of a trade war reduced demand for safe-haven assets. The US Dollar was strengthened and gold faced pressure due to optimism regarding potential trade agreements between the US and China as well as other significant economies, coupled with robust data from the US labor market—including the addition of 177,000 jobs in April. Gold prices dropped further after President Trump's optimistic comments about trade, failing to maintain gains despite a 0.3% contraction in GDP and ongoing inflation at 2.6%.As attention turns to the May 7 Federal Reserve meeting, markets are looking for signals on inflation and rate guidance; a hawkish tone could keep gold under pressure, while any dovish hints may support a rebound. The ISM Services PMI and ongoing trade talks remain critical near-term drivers, with continued trade optimism likely capping gold's upside unless negotiations falter and reignite risk aversion.

Analytica

- **Chips Act Under Trump's Scrutiny: Industry Braces for Potential Changes**

- The U.S. semiconductor industry, revitalized by Biden's Chips Act, faces uncertainty as Trump's administration seeks to repurpose the program, potentially altering grant distribution and tax credit incentives.

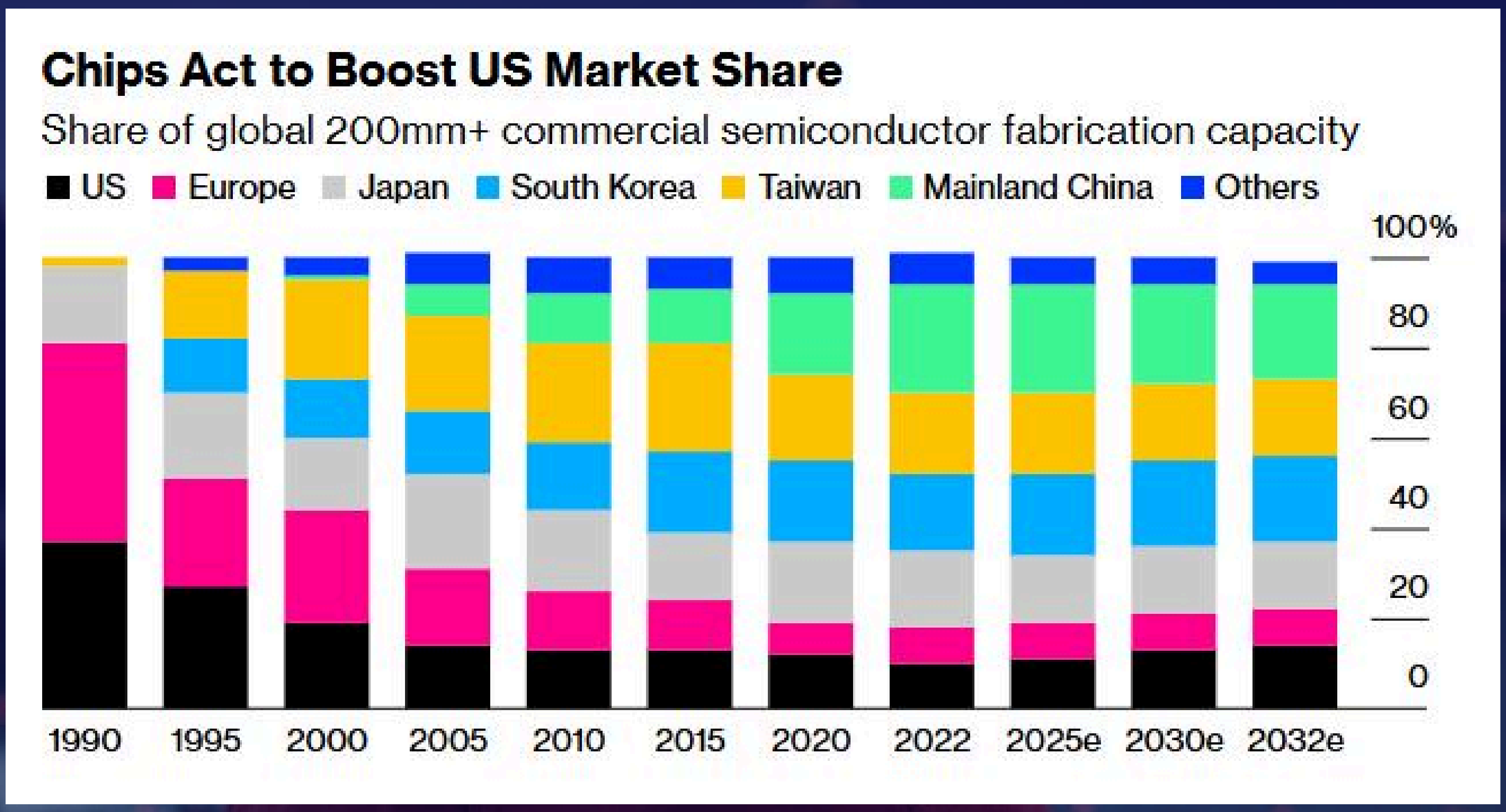
- Donald Trump’s return to office has put President Biden’s 2022 Chips and Science Act under scrutiny, despite the program’s significant impact on revitalizing the U.S. semiconductor industry. The $52 billion law was designed to reduce American dependence on Asia by supporting domestic chip manufacturing through grants, research funding, and tax incentives. It has attracted close to $450 billion in private investment. Trump, however, criticized the legislation as wasteful and argued that tariffs would be more effective. Still, rather than scrapping it entirely, Trump appears to be repurposing the program by establishing a new office to renegotiate deals and administer funds under his administration’s terms.

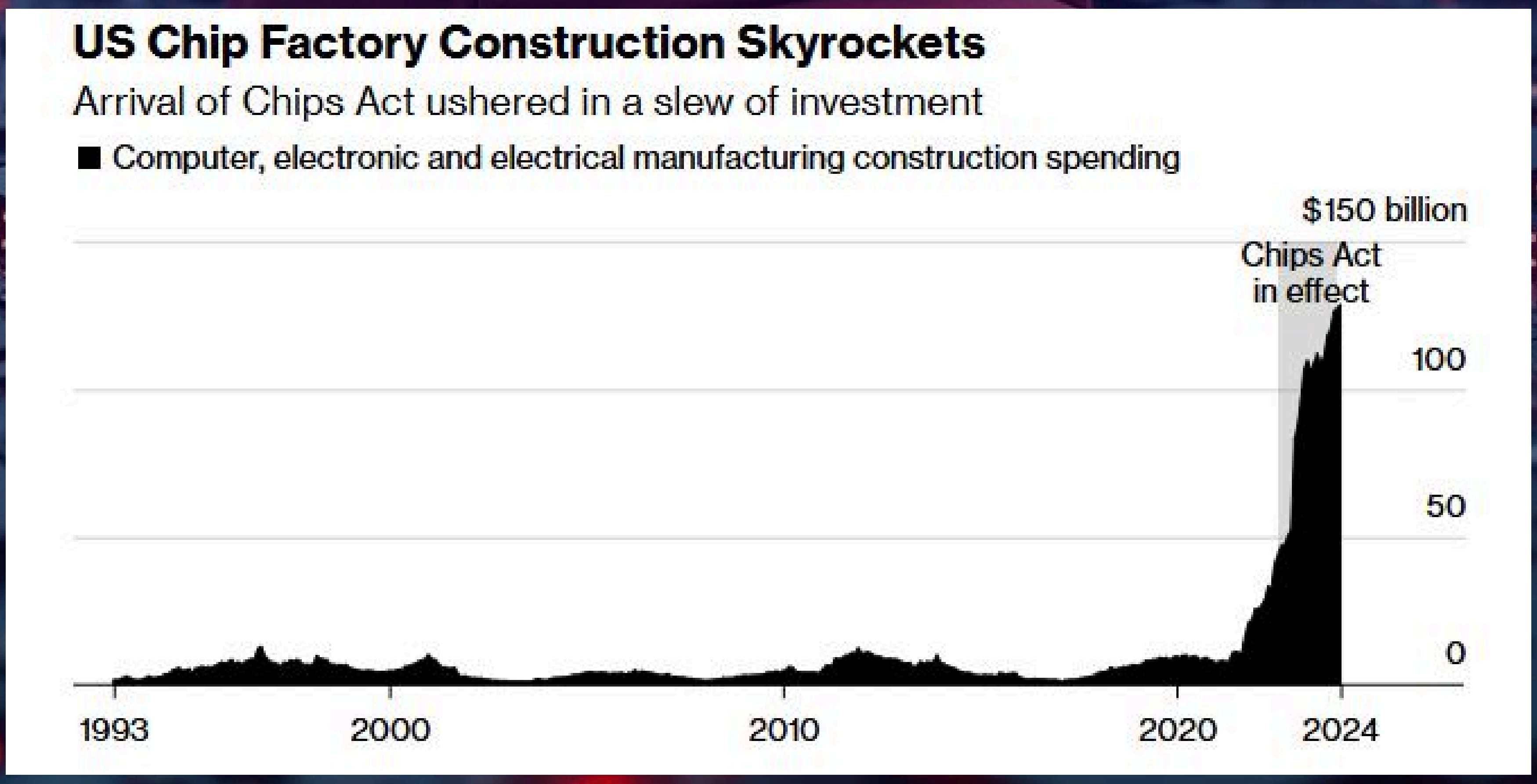
- The Chips Act is one of the largest U.S. industrial policy efforts in decades. It includes $39 billion in grants and $11 billion for R&D, as well as a 25% tax credit for qualifying investments. Though most of the grant awards were finalized before Trump took office, only a small portion of the funds had actually been disbursed due to the long timelines required to meet project milestones. The tax credit, not limited by a dollar cap, may end up costing the government over $85 billion, a reflection of the scale of investments it has helped catalyze. This structure aims to level the playing field with Asian producers who benefit from lower costs and subsidies.

- The biggest beneficiaries of the program include Intel, TSMC, Samsung, and Micron, with Intel alone securing $10.9 billion across two awards. While companies making older chips also received support, smaller businesses had yet to receive grants before Biden left office. States like Arizona, Ohio, New York, and Texas have seen the most investment activity. However, the success of these efforts depends on whether companies can follow through on construction plans, which could be at risk given financial pressures faced by firms like Intel and Samsung.

- Despite these challenges, the Chips Act has already reshaped the U.S. semiconductor landscape. Factory construction has surged, and even companies not receiving grants are benefiting from the expanded ecosystem and tax credits. While the U.S. previously produced few advanced chips, Biden aimed for 20% global share, and Trump has set an even more ambitious 40% target. The Semiconductor Industry Association estimates that the U.S. could triple its chipmaking capacity by 2032, potentially increasing its global market share to 14%, a notable improvement over the 8% projection without the Act.

- Although Trump cannot fully repeal the Chips Act due to bipartisan support and structural legal constraints, he is using executive power to reshape it. Commerce Secretary Howard Lutnick is leading a review of existing awards to extract more favorable terms. The administration may withhold or delay funding to pressure companies into expanding U.S. operations without receiving additional grants. At the same time, Lutnick is considering expanding the 25% tax credit, which would benefit all qualifying projects. While these maneuvers may shift the balance of incentives, Trump's administration remains legally bound to distribute the appropriated $39 billion by 2026.





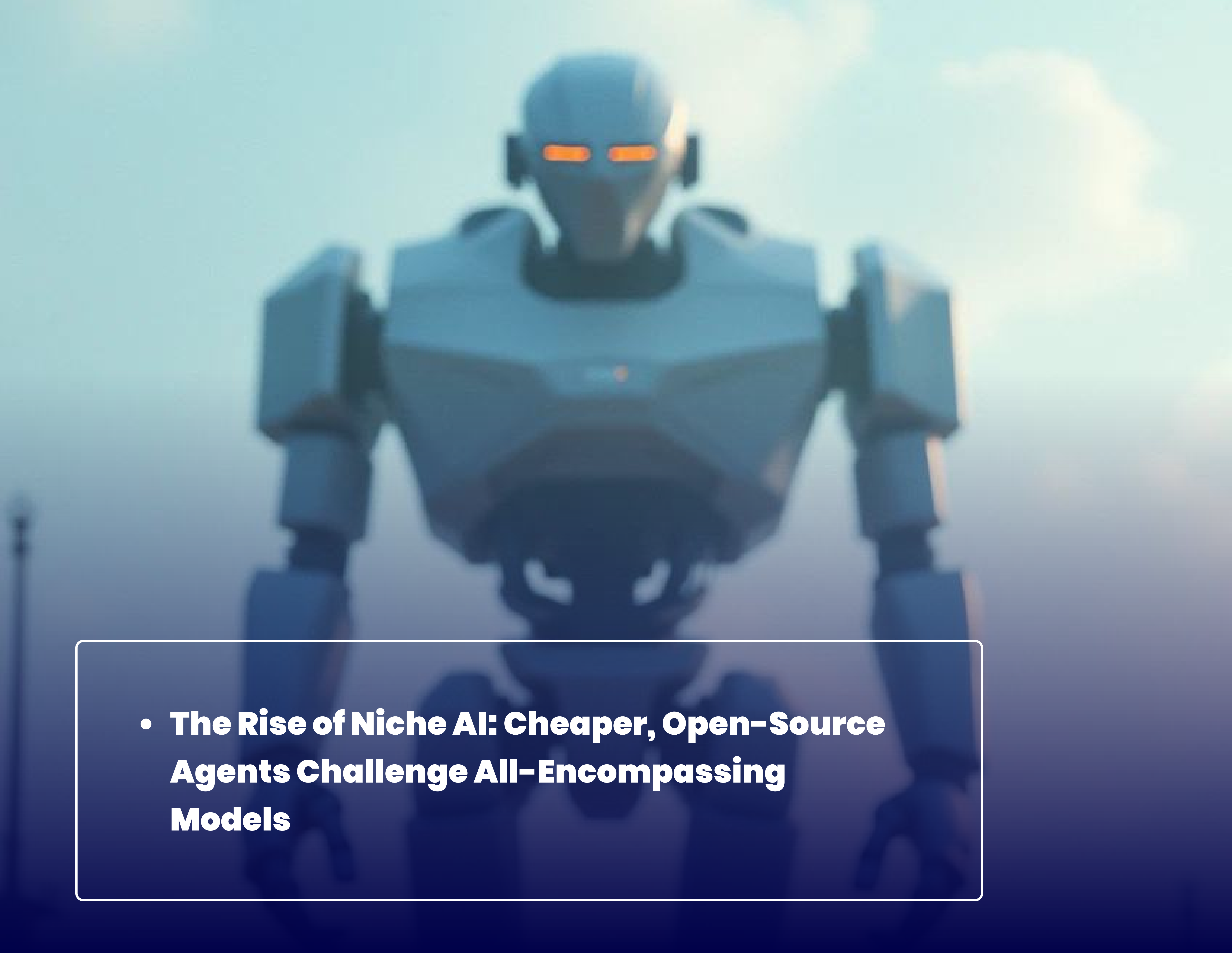
- **Deepfake Danger: AI Makes Malicious Manipulation Shockingly Simple**

- The creation of convincing deepfakes—AI-generated audio, images, or videos used to deceive—has become alarmingly easy thanks to rapid advances in artificial intelligence, leading to a surge in malicious applications and prompting global concern.
- Deepfakes—AI-generated audio, images, or videos that make people appear to say or do things they never did—are increasingly spreading across the internet, often used maliciously. These can include nude "nudified" photos, fabricated political videos, or scams designed to deceive or embarrass individuals. Thanks to rapid advances in AI, creating convincing deepfakes is now shockingly simple. The growing misuse of this technology has prompted global concern, with attempts to curb its impact mostly lagging behind. Fraud involving deepfakes has surged more than 20 times in three years, according to data from Signicat.
- Governments and regulatory bodies have started taking action. In the US, the House recently passed the "Take It Down" Act criminalizing non-consensual AI-generated pornography, with support from Melania Trump. The FCC also banned AI-generated robocalls following an incident where a deepfake of President Biden urged voters to abstain from primaries. Meanwhile, the EU has mandated labeling deepfakes under its AI Act, and China introduced similar rules in 2023. In the UK, the children's commissioner is pushing for a ban on nudification apps due to rising fears among young people.

- The technology behind deepfakes relies on deep learning, where algorithms learn patterns in real videos and apply them to fabricate new, realistic-looking media. When combined with voice-cloning tools, the results can be disturbingly believable. Initially, deepfake creation required significant technical skill and source material, but today's generative AI systems make it possible for almost anyone to create false media using just a written prompt. This democratization of synthetic media production raises alarms about the speed and scale at which misinformation can now spread.

- Deepfakes have already caused real-world consequences. For example, manipulated images of wildfires in Maui were used for geopolitical disinformation, and a fake video in Ukraine told troops to surrender. Stock markets briefly reacted to a bogus image of the Pentagon on fire. Politically, high-profile incidents like an AI-altered Kamala Harris video shared by Elon Musk during the 2024 election cycle show how dangerously influential deepfakes can be. Some examples are more light-hearted, like videos of Cristiano Ronaldo reciting Arabic poetry, but the majority of deepfake use cases carry significant risk.

- Detection and prevention remain challenging. AI-generated media is increasingly hard to spot, although some cues—like unnatural hand shapes, mouth movements, or mismatched lighting—can still betray a fake. But as the underlying models improve, even these signs may disappear. To fight back, companies like Microsoft and OpenAI are embedding digital watermarks and creating detection tools. However, AI watermarking has limits, and awareness of deepfakes might also enable genuine wrongdoers to claim real evidence is fake. As the tech evolves, maintaining trust in digital media may require constant innovation and stricter legal frameworks.



• The Rise of Niche AI: Cheaper, Open-Source Agents Challenge All-Encompassing Models

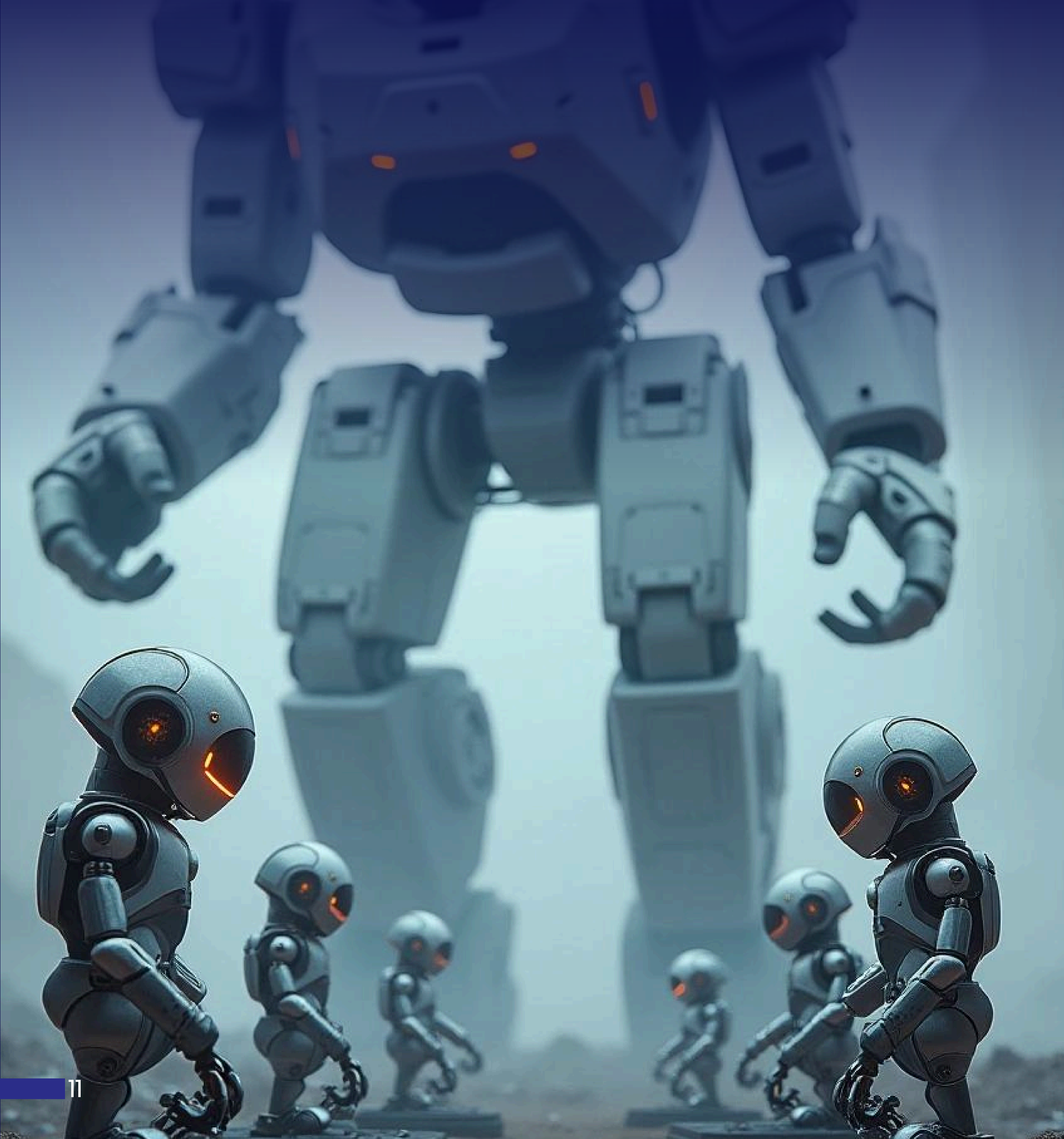
- While AI giants push the boundaries of general-purpose agents, a surge in the development of specialised, cost-effective AI is gaining traction, fueled by open-source models like Meta's Llama and innovative post-training techniques, potentially democratising AI adoption.

- The future of artificial intelligence appears to be torn between two paths: all-encompassing agents like ChatGPT that handle a wide range of tasks, and a growing wave of specialised, narrowly focused agents that can be deployed as needed. While it's likely that both approaches will coexist, the rapid evolution of AI has made it difficult for even leading experts to predict which will dominate. The recent integration of ecommerce functionality into ChatGPT showcases how single, highly capable agents might disrupt existing business models, such as the traditional marketing funnel.

- At the same time, the development of specialised AI agents is gaining momentum. These agents are cheaper to create and operate, and rely on open-source-like models such as Meta's Llama, which has seen over a billion downloads. Developers are using techniques like distillation to create efficient, task-specific models from larger ones, without the heavy computational costs of full model training. The open nature of models like Llama enables a broader base of developers to innovate, in contrast to closed models where use and development are tightly controlled by companies like OpenAI.

- A major trend in AI innovation now revolves around the post-training phase, including reinforcement learning and test-time reasoning, where models are fine-tuned using proprietary data for enhanced performance in business applications. Ali Ghodsi of Databricks highlighted how this refinement stage is crucial for tailoring models to specific tasks — something more readily achievable with open models. Another powerful trend is combining elements from different models, such as incorporating DeepSeek's reasoning methods into Meta's Llama, to boost performance at a low cost.

- These advances point to an imminent proliferation of intelligent, lightweight agents that are easier to run and far more accessible. This evolution could erode the competitive edge of developers relying on expensive, closed models. However, it creates significant opportunities for businesses that can effectively embed these specialised agents into their operations, potentially transforming workflows and increasing efficiency as the cost of AI implementation continues to drop.



China's AI Leap: DeepSeek and Alibaba Challenge US Dominance with Powerful New Models

- China's AI sector is surging, with DeepSeek and Alibaba unveiling advanced models that rival US counterparts. DeepSeek's enhanced V3 and Alibaba's mobile-friendly Qwen are pushing the boundaries of AI capabilities, intensifying global competition.

- China's AI sector continues to exceed expectations, with recent advancements raising the competitive stakes. DeepSeek and Alibaba have unveiled powerful new models, with DeepSeek's V3 model demonstrating significant improvements and Alibaba's latest Qwen model capable of running efficiently on mobile devices. The Qwen model's ability to process images, audio, and video on lightweight hardware opens new possibilities, such as real-time audio descriptions for visually impaired users, which were previously only possible in limited settings.

- DeepSeek's enhanced model shows major gains in reasoning and coding, making it a strong competitor to US-based OpenAI. By publishing its model on Hugging Face, DeepSeek is making AI tools more accessible to developers worldwide, potentially accelerating innovation. This transparency reflects a broader trend in AI development, where companies seek to balance competitive advantage with open-source collaboration.

- However, China's AI progress is not uniform across its tech industry. Companies that fail to keep pace are beginning to feel the consequences, as seen in Baidu's struggles. Once a leader in Chinese AI, Baidu's models are now lagging in both capability and adoption, leading to underperformance in its stock price. Meanwhile, Alibaba and Tencent have gained investor confidence, with Alibaba's stock nearly doubling over the past year due to its strong AI deployment and enterprise integration.

- The Chinese AI boom has long been framed as a collective national achievement, positioning the country against US tech giants. However, for Chinese firms, AI leadership is about more than global competition—it's about securing their own future. The AI models gaining the most users today are likely to dominate future cloud computing, enterprise software, and smart infrastructure markets.
- This race is particularly high-stakes because AI leadership in China extends beyond commercial applications to critical government contracts in healthcare, education, and national security. Winning in these areas ensures long-term revenue and influence in China's AI-driven governance model. As a result, the current phase of AI competition is defining not just for the companies involved, but for the future of China's technological landscape.

Financial

Rethinking the US Giant: Professional Investors Eye Global Portfolio Diversification

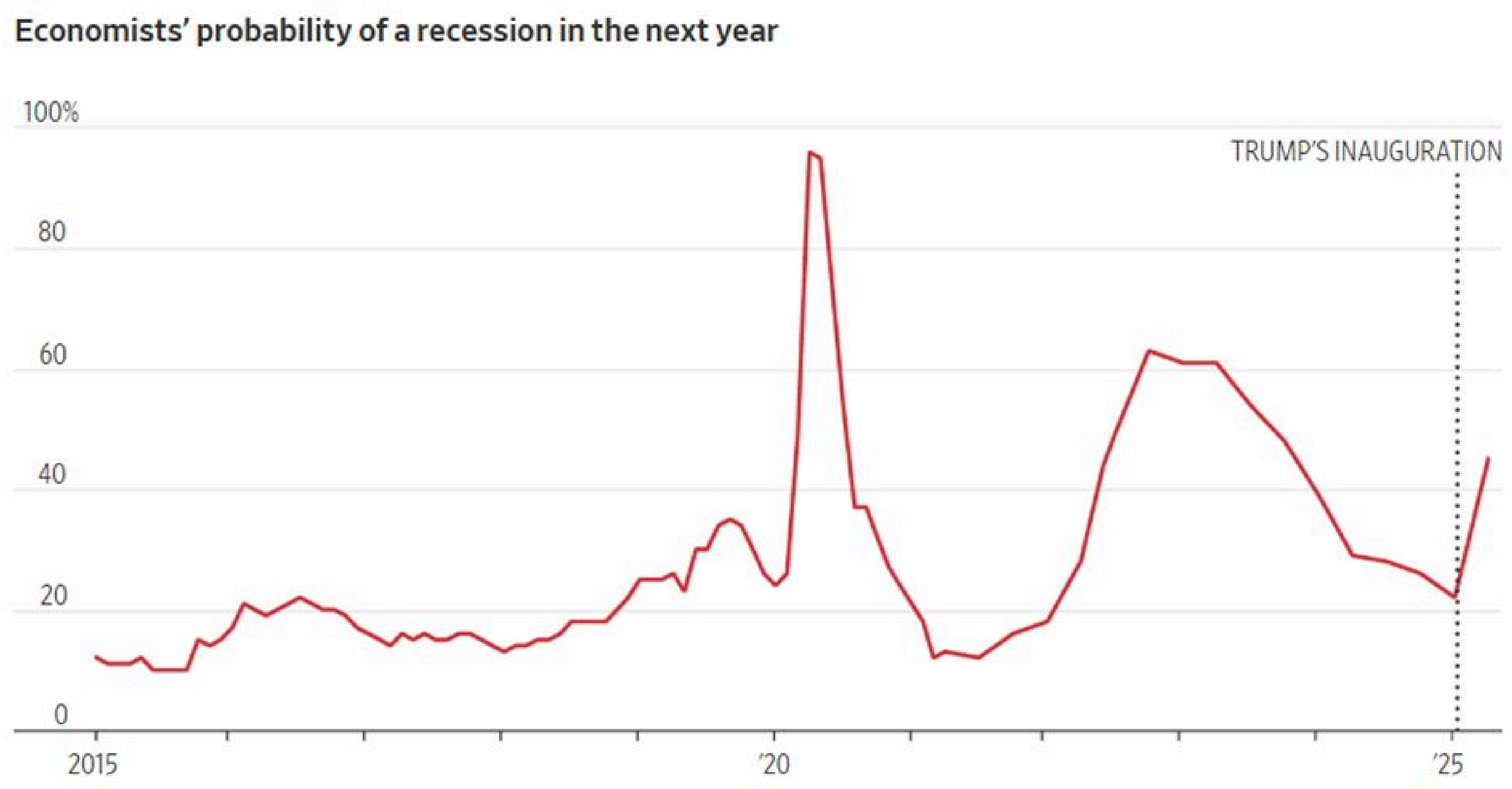
- Professional investors are increasingly questioning the long-held dominance of the United States in their portfolios, recognizing that over-allocation has become a default rather than a strategic choice, and a shift towards greater global diversification is gaining momentum.
- Professional investors are increasingly coming to terms with how deeply concentrated their portfolios have become in the United States—almost by default rather than by strategic design. Historically, the US has always felt like a safe and logical bet, whereas investing in the UK, Europe, Japan, or emerging markets was considered riskier and more aggressive. over-allocating to the US was never a fireable offense. But now, the environment is shifting, and the US itself is starting to resemble the kind of risky outlier that investors used to avoid elsewhere.
- This shift is being driven by the political and economic dysfunction now characterizing the US, a sharp contrast to the conditions that previously justified its dominance in global portfolios. Many global indices, especially those used by passive investors, are heavily weighted toward the US—up to 70 percent—due to the sheer size of its companies. That worked well when the US was delivering predictably high returns, especially from its tech sector. But as globalization retreats and other countries catch up, that level of exposure is beginning to feel dangerously high, particularly when US governance appears increasingly unstable.
- European investors have traditionally embraced US exceptionalism more than others, partly due to frustration with their own sluggish regulatory environments. But a notable change in sentiment began last summer when a brief market shakeup revealed the vulnerability of excessive US exposure. Now, firms like Société Générale are exploring what they call the “Great Rotation” — a long-term rebalancing out of the US and into other regions. Early indicators, such as shrinking capital inflows and ETF buyer strikes, suggest that this trend is beginning to take hold.

- Investors are now asking what the "right" level of US exposure actually is. While US investors tend to be optimistic and domestically focused, clients in Europe and Asia are actively exploring reallocation strategies. Fedeli suggests that a GDP-aligned allocation could put the US closer to 25–30 percent, though she acknowledges that's an unlikely target in the near future. Société Générale proposes a more realistic level of 55 percent, based on the US share of global earnings and its superior market liquidity.
- This kind of shift won't happen all at once. Institutional investors move slowly but carry enormous weight, and even a modest reallocation would reshape global markets significantly. Instead of massive selloffs, expect new investment inflows to increasingly favor markets outside the US. The message is clear: the US is no longer the obvious safe haven it once was, and the balance of global investment may finally be tipping toward a more diversified and perhaps more resilient future.

• US Economy Shows Resilience Amid Tariff Pressures Despite Q1 Contraction

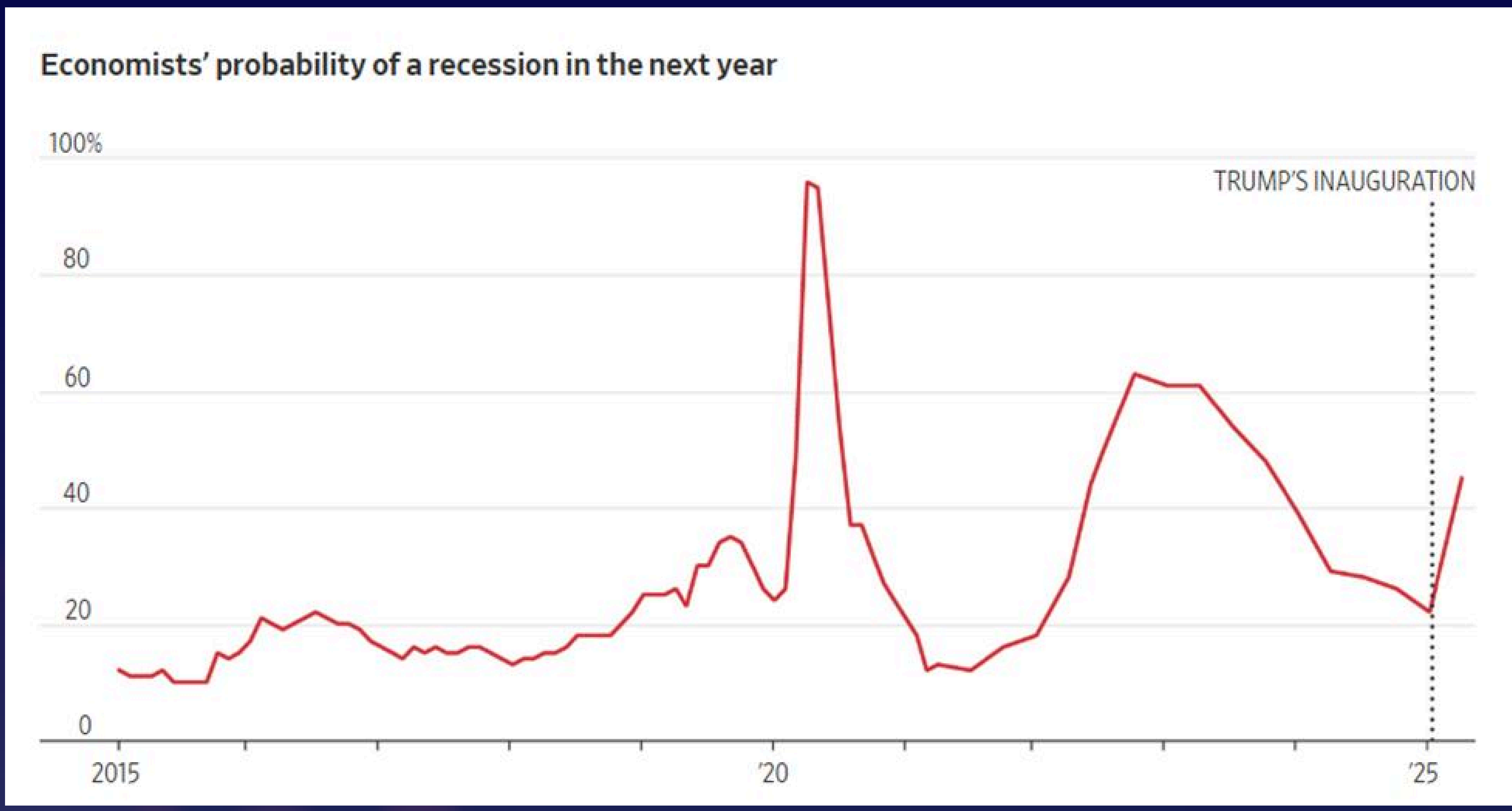
- Despite a first-quarter economic contraction largely attributed to a surge in imports ahead of tariffs, the US economy is demonstrating surprising resilience, with a steady labor market and continued, albeit slower, consumer and business spending.

- The U.S. economy is demonstrating impressive resilience despite significant pressures. Although the economy contracted in the first quarter of the year, largely due to a surge in imports ahead of tariffs, overall demand remained strong. Employers continued to add jobs, with the unemployment rate staying steady. Despite concerns about potential economic downturns and ongoing trade disruptions, particularly from President Trump's fluctuating tariff policies, consumer spending and business investments remained relatively stable, leading to a rally in the stock market.



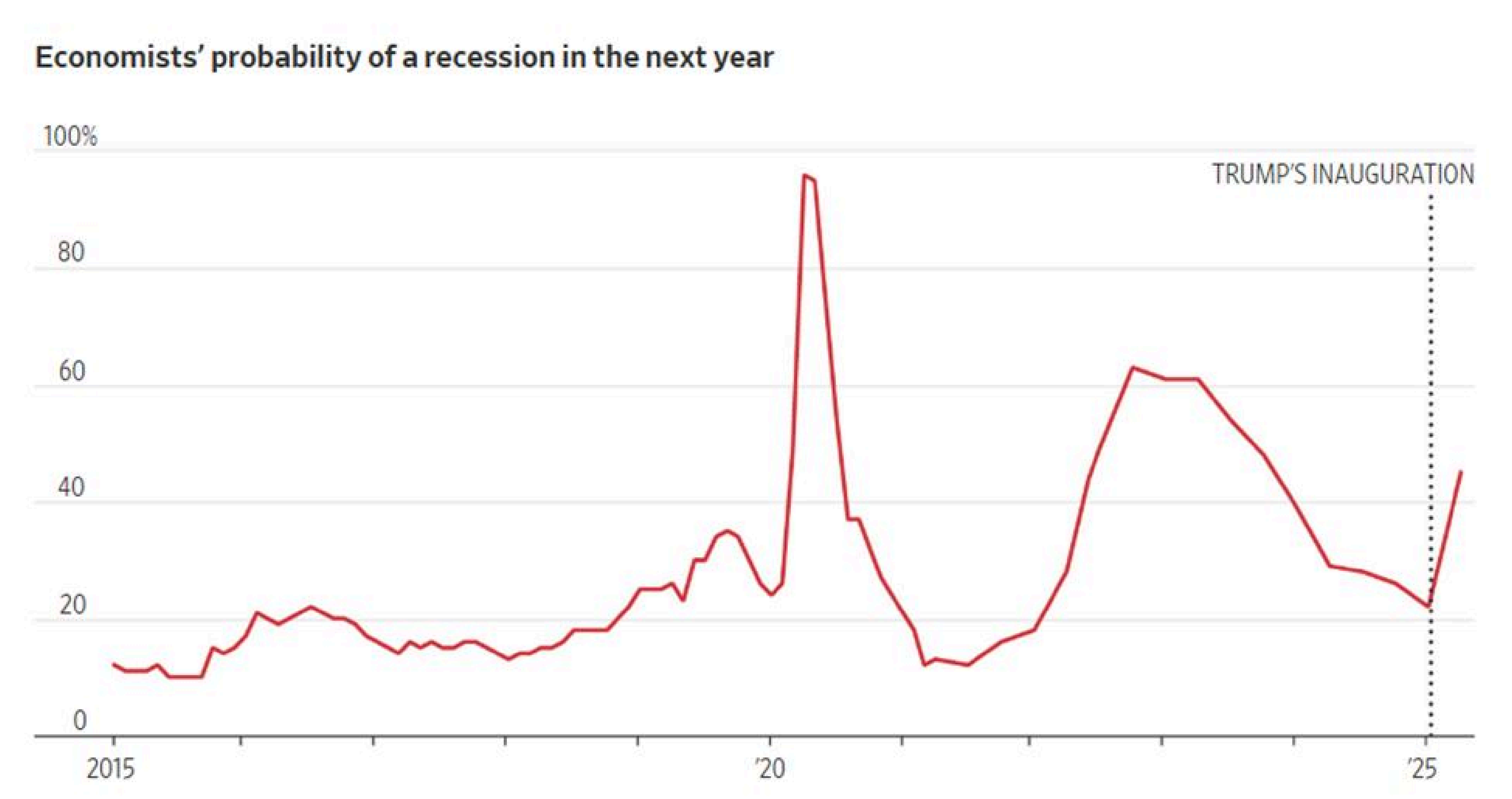
- The labor market has remained steady, with the U.S. adding an average of 155,000 jobs per month over the past three months. While job creation has slowed slightly, businesses have been reluctant to reduce staff, and initial jobless claims are still low. However, the first-quarter GDP contraction of 0.3% was mainly attributed to companies rushing to import goods before tariffs were imposed. While consumer spending growth slowed, it continued at a positive rate, and federal spending decreased, partly due to lower military expenditures. Business spending, however, remained strong.

- Despite the steady economic data, growing concerns about tariffs, potential price increases, and job insecurity have prompted many Americans to cut back on spending. Companies like American Airlines and McDonald's have reported a slowdown in sales, particularly in the leisure and food sectors, as low- and middle-income consumers feel the pinch from inflation. High uncertainty surrounding tariff policies has led many large companies, such as General Motors and Apple, to revise their profit forecasts downward, with some industries, like small businesses, particularly vulnerable to rising costs and shortages of goods.



- Surveys indicate rising consumer and business concerns. The Conference Board's consumer confidence index dropped to its lowest point since May 2020, and there are widespread fears about job market conditions. Companies, especially manufacturers, are uncertain about the future due to tariff disruptions. Some businesses are halting investment plans, like a German company in Illinois that canceled a major equipment purchase due to tariff costs. Manufacturing activity contracted in April, with many businesses halting new projects as they faced tariff-induced uncertainty.

- The outlook for a recession is more concerning, with economists increasing their predictions of a downturn within the next year. However, despite heightened fears, there is some optimism that the White House may ease tariff tensions, which could mitigate the impact on the economy. The trade war's effects have also been seen in the agricultural sector, where U.S. exports to Canada have decreased due to political tensions, and labor shortages continue to challenge businesses. The economy, though still growing, is becoming more vulnerable to trade disruptions and other external shocks.



• Beyond Treasuries: China Eyes Agency Bonds and Equity Stakes Amid US Policy Uncertainty

- Faced with a changing US political landscape, China is exploring alternative investments to its massive holdings of US Treasuries, with mortgage-backed securities and even equity stakes in Fannie Mae and Freddie Mac under consideration by SAFE.

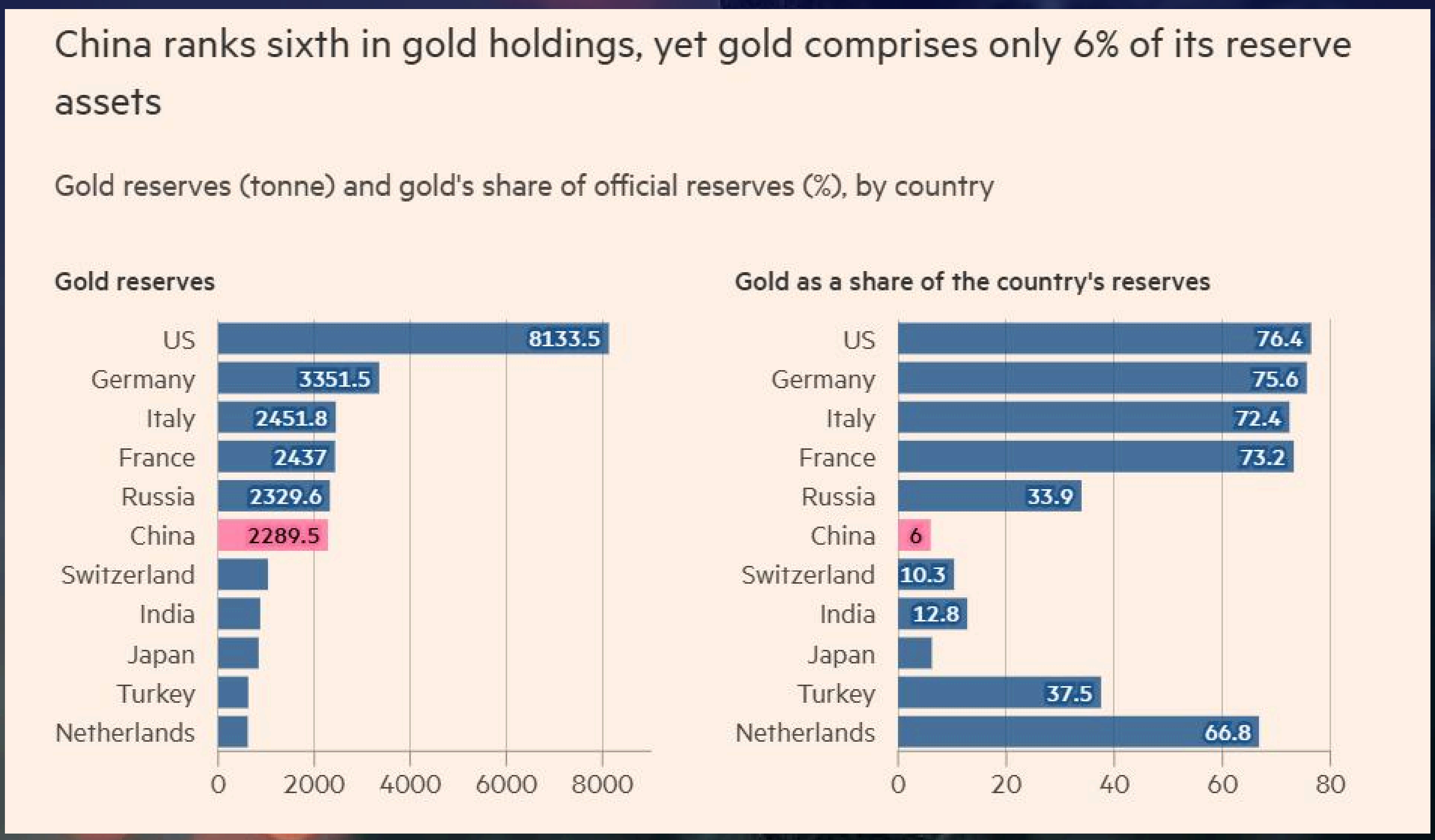
- China's foreign exchange regulator, SAFE, has been reevaluating its investment strategy due to changes in the US political landscape, including the Trump administration's reshaping of Fannie Mae and Freddie Mac. These developments prompted Chinese officials to consider mortgage-backed securities and even equity stakes in these agencies as potential alternatives to US Treasuries. Treasuries have traditionally formed the backbone of China's $3.2 trillion in reserves, but officials are now weighing new options amid growing unpredictability in US policy. Despite public claims that China's reserves are already diversified, internal reviews reflect deeper concern about the long-term safety of Treasuries.

- The credibility of US Treasuries as a "safe" asset has been increasingly questioned, especially in light of Trump's trade actions and criticism of US monetary policy. Chinese scholars and policymakers express fears that political tensions could lead to financial conflict, with China potentially weaponizing its Treasury holdings. However, insiders at SAFE emphasize a more gradual and cautious shift, described as "tengnuo" — agile maneuvering — that prioritizes safety, liquidity, and modest returns. This slow rebalancing strategy may be under strain as geopolitical risks rise and US policy becomes more volatile and less predictable.

- China's exposure to dollar assets is deeply rooted in its export-led economic model, which resulted in large accumulations of US dollars that were mostly funneled into Treasuries. While Treasuries offered liquidity and stability, their low returns and vulnerability in times of crisis have become problematic. The freezing of Russia's dollar assets after its invasion of Ukraine raised alarms in Beijing, highlighting the risks of over-reliance on dollar-denominated assets. As a result, China accelerated its diversification, cutting Treasury holdings by 27% between 2022 and 2024, and increasing its investments in agency bonds and alternative assets.

- In pursuit of better yields and broader risk management, SAFE has expanded into US agency bonds and even ventured into private markets through its discreet investment arm, Rosewood. These investments include real estate, infrastructure, and private equity — offering higher returns than traditional government bonds. SAFE has also shortened the duration of its US holdings and transferred some allocations to non-US managers, with a growing focus on assets managed in jurisdictions outside US influence, such as Hong Kong. The strategy reflects a desire not only for diversification but also for geopolitical insulation.

- Recent escalations in US-China trade tensions, such as Trump's announcement of steep tariffs on Chinese imports, have rekindled speculation about China retaliating by selling off Treasuries. Nonetheless, both US and Chinese officials have dismissed this possibility, noting that aggressive selling would be ineffective and possibly self-damaging. China's reserve management strategy avoids leverage, limiting risks of forced sales. However, the geopolitical environment has introduced a new layer of uncertainty into global markets. This has led many institutional investors and some Chinese scholars to advocate for a deeper de-dollarisation strategy, as concerns mount over the possibility of a politically motivated US default on its obligations.



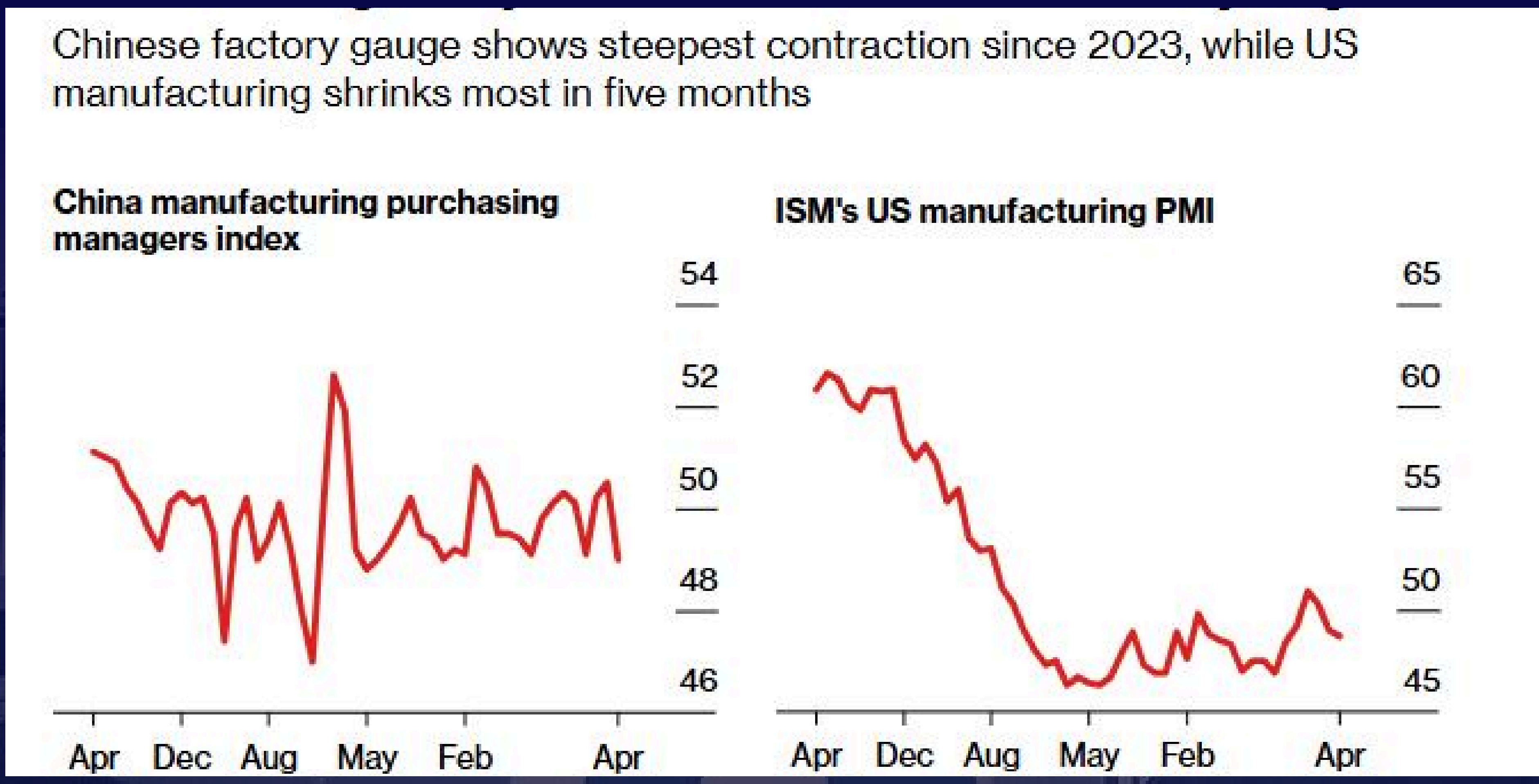
- **Trump's Trade War Triggers Global Manufacturing Slump**

- President Donald Trump's escalating trade war is taking a heavy toll on global manufacturing, with factory activity shrinking across major economies in April, including the US and China, as uncertainty and tariffs disrupt supply chains and dampen demand.
- Recent reports from around the world signal that global manufacturing is taking a hard hit due to President Donald Trump's escalating trade war. Factory activity shrank across major economies in April, especially in Asia and parts of Europe, driven by uncertainty and the disruptive effect of US tariffs. Even the two main players — the US and China — saw significant contractions in their manufacturing sectors, with the US experiencing its sharpest drop in five months and China falling to its weakest point since late 2023.
- The broader global economic outlook is becoming increasingly fragile, with purchasing manager indexes showing declines in industrial heavyweights like South Korea and Taiwan, while Southeast Asian nations such as Thailand, Malaysia, and Indonesia also reported contractions. Though India bucked the trend with growth, and the euro area showed some improvement, these positive signs were tempered by warnings that ongoing uncertainty and trade diversions could offset any short-term gains.

- Experts emphasized that businesses are delaying investment decisions due to the unpredictable nature of tariff policies. The consequences are visible not only in the PMI data but also in warnings from logistics leaders like Gene Seroka, who explained that realigning supply chains isn't something that can be done overnight. Port leaders and economists alike are flagging potential long-term disruptions, even if trade deals eventually materialize.

- In emerging markets, the situation is just as bleak. South Africa's manufacturing mood worsened amid political instability and global trade tensions. Brazil's manufacturing nearly stagnated, and Mexico saw its 10th straight month of decline, with sentiment hitting a low not seen since early 2021. These trends point to a coordinated global slowdown, deepened by fear of further tariffs and a lack of clarity about future trade policy.

- While some manufacturers have managed to maintain margins for now by passing on higher costs, economists warn that this won't last if competitive pressures intensify from redirected Chinese exports. Ultimately, the uncertainty and volatility surrounding tariffs are undermining confidence globally, delaying recovery even if some trade barriers are eventually lifted.



- **Fading Glory? Questioning American Exceptionalism Amid Debt Concerns and Market Volatility**

- The narrative of "American exceptionalism," fueled by last year's tech-driven stock surge, is facing growing scrutiny as concerns mount over rising US debt, protectionist policies, and recent market corrections, prompting questions about the nation's continued global dominance.

- When U.S. stocks surged to record highs last year, largely driven by the tech-heavy "Magnificent Seven," many commentators hailed a resurgence of “American exceptionalism.” However, that narrative has faded. Now, growing concerns center on whether the U.S. is losing its dominance as the world’s leading economic and military power. Critics point to rising federal deficits and a soaring debt-to-GDP ratio that now exceeds 120%, fueled by aggressive borrowing. The government’s net interest costs are on pace to hit $1 trillion annually, and the country is increasingly reliant on foreign capital to fund its deficits and refinance maturing debt.

- Concerns intensified during President Trump’s second term as he embraced protectionist and isolationist policies. These moves prompted foreign investors to reassess their exposure to U.S. capital markets. As trust in U.S. Treasuries and the dollar eroded, the dollar’s decline was seen by some as a sign of worsening conditions. For these critics, this weakening of global confidence in U.S. financial instruments could herald a broader debt crisis and mark the end of American financial supremacy.

- Yet this bleak outlook may be more panic than reason. The recent S&P 500 correction was likely an overdue adjustment, given overvalued tech stocks and exuberance around artificial intelligence investments. Much of the tech sector's recent downturn, particularly among the Magnificent Seven, stemmed from investor concerns about overspending on AI infrastructure. Added pressure came when the 10-year Treasury yield spiked abruptly after Trump announced a new wave of tariffs, only to walk them back once markets reacted negatively.

- Simultaneously, the Dollar Index (DXY) dropped nearly 10%, fueling the narrative that American exceptionalism was ending. But such sharp market movements don't necessarily imply a deep structural crisis. The correlation between DXY and the Roundhill Magnificent Seven ETF, along with shifts in global investor sentiment—especially after the launch of open-source AI model DeepSeek R1—suggest that recent dollar weakness may have more to do with tech stock volatility and shifts toward European and Chinese equities than with a fundamental loss of faith in the U.S.

- In fact, DXY's composition—heavily weighted toward the euro—means its decline might say more about euro-dollar dynamics than broader global confidence in the U.S. The Federal Reserve's broader dollar index, which adjusts for trade weight, has fallen less steeply. Meanwhile, despite ballooning debt, U.S. Treasuries remain the world's most liquid and trusted assets, and the dollar continues to dominate as a reserve currency. With strong Q1 2025 earnings from tech giants like Alphabet, Meta, and Microsoft, renewed interest in U.S. stocks could soon revive the DXY, challenging the pessimistic outlook on American exceptionalism.

• Europe's Arms Race Fuels Niche Metal Price Surge, Threatening Civilian Industries

- Europe's escalating military spending is driving up the prices of critical niche metals, creating a fierce competition for resources essential to both defense and civilian technologies.
- Europe’s surge in military spending is driving up the prices of niche metals essential for weaponry and advanced technology, creating intense competition with other industries that rely on these materials. Supply shortages and geopolitical restrictions are exacerbating the issue, making it harder for manufacturers to secure critical metals. Policymakers must recognize the implications of rising costs, not just for defense but also for civilian industries that depend on the same resources.
- Antimony has become a prime example of this crisis. Previously stable in price, it has surged by 375% since early 2024, reaching $56,000-$58,000 per tonne in Europe. The spike stems from a global shortage and Chinese export controls introduced in September 2024. With no quick supply solutions, prices are expected to remain high. This reflects broader supply-chain constraints that plague several niche metals, making their availability increasingly uncertain.

- Rhenium, another crucial metal, has seen a dramatic price increase due to heightened demand from the aerospace and medical industries. In Rotterdam, prices for rhenium ammonium perrhenate have nearly doubled in a year, reaching $1,800-$1,900 per kilogram. China's heavy purchasing activity has contributed to the squeeze, echoing the supply shock that hafnium experienced between 2022 and 2023, when its price soared from historic levels to $6,950/kg before settling at $3,700-$3,900/kg.

- Expanding supply for these metals is not straightforward due to economic and structural challenges. Many niche metals are by-products of refining other materials, making it unprofitable to ramp up production even when prices rise. Hafnium, for example, is extracted from zirconium, which itself is largely controlled by the nuclear industry. This complexity makes increasing supply slow and costly, leaving industries vulnerable to unpredictable shortages.

- The defense sector relies on many other critical metals, including tungsten, titanium, chromium, and rare earth elements, all of which face geopolitical risks, particularly from China's export restrictions. As demand for these materials grows across both military and civilian applications, governments must assess vulnerabilities in their supply chains. Without proactive measures, shortages will continue to disrupt markets, leading to further price spikes and economic strain.

Unlocking AI's Potential: How Crypto Solves Key Hurdles in Monetization, Authentication, and Identity

- Cryptocurrency technologies are stepping in to address some of artificial intelligence's most significant obstacles, providing the infrastructure for monetizing autonomous agents, authenticating AI outputs, verifying digital identities, and simplifying blockchain interaction.
- The fusion of cryptocurrency and artificial intelligence is triggering a paradigm shift across industries like finance, media, and healthcare. Crypto technologies are addressing some of AI's biggest hurdles: monetizing autonomous agents, authenticating AI outputs, verifying human identity in digital spaces, and simplifying how users interact with blockchain. As AI becomes more embedded in economic systems, crypto provides the infrastructure for secure, decentralized transactions that support autonomous decision-making and collaboration at scale. This synergy is attracting investor attention as a promising long-term theme.
- Autonomous AI agents are leveraging crypto tools to earn and operate independently across decentralized ecosystems. Projects like Fetch.AI enable AI agents to perform tasks such as trading or logistics optimization and receive token-based compensation, while platforms like Bittensor facilitate decentralized machine learning by rewarding contributors based on the informational value of their models. These systems foster decentralized collaboration and scalability, rivaling the capabilities of large tech companies. However, technical hurdles like off-chain integration and security vulnerabilities remain important considerations for developers and investors.

- Blockchain also plays a critical role in securing AI-generated and enterprise data, ensuring provenance and resisting tampering. Ocean Protocol creates trusted data marketplaces for sectors like automotive analytics, while Render Network allows creators to verify and monetize GPU-driven rendering work. Nillion's privacy-preserving computation further strengthens data confidentiality for sensitive applications like healthcare and genomics. These technologies may become foundational for industries seeking secure and transparent AI workflows, though scalability continues to be a challenge for widespread blockchain-based data validation.

- As AI bots increasingly populate the digital world, proving human identity becomes vital for governance, social interaction, and decentralized finance. Blockchain-based "proof-of-humanity" tools like Humanity Protocol and Nillion's privacy-preserving identity verification are emerging to tackle Sybil attacks and fraud. These systems are essential for maintaining trust in Web3 platforms, but they must overcome obstacles such as deepfake manipulation and user adoption friction. Effective solutions will need to combine security with user-friendly design to gain traction.

- Finally, AI's impact on crypto interactions is being amplified through large language models, enabling users to trade, manage wallets, and automate actions using simple prompts. These AI-enhanced interfaces are lowering barriers to entry for crypto adoption while offering advanced functionality for experienced traders. Alongside this, crypto enables decentralized compute networks, collaborative AI training, and personalized services rooted in user-controlled data. Tokens like OCEAN, RNDR, FET, TAO, and NIL are positioned at the forefront of this convergence. For investors and innovators, the crypto-AI alliance represents a transformative frontier, demanding both visionary investment and careful risk management.

• Decentralizing Equity: Blockchain Steps in as Trump Administration Dismantles DEI

- As traditional Diversity, Equity, Inclusion, and Accessibility (DEIA) programs face dismantling under the Trump administration, blockchain and crypto-based initiatives are emerging as decentralized alternatives to sustain vital work for marginalized communities.

- Following Donald Trump's re-election in January 2025, his administration has taken decisive steps to dismantle Diversity, Equity, Inclusion, and Accessibility (DEIA) programs across the U.S. Federal DEI offices have been shut down, equity-related grants have been cut, and universities that uphold DEI policies are facing threats of funding withdrawal. Harvard University, for instance, has had a \$2.2 billion grant frozen due to its refusal to comply. These actions have significantly impacted marginalized communities, stripping away institutional support. In this environment, many corporations like Meta, McDonald's, and Harley-Davidson have followed suit by eliminating their DEI programs, leading to widespread concern among activists and social justice organizations.

- In response to these setbacks, blockchain and crypto-based initiatives have emerged as decentralized alternatives to sustain DEIA work. Unlike traditional systems subject to political influence, decentralized networks allow for transparent, community-driven financial models. Blockchain can support initiatives aimed at economic empowerment, social advocacy, and educational equity. Notably, even as some crypto tools have been politicized—such as Trump-themed NFTs and ETFs—others remain focused on social impact, offering vital platforms for communities left behind by institutional rollbacks.

- Several blockchain projects demonstrate the potential of decentralized finance to drive equity. Guapcoin, launched by Tavonia Evans, aims to economically empower Black communities by tokenizing Black spending and supporting Black-owned businesses through a decentralized financial system. MariCoin, created for the LGBTQ+ community, serves as both a payment system and a funding source for activism and queer-friendly enterprises. These projects illustrate how blockchain's infrastructure can serve not just as a currency or asset class, but also as a tool for meaningful social engagement and economic justice.

- NFT-based projects are also advancing gender equity through creative fundraising and community-building. World of Women (WoW) and Women Rise NFTs channel sales into educational and mentorship initiatives for women and non-binary people in tech and creative fields. The Komorebi Collective DAO builds on this momentum by pooling capital to directly fund women and non-binary individuals entering the crypto space. These blockchain-native projects provide alternative pathways for empowerment in sectors where traditional funding and institutional access are being increasingly restricted.

- Finally, blockchain is being used to reimagine how scholarships and research are funded, addressing gaps left by institutional cutbacks. Platforms like Gitcoin and Pledgecamp allow communities to fund education and innovation projects through smart contracts and decentralized governance. While some early efforts like Student Coin have faded, the idea of using tokenization and DAOs for equitable scholarship distribution persists. DreamDAO exemplifies this by equipping Gen Z with training and funding to lead equity-focused projects. As traditional DEIA structures falter, blockchain offers a scalable and democratic framework to continue supporting marginalized communities and advancing inclusion.

Ethereum's Memecoin Drift: Losing Institutional Appeal as Bitcoin Holds Steady

- Over the past six months, a stark divergence has emerged in the cryptocurrency market, with Bitcoin maintaining its resilience while Ethereum exhibits increasing memecoin-like behavior, losing institutional momentum and key adoption metrics.
- Over the past six months, Bitcoin (BTC) and Ethereum (ETH) have shown significant divergence in their behavior. While BTC has remained steady and resilient, ETH has started to behave more like a memecoin, experiencing a loss of momentum on several fronts. This shift in ETH's statistical trading patterns, value proposition, and community dynamics has made it harder for institutional investors to justify engagement with the asset. As a result, ETH's momentum indicators, including new developers and users, are moving in the wrong direction compared to its competitors.
- The data highlights that ETH's returns have been largely negative since the 2024 election, with little rebound observed. In contrast, Bitcoin has largely reverted, showing a typical "buy the dip" behavior. Historically, BTC and ETH have been highly correlated, but this correlation is no longer present. ETH's volatility, which has been similar to that of Dogecoin (DOGE) this year, makes it less appealing to institutional investors who prefer lower volatility for larger position sizes. This shift in volatility suggests a decline in institutional participation, leading to lower trading volumes and reduced market depth.
- The contrast in institutional participation is further emphasized by the disparity in ETF buying between BTC and ETH. BTC ETF assets under management (AUM) have far outpaced ETH, with Bitcoin's total supply consumed by ETFs being more than double that of ETH. This difference points to stronger institutional demand for Bitcoin, which is now more mainstream compared to Ethereum. The lack of institutional interest in ETH, particularly in the absence of a successful ETH ETF, has led to a reflexive loop where fewer resources are dedicated to its promotion, further hampering its adoption.
- Ethereum's value proposition, which revolves around being a decentralized, Turing-complete computer for decentralized applications (dApps), has faced growing competition from faster and cheaper blockchain platforms like Solana. These competitors offer lower costs, faster transaction speeds, and better scalability, which makes them more suitable for applications requiring low latency, such as gaming and payments. Ethereum's Layer 2 (L2) solutions have also cannibalized much of its monetization potential, leading to a loss of market share in terms of active developers, users, and price appreciation.
- Finally, Ethereum's leadership and organizational structure are seen as contributing to its struggles. The platform's early success led to bureaucratic and ideological obstacles, slowing down decision-making and hindering technological progress. The lack of clear leadership and focus has caused mission creep, and Ethereum now faces challenges in building a competitive product in the rapidly evolving digital asset space. In contrast, Bitcoin's consistent and predictable growth in terms of network development, institutional adoption, and price performance has solidified its position as a unique and resilient asset. Bitcoin remains the preferred choice for institutional investors seeking stability, while Ethereum's future remains uncertain as it continues to compete with other emerging blockchain technologies.

• Banking's Digital Dawn: Regulatory Clarity Paves the Way for Crypto Adoption

- After years of hesitation due to regulatory uncertainty, traditional banks are poised to embrace digital assets. Recent legislative and regulatory developments signal a new era where financial institutions can confidently integrate blockchain technology into their offerings.
- Traditional banks have been slow to adopt digital assets due to regulatory uncertainty, but the landscape is shifting. Legislative and regulatory developments signal a new era where financial institutions may engage more actively in blockchain technology and digital assets. This shift aligns with the idea that banking is essential, but traditional banks may not be, a notion Wells Fargo highlighted as early as 2004. With clearer regulations on the horizon, banks and financial service companies could integrate digital assets into their offerings more confidently.
- Regulatory hurdles have been a primary barrier to adoption. The IRS's 2024 regulations posed a severe challenge to the decentralized finance industry, but a legislative push to overturn these rules is progressing. Additionally, the Office of the Comptroller of the Currency (OCC) issued a new interpretive letter reaffirming that national banks can engage in crypto-related activities like custody services and stablecoin reserves. The Federal Deposit Insurance Corporation (FDIC) has also eased restrictions, allowing financial institutions to participate in cryptocurrency activities without prior approval, provided they manage risks effectively. These steps indicate growing institutional acceptance and regulatory alignment.

- Legislative efforts are also shaping the future of digital assets in banking. Three key bills aim to provide much-needed clarity. The GENIUS Act, which has cleared the Senate Banking Committee, proposes a regulatory framework for stablecoins, including strict oversight of issuers and interoperability standards. The Stablecoin Transparency and Accountability Act, introduced in the House, seeks to enforce reserve requirements and prohibit endogenously collateralized stablecoins for two years. Meanwhile, the Securities Clarity Act attempts to redefine digital assets by excluding investment contract assets from securities regulations, easing compliance burdens for issuers.

- These regulatory and legislative initiatives suggest a shift toward mainstream adoption of digital assets in traditional finance. While questions remain about implementation and oversight, the increasing regulatory clarity encourages banks to explore opportunities in blockchain-based services. With stablecoin regulations taking shape and institutions gaining more freedom to engage in digital assets, the financial landscape could undergo a transformation that integrates traditional banking with emerging decentralized technologies.

- The financial services industry must navigate these changes cautiously, balancing innovation with compliance and risk management. As demand for blockchain-based financial services continues to grow, banks and financial institutions have the chance to modernize their offerings while ensuring stability and consumer protection. If these trends continue, digital assets could become a fundamental component of banking, bridging the gap between traditional finance and decentralized solutions.

UK FCA to Ban Retail Investors from Borrowing to Buy Cryptocurrencies

- The UK's Financial Conduct Authority (FCA) is set to prohibit retail investors from using borrowed funds, including credit cards, to purchase cryptocurrencies like bitcoin, marking a significant step in regulating the rapidly expanding digital asset sector.

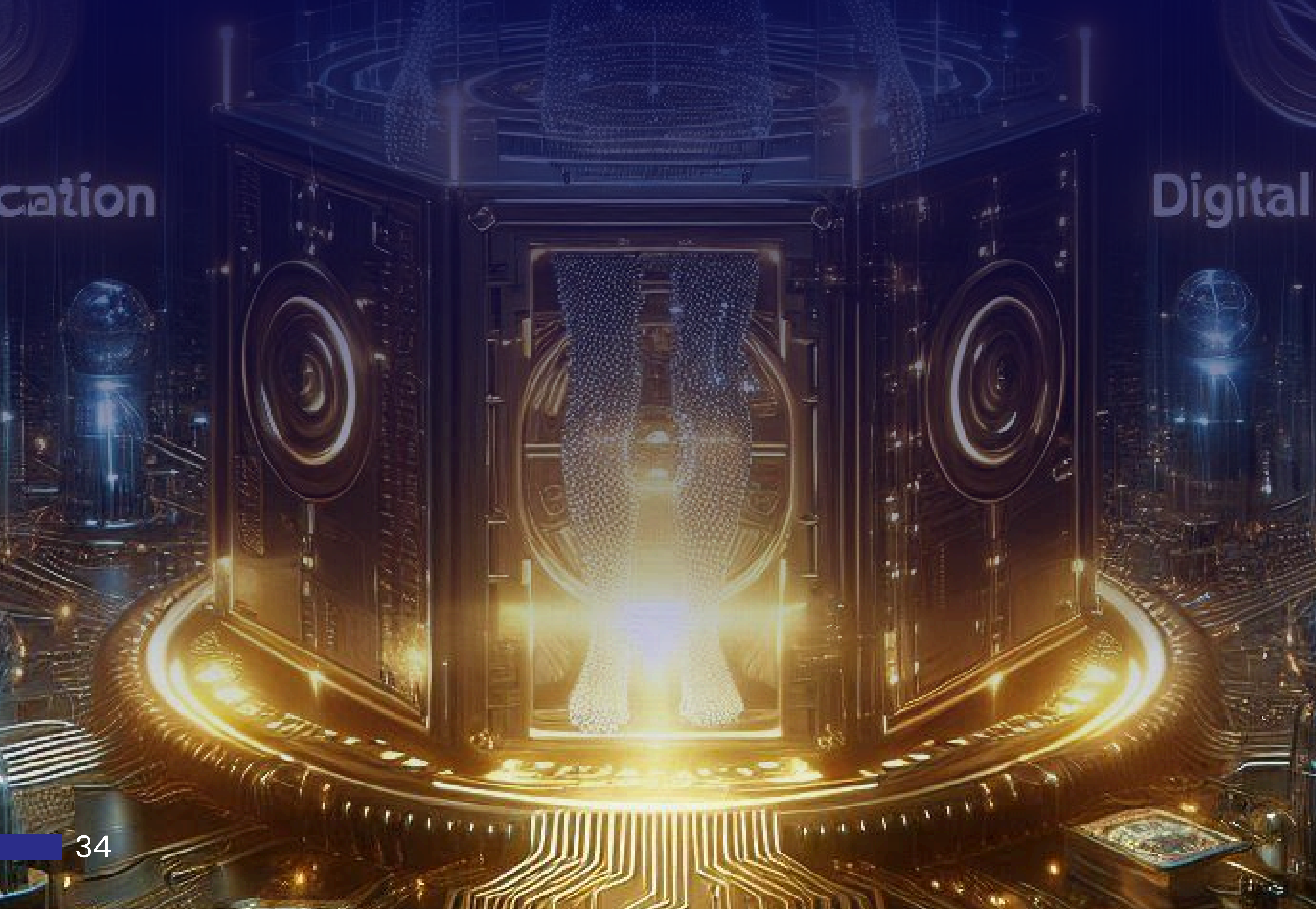
- The UK's Financial Conduct Authority (FCA) is preparing to ban retail investors from borrowing money—including through credit cards—to purchase cryptocurrencies like bitcoin. This move is part of a broader regulatory framework aimed at bringing the fast-growing crypto industry under formal oversight. The announcement follows the UK government's recent plans to legislate the digital assets sector. FCA executive David Geale emphasized the importance of creating a safe and competitive environment, asserting that crypto must be "done right" to foster sustainable growth while offering adequate consumer protection.

- The FCA's new rules target a wide range of crypto-related services including trading platforms, intermediaries, lenders, borrowers, and decentralized finance (DeFi) systems. The rules will apply more stringently to services offered to retail clients, while more experienced or wealthy individuals can opt to be treated as professional investors with fewer protections. To qualify, they must meet at least two of three criteria: over £500,000 to invest, at least 10 trades per quarter, or a year's experience in financial services. Geale rejected claims that the FCA is anti-crypto, drawing comparisons to the regulatory approach for other high-risk investments.

- One of the key reasons behind the borrowing restrictions is the regulator's concern about unsustainable consumer debt. A YouGov survey showed the percentage of UK citizens using borrowed funds to buy crypto doubled to 14% between 2022 and 2023. The FCA is also aiming to limit access to collapsed or risky platforms such as Celsius Network and clamp down on structural problems in the crypto market, including manipulation, illiquidity, and lack of transparency. To address these, it plans to require trading fairness, ban payments for order flow, and demand that all crypto firms serving UK clients be legally authorized in the country.

- The new rules also touch on staking services and decentralized finance. Customers using staking platforms will need to be compensated for losses caused by third-party issues. Meanwhile, DeFi platforms will generally be exempt unless there is a clearly identifiable controlling person. Although the FCA warned that most crypto assets will remain speculative and high-risk, it maintains that encouraging responsible innovation is a core goal. The regulator wants to strike a balance between consumer safety and supporting the UK's ambition to become a crypto hub.

- Despite these efforts, many crypto firms remain frustrated with the FCA's strict registration processes, especially around anti-money laundering compliance. The regulator rejected 86% of applications in the year to April 2024, although that figure dropped to 75% in the most recent fiscal year. Nonetheless, crypto industry leaders have expressed some support for the FCA's cautious approach, acknowledging that its involvement lends legitimacy to the market. However, others noted that implementing such detailed oversight in a rapidly evolving industry will be a challenging task.



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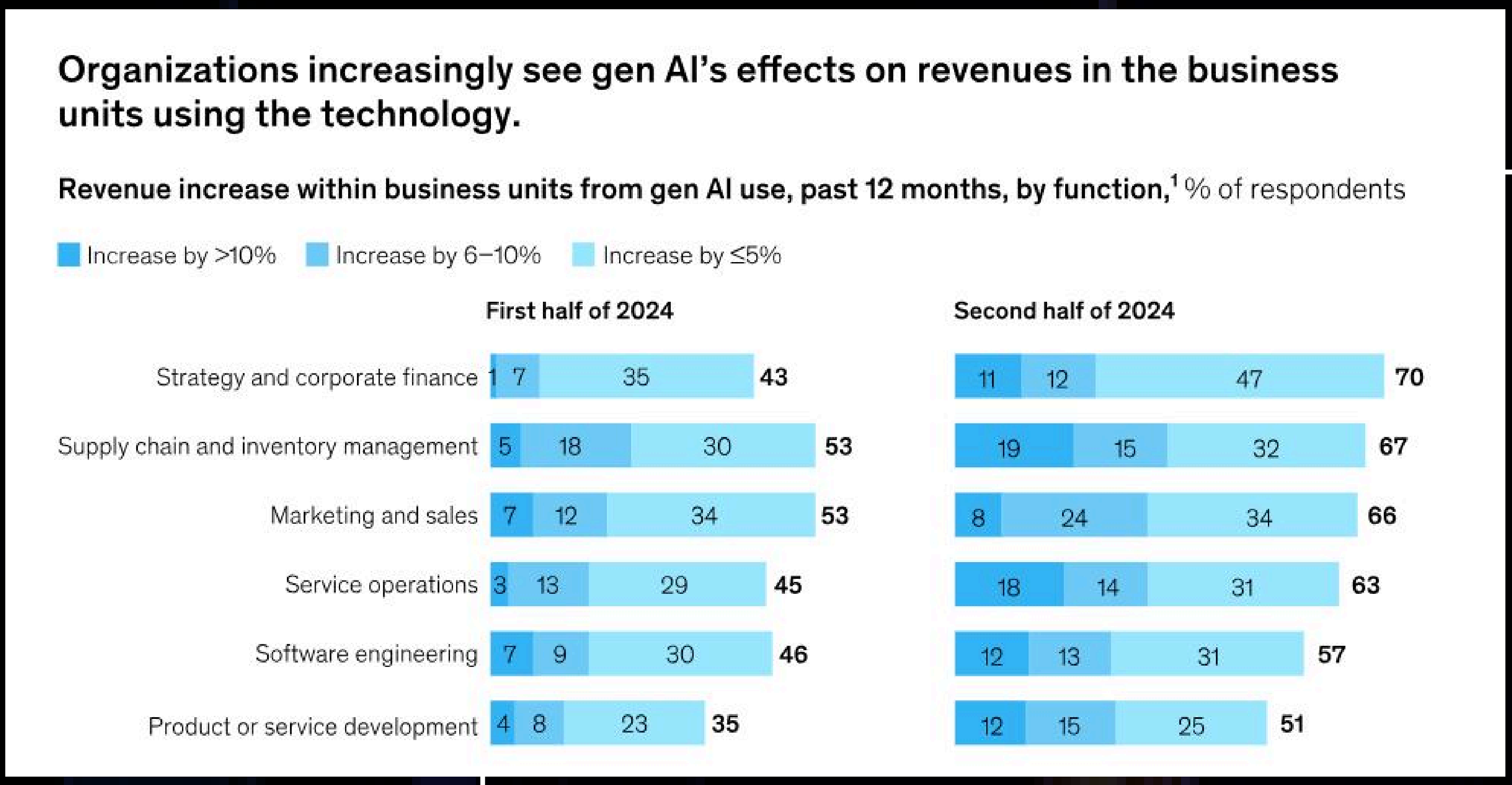
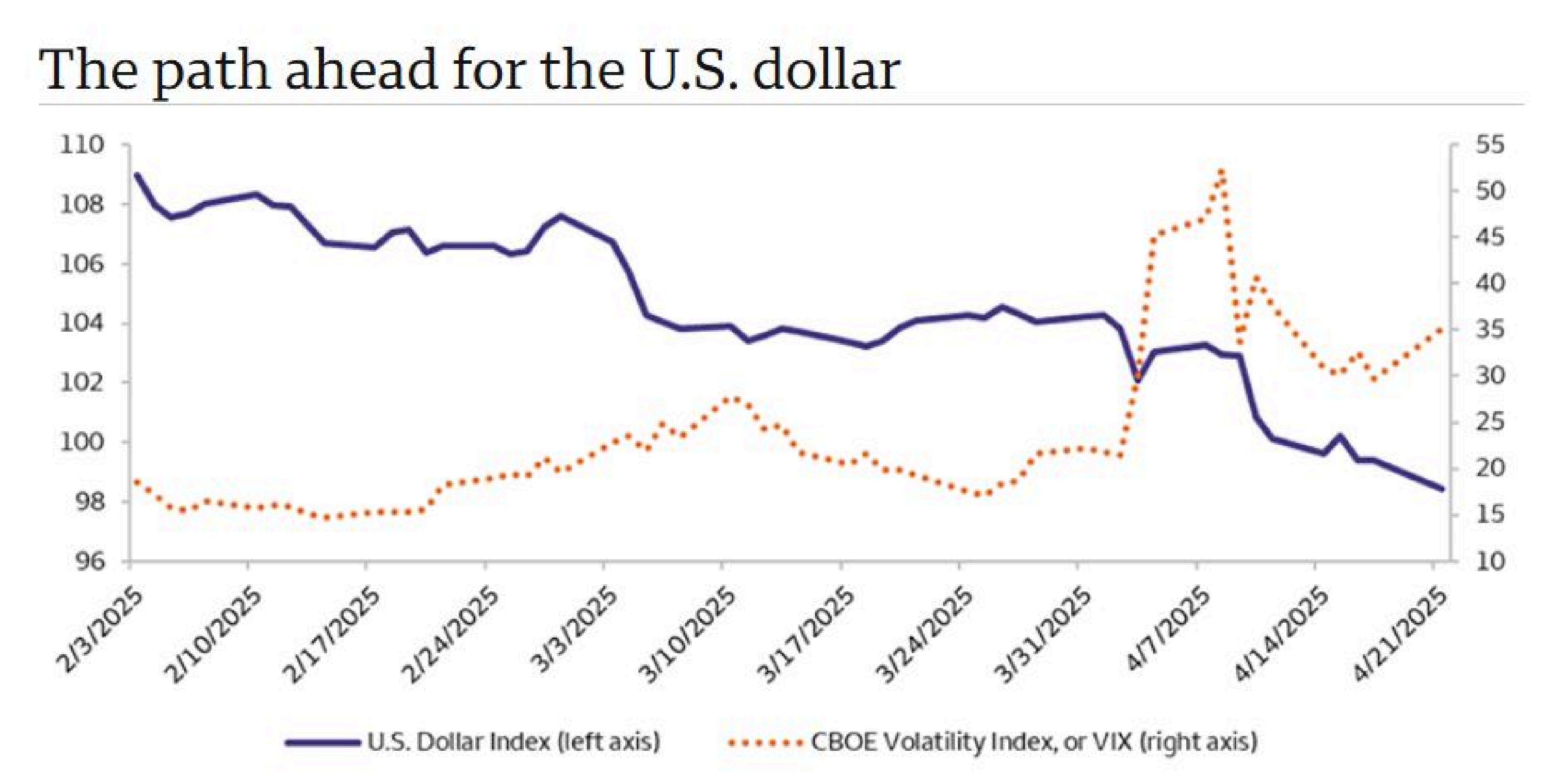


- Businesses have reported revenue improvements over the course of a year, demonstrating that Gen AI is producing quantifiable financial returns. According to The Analysts, a higher percentage of respondents in a July 2024 study than in an early 2024 survey indicated revenue increases as a result of gen AI use, with service businesses seeing the largest improvements. Revenue gains of 10 percent or more were reported by a larger percentage of respondents across business functions in the second survey compared to the first.



- The past few weeks have seen the creation of a relatively unique occurrence – U.S. equities, long-term U.S. Treasuries, and the U.S. currency have all plummeted. During volatile periods, the high quality of the U.S. dollar may be expected to generate appreciation as a perceived safe haven during uncertain times, but this has not held thus far in 2025.
- The two major dollar declines coincided with spikes in the CBOE Volatility Index, or VIX, in late February and early April, as the above chart illustrates. These spikes also coincided with worries about an economic slowdown, which influenced expected interest-rate differentials between the U.S. and Europe and raised financial-market expectations of Fed rate cuts.

- With the S&P 500 down almost 20%, the equity market selloff that started in mid-February closed in on bear market territory. Ironically, the financial sector outperformed during the same period and is down just 0.3% year-to-date, while the broad index is down 6% as of April 29.
- Financials underperform during credit crises, which have historically coincided with the worst bear markets. The market hasn't been pricing in the potential for a credit crisis, meanwhile, based on the current stability of financial equities.
- Although It is expected that equity volatility to continue as long as policy uncertainty exists, we also expect the market to eke out gains in a non-linear fashion. The market may be lifted in the short term by positive first-quarter earnings results, trade deals may provide incremental progress as terms are clarified, and the implementation of fiscal policies related to taxes may secure more durable gains over the long term.

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