

MONTHLY NEWSLETTER

**The Rare Earth Monopoly:
How China's Strategic Control Shapes the
Global Economy**

Discover The Unknown Depth of
Financial Markets

**1
Monday
September
2025**

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THIS MONTH
ANALYTICS REVIEW

EXPLORING THE
FINANCIAL
DEVELOPMENTS

DELVE DEEPLY
INTO THE WORLD
OF WEB3

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Insights From Past Weeks Analytics Review

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	1.52989	-0.0014	-0.09%	-0.81%	-0.25%	-5.31%	3.98%	5.61%	1.52716 - 1.53308	1.44074 - 1.69085
British Pound	USD:GBP	0.74082	0.00052	0.07%	0.04%	-1.00%	-7.26%	-2.46%	-13.27%	0.73987 - 0.74365	0.72715 - 0.82233
Canadian Dollar	USD:CAD	1.37348	-0.0017	-0.12%	-0.71%	-0.21%	-4.47%	1.84%	5.56%	1.37266 - 1.37791	1.34208 - 1.47935
Chinese Renminbi ("Yuan")	USD:CNY	7.12165	0.0017	0.02%	-0.50%	-0.79%	-2.94%	0.50%	2.99%	7.1158 - 7.13194	6.97349 - 7.42774
Euro	USD:EUR	0.85595	-0.00032	-0.04%	0.16%	-1.01%	-11.35%	-5.18%	-14.45%	0.85423 - 0.85816	0.84676 - 0.97934
Japanese Yen	USD:JPY	146.953	0.12	0.08%	-0.26%	-0.69%	-6.61%	1.49%	5.96%	146.763 - 147.405	140.049 - 158.8805
Swiss Franc	USD:CHF	0.80055	-0.0012	-0.15%	-0.26%	-0.52%	-11.78%	-5.56%	-17.31%	0.79855 - 0.8035	0.79035 - 0.9189

- The US Dollar began the week trimming losses sparked by Fed Chair Powell’s dovish comments, as concerns over Federal Reserve independence and renewed tariff threats weighed on sentiment. Political turmoil escalated when President Trump attempted to oust Fed Governor Lisa Cook, prompting legal action and fueling fears of White House interference in monetary policy. Meanwhile, dovish remarks from Fed officials, alongside trade tensions over digital taxes and countermeasures from the EU, added further volatility. The Euro remained range-bound, pressured by French political instability and Russia’s attacks in Ukraine, though EU trade concessions toward the US offered some relief. European data were mixed, with Germany’s IFO survey showing improved business expectations while consumer confidence declined. In the US, stronger GDP growth and steady PCE inflation failed to provide lasting support to the dollar, with consumer sentiment readings softening by week’s end. As EUR/USD recovered toward 1.1700, investors shifted focus to the upcoming release of key US data, including ISM surveys and the pivotal Nonfarm Payrolls, alongside eurozone inflation and GDP updates. These reports, combined with continued political and geopolitical risks, are set to drive market direction in the days ahead.

• Energy

• Energy •

ENERGY

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Oil	USO	-0.53%	0.27%	-6.22%	-0.94%	-2.51%	-4.89%	74.74  75.45	60.67  84.58
Brent Oil	BNO	-0.36%	0.20%	-5.13%	1.24%	-1.27%	-6.39%	30.27  30.51	24.72  33.39
Natural Gas	UNG	2.07%	7.72%	-7.76%	-23.68%	-4.47%	-89.96%	12.43  12.85	11.72  24.33
Gasoline	UGA	-0.91%	-1.41%	-1.90%	0.92%	1.30%	7.06%	63.50  64.34	52.80  68.15

- Oil prices declined on Friday as traders weighed weaker U.S. demand prospects and rising supply from OPEC+ heading into autumn. Brent crude for October expired at \$68.12 per barrel, down 0.73%, while the more active November contract fell 0.78% to \$67.45, and West Texas Intermediate settled 0.91% lower at \$64.01. The market’s attention shifted to next week’s OPEC+ meeting, with expectations of further supply increases pressuring prices. Analysts noted that while OPEC’s higher output has not yet significantly impacted the U.S. market, concerns about future demand and tariffs on imports are clouding the outlook. Earlier in the week, Ukrainian strikes on Russian oil terminals boosted prices, but ceasefire talks later dampened gains. U.S. crude inventories showed stronger-than-expected draws, suggesting firm industrial and freight demand, though the end of the summer driving season signals weaker consumption ahead. Meanwhile, India is resisting U.S. pressure to curb Russian oil imports, with shipments expected to rise in September despite Trump’s steep tariff hikes. Overall, analysts expect a mix of rising supply, fading U.S. demand, and geopolitical uncertainty to keep oil markets under pressure.

Metals

Metals

PRECIOUS METALS									
Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Palladium	PALL	0.33%	-1.50%	-11.65%	21.13%	13.17%	-49.14%	99.37 — 101.25	82.39 — 119.30
Gold	GLD	0.96%	2.41%	3.86%	31.36%	36.54%	96.51%	314.64 — 318.09	228.52 — 318.09
Platinum	PPLT	0.94%	1.00%	-1.71%	50.78%	45.25%	55.75%	122.78 — 125.32	82.35 — 133.80
Silver	SLV	1.89%	2.41%	4.41%	37.45%	34.99%	109.31%	35.32 — 36.29	25.27 — 36.29

- Gold (XAU/USD) extended its rally, breaking above \$3,430—its highest level since July—on dovish Federal Reserve expectations and heightened geopolitical risks. Fed Chair Jerome Powell’s Jackson Hole speech signaled a softer stance, initially lifting the US Dollar before it weakened again, which bolstered gold. Additional drivers included Trump’s attempt to oust Fed Governor Lisa Cook, renewed tariff threats on China, and Russia’s intensified aerial assault on Ukraine, all of which fueled safe-haven demand. While stronger US GDP growth at 3.3% and steady PCE inflation readings briefly capped gains, they did not derail gold’s uptrend. With inflation stable at 2.6% overall and 2.9% core, markets largely shrugged off the data, allowing gold to log four consecutive daily advances. Despite brief dollar strength, XAU/USD closed the week firmly higher, reflecting policy and geopolitical uncertainty. Looking ahead, traders await key US data—ISM surveys, ADP jobs, and Friday’s Nonfarm Payrolls—while markets price in an 85% chance of a September Fed rate cut. A weaker jobs report could heighten bets on multiple cuts in 2025, keeping gold supported, though stronger data may shift sentiment toward fewer cuts, strengthening the dollar and pressuring gold, while the Russia-Ukraine conflict continues to underpin safe-haven flows.



• Analytica

• **The AI Wars: Why Browsers Are the Next Battleground**

As artificial intelligence reshapes how we interact with the internet, the foundational role of web browsers is being challenged and redefined. Once considered a mature technology, browsers are now at the center of a new strategic battle, with tech giants vying for control over the primary gateway to the web.

The Rise of AI and Shifting Online Behaviors

The widespread use of artificial intelligence is challenging the foundations of major online markets. A key issue is how attention will be captured and monetized if AI chatbots and automated agents handle much of what people currently do online. This shift raises fundamental questions about the future of digital engagement and advertising.

Browsers at the Center of a New Battle

Despite being decades-old technology, web browsers remain powerful tools for directing audiences. Their role in digital distribution makes them strategically valuable in the AI era. Recent moves, such as Perplexity's \$34.5 billion bid for Google's Chrome browser and OpenAI's interest in developing its own, show that browsers are becoming contested ground in the emerging AI wars.

Browsers remain strategic assets but face disruption as AI changes how people interact with the web.

The Value of Distribution and Antitrust Constraints

The browser battle reflects the immense value of distribution power. For example, Google paid Apple \$20 billion in 2022 for Safari's default search placement, while Chrome's larger user base suggests even greater earning potential. Yet, antitrust efforts aimed at reducing Google's dominance complicate this, raising doubts about whether such lucrative deals will continue under new ownership.

Three Emerging Models of AI-Driven Browsing

AI is reshaping browsing in different ways. One model embeds AI in browsers to streamline user tasks, such as comparing prices or reviews. Another approach has AI apps like ChatGPT perform automated browsing on behalf of users. A third, more radical model bypasses browsers altogether, with AI agents connecting directly to online services through APIs and new protocols designed for autonomous operations.

The Uncertain Future of Browsing

The long-term role of browsers in an AI-driven web remains uncertain. While AI automation may reduce traditional search traffic, human curiosity and attention will persist as valuable assets. AI companies argue this ensures the web's resilience, but if too much attention shifts to chatbots, the traditional model of web browsing could weaken significantly.





- **The Geopolitical Chip: Cambricon's Rise and the Challenges of China's Tech Self-Sufficiency**

The spectacular turnaround of Chinese AI chip firm Cambricon is a direct result of geopolitical tensions and state support. While the company has rebounded from near-collapse to become a viable alternative to both Nvidia and Huawei, its long-term success is still tied to securing manufacturing capacity and overcoming the deeply entrenched technological advantages of its rivals.

From Setback to Resurgence

Cambricon's trajectory has been marked by dramatic reversals. In 2019, when Huawei dropped its technology from smartphones, the chip designer lost nearly all of its revenue. Yet within six years, it has re-emerged as Huawei's chief domestic competitor in AI chips, benefiting from Beijing's push for technological self-sufficiency and reduced reliance on U.S. companies like Nvidia. Speculation around its ties with DeepSeek, China's AI frontrunner, has further fueled investor enthusiasm.

Policy Support and Strategic Positioning

Backed by policymakers eager to create alternatives to Huawei, Cambricon has carved a place in China's semiconductor ecosystem by producing AI chips for data centers and edge computing. Its close alignment with Beijing's AI ambitions has brought prestige and official support. The company's early roots at the Chinese Academy of Sciences, which still holds a major stake, add credibility to its mission of advancing homegrown technology.

Obstacles and Adaptation

Despite setbacks, including U.S. sanctions in 2022 that cut off access to Taiwan's TSMC, Cambricon pivoted to Chinese fabs and invested heavily in R&D. Between 2020 and 2024, it poured Rmb5.6bn into improving software, making its chips more compatible with Nvidia-trained AI models. Collaborations with firms like ByteDance have helped position its Siyuanchips as easier to use than Huawei's Ascend line, attracting new customers across China's tech giants.

Market Potential and Competitive Landscape

Analysts project rapid growth: revenues could double to nearly Rmb14bn by 2026, with market share climbing from 3% to 11% by 2028. Customers such as Alibaba, Tencent, Baidu, and China Telecom have strong incentives to support Cambricon as an alternative to Huawei, with whom they compete in cloud, telecom, and AI. Still, Huawei remains the dominant force, leveraging unique advantages such as its NV-Link rival and ongoing improvements to chip architecture.

Capacity Challenges and Future Prospects

Cambricon's biggest hurdle is production capacity. It relies on SMIC to manufacture advanced 7nm chips, and demand has already outstripped supply —ByteDance reportedly bought much of its output in the first quarter. Beijing has directed SMIC to allocate more capacity to Cambricon, and SMIC is doubling 7nm output, which could ease constraints. While Cambricon is likely to remain smaller than Huawei, its rising profile reflects both strong demand and state backing for a more diversified chip ecosystem.





- **The Digital Divide: How Legacy Carmakers Are Losing the Software Battle**

The automotive industry is rapidly converging on a software-first model, leaving traditional automakers like Toyota, GM, and Mercedes-Benz far behind. A new Gartner index shows a widening gap between these legacy players and digital-native brands, with success hinging not just on technology, but on a fundamental shift in corporate culture and leadership.

In the mid-2010s, Toyota began a bold shift from its traditional focus on hardware to artificial intelligence and software, hiring experts from Google and other tech firms. The goal was to build centralized computer systems capable of controlling everything from brakes and steering to infotainment and autonomous driving functions. While the ambition was high, Toyota has lagged behind leaders like Tesla and Chinese EV makers in developing competitive software-defined vehicles.

Gartner's digital automaker index highlights how traditional players — Toyota, GM, Mercedes, and others — are trailing Tesla, Nio, and Xpeng in monetizing software. Analysts warn that, similar to smartphones and PCs, the industry could converge around a few dominant operating systems, making it difficult for legacy carmakers to stay competitive. Toyota's own efforts, such as its Arene platform, have faced skepticism and internal criticism, revealing the difficulty of breaking away from hardware-first roots.

Legacy automakers like Toyota face cultural, technical, and structural hurdles in matching Tesla and Chinese EV makers in software-driven mobility.

Toyota's conservative and consensus-driven corporate culture has slowed software progress. While Silicon Valley hires initially injected momentum, frustration grew over the slow pace of decision-making. Engineers described Arene as buggy and incomplete, while executives admitted its early rollout was far from revolutionary. Similar struggles have plagued other legacy brands like Volvo, where delays and high development costs derailed ambitious software-driven projects despite outside hires from tech-heavy backgrounds.

Traditional carmakers are investing billions into zonal architectures and advanced computing systems that can handle the high demands of electric and autonomous vehicles. Companies like BMW and Mercedes-Benz are attempting to leapfrog competitors with integrated platforms and partnerships with Google, Nvidia, and others. However, these collaborations bring new tensions, as automakers seek to keep control over vehicle data and in-car experiences while leveraging the technical expertise of big tech partners.

The big question remains how legacy manufacturers will actually monetize software. GM once promised \$25 billion annually in connected services, but its efforts remain unclear. Ford, meanwhile, has had more tangible success through Ford Pro, its fleet services unit, which uses vehicle data to drive maintenance, productivity, and subscription-based revenue. Toyota's leadership, including chairman Akio Toyoda, still insists on the importance of software-defined vehicles, but the path forward remains cautious and incremental.

Success may hinge on balancing partnerships with tech firms, building zonal architectures, and finding profitable ways to monetize vehicle data and software services.





- **The Unstoppable Force Meets the Immovable Object: TSMC's Expansion and the Taiwan Strait**

TSMC, the world's most critical semiconductor manufacturer, is pursuing a massive global expansion to reduce its geopolitical risk. But as the company builds new factories from Arizona to Japan, it faces a fundamental challenge: whether it can replicate its unique, highly disciplined culture and technological edge away from its home base, even as the threat of conflict in the Taiwan Strait looms.

A Nation on Edge, a Company on Top

On July 17th, while Taipei rehearsed a civil-defence drill against a potential Chinese invasion, TSMC executives held their quarterly earnings call and reported record profits. The juxtaposition captured Taiwan's precarious position: an island bracing for conflict while hosting the world's most important semiconductor company.

The Rise of a Global Giant

TSMC dominates the chipmaking industry, producing two-thirds of all contract-manufactured chips and over 90% of the most advanced processors used in smartphones, data centres, and AI. Tech giants such as Nvidia, AMD, Apple, and Microsoft rely heavily on the company. Revenue has soared from \$24bn in 2014 to \$88bn in 2024, with market value surpassing \$1trn—making TSMC a linchpin of the global digital economy.

Culture, Scale, and Technological Edge

Founded in 1987 on a contrarian bet that focusing solely on manufacturing would beat vertically integrated rivals, TSMC built unmatched scale and efficiency. Its massive fabs, including "gigafabs" in Taiwan, produce chips with extraordinary yields. The company's obsessive manufacturing discipline and culture of relentless improvement underpin a net profit margin of 40%, far above rivals.

TSMC is the world’s most critical chipmaker, powering AI, smartphones, and big tech, yet it remains deeply vulnerable to Taiwan’s geopolitical risks.

Expansion Abroad and Its Challenges

To reduce geopolitical risk and meet rising demand, TSMC is investing \$190bn globally, with its largest project in Arizona—six advanced fabs costing \$165bn. Yet replicating Taiwan’s efficiency and work ethic abroad is proving difficult. Arizona fabs face higher costs, delays in permitting, and cultural differences in engineering discipline, despite extensive training programs and automation efforts.

Strategic Importance and Geopolitical Pressures

TSMC has become more than a company; it is Taiwan’s “silicon shield.” Its presence deters China from military aggression, given Beijing’s dependence on its chips. But global politics complicate matters. The US wants more TSMC capacity onshore to reduce reliance on Taiwan, while restrictions prevent the company from supplying China with its most advanced technology. This balancing act raises both strategic and existential risks.

Its global expansion is essential for resilience, but success abroad depends on whether it can transplant its unique culture of precision and discipline.

Future Risks and Enduring Strength

Despite its dominance, TSMC faces challenges: rivals like Samsung and Intel remain contenders, the AI boom could slow, and tariffs or cyclical downturns could weaken demand. Moreover, scaling overseas while maintaining its unique culture may prove its greatest challenge. For TSMC, survival and growth hinge not only on technology and money but also on exporting its discipline and resilience to a global stage.





- **Brewing with Bots: AI Joins the Tradition of Craft Beer**

The ancient art of brewing is getting a modern upgrade as companies from Germany to Japan experiment with AI. From generating unique recipes to analyzing complex flavors, artificial intelligence is emerging as a powerful new tool for innovation in the craft beer industry.

Beck's, the historic German brewery, marked its 150th anniversary in 2023 with a special release: "Beck's Autonomous," a lager created by ChatGPT. Using only the classic four ingredients of beer—hops, yeast, water, and malt—the AI produced a brew some critics considered better than Beck's standard lager. This milestone highlighted a new intersection between tradition and technology.

Beck's is not alone. Breweries across the world, from America's Atwater and Britain's St. Austell to Japan's Coedo, have tested AI to design beers. These projects range from citrusy IPAs to craft beers tailored for different age groups. The customer response has been broadly positive, suggesting that AI-generated recipes can excite beer enthusiasts while appealing to diverse palates.

Brewers note that AI opens doors to recipes they may never have considered. Algorithms can assess ingredients, brewing equipment, and desired attributes such as sweetness, acidity, or hop intensity. This allows AI to generate unique combinations that balance both creativity and consumer preferences, offering new avenues for innovation in the craft beer industry.

American brewer Beau Warren provides a vivid example. His Species X Beer Project began using AI in 2024 to recommend recipes based on yeast types, malt profiles, and cellar inventory. In one case, the AI proposed mixing Maris Otter malt (typical of stouts) with Belgian candisyrup in a lager—an unusual but highly successful recipe. Patrons often rated AI-crafted beers higher than traditional ones, though financial struggles forced the brewery's closure in 2024.

Researchers are also applying AI to beer chemistry. A KU Leuven study analyzed 250 Belgian beers to model how different compounds, like glycerol and lactic acid, affect taste and consumer preference. These insights aim not only to refine brewing but also to deepen scientific understanding of the link between chemistry and flavor.

Despite AI's growing role, brewers stress that beer-making remains a human craft. Machines may generate recipes and help analyze flavors, but brewing requires hands-on work, from pouring ingredients to tasting the final product. As Tilray's Prinz Pinakatt observes, AI will likely complement rather than replace the artistry of brewing.





• Financial

• The Rare Earth Monopoly: How China's Strategic Control Shapes the Global Economy

China has spent decades building a near-total monopoly over the rare earths industry, from mining to processing and magnet production. This dominance, supported by state policy and price suppression, has left Western rivals uncompetitive and created a strategic vulnerability for global industries.

China's Strategic Dominance

China maintains overwhelming control of the rare earths industry, accounting for most global mining, processing, and magnet production. Industry leaders openly state that Western attempts to reduce reliance will fail, as international markets remain dependent on Beijing's supply chain. This dominance stems from decades of planning, investment, and strategic acquisitions.

Leverage in Trade and Pricing

Beijing has repeatedly used rare earths as a tool of influence in trade disputes, including imposing export controls to secure concessions. Despite its monopoly, China often keeps prices low enough to suppress rival competition, thereby preventing the rise of alternative suppliers. This tactic provides both market leverage and long-term geopolitical influence.

Origins of Control

China's dominance was seeded in the 1990s, when lax environmental policies allowed rapid expansion in mining. Through acquisitions such as General Motors' magnet division, China secured critical technology and relocated production to its domestic factories. By the mid-2000s, most U.S. rare earth production had disappeared, cementing Chinese control of the magnet industry.

China's rare earth dominance stems from decades of state policy, acquisitions, and price suppression, leaving Western rivals uncompetitive.

State Consolidation and Suppressed Competition

Over the last two decades, Beijing consolidated thousands of small operators into two state-owned enterprises, ensuring central control. While rival miners in the U.S. and Australia have tried to compete, China consistently raised output quotas, keeping prices too low for alternatives to be profitable. This discouraged Western investment in rare earth production.

Western Responses and Limits

Alarmed by supply shocks, countries like Japan began stockpiling and recycling rare earths, while the U.S. and G7 have pledged subsidies, price guarantees, and standards-setting measures to counter China's grip. Yet industry experts warn that most Western buyers prioritize low costs, making sustained demand for higher-priced non-China supply uncertain outside of defense applications.

Future Outlook

With China's scale, technological edge, and willingness to operate at low returns, experts believe it will be nearly impossible for rivals to match its pricing power. Unless Western governments accept permanent subsidies or premiums for alternative supply chains, dependency on China's rare earths will persist, shaping both global trade and strategic industries.

Western countermeasures face limits, as most industries remain unwilling to pay higher costs for non-Chinese rare earths.



- **The EM Debt Refinancing Rush: Why Companies Are Flocking Back to Markets**

Emerging market companies outside of China are taking advantage of falling borrowing costs to sell international bonds at a record pace. The rush to refinance has been driven by a narrowing of spreads and investor optimism, with much of the new issuance aimed at paying down debt that matured during a period of higher global interest rates.

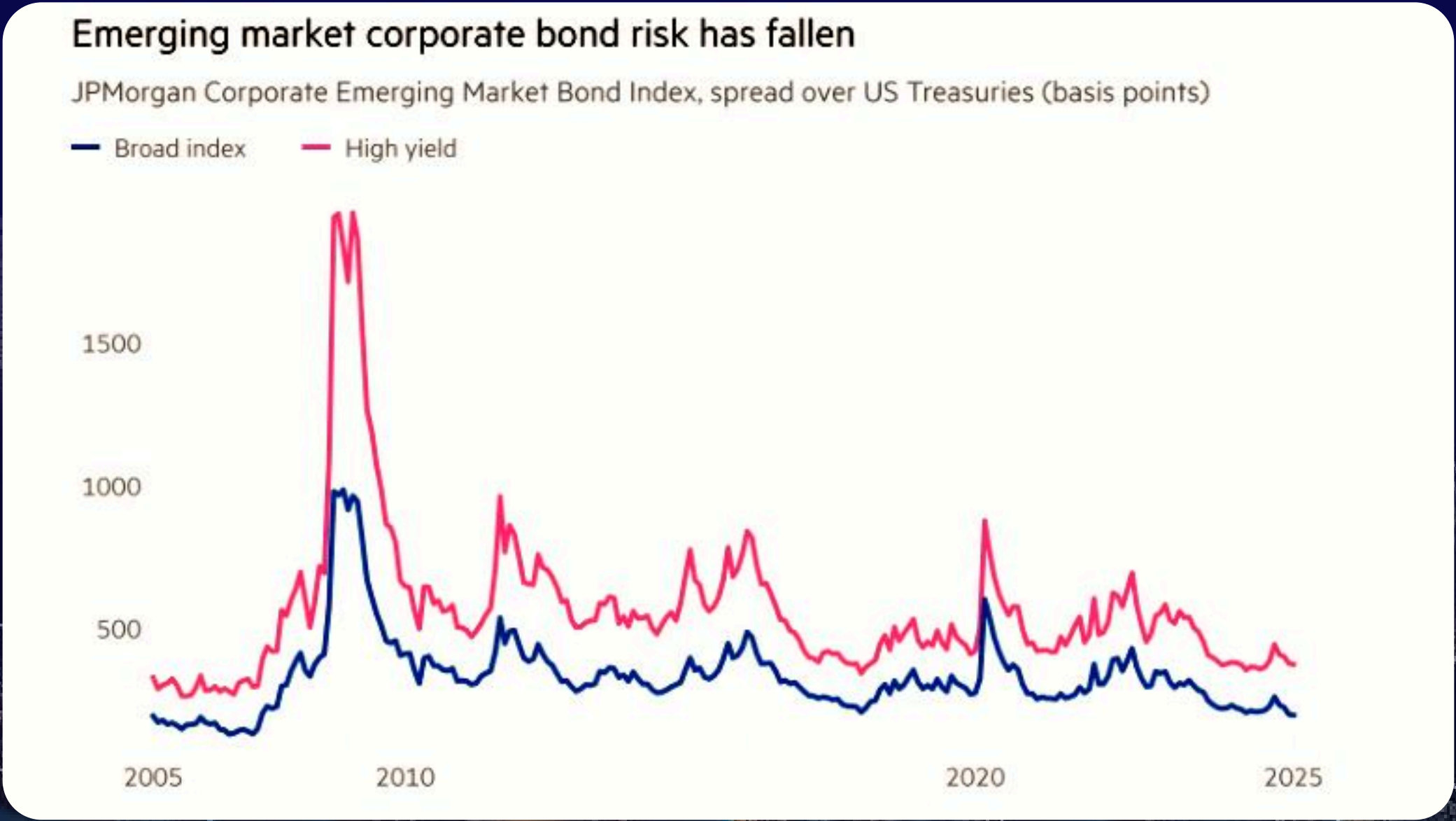
Emerging market companies and banks outside of China are selling international bonds at their fastest pace since 2021, fueled by falling borrowing costs and resilient global markets. Between January and July, issuance reached at least \$250bn, setting 2025 on course to nearly match the record levels seen during the pandemic-driven surge of 2021. Analysts at JPMorgan expect total issuance outside China to hit \$370bn this year, with the figure rising to \$433bn when including Chinese borrowers.

A key factor driving issuance is the narrowing spread between emerging market corporate bonds and U.S. Treasuries, which has dropped below two percentage points for the first time since 2007. While average yields on JPMorgan's benchmark index remain around 6%, rising U.S. bond yields have made emerging market debt comparatively more attractive. Investors are increasingly pricing in Federal Reserve rate cuts, encouraged by pressure from President Trump, which is creating favorable refinancing conditions for companies.

China, once dominant in international corporate bond issuance, has seen activity decline sharply following the debt crisis among its property developers since 2021. Many Chinese firms have turned inward to cheaper onshore financing. Meanwhile, other emerging markets have stepped up: Saudi Arabia has been a major issuer this year, with governments and banks tapping dollar markets to finance large domestic investment projects and offset weaker oil revenues. Mexico has also made headlines with a \$12bn bond sale to support state oil giant Pemex.

Despite the surge in issuance, the overall net supply of emerging market debt has been negative so far this year, as repayments on bonds issued during the 2020–2021 boom have exceeded new issuance by \$8bn. Asset managers highlight that while gross issuance is strong, much of it is refinancing maturing debt rather than adding to overall market supply. This dynamic reflects how companies held back from refinancing during the period of higher global rates and are now returning to markets as costs fall.

Although President Trump has issued threats of steep tariffs against India, Brazil, and even Mexico, investor sentiment has remained calm. Markets are discounting these risks, partly because tariff announcements often come with detailed exemptions that soften their impact. For example, a headline 25% tariff threat on Mexico could effectively average under 10% once trade deal provisions are accounted for. As a result, spreads on even high-yield emerging market corporate debt have tightened, underscoring investor optimism that risks remain manageable.





- **China's Market Paradox: Stocks Soar as the Economy Struggles**

China's stock market is in the midst of an unexpected rally, with the Shanghai Composite hitting a ten-year high and outperforming global indices. This surge is puzzling analysts as it occurs against a backdrop of weak economic fundamentals, including overcapacity in key industries and widespread corporate losses, raising concerns about the rally's sustainability.

A Surprising Rally

China's stockmarket has defied expectations in 2025, with the Shanghai Composite hitting a ten-year high and gaining 17% in dollar terms, outpacing the S&P 500 and other global indices. This stands in stark contrast to its history of underperformance, which has typically driven investors to seek opportunities abroad.

Economic Strains Beneath the Surface

The surge in equities comes even as China's economy struggles with severe overcapacity. Key industries such as electric vehicles and solar power are facing losses, with even leading firms like BYD under financial pressure. The "race-to-the-bottom" competition has also hurt ordinary workers, including delivery drivers caught in price wars.

Government Boosts Sentiment

The state has actively worked to shore up confidence, highlighting achievements like DeepSeek’s artificial intelligence breakthrough and the blockbuster success of Ne Zha 2. Officials have also launched an “anti-involution” campaign to fight oversupply, while loosening housing restrictions in Shanghai and encouraging buybacks and institutional investments into equities.

A Disconnect from Fundamentals

Despite weak consumer spending, slumping industrial output, and disappointing investment figures, stock prices have continued to climb. Nearly a quarter of listed firms reporting first-half earnings showed losses, the highest level since at least 2016, yet investors appear largely unfazed by these poor fundamentals.

Policy Limits and Structural Risks

China’s industrial policies, heavily reliant on subsidies, continue to drive overproduction and cheap exports, making meaningful reform unlikely. Ending this cycle would require deep structural change and tolerance of higher unemployment—an outcome leaders are unwilling to risk. Analysts and fund managers alike warn that the rally looks fragile, disconnected from economic reality, and potentially unsustainable.





- **U.S. Shale Firms Prioritize Profits Over Production, Signaling Future Decline**

Despite a record-setting surge in oil output, U.S. shale producers are signaling a strategic shift away from aggressive growth. Faced with falling prices and political hostility toward renewables, these companies are cutting back on drilling to prioritize financial stability and shareholder returns, a move that could lead to a long-term decline in production.

Renewables Under Pressure

The Trump administration recently halted a nearly completed \$1.5bn wind project off Rhode Island, casting a shadow over the future of Ørsted, the world's largest wind developer. This sudden order reflects the administration's hostility toward renewables, with tax credits and grants also being rolled back, contributing to the cancellation of about \$19bn worth of clean energy projects in 2025 alone.

Shale Industry Caution

In Texas, oil executives are treading carefully in response to falling crude prices, which dropped 13 per cent amid Opec+ supply increases. Companies are trimming expenses, delaying drilling activity, and holding back on completions, waiting to see whether current market conditions persist. The mood is cautious, with operators prioritizing financial stability over expansion.

Efficiency Gains in Drilling

Despite restrained spending, shale producers are extracting more oil through technological and operational improvements. Wells that once took weeks to drill now take days, with record-setting depths being reached. For example, Diamondback Energy recently drilled a 31,000-foot well, far exceeding the typical length, showcasing how innovation is driving short-term production gains.

US shale firms are prioritizing financial stability and shareholder returns, even at the expense of future production growth.

Rising Output Amid Cuts

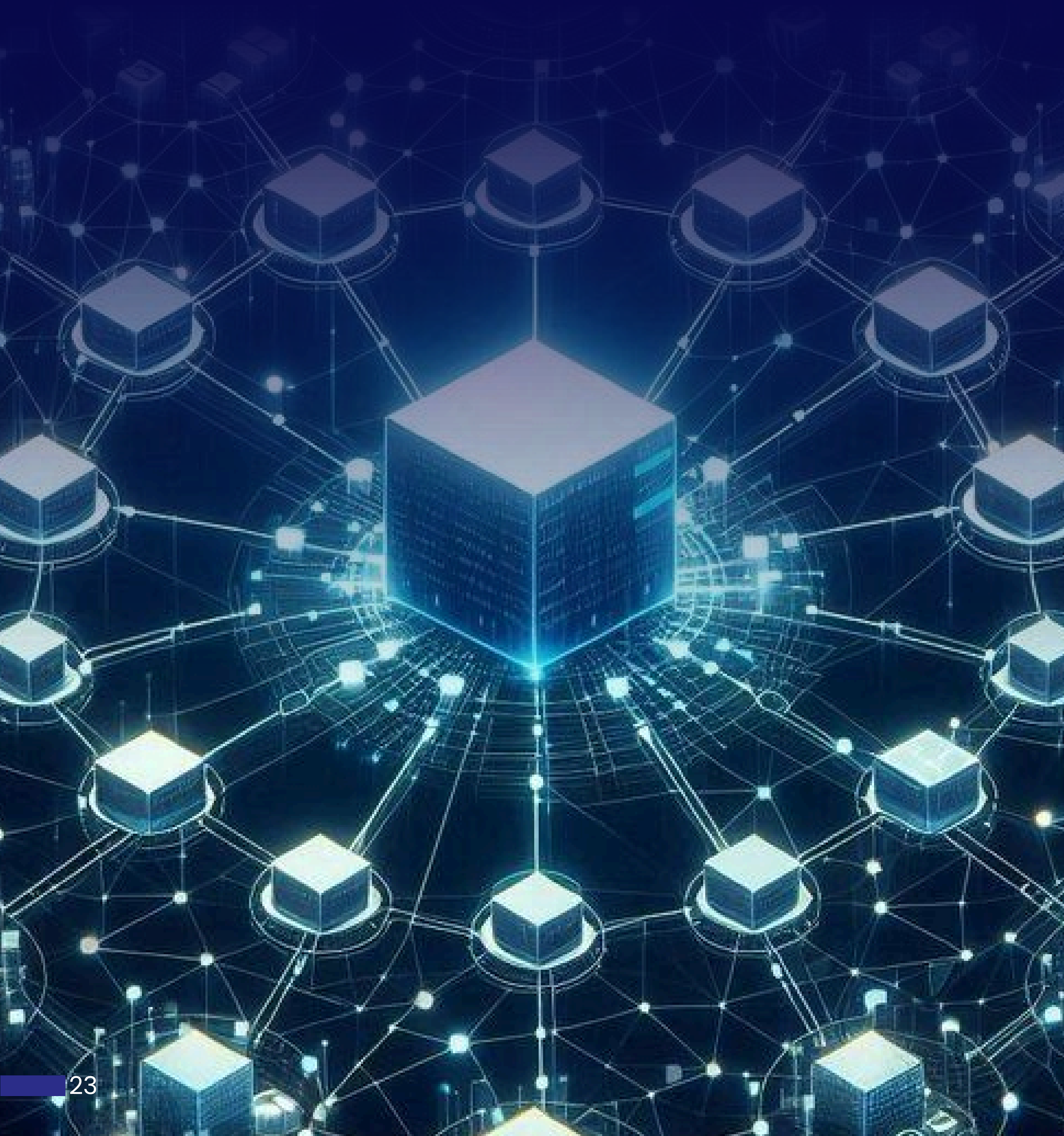
These efficiency measures are boosting production in the near term. US crude output is projected to hit nearly 13.6mn barrels per day by December 2025 — a record high. Companies are also keeping a stock of drilled but uncompleted wells (DUCs) that can be tapped later, helping them maintain flexibility while managing expenses.

Declines on the Horizon

Even with efficiency improvements, production growth may not last. As more rigs and fracking crews come offline, projections suggest output could fall to 13.1mn barrels per day by late 2026. However, shale executives are reluctant to highlight this decline, preferring to reassure investors by emphasizing capital discipline and shareholder returns.

Focus on Cash Flow Over Growth

Rather than aiming to maximize oil output, companies are concentrating on generating free cash flow. Strategies include buying back shares, paying down debt, and maintaining dividends. Leaders like Coterra Energy's CEO stress that long-term durability and financial resilience matter more than production growth, signaling a strategic shift in the shale industry's priorities.





- **The AI Paradox: A Tiny Sector Driving a Giant Economy**

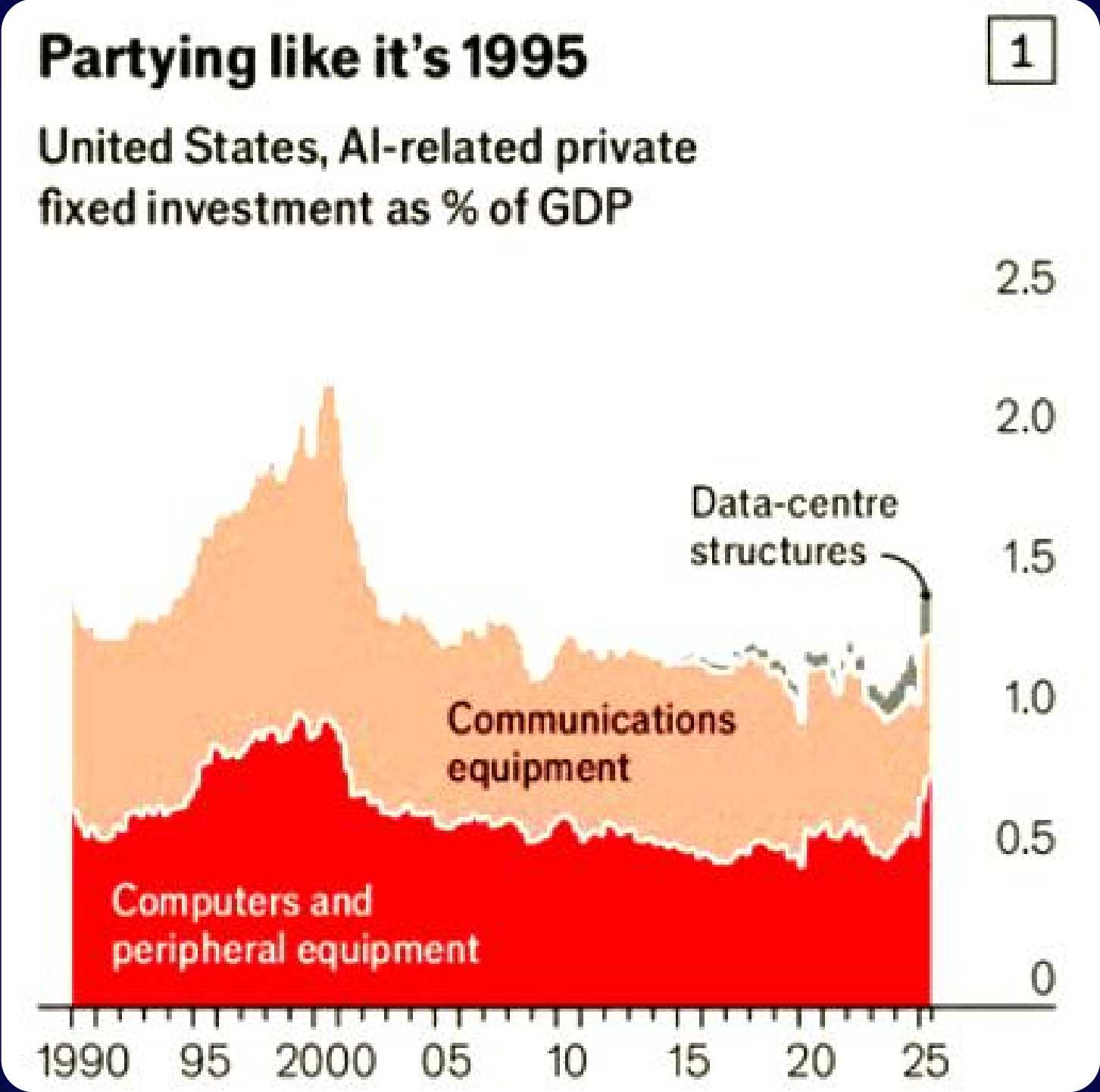
A massive boom in AI infrastructure is fueling as much as 40% of recent U.S. GDP growth, an extraordinary feat for a small sector. The scale of this investment, however, carries significant risk, with parallels to the dotcom boom and warnings that the single-minded focus on AI is straining power grids and pushing up electricity prices for everyone else.

Ashburn: The Nerve Centre of AI

Northern Virginia's Ashburn has emerged as the symbolic hometown of artificial intelligence, with its massive cluster of data centres dominating the landscape and consuming vast amounts of electricity. These centres, crucial to training and running AI models, now account for more than a quarter of the state's utility output, highlighting how essential and resource-intensive AI infrastructure has become. The sheer physical scale of this expansion mirrors the intensity of global investment in AI.

AI as a Growth Driver

Despite widespread concerns about America’s economic slowdown, AI-related investment has powered a disproportionate share of recent growth. Roughly one-sixth of the country’s 2% GDP growth over the past year came from technology infrastructure, and when intellectual property and grid upgrades are factored in, AI may account for up to 40% of real GDP gains. This is extraordinary given the sector still represents only a small fraction of overall GDP, reflecting the outsized role AI plays in shaping the economy’s trajectory.



A High-Stakes Bet

The AI buildout differs from typical investment cycles. While tech giants initially funded data centres through cash reserves, the scale of expansion now requires borrowing. This is a high-risk, winner-takes-all market where firms prioritize securing dominance in AI infrastructure, downplaying traditional concerns such as interest rates or electricity costs. The race to build gigawatt-scale centres, akin to powering small cities, underscores the belief that AI-driven demand will explode in the coming years.

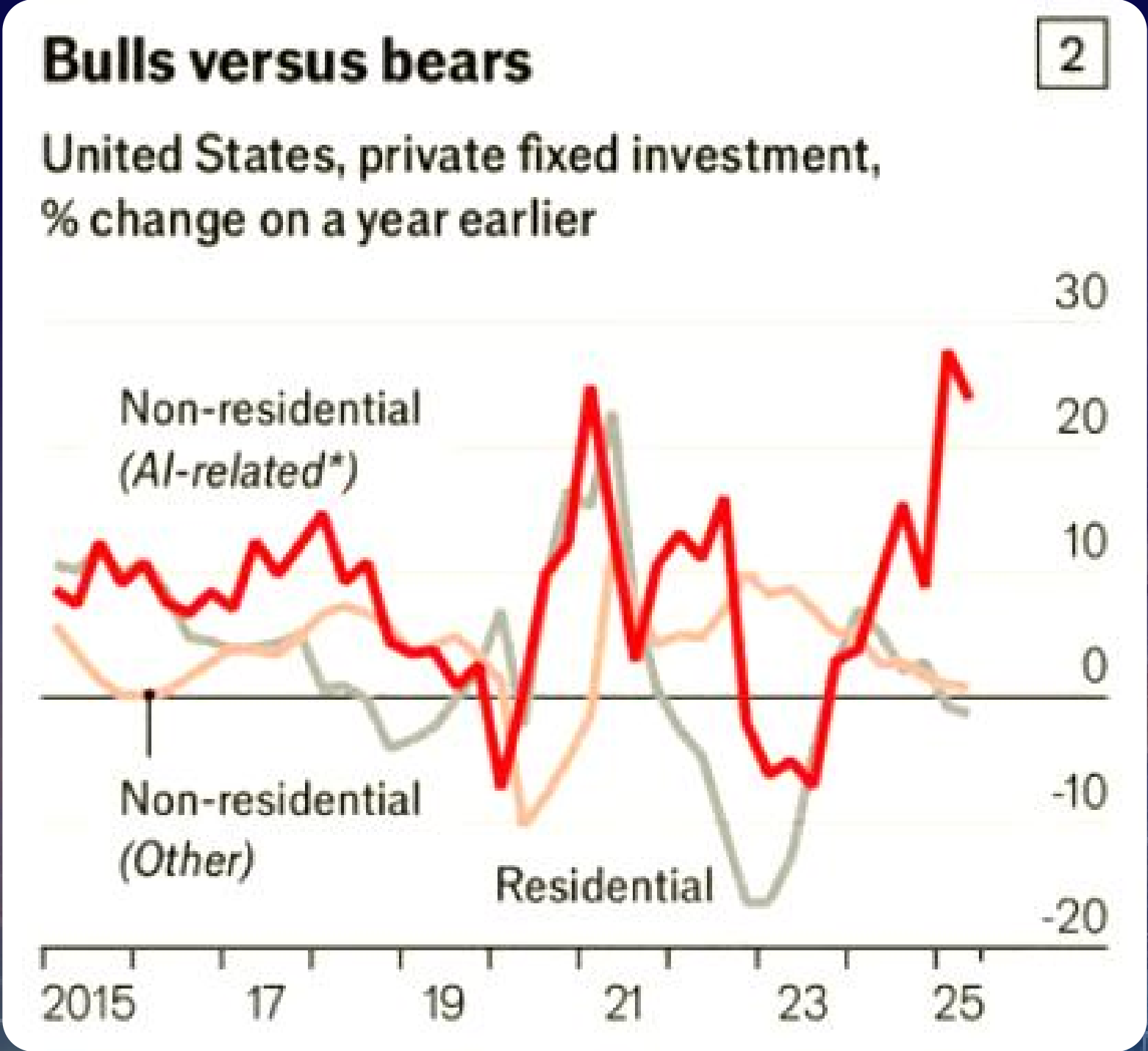


Echoes of the Dotcom Boom

Historical parallels with the internet boom of the late 1990s suggest that the AI surge may still be in its early stages. The dotcom era saw years of investment before its peak, but AI enthusiasm is already stronger, with mainstream predictions of automation and rapid productivity growth. Yet, the comparison also carries a warning: the dotcom bust revealed how quickly investor confidence and spending could collapse, leaving lasting scars on the broader economy.

Risks to the Wider Economy

The very sector driving growth also squeezes other parts of the economy. Energy-hungry data centres push up electricity prices—up 7% in 2025—while high borrowing costs choke off housebuilding and non-AI investment. The economy is effectively being reshaped, with capital flowing toward AI while rate-sensitive sectors falter. If AI capital spending slows due to limits in chips or power, GDP growth could stumble sharply. The silver lining would be falling energy costs and interest rates, but history suggests the risk of a painful downturn if the boom suddenly cools.





- **The Immigration Reversal: How a Shift in Migration Is Reshaping the U.S. Labor Market**

While the U.S. labor market appears stable on the surface, its "curious kind of balance" is being sustained by a dramatic and often overlooked factor: a sharp slowdown in labor supply. This shift is a direct result of a rapid reversal in immigration trends, which have swung from historic highs to potentially negative levels, creating both short-term stability and significant long-term risks for the economy.

Federal Reserve Chair Jerome Powell described the U.S. labor market as being in "a curious kind of balance." While demand for workers has cooled, unemployment remains stable due to a sharp slowdown in labor supply. Central to this slowdown is a dramatic shift in immigration, which has swung from historic highs to potentially negative levels.

The combination of halted border crossings, higher deportations, and an unfriendly climate for migrants means net immigration could turn negative in 2025 for the first time in decades. This helps prevent unemployment from rising during weaker labor demand but risks long-term economic constraints, including slower growth and higher deficits.

From 2010 to 2019, annual net immigration averaged nearly one million people, surging to over three million in 2023. Now, economists project a reversal of up to 200,000 negative net migration. Unlike the 1960s, when baby boomers entered the workforce, today's aging population makes the labor market far more reliant on immigrants to sustain growth.

Sharp declines in immigration stabilize short-term unemployment but risk long-term economic slowdown.

Estimating immigration flows is difficult, with official data incomplete or inconsistent. Reports of mass departures, such as 1.6 million unauthorized immigrants leaving, rely on surveys like the CPS, which were not designed for this purpose and suffer from declining immigrant response rates. Experts argue these figures exaggerate the decline, though reduced immigration is still evident.

Declining immigration is already visible in job growth, with payroll gains slowing sharply in mid-2025. Fewer workers entering the labor force suppresses unemployment but also lowers the economy's productive capacity. Sectors such as agriculture, construction, and hospitality, which depend heavily on immigrants, are particularly vulnerable to labor shortages.

The U.S. economy's future growth increasingly depends on sustaining positive net immigration.

If immigration remains low, the U.S. faces slower population growth, shrinking labor supply, and reduced economic dynamism. With fertility rates near record lows and deaths projected to exceed births by 2033, immigration is the only reliable source of population growth. A prolonged decline could weaken public finances, housing demand, and overall income per capita.

A composite image featuring Donald Trump in the foreground, wearing a dark suit and a red tie. He is positioned in front of a background that is a collage of financial market data. On the right, a prominent sign reads 'WALL ST' with '9-15' above it. The background is filled with various financial charts, including candlestick charts and line graphs, with numerical values like '3010.33', '+23456', '4333.55', and '5647.99' visible. The overall color scheme is dominated by reds, blues, and purples.

- **Trump's 401k Executive Order: A Potential Gateway for Crypto**

A new executive order from the Trump administration could open the massive \$12 trillion 401k market to cryptoassets. By directing the Labor Department to expand access to alternative investments, the order creates a path for asset managers to tap into a huge pool of passive capital, potentially accelerating the mainstream adoption of digital assets.

On August 7th, the Trump administration issued an executive order directing the Labor Department to expand access to alternative investments within employer-sponsored defined contribution plans, including 401ks. With the U.S. 401k market valued at approximately \$12 trillion, this development creates a major potential entry point for cryptoassets. Asset managers who have already pivoted toward digital assets see this as an opportunity to tap into a massive pool of relatively passive capital, where individual investors often defer to default allocations.

The influence of default options in retirement planning is critical. According to a 2025 Vanguard report, 84% of U.S. 401k participants use target-date funds, with contributions to these funds rising significantly over the last decade. Notably, only 1% of target-date investors executed trades in 2024, underscoring the “stickiness” of initial allocations. If crypto exposure is built into default fund structures, it could meaningfully shift the level of participation in digital assets across a wide investor base.

Inclusion of crypto in 401k plans reflects growing mainstream acceptance, but volatility and complexity remain major challenges.

The possible inclusion of bitcoin and other cryptoassets in retirement plans signals the growing legitimacy of crypto in traditional finance. Unlike speculative trading desks or niche funds, retirement vehicles are historically conservative, making their adoption a powerful market message. McIntyre notes that this could help alleviate lingering doubts about crypto's role in mainstream investing. Furthermore, the emergence of crypto indexes and lower-volatility products may help address risk concerns, similar to how ETFs broadened participation in earlier market cycles.

Despite these advancements, crypto's volatility remains a defining characteristic. While bitcoin has become more familiar to the general public, its price movements and the factors influencing them remain complex. Beyond bitcoin, areas such as staking and decentralized finance add layers of complexity that average investors and retirees may struggle to understand. Even as institutions create safer and more accessible products, volatility is not going away; professional guidance will be essential to ensure investors make informed decisions about exposure.

It is important to note that executive orders are not permanent policy shifts and lack the binding power of legislation. As a result, practical changes in 401k allocations will take time to materialize. Analysts suggest that meaningful adoption may not occur until 2026 or later, as firms work to build compliant products and assess investor demand. While regulatory momentum and sentiment are increasingly positive, both advisors and investors must manage expectations regarding the pace of adoption in retirement markets.





- **Stablecoins: The Future of Global Payments, Not Financial Crime**

The global financial system is held back by outdated infrastructure, but stablecoins offer a transformative solution. These blockchain-based assets enable faster, cheaper, and more efficient cross-border payments, while their transparent nature makes them a powerful tool for law enforcement, debunking common myths about illicit use.

Outdated Financial Infrastructure

Despite the sleek appearance of modern banking apps and fintech tools, the underlying financial system is still fragmented and slow. Cross-border payments remain especially inefficient, with settlement times stretching over days due to decades-old infrastructure that processes transactions in batches rather than in real time.

Stablecoins as a Game-Changer

Stablecoins represent one of the most transformative innovations in finance. These blockchain-based assets, pegged to fiat currencies like the US dollar, provide a faster, cheaper, and more resilient payment system. Operating on public blockchains, they enable near-instant transactions at minimal cost, eliminating the need for multiple intermediaries.

Misconceptions About Illicit Use

Public debate often frames stablecoins as enablers of criminal activity, but experience shows the opposite. Blockchains are transparent, making it easier for law enforcement to trace funds compared to legacy systems. High-profile cases — from the Silk Road investigation to a \$225 million fraud seizure — demonstrate how stablecoins actually aid in combating illicit finance.

The Role of Regulation

While stablecoins have vulnerabilities, particularly around reserve transparency and oversight, regulation is addressing these gaps. Laws like the US Genius Act and the EU's MiCA framework mandate 1:1 reserves, regular audits, and operational standards. These rules aim to ensure both consumer protection and market integrity while fostering responsible innovation.

Toward a Resilient Global System

Stablecoins are already finding adoption among institutions and corporations, signaling a shift toward mainstream financial use. With proper regulatory guardrails, they could reinforce the role of the US dollar, improve financial stability, and provide the foundation for a faster, more efficient global payment network.



- **The Next Frontier in Fintech Security: Zero-Trust on the Blockchain**

The financial sector is embracing zero-trust security to combat insider threats, but a new challenge has emerged with the rise of API-driven ecosystems. A proposed solution—embedding zero-trust policies in immutable blockchain smart contracts—could provide a more resilient, transparent, and cryptographically secure defense against systemic risk.

The Shift from Perimeter to Zero-Trust

Financial firms once depended heavily on perimeter defenses like firewalls and layered passwords, but insider threats have proven more dangerous. Zero-trust architecture emerged to counter this, requiring constant verification of users, devices, and actions. By enforcing least-privilege access, it reduces the risk of unchecked insider activity.

Zero-Trust Challenges in Finance APIs

As financial services move toward API-driven ecosystems through open banking and open finance, attack surfaces multiply. While zero-trust can verify every API call, most implementations rely on centralized systems. If attackers compromise those systems, they can bypass all policies, leaving fintech firms exposed to systemic risks.

Blockchain-enabled zero-trust can eliminate insider power concentration, providing transparent, auditable, and cryptographic policy enforcement.

Blockchain as a Distributed Solution

Researchers propose embedding zero-trust controls into Ethereum smart contracts. Policies stored on-chain are transparent, immutable, and granular, preventing silent tampering. By decentralizing authority, no single administrator can override access controls. This cryptographic enforcement transforms security from organizational trust to algorithmic trust.

Benefits for the Fintech Sector

Fintech firms face especially high risks from insider threats, given employee access to sensitive data and keys. Blockchain-based access controls provide regulators with immutable audit trails, enhance operational resilience through distributed enforcement, and boost customer confidence by proving compliance cryptographically.

Trade-Offs and Implementation Hurdles

Despite its promise, blockchain-zero-trust models face major challenges. Public chains like Ethereum may lack the performance for real-time checks, making hybrid models more realistic. Privacy concerns, governance complexity, and integration with existing identity systems add further friction. These obstacles are serious but not insurmountable.

Growing Industry Momentum

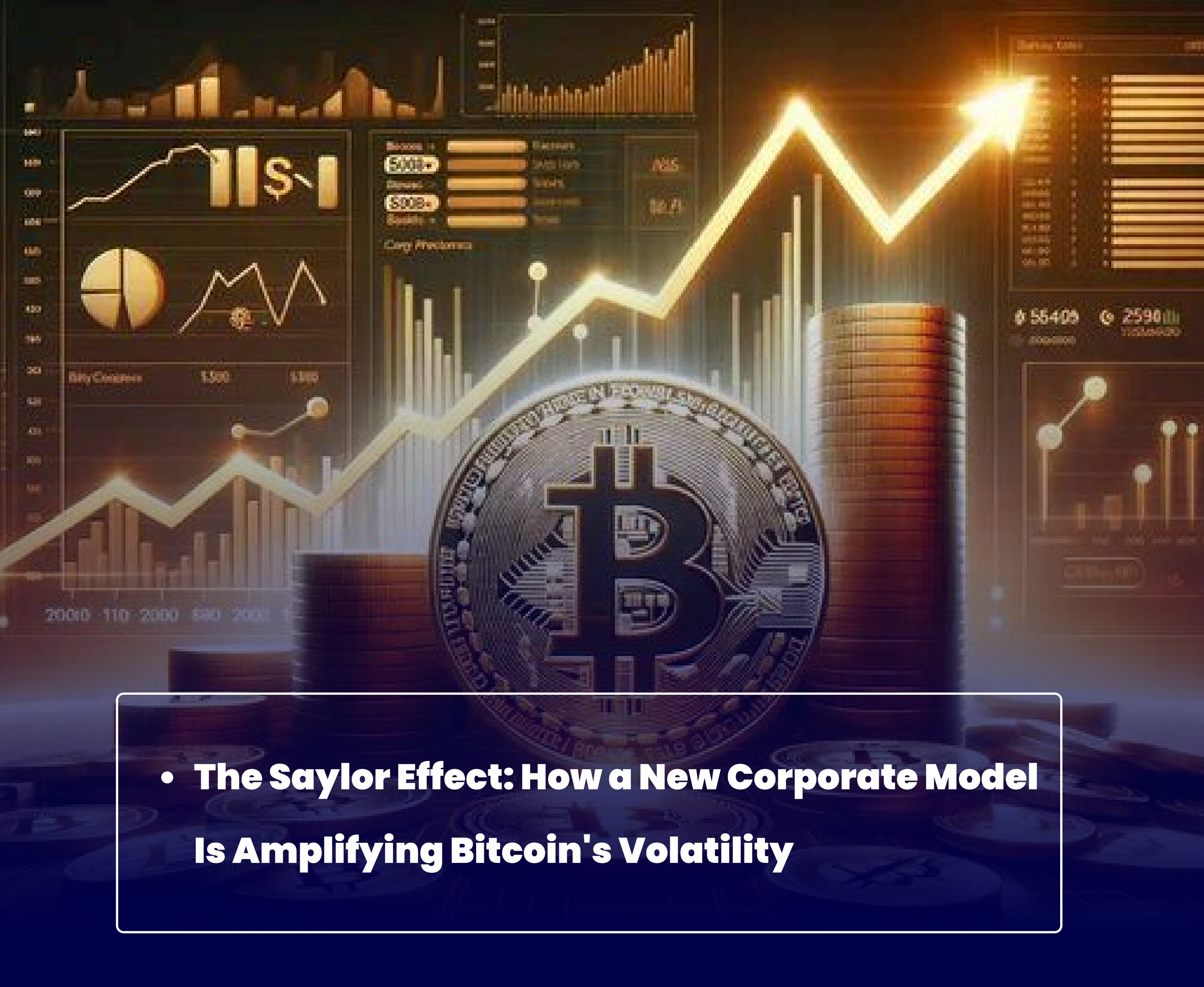
Momentum is building as banks and fintechs experiment with blockchain for identity, auditing, and custody security. Zero-trust on blockchain is not a radical departure but a natural extension of this trajectory. It repositions security as an infrastructural element, potentially reducing costs, standardizing compliance, and reshaping trust in digital finance.

Toward Security as a Guarantee

Zero-trust reframed security as continuous verification; blockchain pushes it further by offering mathematically guaranteed enforcement. As open finance and tokenization expand, such guarantees may shift from optional to essential. For fintechs, embedding policy in blockchain could transform security from a liability into a source of competitive trust.

While technical and governance challenges remain, industry momentum suggests this hybrid model could soon become a foundational layer of fintech security.





- **The Saylor Effect: How a New Corporate Model Is Amplifying Bitcoin's Volatility**

Inspired by the success of Michael Saylor's MicroStrategy, more than 160 companies have now become "Bitcoin Treasury Companies," with a primary mission to accumulate cryptocurrency. While this model offers investors unique advantages, like tax and regulatory arbitrage, it also introduces systemic risk by using leverage and debt to fuel a potentially unsustainable flywheel.

The Legacy of Ponzi

Charles Ponzi's infamous scheme more than a century ago raised millions by promising investors to double their money in 90 days. His fraud set the benchmark for what later came to be seen as the classic "Ponzi scheme," where early investors are paid with funds from new ones.

Bitcoin: Innovation or Illusion?

Bitcoin divides opinion: some see it as a revolutionary alternative to fiat currencies, while others suspect it resembles a large-scale confidence trick. The rise of bitcoin treasury companies, which raise money solely to invest in crypto, intensifies these comparisons — appearing either as bold financial engineering or as layered speculation.

Parallels with Past Financial Bubbles

Though not inherently fraudulent like Ponzi schemes, crypto shares similarities with past speculative frenzies. Its exuberant, cult-like following mirrors the housing derivatives craze before 2008, where collateralised debt obligations (CDOs) became dangerously complex, eventually leading to financial collapse. Bitcoin treasury companies are likened to "CDO-squareds" — speculative structures built on top of already risky assets.

The Rise of Bitcoin Treasury Companies (BTCs)

Dozens of companies from varied backgrounds — technology, marketing, even education — have shifted their focus entirely to crypto investments. Inspired by Michael Saylor’s MicroStrategy, which saw explosive growth by betting on bitcoin, over 160 BTCs now exist worldwide. Their model replaces conservative treasury practices with aggressive bitcoin accumulation.

Bitcoin treasury companies mirror past financial bubbles by layering risk upon already speculative assets.

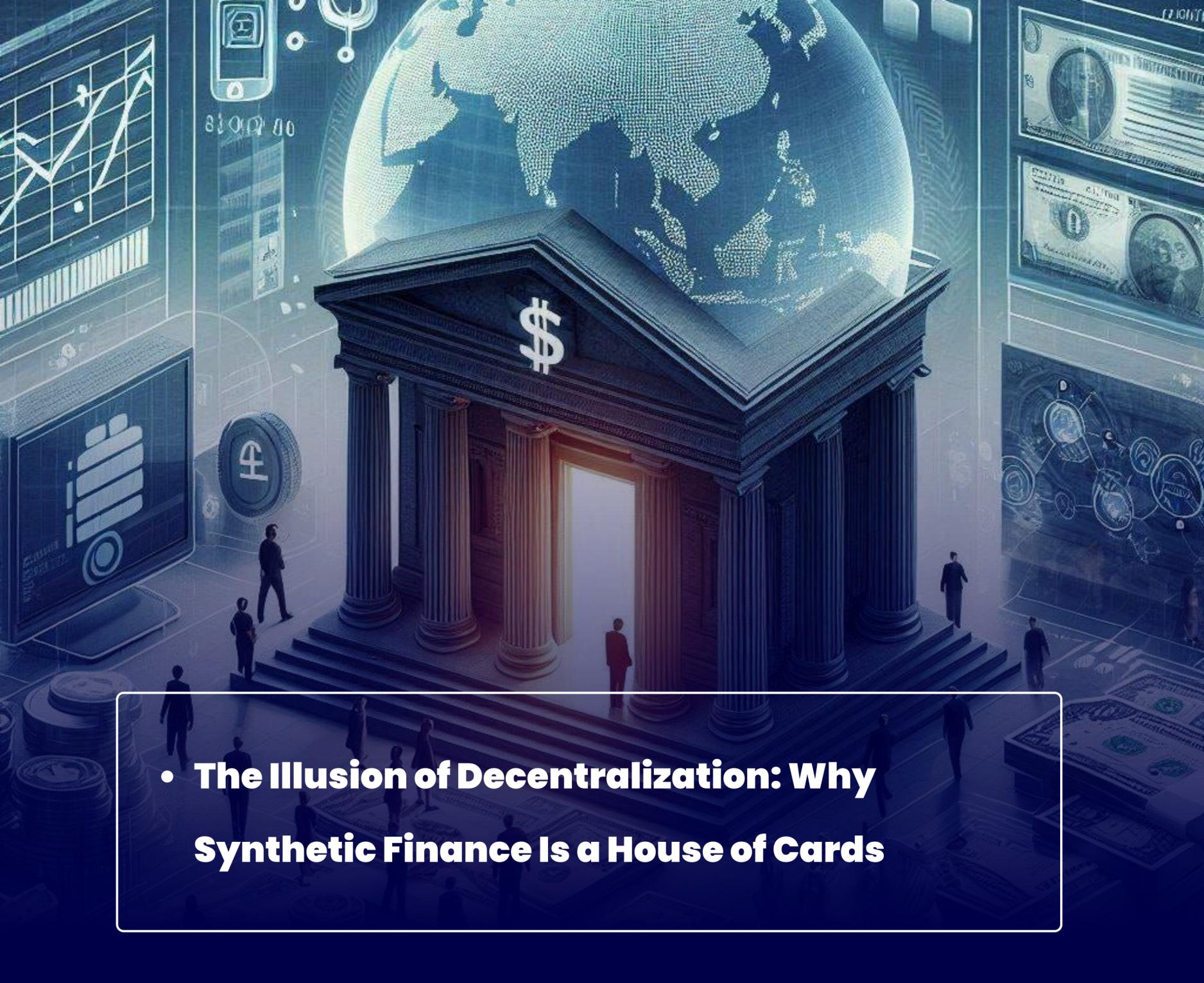
Investor Appeal and Arbitrage Strategies

BTCs attract investors not just through bitcoin’s momentum but also via tax and regulatory loopholes. Some jurisdictions offer tax advantages for corporate crypto holdings, while the BTC model can also bypass restrictions on direct crypto ownership. For institutions, this structure provides a way to gain crypto exposure without breaking mandates.

The Risk of Exuberance

Fueled by political support, including policies that promote crypto-friendly pensions and investment structures, BTCs thrive during market upswings. Yet their highly leveraged nature means downturns could bring amplified losses. Just as past "crypto winters" have shown, when the bull run ends, the pain for BTC investors may be multiplied.





- **The Illusion of Decentralization: Why Synthetic Finance Is a House of Cards**

A new wave of blockchain platforms promises to democratize finance, but they deliver a dangerous mirage instead. By offering synthetic tokens that provide exposure without legal ownership, these platforms exploit regulatory loopholes and diffuse accountability, leaving investors vulnerable to the same systemic risks that plagued past financial innovations.

The Mirage of Decentralisation

A new wave of blockchain platforms promises financial inclusion through tokenised equities, indices, and yield products. Their branding suggests liberation from intermediaries, yet in practice they decentralise accountability, not governance. Legal obligations are diffused across jurisdictions, smart contracts, and opaque entities, leaving users exposed.

Synthetic Exposure, Not Ownership

What investors receive is not legal title but synthetic proxies—programmable but unenforceable. If redemptions halt or custodians fail, users have no statutory claim. Unlike regulated markets, these structures offer no fiduciary duty, no investor protection, and often no regulated counterparty.

Structural Evasion by Design

The multi-jurisdictional nature of these systems—custody in one country, governance in another, code on decentralised infrastructure—renders effective oversight nearly impossible. Governance tokens further entrench insider control while masking exclusionary dynamics behind a façade of “community ownership.”

Historical Parallels

This model echoes earlier financial innovations that disguised systemic risk: contracts-for-difference, the ICO boom, and pre-2008 structured credit. Each redistributed risk downward, onto the least informed and least protected participants, while rewarding insiders.

Regulatory Lag and Global Arbitrage

Jurisdictions have begun shaping frameworks for stablecoins and tokenised assets, but fragmented responses allow platforms to exploit arbitrage. With no global regulatory alignment, accountability is diluted and enforcement remains ineffective.

Educating the Public: Digital-Asset Due Diligence

Until regulation catches up, the first line of defence is public awareness. Users must learn to ask whether tokens confer legal ownership or mere exposure, whether custody is segregated, whether redemptions are discretionary, and whether any protections apply. This is not traditional financial literacy but a new form: digital-asset due diligence.

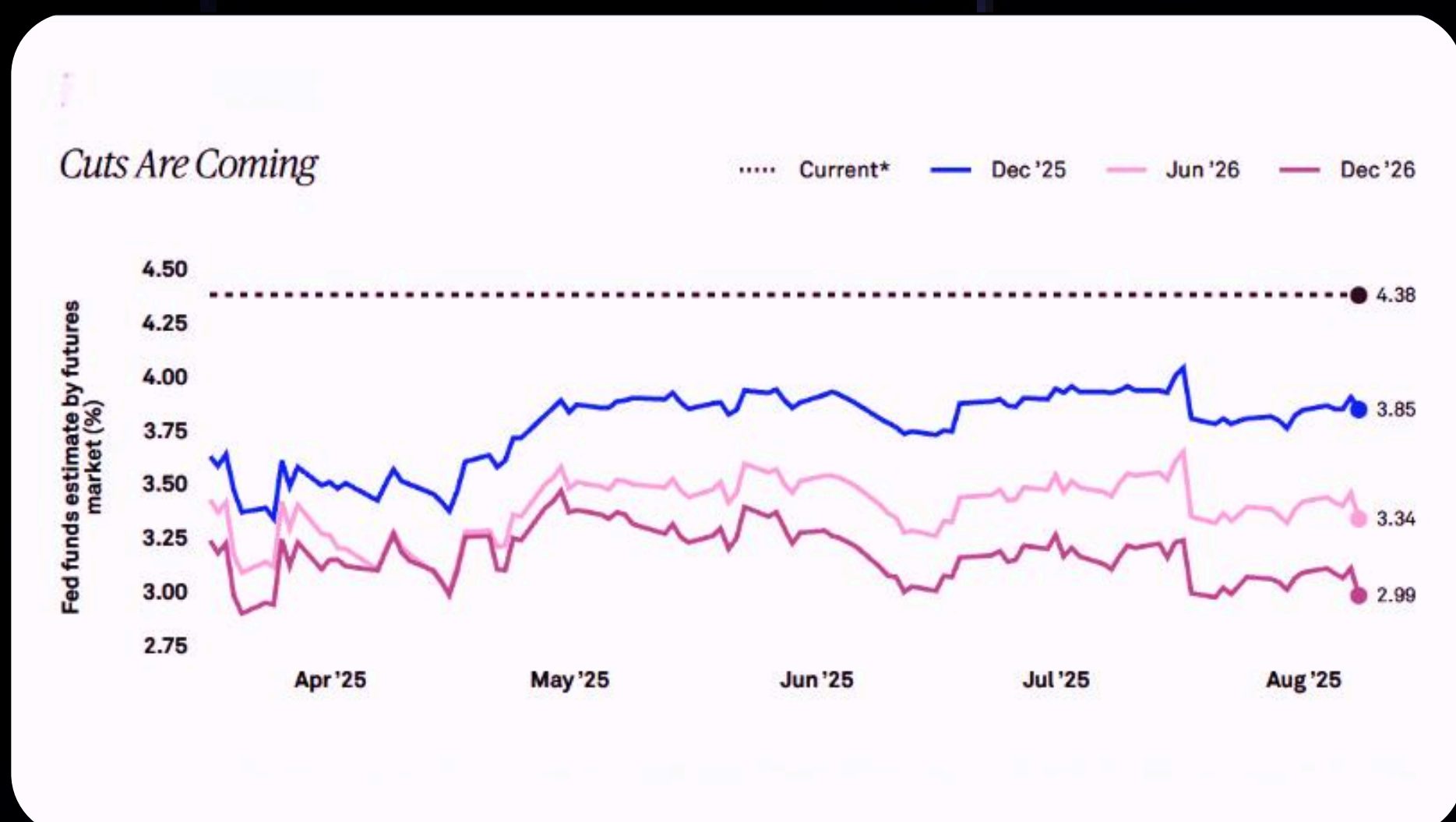
Regulatory Recalibration: Treat Them Like Derivatives

Synthetic tokens functionally behave as unregulated derivatives. In traditional finance, such products are not marketed to retail investors but restricted to those with proven capacity to understand and absorb the risks. The same principle should apply here: onboarding checks, risk disclosures, and access limits.

The Choice Ahead

Innovation does not require unregulated opacity. Aligning risk with investor capacity protects both markets and participants. Without such recalibration, synthetic finance will continue expanding under the rhetoric of decentralisation, until the next systemic failure proves—once again—that complexity without accountability is fragility by design.

CHARTS

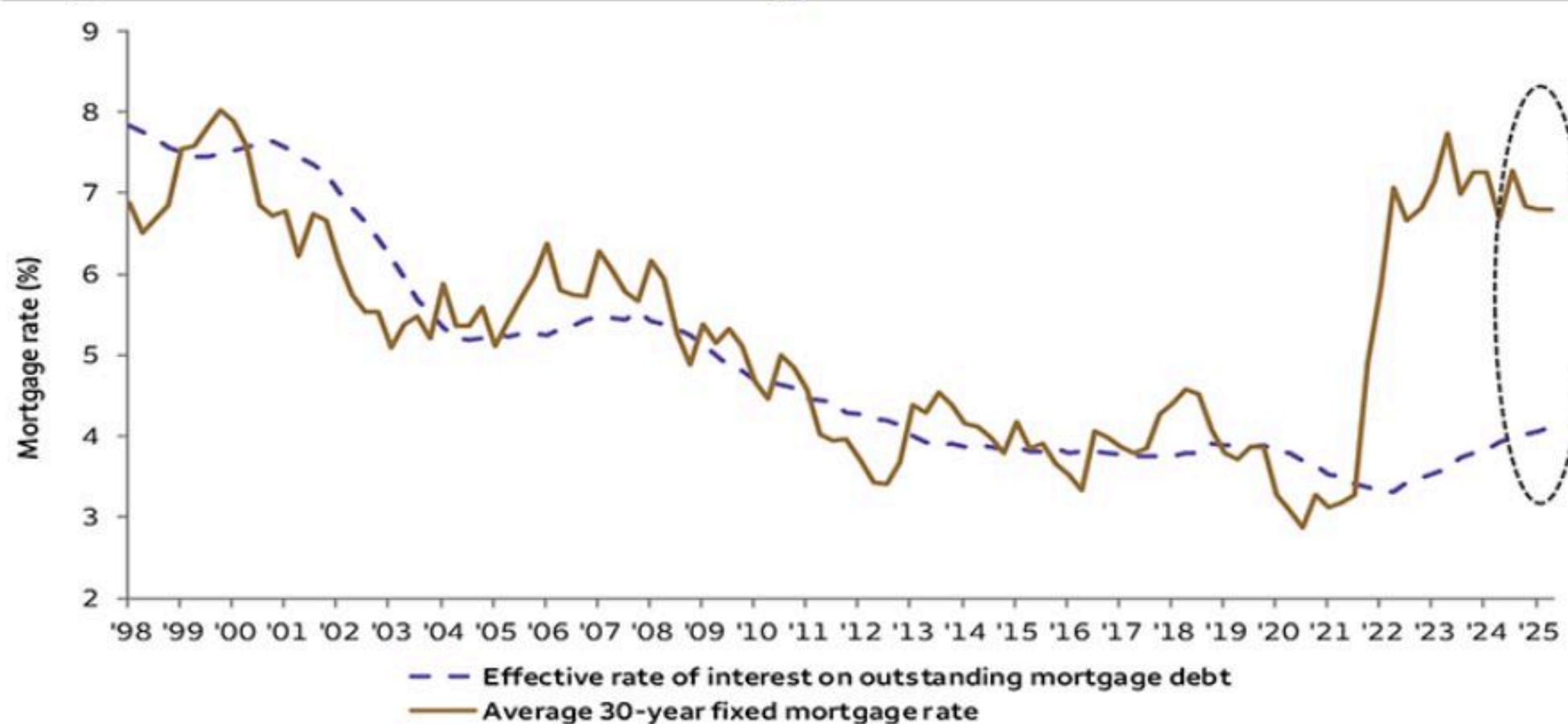


At the annual Jackson Hole symposium, Federal Reserve Chair Jerome Powell highlighted a shift in the balance of risks between employment and inflation, sparking a market rally. Despite this development, our outlook remains unchanged: we continue to expect two rate cuts this year. Powell's remarks came during the Jackson Hole symposium, where he reiterated the Fed's dual mandate of managing both employment and inflation. The shift in tone reflected recent labor market softness, including July's modest payroll growth of only 73,000 jobs and downward revisions to prior months' figures. Markets reacted positively, with major U.S. equity indices rebounding after several days of declines.

Powell's comments supported the view that the Fed will likely reduce interest rates by 25 basis points next month. Market expectations now align with our own, anticipating two rate cuts by the end of 2025. We remain focused on upcoming labor and inflation data, as any signs of worsening job conditions or rising inflation could complicate the Fed's decisions. Still, we believe policymakers will prioritize employment risks, especially if labor market weakness deepens, given its importance to the Fed's mandate.

At the same time, corporate earnings are showing signs of improvement, and economic growth remains relatively strong. This resilience in gross domestic product adds confidence to the broader economic outlook. Combined with the prospect of a more accommodative Federal Reserve, we remain constructive on the trajectory of equities, as looser monetary policy should provide additional support for stock market performance.

Higher rates and the housing market

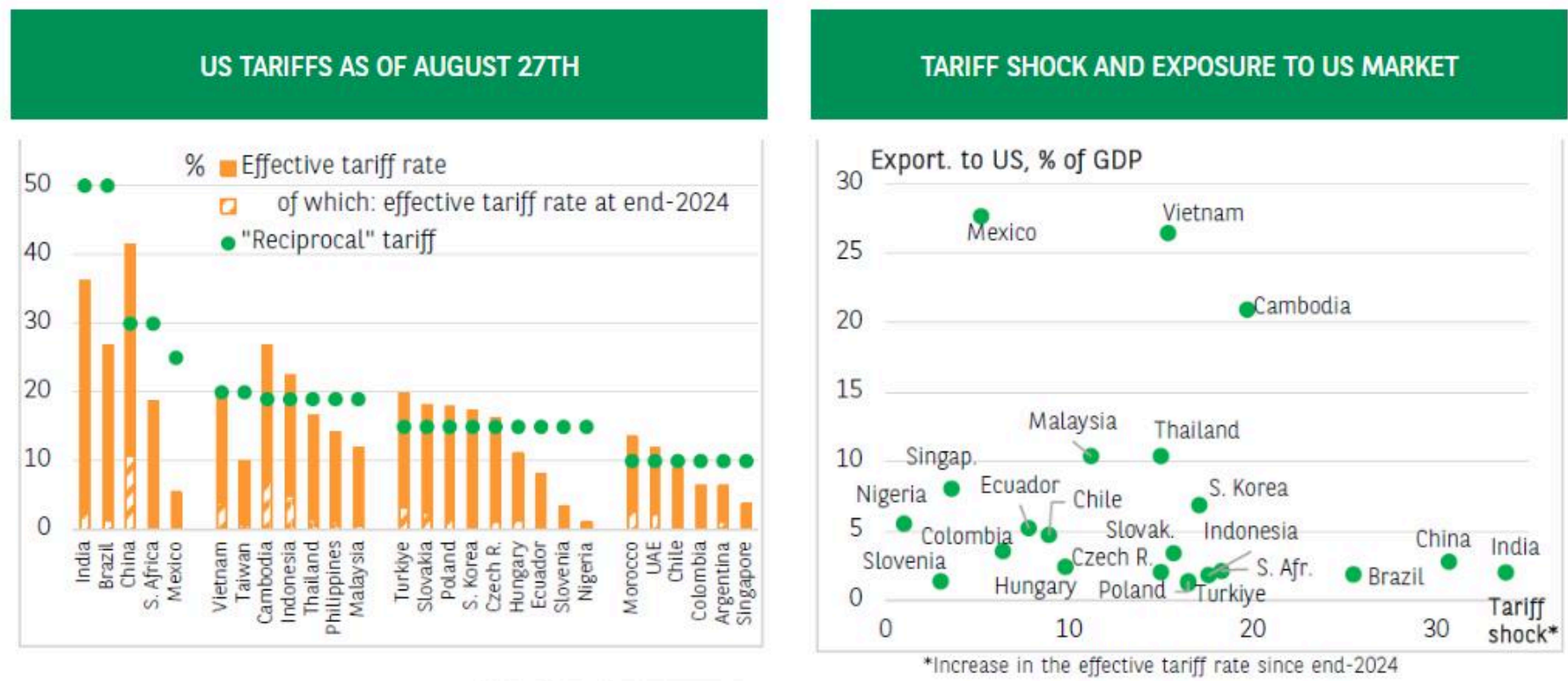


The Federal Open Market Committee (FOMC) will meet on September 16–17 to decide whether to lower the federal funds rate from its current range of 4.25%–4.50%. While the average 30-year fixed mortgage rate has been hovering around 7% for the past two years, the effective rate on outstanding mortgage debt remains closer to 4%. This gap reflects the large number of homeowners who locked in mortgages at historically low rates, which has limited housing supply and driven home prices higher.

For investors, a potential rate cut would likely reduce short-term borrowing costs, particularly on adjustable-rate mortgages and home equity lines of credit. However, long-term mortgage rates depend more directly on the 10-year U.S. Treasury yield, which is trending higher. As a result, even if the Fed lowers its policy rate, the impact on long-term mortgage rates may be limited, keeping housing affordability constrained.

Several factors continue to push long-term yields upward. Concerns about inflation expectations—driven in part by tariff-related pressures—have slowed downward momentum in yields. In addition, the risk premium attached to long-term Treasuries is expected to remain elevated due to high levels of U.S. debt, heavy issuance needs, and a widening fiscal deficit. These dynamics suggest that long-term borrowing costs could stay high even as short-term rates decline, shaping both housing market conditions and investor strategies.

On August 1, the United States published an updated list of its “reciprocal” tariffs. While this new version provides some clarity, it does not offer a long-lasting explanation of the Trump administration's protectionist policy. In the short term, it changes the game for certain countries, particularly India and China.



The new U.S. tariff schedule introduced on April 2 applies a 10% floor rate to countries running trade deficits with the United States, leaving most of Latin America, Africa, and the Middle East unaffected, except for Brazil, which faces a steep 50% tariff for political reasons. Countries with trade surpluses face reciprocal tariffs ranging from 15% to 50%, depending on the status of negotiations and trade balances. The European Union, South Korea, and several emerging markets secured lower rates of around 15%, while Asian economies with large surpluses, such as Vietnam, Indonesia, and the Philippines, received reduced but still significant tariffs, generally between 19% and 20%. Outliers include India, which faces a 25% tariff plus a 25% penalty for buying Russian oil, and South Africa, which remains at 30%. China and Mexico benefit from temporary truces as negotiations continue.

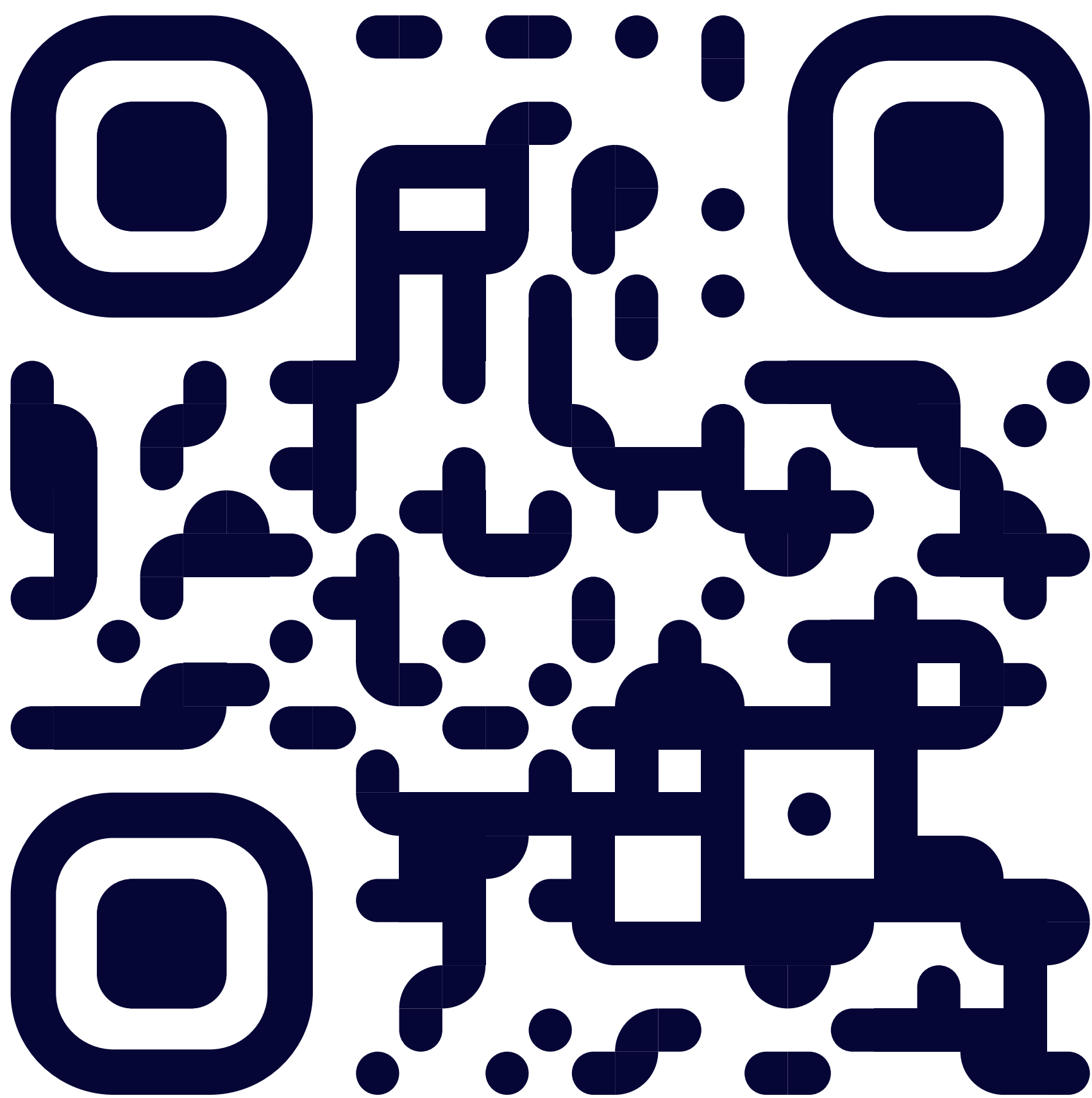
Despite these adjustments, uncertainties persist regarding tariff implementation and future reversals. Washington and Beijing are still in talks, and bilateral trade deals remain unfinished. Political and legal risks, such as possible U.S. Supreme Court intervention, could undermine tariff policy. Meanwhile, new measures—such as a 40% surcharge on goods rerouted through third countries—raise questions of enforcement and feasibility. Ongoing sectoral tax modifications add further unpredictability, meaning that average effective tariff rates for many countries could change in the months ahead.

The balance of winners and losers under this protectionist policy has shifted. Mexico and Asian exporters remain among the most vulnerable due to their reliance on U.S. markets and rising tariff burdens. Brazil, although heavily penalized, may offset losses through sectoral exemptions and expanded exports to China. India, however, risks becoming the biggest loser if its penalty remains, given the damage to growth and foreign investment flows. In contrast, China may ultimately benefit from its neighbors’ higher tariffs, as its relative competitiveness improves. Moreover, stricter rules on transshipped goods could undermine efforts to diversify regional supply chains, indirectly strengthening China’s position in global trade.

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