

It's A Mad, Mad World

June 2026

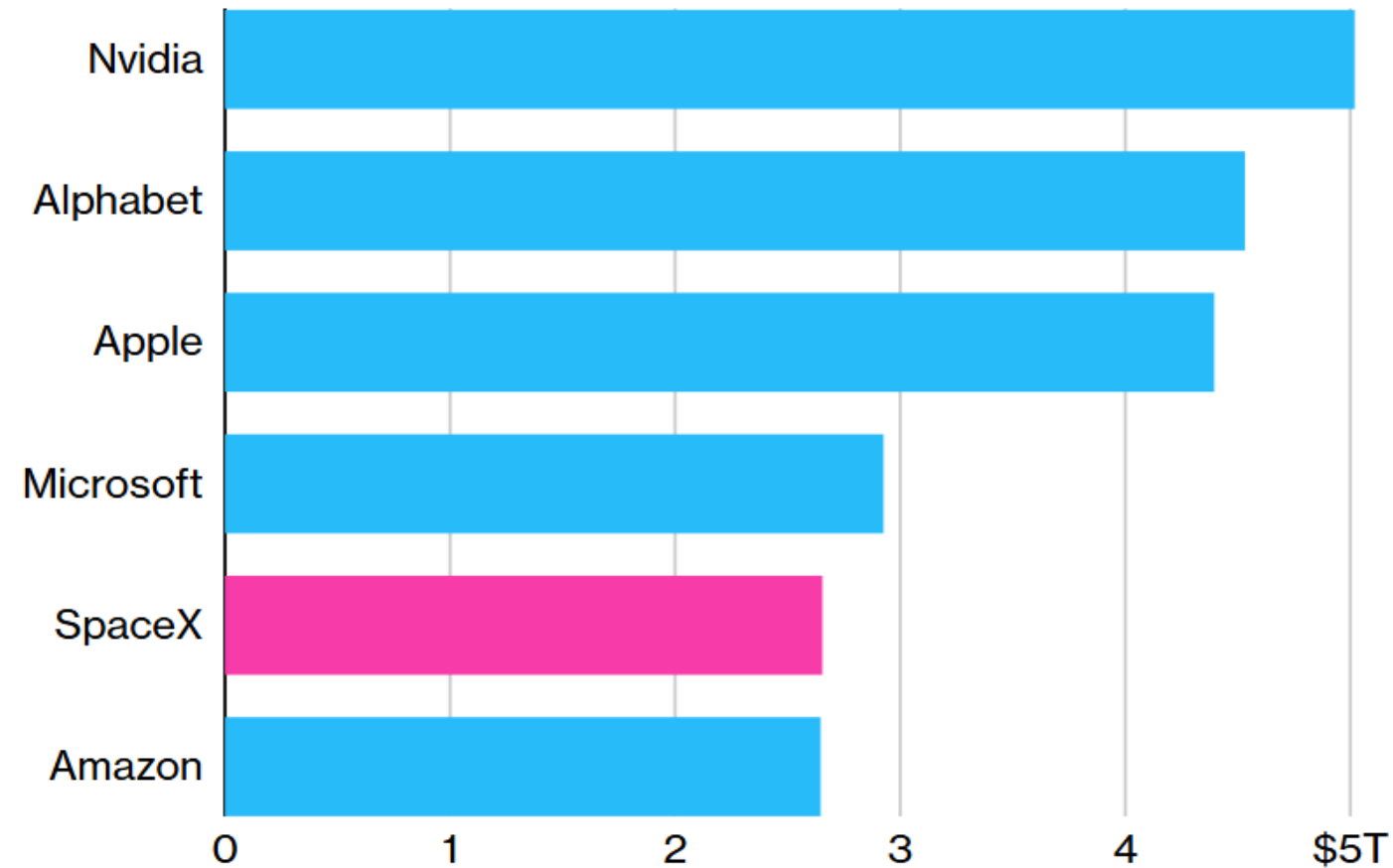
Anatole Kaletsky
Chief Economist and Co-Chairman

Symptoms of Market Madness

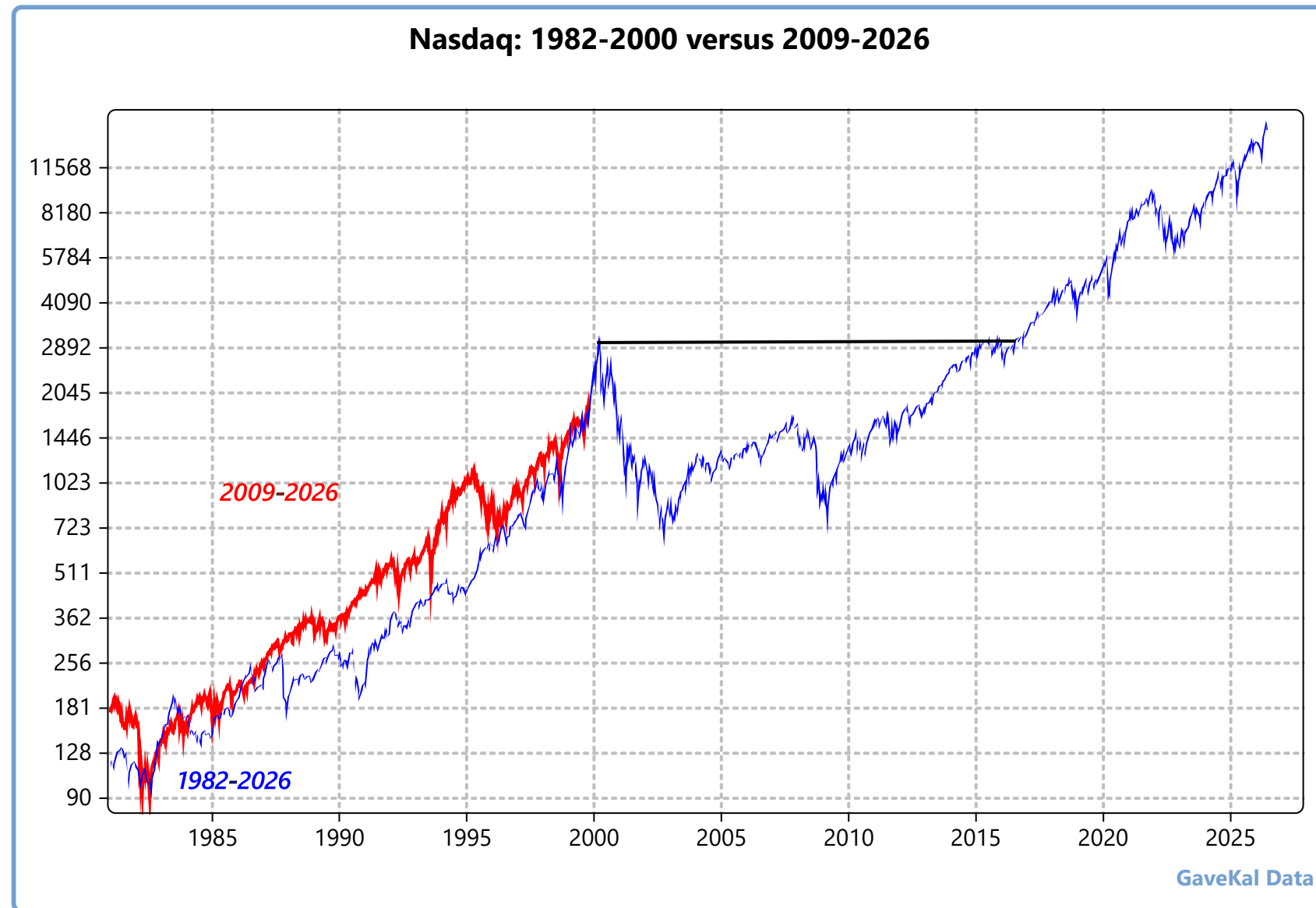
The market's favourite \$2 trillion bet:

“Business with a history of losses that may not achieve profitability in the future”

SpaceX Market Cap Overtakes Amazon



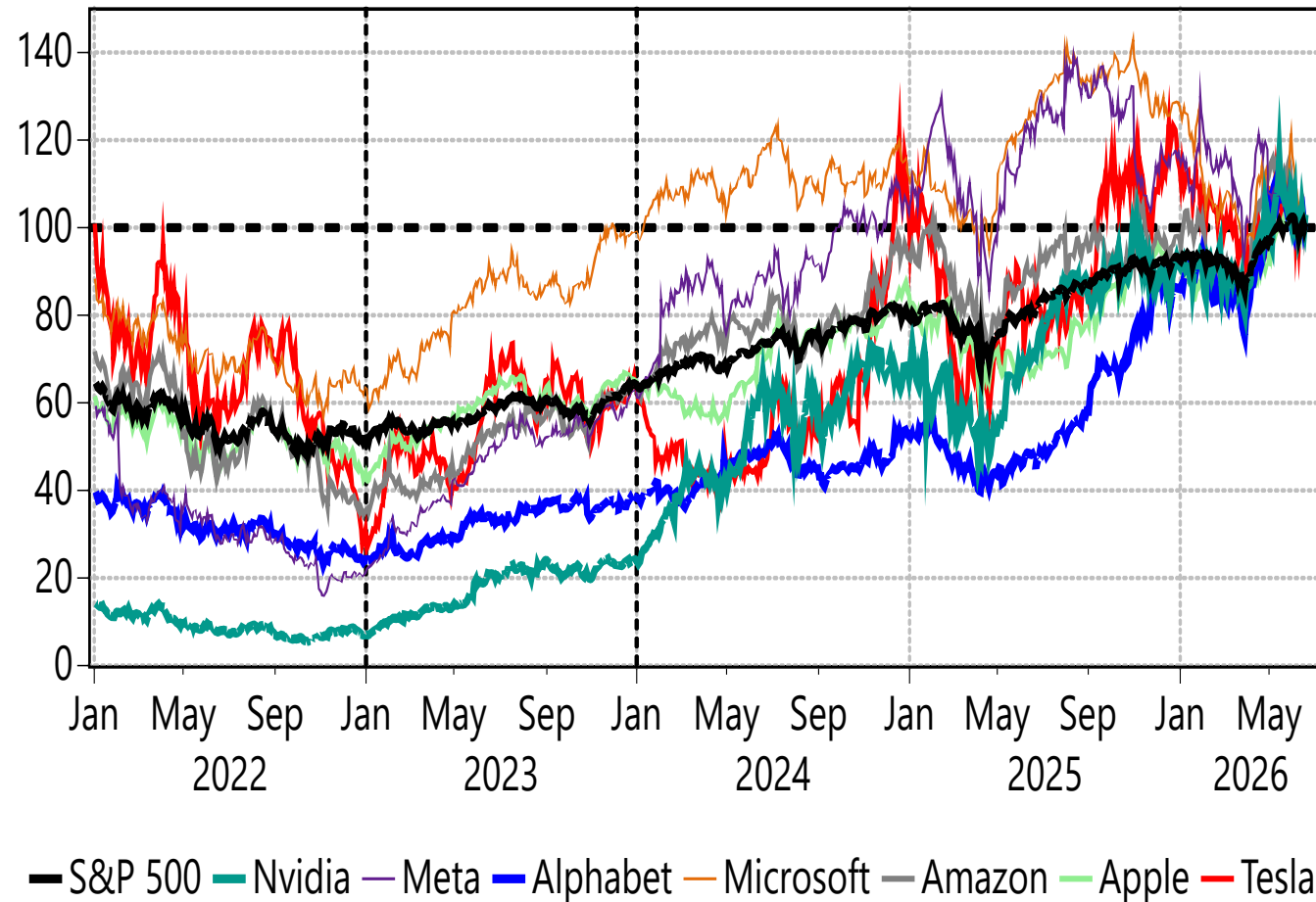
AI is a bubble, but it could still expand further



Mag 7 are down to Mag 2; but investors keep dreaming ...

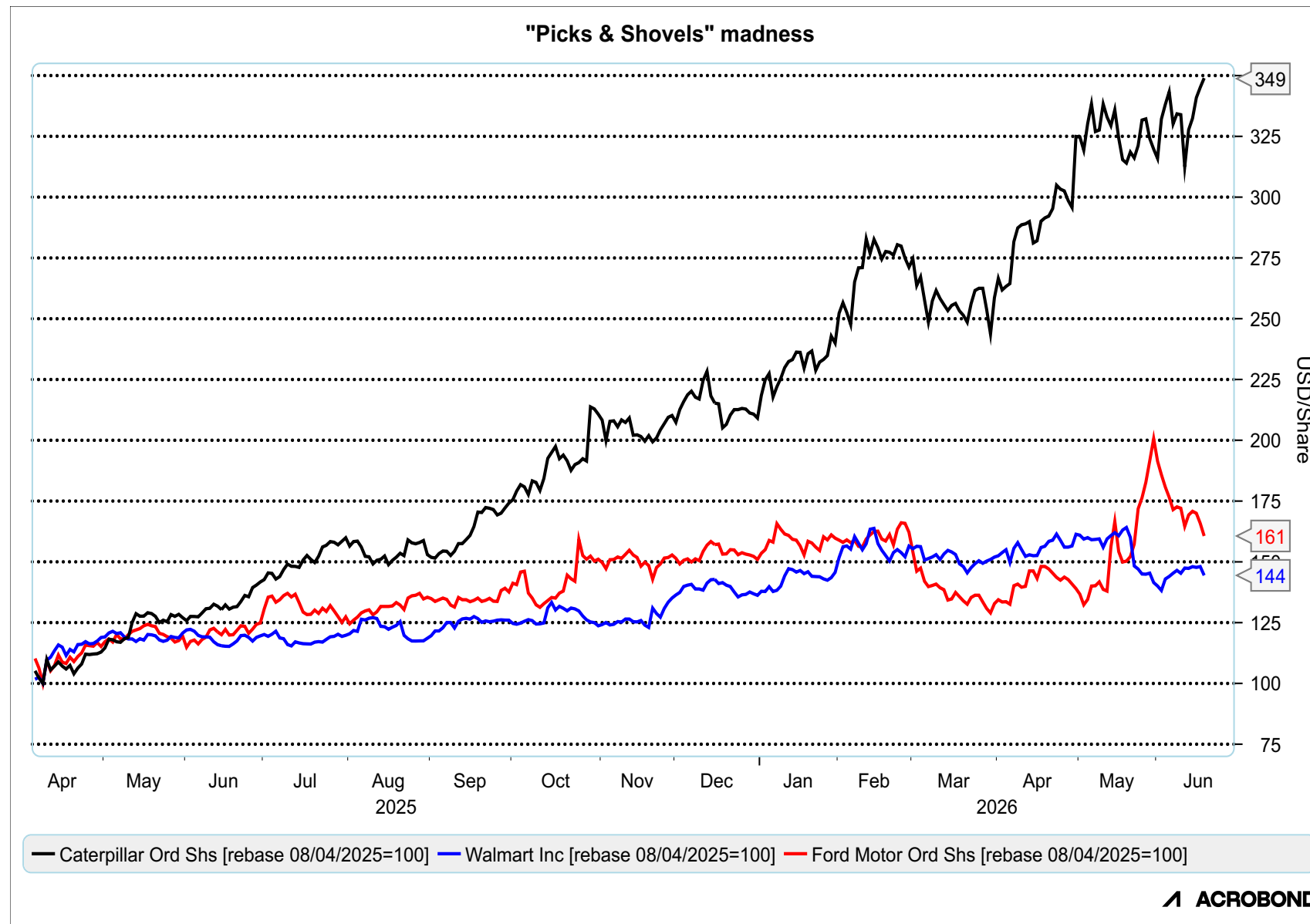
Since 2022 only 2 of the Mag 7 have outperformed S&P 500

Latest price = 100

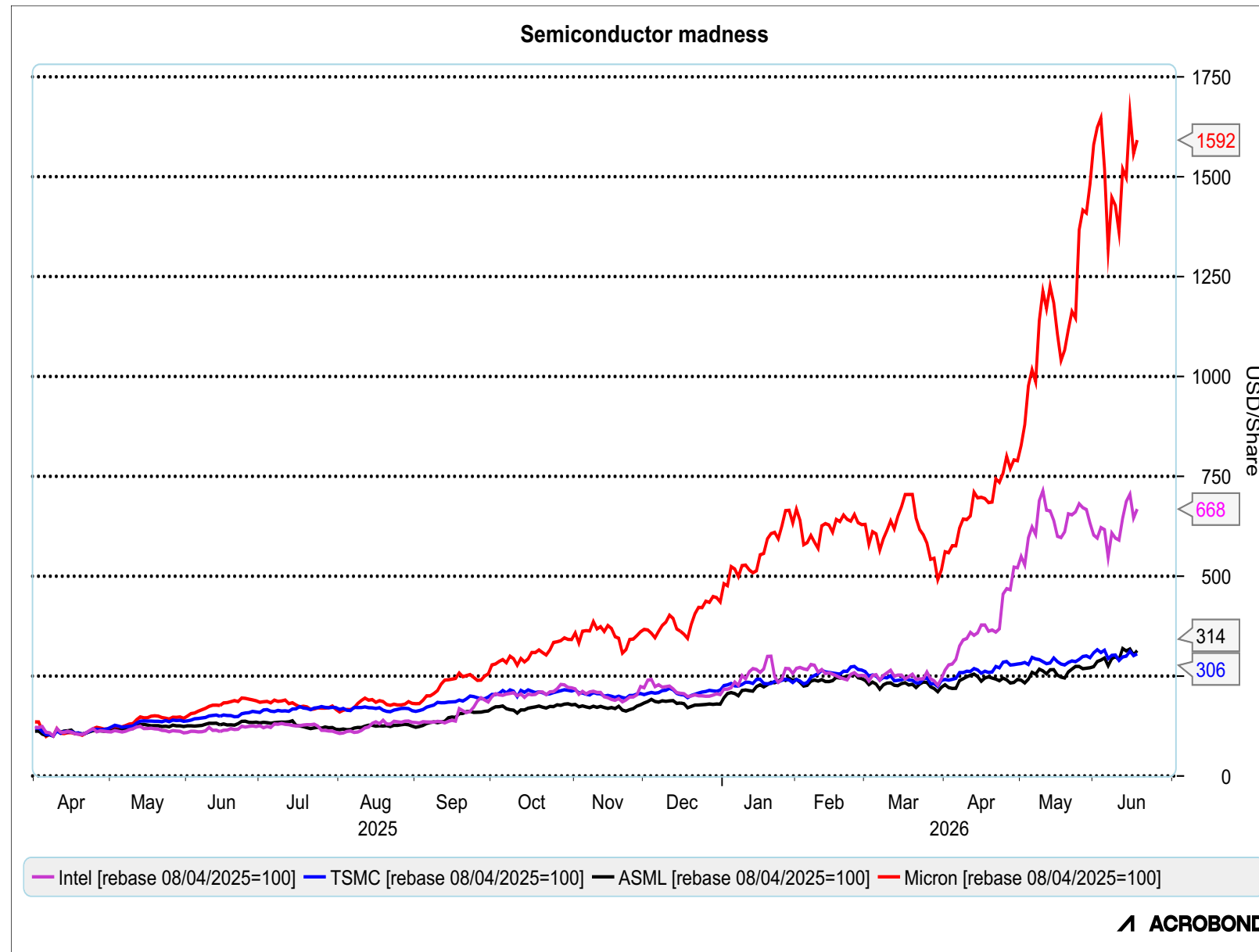


Gavekal Research/Macrobond

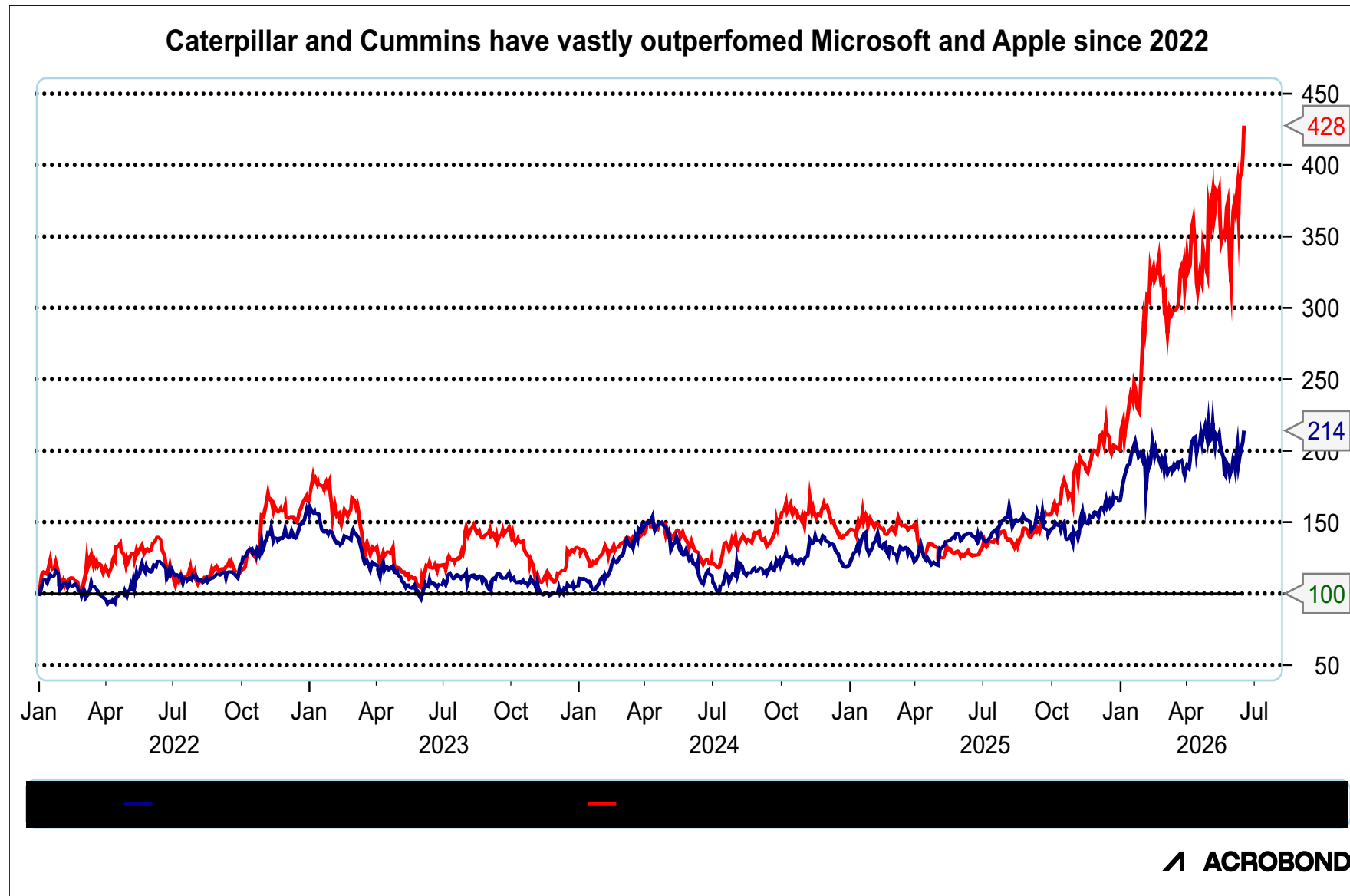
... in a mad quest for AI “picks and shovels”



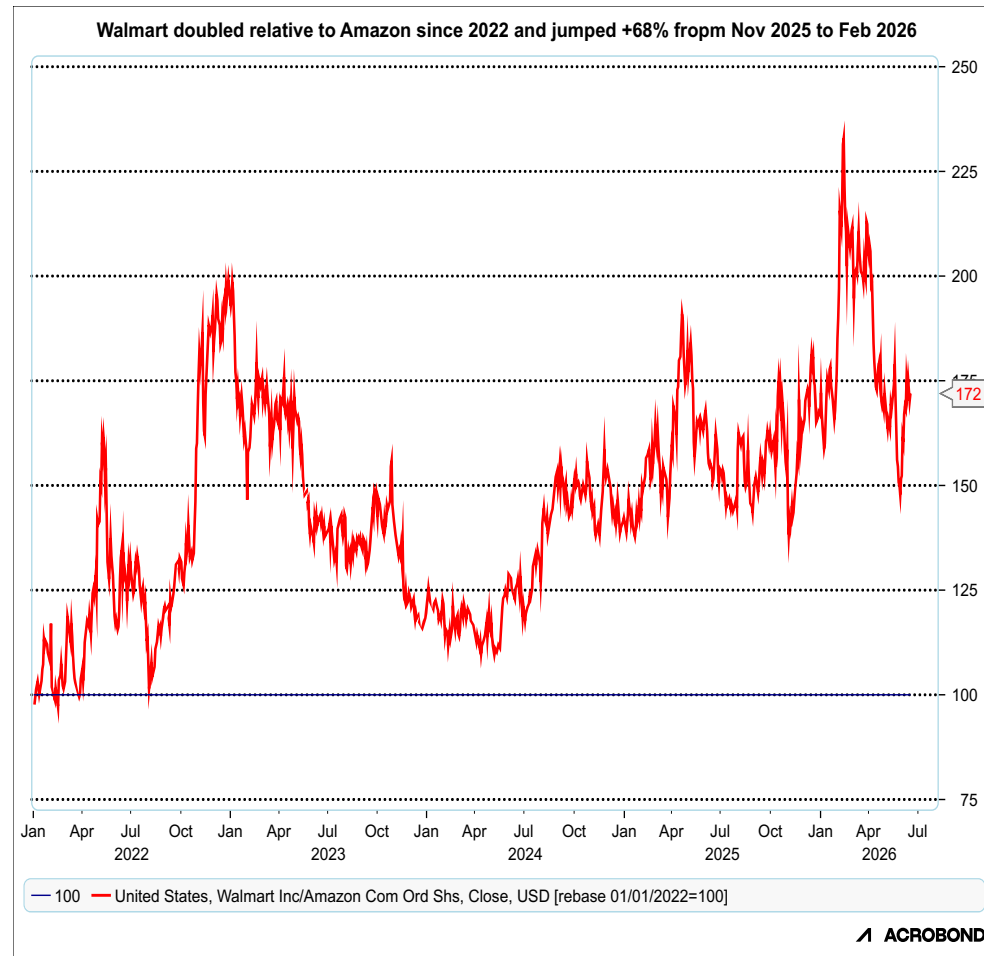
Are memory prospects suddenly 5x better than last summer?



Are Caterpillar's AI prospects 4x better than Microsoft's



Did Walmart suddenly get better at AI than Amazon?



PE Ratio - WMT, AMZN

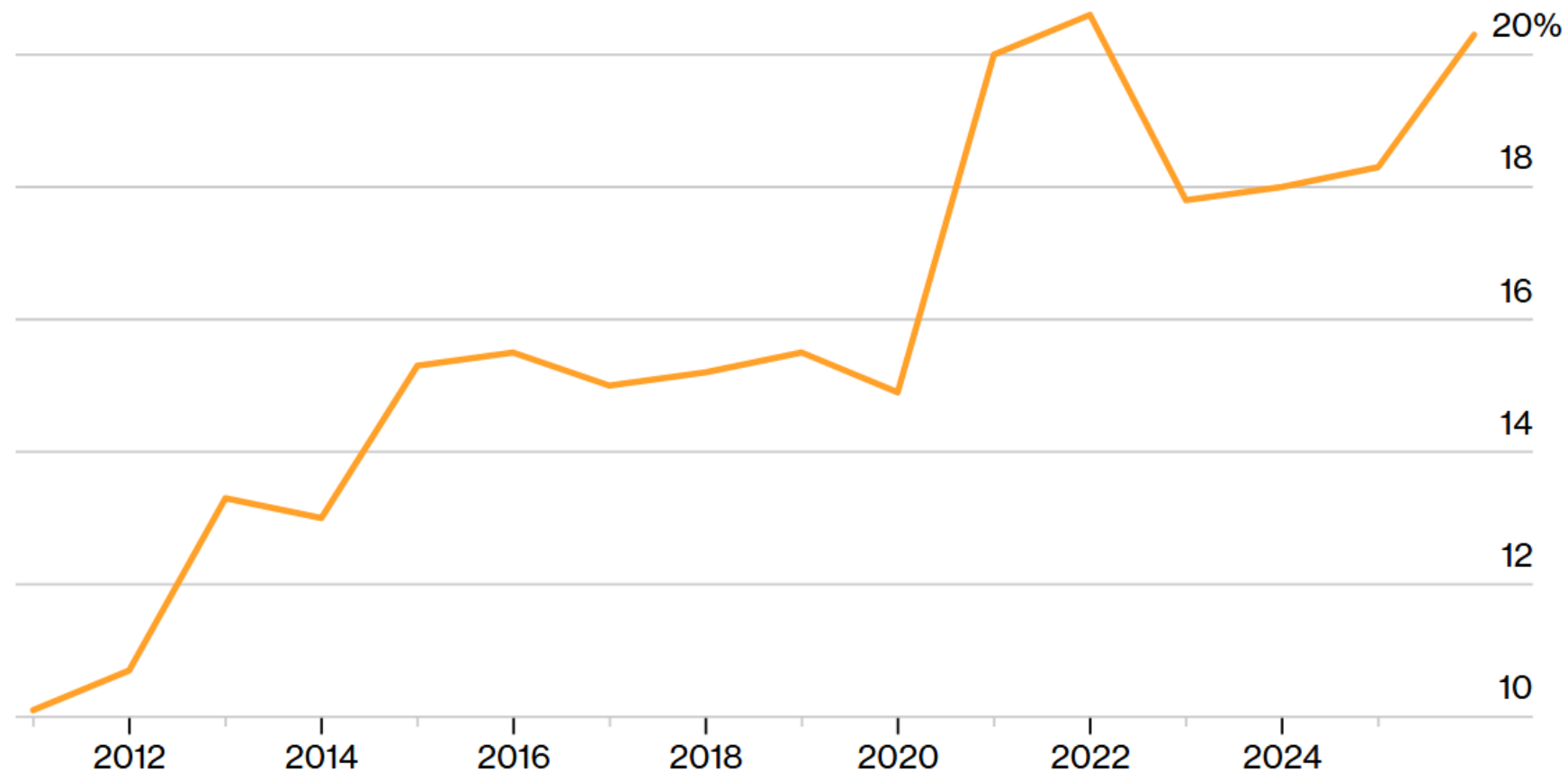


“Dumb money” has been the smart money since 2020

Retail Trading Boom

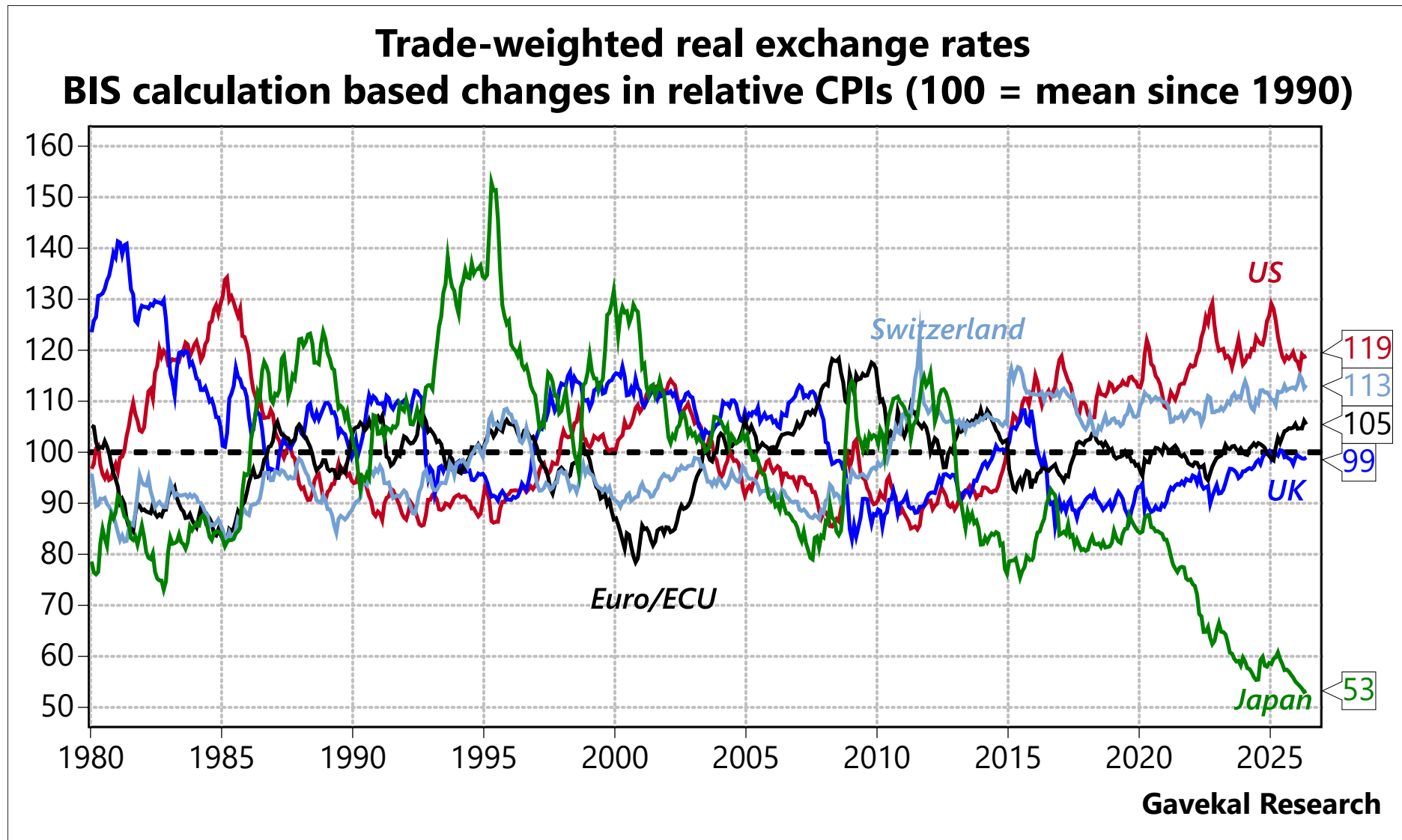
Individual investors' share in stock trading has doubled since 2010

— Retail trading as % of equity market's total volume

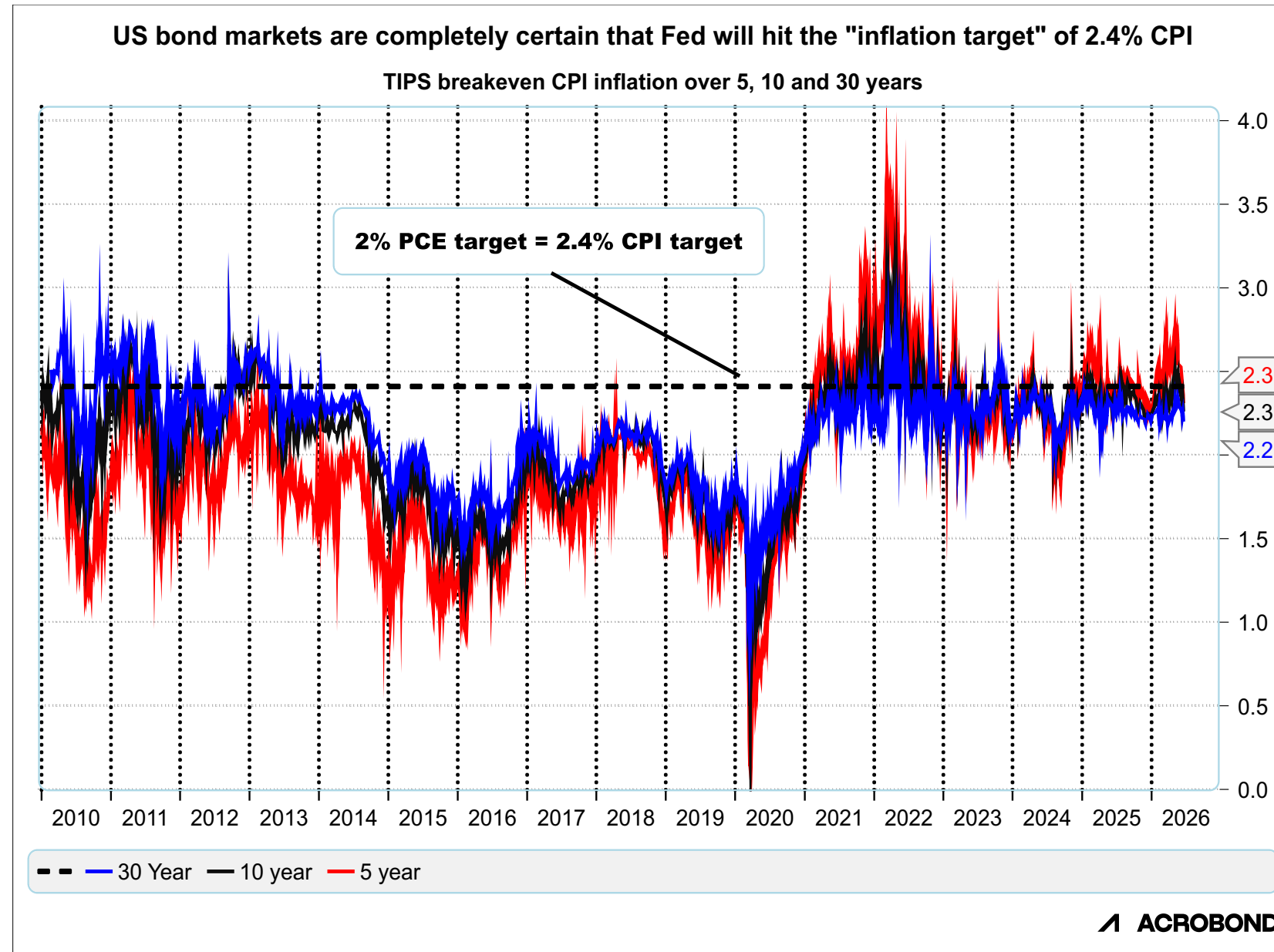


Source: Bloomberg Intelligence

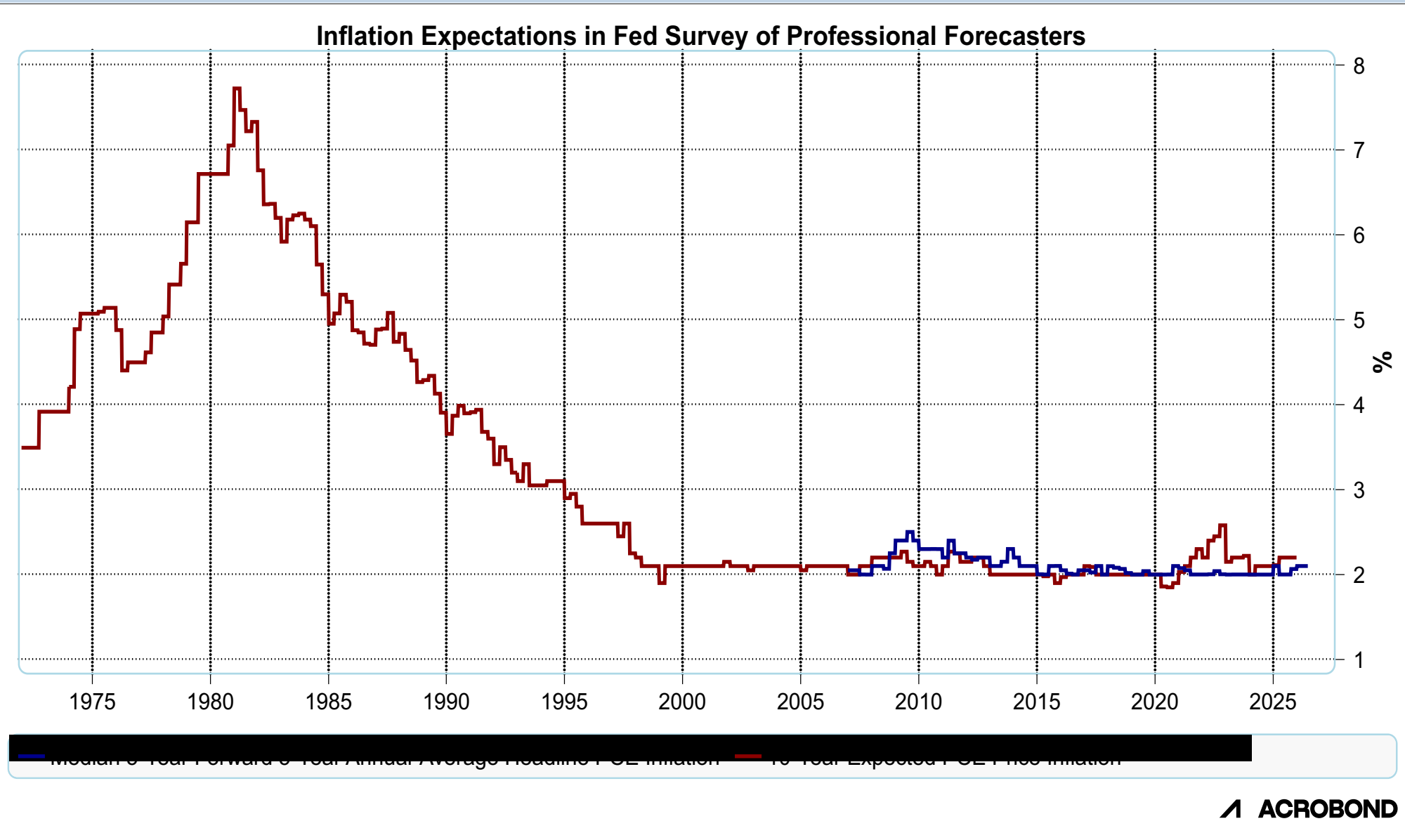
Why is JPY collapsing as Japan recovers from 30-year slump?



Do bond markets really believe Fed will hit inflation target?

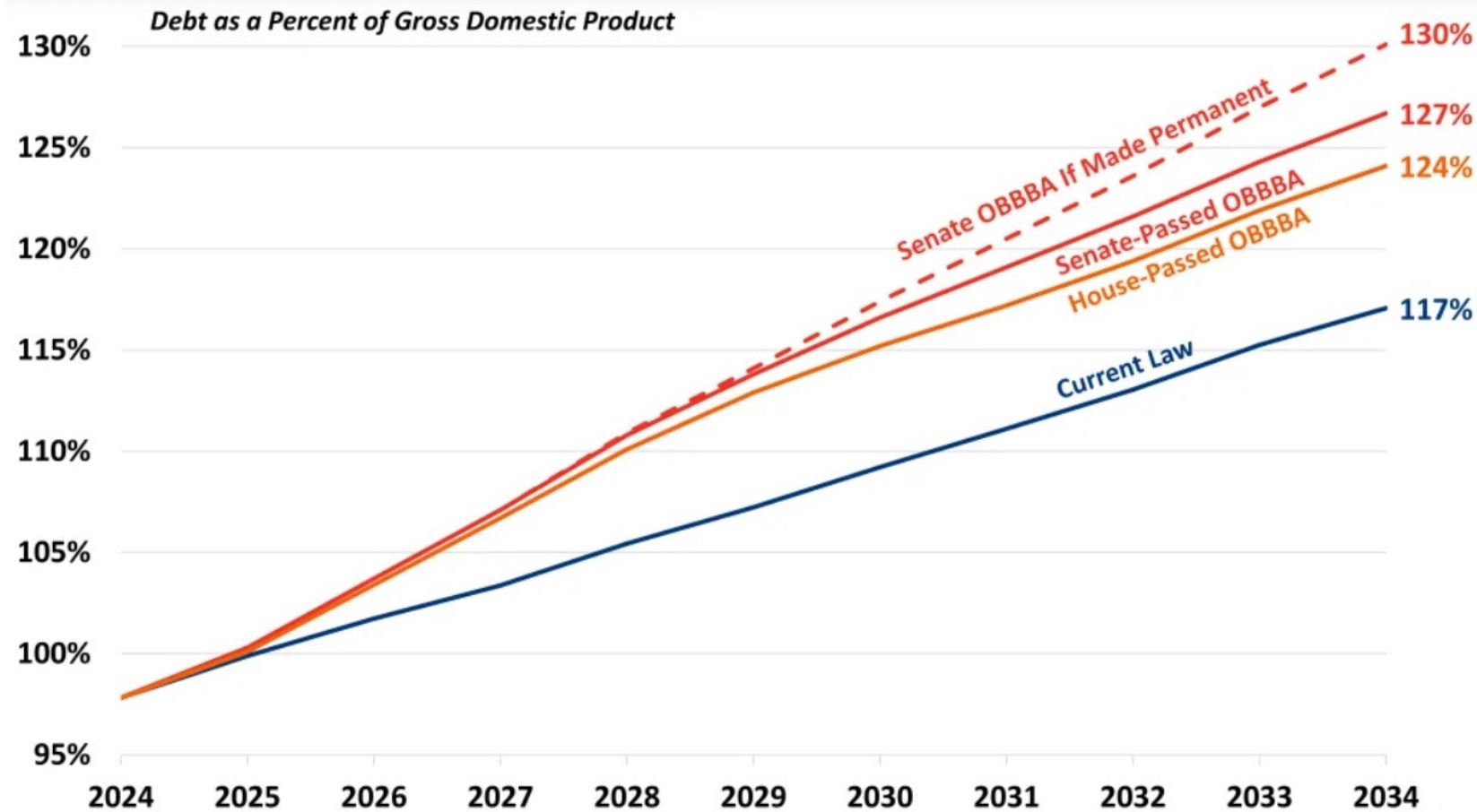


Why do professional economists *always* forecast inflation at 2%?



... especially as US debt to GDP inevitably overtakes Italy's?

Senate OBBBA Would Increase Debt More Than House



Source: CRFB estimates based on CBO scores.

Estimates are based on CRFB understanding and rough estimates of provisions changed in the final amendment to the bill.

CRFB.org



**Regime changes are never priced in
for years - or even for decades**

Regime change 1:

End of 40-yr downtrend in inflation and interest rates

- Covid Ukraine (& Trump) permanently changed global conditions
- Inflation “target” of 2% is now a *floor*; inflation will average >3%
- Interest rates will *never* return to 2010-20 levels
- Geopolitics & fiscal policy now matter more than central banks
- Best-case scenario: Inflation = 3% Interest rates = 3.5%-5%
- Bad scenarios: Long-term inflation = 4%+ interest rates = 6% +

Regime change 2:

Will Trump make Europe and China Great Again?

- 1) Tariffs, deportations, war and tax cuts exacerbate US inflation risk
- 2) Europe is forced into more expansionary demand management
- 3) China re-orientes trade and accelerates technological progress
- 4) “Rules-Based Global Order” demolished in geopolitics and trade
- 5) “US exceptionalism” gives way to exposure limits on US risk

Iran war scenarios have delayed market repricing

1. Trump backs down

Hormuz reopens, US lifts Iran sanctions, Global boom resumes

2025 trends turbo-charged, Capital flight from US

2. Iran backs down

Iran regime change, US lifts Iran sanctions, Global boom resumes

2025 trends turbo-charged

Pricing made even more difficult by

3. **Compromise; both sides back down**

“Peaceful coexistence” between US, Iran, GCC, Global boom resumes

2025 trends turbo-charged

4. War or blockade continues

Global stagflation; 5% US inflation; EU recession; China <4%

Bear market in equities *and* bonds everywhere

Four big market mis-pricings

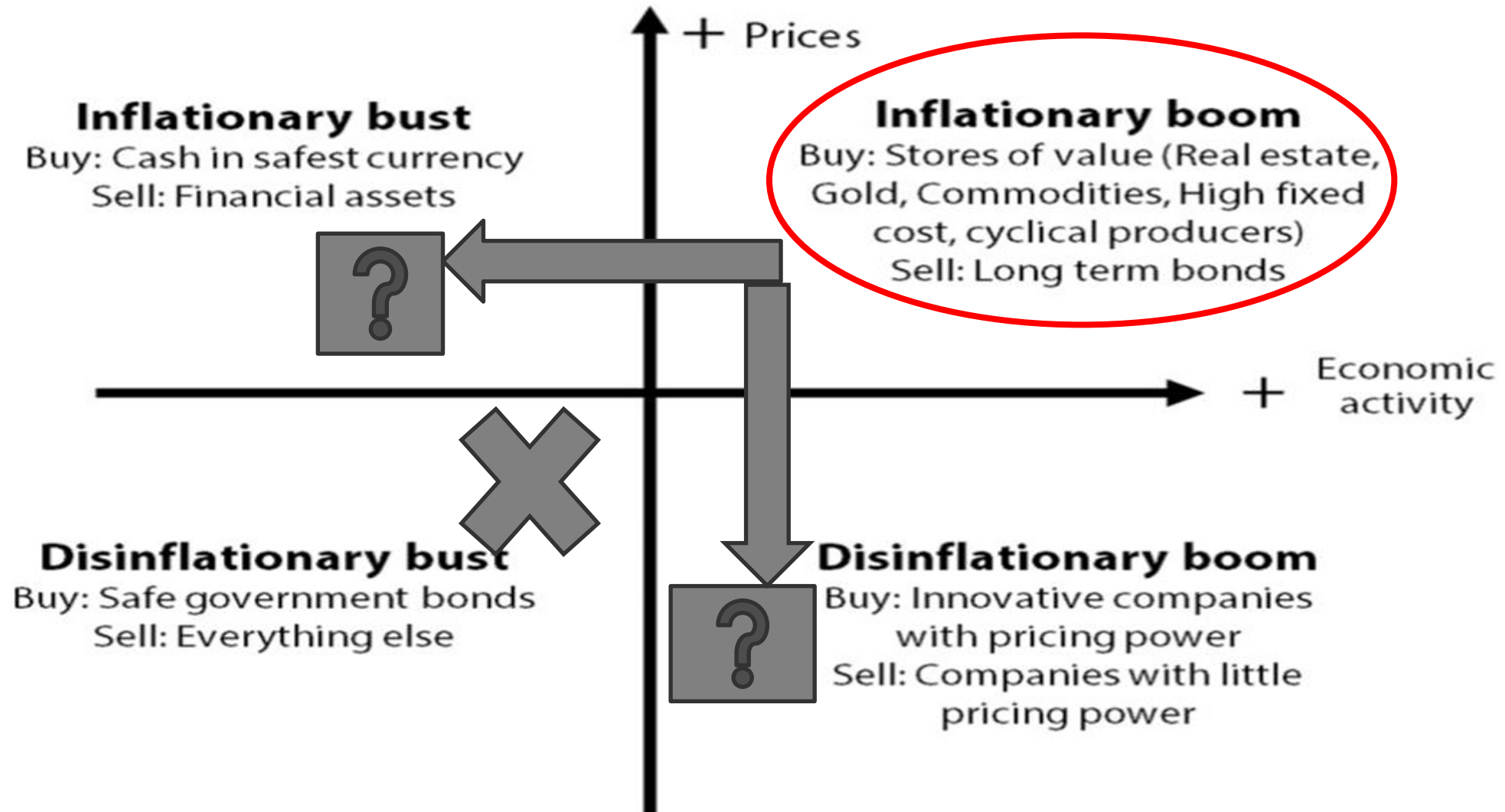
- 1) 1. Secular uptrend in inflation and bond yields
- 2) 2. Cyclical acceleration in global growth
- 3) 3. Rotation from AI “growth” to genuine value
- 4) 4. Over-exposure to US equities and USD assets

Investment implications

- 1) Bond investors will keep losing money, but bonds will be slow to deflate
- 2) Fixed income should avoid duration; favor inflation protection and credit
- 3) Balanced portfolios should hedge against inflation, not recession
- 4) Equity sector leadership keeps rotating from US growth to global value
- 5) US Exceptionalism is over: capital flows to Europe, China, Japan and EMs
- 6) USD will decline in response to expansionary policies in Europe and Asia

Our 4-quadrant framework is now more relevant than ever

The Four Quadrants framework



**Inflation and bond yields are
now in secular uptrends**

Long term structural shifts that have ended deflation

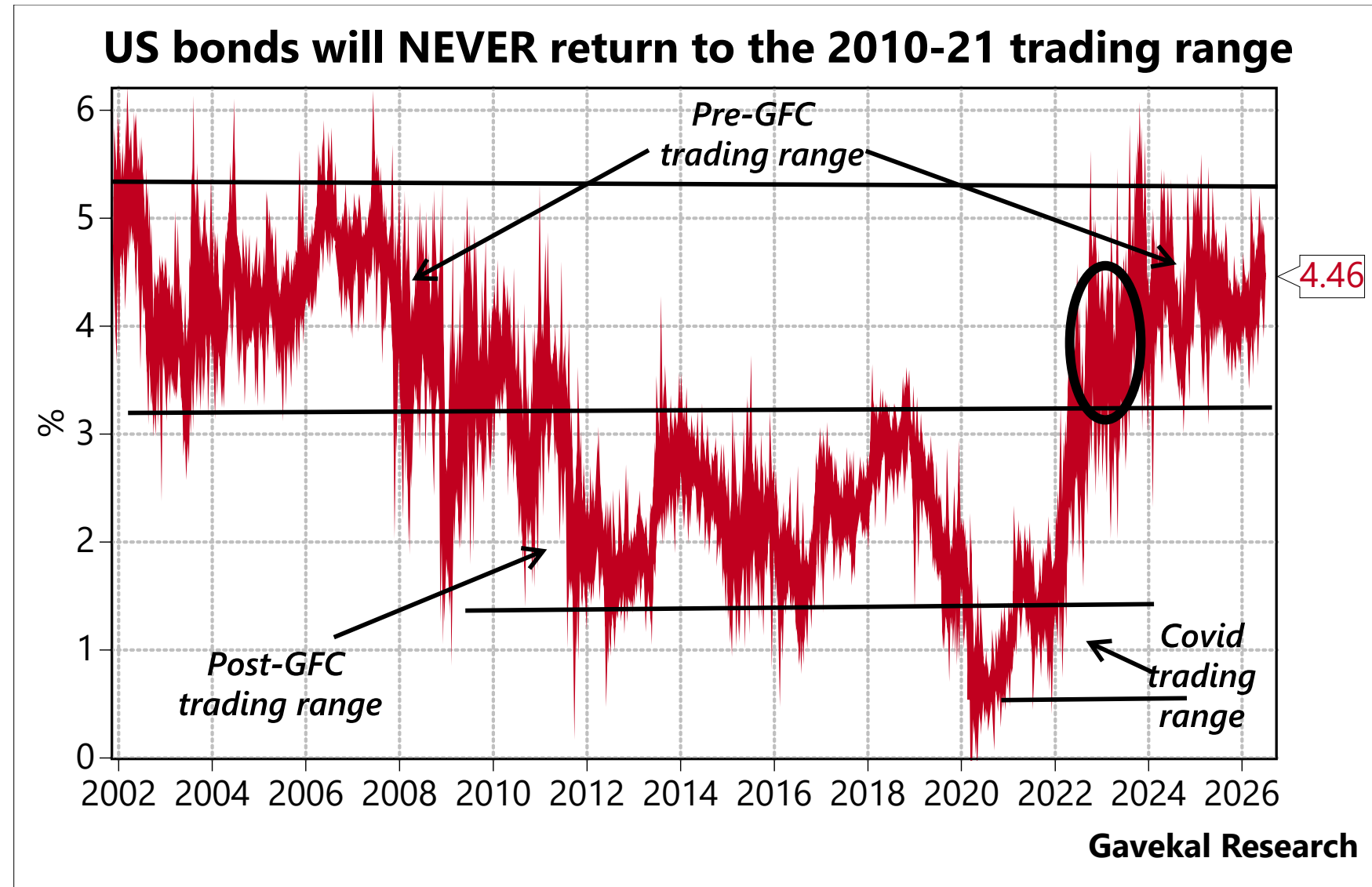
- **Deglobalization:** Trade blocs replace global competition
- **Protectionism:** End of “The China Price” especially in US
- **Technology:** Disruptors become monopolists
- **Politics:** Power shifts from capital to labor
- **Demographics:** Fewer producers and fiscal profligacy

- **Monetary policy:**
2% “target” is now floor instead of average or ceiling
- **Fiscal policy:**
Politics and demographics mean permanent fiscal expansion
- **Fiscal dominance:**
Indebted governments cannot afford positive real rates
(Fed’s Third Mandate: “moderate long-term interest rates”)

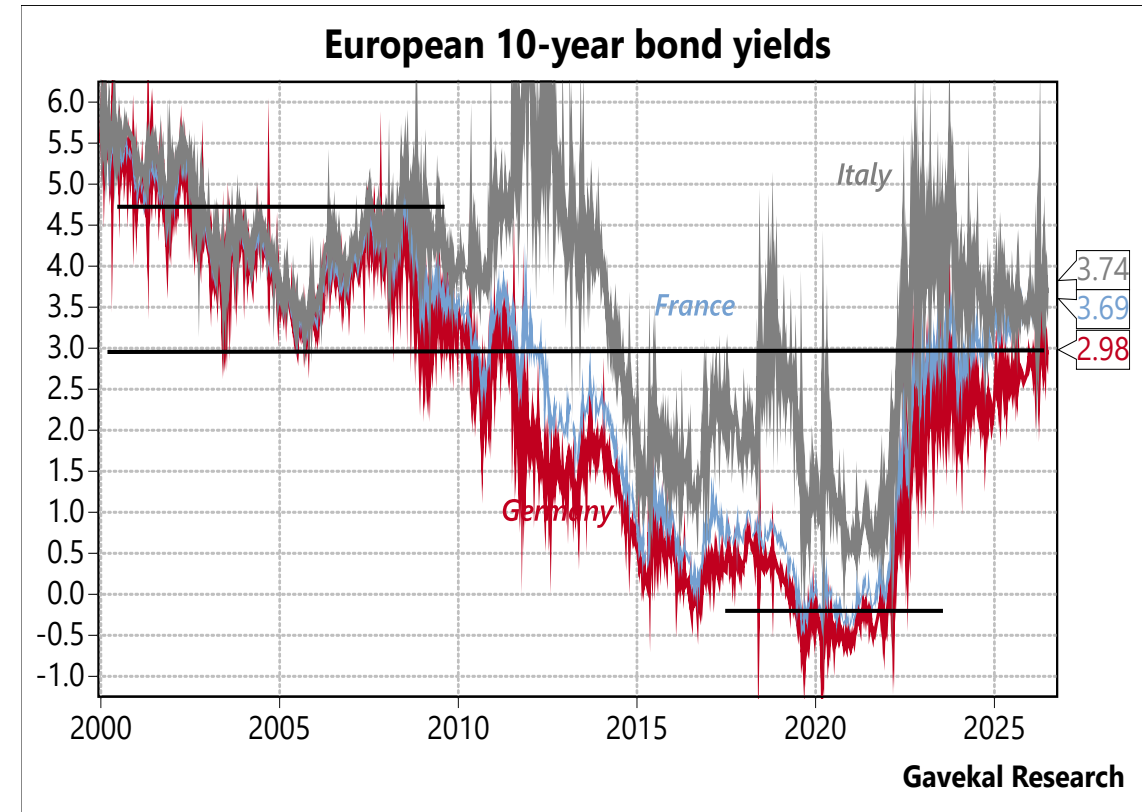
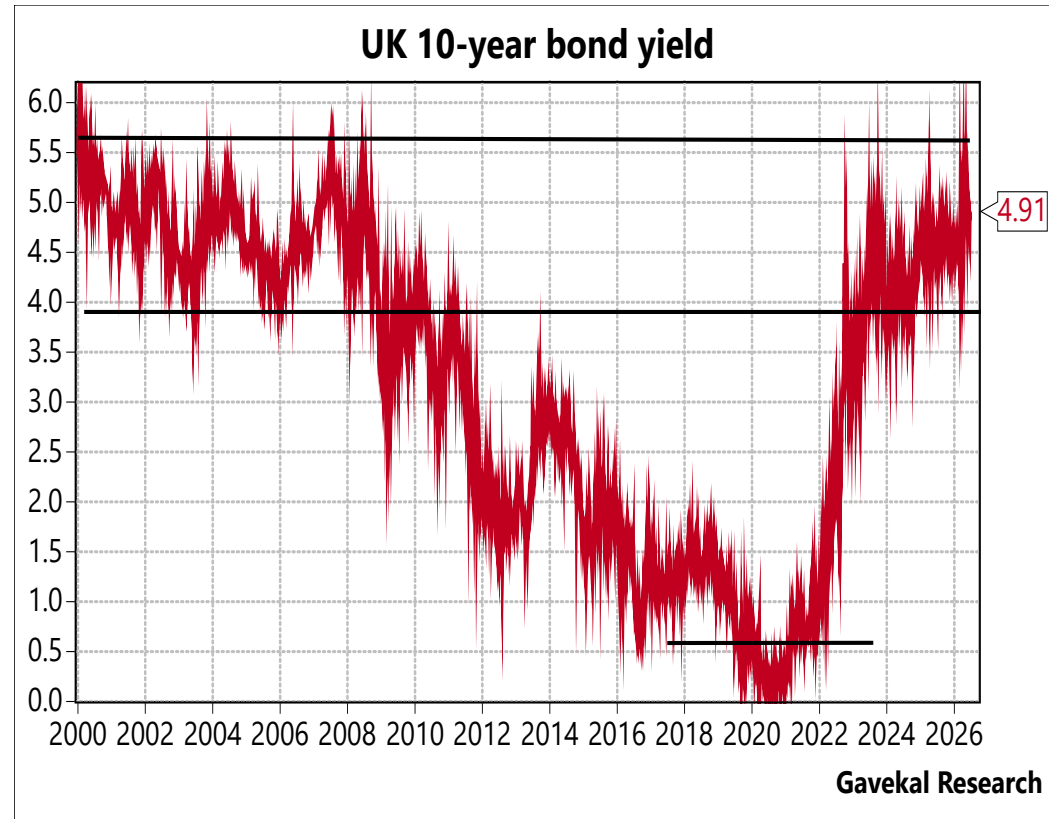
Short-term: Inflation shows no sign of returning to 2% “targets”

- **Inflation in 2025 is at a cyclical low:**
Monetary policy means cyclically *rising* inflation in 2026-27
- **Core inflation rates are still far above 2%:**
US core CPI =3.0%, EU=2.3%, UK=3.5%
- **Wages and Services:**
Wage growth and service inflation are still around 4%
- **Housing costs:**
Prices and rents keep rising despite “restrictive” monetary policy

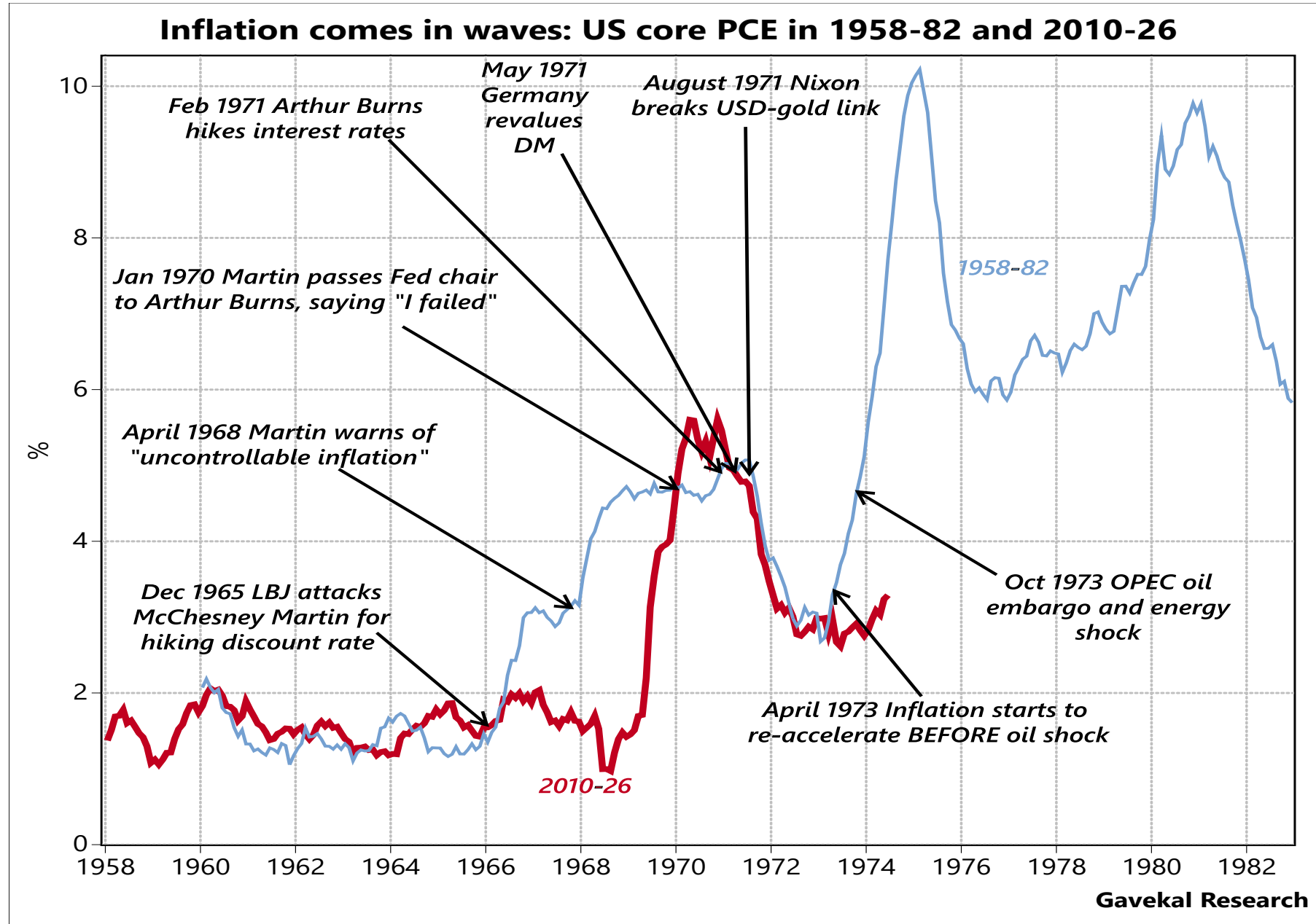
Regime change began with bond bubble bursting in 2022



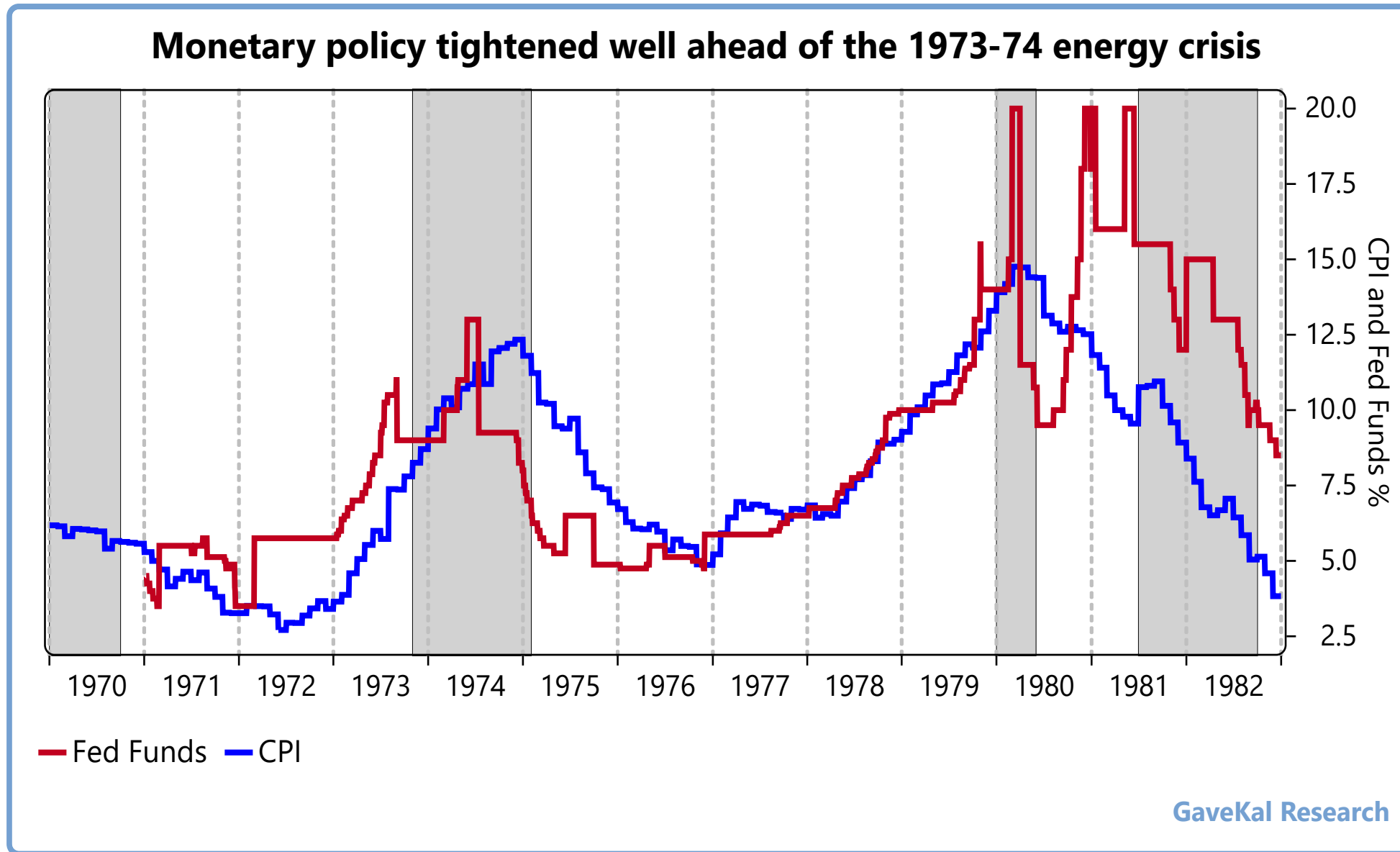
UK yields also broke out in 2022, but Germany is still in denial



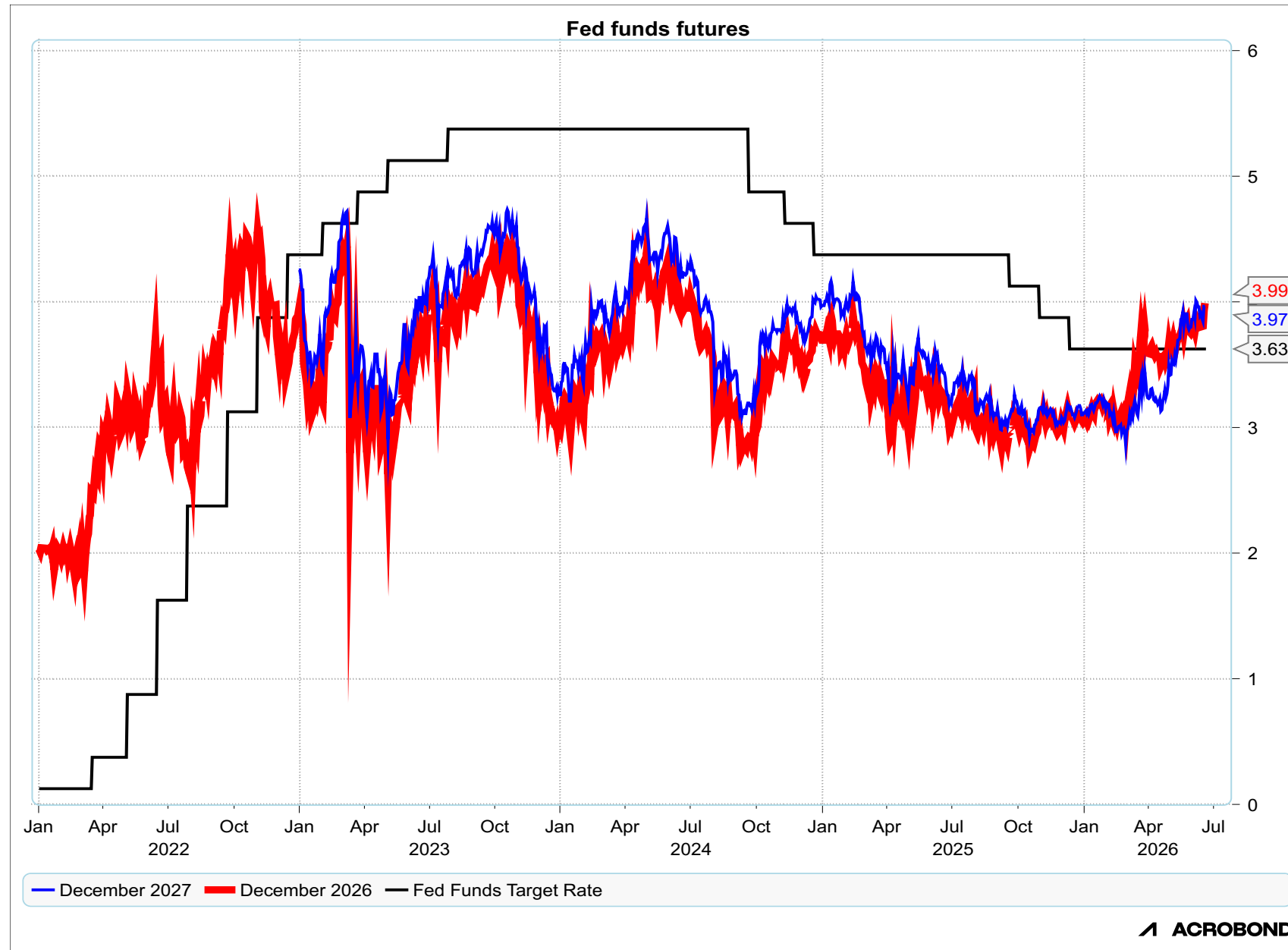
Will Trump cause a second wave of US inflation?



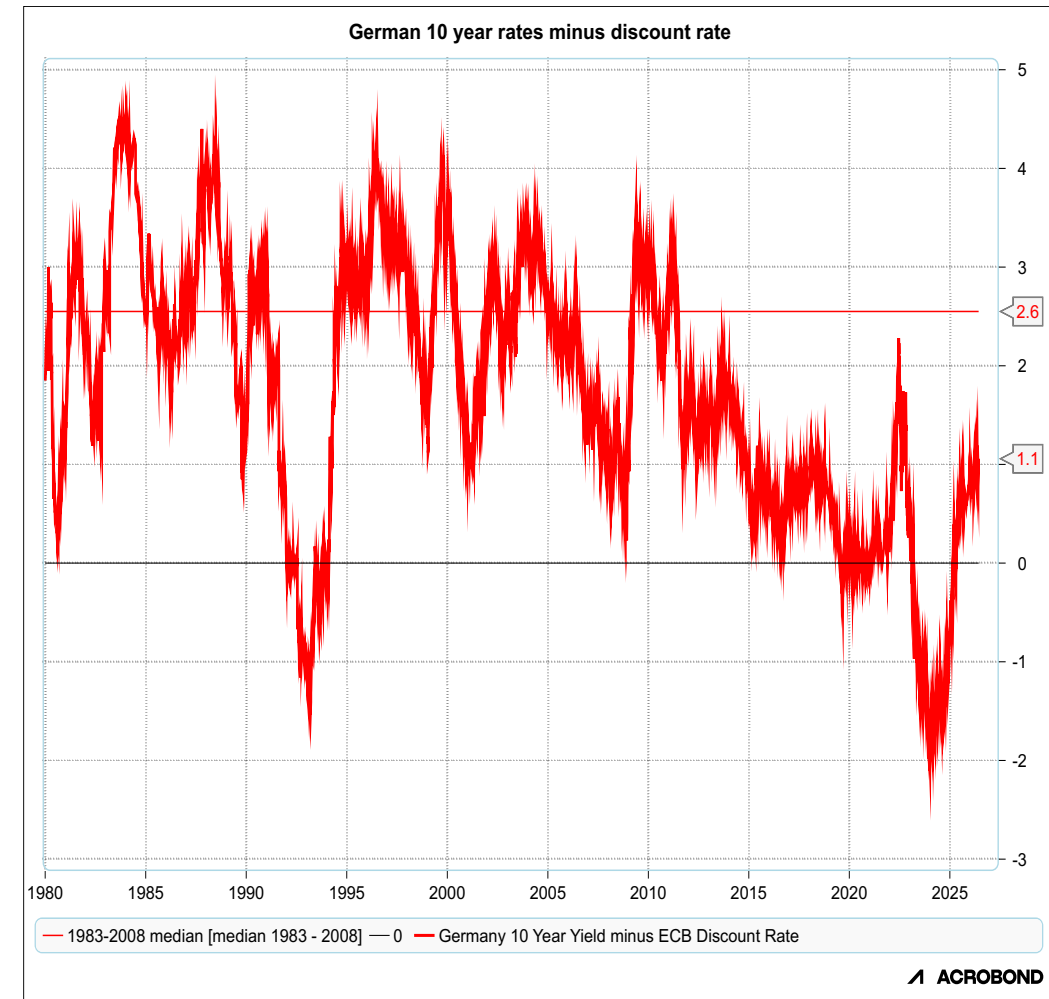
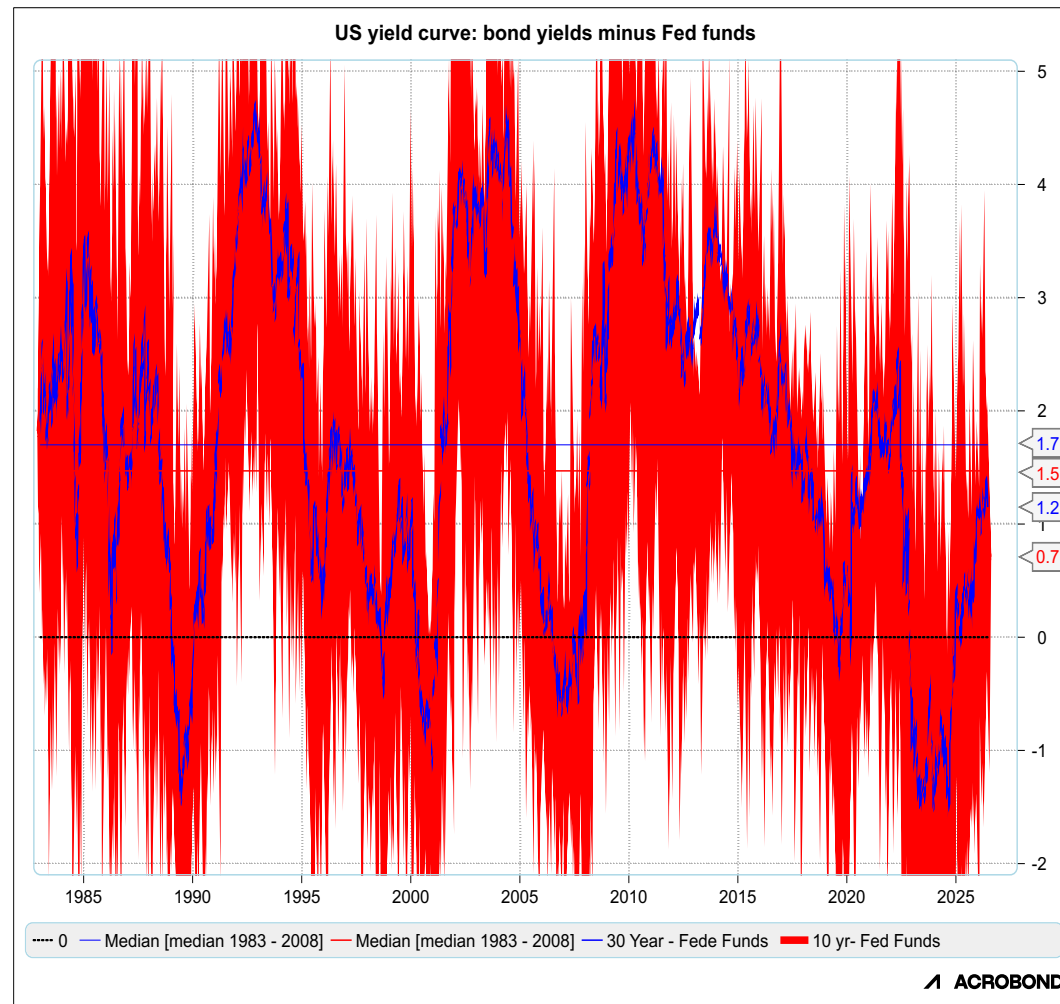
Easy monetary policy did NOT cause the Great Inflation



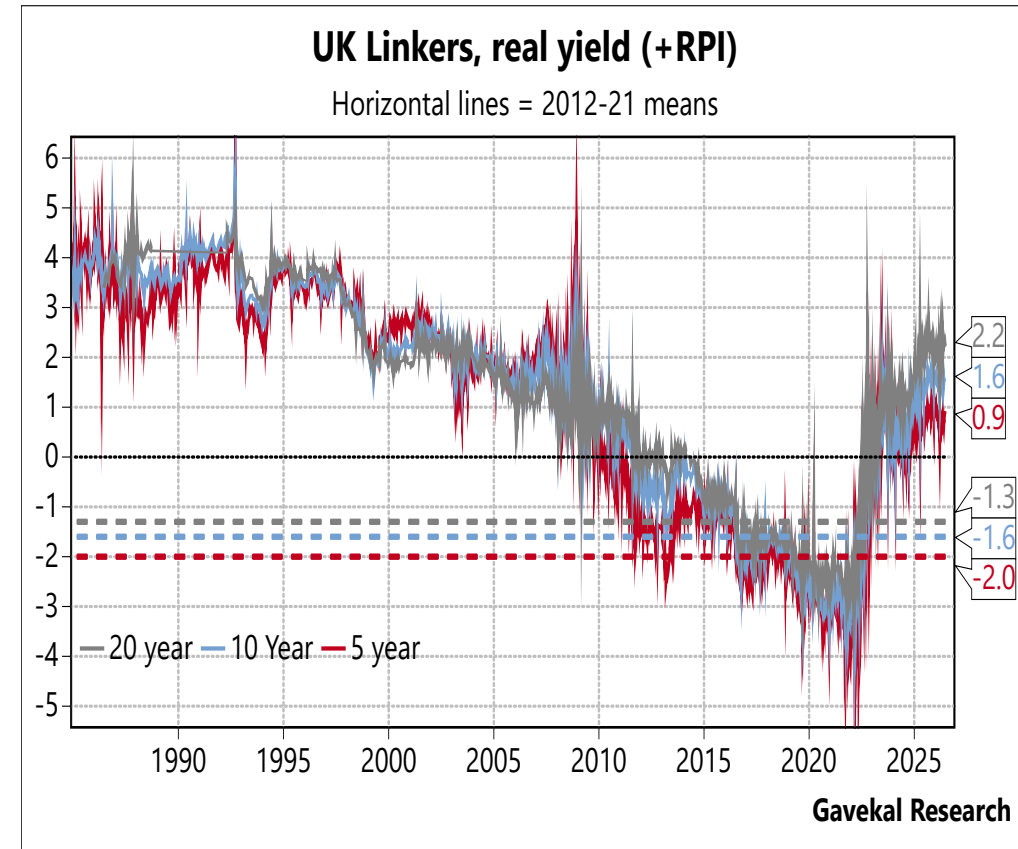
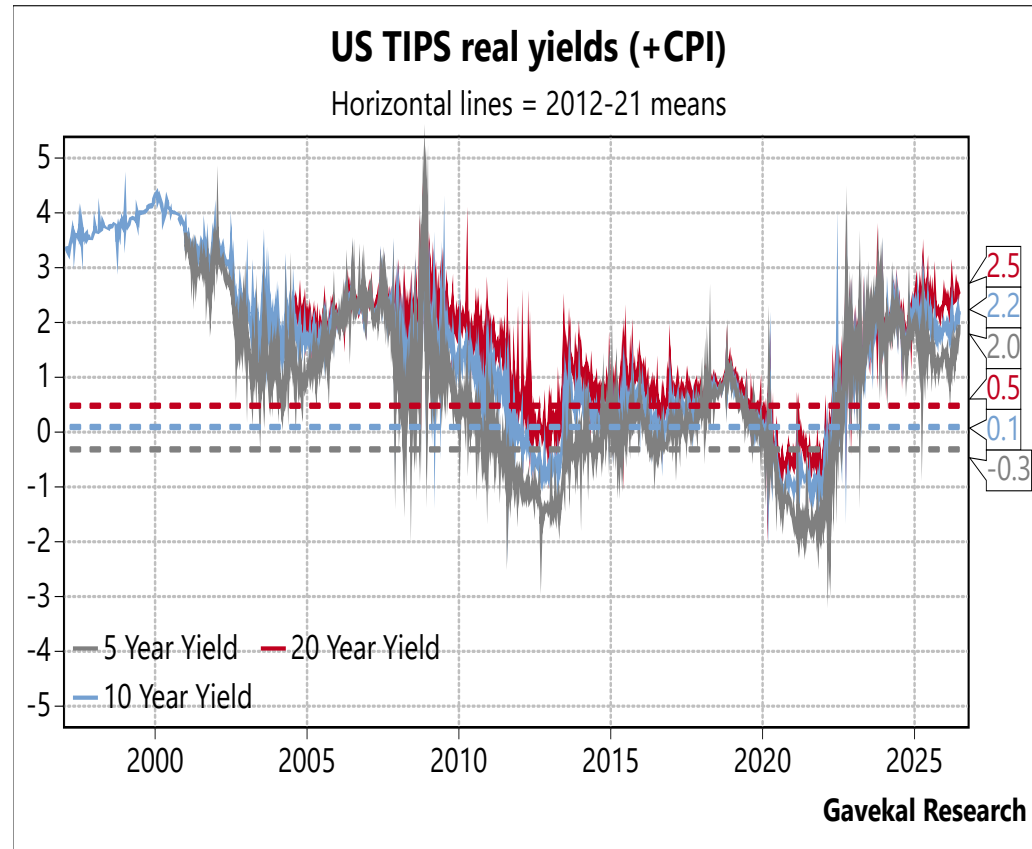
Monetary policy expectations have become wildly erratic



... but yield curves could easily steepen by 100 bp or more



Regime change has happened in *real* interest rates too



“Bond vigilantes” no longer discipline politicians

Short-term investors who don’t care about economics

- Hedge funds buy bonds to speculate on central bank decisions, not economics
- Quant investors buy bonds to speculate on market trends, not economics

Long-term investors who don’t care about profits

- Central banks buy bonds for macroeconomic management, not profits
- Governments buy bonds for trade and currency management , not profits

Long-term investors who don’t care about economics or profits

- Pension and insurance funds: regulators require bonds for “liability matching”
- Banks: supervisors require bonds for liquidity and “solvency”
- Risk-parity investors require bonds for tactical “stabilization”

Result: Bond Vigilantes have turned into Opioid Pushers

Growth Prospects:

Markets are priced for late-cycle slowdown

Data and policy mean early-cycle upswing

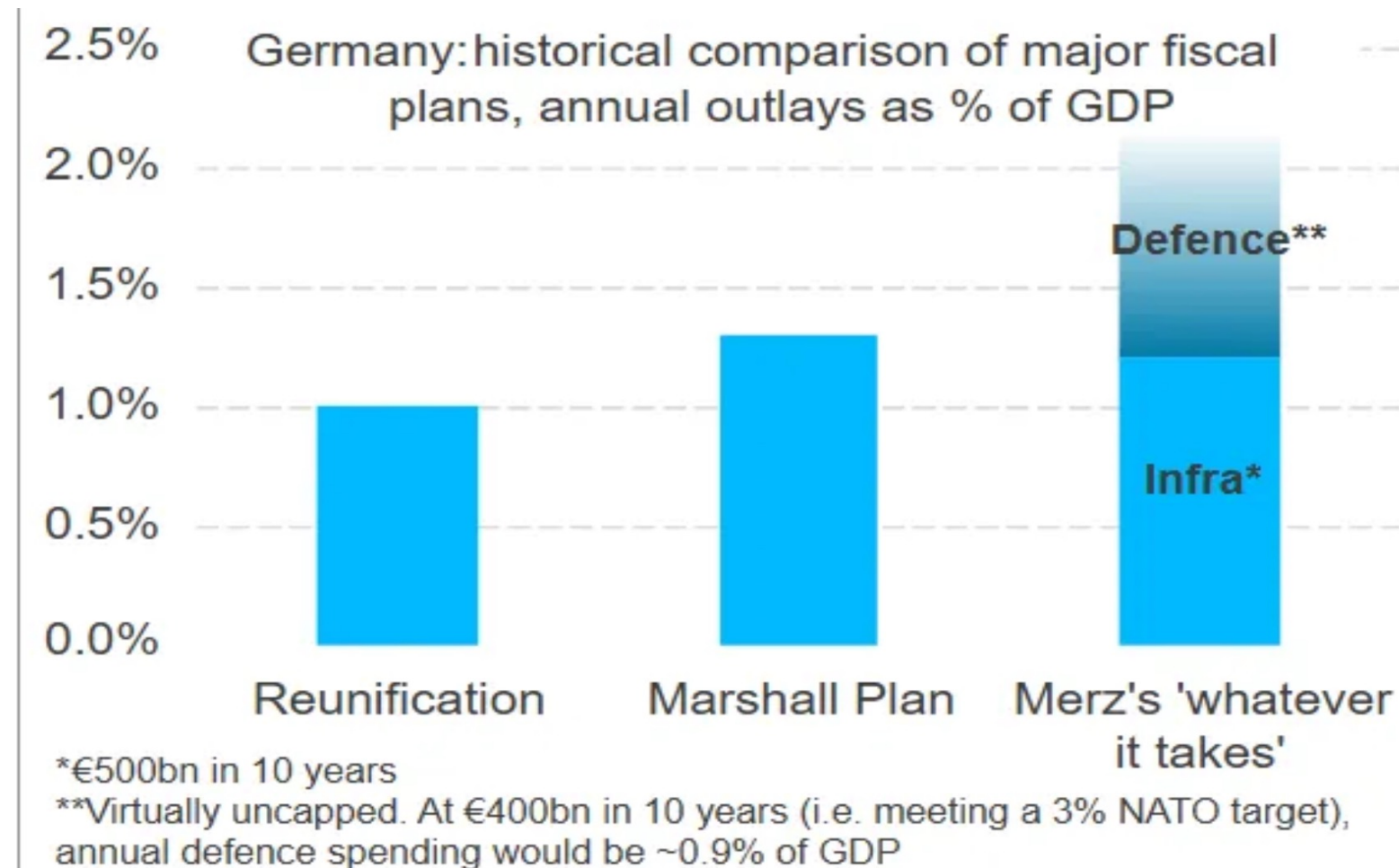
IMF upgraded almost every economy just before Iran

Table 1. Overview of the World Economic Outlook Projections

(Percent change, unless noted otherwise)

	Year over Year						Q4 over Q4 2/		
	Estimate		Projections		Difference from October 2025 WEO Projections 1/		Estimate		Projections
	2024	2025	2026	2027	2026	2027	2025	2026	2027
World Output	3.3	3.3	3.3	3.2	0.2	0.0	2.9	3.2	3.2
Advanced Economies	1.8	1.7	1.8	1.7	0.2	0.0	1.4	1.9	1.7
United States	2.8	2.1	2.4	2.0	0.3	-0.1	2.2	2.1	2.1
Euro Area 3/	0.9	1.4	1.3	1.4	0.1	0.0	0.9	1.7	1.3
Germany	-0.5	0.2	1.1	1.5	0.2	0.0	0.4	1.0	1.5
France	1.1	0.8	1.0	1.2	0.1	0.0	1.0	0.9	1.3
Italy	0.7	0.5	0.7	0.7	-0.1	0.1	0.7	0.7	0.7
Spain	3.5	2.9	2.3	1.9	0.3	0.2	2.7	2.0	1.9
Japan	-0.2	1.1	0.7	0.6	0.1	0.0	0.2	1.5	0.4
United Kingdom	1.1	1.4	1.3	1.5	0.0	0.0	1.1	1.4	1.9
Canada	2.0	1.6	1.6	1.9	0.1	0.0	0.7	2.3	1.5
Other Advanced Economies 4/	2.3	1.8	2.0	2.1	0.0	0.0	1.3	2.8	2.7
Emerging Market and Developing Economies	4.3	4.4	4.2	4.1	0.2	-0.1	4.0	4.3	4.2
Emerging and Developing Asia	5.3	5.4	5.0	4.8	0.3	0.0	4.9	5.0	4.8
China	5.0	5.0	4.5	4.0	0.3	-0.2	4.4	4.5	4.1
India 5/	6.5	7.3	6.4	6.4	0.2	0.0	6.2	6.5	6.5
Emerging and Developing Europe	3.5	2.0	2.3	2.4	0.1	0.0	1.6	2.1	2.4
Russia	4.3	0.6	0.8	1.0	-0.2	-0.1	-0.5	0.6	1.1
Latin America and the Caribbean	2.4	2.4	2.2	2.7	-0.1	0.1	1.9	2.8	2.4
Brazil	3.4	2.5	1.6	2.3	-0.3	0.1	2.2	2.3	2.2
Mexico	1.4	0.6	1.5	2.1	0.0	0.1	0.7	2.2	2.1
Middle East and Central Asia	2.7	3.7	3.9	4.0	0.1	0.2	...	...	...
Saudi Arabia	2.6	4.3	4.5	3.6	0.5	0.4	4.3	4.5	3.6
Sub-Saharan Africa	4.1	4.4	4.6	4.6	0.2	0.1	...	...	...
Nigeria	4.1	4.2	4.4	4.1	0.2	0.1	3.9	4.3	6.5
South Africa	0.5	1.3	1.4	1.5	0.2	0.0	1.8	1.2	1.7

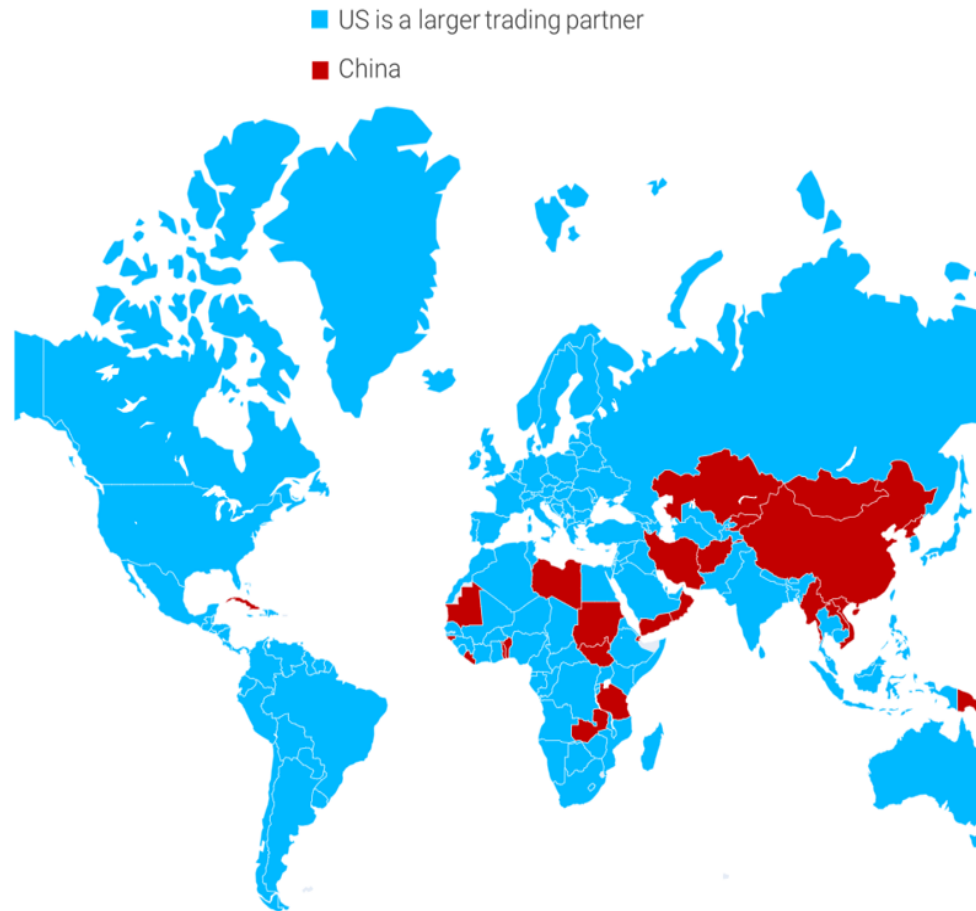
Germany's fiscal U-turn is a real regime change for Europe



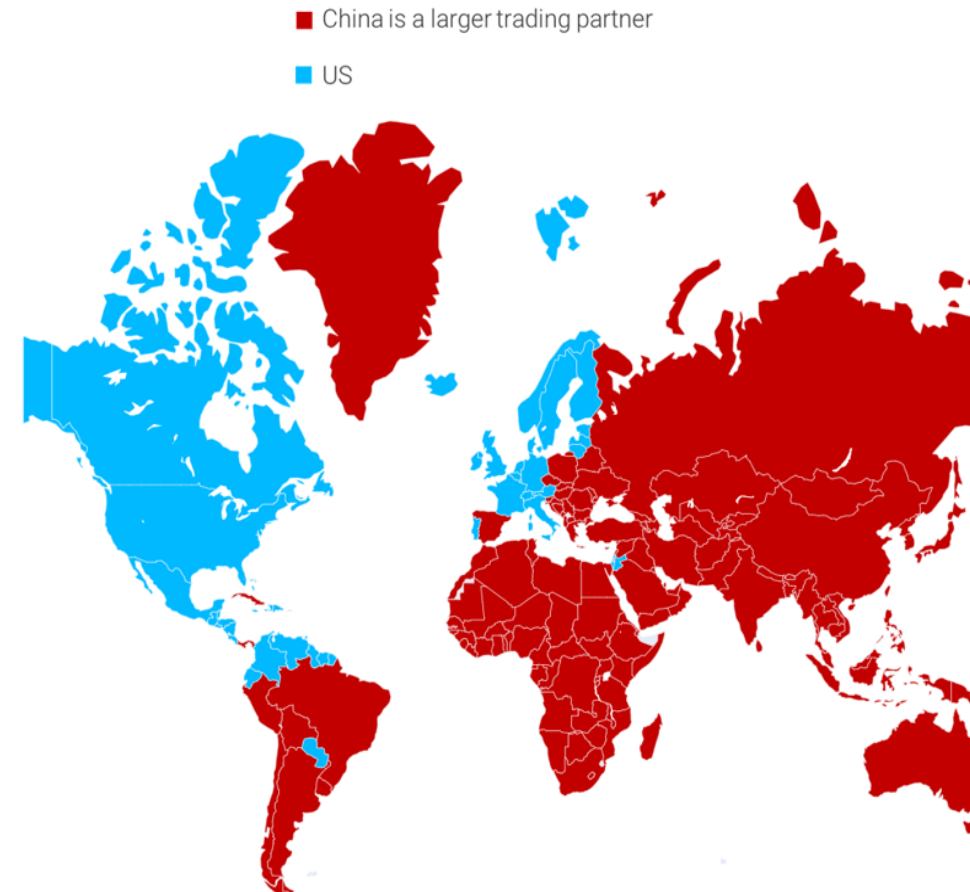
[Everyone Loves German Rearmament - Bloomberg](#)

China is now the champion of globalisation

China vs US as trade partners in 2000

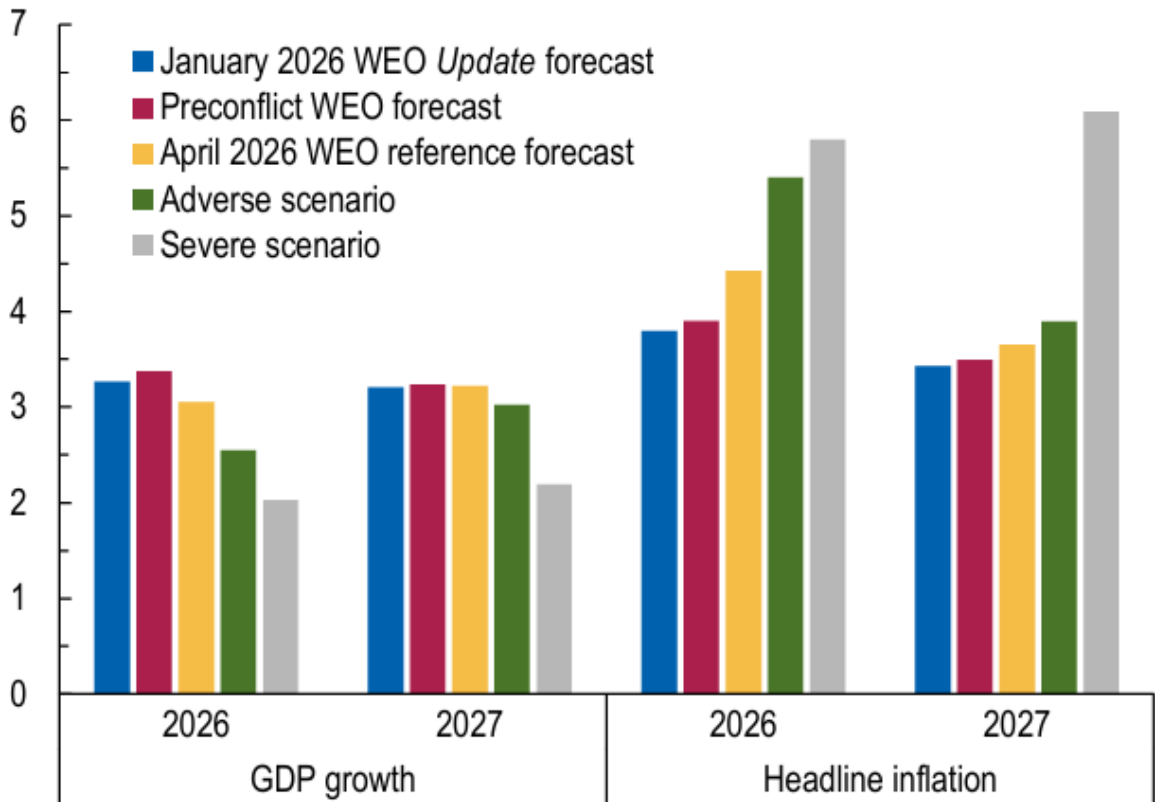


China vs US as trade partners in 2024



IMF scenarios from Iran war

Figure 1.8. Global Growth and Inflation Forecasts
(Percent)



IMF Scenario	2026	2027
REFERENCE FORECAST		
Global GDP growth	3.1%	3.2%
Oil price average	\$82	\$75
Headline inflation	4.4%	3.7%
ADVERSE SCENARIO		
Global GDP growth	2.5%	3.0%
Oil price average	\$100	\$75
Headline inflation	5.4%	3.9%
SEVERE SCENARIO		
Global GDP growth	2.0%	2.2%
Oil price average	\$110	\$125
Headline inflation	5.80%	6.10%

IMF post-war outlook in “benign” scenario

Table 1.1. Overview of the *World Economic Outlook* Reference Forecast (continued)

(Percent change, unless noted otherwise)

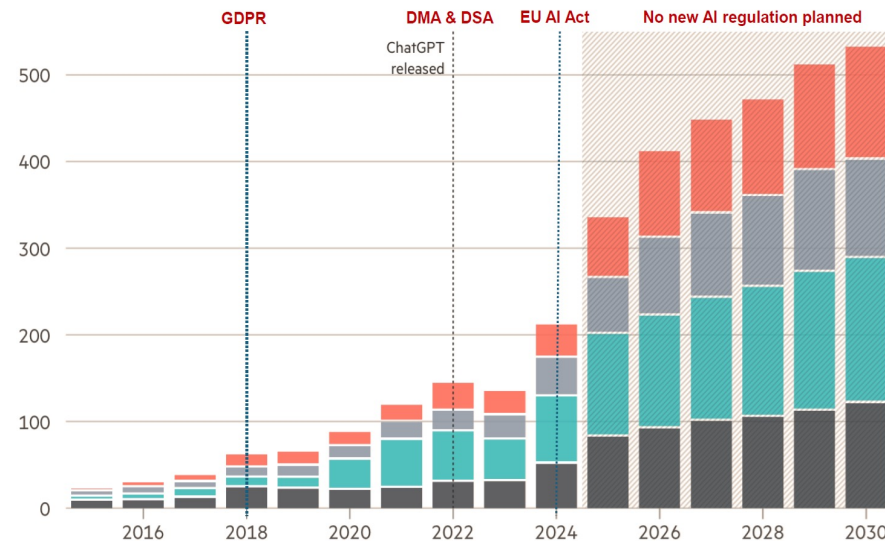
	Q4 over Q4 8/						
	2025	Projections		Difference from January 2026 WEO Update 1/		Difference from October 2025 WEO 1/	
		2026	2027	2026	2027	2026	2027
World Output	3.3	2.9	3.5	-0.3	0.3	-0.4	...
Advanced Economies	1.9	1.5	1.9	-0.4	0.2	-0.3	...
United States	2.0	2.2	2.1	0.1	0.0	0.2	...
Euro Area	1.2	1.2	1.5	-0.5	0.2	-0.6	...
Germany	0.4	0.7	1.3	-0.3	-0.2	-0.3	...
France	1.2	0.6	1.0	-0.3	-0.3	-0.4	...
Italy	0.8	-0.2	1.8	-0.9	1.1	-0.3	...
Spain	2.6	1.6	2.2	-0.4	0.3	-0.2	...
Japan	0.5	1.0	0.7	-0.5	0.3	-0.1	...
United Kingdom	1.0	1.0	1.9	-0.4	0.0	-0.4	...
Canada	0.7	2.3	1.5	0.0	0.0	0.0	...
Other Advanced Economies 2/	4.1	1.5	2.5	-1.3	...	-1.3	...
Emerging Market and Developing Economies	4.4	4.0	4.6	-0.3	0.4	-0.4	...
Emerging and Developing Asia	5.3	4.7	5.1	-0.3	0.3	-0.6	...
China	4.4	3.9	4.6	-0.6	0.5	-1.1	...
India 3/	7.5	7.1	6.5	0.6	0.0	0.9	...
Emerging and Developing Europe	1.9	1.8	2.2	-0.3	-0.2	-0.5	...
Russia	1.0	0.6	0.6	0.0	-0.5	0.1	...
Latin America and the Caribbean	2.1	2.9	2.3	0.1	-0.1	0.3	...
Brazil	2.0	2.6	1.9	0.3	-0.3	0.3	...
Mexico	1.8	1.5	2.4	-0.7	0.3	-0.2	...
Middle East and Central Asia	...	...	...	...	...	...	...
Saudi Arabia	5.0	3.1	4.5	-1.4	0.9	-0.9	...

Growth To Value Rotation Is Mispriced

Tech is now very capital intensive: AI = steel or shipbuilding?

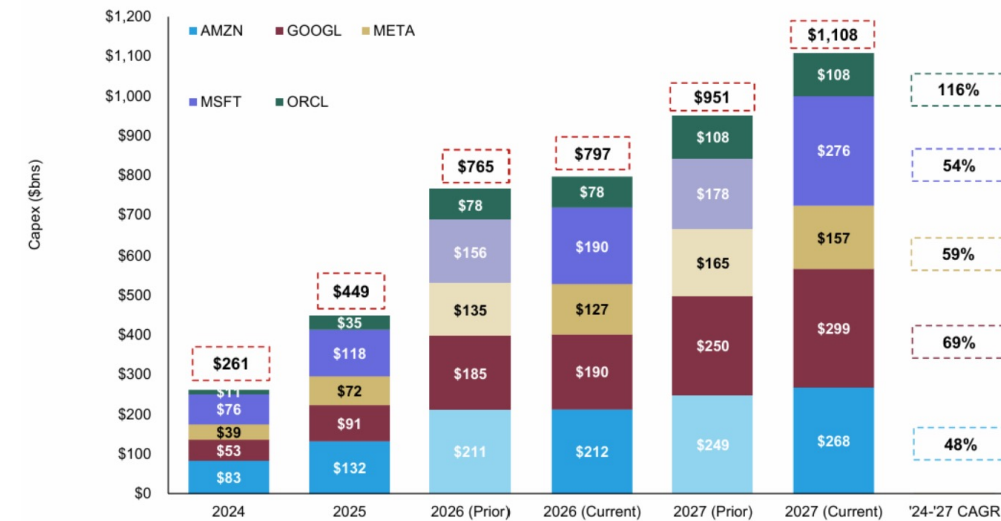
Capital expenditure, \$bn

Alphabet Amazon Microsoft Meta



Source: "Brace for a crash before the golden age of AI", Financial Times, 7 October 2025

Exhibit 1: We now see Hyperscaler capex approaching \$800bn/\$1.1trln in '26/'27 vs \$765bn/\$950bn prior

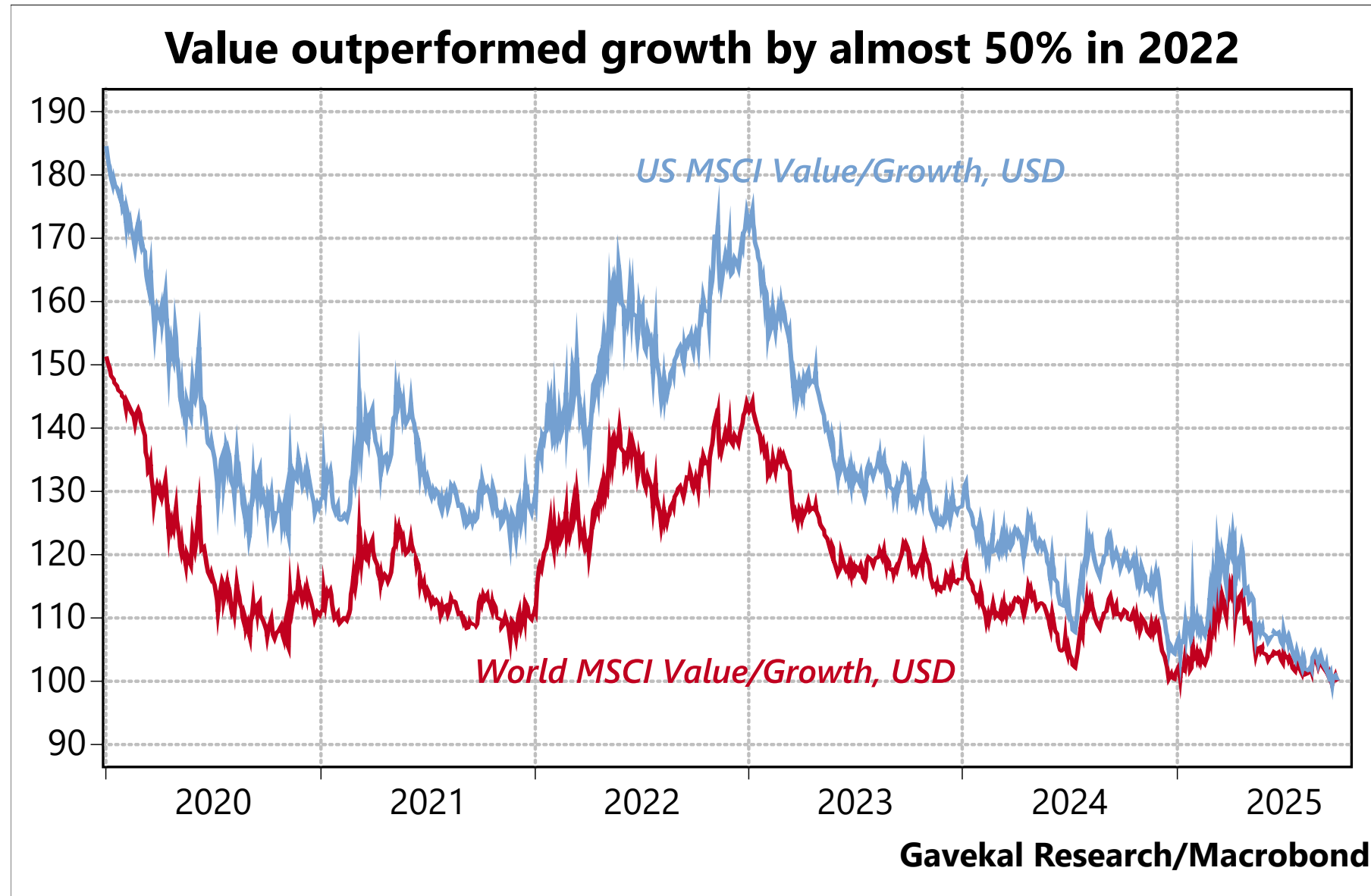


Source: Company data, Morgan Stanley Research estimates

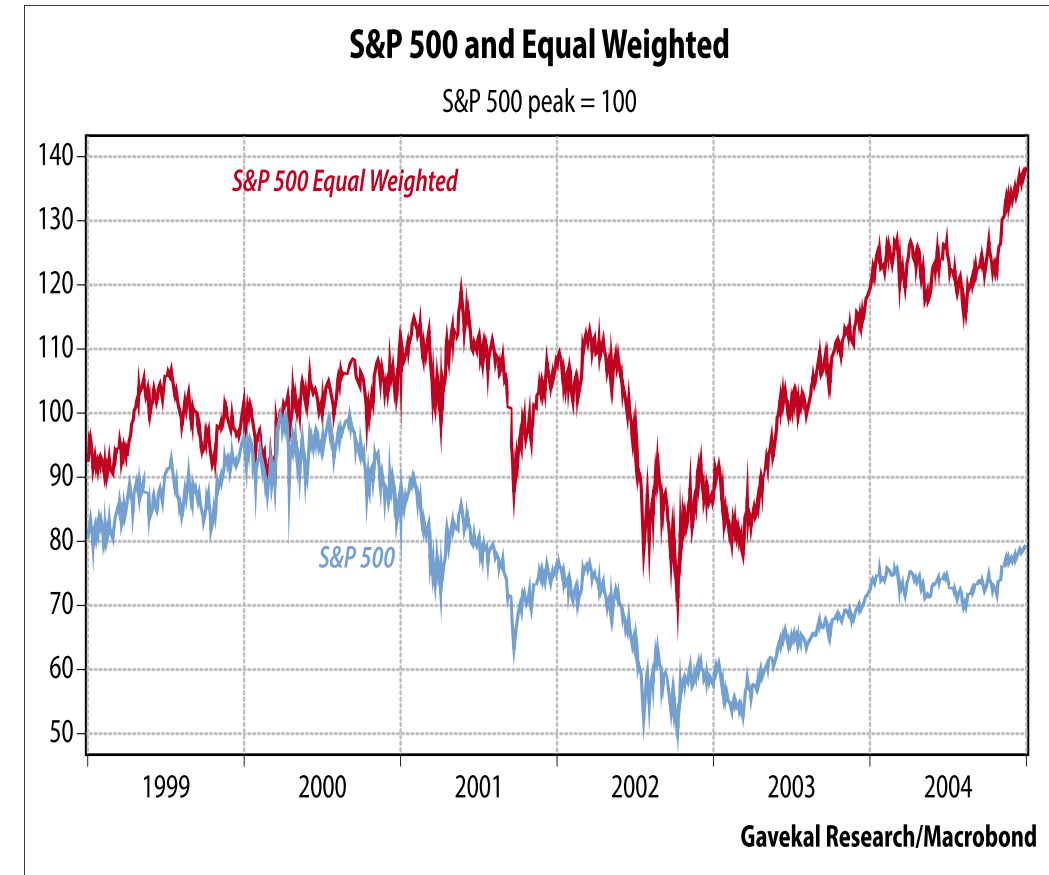
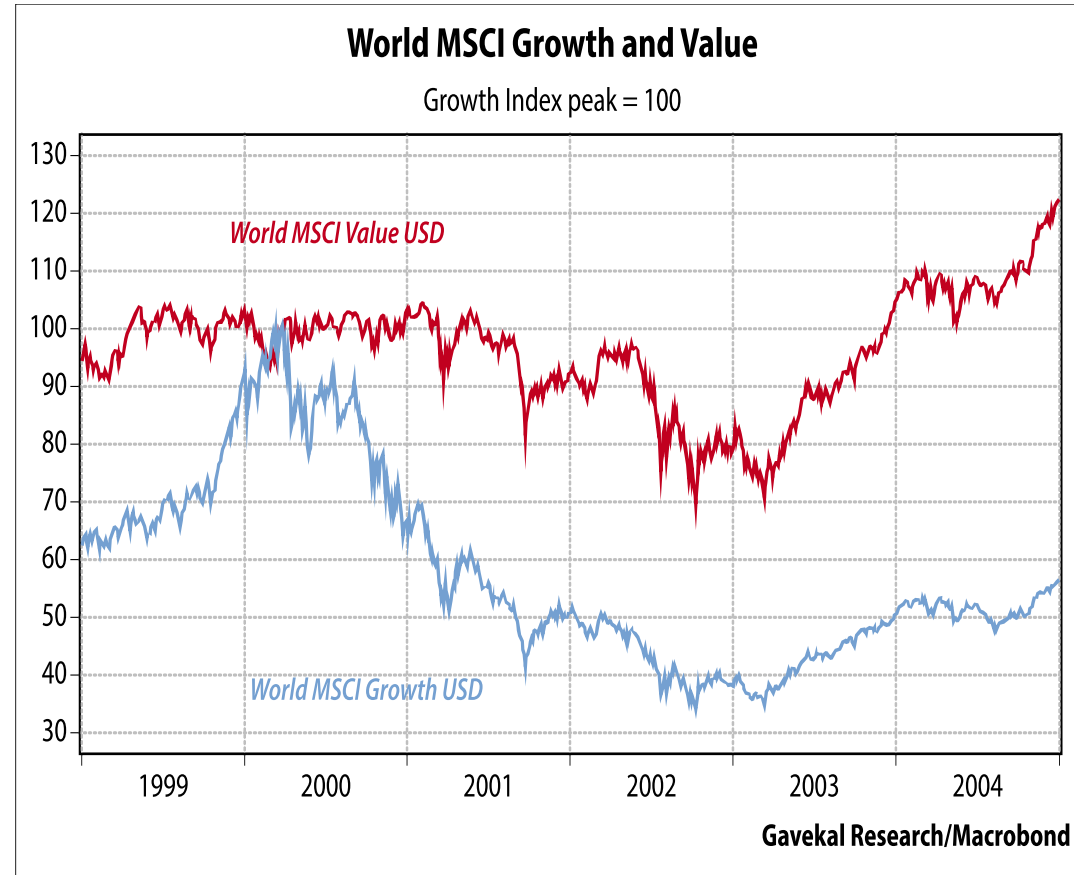
“Amazon, Microsoft, Alphabet, Meta and Oracle are set to spend around \$1.5 trillion on building out the AI infrastructure boom between 2023 and 2026, compared with roughly \$600 billion the companies had invested in their entire history before 2022.”

[Goldman Strategists Say Asset-Heavy Stocks Boosted by AI Fears - Bloomberg](#)

Value outperformed growth in 2022 and again after Trump's election



Value held up well after the dot-com bubble



Two sobering case studies

2016:

Geoff Hinton, then working for Google, said “We should stop training radiologists now. It’s just completely obvious that within five years, [deep learning](#) is going to do better than radiologists.

2025:

The Bureau of Labor Statistics projects employment in radiology will grow 5 percent from 2024 to 2034, which is higher than the average of 3% across all occupations. Data from Indeed provided to CNN also indicates there were more radiology jobs in 2025 compared to 2020.

AI can parse through troves of data much more quickly than human workers can, and it is already helping to speed up certain processes in radiology — for example, figuring out which scans need immediate attention.

But human physicians are still required to do the bulk of the work – like making diagnoses, physically examining patients and writing reports. And radiology jobs are projected to grow faster than roles in other areas as the field continues to embrace the tech.

[Worried about AI replacing your job? This job has become the ultimate case study for why it won't | CNN Business](#)

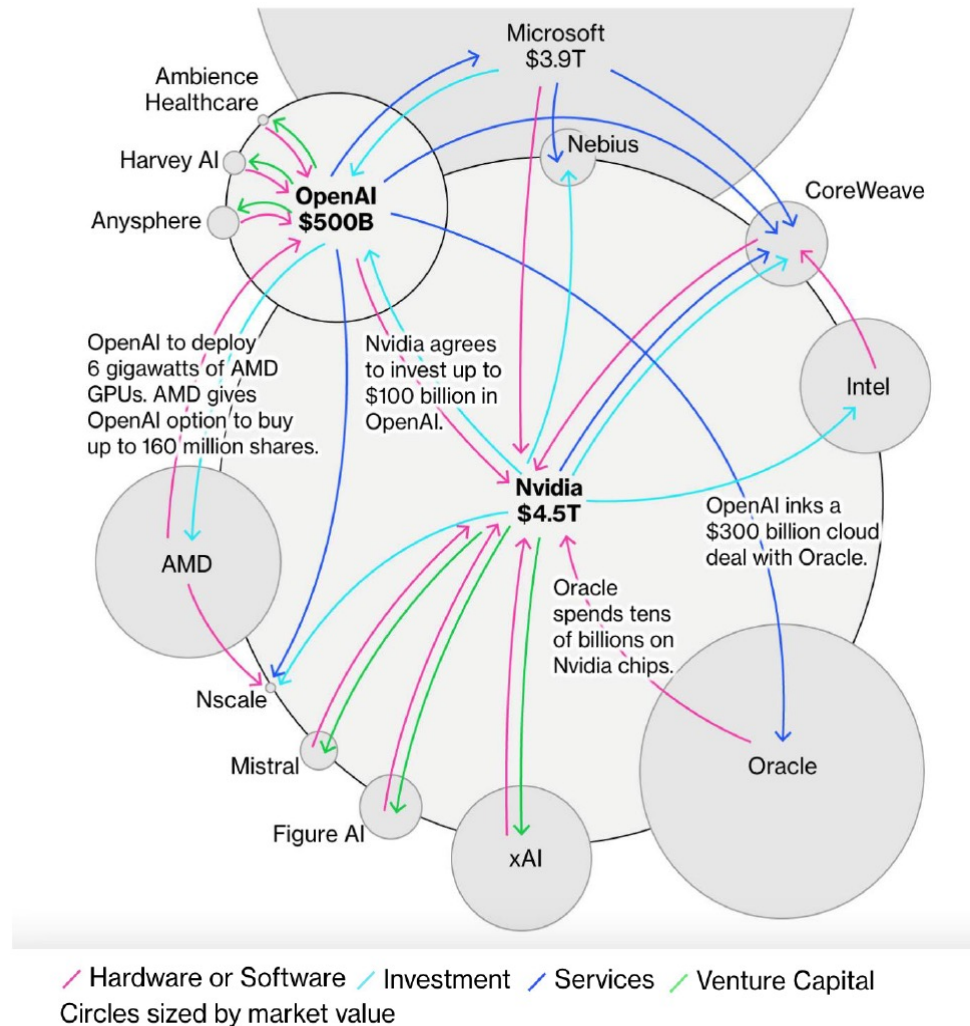
CEOs: **patchy ROI**

- **FOMO:** 64% of 2,000 CEOs surveyed globally acknowledge that the risk of falling behind is driving investment in some technologies **before they have a clear understanding of the value that they bring to the organization (!)**
- **Slow start:** Only 25% of AI initiatives have delivered expected ROI over the last few years, and only 16% have scaled enterprise wide.
- **Human capital:** ~ one-third (31%) of their workforce will require retraining and/or reskilling over the next 3 years, while 65% say their organization will use automation to address skill gaps.

IBM Study: CEOs double down on AI while navigating enterprise hurdles, 6 May 2025

AI boom finances are becoming unstable

AI circular deals → bubble



- “ • The IMF and Bank of England both warned that tech valuations were approaching dotcom-era extremes, heightening the **danger of a sharp correction in global equities**.
- A sudden reversal would hit investment funds, pensions and retail portfolios.
 - The growing reliance on debt, particularly from lower-quality issuers, now also leaves banks and the highly leveraged non-bank sector exposed to any defaults. Incestuous bilateral funding deals only amplify the risk of domino effects.
- **8 of the 10 biggest stocks in the S&P 500 are tech stocks, accounting for:**
- **36% of the entire US market's value;**
 - 60% of the gains in the index since the market bottomed in April; and
 - almost 80% of the S&P 500's net income growth in the last year.
- Spending on data centres is propping up US economic growth. ”

Source: (graphics) “OpenAI, Nvidia Fuel \$tr AI market with web of circular deals,” *Bloomberg*, 7 October 2025; (text) *Financial Times*.

A crypto collapse would damage retail support for equities

TECH

58 crypto wallets have made millions on Trump's meme coin. 764,000 have lost money, data shows

PUBLISHED TUE, MAY 6 2025 5:08 PM EDT | UPDATED TUE, MAY 6 2025 5:16 PM EDT



MacKenzie Sigalos
@KENZIESIGALOS

SHARE    

KEY POINTS

- 58 wallets have made over \$10 million each from President Donald Trump's meme coin, totaling \$1.1 billion in profits, blockchain analytics firm Chainalysis said.
- 764,000 wallets of mostly small holders have lost money on \$TRUMP, according to the firm.
- The \$TRUMP event, set for May 22 at Trump National Golf Club, Washington, D.C., includes a reception for the 25 wallets with the largest balance, along with a White House tour.

● WATCH LIVESTREAM

[Prefer to Listen?](#)

NOW

Squawk Box

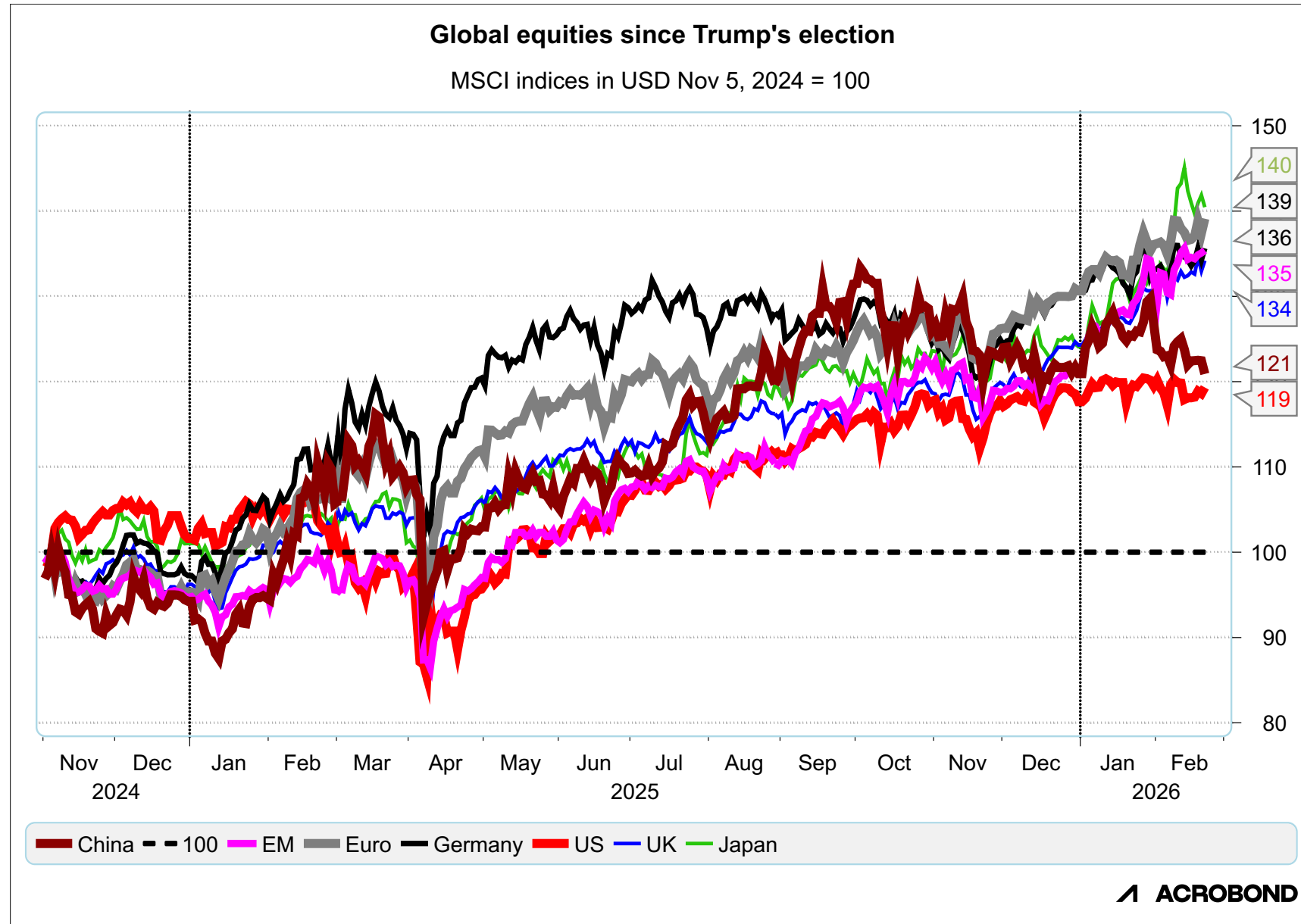
UP NEXT

Squawk on the Street

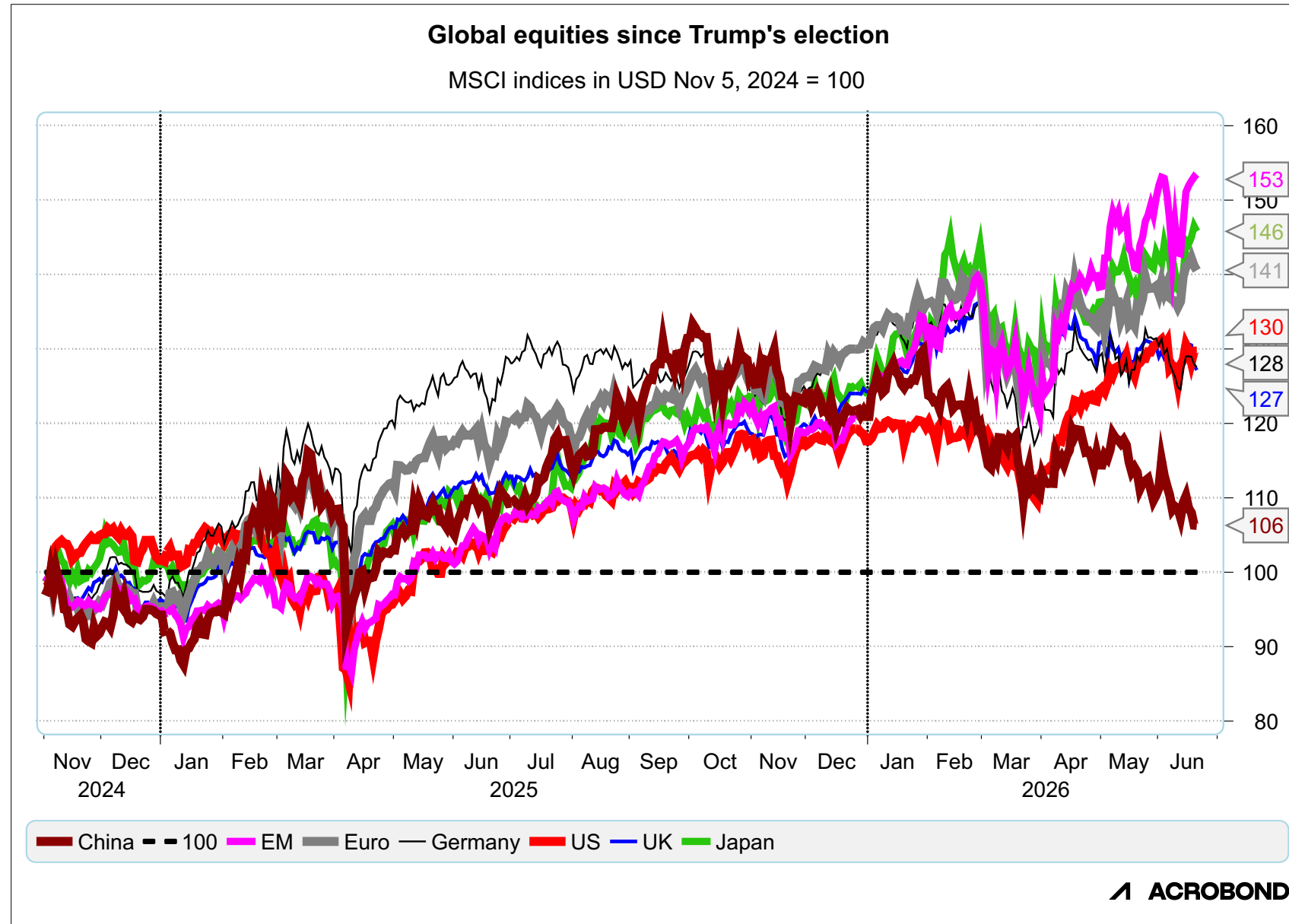
[Trump meme coin: 764,000 crypto wallets lost money, Chainalysis says](#)

US Exceptionalism Is Mispriced

Trump made EU and Asian equities great again: until Iran



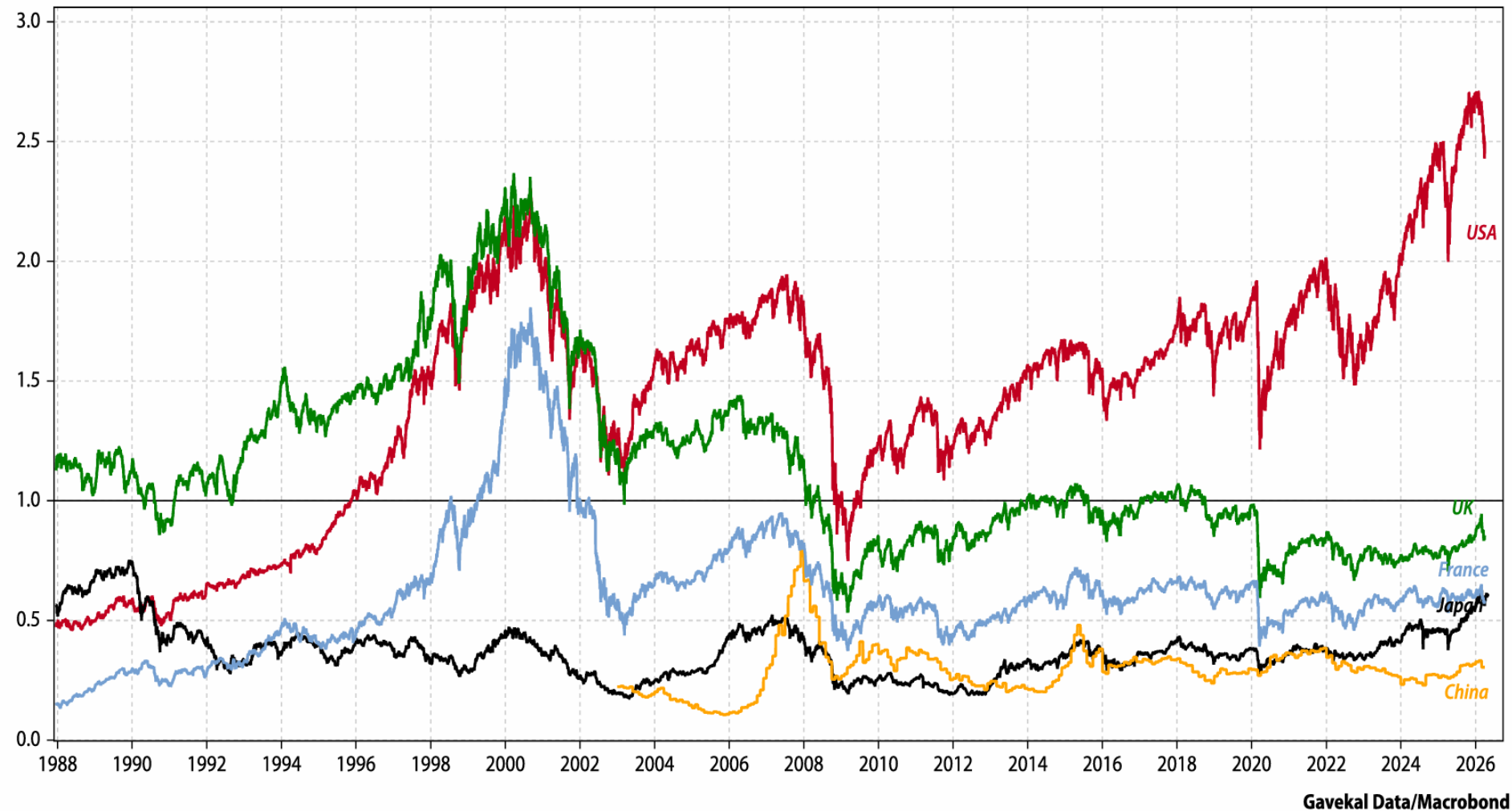
US is still lagging even after Iran war



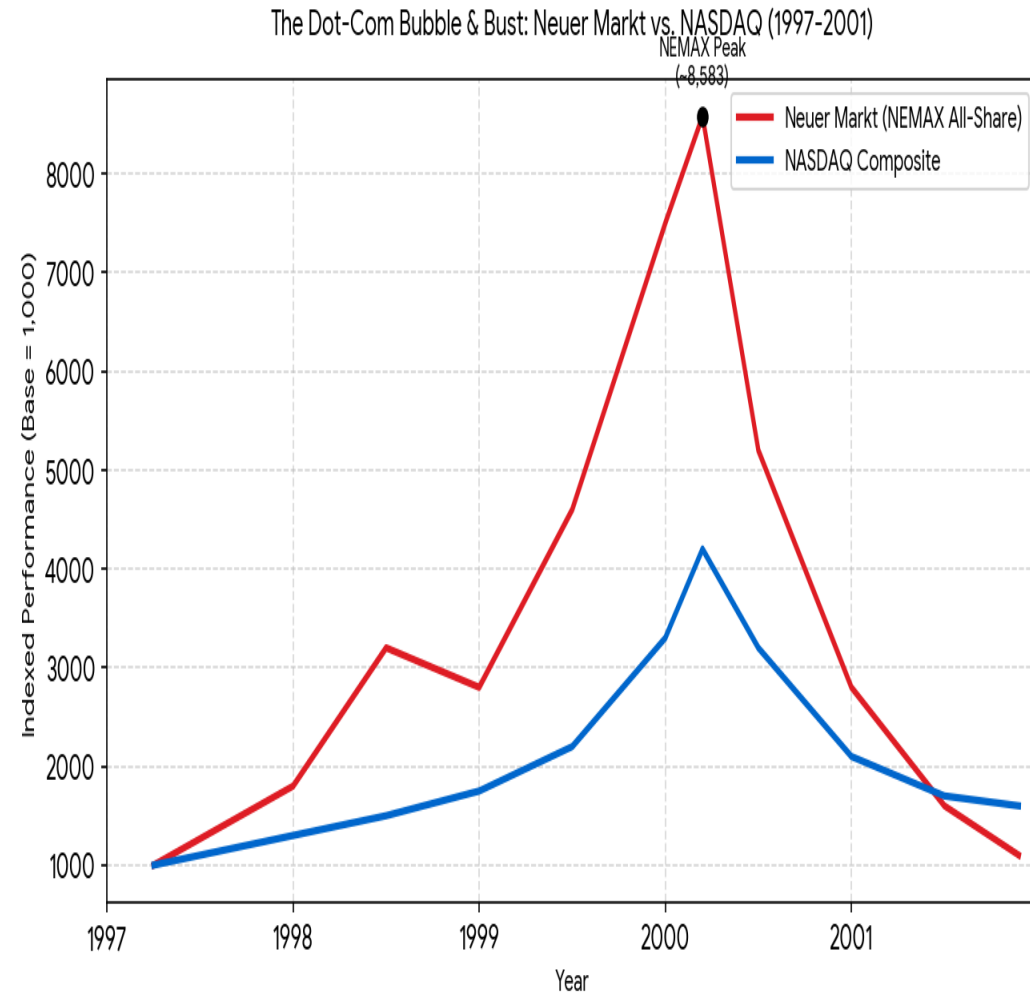
If there's an equity bubble it is confined to America

US exceptionalism: ratio of market cap/M2 is today at an all time in US

More Money Than Fools or More Fools Than Money? Market Cap to M2



In 1990s tech bubble Europe as crazy as Wall Street: not this time

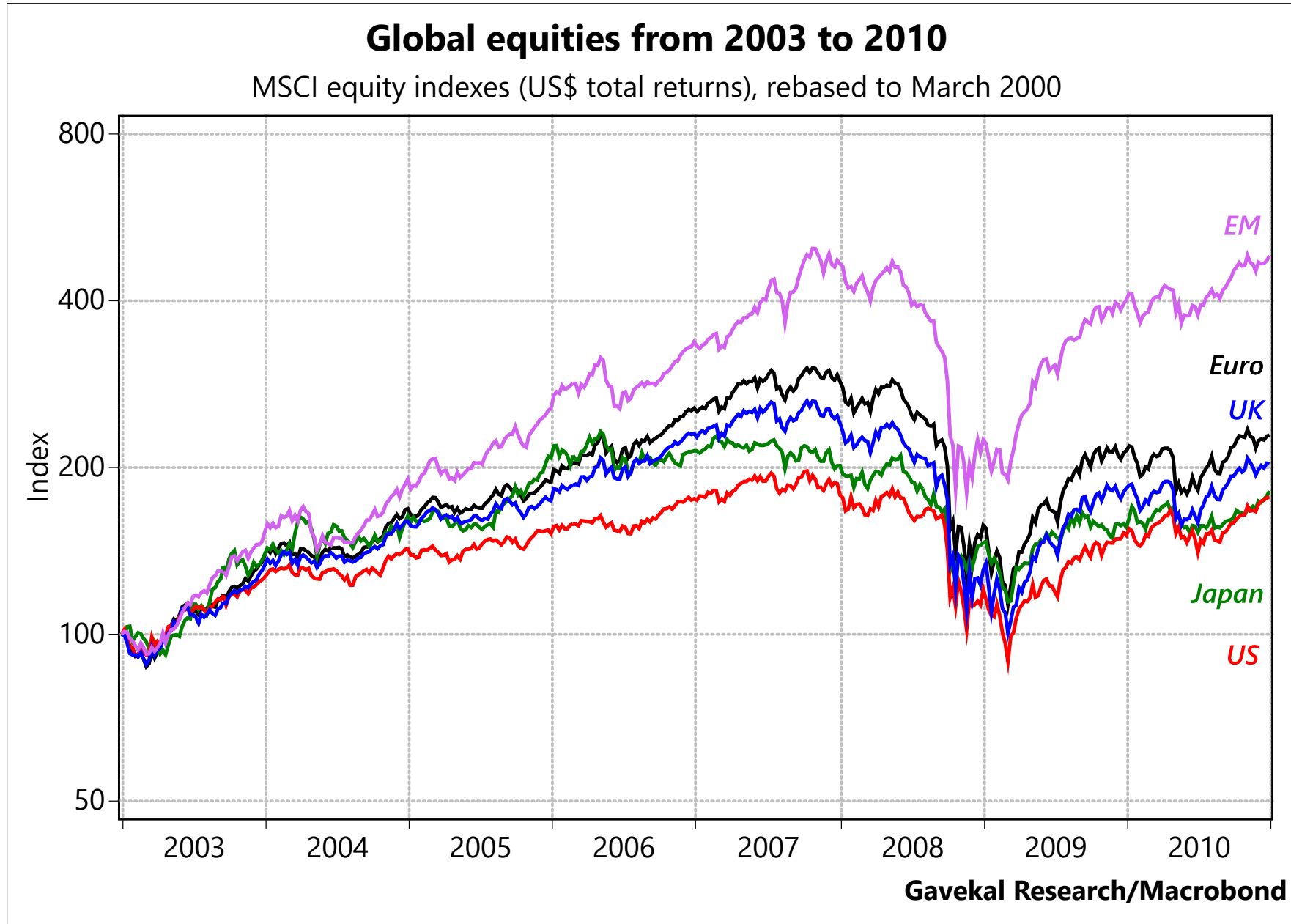


Rank	FinanceCharts.com +4	March 2000 Leaderboard	Primary Sector	June 2026 Leaderboard	Primary Sector
1		Vodafone AirTouch	Telecommunications	ASML Holding	Semiconductors
2		Nokia	Hardware / Tech	Novo Nordisk	Healthcare / Pharma
3		Deutsche Telekom	Telecommunications	LVMH	Luxury Consumer Goods
4		Royal Dutch Shell	Energy (Oil & Gas)	Roche Holding	Healthcare / Pharma
5		BP Amoco	Energy (Oil & Gas)	Siemens	Industrial Tech
6		France Télécom	Telecommunications	L'Oréal	Consumer Goods
7		Telecom Italia	Telecommunications	SAP	Enterprise Software
8		TotalFinaElf	Energy (Oil & Gas)	Hermès	Luxury Consumer Goods
9		HSBC	Financial Services	Schneider Electric	Industrial Tech
10		Ericsson	Tech Infrastructure	AstraZeneca	Healthcare / Pharma

... and Wall Street was much more diversified than it is today

US Rank	Company	Primary Sector	Valuation Range (USD)	Status Today
#1	Cisco Systems	Networking	\$555B – \$579B	Mainstream tech company (lost ~70% peak value).
#2	Microsoft	Software	\$515B – \$578B	Multi-trillion dollar giant; still a market leader.
#3	General Electric	Conglomerate	\$475B – \$500B	Split up into three separate public companies.
#4	Intel	Semiconductors	\$395B – \$420B	Legacy chip maker facing steep market competition.
#5	ExxonMobil	Oil & Gas	\$280B – \$300B	Major energy player, highly sensitive to oil cycles.
#6	Walmart	Retail	\$260B – \$280B	Remained dominant; successfully scaled e-commerce.
#7	Oracle	Software	\$230B – \$250B	Maintained relevance via modern cloud computing.
#8	Pfizer	Pharmaceuticals	\$200B – \$220B	Major healthcare staple.
#9	Citigroup	Banking	\$180B – \$200B	Heavily restructured post-2008 financial crisis.
#10	Lucent Tech.	Telecom	\$170B – \$190B	Suffered a massive post-bubble crash; acquired by Nokia.

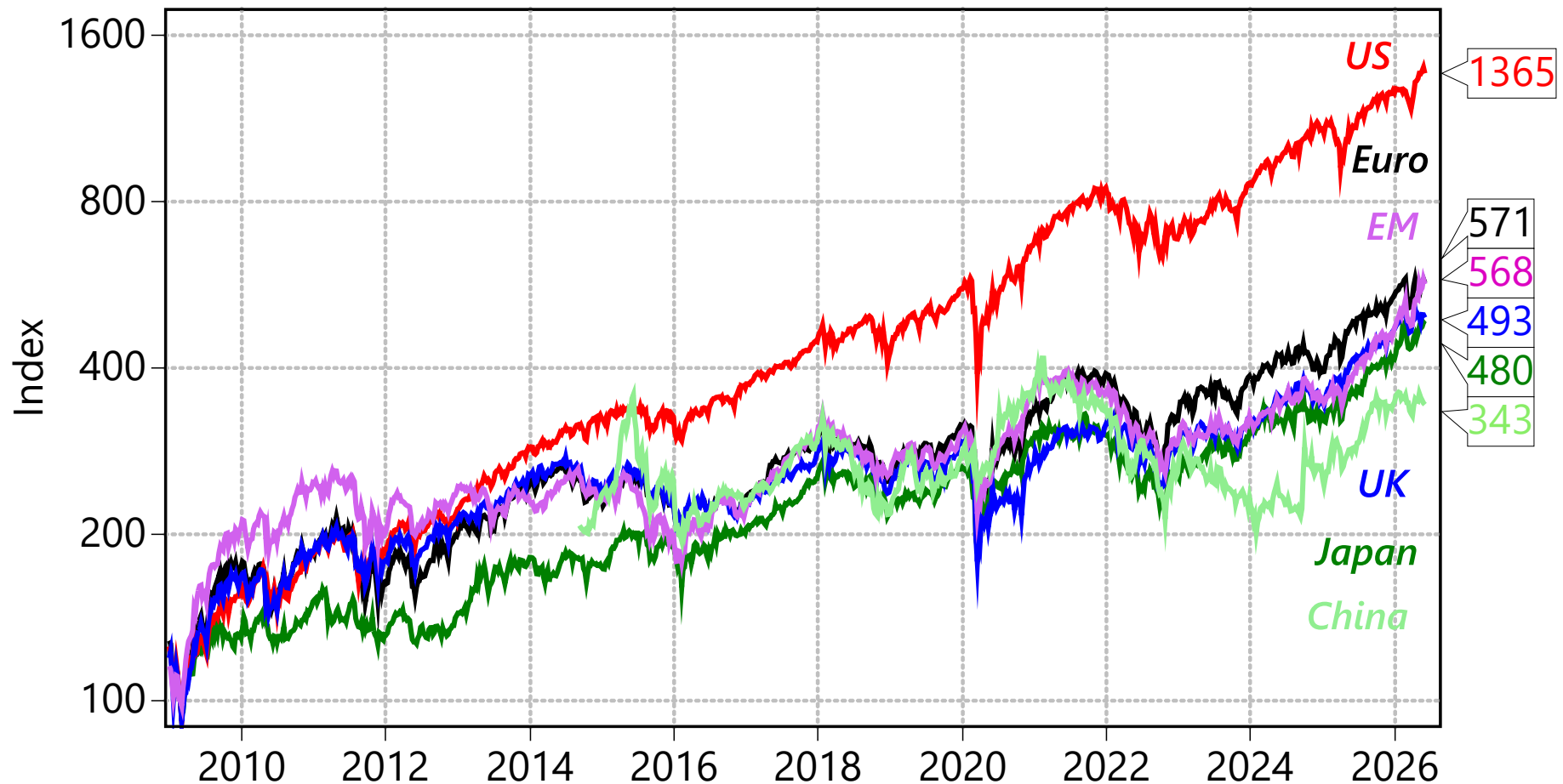
In the 2003-08 bull market, EM and Europe easily beat US



Wall Street had unprecedented outperformance after 2008

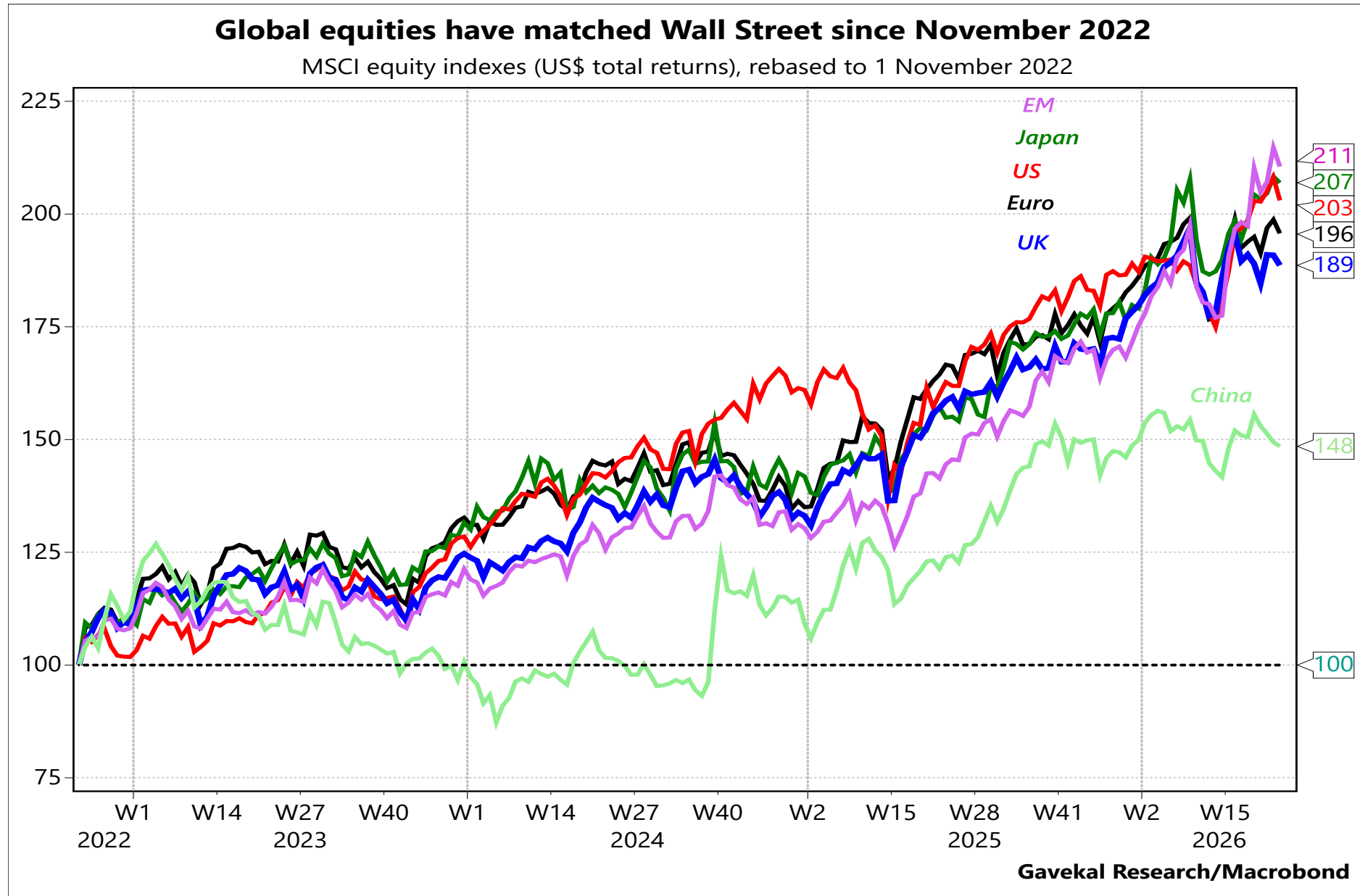
US was the only market worth owning from 2013 to 2022...

MSCI equity indexes (US\$ total returns), rebased to March 2009

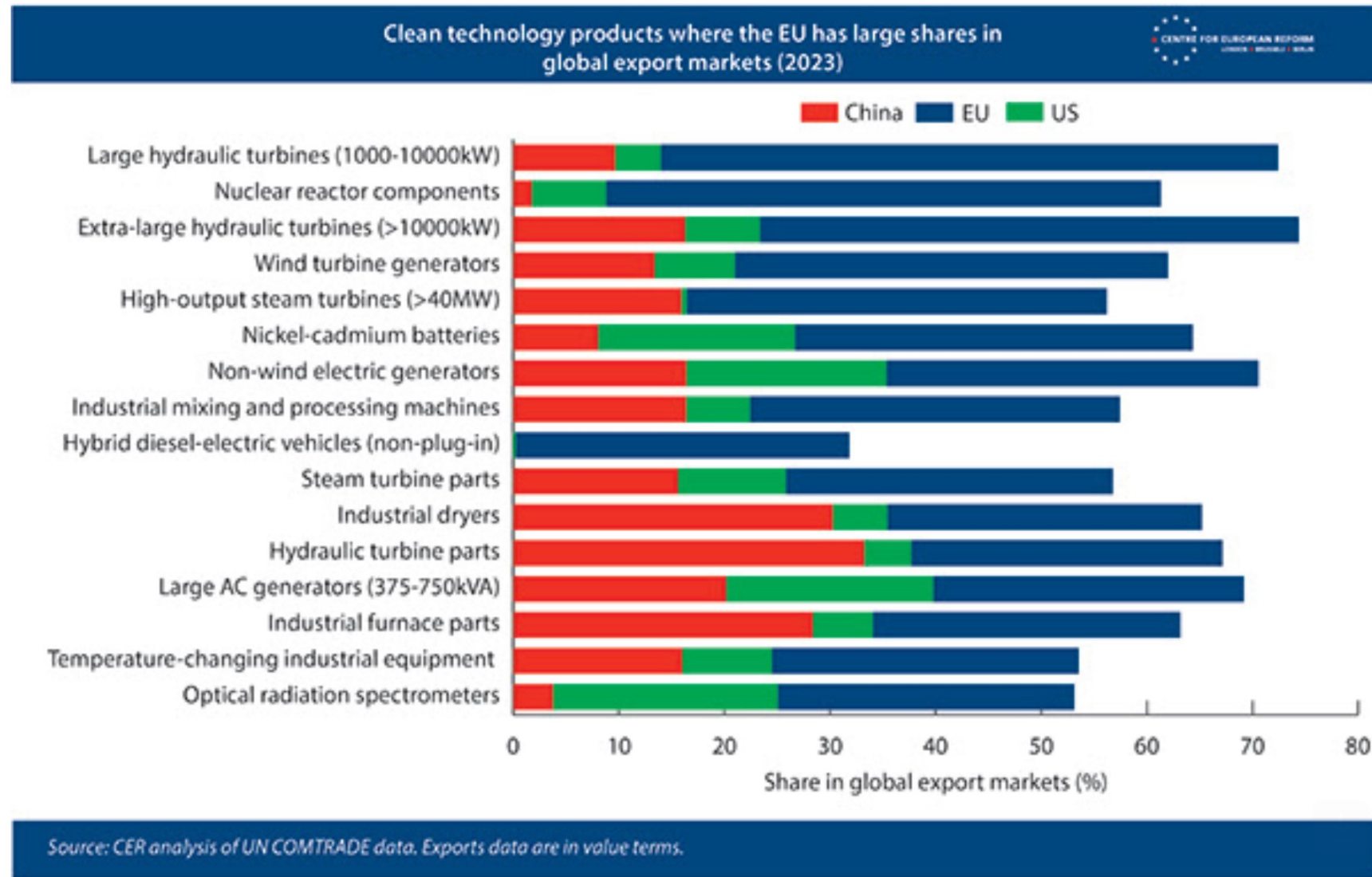


Gavekal Research/Macrobond

Beginning of the end for US exceptionalism was late 2022



EU supply-side has some strengths and US has many weaknesses



In 1930s one German university had 3x more Nobel Prizes than the entire US

Nobel Prize laureates [\[edit \]](#)

There are 57 Nobel Prize winners affiliated with the Humboldt Universit

- 1901 Jacobus Henricus van 't Hoff (Chemistry)
- 1901 Emil Adolf von Behring (Physiology or Medicine)
- 1902 Hermann Emil Fischer (Chemistry)
- 1902 Theodor Mommsen (Literature)
- 1905 Philipp Lenard (Physics)
- 1905 Adolf von Baeyer (Chemistry)
- 1905 Robert Koch (Physiology or Medicine)
- 1907 Albert Abraham Michelson (Physics)
- 1907 Eduard Buchner (Chemistry)
- 1908 Rudolf Eucken (Literature)
- 1908 Paul Ehrlich (Physiology or Medicine)
- 1909 Auguste Beernaert (Peace)
- 1909 Karl Ferdinand Braun (Physics)
- 1910 Paul Heyse (Literature)
- 1910 Otto Wallach (Chemistry)
- 1910 Albrecht Kossel (Physiology or Medicine)
- 1911 Wilhelm Wien (Physics)
- 1912 Gerhart Hauptmann (Literature)
- 1914 Max von Laue (Physics)
- 1914 Theodore William Richards (Chemistry)
- 1915 Richard Willstätter (Chemistry)
- 1918 Fritz Haber (Chemistry)
- 1918 Max Planck (Physics)
- 1920 Walther Nernst (Chemistry)
- 1921 Albert Einstein (Physics)
- 1922 Otto Meyerhof (Physiology or Medicine)
- 1923 Fritz Pregl (Chemistry)
- 1925 Gustav Ludwig Hertz (Physics)
- 1925 Austen Chamberlain (Peace)
- 1925 James Franck (Physics)
- 1925 Richard Adolf Zsigmondy (Chemistry)
- 1926 Gustav Stresemann (Peace)
- 1927 Heinrich Wieland (Chemistry)
- 1928 Adolf Otto Reinhold Windaus (Chemistry)
- 1929 Hans von Euler-Chelpin (Chemistry)
- 1930 Hans Fischer (Chemistry)
- 1931 Otto Heinrich Warburg (Physiology or Medicine)
- 1931 Friedrich Bergius (Chemistry)
- 1932 Werner Heisenberg (Physics)
- 1933 Erwin Schrödinger (Physics)
- 1935 Hans Spemann (Physiology or Medicine)
- 1936 Peter Debye (Chemistry)
- 1939 Adolf Butenandt (Chemistry)

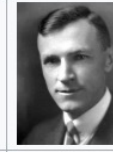
Physics [\[edit \]](#)

Year ↕	Image ↕	Laureate ↕
1907		Albert A. Michelson
1923		Robert A. Millikan
1927		Arthur H. Compton
1936		Carl David Anderson
1937		Clinton Davisson
1939		Ernest Lawrence

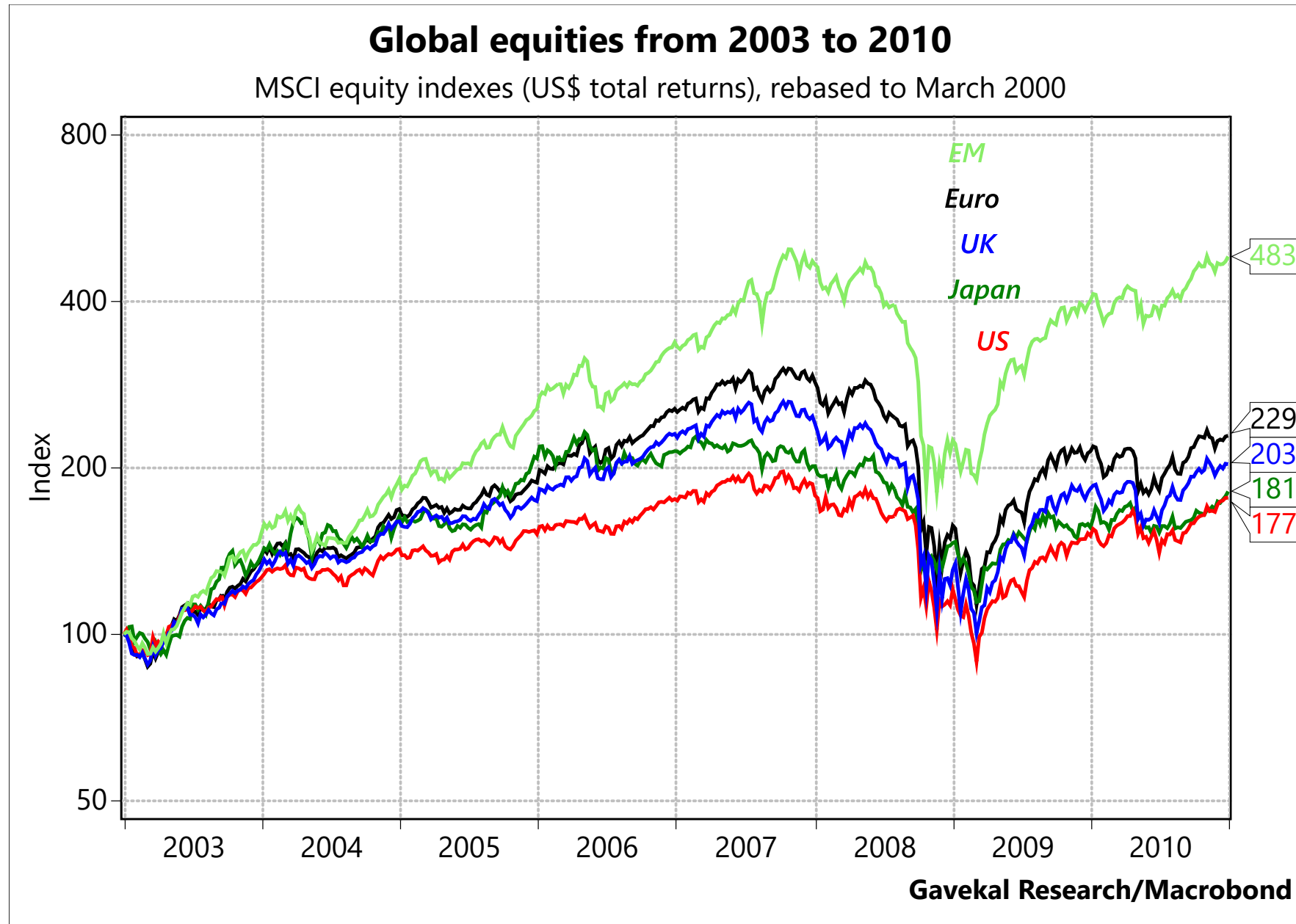
Chemistry [\[edit \]](#)

Year ↕	Image ↕	Laureate ↕
1914		Theodore W. Richards
1932		Irving Langmuir
1934		Harold C. Urey

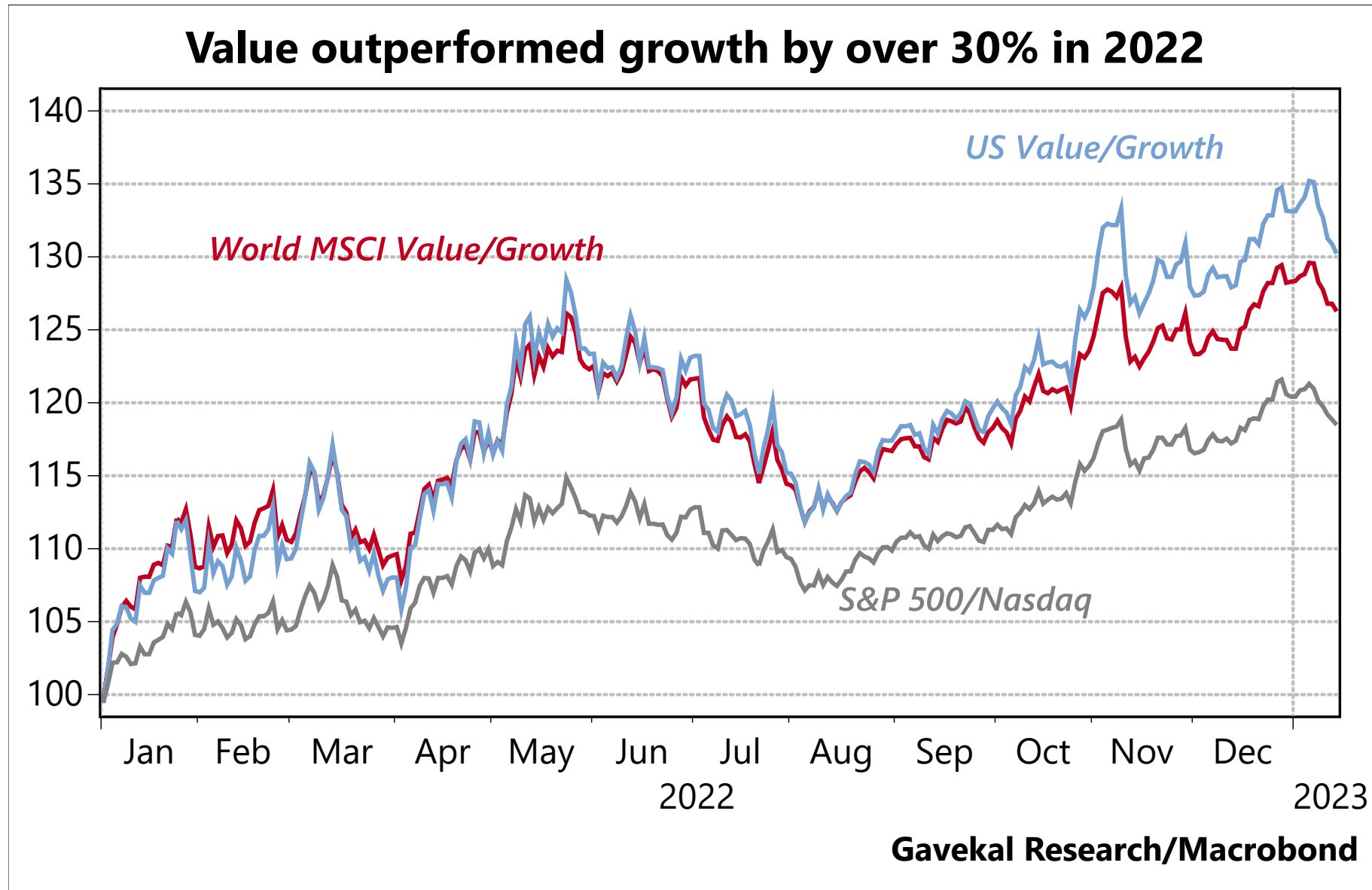
Physiology or Medicine [\[edit \]](#)

Year ↕	Image ↕	Laureate ↕
1933		Thomas H. Morgan
1934		George R. Minot
1934		William P. Murphy
1934		George H. Whipple

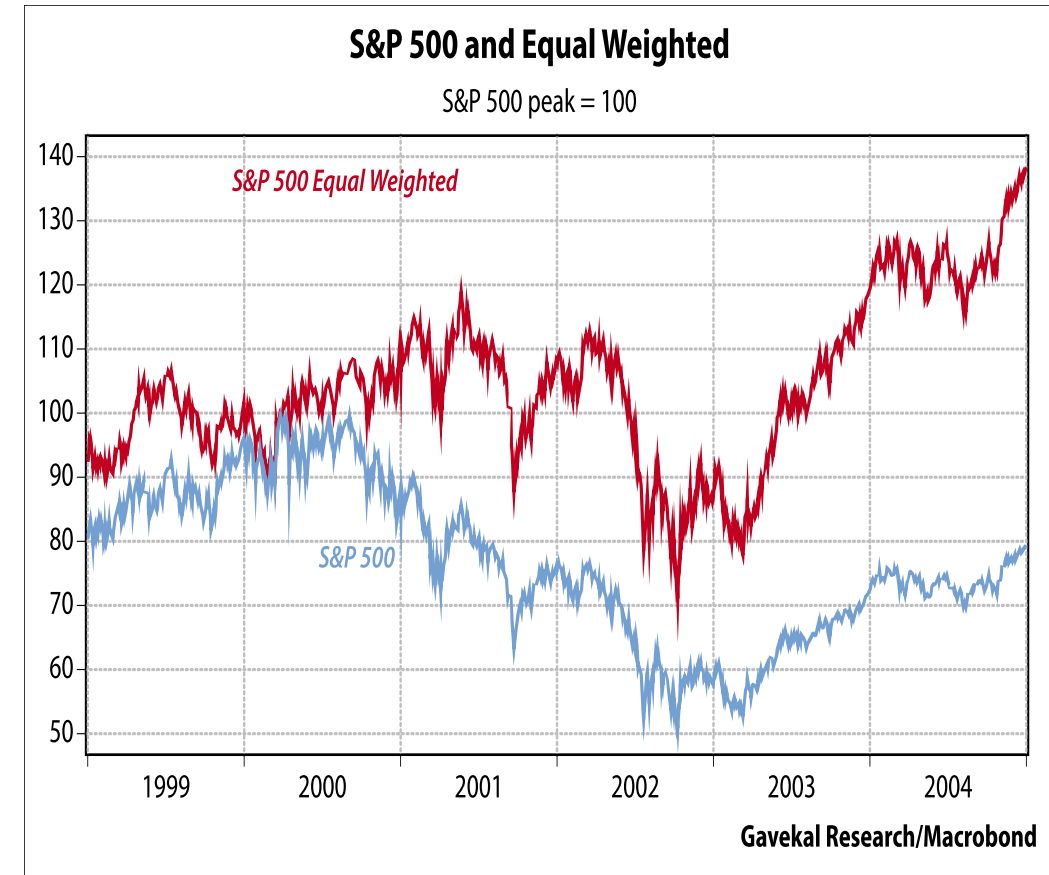
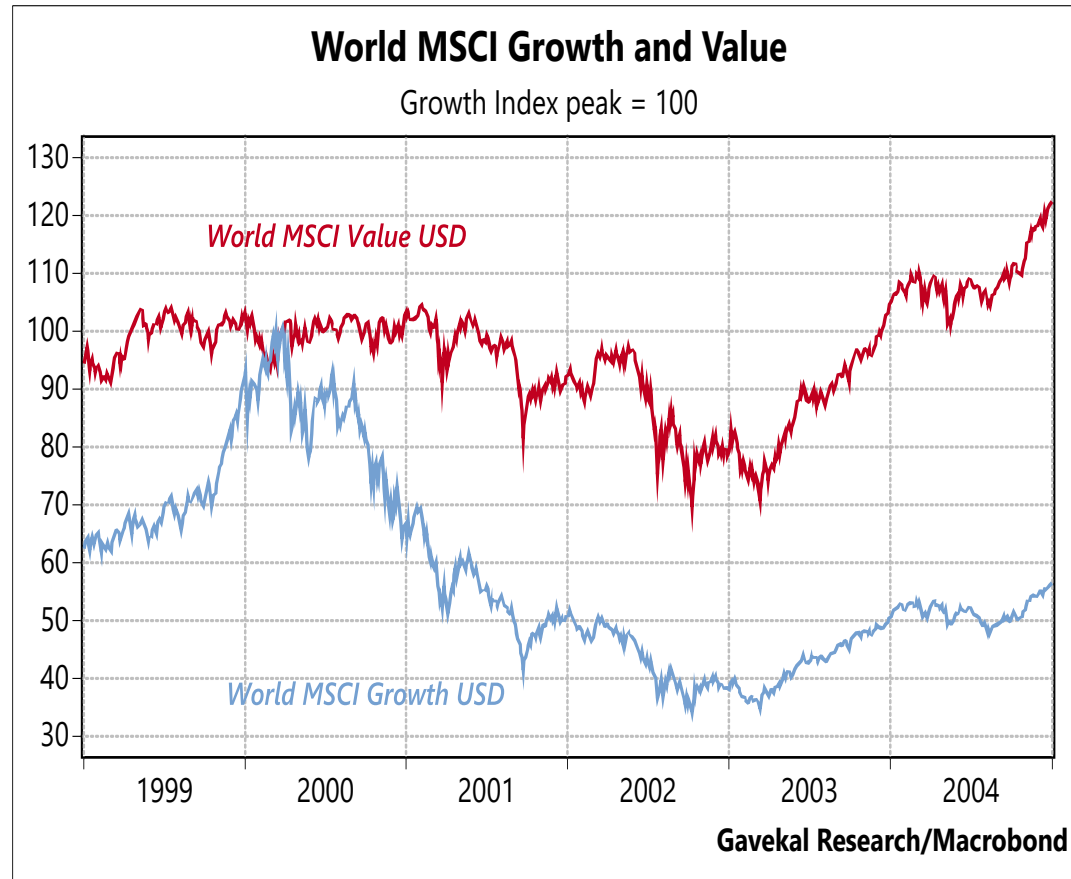
US equities under-performed for 10 yrs after dot-com bubble



In the 2022 stagflation value massively outperformed growth



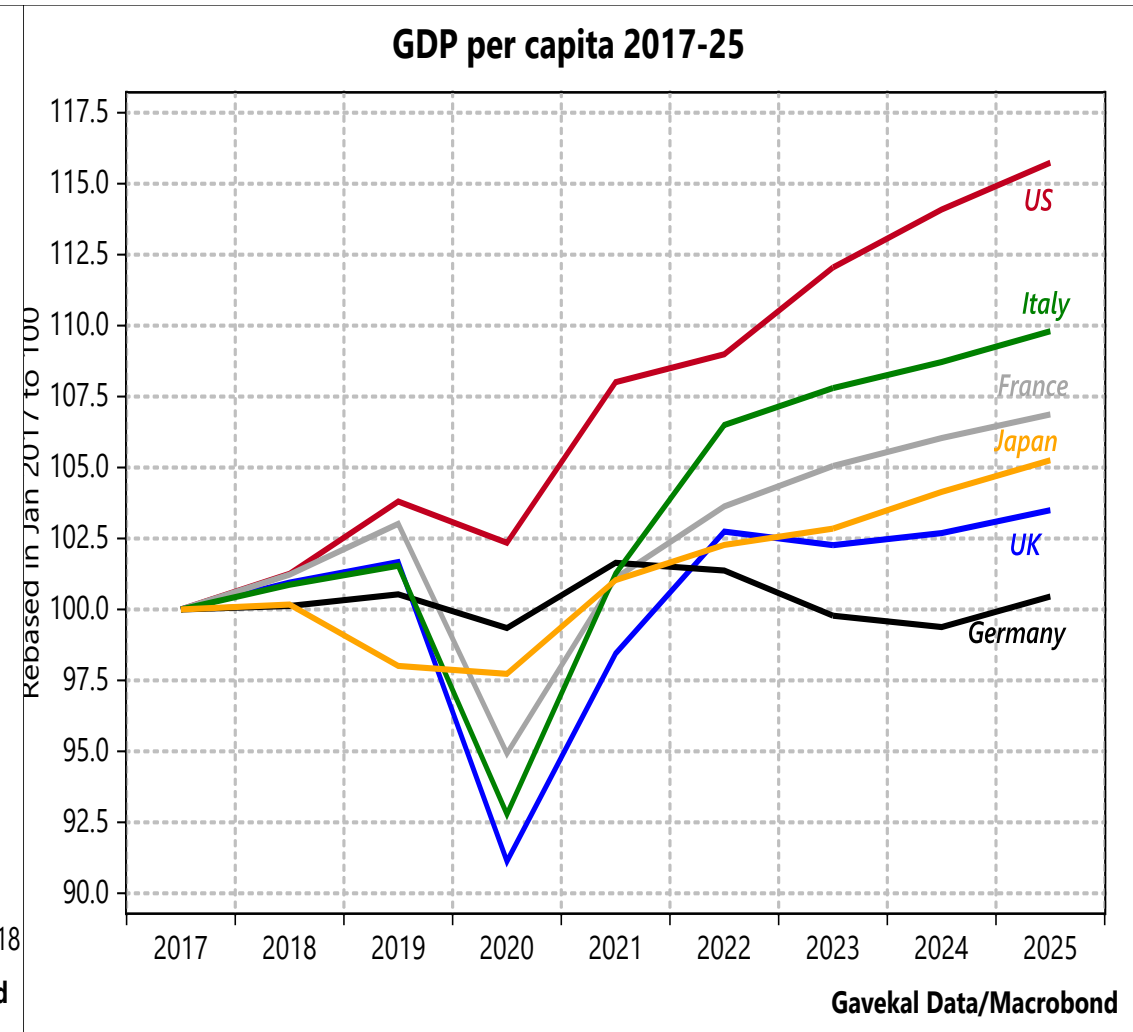
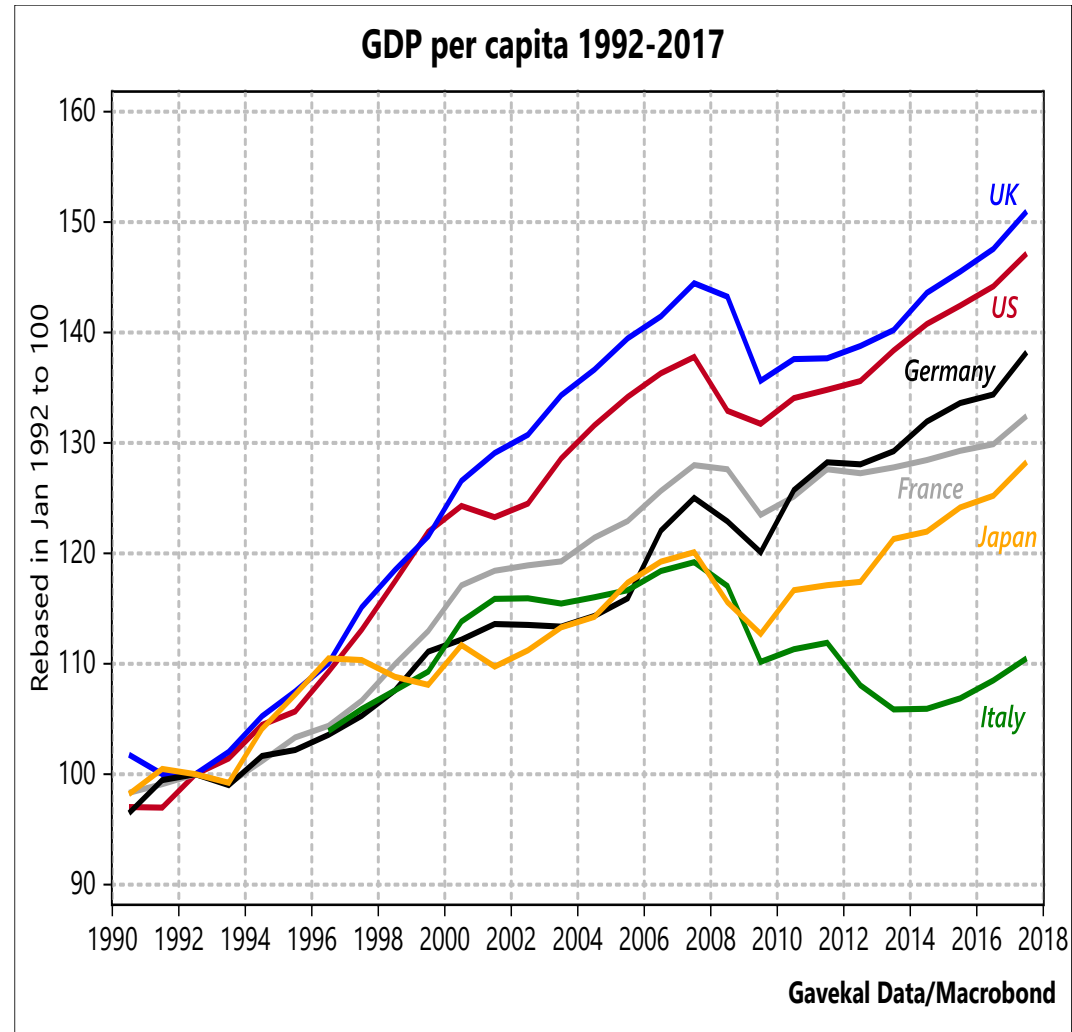
Value held up pretty well after the dot-com bust



Appendix:

A “Black Wednesday” Policy U-turn for Britain?

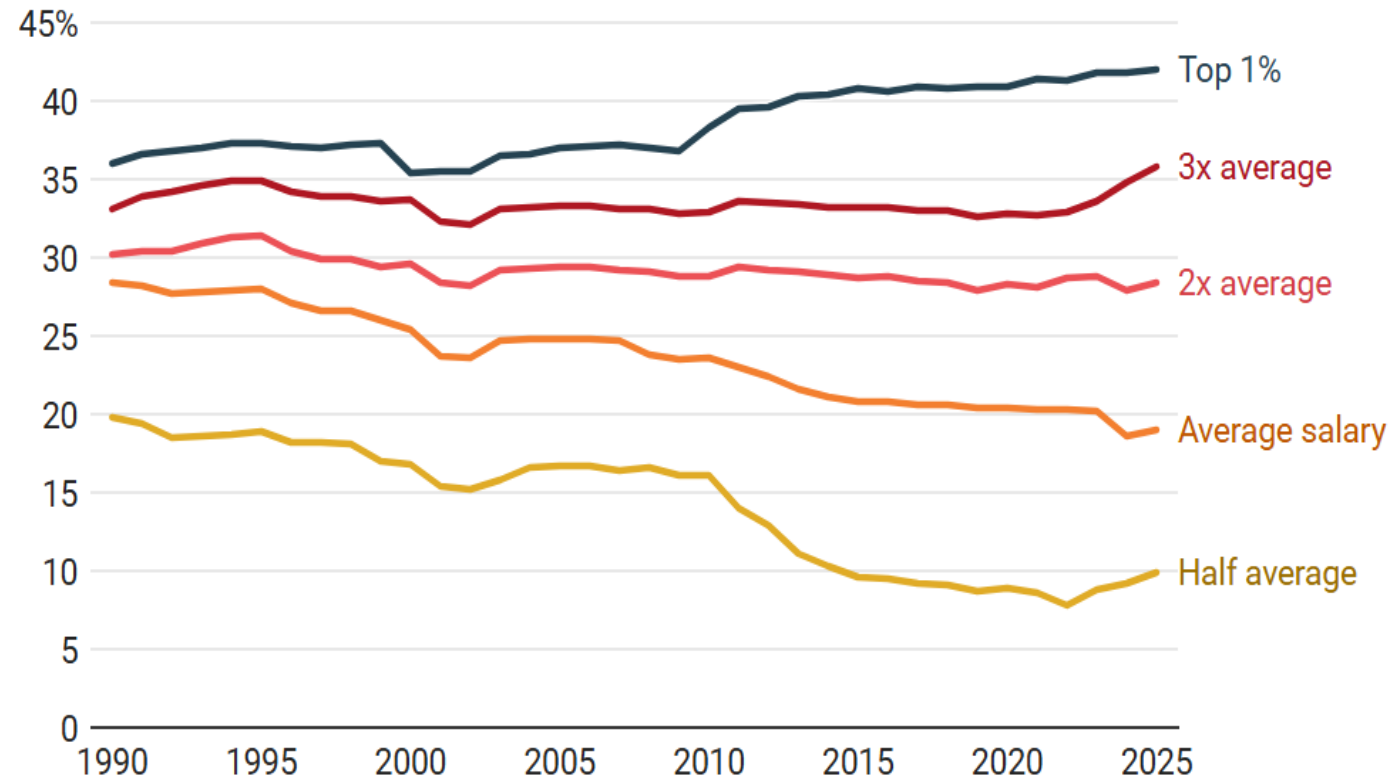
The 1992 “crisis” turbo charged Britain’s economy - until Brexit stalled it



Average workers' taxes are now very *low* historically...

Tax rate by income

How national insurance and income tax deductions have changed over time for those on different income levels



Multiples of median full-time UK salary (with estimate for 2025)

Chart: Tom Calver | The Sunday Times • Source: ONS, HMRC

[Is Britain a high-tax nation compared with other countries?](#)

UK taxes on average earnings are second *lowest* in the world

Tax by country

Deductions for those on different income levels, by country

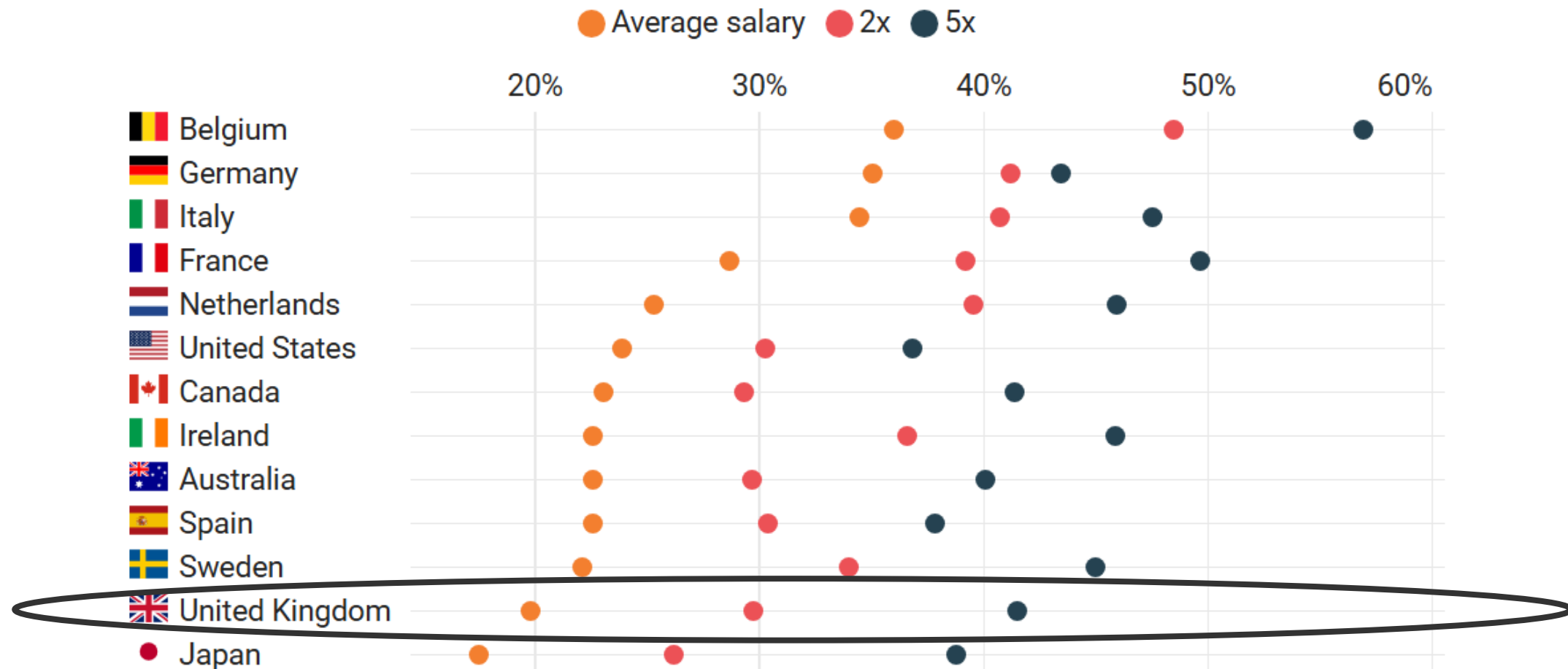


Chart: Tom Calver | The Sunday Times

Contact and disclaimer

This presentation was prepared by

Anatole Kaletsky

akaletsky@gavekal.com

All research is available online at research.gavekal.com

Copyright © Gavekal Ltd. Redistribution prohibited without prior consent.

This report has been prepared by Gavekal mainly for distribution to market professionals and institutional investors. It should not be considered as investment advice or a recommendation to purchase any particular security, strategy or investment product.

References to specific securities and issuers are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.



**Gavekal Ltd.
Head Office**

Suite 3101 Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Tel: +852 2869 8363

Fax: +852 2869 8131

**Gavekal Dragonomics
China Office**

Room 2110, Tower A
Pacific Century Place, 2A Gongti Beilu
Beijing 100027, China

Tel: +86 10 8454 9987

Fax: +86 10 8454 9984

www.gavekal.com

For more information contact sales@gavekal.com