Market Commentary on the Q2’2025 Results Season:

From Noise Fatigue to Stock Market Bubble?

With all the ‘noise’ (information overload) over US tariff policy in recent months,[i] aggravated by growing geopolitical tension, excessive US federal debt and the independence of the Federal Reserve being undermined, **professional fund managers have so far largely shrugged off exogenous shocks** and invested with **renewed exuberance into large-cap tech stocks**. As a result, valuation metrics reaching record levels by late July.[ii] While market commentators still remain puzzled about this **disconnect between the scope of uncertainty and ‘market sentiment getting better’** (Jeremy Barnum, CFO of JPMorganChase),[iii] the ‘resilience of the global economy to withstand current risks‘ (David Solomon, CEO of Goldman Sachs) is largely explained by the fact that **US tariffs had so far no meaningful impact on inflation and/or growth**, leaving open whether foreign suppliers are absorbing the costs or US firms by simply running down existing inventory.[iv]

Given that the Pandora box of global trade tariffs has been opened for good by now, there is still much anxiety about **institutional investors having to build stagflationary and/or recessionary scenarios into their models**,[v] despite senior management maintaining during the Q2‘2025 reporting season that ‘pricing (has been) fully adjusted for the tariff impact and inflation (being) under control‘ (Peter Nilsson, CEO of Trelleborg). With all the panic experienced over the last few months, there is probably an **element of truth in the ‘forces of global mean-reversion‘**,[vi] given not only the **high costs of re-engineering global supply chains** but also numerous reports about **Chinese and other companies averting US tariffs through ‘place of origin-washing‘** and fraudulently undervaluing cargo sent to the US.[vii]

In this context, the main new narrative of the current Q2‘2025 reporting season has been to what extent **senior executives can look beyond increasing short-term uncertainty and identify long-term industry growth opportunities** (Christoph Fouquet, CEO of ASML), whether this relates to future electrification and automation (ABB), defence orders (SAAB), innovation and technology (Lonza) and/or artificial intelligence (ASML). While results reported over the last three weeks had largely been mixed and disappointing for many, variously explained by FX headwinds having intensified (AkzoNobel, TSMC, Nokia), higher operating expenses (Tesla, Intel), the first tangible impact of US tariffs (Puma, Volkswagen) and the substantial downturn in specific industries such as automotive (Trelleborg), the **companies that presented an attractive long-term strategy convincingly were rewarded by the stock market the most** in recent days.[viii]

With the US Senate having established the first regulatory framework for issuers of stablecoins in July (Genius Act), while other Central Banks further advanced their effort to set up a digital currency (CBDC), we first investigate the **latest developments in cryptocurrencies entering mainstream finance**, which is part of a battle for new global payment systems. Another theme of major enquiries by analysts and investors during the ongoing Q2‘2025 reporting season was the role of China in companies‘ portfolios and we look specifically at **latest attempts for economic**

self-reliance in China. For illustration, we provide a **case study on the Metals & Mining industry**, with a specific focus on listed Western companies. With much of the current investor hype being centred around productivity gains through AI, we then reflect on the **broader debate about shifting AI strategies**, adding a separate section on the **new enthusiasm for robotics as AI is entering the enterprise and industrial phase** (Jensen Huang, CEO of NVIDIA). Finally, with some of the most influential short sellers being in retreat since early 2025, we provide an **update on the current activist landscape**.

CRYPTOCURRENCY ENTERING MAINSTREAM FINANCE

We have written extensively about the development of cryptocurrencies in the past, but the more liberal approach of the new US administration has resulted in a new era of digital assets entering mainstream finance after the US Senate passed legislation on regulating stablecoins in July 2025 – a fiat currency pegged to the US dollar and backed by short-term liquid assets like Treasury bills, money market funds or loans in overnight money markets.[ix] Interestingly, the bill specified three different legal entities as 'permitted payment stablecoin issuers',[x] including 'federal qualified non-bank' issuers, which raised the bar for established US banks.[xi]

Perhaps not surprisingly, analysts frequently asked about the new stablecoins legislation at the current Q2'2025 reporting season, being particularly interested in how established US banks will compete with crypto specialists and whether US banks might, in fact, make a joint effort. In general, banking executives embraced the new legislation enthusiastically and maintained that 'digital asset solutions are a complementary to the existing suite of products' (Jane Fraser, CEO of Citigroup);[xii] however, leaving open what specific steps they might want to take in the near future.

At the same time, US lawmakers passed a third bill prohibiting the Federal Reserve from issuing central bank digital currency (CBDC),[xiii] which is perhaps a reflection of the differences the current US administration has with the Federal Reserve and in stark contrast to some of the efforts other central banks have made, notably China.[xiv] Suffice to say that this goes hand-in-hand with China's attempt to challenge the dollar-dominated international payment system, setting up China's Cross-Border Interbank Payment System (Cips) as an alternative to Swift, although at the time of writing, only six foreign institutions have joined the renminbi-centred currency system.[xv] Remarkably, Europeans have so far largely stayed at the sidelines, although a digital euro project appears to be under way, with the required infrastructure and legislative framework not being in place yet to compete with US stablecoins.[xvi]

CHINA'S ECONOMIC SELF-RELIANCE

With China's long-standing emphasis on production over consumption, the latest trade conflict with the US had laid open bottlenecks in advanced technologies, notably semiconductors, which led President Xi Jinping to step up his call for 'self-reliance' in the manufacturing sector only a few days after China and the US agreed on a 90-day truce in their trade war.[xvii] While this might be a re-emphasis of the existing Made in China programme launched in 2015, aiming to expand domestic market shares in strategic industries (electric vehicles, high-speed trains, telecommunications, robotics) through the use of subsidies and policy support, this reduces opportunities of foreign companies as domestic producers are systematically favoured. The latter point was even raised by some European CEOs during the Q2'2025 reporting season.[xviii]

In response to higher US tariffs, one important element of China's tool kit has been export control in rare earths (titanium, magnesium) and new magnets, with direct implications for global high-tech supply chains (transistors, batteries, chips and software),[xix] which shifted the balance of leverage in China's favour and perhaps explains why the US came to a relatively fast trade agreement in Geneva on 12 May. While Chinese manufacturing activity contracted in the immediate aftermath of 'liberation day' on 2 April,[xx] authorities released strong trade figures for June as companies used the trade truce with the US to ship goods ahead of August deadline for a more definite deal.[xxi] In this context, Western companies operating in China not only reported better results supported by more price stability,[xxii] but also confirmed that China has set itself higher ambitions for self-sufficiency.[xxiii]

While it goes beyond the scope of this market commentary to look into structural issues of the Chinese economy in greater detail, notably how to find ways to channel massive domestic savings into productive investments, the improved economic sentiment certainly helped to moderate capital outflows, improve retail sales and withstand US tariff policy.[xxiv]

CASE STUDY: METALS & MINING

Over the last few months, we have closely followed the metals & mining industry, with a particular focus on Western-listed companies, in order to better understand not only shifts in global supply and demand, but also to what extent the entire industry has become hostage to geopolitical conflicts, notably when China applied export restrictions on rare earths in response to new US tariffs.[xxv] The latter resulted in a new US-based champion for rare earths, MP Materials, with the US government becoming the largest shareholder in the company after committing $400mn of direct investments and guaranteeing a decade-long price floor for its output (nearly double the current market price), which led to accusations by rival companies that this is essentially replicating the Chinese model of state-backed industry.[xxvi]

While we had followed not only large global mining companies (Rio Tinto, Anglo-American, BHP, Barrick, Glencore, Trafigura) but also small players (Newmont, Agnico Eagle, Lynas Rare Earths, Iluka, First Quantum, Orano Group, Fortescue, RHI Magnesita), there were a number of common themes for the industry, whether it related to reserve replacement, diversification and realignment of portfolios, technical competence to complete projects on time and in budget as well as access to land together with water treatment and waste management.[xxvii] In terms of geopolitical conflicts, various political regimes became more assertive to control a larger share of their resources, whether this related to African states, Mongolia or Panama,[xxviii] which led to both a de-risking from costly greenfield projects (Glencore, Barrick) and further rationalisation and productivity enhancement (Newmont, Iluka).[xxix]

Interestingly, while most mining companies started their investor presentation with their safety record – and in fact had to report casualties – there was a growing focus on labour as this not only accounts for most of the cost base (Tom Palmer, CEO of Newmont Mining), but is also considered as the 'biggest risk' given labour intensity and shortage (Tom O'Leary, CEO of Iluka Resources).[xxx]

Rio Tinto went even a step further by admitting the need for a 'less hierarchical and more human organisation', conceding a 'backlash in cultural change' and the need to 'upskill frontline managers' (Jakob Stausholm, outgoing CEO of Rio Tinto).[xxxi] On the back of the sector's massive environmental impact as well as the 'opaque nature of markets' given 'varying pricing by geography and indivdual customers' (Iluka), it is perhaps no surprise that the metals & mining industry has risen on investors' radar screen (as it did for political decision makers). It will now be up to companies to show to what extent current uncertainty and the dislocation of markets create opportunities for arbitrage (Gary Nagle, CEO of Glencore).

RETHINKING AI STRATEGIES

Since the latest AI-driven market correction in summer 2024, we have closely followed a broader debate – both among industry experts and professional fund managers – to what extent we should start to rethink existing AI strategies and, most importantly, where the returns of these massive investments are supposed to come from and who the real beneficiaries of this major transformation are going to be.[xxxii] While investors have gone through different cycles of hype and disappointment in recent AI-driven market rallies,[xxxiii] the assertion of agentic AI being able to 'reason how to solve problems and plan action' (Jensen Huang, CEO of NVIDIA) has not only reinvigorated AI mania but also started to address specific investor concerns about the cost of physical infrastructure and energy demand required for AI including innovative technology solutions for energy transition.[xxxiv]

Most of the criticism about the latest AI hype centers around the fact that machine-learning systems are not replacing human brains,[xxxv] questioning the claim that AI models are developing capacity to understand the world beyond the data they are trained on.[xxxvi] In turn, industry experts have argued that commercial pressure to develop AI models have resulted in dangerous capabilities, providing evidence of 'deception, cheating, lying and self-preservation'.[xxxvii] Most importantly in this debate, while there is no doubt about recent efficiency gains through AI, there are still major innovation breakthroughs required to achieve genuine AI which can match or even surpass humans across the full spectrum of cognitive tasks – despite recent claims made by OpenAI and others.[xxxviii]

Arguably, the most interesting element of this debate is to what extent human capital has become vulnerable to automation and devaluation in the AI revolution as many manual and mental skills we have learnt are becoming increasingly redundant in the face of the machine. For industry experts, the irreducible element is human attention, which cannot simply be replaced by smart machines, particularly at a time of information overload leading to 'poverty of attention', calling for not only a new way to higher value, but also to reinvesting in human capital, notably when considering productivity gains from AI technology.[xxxix]

NEW ENTHUSIASM FOR ROBOTICS

With further progress being made from generative AI to agentic AI (digital workers) to physical AI (robotics), latest software developments have advanced to the point where robots can adjust to new situations, respond to verbal instructions and be dexterous enough to manipulate objects.[xl] Given demographic decline and rising social and industrial demands, the latest developments have not only allowed robots to move beyond repetitive tasks on the factory floor, but also open new opportunities in healthcare, education, manufacturing, and even household chores - with the benefit of being able to operate in hazardous environments, support quality assurance and deal with logistics - providing the kind of higher value in human capital we had discussed above.[xli] With AI infrastructure being built for new enterprise IT, robotics is expected to make further inroads in cars, factories and warehouses (Jensen Huang, CEO of NVIDIA).[xlii]

While US-based technology companies are racing to build the AI 'brain' that can autonomously operate robotics (Google DeepMind, Tesla, OpenAI),[xliii] recent success by Chinese start-ups (Unitree, AgiBot, Engine AI, Fourier and UBTech) shows not only that humanoid hardware could become the new frontier of US-China tech competition, but also that China's deep electronics and EV supply chain has given the country a head start – despite US companies advancement in terms of innovation and software.[xliv] At the same time, while demand for humanoid robots is growing fast, they have prompted a fiery debate about safety, form and function and the jury about future applications is still out, particularly when it comes to deploying robots alongside employees at factory floors and warehouses.[xlv]

SHORT SELLERS IN RETREAT

After short seller Nathan Anderson published an extensive personal letter on his corporate website in January 2025, announcing the shutdown of Hindenburg Research best known for betting against EV manufacturer Nikola, Carl Icahn and India's Adani Group,[xlvi] it shocked his large following – including us - who eagerly anticipated Hindenburg reports and, implicitly, its new potential targets. Hindenburg has established a reputation for meticulously detailed reports and relentless pursuit of companies he alleged were committing fraud.[xlvii] But in his letter he was also open about this business being notoriously difficult, which relied on unconventional methods leading to 'nearly 100 individuals being charged civilly or criminally by regulators, including billionaires and oligarchs' (Nathan Anderson). As they 'shook some empires (they) felt needed shaking', this naturally resulted in expensive legal battles and a huge 'intensity and focus' of the job, with the team being limited to 11 people.

Anderson follows a number of high-profile investors to have recently quit activist short selling (Andrew Left, Jim Chanos, Bill Ackman), as highly public campaigns have become increasingly difficult to generate returns, particularly in markets dominated by passive investing and trading algorithms. However, others continue their short-selling business with great determination to write even sharper reports (Muddy Waters, ShadowFall, Gotham City Research/General Industrial Partners, Quintessential, Hunterbrook).[xlviii] While long-short strategies among activist hedge funds varied over time, high-profile campaigns have continued, with Christopher Hohn's TCI taking on GE Aerospace, Visa and Microsoft and achieving a 21% return over the first half of 2025.[xlix] As we had written in previous reports, US and UK-based activists have also started to target 'new frontier markets', notably Japan, with an increasing level of success.[l]

Peter and Irina Kirkow
31 July 2025

APPENDIX

The energy transition continues to drive growth today

Solid underlying fundamentals…

Global growth

	YoY[4]
GDP[1]	+2.8%
Energy consumption[2]	+2.5%
Electricity demand[3]	+4.0%

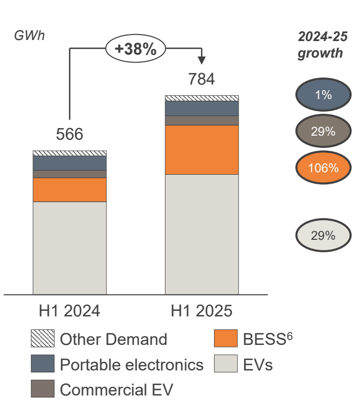
drive commodity demand growth…

Global commodity demand

	H1 2025	YoY[4]
Copper	13Mt	+3%
Aluminium	37Mt	+3%
Lithium	713Kt	+28%
Iron ore[5]	1.2Bt	0%

particularly for lithium

Global battery demand by end-use



[1] Source: Oxford Economics | [2] Source: IEA, S&P global and Enerdata projections | [3] Source: IEA and Ember projections | [4] YoY compares H1 2025 to H1 2024 | [5] Total iron ore requirement, excludes changes in portside inventory | [6] BESS = Battery energy storage system

Portfolio Optimization Strategy

Unlocking value through sale of non-core assets

- Targeting businesses with:
  - Limited synergies with the rest of the portfolio or not core to long-term growth strategy
  - Required ongoing investment not justified by margins / returns
- $2.5 billion of divestments announced since the company was formed

Reinvest in core growth, higher return opportunities

- Targeting complementary offerings with strong 'strategic fit' to accelerate growth and enhance returns in areas where we have competitive strengths
- Focused on further shifting the portfolio towards industrial end markets

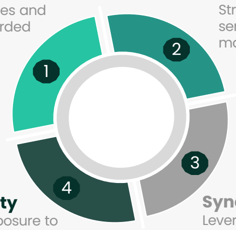
Increased balance sheet optionality

- Strong balance provides flexibility for strategic investment
- Leverage ratio of 0.6x Net Debt / LTM Adj EBITDA, with a further $1 billion of net proceeds anticipated from recently announced transactions

STRATEGIC CRITERIA FOR INVESTMENT

Critical Applications
Focused on technologies and solutions that are regarded as business critical

Aftermarket / Lifecycle
Strong mix of aftermarket services that leads to high-margin recurring revenues



Earnings Durability
Building increased exposure to secular growth markets with less cyclicality

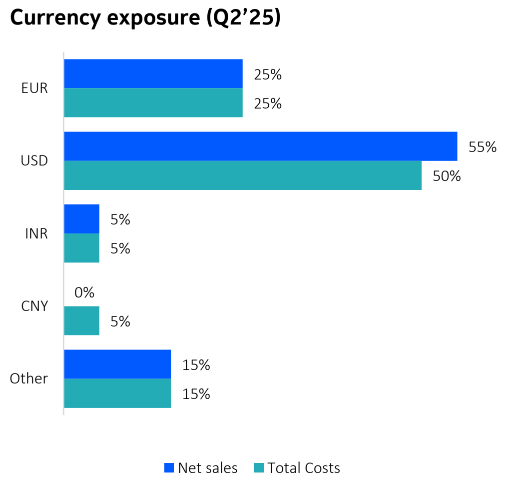
Synergies
Leverages BKR's global commercial platform, supply chain, integration and IT systems to drive value creation

FINANCIAL CRITERIA FOR ACQUISITIONS

Accretive to Margin Targets	Accelerates Revenue Growth	Delivers Strong Free Cash Flow	Returns > Cost of Capital by Year 5

Baker Hughes

High level of natural hedging inherent in the business



Change in EUR/USD:

10% weaker USD

Net sales impact:

-5%

Operating margin impact before hedging:

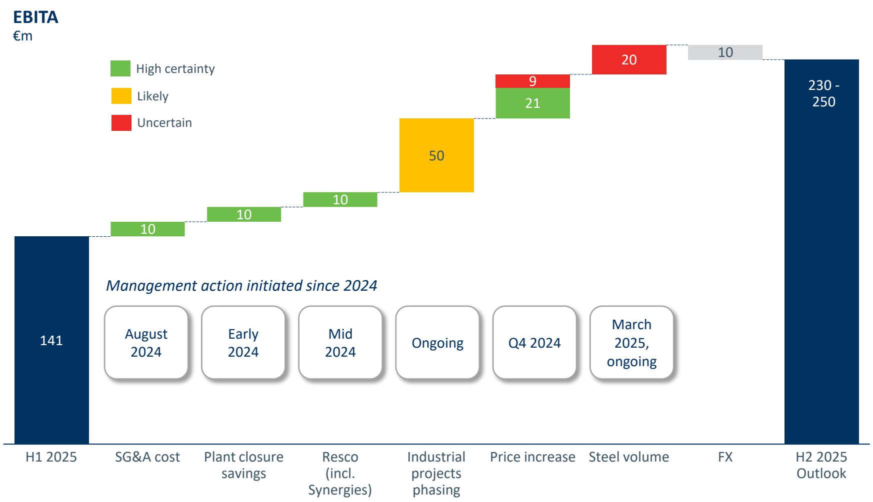
Slightly negative

NOKIA

RHI MAGNESITA

Management action already taken, will take effect in H2

(i) Reduce costs, (ii) fulfil industrial project orders, (iii) increase prices, (iv) grow steel volumes



2026 onwards benefit from effects of:

- SAP upgrade
- SG&A outsourcing
- Further network optimisation
- Improved vertical integration margin

ENDNOTES

[i] While Trump's protectionist agenda has pushed uncertainty to an all-time high, his constantly shifting deadlines, fiddling with duty rates and linking levies to open-ended negotiations have made it very difficult for investors to mark assets to markets. This kind of information overload is in stark contrast to the market's pricing of volatility, which has decoupled from the high level of uncertainty despite falling growth forecasts, tariff threats and fiscal instability, see: Tej Parikh, *'How Trump muddles the stock market'*, Financial Times, 29 July 2025. For an interesting assessment of the current market situation, see also: Mohamed El-Erian, '*Reasons for caution amid America's triumphant market surge'*, Financial Times, 31 July 2025.

[ii] While the second quarter 2025 has been divided into two very different periods, starting with 'liberation day' tariffs at the low point in early April and then gaining new momentum after the US-China trade agreement on 12 May (Ted Pick, CEO of Morgan Stanley, at the Q2'2025 analyst call on 16 July 2025), further trade deals, notably with Japan, have led to investor complacency best described in the Taco acronym (Trump Always Chickens Out), see: Ian Smith and Emily Herbert, *'Market volatility recedes as investors brush off Donald Trump's tariff threats',* Financial Times, 10 July 2025. For renewed investor exuberance and stock market records, see: Kate Duguid, George Steer, Harriet Clarfelt and Ian Smith, *'Wall Street 'euphoria' sparks bubble warnings'*. Financial Times, 26 July 2025. For the implications of the latest trade deal between the US and the EU, see: Henry Foy, Aime Wiliams and Andy Bounds, *'US and EU reach tariff agreement to avert trade war'*, Financial Times, 28 July 2025.

[iii] During the Q2'2025 reporting season, US banks largely described the current market environment as 'remaining constructive' and 'clients increasingly accepting uncertainty' (Ted Pick, CEO of Morgan Stanley, at the Q2'2025 analyst call on 16 July 2025), with 'navigating uncertainty (being) the new norm' (Jeremy Barnum, CFO of JPMorganChase, at the Q2'2025 analyst call on 15 July 2025). In turn, European industrials observed uncertainty impacting customer behaviour and investment decisions (Lars Sandström, CFO of Ericsson, at the Q2'2025 analyst call on 15 July 2025) as well as 'hesitancy' combined with 'short buying by customers' (Peter Nilsson, CEO of Trelleborg, at the Q2'2025 analyst call on 17 July 2025).

[iv] There is probably truth in both arguments, with the decline of the US dollar since the beginning of 2025 having absorbed some of the impact, while other factors like share buy-backs, retail investors buying the dip, foreign investors not retreating from US stocks and bonds as well as AI mania reaching new highs were equally relevant in this complex puzzle, see: Ruchir Sharma, '*The world is changing, the US market is not',* Financial Times, 30 June 2025. For an insightful analysis why markets remain silent, see; Gillian Tett, '*The markets are silent – that is worrying',* Financial Times, 20 June 2025. For additional arguments why markets remain silent, notably the claim that the 'US has become one of the world's most shock-resistant economies', see: Rick Rieder, '*The volatility paradox: why markets stay calm despite the noise'*, Financial Times, 28 July 2025.

[v] For an extensive explanation of these assumptions by the Chief Investment Officer at Pimco, Dan Ivascyn, see: Harriet Clarfelt and Eric Platt, '*Investors are misjudging Donald Trump's resolve on tariffs, Pimco warns',* Financial Times, 8 May 2025. Even after the new US-EU trade deal has been announced, there is probably some good reason to fear that Donald Trump might change his mind at any moment, see: Ruchir Sharma, *'What the world got wrong about tariffs'*, Financial Times, 28 July 2025. In turn, for the US President's much more cautious and restrained approach to China after the Chinese had applied export restrictions for critical rare earths and magnets in May, see: Demetri Sevastopulo, *'Donald Trump freezes export controls to secure trade deal with China'*, Financial Times, 28 July 2025.

[vi] Andy Haldane, '*The rise of the panicans',* Financial Times, 29 April 2025. Among those European industrials having reported their Q2'2025 results so far, this has been confirmed by the CFO of ABB, Timo Ihamuotila, saying that 'customers are cautiously balancing new orders with inventory levels' (ABB Q2'2025 analyst call on 17 July 2025). An interesting way of describing the situation was expressed by the CEO of TotalEnergies, Patrick Poyanne, pointing out that 'volatility around tweets is not tradeable', when referring to his own oil trading team, though acknowledging that 'geopolitics is playing its game in the market' (TotalEnergies Q2'2025 analyst call on 24 July 2025). For an extensive investigation into the change of global trade flows and supply chain adjustments, see: Peter Foster, Gill Plimmer, Andy Bounds and Aime Williams, *'How trade tensions are really affecting the global economy'*, Financial Times, 5 July 2025.

[vii] For Chinese exporters shipping their goods through third countries, see: William Langley, Rafe Uddin and Song Jung-a, *'Chinese exporters 'wash' products in third countries to avoid Donald Trump's tariffs'*, Financial Times, 5 May 2025. In turn, for Chinese manufacturers undervaluing cargo, see: Joe Miller, *'Chinese exporters undervalue cargo to skirt*

Trump tariffs', Financial Times, 6 May 2025. For an interesting insight into the extent new trade tariffs have resulted in a thriving smuggling market and boosted illegal trafficking by various mafia cartels, see: Roberto Saviono, *'Trump's tariffs are a gift to the mafia'*, Financial Times, 3 May 2025. The CEO of container shipping company Maersk,Vincent Clerc, stated in early May that with respect to the US 'everybody is rewiring supply chains' and there is 'massive haggling' while, at the same time, there is no alternative to China, both in terms of breadth and scale of trade flows (Maersk Q1'2025 analyst call on 8 May 2025).

[viii] Perhaps this is one good example for the tailwind of 'animal spirits around the globe', unleashed by the current market uncertainty and volatility (Ted Pick, CEO of Morgan Stanley, at the Q2'2025 analyst call on 16 July 2025). Except ASML, share prices of ABB, SAAB and Lonza had been significantly up on the day of reporting. Interestingly, Ericsson had similarly pointed to the stretch between short-term market swings and their focus on long-term margin expansion (Börje Ekholm, CEO of Ericsson, at the Q2'2025 analyst call on 15 July 2025), elaborating extensively on new growth opportunities through 5G standalone and AI to edge, but their own restructuring costs remain elevated. In turn, those companies promising a better second half of 2025 – a familiar pattern over the last three years – and pinning their hopes to political announcements, whether the German infrastructure and/or defence programme or a possible peace agreement between Ukraine and Russia – were largely ignored by investors (Palfinger H1'2025 analyst call on 25 July 2025). Similarly, RHI Magnesita presented a chart for the potential upturn in H2'2025 (see Appendix), which implied a number of uncertainties and was frequently questioned at analyst Q&A (RHI Magnesita H1'2025 analyst call on 30 July 2025).

[ix] The stablecoin market is dominated by Tether's eponymous coin and Circle's USDC token, still operating in a somewhat grey area between a payments network, a bank deposit and a security, with issuers having a liability like a bank but not making commercial loans, see: Philip Stafford, *'How stablecoins are entering the financial mainstream'*, Financial Times, 12 June 2025. For extensive research on digital currencies and the de-dollarisation of the global payments system, see: Brunello Rosa with Casey Larsen, *Smart Money. How Digital Currencies Will Win the New Cold War – and Why the West Needs to Act Now*, Bloomsbury Publishing, London, 2024. The best analysis on CBDCs remains: Eswar S. Prasad, *The Future of Money. How the Digital Revolution is Transforming Currencies and Finance*, Harvard University Press, Cambridge, MA., 2021.

[x] https://www.congress.gov/bill/119th-congress/senate-bill/394/text

[xi] Outside the US, it is interesting to note that the Bank of International Settlements (BIS) came recently to the conclusion that stablecoins fail the three main tests of any money as they are not backed by central banks, lack sufficient guardrails against illicit usage and don't provide the flexibility of funding required to generate loans, see: Martin Arnold, *'Stablecoins 'perform poorly' as money, central banks warn'*, Financial Times, 24 June 2025.

[xii] Citigroup Q2'2025 analyst call on 15 July 2025. Similarly, other major US banks received multiple questions on stablecoins during the Q2'2025 reporting season, particularly on new opportunities and what specific areas they might want to focus on (JPMorganChase, Morgan Stanley, Goldman Sachs), but senior management remained evasive when it came to detail and avoided any quantification in terms of cross-border revenue of stablecoins (Citigroup).

[xiii] Alex Rogers and Akila Quinio, *'US Congress passed landmark bill to regulate stablecoins'*, Financial Times, 27 July 2025.

[xiv] Thomas Hale and Cheng Leng, *'China's central bank chief expects new currency order to challenge dollar'*, Financial Times, 18 June 2025.

[xv] Other experiments with CBDCs include Thailand, with $12.5bn being distributed as part of a digital wallet programme to households, see: Eswar Prasad, *'Thailand may tell us a great deal about the future of money'*, Financial Times, 6 August 2024. In South Korea, the ruling party has proposed new legislation allowing even small companies ($360,000 in equity capital) to issue won-based stablecoins, which is fiercely opposed by the central bank, see: Song Jung-a, *'Stablecoins craze pits central bank against lawmakers in South Korea'*, Financial Times, 27 July 2025.

[xvi] For an extensive discussion of the European digital currency project, see: Martin Sandbu, '*The battle for the global payments system is under way'*, Financial Times, 7 April 2025. In turn, the threat by US stablecoins and the required legislative framework for the EU is detailed in: Richard Portes, *'The stablecoin loophole that could expose the EU'*, Financial Times, 25 July 2025.

[xvii] Joe Leahy, *'China's Xi Jinping steps up calls for industrial self-sufficiency amid trade war'*, Financial Times, 20 May 2025. Interestingly, at the Rio Tinto H1'2025 analyst presentation the outgoing CEO, Jakob Stausholm, maintained that the Chinese engineering system is getting better and better and 'we have got to learn a lot from them' (Rio Tinto H1'2025 analyst call on 30 July 2025).

[xviii] The CEO of TotalEnergies, Patrick Poyanne, stated that 'China is obsessed with economic self-sufficiency' when

referring to the performance of his petrochemicals business (TotalEnergies Q2'2025 analyst call on 24 July 2025). While Western companies continue to be frustrated about the lack of a fair level playing field on the ground, Chinese manufacturing companies have arguably managed to catch up fast and start to compete with the level of precision and engineering excellence provided so far by Western businesses only, see: Edward White and Harry Dempsey, *'The vulnerabilities holding back Chinese industry'*, Financial Times, 30 June 2025. At the same time, there is much anxiety about overcapacity and fierce price competition in manufacturing leading to further deflation, see: Joe Leahy, Wenjie Ding, William Langley and Haohsiang Ko, *'China struggles to break ist addiction to manufacturing'*, Financial Times, 29 July 2027.

[xix] Edward White and Joe Leahy, *'China arms itself for more export control battles'*, Financial Times, 8 June 2025. This has reportedly been aggravated by China's commerce ministry asking for production details and confidential lists of customers as part of its export approval process for critical minerals and magnets, see: Ryan McMorrow, Joe Leahy and Kana Inagaki, *'China demands sensitive information for rare earth exports, companies warn'*, Financial Times, 12 June 2025.

[xx] Thomas Hale, '*China's manufacturing activity shrinks as US tariffs take effect'*, Financial Times, 30 April 2025. FedEx reported reduced capacity for its most profitable Asia/US lane by 20% in April and 30% in May (Raj Subramaniam, CEO of FedEx, at the FYQ4'25 analyst call on 24 June 2025).

[xxi] Joe Leahy, Wenjie Ding and William Sandlund, *'China's exports jump in June amid trade war truce with US'*, Financial Times, 14 July 2025.

[xxii] Gregoire Poux-Guillaume, CEO of AkzoNobel, at the Q2'2025 analyst call on 22 July 2025.

[xxiii] One example is the valve niche segment in the semiconductor industry, with the CEO of Swiss-based VAT Group saying that China's current self-sufficiency rate is 20% but that there is an ambition to reach 60% and higher (Urs Gantner, CEO of VAT Group, at the Capital Markets Day on 20 May 2025).

[xxiv] Eswar Prasad, *'A resurgent China should do the hard work now'*, Financial Times, 1 July 2025.

[xxv] While China had applied various rare earth restrictions in the past, notably to Japan in 2010, the difference this time was that this involved finished products, particularly magnets, which are made by only a few Chinese companies and are traceable through the supply chain. The materials involved are so-called medium and heavy rare earths, which are harder to extract and process, see: Alan Beattie, *'A geopolitical conflict over minerals may finally be a real threat'*, Financial Times, 22 May 2025. For an extensive analysis of the comprehensive tool box applied by China to respond to US tariffs, including the Unreliable Entity List (UEL), the Anti-Foreign Sanctions Law (AFSL), Cybersecurity Reviews and Antitrust and M&A Reviews, see: Evan S. Medeiros and Andrew Polk, *China's New Economic Weapons*, The Washington Quarterly, 48:1, 99-123. The CEO of Australian-based Lynas Rare Earths, Amanda Lacaze, considered the Chinese export restrictions a 'black swan event', as a result of which a 'risk-based approach is necessary', seeking partnerships with magnet makers and 'working the whole suppliers together' (Lynas Rare Earths Q3'FY25 analyst call on 28 April 2025).

[xxvi] Camilla Hodgson, Leslie Hook and Steff Chavez, *'Pentagon's China-style rare earths deal triggers industry backlash'*, Financial Times, 18 July 2025. The CEO and founder of MP Materials, James Litinsky, claimed that the 'geopolitical faultline has become commercial reality' and that the expansion of magnetics is necessary 'as the rare earth market decouples from China' (MP Materials Q1'2025 analyst call on 8 May 2025). Still, in the middle of the US-China trade war, MP Materials had to stop shipments to China, which was a severe setback as China had accounted for about 80% of its $204mn revenues in 2024, see: Ryan McMorrow and Nian Liu, *'US rare earth champion faces trade war test after tariffs halt China sales'*, Financial Times, 18 April 2025.

[xxvii] These major themes were best summarised in various management presentations during the latest quarterly results releases by Rio Tinto, Anglo-American, Glencore and Barrick as well as at the Rio Tinto 2024 Investor Seminar on 4 December 2024. During the Q1'2025 reporting season, portfolio simplification, streamlining and network optimisation, capex deferrals and additional cost reduction potential were widely discussed during analyst Q&A after Glencore published its H1'2025 Production Report on 30 July 2025, identifying $1bn of additional cost savings opportunities, see: https://www.glencore.com/media-and-insights/news/half-year-production-report-2025.

[xxviii] For an analysis of various African political regimes becoming more assertive, see: Aanu Adeoye and Camilla Hodgson, *'How mining companies are adapting to newly assertive African states'*, Financial Times, 13 July 2025. For corruption of the Mongolian government and differences with Orano Group and Rio Tinto, see: Edward White and Nic Fildes, *'Mongolian prime minister ousted after public anger over son's luxury lifestyle'*, Financial Times, 3 June 2025 as well as Nic Fildes, *'Rio Tinto agrees to pay $139mn to settle Mongolian class action'*, Financial Times, 19 June 2025. For the arbitration process between First Quantum and Panama's government, see: Christine Murray, *'Canadian*

copper miner drops $20bn arbitration demand against Panama', Financial Times, 1 April 2025.

[xxix] The CEO of Glencore, Gary Nagle, claimed that 'greenfield projects make us nervous' as it is 'not easy to develop' and forces the company to de-risk (Glencore FY2024 analyst call on 19 February 2025). In turn, the COO of Newmont, Natascha Viljoen, announced a period of rationalisation and optimisation as they need to bring stability to mining and processing plants, including water, cleaning and ventilation, aiming for a portfolio of 'high-quality, long-life assets' (Newmont Q2'2025 analyst call on 24 July 2025).

[xxx] At the Q1'2025 analyst call of Newmont, the CEO Tom Palmer explained that labour accounts for half of the company's cost base followed by 30% for materials and consumables (Newmont Q1'2025 analyst call on 23 April 2025). In turn, the CEO of Iluka, Tom O'Leary, elaborated on labour as a major risk factor at the Iluka Investor Briefing on 5 May 2025.

[xxxi] Rio Tinto FY2024 analyst call on 19 February 2025 and Rio Tinto 2024 Investor Seminar on 4 December 2024.

[xxxii] Richard Waters, '*AI returns have not yet justified investment mania'*, Financial Times, 27 June 2025.

[xxxiii] Jennifer Hughes, *'Wall Street's AI-powered rally risks 'correction', Vanguard warns'*, Financial Times, 4 December 2024. The development of agentic AI was described by Jensen Huang at his NVIDIA GTC Keynote on 18 March 2025, claiming an 'inflection point' on the back of a 'platform shift to machine-learning computers', which makes not only a fundamental transition in computer architecture necessary but also 'much higher computation requirements' (GTC Finnacial Analyst Q&A on 19 March 2025). In his view, 'accelerating computing' is the future and this implies the need to 're-modernise and re-invent enterprise computing'. Suffice to say that the energy needs of this new AI infrastructure for enterprise IT and robotics is enormous, which Jensen Huang conceded requires to 'scale up as much as we can with copper and use silicon photonics to scale out'. In this respect, major US technology companies have backed a carbon credit scheme spearheaded by former US climate envoy, John Kerry, see: Aime Williams, '*Energy-hungry tech groups express interest in US-led carbon credits scheme'*, Financial Times, 24 September 2024.

[xxxiv] Gillian Tett, *'Stopping the great AI energy squeeze will need more than data centres'*, Financial Times, 4 October 2024. For academic research on the potential of AI for emissions reduction, see: Nicholas Stern et al., *'Green and intelligent: the role of AI in the climate transition'*, npj Climate Action, (2025)4:56.

[xxxv] Gillian Tett, '*We need to think again about what the 'A' in AI signifies'*, Financial Times, 28 December 2024.

[xxxvi] George Hammond, *'AI sceptic Emily Bender: 'The emporer has no clothes''*, Financial Times, 20 June 2025. There is growing academic research not only about the usage of ChatGPT and other AI models but also the emotional effects of heavy usage, see among others: Jason Phang et al., '*Investigating effective use and emotional well-being on ChatGPT'*, draft paper, MIT Media Lab, 2025; Cathy Mengying Fang et al.; *'How AI and human behaviors shape psychosocial effects of chatbot use: a longitudinal randomized controlled study'*, draft paper, MIT Media Lab, Cambridge, MA, 21 March 2025 and Gillespie, N. et al., *Trust, Attitudes and Use of Artificial Intelligence: A Global Study 2025*, The University of Melbourne and KPMG, 2025.

[xxxvii] Cristina Criddle, *''Godfather' of AI Yoshua Bengio says latest models lie to users'*, Financial Times, 3 June 2025. About AI models not being worried about the truth, see: John Thornhill, *'Generative AI models are skilled in the art of bullshit'*, Financial Times, 23 May 2025. In turn, about the implications of OpenAI, DeepMind and Anthropic producing far too sycophantic responses in their chatbots, see: Melissa Heikkilä, *'The problem of AI chatbots telling people what they want to hear'*, Financial Times, 12 June 2025.

[xxxviii] Carl Benedikt Frey, *'AI alone cannot solve the productivity puzzle'*, Financial Times, 16 June 2025. For OpenAI's claim to launch a product capable of reasoning, see: Madhumita Murgia, '*OpenAI launches AI models it says are capable of reasoning'*, Financial Times, 13 September 2024.

[xxxix] One example for more human attention is to free up a nurse's time with technology tools and allowing them to spend that time with patients, see: Neil Lawrence, *'AI cannot replace the atomic human'*, Financial Times, 3 December 2024. One potential example could be the Microsoft AI Diagnostic Orchestrator, which is a new AI-powered medical tool to help human doctors diagnosing complex ailments, see: Melissa Heikkilä and Stephen Morris, *'Microsoft claims AI diagnostic tool can outperform doctors'*, Financial Times, 30 June 2025.

[xl] The Editorial Board, *'Robots are getting smarter – and that's a good thing'*, Financial Times, 18 March 2025.

[xli] Increased automation is expected to accelerate the need for workers with the skills to install and work with robotics, such as programming, systems design, engineering and maintenance, which are in global shortage, see: Clara Murray and Rafe Uddin, *'Why are robots not the answer to US manufacturing reshoring hopes'*, Financial Times, 2 May 2025.

[xlii] Jensen Huang, CEO of NVIDIA, at the GTC Financial Analyst Q&A on 19 March 2025. For earlier announcements by NVIDIA to focus on robotics as the next big driver of growth, see: Michael Acton and Cristina Criddle, *'Nvidia bets on*

robotics to drive future growth', Financial Times, 29 December 2025. About robotics having reached a 'technological tipping point' and deploying robots at scale paving the way for 'the largest technology industry the world has ever seen (Jensen Huang), see: Michael Acton, *'Nvidia chief calls robots 'multi-trillion dollar' opportunity'*, Financial Times, 7 January 2025.

[xliii] Melissa Heikkilä and Michael Peel, *'Google DeepMind unveils new AI models in race to make robots useful'*, Financial Times, 12 March 2025.

[xliv] Ryan McMorrow, Eleanor Olcott and William Langley, '*China gains dexterous upper hand in humanoid robot tussle with US'*, Financial Times, 9 April 2025. About remaining physical challenges for robots including power, sensing and feedback, see: Robin Harding; *'AI does not mean the robots are coming'*, Financial Times, 30 December 2024.

[xlv] Rafe Udin, '*Humanoid robots spark debate about safety, form and function'*, Financial Times, 27 May 2025. While the CEO of Tesla, Elon Musk, has promised that they will produce 100,000 Optimus robots in 5 years' time, at the Q2'2024 analyst Q&A he was frequently asked when analysts could get a first-hand view and, in fact, when Tesla would invite for their first AI Day (Tesla Q2'2025 analyst call on 23 July 2025).

[xlvi] The letter provides great insights not only into his professional background and ambitions but also the reason he felt he should shut down his boutique at this particular moment, see: https://hindenburgresearch.com/gratitude/.

[xlvii] Ortenca Aliaj and Amelia Pollard, *'Short seller Nathan Anderson to shut down Hindenburg Research'*, Financial Times, 16 January 2025.

[xlviii] For an extensive analysis of some of the major short-selling boutiques left, see: Costas Mourselas, *'Last men standing: The short sellers left after Hindenburg's exit'*, Financial Times, 28 January 2025.

[xlix] Costas Mourselas, *'Chris Hohn's hedge fund TCI beats stock markets with 21% gain'*, Financial Times, 3 July 2025.

[l] For UK-based activist investor Palliser becoming a top shareholder in Japanese tyremaker Toyo Tire, following earlier campaigns in property company Tokyo Tatemono and Keisei Electric Railway (as well as Rio Tinto to unify its dual-listed share structure), see: David Keohane, Harry Dempsey and Oliver Barnes, '*UK activist fund Palliser takes stake in leading Japanese tyremaker'*, Financial Times, 30 May 2025, and for US-based Farallon pushing for change at one of Japan's largest insurance groups T&D Holdings, see: David Keohane, '*Activist investor Farallon makes 'final frontier' bet on Japanese insurer T&D'*, Financial Times, 2 June 2025.