The United States

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01 Message

The United States remains, for now, the central pillar of the global economic system. Its capital markets are the maturest and most institutionally robust in the world. Unlike many economies where critical information requires primary sourcing and fragmented interpretation, the U.S. offers unparalleled transparency. Data is abundant. Our job is to convert information saturation into actionable investment judgment.

Each cycle, a familiar narrative resurfaces: U.S. exceptionalism has peaked; superior opportunities lie elsewhere; emerging markets are poised to outperform. Yet, history has repeatedly shown that structural advantages compound. Strong capital markets are not merely reflections of strong economies — they are reinforcing mechanisms to economic development per se. When legal infrastructure, shareholder protections, monetary credibility, and innovation ecosystems align, capital tends to remain productive, like a strong heart pumping oxygen to where it is needed the most.

Investment, at its core, is a partnership. As equity holders or bondholders, we entrust capital to management teams and institutional frameworks with the expectation of disciplined capital allocation and long-term value creation. At the sovereign level, allocating capital to a country is an implicit vote of confidence in its governance, rule of law, and economic architecture.
This is not to suggest the United States faces no challenges. Fiscal sustainability, political polarization, and evolving geopolitical dynamics remain relevant risk variables. However, in a world characterized by policy uncertainty everywhere, the question may not be who is the strongest — but who is structurally furthest from fragility.

Relative health matters. The U.S. economy continues to exhibit resilient growth and labor markets, strong corporate profitability, and a financial system underpinned by credible institutions.

When liquidity expands, all assets may appreciate. The differentiator is durability of earnings power and institutional reliability. On a probabilistic basis, maintaining exposure to the U.S. remains a rational allocation decision — not out of complacency, but due to structural reinforcement effects embedded within its capital markets.

In capital allocation, the situation is often about choosing a poison, we are not searching for perfection, out of all the deteriorating situations in the world the US might still be one of the best. We are allocating toward systems where the compounding mechanism is most intact.

--Puhuan

02 Data Update

Week of February 8, 2026 — Key Developments

+130K	4.3%	62.5%	52bp
beat vs 65K expected	down 0.1pp, beat exp	up 0.1pp, beat exp	-8bp post-NFP release
JAN NFP (Feb 12)	UNEMPLOYMENT RATE	PARTICIPATION RATE	2026 CUTS PRICED

Jan NFP +130K, beat vs 65K consensus. Unemployment fell 0.1pp to 4.3% (beat). Participation rate up 0.1pp to 62.5% (beat). Hourly wages +0.4% MoM (beat, +0.1pp); +3.7% YoY (unchanged). Weekly hours up 0.1hr to 34.3hrs (beat). Prior revisions: Nov+Dec cumulative -17K. Benchmark revision: Mar 2025 level revised down 862K; Apr 2024-Mar 2025 monthly avg revised down to 75K.

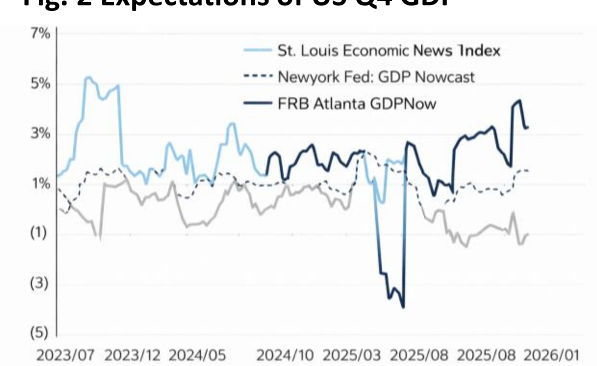
Jan NFP Detail (Feb 12, 2026)

Indicator	Reading	vs Consensus	vs Prev / Exp
NFP Payrolls	52.6	Beat	vs 65K expected
Unemployment Rate	4.3%	Beat	down 0.1pp MoM
Participation Rate	62.5%	Beat	up 0.1pp MoM
Hourly Wages MoM	+0.4%	Beat	up 0.1pp, YoY 3.7%
Weekly Hours	34.3 hrs	Beat	up 0.1hr MoM
Prior Revisions	-17K	Miss	--
Information/Tech	-5K	--	--

Fig 1. Bloomberg Economic Surprise Index

Source: Bloomberg

Fig. 2 Expectations of US Q4 GDP



Source: Bloomberg

The recent NFP Data

In January 2026, U.S. nonfarm payrolls increased by 130,000, well above the 65,000 expected, pointing to a stronger-than-anticipated labor market. The unemployment rate fell to 4.3% and labor force participation rose to 62.5%, while wage growth came in firm at 0.4% month-on-month with annual growth steady at 3.7%. Average weekly hours also edged higher, reinforcing the picture of resilience.

Although the report included downward benchmark revisions to prior employment levels, the January data itself surprised to the upside. Markets had partly priced in weaker figures, but the stronger outcome underscored continued labor market strength and supported expectations of a more cautious path for rate cuts.

Our View: the Q4 GDP Data

We expect Q4 2025 real GDP growth to come in at **4.4% SAAR**, above the street consensus of 3.5–4.0%. Our conviction rests on three factors. First, hyperscalers' AI capex accelerated into year-end — the four major tech companies collectively spent ~$129bn in Q4, up ~14% from Q3's ~$113bn, feeding directly into the BEA's nonresidential equipment and IPP lines. Second, despite pockets of weakness in consumer spending and housing, the labor market remained resilient through year-end, with January NFP printing +130K against a 65K consensus, suggesting Q4 momentum carried over. Third, while tariff front-loading has largely normalized, the pass-through to consumer prices has been more gradual than feared — January CPI data shows no acute inflationary shock, preserving real purchasing power and limiting the drag on consumption.

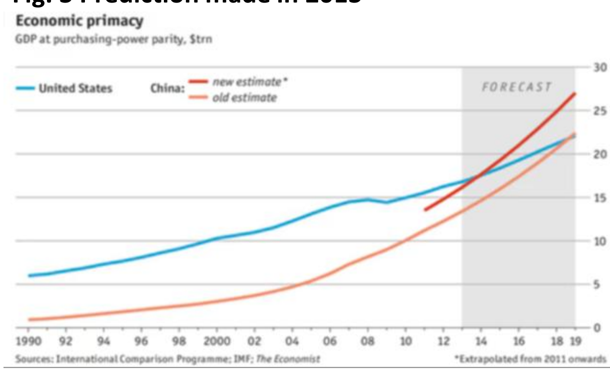
03 Growth: The Actual Emerging Market

Key Economic Snapshot

$29.2T	340M	3.50-3.75%	~124%
world's largest	+0.5% YoY	-175bp from peak	$36T+ national debt
NOMINAL GDP (2025)	POPULATION	FED FUNDS RATE	DEBT/GDP

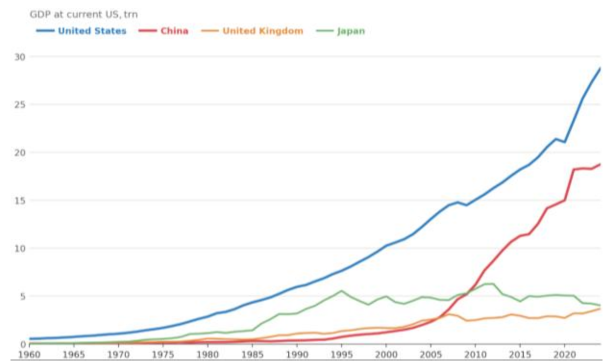
Economists can sometimes be wrong, and The Economist was certainly wrong.

Fig. 3 Prediction made in 2013



Source: The Economist **What they forecasted in 2013**

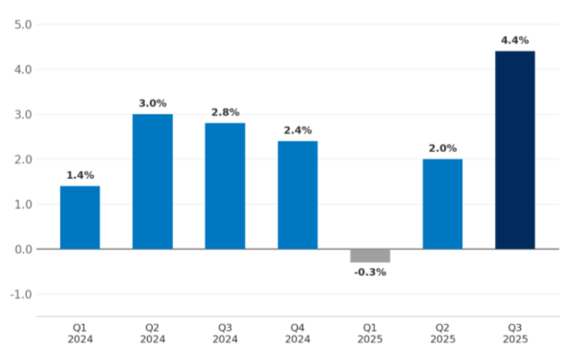
Fig. 4 Economic Primacy



Source: World Bank **What happened**

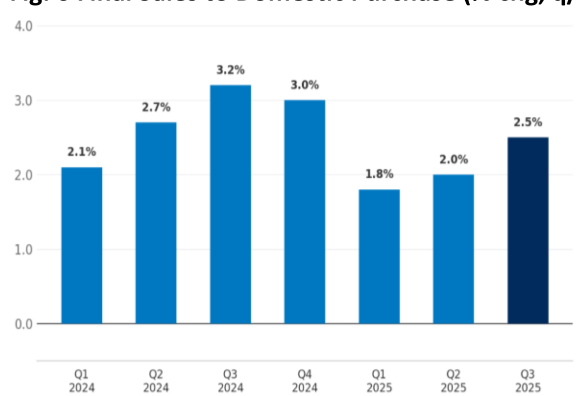
Q3 Headline GDP & Domestic Final Sales

Fig. 5 Read GDP (% change, q/q saar)



Source: FRED

Fig. 6 Final Sales to Domestic Purchase (% chg, q/q saar)

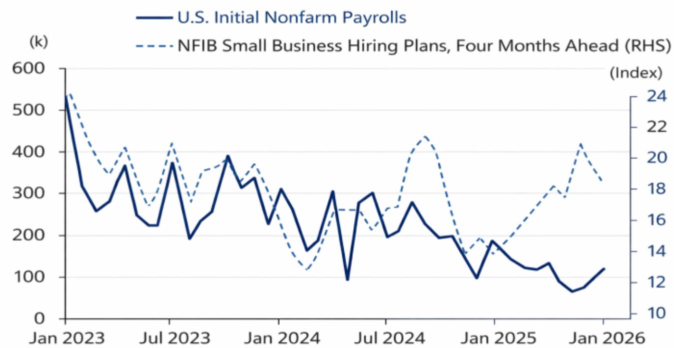


Source: FRED

Q3 2025 GDP grew at 4.4% annualized, but the headline was flattered by trade and inventory effects. Domestic final sales (GDP ex-trade and inventories) — the cleaner measure of underlying activity — decelerated from 3.0% in Q4 2024 to 1.8% in Q1 2025. Tariff front-running drove a ~148% annualized surge in real imports in Q1, followed by sharp reversals in Q2 and Q3 (-29.3% and -14.7% respectively), creating large swings in headline GDP that overstate actual economic momentum.

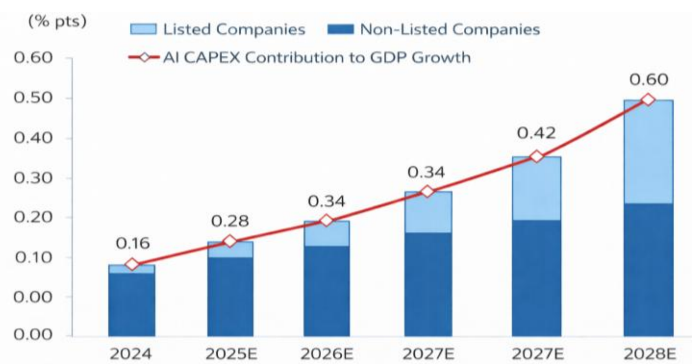
03 Growth: The Actual Emerging Market (cont)

Fig. 7 Initial Payrolls and NFIB Small Biz Hiring Plan



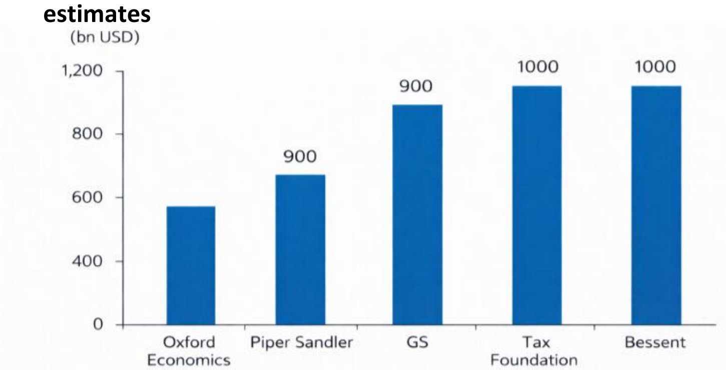
Source: NFIB, BLS

Fig. 8 Non-Listed Companies Will Contribute More



Source: Fed, Huatai Securities

Fig. 9 The scale of additional household tax refunds estimates



Source: Various

Tax Provision	Effective Period	Key Details
Senior Citizen Extra Deduction	Jan 2025 – Dec 2028	Additional $6,000 deduction per taxpayer aged 65 and above
Tips Income Deduction	Jan 2025 – Dec 2028	Fixed deduction on qualifying tip income from eligible occupations; capped at $25,000/year
Overtime Pay Deduction	Jan 2025 – Dec 2028	Overtime income eligible for tax deduction; capped at $12,500 (single) / $25,000 (joint) per year
Auto Loan Interest Deduction	Jan 2025 – Dec 2028	Fixed deduction on qualifying personal vehicle loan interest; capped at $10,000

An Optimistic Outlook for 2026

Recent data has shown signs of great resilience. Q3 GDP accelerated to **4.3% SAAR**, well above the 3.3% consensus, with private consumption and investment growth rising to **3%** — near the H2 2024 average of 3.1% — signaling that US domestic demand remains firmly intact. On the labor market, while December NFP disappointed, the weakness was narrow and concentrated in a handful of sectors rather than broad-based. In January it came back much stronger than expected. More importantly, NFIB hiring intentions have trended higher in recent months and weekly jobless claims have consistently beaten expectations since December, suggesting the labor market is set to continue improving. Downside risks to employment are diminishing, not growing.

We believe AI capex contribution to 2026 GDP be a key booster. Hyperscalers' spending growth in 2025 and 2026 now tracks in at **79% and 57% YoY** respectively and broader participation from players such as Oracle, CoreWeave, and private companies including xAI have announced large-scale investment plan. The most recent 2026 Mag 7 Capex plan for the year are now being carried out. There is around 56% import content in data center investment, yet the AI Capex contribution is still significant. This is consistent with recent Fed research, which — using the Dodge construction project database — estimates data center investment contribution rising from **0.2pp in 2025 to 0.4pp in 2026** as the pipeline of planned projects moves through construction and into completion. The AI investment tailwind is therefore not fading — it is building.

Finally, fiscal momentum is set to turn meaningfully more supportive in H1 2026 relative to H2 2025. The drag factors of late 2025 — government shutdown, rising tariff revenues, and policy uncertainty suppressing the investment subsidy effects of the "One Big Beautiful Bill" — are now fading. In their place, three tailwinds are building: investment subsidies are gaining traction, tariff rates are no longer rising at the margin, and critically, the resident tax cuts in the Bill — though backdated to January 2025 — could not be filed until the IRS updated its tax forms in 2026. This means US households overpaid taxes through 2025, and the April filing season will trigger an estimated **$50–100bn in additional tax refunds** in H1 2026, equivalent to **0.2–0.3pp of GDP**. Applying a fiscal multiplier of ~0.4 — consistent with CBO estimates for a high-income-skewed tax cut, where roughly 40% flows to consumption and 30% to savings — we estimate the refund cycle adds approximately **0.07–0.13pp to 2026 GDP growth**. This is a relatively modest but clean, front-loaded boost to consumption that the consensus may be underpricing.

04 The Fed under Warsh: Buy Less, Sell More

Current Policy Stance

3.50-3.75%	-175 bps	June 2026	~$7.2T
held Jan 28	from 5.25-5.50%	~49.4% probability	QT paused
FED FUNDS	CUTS SINCE SEP '24	NEXT CUT PRICED	BALANCE SHEET

The FOMC held rates steady at its January 28 meeting, pausing after three consecutive 25bp cuts. The committee noted solid economic expansion but inflation remaining somewhat elevated. Markets are pricing two additional 25bp cuts in 2026, likely starting June.

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES								
MEETING DATE	**175-200**	**200-225**	**225-250**	**250-275**	**275-300**	**300-325**	**325-350**	**350-375**	**375-400**
18/03/2026			0.0%	0.0%	0.0%	0.0%	6.0%	94.0%	0.0%
29/04/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	18.8%	80.4%	0.0%
17/06/2026	0.0%	0.0%	0.0%	0.0%	0.4%	9.8%	49.4%	40.5%	0.0%
29/07/2026	0.0%	0.0%	0.0%	0.2%	3.8%	24.1%	46.1%	25.8%	0.0%
16/09/2026	0.0%	0.0%	0.1%	2.0%	14.2%	35.4%	35.7%	12.6%	0.0%
28/10/2026	0.0%	0.0%	0.7%	5.8%	20.7%	35.5%	28.6%	8.7%	0.0%
09/12/2026	0.0%	0.2%	2.4%	10.7%	25.6%	33.2%	22.1%	5.9%	0.0%
27/01/2027	0.0%	0.4%	3.1%	12.1%	26.3%	32.2%	20.6%	5.3%	0.0%
17/03/2027	0.1%	0.7%	3.9%	13.3%	26.8%	31.1%	19.2%	4.8%	0.0%
28/04/2027	0.1%	0.7%	4.0%	13.5%	26.9%	31.0%	19.0%	4.8%	0.0%
09/06/2027	0.1%	0.7%	3.9%	13.2%	26.5%	30.9%	19.4%	5.2%	0.1%
28/07/2027	0.2%	1.6%	6.6%	17.0%	27.8%	27.6%	15.3%	3.7%	0.1%
15/09/2027	0.5%	2.4%	8.2%	18.6%	27.7%	25.8%	13.6%	3.2%	0.1%
27/10/2027	0.3%	1.5%	5.5%	13.8%	23.6%	26.7%	19.2%	8.0%	1.5%
08/12/2027	0.5%	2.1%	6.7%	15.3%	24.0%	25.5%	17.5%	7.0%	1.3%

Source: CME

04 The Fed under Warsh: Buy Less, Sell More (cont)

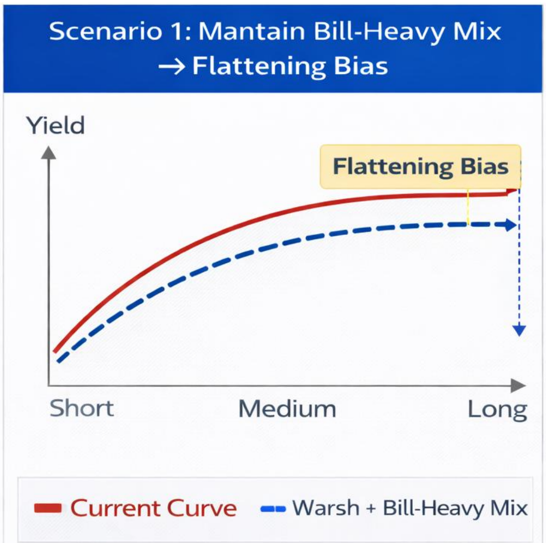
“New sheriff in town.”

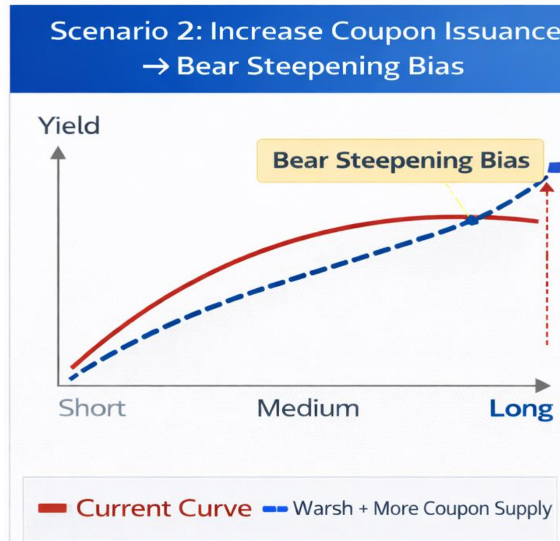
--“新官上任三把火”（New broom sweeps clean),Warsh has his agenda to bring.

Policy Area	Warsh View	Operational Bias	Market Implication
Balance Sheet Philosophy	Size less important than effects on markets	Cost-benefit framework; situational use	**Less structural balance sheet expansion**
Long-Run Balance Sheet	**Should move closer to pre-crisis footprint.**	Gradual normalization **(Shrinking)**	**Higher term premium over time**
SOMA Rollovers	Tilt toward **shorter** maturities (T-bills)	**Reduce duration** footprint	**Steeper curve bias**
SOMA Reinvestment Composition	Move SOMA WAM closer to Treasury WAM	Shift duration risk back to market	**Less long-end yield suppression (long-end rates might be flying high)**
SOMA Growth / Reserves	Allow reserves to decline gradually	Smaller footprint**; tolerate volatility**	**Higher front-end funding sensitivity**
Active Asset Sales	Open to long-end sales; gradual & communicated	Direct duration reduction	**Bear steepening risk**
QE (Treasuries)	Skeptical of effectiveness	Avoid prolonged Treasury QE	**Reduced artificial curve flattening**
QE (Agency MBS)	Supported for market functioning	Liquidity-focused intervention	**Targeted support only**
Financial Conditions Framework	Fed funds + term premium + volatility + liquidity	Broad monitoring approach.	**Policy reacts to markets, not just inflation**
Inflation Framework	Informal 1.5–2% comfort zone (PCE)	Credibility-focused	**Hawkish bias if inflation credibility at risk**
Communication	**Shut Up and Dance:** Broad strategy; avoid rigid commitments ; Try not to constrain themselves by what they have said.	No fixed dates for sales	**Less forward-guidance anchoring. (Higher rates volatility)**

04 The Fed under Warsh: Buy Less, Sell More (cont)

Dancing together: how the treasury department reacts matters.





Scenario	Rollover Policy	Treasury Response	Curve Implication
Current Policy	Reinvest maturities proportionally with Treasury auction mix (add-ons)	No change	**Duration neutral — private market exposure unchanged**
Warsh Scenario A	Overweight short maturities; tilt rollovers into T-bills	Treasury holds coupon issuance steady → T-bill share of outstanding rises	**Flattening — market reads lower probability of coupon supply increase**
Warsh Scenario B (Less Likely)	Overweight short maturities; tilt rollovers into T-bills	Treasury limits T-bill share growth → offsets by increasing coupon issuance	**Steepening — more long-end supply hits private market**

Our View: Easier Said than Done—Can Still Be Dovish.

Overall, Warsh aims to let long-term bonds take care of themselves by building a policy framework that can anchor long-term inflation expectations and restore U.S. credibility. Rate cuts are easy; QT is hard—that challenge has not escaped Powell, as liquidity constraints make balance-sheet reduction far more complicated.

Warsh may be politically aligned with Trump that could mean he would be overtly hawkish in office. History shows that what policymakers say as subordinates can differ sharply from how they act once in the chair. Copied from Bloomberg's slogan: Context changes everything.

05 US Equities: Retelling American Stories

Market Overview

6,114	19,945	21.8x	15.2
+3.2% YTD	+4.1% YTD	above 10yr avg	complacent
S&P 500	NASDAQ	FWD P/E (S&P)	VIX

US equity markets remain in good shape overall, though the past few weeks have seen consolidation — the Nasdaq has traded sideways for nearly five consecutive weeks on a closing basis. We believe the market is in the process of rebuilding conviction around AI, gradually convincing itself that the technology will not displace labor at the scale previously feared.

It is worth stepping back to consider the broader strategic context. In sectors with direct national strategic importance — AI, advanced materials, defence, and adjacent industries — there are effectively only two players: the US and China. The competitive stakes make a sustained retreat from AI investment structurally implausible.

On the narrative side, we note an important inconsistency in the bear case. The very companies loudest in calling AI a bubble — arguing the technology is failing to deliver — are in many cases the same ones using AI's supposed limitations as justification for hiring freezes. When AI underperforms, they cry bubble and encourage selling. When it overperforms, they pivot to arguing that software industry economics are structurally impaired. The goalposts move in both directions, and the conclusion is always the same: sell. Many investors have lost track of what the bear case is.

We see the AI re-rating as a matter of when, not if. Conviction will return — and likely sooner than the current sideways price action implies.

Burning My Money—MAGA Capex

CAPEX (USD Millions)

	1Q24	2Q24	3Q24	4Q24	FY2024	1Q25	2Q25	3Q25	4Q25	FY2025	FY2026E
Amazon	13,935	16,393	21,278	26,052	77,658	24,255	31,368	34,228	38,469	128,320	161,326
Microsoft	10,952	13,873	14,923	15,804	56,552	16,745	17,079	19,394	29,876	83,094	27,1884
Google	12,012	13,186	13,061	14,276	52,552	17,197	22,446	23,953	27,851	83,947	35,825
Meta	6,400	8,173	8,258	14,425	37,256	12,941	16,538	18,829	21,383	69,691	33,734
MAMG Total	43,299	51,625	57,520	70,557	223,001	71,138	87,431	96,404	117,579	372,552	570,767

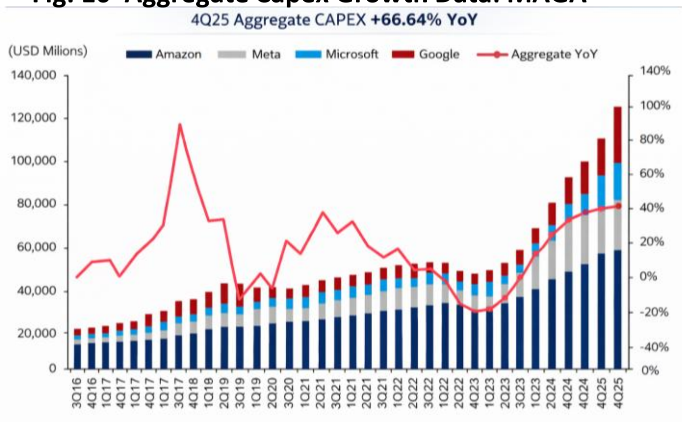
YoY	1Q24	2Q24	3Q24	4Q24	FY2024	1Q25	2Q25	3Q25	4Q25	FY2025	FY2026E
Amazon	6.62%	57.44%	88.33%	95.10%	61.34%	74.06%	91.35%	60.86%	47.66%	128,320	161,326
Microsoft	65.76%	55.13%	50.48%	62.34%	57.81%	52.89%	23.11%	29.96%	89.04%	49.588	27,1984
Google	91.00%	91.43%	62.15%	29.96%	43.17%	43.17%	70.23%	83.39%	95.09%	74.07%	35,825
Meta	-6.20%	33.24%	26.21%	88.19%	56.22%	102.20%	102.35%	128.01%	48.24%	87.06%	22,734
MAMG Total	32.05%	59.45%	60.61%	68.91%	56.22%	65.22%	69.36%	67.60%	53.52%	67.06%	570,767

QoQ	1Q24	2Q24	3Q24	4Q24	FY2024	1Q25	2Q25	3Q25	4Q25	FY2025	FY2026E
Amazon	4.36%	17.64%	29.80%	22.44%	-6.90%	-6.90%	29.33%	10.26%	49.55%	60.82%	151,326E
Microsoft	12.50%	17.67%	7.57%	5.90%	5.95%	5.95%	1.99%	13.55%	54.05%	-8.98%	27,1984
Google	9.01%	9.77%	1.04%	13.85%	20.46%	20.46%	30.52%	6.71%	95.80%	20.90%	33,734
Meta	-16.50%	30.45%	11.42%	22.67%	10.29%	29.36%	13.85%	13.56%	95.60%	77.22%	123,734
MAMG Total	3.66%	19.23%	11.42%	22.67%	0.82%	22.90%	10.26%	21.96%	21.96%	13.97%	570,767

Source: Huatai Securities

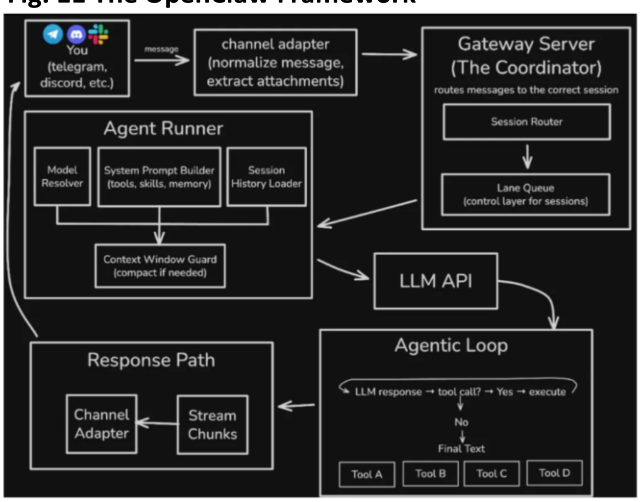
05 US Equities: Retelling American Stories (cont)

Fig. 10 Aggregate Capex Growth Data: MAGA



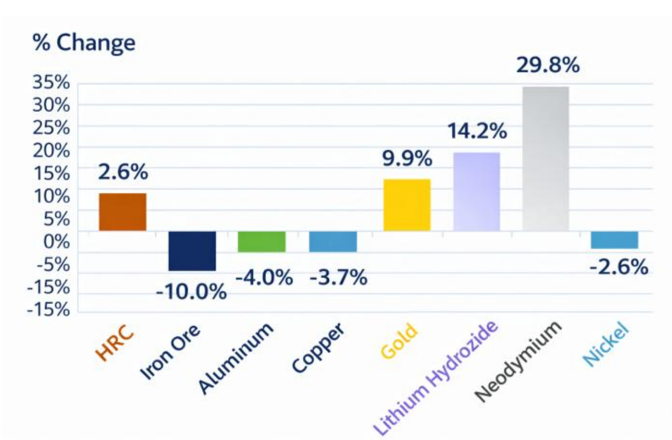
Source: MAGA

Fig. 11 The OpenClaw Framework



Source: OpenClaw

Fig. 12 One Month Metal Price Changes



Source: Trading View

Our View: AI—You simply can't skip it.

The four major North American hyperscalers have reported combined Q4 2025 capex of $117.6bn, up 66.64% YoY, and maintained bolst guidance for 2026 — Google and Meta reported full-year 2025 capex of $91.4bn and $69.7bn respectively, with all four reaffirming positive forward investment signals.

We believe the sustained hyperscaler capex acceleration, combined with upbeat 2026 guidance, will continue to underpin confidence in AI compute demand. This is a dual tailwind: it directly benefits the overseas AI infrastructure supply chain, while also incentivizing domestic Chinese internet companies to step up their own capital deployment. **The global AI compute chain should be paid attention to,** including optical modules, liquid cooling, copper interconnects, and switching equipment.

Agentic AI: the visible hands

We believe AI Agent represents the next inflection point when they make it to the stage of penetrating into everyone's actual daily work. The rapid commercialization of Agent products is fundamentally driven by models crossing a capability threshold in long-horizon task execution. Agent inference is structurally more compute-intensive than standard query-response, given its complex, multi-step execution paradigm. 2026 can be the pivotal year in which AI Agent inference transitions from proof-of-concept to scaled deployment, driving a step-change in compute demand.

Our View: Metals—Founding Blocks

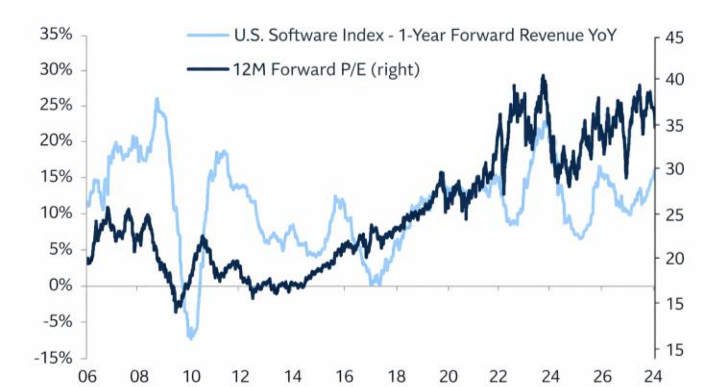
We see the most compelling risk-reward in MP Materials, Barrick Mining, and Critical Metals Corp (CRML). MP's DoD supply agreement and vertical magnet integration make it the only credible Western rare earth national champion at a time when China controls 90% of processed supply — the strategic floor here is policy-enforced, not market-dependent. Barrick screens as the cheapest senior gold name at 4.7x 2026E EV/EBITDA versus the sector average, with the NA IPO overhang unlikely to resolve before late 2026 and gold prices providing a strong earnings tailwind in the interim. CRML is our highest-conviction geopolitical trade: the company holds active mining development rights in Greenland at a moment when the US has made its strategic interest in the island explicit at the highest levels of government. Washington's desire to secure Arctic mineral access quickly and through allied commercial channels makes CRML a direct beneficiary of US policy — there is no faster or cleaner way for the US to establish a foothold over Greenland's resources than backing the Western company already on the ground developing them. With official US support now on record, we believe CRML's de-risking trajectory is as much driven by geopolitics as by project fundamental.

06 US Fixed Income

The US economy continues to show signs of strength — AI-driven capital expenditure is accelerating, manufacturing PMI has returned to expansionary territory, and aggregate economic resilience remains intact. Cost-side inflationary pressures, as reflected in PPI has and pot shown significant threats and pass-through to final demand remains limited for now. Meanwhile, the labor market rebounded. The outcome of Japan's elections has introduced upside risk to long-end rates also in Japan, but the sharp volatility in precious metals has to some extent reinforced the safe-haven appeal of Treasuries, and market concerns over Warsh pushing aggressive balance sheet reduction have moderated — the 10-year yield has retreated back below 4.2%.

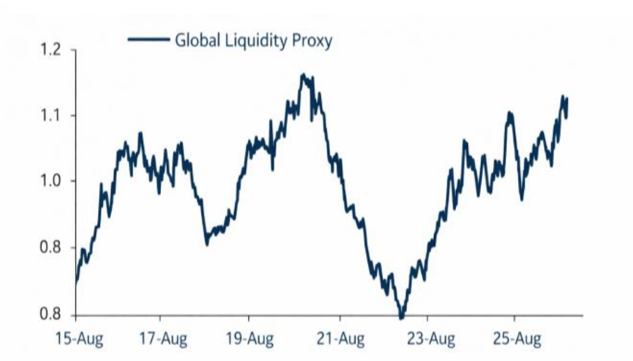
Warsh's specific reform agenda for the Fed and how he intends to reframe the institution's relationship with the Treasury is what we should watch for. In the near term, the binding constraint on rate cuts remains the fundamental backdrop, while any adjustment to balance sheet policy faces a more complex set of considerations. As such, Treasury yields are likely to remain range-bound in the short run, while the probability of continued curve steepening over the medium-to-long term remains skewed to the upside according to consensus, we believe that the market has overestimated Warsh’s determination to shift back the whole Fed’s framework to the traditional I/R tools and the further steepening of curve is not very likely.

Fig. 13 US Software Odds Rising



Source: Wind

Fig. 14 Global Liquidity Proxy



Source: Wind

07 Trade Idea

Parameter	Long TLT	Note
Instrument	TLT (iShares 20Y+ Treasury ETF)	**Go up when 30Y yield falls**
Entry	~$89/share (current)	
Position Size	~200 shares	Risk:Leveraged
Target	$96 (+7.9%)	**~45bps yield compression needed to hit target**
Stop Loss	$85 (-5%) Approx. Yield= 5.1%	
Carry	~4.2% dividend yield while you wait	**TLT carry advantage makes it better for patient holders**

Rationale: We believe that the market has priced in too much for what Warsh is going to do on the Fed's balance sheet. He might be able to cut, but shrinking the balance sheet requires very delicate cooperation from the Treasury Department as well as the market's acceptance. Overall, even if the he stop buying coupon bonds, that might be good for the Coupon bonds rates, as they are already very high now due to the US's loosing credibility fiscally, doing that might resotre the confidence and gradually bring it down.

Instrument	Direction	Rationale
Critical Metals (CRML)	Long	Pure-play Western rare earth alternative to China; flagship **Tanbreez Project in Greenland** is one of the world's largest REE deposits with PEA NPV ~$3bn and IRR of 180%. **$120M EXIM Bank LOI** and Trump's Greenland rhetoric provide powerful geopolitical tailwind; pilot plant construction approved with production targeted as early as 2026
MP Materials (MP)	Long	Strategic rare earth exposure amid **geopolitical supply chain realignment**; direct beneficiary of US onshoring and defense/tech demand for critical minerals
MSFT Corp 3.4% Jun'27	Long	High-grade 2Y paper at ~3.5% yield offers attractive carry relative to duration risk; **MSFT's fortress** balance sheet and **AI-driven earnings growth** make this a **compelling risk-adjusted safe haven** in a volatile rates environment

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