News Summary

On Friday, Trump threatened to declare the Strait of Hormuz as a territory of the United States. He said he would "pretty soon" designate the waterway – a crucial chokepoint for global trade, through which about a fifth of the world's seaborne oil supplies typically pass – a US territory. In response, Iran said it would not be intimidated by threats, or a show of force, by the US – and added that the Strait would only be opened, or closed, under Iran's authority. Iran told Trump to "accept the reality of defeat" as it declared that it will not resume talks with the US.

WSJ posted that the central question of the Iran/US conflict has now become… which side blinks first under economic pressure. Iran is signaling that it is impervious to more economic sanctions and is willing to take the military initiative even when Trump appears reluctant to return to a shooting war. The president is now focused on squeezing Iran's battered economy so the regime does a deal to open the waterway that would let him declare victory in the war and move on. However, the control of the Strait enables it to make demands on the US without having to concede anything over its core nuclear program.

Are we still talking about the Japanese yen? Unfortunately, the answer is yes. On Monday Aug 10, the yen weakened again onto 159-handle to the USD, given up roughly half its gains following the historic joint interventions. Financial Times said it was the lack of a "unified voice" among central banks lessened its market impact. As I mentioned earlier, futures and options markets continue to hold bearish bets on yen, although CFTC data showed futures position have skewed back… only a little. Furthermore, this is unlike the 2011 coordinated G7 intervention. Mohamed El-Erian said; the yen has been weakening gradually since the large joint-intervention, is a sharp reminder that key to fixing a currency mispricing is getting the policy mix right. The longer Japan delays in doing so, the more elusive the goal.

Even Ambrose Evans-Pritchard joined in… On August 11 he noted US has become acutely dependent on short-term funding and has already gone so far down the path of a debt compound trap that it dares not raise interest rates to control inflation. The way US Treasury conducted the intervention showed that Bessent is worried and desperate.

More articles were posted into the weekend in Financial Times and The Sunday Times. FT said analysts are turning to trade models, interest-rate differentials and even the price of katsu curry to figure out just how undervalued the currency is. Many expect the yen to fall further amid worries over Japan's enormous debt load and lingering doubts about its economy's ability to accelerate out of its decades of low growth and inflation.

Katie Martin wrote that it is increasingly clear, market is in mood for a fight as USDYEN ended the week on 159-handle. The whole discussion about why the yen is so weak against the dollar circles around the same issues. As long as US debt yields are so high and BoJ sticks to a cautious path in interest rate rises, the yen remains a sell.

David Smith in The Sunday Times pointed out the easiest and most obvious explanation is that currency traders and international investors have been engaged in an extended version of what is known as the "carry trade". Intervention that has made markets take notice but, ultimately, will not the turn around the currency. If you cannot change the fundamentals… you probably cannot change the performance of the currency.

British drones have been used to strike targets on the Russian mainland for the first time. Deep strikes — using long-distance drones to hit industrial and military targets in mainland Russia — have caused more than £35bn in economic damage.

US is preparing to tell dozens of countries they must pick sides in the artificial intelligence race with China, warning they will be excluded from a US-led AI coalition if they also sign up for Beijing's competing framework. About two dozen countries have joined, including Kazakhstan as well as close allies such as Japan, Australia and South Korea. Kazakhstan is the only country so far known to have joined both initiatives, setting off alarm bells in Washington.

With less than six weeks until President Xi's planned trip to Washington – his first state visit since 2015 – Beijing finds itself increasingly unsettled by the chaos within the Trump administration. They are confronting a disorganised admin that lacked planning and coordination.

Binance is preparing to apply to the Financial Conduct Authority for a cryptocurrency licence under new rules coming into force next year. Binance has previously been hit by a series of FCA crackdowns hampering its attempts to operate in Britain.

World Liberty Financial has received conditional approval for a banking licence from a US regulator. Office for the Comptroller of the Currency on Friday said it had granted preliminary conditional approval for a national bank trust charter. WLF will not be authorised to provide loans or take direct deposits.

Hyperscalers, like Amazon and Google parent Alphabet, have this year started issuing debt in foreign currencies including the Swiss franc, British pound and Canadian dollar, as they tap new funding sources in the race for AI dominance.

The Poon Report

Middle East News

US Readies Iran Penalties as Trump Downplays Midterms Impact

Taken from Bloomberg News Saturday, 15 August 2026

The US is readying unprecedented economic measures against Iran, as President Donald Trump seeks to intensify efforts to force Tehran to capitulate after almost six months of war.

The president said in a brief interview with Fox News that the US is planning to hit Iran's economy hard, and that he didn't care if the conflict ends before the November US midterm elections, which will hinge on voter perceptions of the economy. Trump has struggled to find an off-ramp to the war, which has spiked the price of oil and gasoline.

Talks between the US and Iran aimed at bringing about a lasting peace have stalled and intermittent clashes have continued, disrupting the flow of oil and other key commodities through the crucial Strait of Hormuz. The two sides have accused each other of being untrustworthy negotiators, and Iran has taken steps to maintain control the strait.

However, after decades of sanctions and a renewed pressure campaign that's included a full naval blockade of Iran's ports, it's unclear exactly what meaningful economic measures the US could implement without resorting to secondary sanctions on buyers of Iranian oil, such as China. That would likely spark retaliatory measures from Beijing and cause more global energy price uncertainty.

(Link to article - Yahoo)

Trump threatens to declare Strait of Hormuz 'territory of the United States'

Taken from The Guardian Saturday, 15 August 2026

Donald Trump has threatened to declare the strait of Hormuz as "a territory of the United States" as his administration struggles to conclude the war with Iran.

During a speech at a police academy on Long Island, New York, on Friday, the US president said he would "pretty soon" designate the waterway – a crucial chokepoint for global trade, through which about a fifth of the world's seaborne oil supplies typically pass – a US territory.

The comment came as peace talks with Iran remain at an impasse following failed negotiations, with Tehran refusing to reopen the strait, which has been all but closed since the US and Israel launched their war on Iran in February.

"After we finish defeating Iran, which is being very badly defeated, pretty soon I'll be declaring the Hormuz strait a territory of the United States," Trump said on Friday. "Essentially, that's what it is. We have the blockade. No ships get through unless we want them to."

The seriousness of Trump's remark, and whether it signaled a new policy position for his administration, was not immediately clear.

Responding on X, formerly Twitter, Kazem Gharibabadi, Iran's deputy foreign minister, said Tehran would not be intimidated by threats, or a show of force, by the US – and added that the strait of Hormuz would only be opened, or closed, under Iran's authority.

Nevertheless, on Friday, Trump said that Americans who have had to "pay a tiny little bit more for your gasoline" should remember that they are "doing it so that a very evil country cannot have a – really, it's the No 1 state sponsor of terror in the world – we don't want them to have a nuclear weapon.

"When you have to pay a little bit more, you're at $4, it's OK, I mean, it's not. I'll never apologize. I did the right thing," he added.

(Link to article - Guardian)

The Iran War Is Now About Who Blinks First Under Economic Pressure

Taken from WSJ Saturday, 15 August 2026

Senior Trump administration officials have doubled down on economic pressure in the fight with Iran, making lower oil prices a top war aim and vowing unprecedented financial sanctions that would force Tehran to reopen the Strait of Hormuz.

Iran late Thursday attacked two United Arab Emirates ships in the strait, Emirati officials said.

With those strikes, Iran is signaling that it is impervious to more economic sanctions and is willing to take the military initiative even when President Trump appears reluctant to return to a shooting war.

With Trump relying more on the Navy's blockade of Iranian ports as financial pressure on Tehran, Iran's leaders are trying to show they won't relent and will keep the strait closed until energy prices force the U.S. to back off, analysts said.

"Tehran has drawn a simple lesson from every game of chicken with Washington: Hold your nerve long enough, and America swerves first," said Ali Vaez, the International Crisis Group's deputy program director for the Middle East and North Africa. "For a system that believes it is fighting for survival… existential threats tend to harden resolve, not impose a price ceiling on resistance."

Washington this week indicated it would slap new restrictions on Iran's economy in the coming days. Treasury Secretary Scott Bessent said it would be a "one-two punch" along with the U.S. naval blockade of Iranian ports.

The efforts by both sides to inflict economic damage on each other put them further from the diplomatic off-ramp they appeared to reach with the deal in June. That agreement set out financial rewards for Tehran if it reopened the strait and entered serious negotiations on its nuclear program.

Trump began the war declaring that his goal was to force Iran into a deal that would prevent it from ever obtaining a nuclear weapon. But as the conflict has worn on, and Tehran has asserted control it didn't have before over global energy flows in the strait, his priorities appear to have shifted.

The White House has become increasingly pessimistic in recent weeks about achieving a final nuclear settlement with Tehran. Instead, Trump has focused on squeezing Iran's battered economy so the regime does a deal to open the waterway that would let him declare victory in the war and move on, U.S. officials said.

For Iran, control over Hormuz enables it to make demands on the U.S. without having to concede anything over its core nuclear program.

The central question of the conflict has now become: which side blinks first under economic pressure. The war of words ramped up Friday.

(Link to article - WSJ)

Tehran tells Trump to 'accept the reality of defeat' and Hormuz will remain closed

Taken from Independent on Sunday, 16 August 2026

Iran has told Donald Trump to "accept the reality of defeat" as it declared that it will not resume talks with the US with the Strait of Hormuz set to remain closed

"This strait will be opened and closed only under Iran's command, Iran's deputy foreign minister Kazem Gharibabadi posted on X early on Saturday.

"So long as you do not accept the reality of defeat and stop indulging in fantasies, Iran will continue to enforce the blockade."

Only two vessels passed through the Strait of Hormuz on Friday with no crude oil shipments visible, according to analysis from ship-tracking firm Kpler. Before the war, more than 130 vessels would transit the strait.

It came before Donald Trump said he will soon declare the Strait of Hormuz a US territory.

(Link to article - IOS)

Electricity is now a matter of national security

Taken from The Sunday Times 16 August 2026

The Strait of Hormuz crisis has underscored the profound structural vulnerabilities of the global hydrocarbon system.

With about 25% of global seaborne oil supplies, and a significant share of LNG exports, in effect trapped in the Gulf, the world has been navigating one of the most severe energy supply shocks in history — one that has triggered sharp price increases and heightened the risk of a broader economic downturn.

As energy is weaponised, just as it has been in the war between Russia and Ukraine, it underlines how hydrocarbons such as oil and gas remain both a source of geopolitical leverage and a vulnerability for energy security.

With many countries and regions moving to minimise their dependence on oil and gas imports, the focus on homegrown renewables and electricity grids is intensifying.

However, while a transition to clean energy production and consumption can help to reduce the geopolitical exposure associated with hydrocarbons, it introduces a new set of challenges that must be managed so the opportunities far outweigh them.

As electricity becomes the backbone of both the economy and society, it is also the new front line of energy security. And at the centre of this frontline sits the power grid.

Because electricity — unlike fossil fuels such as gas or oil — cannot yet be stored or redirected at scale, the demand and supply of electricity need to be balanced in real time.

The power grid must integrate increasingly variable energy sources while delivering electricity where it is needed. A disruption at any point in the value chain — from generation, transmission and distribution to consumption — can trigger a power failure, potentially leading to an immediate, economy-wide shock.

That is why electricity is no longer just an energy issue; it's a national security issue.

Three big external factors pose a risk to the power grids. The first is the fragility of global supply chains. Processing of critical materials is concentrated in a few regions and production of specialised components is struggling to keep up with demand, creating long lead times and bottlenecks for project developers. Recent disruptions have shown how quickly these supply chains can fracture.

A second vulnerability stems from the growing convergence of physical and cyber threats. As grids are increasingly digitalised, they are becoming more efficient but also expanding the potential attack surface.

The third source of strain, as we are seeing in this summer's heatwaves, is the increasing impact of climate-driven hazards. Extreme weather, prolonged droughts, wildfires and floods are placing unprecedented pressure on infrastructure built for a steadier climate.

These external risks are intersecting with a range of internal pressures. Operationally, power grids are becoming notably more complex. Rapid renewable integration and less predictable demand are making system stability harder to maintain.

What was once a comparatively simple, centralised system has evolved into a far more complex and interconnected one, leaving operators with much less room for error, and spoilers with more opportunities for disruption.

(Link to article - Times)

Irwin Stelzer: Trump has an off-ramp as costs of war outweigh benefits to the US

Taken from The Sunday Times 16 August 2026

A few economic tools for those who do not spend all their time studying the details of the war in Iran. Spoiler warning: solution not included.

President Trump believes, as an economist would put it, that the costs of putting boots on the ground in Iran exceed the further benefits to be had from the war. Others disagree, but theirs is not the awesome responsibility of making the Arlington National Cemetery in Virginia the next stop for thousands of American soldiers.

Less mentioned is that the costs of obtaining further benefits are now; the benefits come long after Donald Trump has departed the scene.

The most obvious costs so far incurred are higher petrol prices and direct military expenditures. The cost of the $1 increase in petrol is difficult to gauge, in part because some went from consumers to the domestic oil industry. As consumers see it, in the six months of the war, they have laid out an extra $70bn to drive to work and visit grandma.

The administration's requests for funds to cover the past and prospective costs of the war come to about $100bn. Given Trump's aversion to tax increases, this will increase deficits and the national debt, and the cost of carrying that debt.

Then there is the unmeasurable cost of emboldening adversaries to believe that America's arsenal is so depleted as to make it a non-player in Asia and Europe.

All these costs have brought significant benefits. The war arguably achieved its initial objectives: burying the stuff of which nukes are made under tonnes of rock; degrading Iran's military; wrecking its economy; and triggering ruinous inflation. Relatively low-cost surveillance will presumably alert future presidents to activity at buried nuclear sites.

How those incurred costs and benefits balance out is less important than the fact that the war's past is not prologue. Continuing to seek the reopening of the Strait of Hormuz will be more costly as the Islamic Revolutionary Guard Corps (IRGC) demonstrates its resilience and development of tactics in this asymmetric war, in which the US has used about half its supply of Patriot interceptors, which cost $4mio to $5mio each to shoot down $35,000 Iranian drones.

Not only will prospective costs exceed those so far incurred, but the prospective benefit of an opening of the Strait of Hormuz will be considerably reduced by America bearing the vast majority of the costs of creating a public good — free transit through the strait — while the benefits are shared with myriad users who have borne almost none of the costs, and refuse to do so even when asked, earning the appellation "free-riders" from economists, and "disloyal" from Trump.

Iran's strategy of expanding the conflict has paid off. Data gatherer ACLED reports that from the start of the war through to the end of last month, "Iran and its backed groups in Iraq have conducted at least 172 attacks on non-military targets" in the Gulf states. Acceptance of an Iranian-controlled strait seems to them a price worth paying for peace in their time, which is why they have at least three times persuaded Trump to call off planned attacks.

Time for the pause that refreshes. Those requests have created the off-ramp that the president has been seeking. It would not be unreasonable for Trump to accede with his customary grace to the wishes of America's allies and announce that America's enormous reserves of oil make the cost of opening the strait too high given its lesser importance to US national security, or, in economic terms, not a cost-effective way of pursuing that security.

Trump's new strategy so far includes maintenance of enhanced sanctions on Iran, and of the blockade that has deprived Iran of about $5bn in monthly revenue. The regime figures it can survive by imposing severe rationing and by doubling down on suppression to outlast Trump, who faces the mid-term elections in 78 days.

In the end, Trump might face only two choices: accepting that there will be very high costs to putting troops in harm's way and unseating the regime; or surrendering to some Islamic Revolutionary Guard Corps demands other than complete withdrawal of all bases from the Middle East — a demand the IRGC can drop and then return to, with associated bombardments of US facilities, at any time.

Presumably when a president more inclined to flee than fight has ungilded the Oval Office.

There you have it — an economist's not entirely satisfying attempt to see if the tools of his trade can be useful in sorting through the options available to a president in the long line of those outmanoeuvred by Iran.

To those who might argue that I have strayed more than a little beyond the confines of my chosen profession, I call in my defence the great economist FA Hayek: "Nobody can be a great economist who is only an economist — and I am even tempted to add that the economist who is only an economist is likely to become a nuisance, if not a positive danger."

(Link to article - Times)

This Sprawling Chinese Refinery Is Bankrolling Tehran

Taken from WSJ Sunday, 16 August 2026

Chinese leader Xi Jinping last year summoned dozens of leaders from the nation's top private companies to a rare meeting, calling on them to help China navigate economic difficulties.

Sitting with luminaries such as Alibaba's Jack Ma and DeepSeek founder Liang Wenfeng, according to state media, was a 55-year-old man named Chen Jianhua, founder of a company called Hengli Group.

To the outside world, Hengli—which in Chinese means "eternal strength"—may not ring a bell. But inside China, it has become an industrial juggernaut. With operations spanning petrochemicals, textiles and shipbuilding, it employs more than 300,000 people and records revenue north of $100bn a year—more than Tesla or Boeing—according to the company's website.

It has also become a major importer of illicit Iranian crude, according to industry analysts, shipping brokers and the U.S. Treasury, which sanctioned the company's refinery business earlier this year, saying it bought billions of dollars' worth of Iranian petroleum. Hengli's other businesses weren't sanctioned.

U.S. officials say Hengli is one of the biggest players in a vast ecosystem of "teapot" refineries in China that for years have been buying sanctioned oil.

China's purchases of Iranian oil—mainly thanks to teapots—topped more than $30bn last year, soaking up nearly all the country's exported petroleum and bankrolling Iran's theocratic regime, according to a March report by the U.S.-China Economic and Security Review Commission.

Hengli and other similar Chinese companies are able to buy the oil at a steep discount to market prices, boosting profits.

People familiar with the company's operations say Hengli has been buying sanctioned oil since at least late 2020, with purchases expanding after Russia's invasion of Ukraine in 2022. It turned to cheaper sanctioned crude in part because its petrochemical business has a heavy debt load, they said, and relies heavily on Russian and Iranian crude, sometimes buying at up to a 25% discount to market prices.

China's Commerce Ministry publicly told companies in May not to comply with the U.S.'s blacklisting of several Chinese refineries, including Hengli, over alleged purchases of Iranian oil.

The oil Hengli buys is a drop in the bucket for China, which has imported more than 4bn barrels annually in recent years. Still, it illustrates the big opportunities for businesses that are willing to circumvent international sanctions.

(Link to article - WSJ)

News Europe

UK drones used for 'deep strikes' in mainland Russia for first time

Taken from The Sunday Times 16 August 2026

British drones have been used to strike targets on the Russian mainland for the first time.

Drones made by two UK companies have been supplied to Ukraine, whose forces deployed the weapons as part of its deep-strike campaign.

Deep strikes — using long-distance drones to hit industrial and military targets in mainland Russia — have caused more than £35bn in economic damage, sparking fuel shortages and rolling blackouts in some regions of Russia. Targets have included oil refineries, naval bases, logistics hubs and transport networks, including one attack more than 1,000 miles over the border.

While Ukraine has previously used limited numbers of western missiles against Russia, including British Storm Shadows, these caused restricted damage and failed to move the dial in the conflict. In contrast, drone-led deep strikes have become the most effective weapon in Ukraine's arsenal as combat on the front line reached a stalemate. The spike in demand has created a critical need for supplies that can be quickly replenished.

Multiple sources in the Ukrainian armed forces confirmed the use of British drones in attacks over the past six months, marking a new phase in the military partnership between the UK and Ukraine.

(Link to article - Times)

Yes, no, or both? Iceland's very grown-up EU referendum

Taken from The Sunday Times 16 August 2026

The island sitting on a geological fault line is split ahead of its first EU referendum, with an almost identical percentage of support for either side, and about 15% of people still undecided. On August 29, the country of 400,000 will head to the polls.

Unlike the UK's Brexit vote, Iceland's decision is not a simple blank cheque for membership but will decide whether the government reopens talks. If the yes vote prevails, there will be another vote on the eventual deal with the EU.

Iceland initially applied for EU membership in 2009 under a centre-left coalition (there was no public referendum) after the collapse of the country's banking sector in 2008. But after a change in government and quicker than expected recovery, it froze its application in 2013.

In the "ja" camp — Kristrun Frostadottir, the popular Social Democrat prime minister, the 38 year-old former economist who formed a three-party coalition and promised a vote when she assumed office in December 2024. In the "nei" camp — centrist and right-wing parties, as well as farmers and fisheries.

The incremental nature of next week's vote has also created a cohort of "yes-no" voters: people who will vote yes at this election, so they can see how talks progress but think they would still vote no to actual membership. "There is no deal, so how can we know whether it'll be good or not?" says marine biologist Olafia Larusdottir, 47. She plans to vote yes next weekend but hasn't ruled out voting no, once there are terms on the table.

The key arguments from the yes camp focus on security and economics. Poised between the United States and Europe, Iceland has always relied on both for protection — it has no military.

President Trump's recent advances on neighbouring Greenland have skirted a little too close for comfort for Iceland, which also has large reserves of rare-earth minerals. Many suspect that Icelandic politicians are questioning whether their 1951 Cold War era defence treaty with the US — which gives America the responsibility of Iceland's security in return for access to military bases — could, these days, be null and void. The US pulled out of its Keflavik airbase in 2006, and the volatility of Trump in the Arctic and disdain for Nato has worried particularly left-wing parties.

Iceland has the world's smallest independent currency — the krona — and interest rates as high as 8%. Inflation is at about 5.3%. The country's central bank holds a huge amount of krona — about 20% of GDP — to protect against volatility and another financial crisis. But it is subject to large fluctuations. Joining the eurozone, supporters argue, would free up public wealth to be invested.

Iceland already enjoys many of the benefits of EU membership. As one third of the European Economic Area (with Norway and Liechtenstein), 75% of EU laws already apply. There is already freedom of movement, it is in the Schengen zone, and it is a founding member of Nato. The 25% of laws which do not yet apply in Iceland would have the biggest effect on fishing and agriculture.

(Link to article - Times)

Crypto giant accused of moving money for Iran seeks UK comeback

Taken from The Sunday Telegraph 16 August 2026

A giant cryptocurrency exchange accused of allowing Iran to move billions of dollars is planning a UK comeback years after a ban.

Binance, the world's largest crypto exchange, is preparing to apply to the Financial Conduct Authority (FCA) for a cryptocurrency licence under new rules coming into force next year.

Winning approval to launch in the UK would mark a stark reversal of fortunes for the company, which has previously been hit by a series of FCA crackdowns hampering its attempts to operate in Britain.

The company has also faced a series of regulatory hurdles overseas and is reportedly being investigated by US authorities over claims it allowed Iran to evade sanctions and transfer billions to finance the country's revolutionary guard.

Binance says it has zero tolerance for illegal activity and rejects claims that it knowingly allowed Iran to operate on the site.

Under new cryptocurrency laws coming into force next year, companies will have to seek permission from the FCA to let customers trade.

As part of the tougher rules, crypto exchanges will need to have a UK base, demonstrate they are well resourced enough to follow financial laws and pass a "fit and proper" test.

Applications for licences under the new regime are set to open next month, before it comes into force in October 2027.

Binance is expected to set up a UK-based board as part of the process.

Binance has previously faced a series of regulatory setbacks in the UK. In 2021, the FCA banned its UK entity from carrying out regulated activity, saying it was "not capable of being effectively supervised", although it continued to operate from abroad.

Two years later, the company was blocked from carrying out financial promotions through a UK partner company. This prevented it from signing up new customers, although it continues to serve existing ones.

(Link to article - Telegraph)

News Americas

Nvidia discloses $21bn stake in SpaceX

Taken from FT Saturday, 15 August 2026

Nvidia has disclosed that it owns nearly 123mio shares in SpaceX, further highlighting the chipmaker's entangled financial relationships with some of its biggest customers.

The $5.5trln company owned SpaceX stock worth nearly $21bn at the end of June, according to an SEC filing on Friday. Elon Musk's rocket conglomerate's shares have fallen sharply since its June initial public offering, meaning Nvidia's stake would now be worth $17bn.

The disclosure marks a huge pay-off on Nvidia's investment in xAI, completed in January, shortly before Musk combined the AI lab with SpaceX.

It underscores the scale of Nvidia chief Jensen Huang's effort to use the financial power of the world's most valuable company to forge complex and often circular financial links across the AI industry, including with some of his largest customers.

(Link to article - FT)

Trump family's World Liberty crypto venture granted conditional approval for bank licence

Taken from FT Saturday, 15 August 2026

A cryptocurrency venture backed by Donald Trump has received conditional approval for a banking licence from a US regulator, boosting the company's credentials as it seeks to expand its stablecoin operations.

The Office for the Comptroller of the Currency on Friday said it had granted preliminary conditional approval for a national bank trust charter to World Liberty Financial, which counts the US president as co-founder emeritus.

The company's business plans include issuing dollar-backed stablecoins and providing custody for digital assets, according to the regulator. WLF will not be authorised to provide loans or take direct deposits.

The approval comes as Trump's business interests in the crypto sector become a major political flashpoint. Democrats have been pushing for an "ethics clause" to be included in a landmark crypto market structure bill that would prevent top government officials from benefiting from the sector while in office. Regulatory experts expect that to come under renewed scrutiny when Congress returns from recess in autumn.

In order to operate as a trust, WLF will have to meet several conditions including limiting its operations to those defined in the business plan it submitted to regulators and complying with capital and liquidity requirements.

The company had not named a chief financial officer when it submitted its application in January but later appointed Daniel Dietzel, former CFO of institutional prime broker Hidden Road, to the role.

(Link to article - FT)

JPMorgan debanked Polymarket over regulatory concerns

Taken from FT Saturday, 15 August 2026

JPMorgan Chase terminated its banking relationship with Polymarket last year over regulatory concerns, underscoring escalating worries in the industry over fast-growing prediction platforms.

JPMorgan notified Polymarket that it needed to find a new bank in October, according to people familiar with the matter. Polymarket is now working with a new lender, the identity of which could not be confirmed.

At the time, Polymarket was banned from allowing US customers to use its platform following a 2022 enforcement action by the Commodity Futures Trading Commission for operating an unregistered derivatives trading platform.

The CFTC under the Trump administration allowed New York-based Polymarket to re-enter the US last year, though the agency has an ongoing investigation into the company, the FT reported in June.

JPMorgan has still maintained some ties with Polymarket, notably inviting chief executive Shayne Coplan to speak at a conference for wealthy private banking clients in Miami in February alongside ex-NFL star Tom Brady, according to people familiar with the matter.

The bank is keen to stay in the running for an underwriting role should Polymarket attempt to go public. "They don't want to burn all their bridges," said one person close to the prediction platform.

Polymarket said it continued to do business with the bank in other ways, maintaining "a close, active relationship with JPMorgan across multiple entities, operational integrations and material handling of customer fund flows".

The move by JPMorgan highlights the struggles fast-growing companies in nascent industries can face in securing banking services. It also points to the wary approach some large banks are taking regarding prediction markets, which have helped to create a speculative economy where virtually any event can be wagered upon.

The growth of prediction markets has attracted regulatory scrutiny. In addition to the CFTC action in 2022, more than a dozen US states have also taken legal action against Polymarket and rival Kalshi for allegedly operating unlawful sportsbooks. The companies argue they are exchanges that match two different sides of a bet, rather than a bookmaker that takes the other side of a wager.

There have also been concerns about insiders with advanced knowledge of events trading on prediction markets.

(Link to article - FT)

Hyperscaler AI borrowing binge shakes up foreign credit markets

Taken from FT Saturday, 15 August 2026

A flood of foreign currency bond issuance by Big Tech groups is shaking up the world's smaller credit markets, pushing borrowing costs higher and causing local issuers to shift the timing of their deals, investors have said.

Silicon Valley's so-called hyperscalers, including Amazon and Google parent Alphabet, have this year started issuing debt in foreign currencies including the Swiss franc, British pound and Canadian dollar, as they tap new funding sources in the race for AI dominance.

The size of their deals has put the hyperscalers among the biggest issuers in those markets, in some cases crowding out other companies, analysts said.

Alphabet raised C$8.5bn earlier this year, briefly the biggest ever bond issuance in the Canadian market before Amazon issued C$14bn a few weeks later.

Canada's AA corporate credit index — the highest-quality category, in which both hyperscalers sit — has weakened in recent weeks, taking its spread over government bonds higher than that of the lower-quality A index.

"[The hyperscalers] basically come in and reprice all of the high-quality curve," said Souheir Asba, a credit portfolio manager at AllianceBernstein, speaking about smaller debt markets in general.

"You're resetting valuations wider for other, similarly rated companies," she said.

Amazon and Alphabet have also issued big deals in Swiss francs this year, while Alphabet sold a rare 100-year bond in sterling.

Some analysts warn that other companies will be crowded out of longer-dated debt issuance, where the hyperscalers have focused their efforts.

Hyperscaler issuance in non-US markets "certainly will influence other corporate decisions… they can't issue as much long-dated debt as they would like to", said Steve Caprio, head of European and US credit strategy at Deutsche Bank.

Caprio said the bank had an underweight call on European investment-grade credit versus its US equivalent, partly because of weaker growth and rising political risks but also because of the expectation that hyperscaler issuance in euros would cause spreads to widen, and "you don't have as much of a natural buyer base for this paper" in euros compared with US dollars.

"We wouldn't want to be in longer-end euro investment-grade credit at the moment, because we know the hyperscalers are going to have to fund in every currency they can," Caprio said.

The size of the deals also means that hyperscalers have quickly become a significant portion of non-US credit markets. From zero presence until this year, Amazon and Alphabet together now make up 7.7% of the entire Swiss investment-grade credit index, S&P data shows.

This creates new risks for those markets and for investors obliged to track the composition of the benchmark, said Asba at AllianceBernstein.

For some investors, the new issuance brings a welcome vibrancy to less liquid markets. Al Cattermole, fixed income portfolio manager at Mirabaud Asset Management, said hyperscaler issuance was "great" for investors, because "it is adding diversification, brings attention and keeps domestic cash in domestic bond markets".

(Link to article - FT)

OpenAI upheaval mounts as Sam Altman readies IPO push

Taken from FT Saturday, 15 August 2026

OpenAI is facing mounting internal upheaval after nearly half a dozen reorganisations this year, as chief executive Sam Altman races to prepare the ChatGPT maker for a potential blockbuster IPO.

Repeated executive reshuffles and a series of senior departures have left some staff frustrated with constant changes at one of the world's most valuable private companies, according to multiple people familiar with the moves.

This week, chief revenue officer Denise Dresser, who was appointed in December to oversee efforts to win corporate customers, announced her departure.

She follows former chief financial officer and chief operating officer Brad Lightcap and ethics chief Chloé Bakalar, who left after less than a year, the FT revealed on Monday. OpenAI said it was moving at an exceptional pace and unafraid to make organisational changes.

Fidji Simo, who ran its applications business and was considered Altman's number two, left her full-time role last month after a period of medical leave to become an adviser. But she has remained active behind the scenes, communicating with staff on a nearly daily basis, two people close to OpenAI said.

"She is still puppeteering in the background," said one person familiar with the dynamic, who described senior executives as vying for Altman's attention amid considerable internal "politics". The company said she was conducting her advisory role as intended.

OpenAI has presented these recent exits as part of a streamlining process ahead of an IPO, following Altman's directive to staff to cut back on "side quests" and focus on ChatGPT and on competing with Anthropic for business clients.

Some staff see the management reshuffles as evidence of dysfunction during the crucial run-up to an expected IPO that could value it at as much as $1trln. OpenAI's IPO had originally been expected this year but is now likely to be next year, according to people familiar with the company's plans.

(Link to article - FT)

U.S. to tell partners they must pick sides in AI race with China

Taken from CNBC Sunday, 16 August 2026

The U.S. is preparing to tell dozens of countries they must pick sides in the artificial intelligence race with China, warning they will be excluded from a U.S.-led AI coalition if they also sign up for Beijing's competing framework, according to a U.S. official and an internal draft reviewed by Reuters.

Washington launched the Pax Silica initiative last year to secure supply chains for AI models, semiconductors and critical minerals, amid a fierce technology rivalry with Beijing.

About two dozen countries have joined, including Kazakhstan, a key potential source of critical minerals that has also joined China's coalition, as well as close U.S. allies such as Japan, Australia and South Korea.

The draft letter, prepared by the State Department, is addressed to the 35 signatories of a U.S. "AI Opportunity Statement" signed in June, which includes members of the non-binding Pax Silica framework and other countries that have expressed a desire to align cooperation on AI with Washington.

By pressing countries to choose sides, the U.S. hopes to starve China of resources in a race to make the most sophisticated AI, which could be used for military or economic dominance.

Kazakhstan is the only country so far known to have joined both initiatives, setting off alarm bells in Washington.

"To be part of everything is to be part of nothing. Signature of the Pax Silica Declaration is not merely a membership subscription, but a commitment," the letter says, urging countries to "choose deliberately" on AI.

"It cannot be held alongside membership in duplicative initiatives whose expectations conflict with our own," the letter said, without specifically mentioning China.

The Pax Silica agreement aims to push U.S. allies and partners toward joint projects and export controls, and ultimately reduce reliance on adversaries for critical minerals, AI models and the semiconductor chips that power them.

The race between the U.S. and China for technological leadership has reached a pivotal moment, as Chinese open-weight AI models have made rapid gains against proprietary systems from U.S. companies such as OpenAI and Anthropic.

The exponential growth of the technology's capabilities, including the ability to hack autonomously, has forced a global reckoning over its power.

(Link to article - CNBC)

Japanese Yen

Why the 'dirt cheap' yen is proving hard to fix

Taken from FT Saturday, 15 August 2026

As Japan's government battles to support the yen, analysts are turning to trade models, interest-rate differentials and even the price of katsu curry to figure out just how undervalued the currency is.

The vast majority of these long-term metrics, as well as a comparison with the recent past, suggest the yen looks cheap. But unfortunately for policymakers in Tokyo and Washington, who last month staged a historic joint intervention to prop up the currency, investors do not expect a swift rebound.

Many expect the yen to fall further amid worries over Japan's enormous debt load and lingering doubts about its economy's ability to accelerate out of its decades of low growth and inflation.

Too many investors felt that if Japan's "debt situation is unsustainable . . . higher rates or yields make things worse, and so won't stabilise the currency at all", said Kit Juckes, chief FX strategist at Société Générale. "They need more growth."

The yen has already given up roughly half the gains it made following the recent US-Japan efforts to strengthen it. Having appreciated sharply from a 40-year low of around ¥164 to the dollar almost ¥155, it has weakened again to around ¥159.

That is far weaker than the level of around ¥110 where it traded in the half-decade before the Covid-19 pandemic. It caps a period of losses that has come in spite of Japan's emergence from deflation and tentative interest rate rise by its central bank.

The effects of the intervention have proved fleeting despite hints of faster rate rises from the Bank of Japan, underscoring just how negative market sentiment has become about the yen — one of the world's most heavily traded currencies and one that typically behaves as a haven in global FX markets, rising in times of stress.

So, what is the yen's "fair value"?

The OECD's purchasing power parity measure, which essentially asks what exchange rate would make a basket of goods and services cost the same in Japan and abroad, suggests it should be much stronger at around ¥97 to the dollar. The Big Mac Index, a simpler alternative that swaps the basket for a single burger, has the yen at similarly depressed levels.

"The yen is dirt cheap on any PPP model," said Juckes. "It doesn't matter which measure of fundamental fair value you use, the yen is undervalued."

Geoff Yu, a strategist at Bank of New York Mellon, has come up with an alternative Katsu Curry Index, showing the relative value of the yen through a comparison of the pork dish across countries.

According to Yu, one dollar should buy something closer to ¥62 on this admittedly simplistic measure, given that a Katsu curry costs ¥960 in Japan, not including sales tax, and $15 or so in the US.
Such measures are popular with economists but tend to have little sway in currency markets — unfortunately for Prime Minister Sanae Takaichi's government, which is anxious to reverse a yen slump that has pushed up the price of imports such as food and energy, adding to inflationary pressures.
Instead, traders tend to focus on differentials in interest rates, which are typically the biggest driver of FX market action.
Japan's low borrowing costs relative to the US — and to other big economies such as the Eurozone — go some way to explaining the yen's weakness, but they also suggest it is overdone. The gap between American and Japanese two-year borrowing costs has roughly halved over the past three years, a period in which the yen has fallen further against the dollar.
Nomura's analysts suggest that the yen is 5.5% undervalued based on the three-month US-Japan nominal interest-rate differential, 10.1% on the two-year, 12.5% on the five-year and 14.5% on the 10-year differential.
The same is true for inflation-adjusted exchange rates, looking at the yen in the context of decades-long averages. The Bank for International Settlements puts it at near-record lows on this view, while HSBC's related measure says the dollar is currently "overvalued" by 12.5 to 42.6% versus the yen.
Some officials in Tokyo say such broken correlations support one argument in favour of intervention — the desire not to target a particular level but to stop a "disorderly" slide in the yen.
Favourable fundamentals should help the currency strengthen, according to some analysts. "The market can't price the yen so far away from fundamentals for a long time," said Michael Metcalfe, global head of macro strategy at State Street.
But judging by speculative bets against the Japanese currency in futures markets, many investors are more sceptical that it is poised to rebound.
Traders say the yen's deep discount, as implied by these measures, can be explained by worries over long-run inflation and fears that higher interest rates, rather than supporting the currency, could intensify concerns about a country whose gross sovereign debt is around 200% of GDP.
The yen is "less cheap if you plug in relative interest rates, also less cheap if you also plug in debt to GDP and debt sustainability . . . and so on," said SocGen's Juckes.
That view chimes more with investment bank models that aim to value the yen in the short term by taking into account more market and capital flow factors, rather than estimate its long-term equilibrium.
HSBC's short-term model, based on historical one-month correlations, has fair value very close to the current spot price, while Morgan Stanley, taking into account global risk sentiment, suggests it could weaken towards ¥165 to ¥167 before gaining again if US rates fall.
To sustainably turn the tide on the yen's decline, the government could do more to convince the market its plans are fiscally sustainable, analysts say. The BoJ could also exceed current market expectations with bigger rate rises that would convince Japanese companies and households — who are big holders of overseas assets — to bring their money home, they add.
That could help dent a large so-called carry trade — where investors borrow in yen at low interest rates to fund investments elsewhere — that has weighed down the currency.
But many are sceptical about the BoJ's willingness to do so, given worries about sending a still-recovering, ageing economy back into deflation.
"We've seen these interventions over the past three or four years, and all of them worked in the short term," said Shoki Omori, a fixed-income strategist at Deutsche Bank in Tokyo. "But they didn't really incentivise corporates, hedge funds or the broader financial community to repatriate funds or move back into other currency carry trades… The BoJ has to find a way to convince the market that it can be more aggressive."
(Link to article - FT)

Katie Martin: Traders are spoiling for a fight over the yen
Taken from FT Saturday, 15 August 2026
Two weeks after the historic joint US-Japanese effort to stop the rot in the yen, it is increasingly clear that the market is in the mood for a fight.
The New York Fed's yen-buying endeavours helped to pull the dollar down from an eye-watering ¥164 to more like ¥156. In interventions, that is decent bang for your buck (or for your euro, in this case, since that is the currency Treasury Sec Bessent chose to use on this occasion, startlingly, without consulting his European counterparts first).
It still could be the case that the presence of Uncle Sam in the yen market marks the peak in the exchange rate. After all, if anyone were to sell the yen in large amounts, who knows what retribution that might spark from a rankled US administration? Trade and defence policy are all interwoven with how the US sees its role as a global financial superpower, so it is rational to avoid angering the beast.
But markets in general, and currency markets in particular, are rarely driven by huge, lumpy trades where it is easy to identify an individual culprit for moves you don't like. Instead, they synthesise the wisdom (or folly) of countless institutions and people. And right now, the masses are reloading their bets

against the Japanese currency. Data from the Bank of New York shows that investors have been consistent and sizeable sellers of yen every day since the US intervention.

This has helped to take the exchange rate halfway back to where we started before the US jumped in. The dollar is back at ¥159, and all the ingredients are in place for it to keep wafting higher. The collision course is set.

In part, this is down to the so-called carry trade — a phenomenon with scary connotations given its long-running habit of hiccups and blow-ups that can shower seemingly unrelated markets with gunk.

Broadly, it describes the process whereby investors borrow in a cheap currency with low interest rates and plough it into something higher-yielding or more exciting. The carry trade ebbs and flows in popularity and notoriety, a soft indicator of wider speculative fervour. It thrives in the kind of low-volatility market environment now in play.

Opinion among analysts varies on the degree to which the carry trade is affecting the yen at the moment. It goes a long way towards explaining the extremes in the dollar-yen exchange rate, for sure. US government bond yields are extraordinarily high right now — the US government was forced to pay its highest borrowing cost for fresh 30-year debt this week since 2001. Japanese yields simply cannot keep pace. Some market watchers struggle to see the carry trade's widespread impact elsewhere.

But Masayuki Nakajima at Mizuho Bank says several quirks in the yen market indicate it is exerting modest pressure on the currency. These include a rapid rise in transfers of yen from banks' Tokyo branches to other branches abroad, often for use in higher-yielding foreign currency investments. Speculative net negative bets on the yen are also large by historical standards, despite a pullback after the US intervention. The timing of negative trades on the yen is also heavily weighted towards London and US trading hours — a hint that speculation is dominant rather than commercial considerations.

Last, the famed Japanese retail currency trader is back in business, gradually rebuilding negative yen positions against high yielders such as the Turkish lira, Mexican peso and others.

The risk of a disorderly unwind of all this seems low, Nakajima said, for a host of reasons. The chance of higher Japanese interest rates, for example, is already extremely well understood, and the US economy does not appear close to a recession although surprisingly weak retail sales data on Friday was ominous. Still, he added: "If an unwind were to materialise, its impact would potentially weigh on a broad range of assets, from US technology equities to emerging market financial assets."

Paradoxically though, as Nakajima points out, the very size of the yen carry trade may limit how aggressively policymakers can move against it.

Ultimately, the whole discussion about why the yen is so weak against the dollar circles around the same issues. As long as US debt yields are so high — lifted by sticky inflation and shakier US monetary policy credibility — and as long as the Bank of Japan sticks to a cautious path in interest rate rises, the yen remains a sell for the sprawling set of market participants that has already made good money out of this trade. Intervention, joint or otherwise, is really likely to work only when those underlying factors shift.

Even then, though, policymakers are no doubt aware that markets are very delicate ecosystems, with strands linking different elements that are not always obvious until they snap.

Yen bashers appear willing to keep testing Bessent's nerve. Everyone else should look out for disruption if this morphs into a bigger battle.

(Link to article - FT)

David Smith: The Japanese yen is on the rack, but sterling sails on serenely

Taken from The Sunday Times 16 August 2026

It's a long time since I have started one of these columns by talking about the Japanese yen, the currency of the world's fourth-largest economy (I can remember when it was the second). In fact, this may be a first.

But, as you may have heard, one of the big economic and financial stories of the moment has been the yen's weakness and the joint US-Japan effort to try to stem it through currency intervention.

What I also wanted to talk about was why, when currency volatility is back in the news, the pound is sailing serenely on — barely missing a beat even as the UK welcomed its sixth new prime minister in the space of ten years, and the seventh to hold the job over that period. Normally, when there are tensions in currency markets, the pound gets caught up in them.

But it is nearly four years since the last of those episodes, the self-imposed one that followed the September 23, 2022, mini-budget of Liz Truss's premiership, which sent the pound down to a record low against the dollar in overnight trading in Asia. The pound recovered its composure within months and has remained quite composed since. More on that in a moment.

Let me start with the yen. At its recent low point, it had fallen by more than 10% over the past 12 months against the dollar to a 40-year low, but that is as nothing compared with its fall in recent years. The dollar is 55% up against the yen over the past six years — in other words, compared with Covid levels — meaning that the Japanese currency has suffered a cumulative fall of about 35%.

That is a big adjustment, and it is not just against the dollar. Over that same six-year period, the pound has risen by 58% against the yen, so a yen fall of 37%.

Why has the yen been so weak? The easiest and most obvious explanation is that currency traders and international investors have been engaged in an extended version of what is known as the "carry trade".

Although they have risen recently, Japanese official interest rates are very low and likely to remain so. The BoJ official interest rate is 1%, compared with a 3.5-3.75% range for America's Fed Funds rate and 3.75% for the UK base rate. For both American and the UK markets saw a chance, though now a diminishing one, of even higher rates.

It is not just official interest rates. As I write this, the yields, or market interest rates, on ten-year Japanese government bonds are 2.85%, compared with 4.67% for America and 4.96% for the UK. Although we would give our eye teeth for such low borrowing costs, they also have a currency impact.

The carry trade is simply a device for taking advantage of these interest rate differentials.

It goes a little further than that, however. Since the bursting of its "bubble" economy more than three and a half decades ago, Japan has struggled for growth and had to work hard to avoid deflation — falling prices.

Deflation is no longer an immediate danger, but weak growth is, with Japan set to grow by significantly less than 1% this year and next. It is also facing the problem of a simultaneously ageing and falling population, with the number of people of working age declining. The export-led growth dynamo of the past is but a distant memory.

In response to the yen's weakness, America, concerned about the impact of that and other Asian currency weakness on the US trade deficit, has joined with Japan is seeking to prop it up with tens of billions of dollars of intervention in the foreign exchange markets — the first such effort for 15 years.

Scott Bessent, US Treasury Sec, knows a bit about such intervention, having countered it in Sept 1992 when he was part of George Soros's Quantum fund team, which successfully speculated against sterling and forced it out of the ERM.

He has, however, made few friends in European treasury bond and central banking parlours for the manner of this intervention, which was not done in a co-ordinated way with other G7 countries. It may also be suffering the fate of the 1992 episode — an intervention that has made markets take notice but, ultimately, will not the turn around the currency.

If you cannot change the fundamentals — in this case, very low Japanese interest rates — you probably cannot change the performance of the currency.

(Link to article - Times)

News Asia

China rattled by Trump White House chaos weeks ahead of Xi visit. It has happened before

Taken from SCMP Saturday, 15 August 2026

Just months ago, disorganised planning from Washington in the lead-up to US President Donald Trump's landmark China visit frustrated Chinese officials. Now, Beijing is watching the same story play out on the other side of the world.

With less than six weeks until Chinese President Xi Jinping's planned trip to Washington – his first state visit since 2015 – Beijing finds itself increasingly unsettled by the chaos within the Trump administration.

Sources told the South China Morning Post that Chinese officials were once again confronting a disorganised Trump administration that lacked planning and coordination, with little progress made on hammering out deliverables for the leaders' summit.

This time, according to the sources, the anxiety runs deeper as the summit will take place on foreign soil.

One person with knowledge of the preparations said that no US official or agency had thus far assumed responsibility for organising the visit, leaving officials on both sides largely engaged in routine preparations without clear leadership.

The source added that the recent Washington trip by China's foreign vice-minister Ma Zhaoxu produced a brief improvement in the atmosphere, but that momentum had not been sustained. The official Chinese read-out of the visit said only that Ma held in-depth exchanges with senior US officials.

Two people familiar with the thinking on the Chinese side suggested the issues appeared operational, logistical and optics-related, as neither side had high expectations of achieving anything substantive from the September summit.

The only concrete item on the agenda being discussed is a roughly US$30bn tariff reduction for Chinese goods as a targeted concession.

Chinese officials are particularly sensitive to the dynamics because protocol, venue and public messaging will be largely controlled by the White House, leaving Beijing with less ability to manage the optics or limit surprises.

Ali Wyne, a senior research and advocacy adviser on US-China relations at the International Crisis Group, said Chinese officials might be anxious about the apparent lack of planning on the American side because Xi was meeting Trump at a "sensitive juncture" in the US president's term.

"The United States is bogged down in a war with Iran that is increasingly unpopular with his base, and the Republican Party is bracing for a painful midterm

election cycle in just under three months," Wyne said.
(Link to article - SCMP)

China Is Opening the First Regular Cargo Route Through the Arctic

Taken from WSJ Saturday, 15 August 2026

Shipping cargo through an Arctic shortcut never made economic sense—until now.
Climate change and war in the Middle East are flipping the math that previously kept ships plying longer routes from Asia to Europe. A Chinese company on Saturday is starting the first regular cargo service to Europe through Arctic waters, seeking to reap the benefits of quicker travel time and less fuel use.
The shipper Sea Legend will dispatch the Dubai Tower from Ningbo, China, to Felixstowe in the U.K. on what it calls the Arctic Express, following a route along Russia's north coast. The voyage by the vessel, which is capable of carrying 1,740 20-foot containers, is the biggest commercial step in the Arctic since a Maersk containership first completed the route in 2018.
Global warming is a big factor behind the new route, but it is not the only one. Nearly half the Arctic region's summer ice—an area four times the size of Texas—has melted over five decades, clearing a fairly reliable path in the summer months. Meanwhile, high oil prices and attacks by Houthi rebels in the Red Sea have made the traditional routes costlier and more dangerous.
Beyond that, Beijing has ambitions to play a role in the Arctic's future, lending a geopolitical dimension to the Chinese company's shipping route.
Last year Sea Legend completed a trial run from Asia to Europe in a record 20 days. That is roughly half the time of a voyage via Africa's Cape of Good Hope that many carriers now take because of the Red Sea uncertainty.
Fuel accounts for 70% or more of the costs while at sea, said Alan Murphy, a former Maersk analyst who runs research firm Sea-Intelligence.
Saving fuel by shortening the journey doesn't automatically make a route profitable. Insurance premiums for the Arctic are 40% higher than the Cape of Good Hope route, said Jonathan Steenberg, an economist at credit insurer Coface. Sea Legend's Arctic vessels are relatively small. And even after warming, an icebreaker is still sometimes needed to help the cargo ship.
But if the ship can go without an icebreaker, Coface said the Arctic route is now cheaper than a Cape of Good Hope voyage in some circumstances. It estimated that at current oil prices of around $90, the cost of shipping liquid bulk such as liquefied natural gas could drop roughly 33% compared with the Cape of Good Hope route, while dry bulk goods such as cereals would cost about 8% less.
The route is only passable in the summer and fall. Sea Legend plans eight voyages between August and late October, before conditions get too icy.
Even in summer, ships have to navigate around dangerous ice floes and deal with rapidly changing weather. By the end of the shipping season in October, the sky is dark most of the time.
Coface estimates 3.5% of trade among East Asia, Europe and North America will be able to use Arctic routes within the next five years, representing $64bn in goods.
Last summer, a record 23 cargo ships transited the Northern Sea Route, which hugs Russia's north coast. That is tiny compared with the Suez Canal, where more than 30 ships transited daily.
Western companies that want to follow in Sea Legend's path have to navigate treacherous politics. Russia claims sovereignty over the entire Northern Sea Route and permits for ship traffic are issued by its state-controlled nuclear operator, Rosatom.
China has declared itself a near-Arctic state despite not having access to Arctic waters. It depends on Russia's goodwill to use the Northern Sea Route.
(Link to article - WSJ)

South Korea's inverse correlation

Taken from FT Unhedged Saturday, 15 August 2026

Earlier this year, there was a strange mismatch in Korea's stock market and currency. Under normal circumstances, an AI-fuelled equity rally and record-high trade surplus would translate into a stronger local currency. Instead, the Korean won fell to its lowest level against the dollar since the great financial crisis, making it one of the worst-performing Asian currencies in the first half of 2026.
But the story has now flipped. AI jitters caused the highly leveraged, extremely concentrated Kospi to come crashing down as much as 44% from its high in June to its July low. Meanwhile, the won has jumped 9% against the dollar since the start of July, making it one of the world's best performers last month.
The Kospi's sell-off might have been one of the rare cases where a falling stock market has helped to prop up a currency. The rally itself was part of what pushed the won below what fundamentals justified: global fund managers were using the Kospi's dizzying ascent as a chance to take profits, selling shares and converting the proceeds back into dollars, as evidenced by heavy foreign investor outflows. A more deleveraged market following the pop has reversed that pressure.
A rare dollar-selling intervention by Korean authorities two weeks ago has also helped, though intervention effects are usually short-lived. But we have reasonable confidence that the recent appreciation has legs. For one, interest rate differentials between Korea and the US are narrowing.

Last month, BoK raised rates for the first time in more than three years and signalled that it will probably continue tightening due to rising inflation pressures.

The AI boom and the successes of Samsung and SK Hynix are another. SK Hynix, which famously completed the largest-ever US IPO by an overseas company last month, has marked most of its proceeds for domestic investment. Samsung, too, has announced a multiyear, trillion-dollar domestic AI build-out plan, which should mean sustained dollar selling. The won, like the stock market, is moving closer to its fundamentals.

(Link to article - FT)

Dividend dependent: Profit season exposes ASX's missing animal spirits

Taken from AFR Sunday, 16 August 2026

Hold the champagne. Australian profits are growing, but not much. Our listed companies are getting lapped by their counterparts in the United States, just like on the share market, and there's little they can do about it.

One-third of the way through reporting season (by market capitalisation), revenue growth is slow, profit growth (at the market level) is about 10% or only 5% outside the mining and energy sectors, and guidance on FY27 profits is weaker than expected. Ramping up dividends is the best way to get investors' attention.

Much of the attention is on the headline profit numbers – and it is good that aggregate earnings per share are up this year after three years going backwards. Worryingly, FY27 earnings forecasts are getting trimmed, often thanks to companies' cautious guidance, while the beats are coming from Australian industrial companies with offshore businesses (mostly in the US).

Which makes you wonder how ASX investors will ever be able to turn the tide on heaving US markets in the AI investment/capital expenditure era.

While in Australia we fret about hyperscalers' $US1trln a year capex bill and capital markets' inability to keep absorbing their deals, the reality is that this hyperscaler spending is fuelling an astonishing earnings boom for anything that's part of the tech/data centre supply chain.

Australia's 8.5% FY26 earnings per share growth on Macquarie's numbers released over the weekend, or 11.7% on UBS estimates, is a fraction of what's happening in the US. The market's tipping $US358 earnings per share on the S&P 500 this calendar year or nearly 35% growth, and another 15% next year. We're getting lapped.

Quite simply, our companies can't compete. The economy's growing at 1.5%, the RBA thinks it will do another 1.5% in the coming year, unemployment is tipped to rise, inflation (CPI or trimmed mean, take your pick) is forecast to be more than the central bank's target and there's no sign the government's going to incentivise anyone to do anything that productive.

There are no animal spirits. If the government wants something done, it will spend our money on it.

It is disappointing – and results is our once-a-year look at the books that really show it. Last week's blue chips released credible sets of numbers (CBA, Telstra, Westpac, Transurban, Origin Energy, AGL Energy, Suncorp, Insurance Australia Group), but none of their bosses exuded that much positivity about the year ahead.

CBA's Matt Comyn was perhaps the most positive that we came across, but only because he was expected to be more down about the housing market and slowing housing credit growth post May's budget and three interest rate rises.

Balance sheets are largely in good shape, but we're yet to see any hefty new capital investment plans.

Funnily, the market's not encouraging any step-changes.

Macquarie's Matthew Brooks made a good point in his weekly wrap up over the weekend; dividends (not earnings guidance) have been the best way to meet expectations and move share prices on results day so far – Bravura, Suncorp, AGL Energy, IAG, Computershare and Amotiv were all in that bucket.

Dividends are great, particularly when they're franked. But it's a bit concerning that only three months after the federal government said it would crack down on capital gains tax concessions and therefore remove an important incentive for investment in growth companies and growth funding, we're getting outsized reactions based on dividends.

If it holds, it just shows Australia's trying to trap capital in old/stable/stale companies and their old/stable/stale ways of doing business, rather than encouraging these companies or new companies to have a crack at something potentially game changing.

Brooks thinks this will shift back to earnings guidance (which has been softer than expected so far) by the end of reporting season – but it's worth watching. If it doesn't, he says it means investors are paying for capital returns today not expected earnings in FY27, which we'd say is a bit short-sighted if not bizarre.

UBS' Richard Schellbach agrees with our theory about unexciting Australian profits, calling them "pedestrian" compared to what's on offer in the US (close to 50% on his numbers) and even Europe (22%).

"With minimal exposure to AI/tech, the Australian equity market has become a spectator to what is an unprecedented boom in global profits. Furthermore, we see the Australian earnings story likely deteriorating over the coming fortnight as a larger body of small companies begins to report," he told fund manager clients over the weekend.

These sorts of comments jar with what we're reading out of the US as its June quarter earnings seasons wraps up.

There is little sign of slowing AI capex (the juice that's feeding a bull market), while cloud revenue (if not AI just yet) was through the roof at the big three hyperscalers Google, Amazon and Microsoft.

Strategists are talking about an AI glow over much of the market – Citi's Scott Chronert, for example, wrote on Friday that AI was influencing more than 50% of the S&P 500 by market capitalisation. AI capex is certainly more than 50% of the index's total capex!

It will be interesting to see a total forecast capex number for the ASX 200 once the dust settles on results season and use that as a sentiment indicator for the two years ahead. We're guessing it won't smash records – and definitely nothing like what's going on in the US, where business has responded to Donald Trump's One Big Beautiful Bill by investing big time.

(Link to article - AFR)

Singapore Inc hopes AI access will stop finance high-flyers moving to Hong Kong

Taken from FT Sunday, 16 August 2026

Singapore Inc hopes its ability to access the most advanced AI models will help hold back a tide of investment managers leaving for Hong Kong, which is introducing sweeping tax cuts.

Asia's two biggest financial hubs have long competed for international white-collar workers and to attract the world's biggest investment companies and banks.

The latest phase of the rivalry is focused on lowering the tax bill for high-paid money managers and making it easier for businesses to access cutting-edge AI technology.

"This is all about offering certainty to businesses," said Kher Sheng Lee, co-head of Asia-Pacific at the Alternative Investment Management Association (Aima).

"With tax, you want to know how much you will pay to put your business on a firm footing. For AI, you need to make sure you have access to the latest tools."

Aima warned last month that several of its hedge fund and private equity members in Singapore were considering moving senior staff to Hong Kong to benefit from incoming tax cuts.

Meanwhile the FT reported this week that Hong Kong was looking at ways of including some trading firms such as Jane Street in the reforms, although a government spokesperson later tried to pour cold water on the plans.

While Hong Kong's finance sector is experiencing a resurgence on the back of a boom in Chinese listings in the special administrative region, several banks and investment managers have grown frustrated at the difficulties of accessing the latest western AI models.

Tools such as OpenAI's ChatGPT and Anthropic's Claude are banned in mainland China as part of the so-called Great Firewall. Hong Kong has long operated mostly free of Chinese censors, although restrictions on usage are imposed by the US AI companies themselves.

Those restrictions have led to several banks, including Goldman Sachs and JPMorgan, preventing access to models such as Claude.

Quantitative hedge funds, which rely on powerful mathematical algorithms to beat the market, are especially reliant on the most advanced frontier AI models to gain an edge over rivals.

(Link to article - FT)