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## FED BENDING THE KNEE | ADVANTAGE XJP

### Quick comments:

- ❖ Increasing chorus of Fed governors talking about rate cuts (wanna be Powell's replacement Christopher Waller and Mary Daly). Incoming White House Deputy Chief of Staff Stephen Mirran, to fill vacancy following resignation (9-Aug) of Gov. Adriana Kugler (awaiting for expedited Senate confirmation before Sept Fed decision on rate adjustments).
- ❖ Dissenters face increasing Trump pressure. Despite putting up legal resistance, we believe Fed governor Lisa Cook is definitely going.
- ❖ Mkt forecasts on Bloomberg for Friday's jobs numbers (Nonfarm payroll) 74k and unemployment rate at 4.3%.
- ❖ Nvidia 2Q26 Earnings run-rate in-line with our FY expectations. Expect consensus upgrades. Key highlight is CEO Jensen Huang's declaration of 70% market share (*too conservative\**) in AI spending capture by largest AI companies circa \$3-\$4 trillion over the next 5 years (in-line with our report fig2-1pg 7). **Remain Buyers of Nvidia (\$170.68) with Intrinsic Value of \$223.**
- ❖ Following the Shanghai Cooperation Organization (SCO) whereby President XJP hosted 23 world leaders (including India's PM Modi, Trump's former BFF), China's 80<sup>th</sup> anniversary parade of end of WW2 this morning showcased unparalleled depth and breath of NextGen military hardware, ranging from new drones (land, air, sea), missiles (hyper sonic, heavier payloads and range capabilities including orbital targets), torpedoes (using non-propeller propulsion) and modern defensive anti-drone armaments.

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## 6Σ column

### What we think

Trump's economic advisers are arguing that the impact of the tariffs will be one off and so the Fed can continue cutting rates. But remember how the Fed was caught out by the Covid supply side shock to inflation, which turned out to be anything but transitory. The Fed's reputation is once again at stake.

Unemployment continues to remain low-ish, likely assisted by enforcement actions of ICE and CBP. As of 29 Aug, current arrests of 195,249 (+15,190 over past 14 days), detention of 61,226 (+1,850) and 197,526 (+16,920) deportations (*source: Guardian*).

High likelihood of 25bps cut in Sep, may continue with Oct and Dec cuts. However the problem for the markets is that starting this week, the BLS Aug jobs numbers will be under the microscope because of the new BLS chief Antoni coming on board and concern the data is being interfered with (or getting Mar-a-Lago pre-approval).

### Trade / Investment ideas

US GDP growth of a revised 3.3% in 2Q, shows the US economy is not slowing. The Atlanta Fed is currently predicting 3.5% growth in Q3. Weekly US jobless claims data also point to a still healthy US labour market.

Reiterate our preference for **JPM (\$298.32)** as beneficiary of rate cuts. **GOLD [\$3,592]** and **Bitcoin [\$111,200]** are likely to benefit as well.