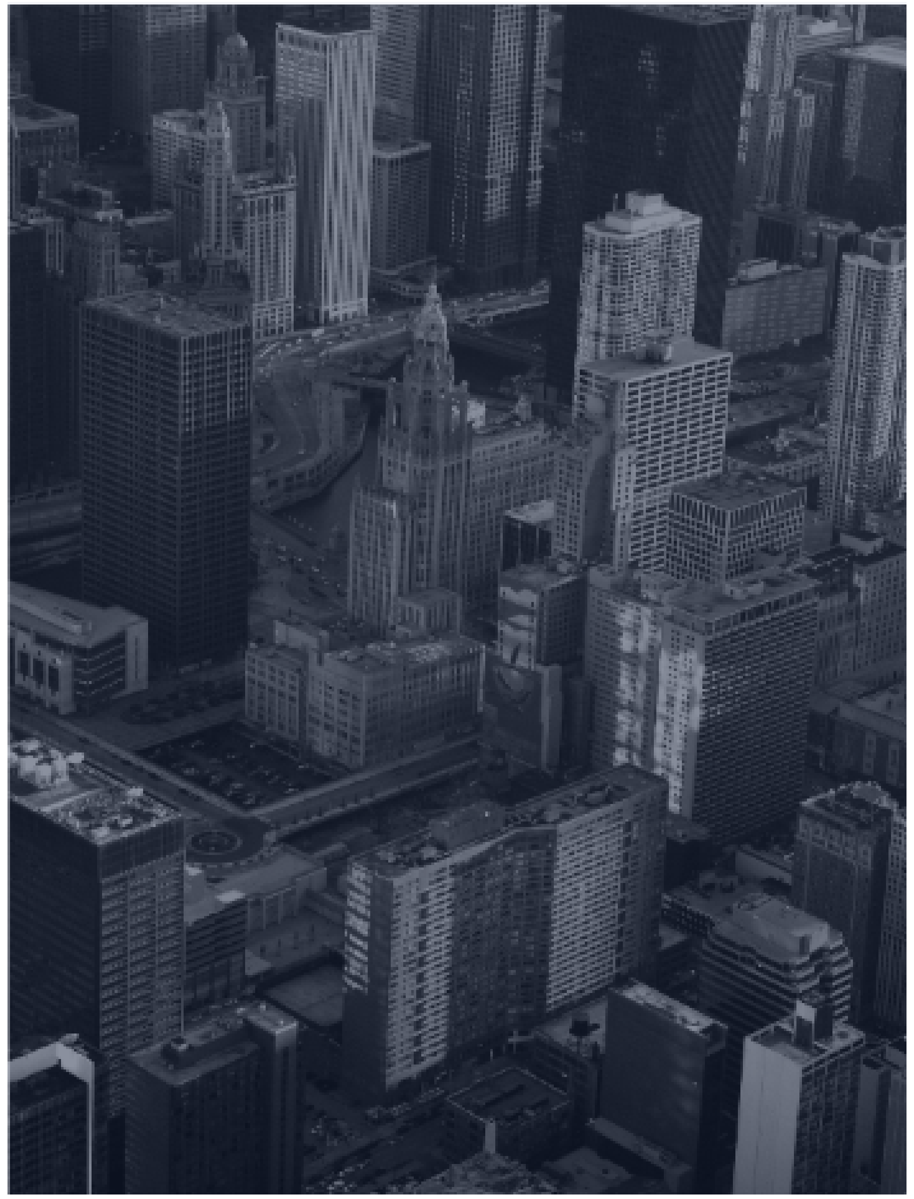
PINETREE MACRO

PINETREE MACRO CANOPY

Cross-Assets, Narratives, Opportunities, and the Year Ahead

July 2026



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01 / Section

CROSS-ASSETS

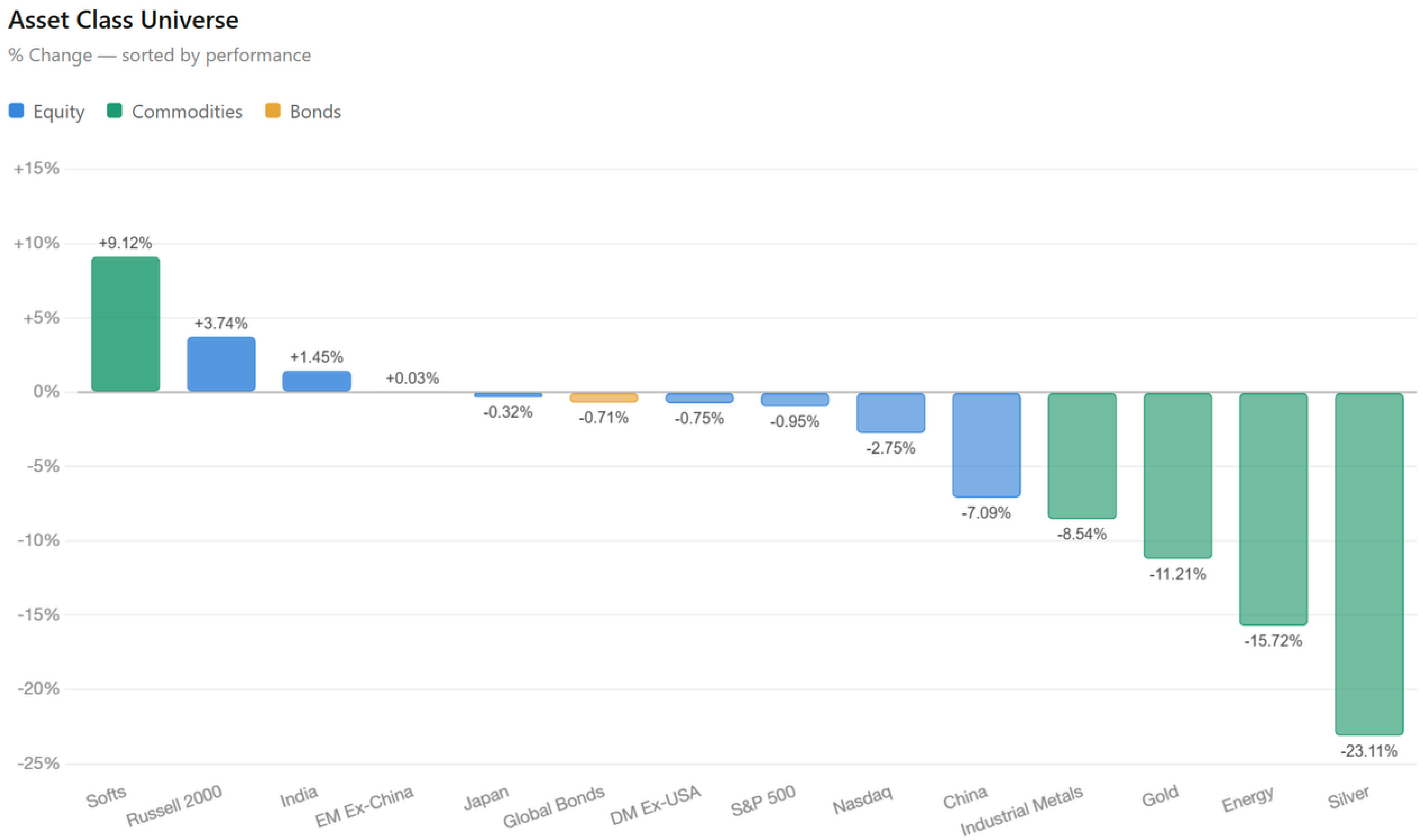
Cross-Assets

What Happened in June?

We are seeing initial signs of liquidity rotating out of AI-concentrated indices and into themes with less direct AI exposure.

Precious metals recorded one of their steepest monthly declines, contributing to their worst quarterly performance in 13 years. This rotation may indicate that prices had become disproportionately elevated or reflect expectations that the incoming Federal Reserve Chair may adopt a more hawkish stance on inflation.

The only commodities posting a positive month has been Agri-commodities. Is this an indication of us being in the last leg of the commodity cycle, or are we in the first leg of a decade-long trend of commodity prices going higher? In our July's Pinetree Macro Canopy we have attempted to break it down.



Source: S&P GSCI, Investing.com, Gold Org Price, Silver Price Org, Bloomberg

Cross-Assets

From Concentration to Breadth Expansion

AI has dominated the investment world's news flow to such an extent that many investors have overlooked the rotation taking place beyond the mega-cap technology names over the past few months. That rotation now appears to be accelerating at a pace not seen earlier in this market cycle.

The charts clearly illustrate the rotation into themes with limited direct exposure to the AI buildout. The Small Cap Index is largely composed of healthcare and manufacturing companies, while the Micro-Cap Index is more broadly diversified across industrials, financials, and healthcare.

The rotation is not limited to the domestic market. We are now seeing the rest of the world begin to break out relative to U.S. large-cap equities.

Mag 7 Stocks vs. U.S. Small-Cap Index

SPX vs. ACWX

U.S. Large-Cap vs. U.S. Micro-Cap

U.S. Stock Market vs. Developed World Markets

Source: Pinetree Macro, Trading View

Rolling Bubbles

The pursuit of instant gratification and the hyper-financialization of global markets have led to the emergence of what we term **"Rolling Bubbles."**

Each bubble creates a significant transfer of wealth to those who remain patient and understand the importance of risk management throughout these cycles.

The democratization of information, abundant liquidity, and the fear of missing out have compressed investment themes that would typically unfold over multiple years into a matter of months.

This heightened level of speculation makes strategic macro asset allocation more important than ever in constructing resilient portfolios.

Source: Pinetree Macro

PINETREE MACRO

02 / Section

NARRATIVES

Everyone Wants to Be Friends with the Dragon

China has become increasingly important in the **"Brave New World."** This year began with world leaders rekindling relationships with China after years of heightened suspicion. The Chinese leadership is also navigating the evolving global order through greater collaboration. The recent China–Europe rapprochement offers a glimpse of how geopolitical dynamics may evolve in the years ahead.

- As President Trump deepened ties with Pakistan, India increased foreign direct investment (FDI) limits across several sectors that were previously considered strategically sensitive.
- The European Union and China have launched a three-month round of trade talks, beginning on June 29, to address the EU's €360 billion trade deficit with China.
- Canada and China have resumed high-level talks after years of strained relations stemming from espionage allegations. Prime Minister Carney has also recently called for a more multipolar world order.
- UK–China leadership talks have become a quarterly engagement. This marks the third such meeting since Prime Minister Starmer's visit in January.

Source: Pinetree Macro

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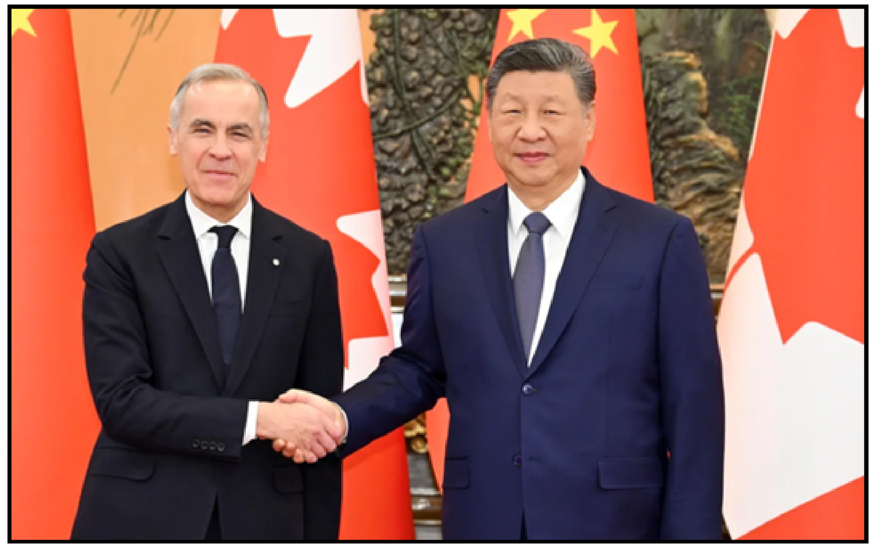


Canada and China have resumed high-level talks after years of strained relations stemming from espionage allegations. Prime Minister Carney has also recently called for a more multipolar world order


驻印度大使馆
Han Zheng Meets with UK Foreign Secretary Yvette Cooper
On June 2, 2026, Vice President Han Zheng met with UK Foreign Secretary Yvette Cooper in Beijing. Han Zheng stated that in January this year...
3 weeks ago

UK - China leadership talks have become a quarterly engagement. This marks the third such meeting since Prime Minister Starmer's visit in January

Dollar Devaluation: The Early Stages of a Long-Term Cycle

As the DXY reached a 14-month high, many were quick to declare the end of the de-dollarization trade. We believe investors should look 24–36 months ahead to determine whether this marks the end or merely the beginning of the trend.

Financing Europe's defence rebuild will require substantial capital. We expect liquidity to rotate out of Europe's more than $12 trillion of U.S. asset holdings and into domestic defence supply chains and infrastructure.

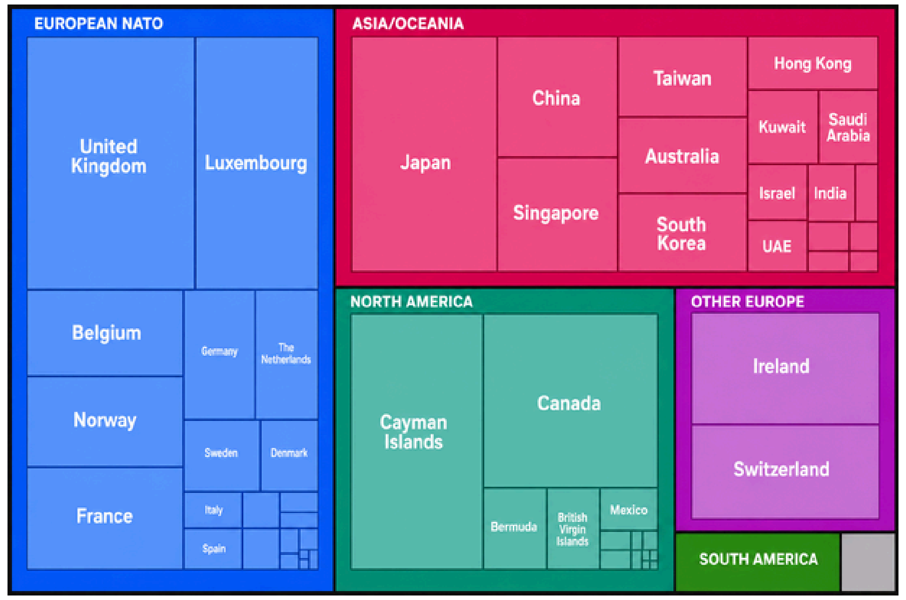
Although the cost of capital has risen from the lows of 2023, real interest rates remain negative, continuing to support our allocation to hard assets. The hard asset thesis also extends to producers of real assets, as liquidity is likely to follow.

Nations around the world are rearming and securing supplies of critical minerals. This is driving liquidity away from big technology and into the old economy, where much of that exposure is available outside the U.S. equity market.

> The European Commission welcomes today's agreement in the Council of the EU on the **Security Action for Europe (SAFE) Instrument**. As proposed in the ReArm Europe Plan / Readiness 2030, the Commission will raise up to €150 billion on the capital markets, providing financial levers to EU Member States to ramp up the investments in key defence areas like air missile defence, drones, or strategic enablers.

Nations around the world are rearming and securing supplies of critical minerals. This is driving liquidity away from big technology and into the old economy, where much of that exposure is available outside the U.S. equity market

U.S. Mega-Tech vs. Global Metals & Mining Producers



Europe Owns $12.6 Trillion in U.S. Assets
(Approximately One-Third of All Foreign Holdings)

Real Interest Rates Continue to Remain Negative

Source: European Commission, TradingView, KKR, TLDR News

PINETREE MACRO

03 / Section

OPPORTUNITIES

Opportunities

Small Cap Japan

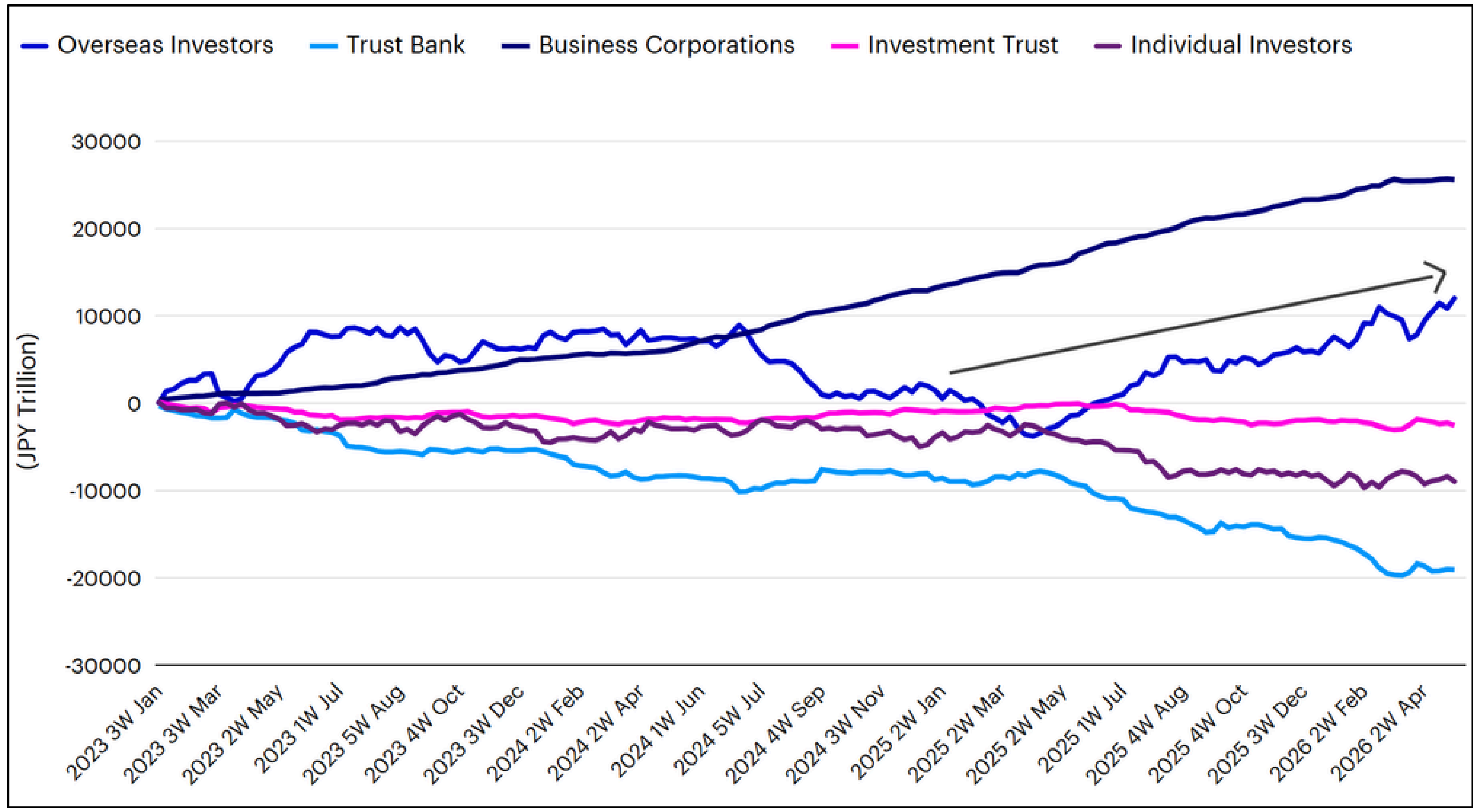
Japanese equities have outperformed their U.S. counterparts in U.S. dollar terms since the beginning of 2025.

Notably, this outperformance has been achieved despite the Japanese yen trading near its theoretical floor, providing a significant margin of safety for our Japanese asset exposure.

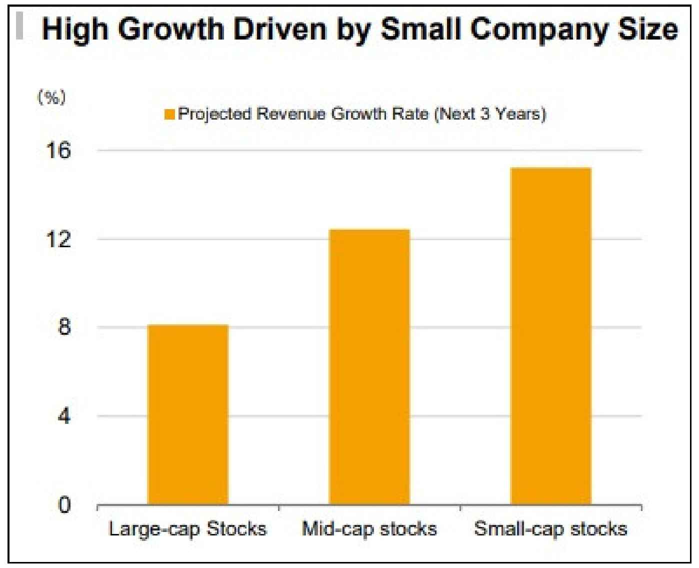
Japanese corporate earnings growth has also remained robust.

Chart 1 reflects investor category which is increasingly FII's, while Chart 2 and 3 present robust earnings growth outperformance forecasts by analysts.

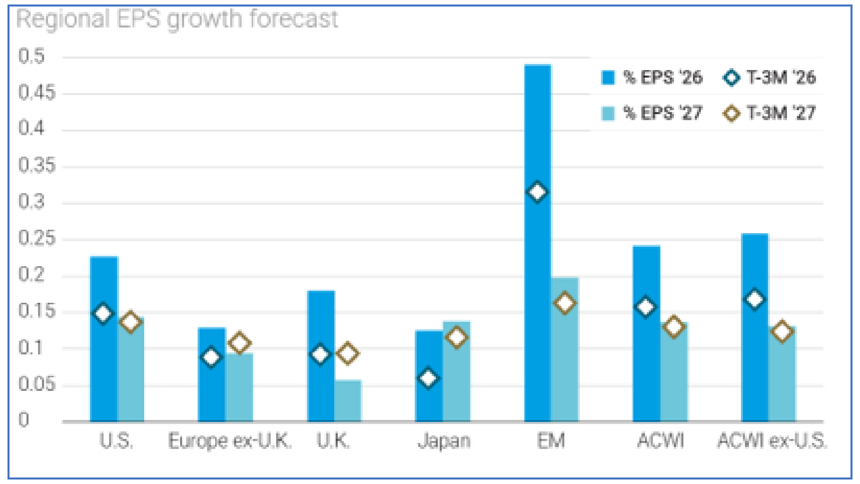
Source: Seeking Alpha, Daiwa Asset Management, Invesco 2026 Mid-Year Outlook



Japan Equity trades by Investor Category (Chart 1)



Japanese Small Cap Revenue forecast outpacing Large and Midcaps (Chart 2)



Country-wise Bottom-up EPS Forecast for 2026 and 2027. (Chart 3)

Opportunities

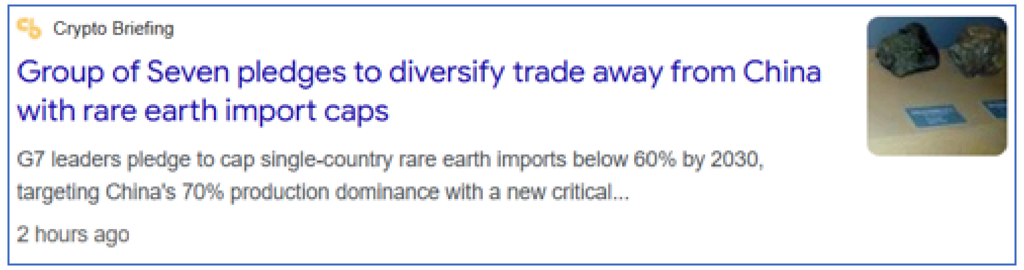
Rare Earths Excluding China

The Western bloc traded manufacturing independence and national security for environmental priorities, a higher value-added services economy, and stronger corporate profitability, resulting in near-total dependence on China for the processing and refining of critical minerals.

The West is now waking up to this strategic vulnerability and is moving at full throttle to bridge the gap.

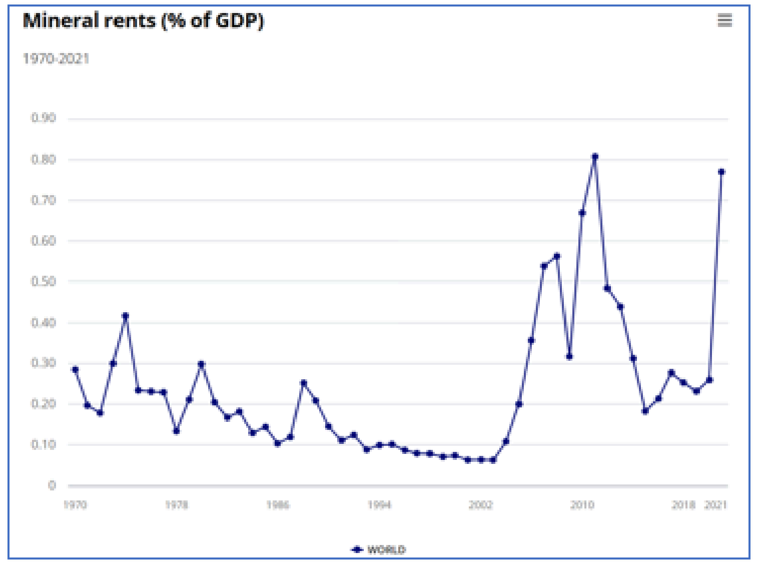
The U.S. government's designation of critical minerals, strategic investments in rare earth companies, and funding through the Department of Defence (DoD) underscore the importance of securing domestic supply chains.

The rapid inflows into the REXC ETF are a testament to the strategic importance of this objective.


Crypto Briefing
Group of Seven pledges to diversify trade away from China with rare earth import caps
G7 leaders pledge to cap single-country rare earth imports below 60% by 2030, targeting China's 70% production dominance with a new critical...
2 hours ago


Reuters
Reliance, Vedanta, Adani join India's drive to cut China rare earth dependence, sources say
Indian industrial groups Reliance, Vedanta and Adani have shown interest in developing facilities to process Andhra Pradesh state's...
6 days ago

Critical Minerals Are Central to National Military Independence



Mineral Rents as a % of GDP

2026 Critical Minerals Ministerial

> Today, the United States signed eleven new bilateral critical minerals frameworks or MOUs with countries, including Argentina, the Cook Islands, Ecuador, Guinea, Morocco, Paraguay, Peru, the Philippines, the United Arab Emirates, the United Kingdom, and Uzbekistan. The United States signed ten other critical mineral frameworks or MOUs in the past five months and reached completion of negotiations on such agreements with seventeen other countries. The United States is demonstrating unprecedented leadership in critical minerals diplomacy. These frameworks lay the groundwork for nations to collaborate on pricing challenges, spur development, create fair markets, close gaps in priority supply chains, and expand access to financing.

Source: Crypto Briefing, Reuters, World Bank, US Government Press release on rare earth partnerships

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04 / Section

YEAR AHEAD

Decade of Warsh

As Kevin Warsh assumes leadership of the U.S. Federal Reserve, the world's largest and most influential central bank, we believe it is worth revisiting some of his past writings and speeches to better understand how he and his advisers approach monetary policy. While market expectations regarding his leadership continue to evolve, these perspectives provide valuable insight into the potential direction of future monetary policy.

With Warsh expected to serve as Chair through the end of 2030 and remain a member of the Federal Open Market Committee (FOMC) until 2040, understanding his approach to monetary policy within a broader global macro framework is more relevant than ever.

Kevin Warsh: Rejecting the Requiem (8 November 2010) [Fig 1 & 2]
Warsh outlines how he believes monetary policy should operate across economic cycles. He also argues that greater coordination between monetary policy and other policymakers can foster stronger and more sustainable economic growth. His views on the Federal Reserve's expanded balance sheet have long been well established.

Mandate for Leadership: The Conservative Promise (2022) [Fig 3]
This excerpt was written by Paul Winfree, who has served as an adviser to Kevin Warsh, supporting him on policy analysis and planning. In the 2022 edition of Mandate for Leadership: The Conservative Promise, Winfree also discusses the possibility of reviving the gold standard.

Source: Rejecting the Requiem, 8 Nov 2010, Mandate for Leadership, The Conservative Promise, Pinetree Macro

The conduct of monetary policy

The Federal Reserve is not a repair shop for broken fiscal, trade, or regulatory policies. Given what ails us, additional monetary policy measures are, at best, poor substitutes for more powerful pro-growth policies. The Fed can lose its hard-earned credibility – and monetary policy can lose its considerable sway – if its policies overpromise or underdeliver. We should be leery of drawing inapt lessons from the crisis to the current policy conjuncture. Lender-of-last-resort authority cannot readily be converted into fighter-of-first resort power.

Fig 1

But, expanding the Fed's balance sheet is not a free option. There are significant risks that bear careful monitoring by the FOMC. If the recent weakness in the dollar, run-up in commodity prices, and other forward-looking indicators are sustained and passed along into final prices, the Fed's price stability objective might no longer be a compelling policy rationale. In such a case – even with the unemployment rate still high – the FOMC would have cause to consider the path of policy. This is truer still if inflation expectations increase materially. And if the Fed's holdings work predominantly through the so-called portfolio balance channel, the cessation of purchases should not reverse any benefits attained.

Fig 2

Former White House director of the domestic policy council Paul Winfree writes in Chapter 24 that the Federal Reserve actually causes "inflationary and recessionary cycles." He says, "A core problem with government control of monetary policy is its exposure to two unavoidable political pressures: pressure to print money to subsidize government deficits and pressure to print money to boost the economy artificially until the next election." The Fed has also added a "moral hazard" due to its "history of bailing out private firms when they engage in excess speculation." At a "minimum," Winfree writes, "full employment" should be eliminated from the Federal Reserve's mandate, "requiring it to focus on price stability alone." The Fed should not be allowed to incorporate "environmental, social, and

Fig 3

Europe

Europe is rearming and demonstrating a clear intent to take a more proactive role in response to shifting geopolitical dynamics and the evolving nature of modern warfare.

We believe Europe's trading partners with the capacity to manufacture weapons at scale stand to benefit significantly from the region's rearmament.

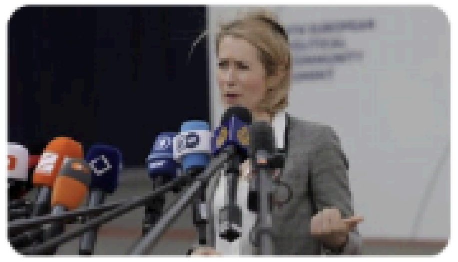
Bond yields will be a key determinant of whether Europe can follow through on these ambitions.

Europe may also seek to reopen communication channels with Russian energy suppliers should energy supply chain uncertainty intensify.

Crypto Briefing · 5d

EU countries consider major overhaul of bloc's diplomatic service

EU member states are debating whether to dismantle the European External Action Service, potentially folding it into the ...



londondaily.com
https://londondaily.com

Germany Enters Fiscal Crisis as Cabinet Approves €174 ...

1 day ago · Germany's debt-to-GDP ratio is expected to rise to 73.8 percent by Q4 2026, up from 64.3 percent in early 2024, reversing years of post-euro crisis ...

The New York Times · 2d

Germany and Japan Are Rearming Again, 80 Years After World War II

After becoming allies to disastrous effect in the 1940s, Berlin and Tokyo are finding new reasons to team up — including ...

Source: NYT, Crypto Briefing, London Daily

Year Ahead

LATAM

With energy prices moderating, the bull case for Latin America is being re-established. The region's resource-rich economies are likely to attract substantial international capital to develop and extract these resources. Combined with fiscal discipline, this creates a compelling investment opportunity.

Major economies across the region remain key beneficiaries of the long-term AI capital expenditure cycle, as well as the reshoring and industrial rebuilding themes.

This is also reflected in the re-rating that the region has already begun to receive.

Latin American countries are also positioning themselves as high-value exporters in the global nuclear energy transition.

Buenos Aires Times · 5d

Argentina bonds jump, 2035s hit record high on S&P upgrade

S&P Global upgraded Argentina's sovereign credit rating after markets closed Wednesday, citing positive fiscal results and ...

REUTERS · 19d · on MSN

Brazil economic growth expected to have picked up in Q1 on stronger manufacturing

By Gabriel Burin BUENOS AIRES, May 28 (Reuters) - Brazil's economy is expected to have grown faster in the first quarter against the last three months of 2025 aided by stronger manufacturing activity, ...

Bloomberg · 26d · on MSN

Chile's big economic bill clears another hurdle as Kast seeks to drive growth

Chile's lower house of Congress approved President José Antonio Kast's flagship economic bill that his administration is counting on to drive growth in one of Latin America's richest nations.

Source: Buenos Aires Times, Bloomberg, Reuters

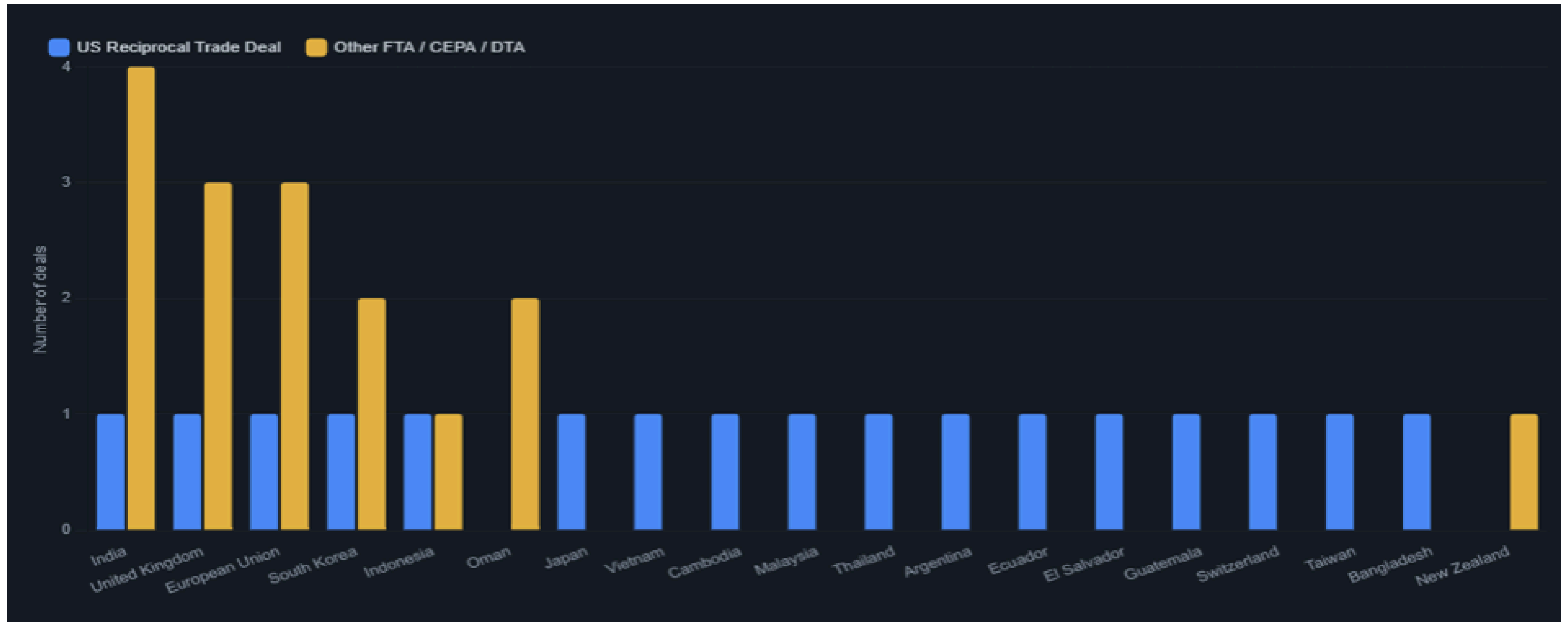
Year Ahead

India

We continue to believe that tomorrow's winners lie outside today's benchmarks, while yesterday's winners may continue to face secular headwinds over the long term.

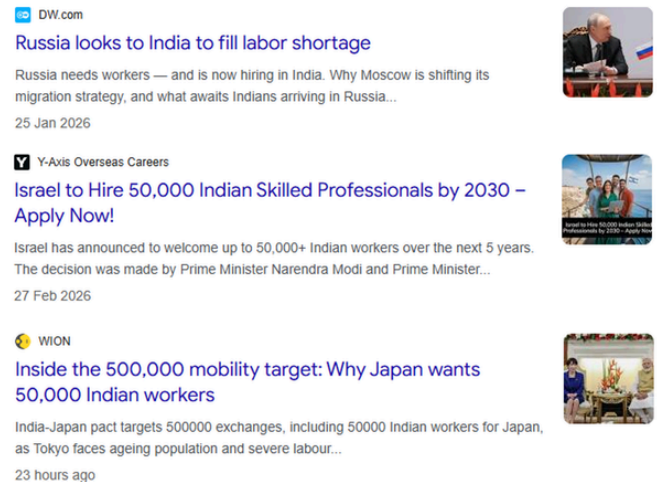
With supportive macro tailwinds and policymakers working at full speed to deepen bilateral economic partnerships around the world, we believe India's demographic dividend may once again have the opportunity to contribute meaningfully to the nation's growth.

China and India were widely regarded as the biggest beneficiaries of the globalization wave of the late 20th and early 21st centuries. A new wave of bilateral trade agreements is now creating another structural tailwind. This time, however, India may emerge as the primary beneficiary among the world's major economies.



Surge in Bilateral Trade Deals/Ongoing Negotiations since 2025 (India Leading)

SMIN ETF (India Small-Cap) has broken out


DW.com
Russia looks to India to fill labor shortage
Russia needs workers — and is now hiring in India. Why Moscow is shifting its migration strategy, and what awaits Indians arriving in Russia...
25 Jan 2026

Y-Axis Overseas Careers
Israel to Hire 50,000 Indian Skilled Professionals by 2030 – Apply Now!
Israel has announced to welcome up to 50,000+ Indian workers over the next 5 years. The decision was made by Prime Minister Narendra Modi and Prime Minister...
27 Feb 2026

WION
Inside the 500,000 mobility target: Why Japan wants 50,000 Indian workers
India-Japan pact targets 500000 exchanges, including 50000 Indian workers for Japan, as Tokyo faces ageing population and severe labour...
23 hours ago

We Are Bullish on the Indian Blue-Collar Workforce

Source: CFR "Tracking Trump's Trade Deals" (Mar 2026); Global Trade Alert Tariff Watch; UK House of Commons Library briefing (Jun 2026); etc.

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05 / Section

MONTHLY ROUNDUP

Monthly Roundup

Recent Publications & Appearances

RECENT PUBLICATIONS

- The Four Walls Are Cracking: A Case for AI
- Chapter Six – The Pharmacy of the World

RECENT APPEARANCES

- Ritesh Jain on the Brave New world: De-Dollarization, Gold, Geopolitics & Global Investing
- AI Bubble, Gold, Bond Yields & Global Liquidity | Ritesh Jain on Global Markets

Clickable Tabs

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06 / Section

QUOTE OF THE MONTH

"

In an AI-driven world, academic excellence alone won’t be enough.

The real edge is going to be critical thinking.

-Ritesh Jain

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