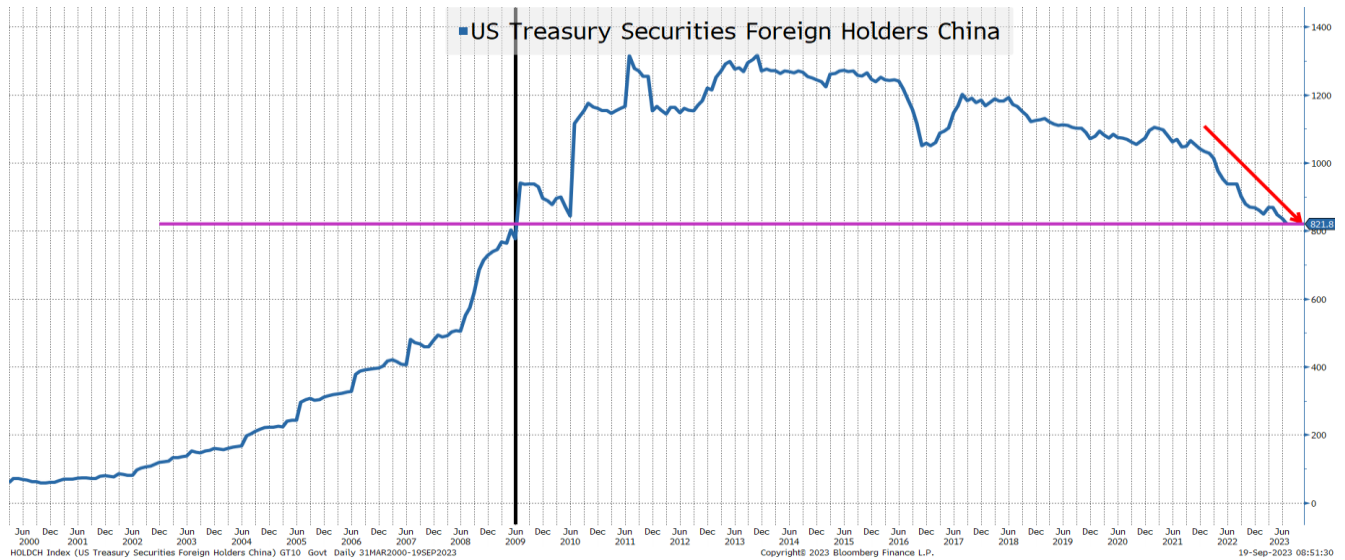


TIC & Merc

TIC

The report on foreign holders of U.S. Treasuries as of July 31<sup>st</sup> was released yesterday.

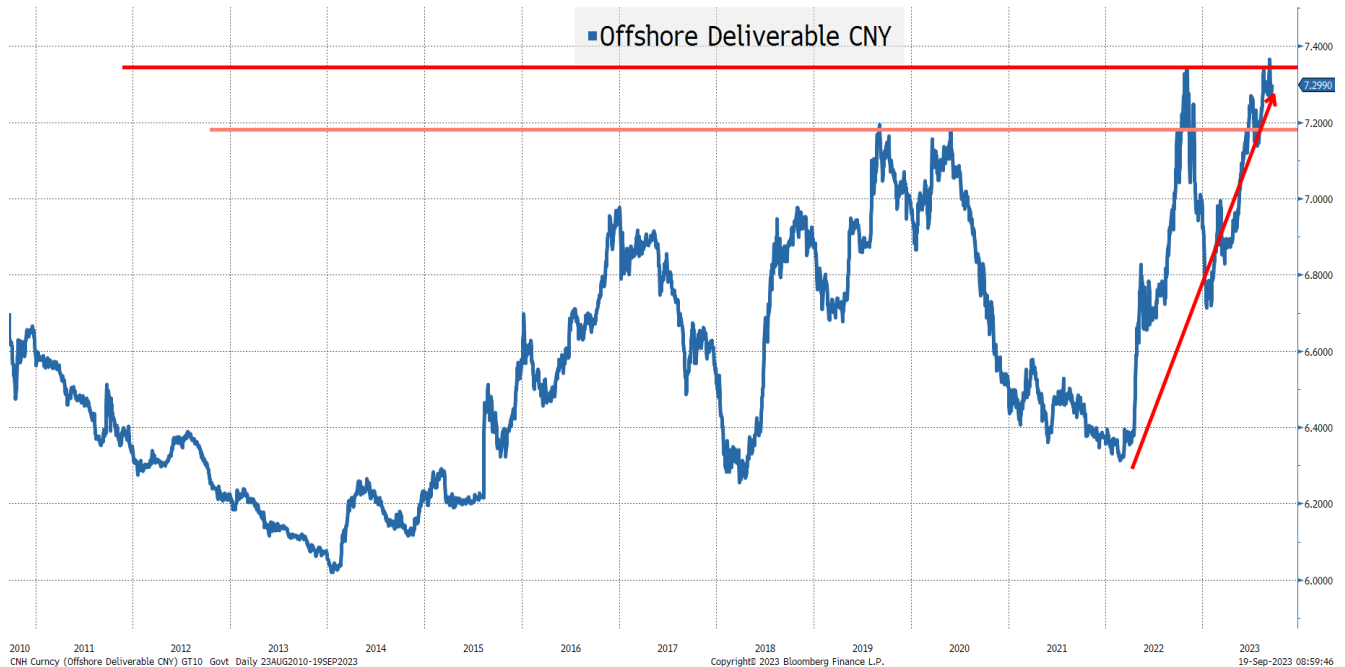


Chinese holdings dropped by \$13.6 billion. **That seems more in line with “run-off” than actual selling.**

I don’t have China’s exact holdings in front of me, but generally foreign central banks tend to hold shorter maturity Treasuries (it is a dollar/reserve/currency play, not a yield/duration play).

This seems consistent with a country that is having to spend some money to support its economy and doesn’t seem to indicate aggressive selling. Having said that, we can safely say that for the coming months (if not longer) this once “net buyer” of Treasuries will remain a “net seller.”

The offshore yuan (or renminbi) is hovering just below all-time lows relative to the dollar. My expectation remains that this currency will continue to drift lower versus the dollar as China’s central bank needs to be easy relative to the Fed. More importantly, it will act to support the selling of Chinese brands globally.



## Merc

I found this interview on [Bloomberg TV](#) yesterday with the **Mercedes-Benz CEO** fascinating. It starts with the host trying to delve into trade issues between China and Europe. The CEO gives some very good (and politically correct) responses with respect to free trade, open markets, etc. The part of the interview that fascinated me was his discussion of how his company discovered (a long time ago) that they could and should sell autos outside of Germany. He talks about the Japanese and Korean auto makers moving beyond their borders in the past – **i.e., it is a natural progression to sell your brands beyond your borders.**

He seemed very prepared for the competition (though he does repeat the need for a “level playing field”) and highlighted his company’s success selling into China (and their plans to continue to develop products that sell well there).

It is a good take on the “**made by China**” strategy that China is likely going to employ to get out of their current economic doldrums. The CEO seemed more optimistic about a level playing field than I am, but maybe that is natural as he is a public figure speaking on live TV. Virtually all members of **Academy’s Geopolitical Intelligence Group** continue to see friction with China. While we might like to isolate that friction to high-end chips, AI, and military technology, it seems difficult to ring-fence those areas while having “normal” relationships in other areas of trade.

## Bottom Line

In any case, I expect a lot more headlines about Chinese companies selling into foreign markets and what access companies outside of China get in terms of selling their products into China.

TIC & Merc

**Disclaimer**

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise and is a Service Disabled Veteran Owned Small Business as per the US SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.