

Weekly Wealth Digest

Your Edge. Our Insights.

17 July 2026

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Weekly Focus

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China's Second Mover Advantage

America paid to discover what AI costs. China may profit from learning how to make it cheaper.

Your 30-Second Briefing

- The first phase of AI rewarded those with the biggest models and spending budgets. The next will reward companies that turn AI into earnings without consuming all their cash.
- US Big Tech is redirecting capital from buybacks towards chips, data centres and power. Returns increasingly depend on earnings, free cash flow and guidance, not ever-higher expectations.
- China does not need to win every benchmark. Its advantage may lie in distributing cheaper AI through platforms already used by hundreds of millions of consumers and businesses.

The Long-Read

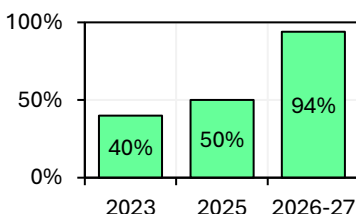
The First Move Pays The Tuition

America built the AI frontier by combining the best chips, talent and capital. But leadership came with an enormous bill.

Hyperscaler investment could absorb 94% of operating cash flow over the next two years, compared with around 40% in 2023.

AI Is Eating The Cash

CAPEX / Operating Cash Flow



Source: Reuters

Cash once available for buybacks is increasingly being spent on processors, data centres and electricity. **The old Big Tech model was simple:** Generate cash. Invest selectively. Return the surplus.

The new version is longer:

Generate cash. Build infra. Secure power. Pay creditors. Then reward shareholders. The shareholder has not disappeared. The shareholder has moved further back in the queue.

The Monetisation Test

The first AI rally rewarded ambition: larger models, bigger budgets and grander promises. The next phase will ask harder questions.

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Is AI revenue growing faster than AI spending? Is free cash flow recovering after investment? Are buybacks genuinely reducing the share count? Is management raising earnings guidance, or merely its capital-expenditure budget?

AI can transform the economy while still disappointing investors. Chipmakers, utilities and creditors may all benefit before enough value reaches the companies financing the infrastructure. The technology can succeed but the investment may still disappoint.

China's Constraint Dividend

China entered the race with less access to advanced chips and less abundant capital. Those constraints may have forced its developers to prioritise efficiency rather than simply purchasing more computing power.

DeepSeek reported that its V3 model was trained using 2.788 million Nvidia H800 GPU hours, while producing results competitive with leading models in its own testing.

The comparisons remain debated, but the economic message is important: better intelligence may not require proportionately more capital.

America's advantage is abundance. China's potential advantage is learning how to operate without it.

That may become more valuable as AI shifts from frontier research towards affordable, everyday applications.

China Does Not Need The Most Expensive Intelligence

Model	\$ Per 1m Token
DeepSeek v4 Flash	\$0.28
DeepSeek V4 Pro	\$0.87
OpenAI GPT-5.6 Luna	\$6.00
OpenAI GPT-5.6 Terra	\$15.00
OpenAI GPT-5.6 Sol	\$30.00

Source: OpenAi, DeepSeek

Distribution May Beat Model

The next winner may not own the most powerful model. It may own the cheapest route to the customer. Tencent, Alibaba and Baidu already operate across messaging, payments, e-commerce, advertising, search and cloud services.

They do not need to build entirely new markets for AI. They can insert it into businesses people already use. Tencent's first-quarter free cash flow rose 20%, faster than its 16% increase in capital expenditure.

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Baidu's AI businesses grew 48% in 2025, while the company introduced a dividend and authorised a US\$5 billion repurchase programme.

That is the equation investors may increasingly reward: Invest in AI. Grow earnings. Preserve cash. Keep rewarding shareholders.

The advantage is not automatic. Alibaba's cloud growth accelerated, but heavy investment pushed quarterly free cash flow into an RMB17.3 billion outflow. China's second-mover advantage only matters when it appears in the accounts.

Lower Expectations, More Room to Surprise

Investment returns depend not only on what companies deliver, but on what investors already expect. The MSCI China Index traded at roughly 10 times forward earnings at the end of June, compared with around 18 times for global equities. That discount reflects real economic, regulatory and geopolitical risks.

It also means less success is already priced in. US technology increasingly requires excellent earnings and excellent guidance to justify ambitious valuations.

Selected Chinese companies may need something simpler: improving profits, controlled spending and evidence that AI is becoming commercially useful.

One requires continued excellence. The other requires positive surprise.

The Bottom Line

America will probably remain the leader in frontier AI. But the technological winner and the investment winner need not be the same.

The first phase rewarded those willing to spend the most. The next may reward those that learn from the first mover, avoid its costliest mistakes and monetise AI through businesses they already own.

The market is moving from discovery to application, from capital expenditure to productivity, and from expectations to evidence.

America may continue winning the benchmarks. But with lower expectations and greater scope for earnings upgrades, China may be better placed to win the investment race.

Strategy In Focus

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The Puzzle This Week

Markets often reward the company that invents a technology, but the bigger winners are often those that commercialise and monetise it most effectively. As AI moves from experimentation to adoption, investors may shift their focus from model leadership to earnings, cash flow, and real-world application.

Structured Investments

Autocallable: *Microsoft Corp & Micron Technology Group*



Investors are increasingly focused on whether AI spending is translating into profits. Microsoft is monetising AI through Azure and Copilot, while Micron benefits from rising demand for AI memory. These autocallables generate attractive income while the market assesses which companies can successfully convert AI investment into earnings.

Momentum Plus Income Strategy

AmChina Enterprise High Income

RHB Shariah China Focus



China's opportunity may lie in applying AI rather than inventing it. AmChina Enterprise High Income provides income and exposure to attractively valued Chinese equities, while RHB Shariah China Focus targets domestic growth leaders. Together, they offer exposure to a market where expectations remain low but earnings could improve.

Fixed Income

Investment-Grade Bonds: *Emirates & HSBC*



As markets shift from potential to profitability, Emirates NBD (5.91%) and HSBC Tier 2 (5.87%) provide dependable income from well-capitalised banks, helping anchor portfolios while AI & China opportunities develop.

The Fundamental Take

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Resilient Growth, Cautious Markets

Markets remain cautious. Resilient growth supports risk appetite, but elevated yields and geopolitical uncertainty are keeping investors selective and data-focused.

MACRO OVERVIEW

US retail sales met expectations, while jobless claims fell to a two-month low, reinforcing the narrative that the US economy remains resilient despite higher rates.

This keeps Fed tightening risks alive. In Malaysia, markets are focused on 2Q GDP and June CPI data, with expectations for another quarter of healthy growth supported by domestic demand and exports.

Longer-term themes such as the RTS link and Johor development projects continue to support optimism on economic activity.

FX OVERVIEW

The USD regained some ground as investors rotated back into the dollar following solid US data and persistent rate hike risks.

The euro and pound weakened, while the yen remained near multi-decade lows despite intervention concerns.

The ringgit remained relatively stable around 4.07, outperforming many regional peers, suggesting that local sentiment remains supported despite global volatility.

The Fundamental Take

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COMMODITY OVERVIEW

Despite a fifth day of US strikes on Iran, oil prices edged lower as shipping through the Strait of Hormuz continued largely uninterrupted.

Markets appear increasingly convinced that supply disruptions will remain limited. Gold fell below the USD4,000/oz level as safe-haven demand faded and stronger economic data reduced urgency for defensive positioning.

Meanwhile, CPO remained firm on stable demand conditions.

FIXED INCOME OVERVIEW

US Treasury yields stayed near recent highs as strong consumer spending, lower jobless claims, and hawkish Fed commentary reinforced the possibility that rates could remain elevated for longer.

Malaysian government bonds finished largely unchanged, with investors reluctant to take large positions ahead of GDP and inflation data.

Corporate bond activity improved modestly, reflecting selective demand for quality yield.

Market Shakers

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The Second Draft Of the Ai Trade

Markets may be telling us that the first phase of the AI trade is ending, and the second phase is beginning.

The recent selloff in global technology stocks reflects growing investor unease over the cost of the AI race. After two years of rewarding companies with the biggest models, largest budgets and most ambitious spending plans, investors are beginning to ask a different question: where are the profits?

That question matters because the economics of AI are changing. The first phase rewarded those building the infrastructure. Semiconductor makers, cloud providers and data-centre operators benefited as spending surged. But as AI investment rises, so too does the pressure on cash flow. Some of the largest technology companies are now directing unprecedented amounts of capital into chips, computing power and electricity, leaving investors increasingly focused on returns rather than promises.

At the same time, the competitive landscape is shifting. While the US remains the innovation leader, China is increasingly positioning itself as the commercialisation leader. President Xi has made AI leadership a national priority, while companies such as Moonshot and DeepSeek are challenging the assumption that the most expensive model necessarily wins. China's advantage may lie less in building the most powerful AI and more in integrating AI into platforms already used by hundreds of millions of consumers and businesses.

This highlights an important change in market thinking. Investors are beginning to distinguish between creating AI and making money from AI. The winners of the next phase may not be the firms spending the most, but those generating the highest returns on every dollar invested. Even the labour market headlines point in the same direction. AI is not simply replacing jobs; it is changing workflows and productivity. The debate is moving away from technological capability and towards practical application.

Source: Bloomberg, WSJ, MarketWatch (10 July 2026)

Structured Strategy

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Structured Investments Ideas

Structured investments offer predefined, market-linked returns designed for targeted upside, protection, or yield.

AUTOCALLABLE		AUTOCALLABLE	
Yield Enhancement		Yield Enhancement	
Microsoft Corp		Micron Technology	
Strike 100.0%	Knock-Out Barrier 105.0%	Strike 100.0%	Knock-Out Barrier 102.0%
Knock-In Barrier 80.0%	Coupon 10.0% p.a.	Knock-In Barrier 65.0%	Coupon 32.1%
Tenure 12 months	Currency MYR	Tenure 6 months	Currency MYR
Underlying Drivers		Underlying Drivers	
Bull Case ▲ AI monetisation through Azure and Copilot continues to drive cloud growth, supported by recurring enterprise software revenues and strong free cash flow.		Bull Case ▲ Explosive demand for AI memory, particularly HBM, is supporting higher pricing, margin expansion, and earnings growth.	
Bear Case ▼ High expectations and heavy AI infrastructure spending could pressure returns if enterprise AI adoption or cloud growth slows.		Bear Case ▼ Memory remains a highly cyclical industry, with earnings vulnerable to oversupply, inventory corrections, and moderation in AI demand.	

Note: Indicative pricing. Please speak to an AmBank RM.

Source: AmBank Wealth Management (17 July 2026)

Fund Strategy

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Unit Trust Ideas

Unit trusts pool's investors funds to enter markets at more efficient average prices and benefitting from professional diversified management.

INCOME

**AmChina Enterprise
High Income**
By AmFunds
Management

MTD Returns
+2.50%

Fund Size
RM 70.1 mil

Volatility
-

Risk Rating
5-Aggressive

MOMENTUM

**RHB Shariah
China Focus**
By RHB Islamic Intl
Asset Management

3Y. ann Returns
+26.9% p.a.

Fund Size
RM 190 mil

Volatility
29.2% p.a.

Risk Rating
5-Aggressive

Fund Pitch

Volatility Harvest
Earns option income from China market volatility. Est. 12% p.a. distributable income.

Hong Kong Re-Rating
Benefits from investor rotation into attractively valued Hong Kong equities.

Liquidity Return
Benefits when global investors re-engage with Chinese equities.

Fund Pitch

Domestic Champions
Focuses on China's internally driven growth leaders, not just export stories.

Policy Pivot Play
Positioned to benefit from regulatory easing and stimulus support.

Shariah Quality Filter
Naturally tilts toward lower leverage and stronger balance sheets.

Bond Strategy

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Fixed Income Ideas

Bonds generate stable income by lending to government's and corporates, earning regular interest payments.

Financial Sector		Financial Sector	
Investment Grade		Investment Grade	
Emirates NBD Bank PJSC 5.913% 18/6/2035		HSBC Holdings PLC 5.874% 18/11/2035 Tier 2 Subnotes	
Ranking Sr Unsecured	Coupon 5.91%	Ranking Subordinated	Coupon 5.87%
Next Coupon 18 Dec 26	Maturity In 8.93 years	Next Coupon 18 Nov 26	Maturity In 9.35 years
Moodys Rating A1	Currency AUD	Moodys Rating Baa1	Currency USD
Credit Outlook		Credit Outlook	
Positive ▲ Strong UAE banking franchise, healthy capital ratios, and a supportive domestic economic backdrop underpin Emirates NBD's credit strength.		Positive ▲ Globally diversified earnings, robust capital and liquidity buffers, and strong systemic importance support HSBC's credit profile.	
Negative ▼ Credit quality remains exposed to regional economic conditions, real estate cycles, and concentration risks linked to the Gulf region.		Negative ▼ Tier 2 subordination increases loss-absorption risk, while geopolitical, regulatory, and global economic uncertainties may pressure earnings.	

Note: Indicative pricing. Please speak to an AmBank RM.

Source: Global Treasury Markets, AmBank WM, Bloomberg (17 July 26)

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