



CIO Office

CIO Insights

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The Top 10% Matters in the US

Finding the Angel Where Inequality Is the Necessary Evil

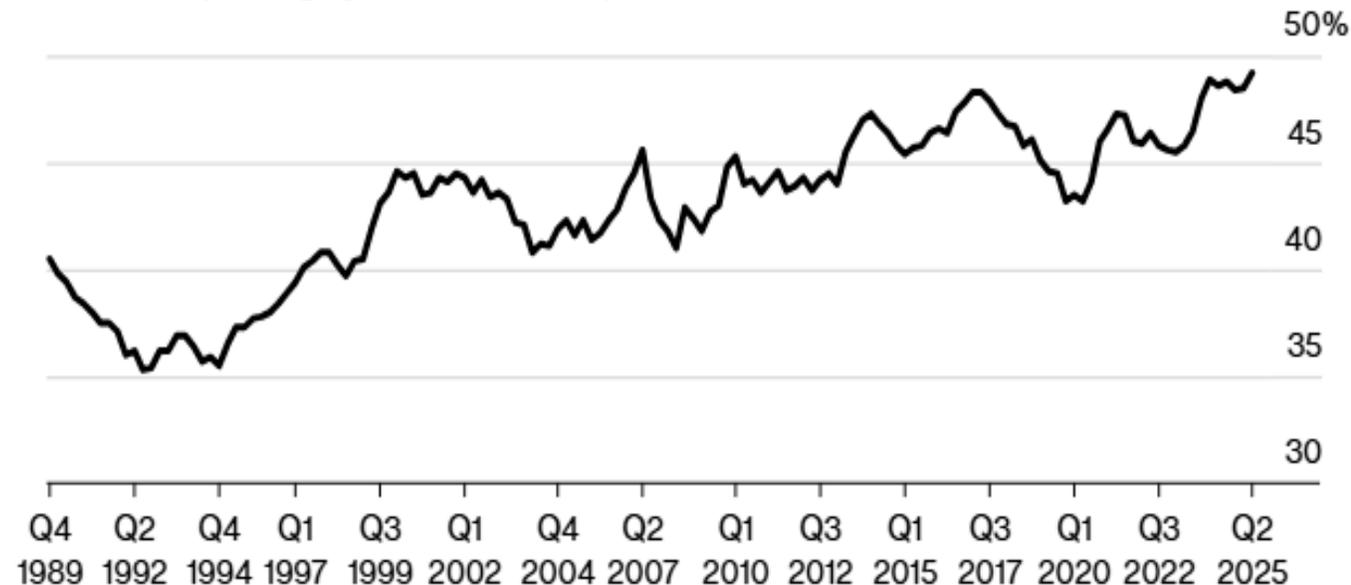
27 February 2026

The US Economy in Trump's Eyes

The Top Matters

- Top 0.1% and 10% of the population owns 14% and 68% of the Wealth in the US.
- Top 0.1% and 10% of the population owns 25-30% and 83% of the equities and mutual fund shares.
- Top 10% of income earners determine 49% of the US consumption.

Share of Spending By Consumers in Top 10% of Income Distribution



Our policy is to let some people, and some regions get rich first, in order to drive and help the backward regions,.....

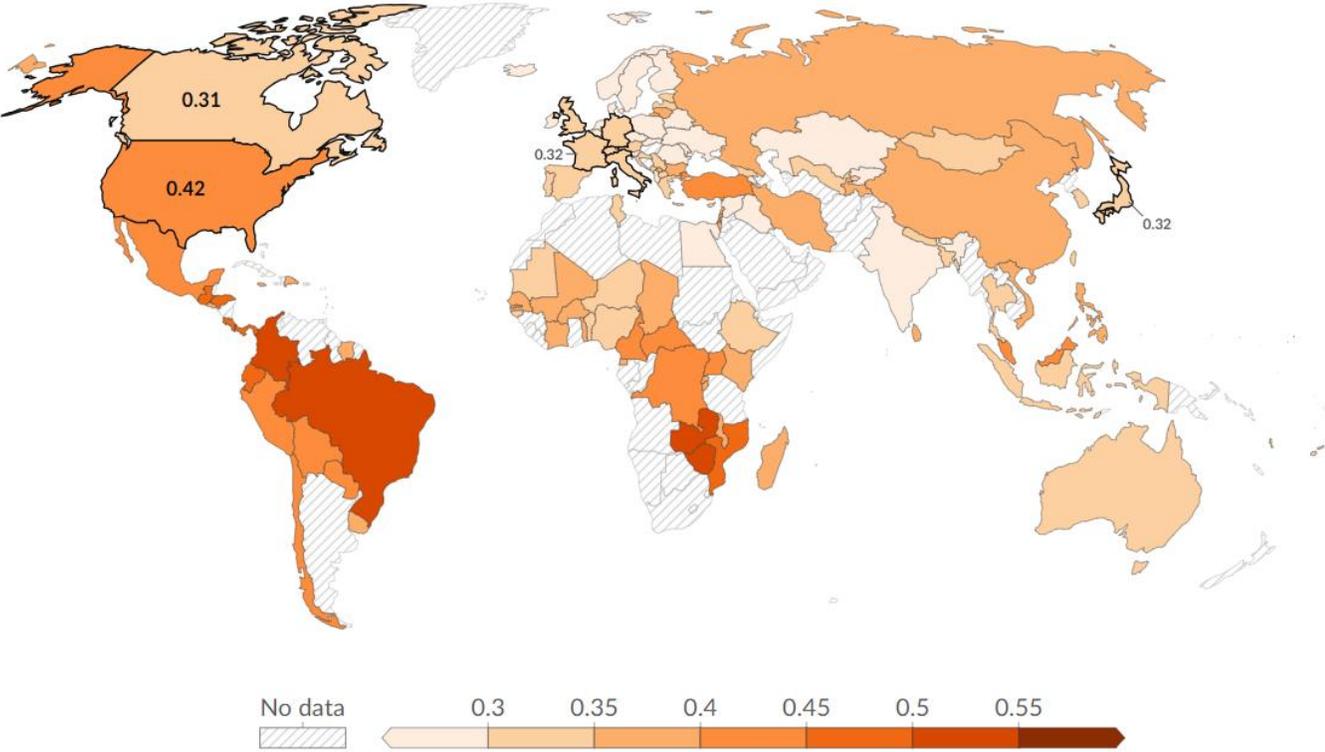
Deng Xiao Ping, 1986

US Has the Highest Inequality Among the G7 Countries

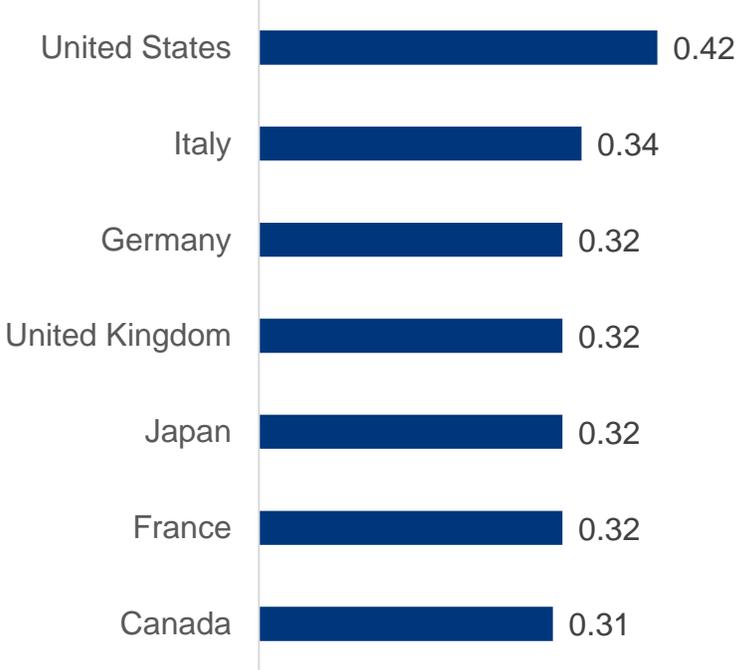
Political Burden Always Outshine Economic Achievements

Income inequality: Gini coefficient, 2024

The Gini coefficient¹ measures inequality on a scale from 0 to 1. Higher values indicate higher inequality. Depending on the country and year, the data relates to income (measured after taxes and benefits) or to consumption, per capita².



G7 Gini coefficient, 2024



Source: World Bank Poverty and Inequality Platform, KGI

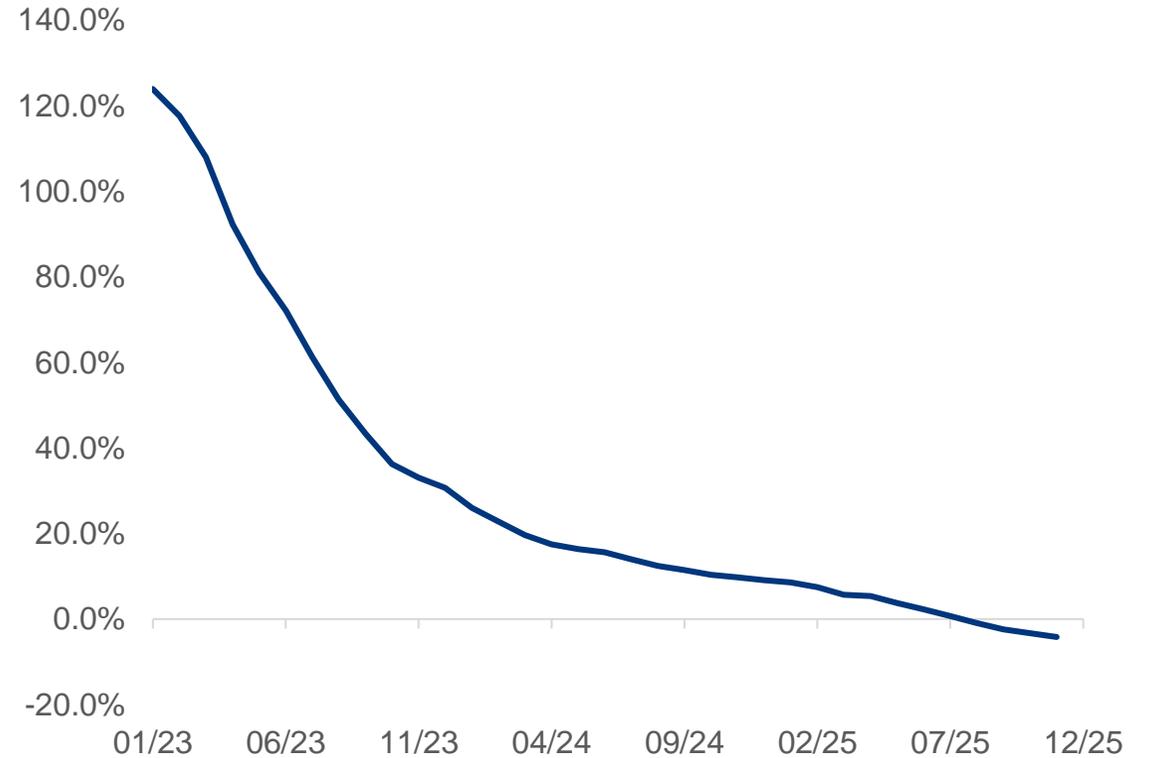
Confidence of the Top 10% Is Crucial to Sustain the Economy

MAGA Knows It and That's Why the "Big Beautiful Bill" Pushes for Tax Cuts

US Retail Sales YoY



US Tourist Arrivals YoY

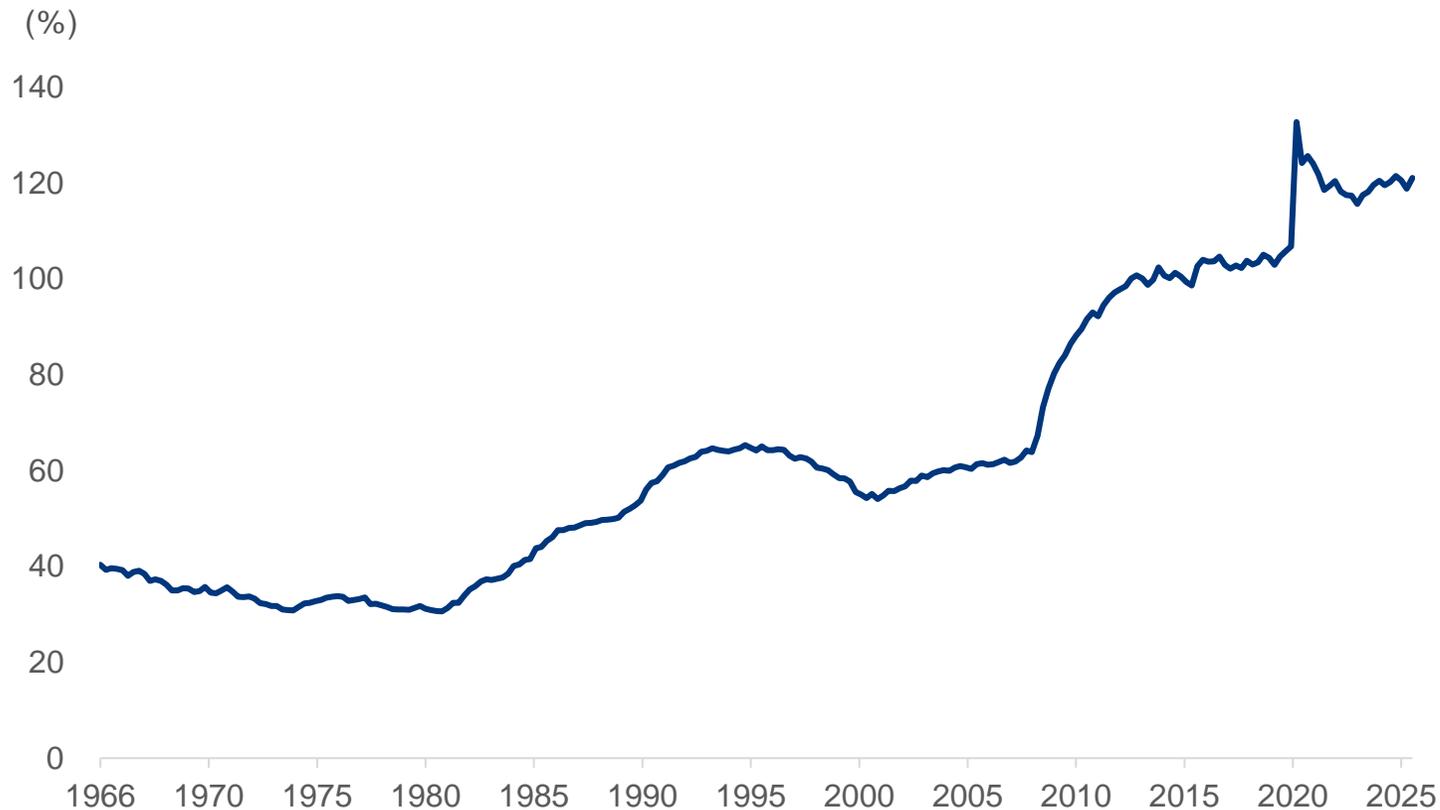


Source: CEIC, KGI

Overspending Is the Core Economic Problem to the US

The MAGA's Way of Solving the Issue.....

Federal Debt: Total Public Debt as Percent of Gross Domestic Product



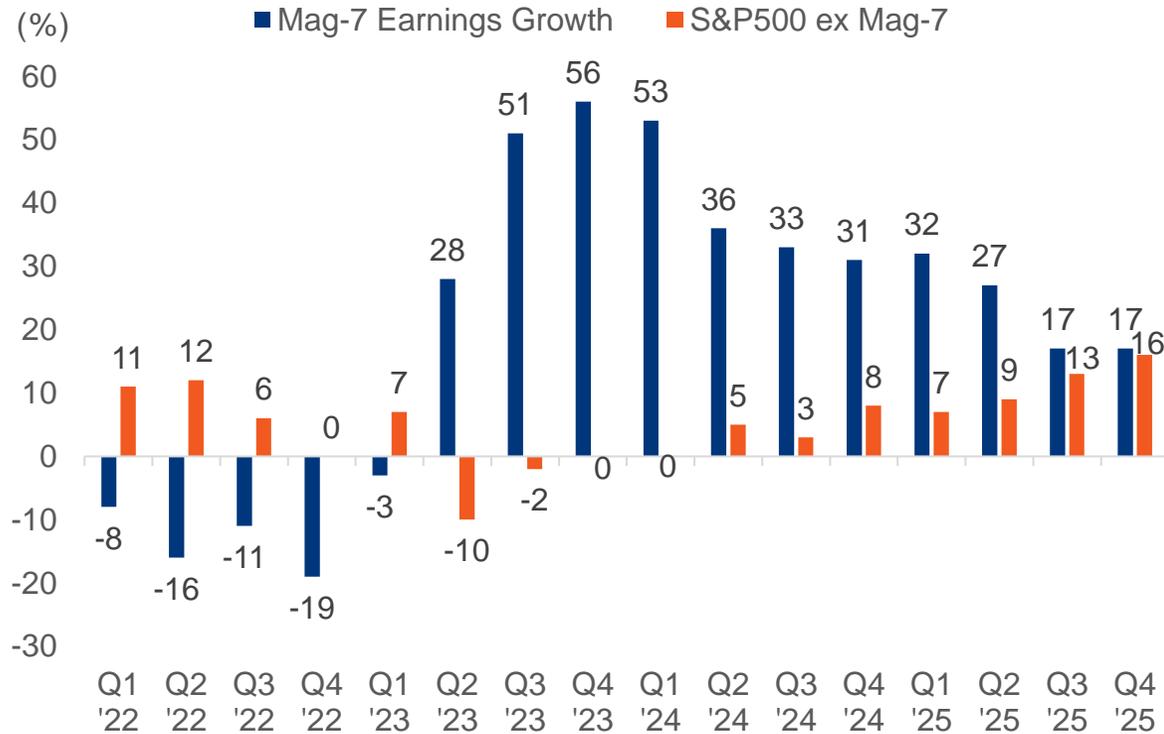
Source: FRED, KGI

- **Tariffs raise prices** and they will **contract demand** for 90% of the people. It will reduce imports by reducing the overall demand in the US.
- **Lowering interest rates** not only help to stimulate domestic economy but also pushes the **US dollar weaker**. This will boost exports.
- **Tax cuts** for corporates to encourage Investments.
- **Deregulation** of the banks to encourage holding of US treasuries.
- **Key corporates - and the “rich”-led recovery strategy.**
- However, the water-down impact to the rest of the economy will be slow.
- Before the results to be seen, the **social and political backlash is expected to be huge.**

The “Top Companies” Pulling up the Rest of the Economy

S&P 493 and the Dow Jones Are Starting to See the Earnings Growth Coming Through

Mag-7 and SPX ex Mag-7 Earnings Growth



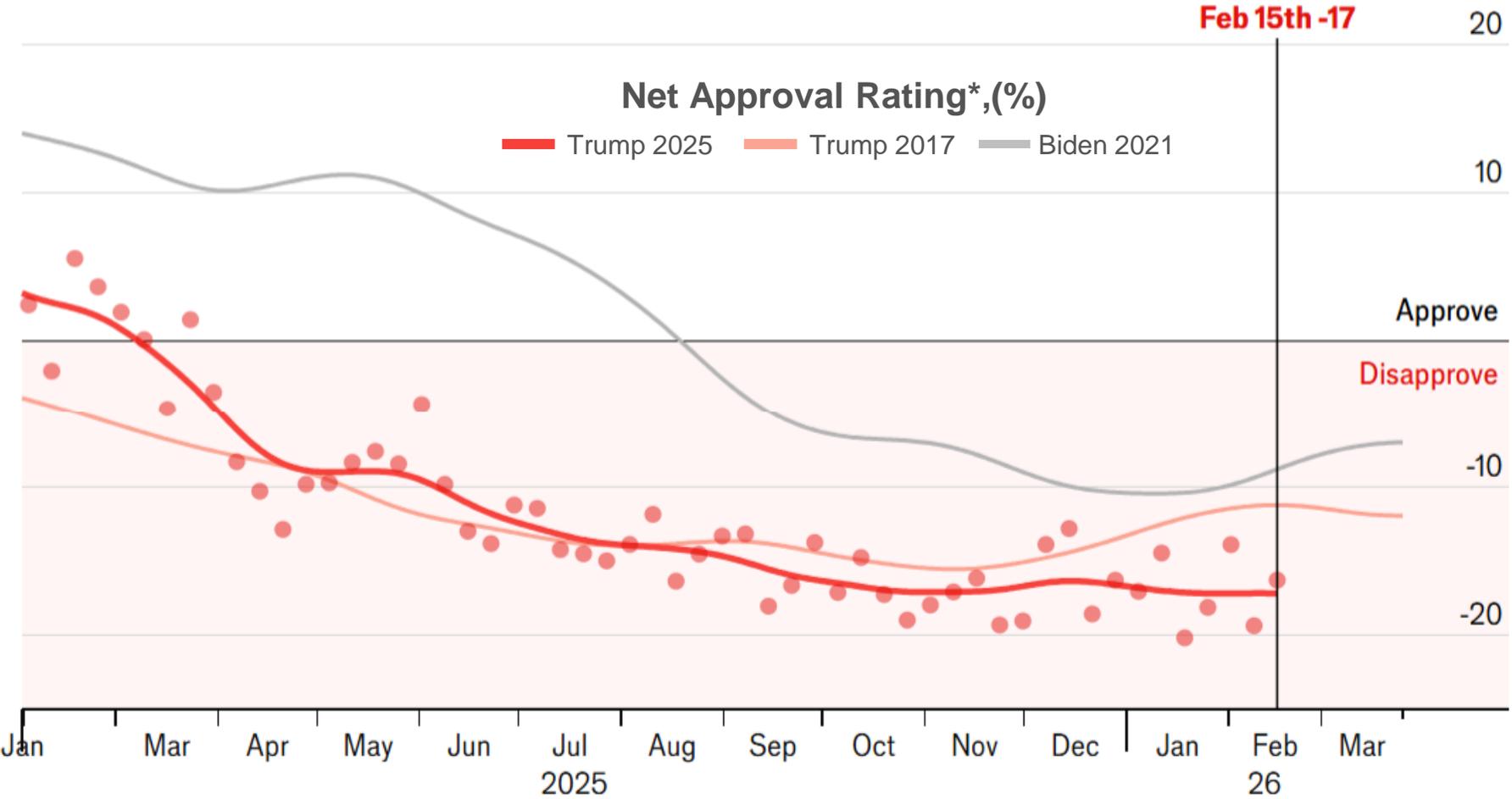
Mag-7 Earnings Growth Minus S&P500 ex Mag-7 Earnings Growth



Source: Bloomberg Finance L.P., J.P.Morgan, KGI

Is It a “Politically” Accepted Economic Strategy?

Net Approval Rating of Trump Is Making New Low

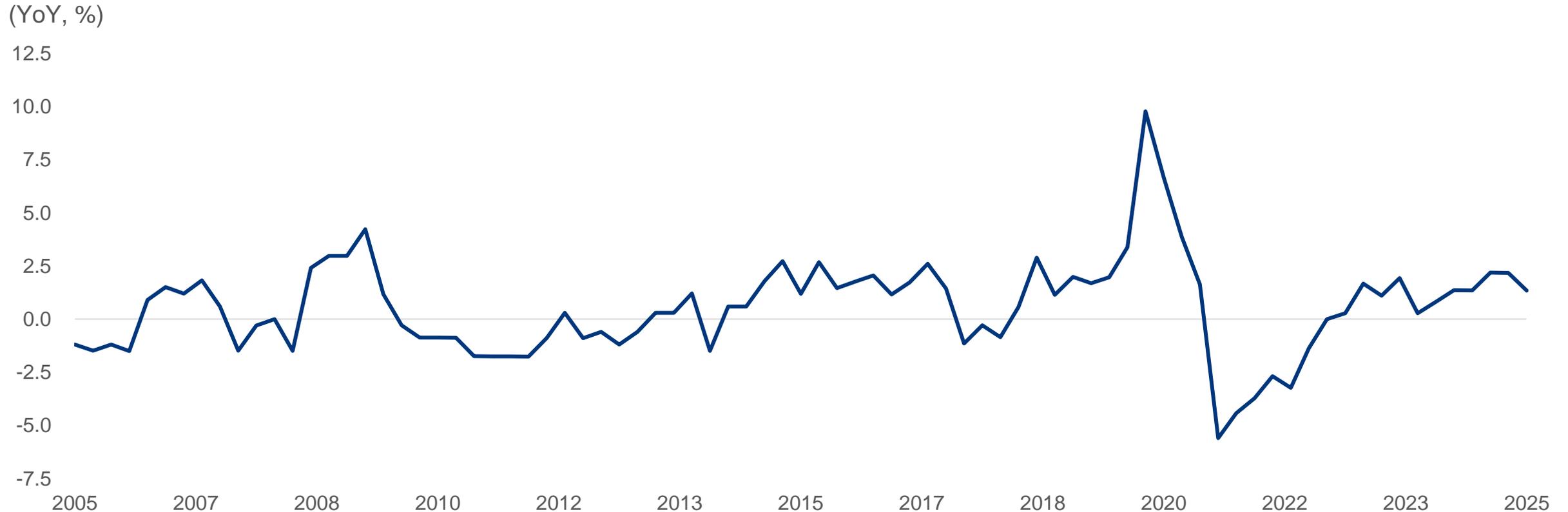


Source: The Economist, KGI, Note: Net approval rating is the result of approval rating minus disapproval rating.

Nominal Wage Growth Is Roughly Offset by Inflation

Zero Real Wage Growth Because of the Crowding-Out Effect From AI

Employed Full Time: Median Usual Weekly Real Earnings: Wage and Salary Workers: 16 Years and Over

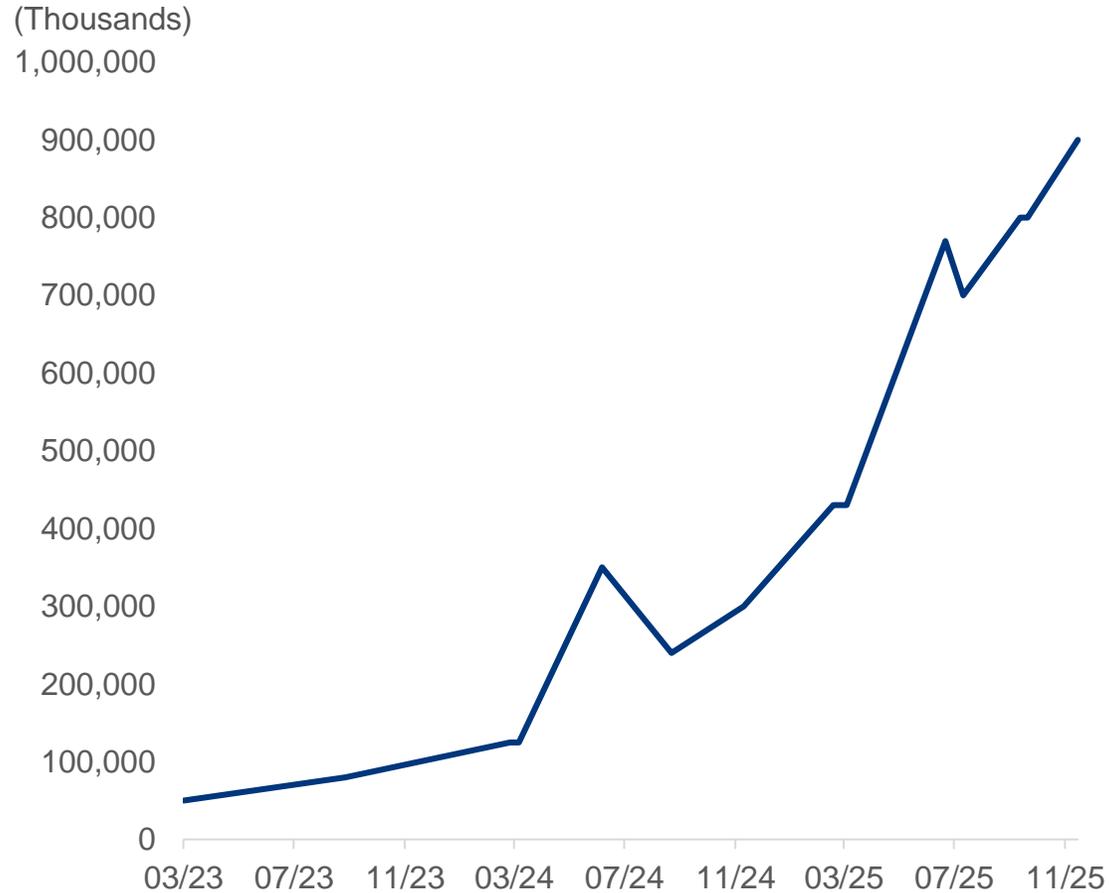


Source: FRED, KGI

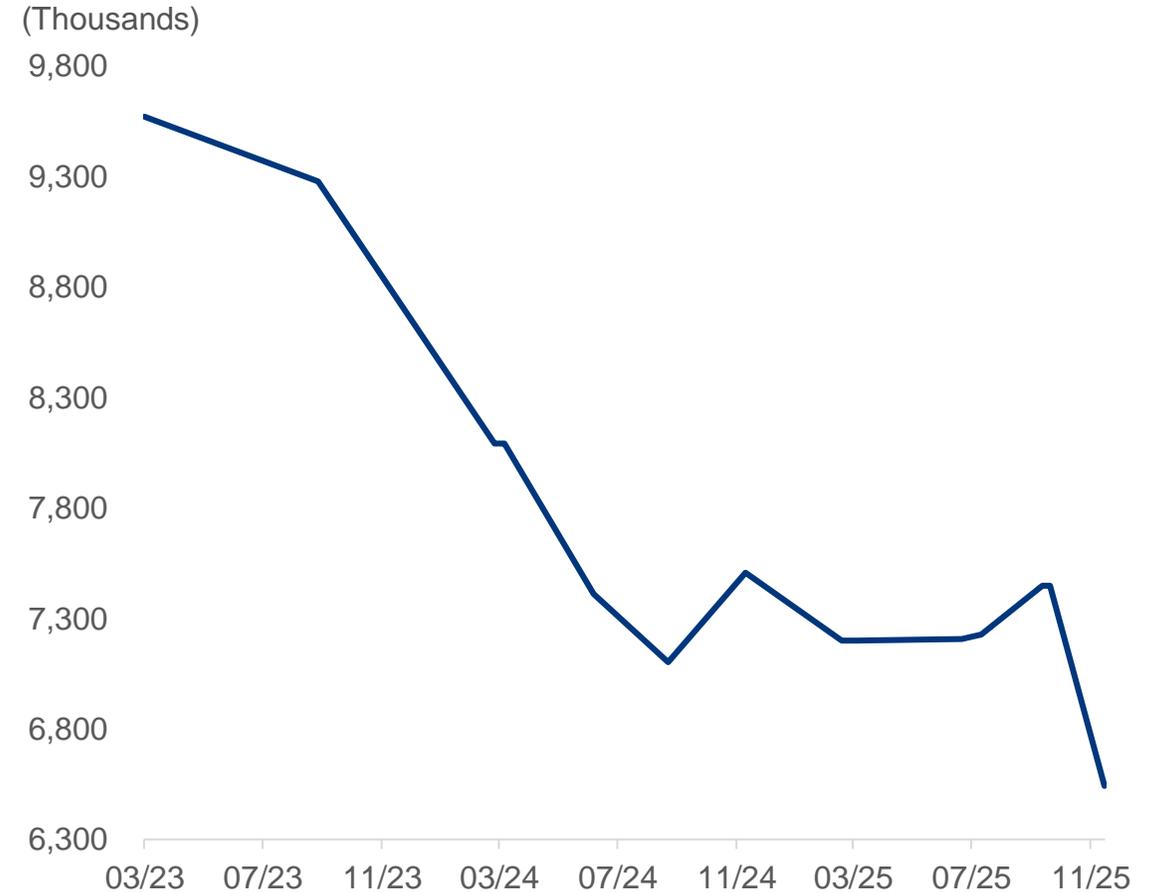
AI Development Is Beyond Model, Datacenter and Hardware

It Is Becoming a Social Issue Which Serves as a Glass Ceiling to Limit the Pace of AI Development

Open AI Active Users



Job Opening (Non-Farm)



Source: Bloomberg, KGI

MAGA Therapy to the US Economy

Inequality Is a Necessary Evil

- **Inequality is a necessary evil** to drive a “**Key Corporates**” – and the “**Rich**” – led economic recovery. They can lead the investments and spending in the economy.
- **Affordability is not the main policy objective at this stage.** More expensive goods reduce import while cheaper US dollar boosts exports. As a result, the US trade balance will improve.
- The rest of other “corporates” are showing sign of **catching up in the earnings growth.**
- Does Trump have enough political capital to insist on its economic strategy? The recent poll results is showing **historically low net approval rating.**
- AI is more than a collection of models, datacenters and hardware. It has become a social issue as it is having a crowding out effect on the job market. Without proper regulatory framework, **this social issue will serve as a glass ceiling to limit the pace of AI development.**

Investment Strategy

Don't Pooh-Pooh the US Economy and the Corporate Earnings Growth

- Trump does have an economic strategy although it may be unpopular politically. **Don't pooh-pooh the US economy and the corporate earnings growth.** The short-term weakness in the US stocks with strong earnings momentum offers **good entry points but expect profit taking again before the mid-term election.**
- However, from now till the mid-term election in Nov, the market is going to be very volatile. The net approval rating of Trump is making its low point according to various public polls. If the low net approval rating persists, it could either mean: 1) the Republican losing control of the House; 2) Pre-election intervention by the Federal government. **Both events will mean uncertainty to the market.**
- General trend of interest rates is on the way down and the weakness of US dollar will continue to improve its trade deficit. **We continue to expect strength in the Yen and RMB.**
- The pace of AI development is more than just technology. AI's impact on society will be discussed and likely to be its glass ceiling. As the earnings growth of the broader listed corporates are catching up, **we advise investors to diversify into the S&P 493 or the traditional Dow Jones' companies.**

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