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US-China Trade War and the AI Stock Market Bubble

The U.S. is biting the hand that feeds it. Its AI economy is responsible for 80% of this year's stock market gains and is utterly dependent on rare earth elements from its primary strategic rival, China. This creates a critical vulnerability, mirroring Europe's dependence on Russia for oil, while in a proxy war with it *via* Ukraine.

- Pres. Trump met with Chinese Premier Xi Jinping on Oct. 30 for the first time in 6 years. At that meeting, Trump reduced many tariffs by ten percent while China lifted rare earth restrictions for one year. The total restriction was set by China several weeks prior.

Historically, both Trump administrations quickly break trade agreements with China soon after making them. However, face-to-face meetings between the two countries are rare enough that this may signify a serious deescalation. Regardless, tariffs merely exist as a tax if there is no industry to protect. Tariff revenue is held in the US Treasury and is then spent at the US government's discretion, which is currently shutdown.

The AI Bubble

Currently, the US and China have the largest economies by GDP, with Germany a distant third at around \$5 trillion. Computer chip giant Nvidia's market capitalization (the economic size of the company) is around \$4.8 trillion and has at times, exceeded Germany's entire annual GDP. Nvidia is also 7% of the entire value of the S&P 500.

Circular Investment

A self-reinforcing cycle has powered the AI boom. Nvidia not only sells the essential chips but also invests in the AI software companies that become its biggest customers. This circular flow of capital inflates Nvidia's valuation and attracts massive external investment, creating a bubble entirely dependent on the expectation of future AI profits.

Yet, this foundation is crumbling. The economics of AI are inherently unproven; data centers consume colossal energy without clear evidence of sufficient consumer demand to justify the cost.

The sector's desperation is now becoming visible. OpenAI's Eastern European Jewish CEO, Sam Altman recently decided to permit AI-generated pornography, which is likely a stark signal of this underlying strain. For a flagship company to resort to such a fundamentally unproductive revenue stream suggests the AI boom is running out of legitimate ideas. If the industry must rely on porn to sustain itself, it is a clear indicator that the expected massive profits have failed to materialize, portending a potential collapse.

The Government Shutdown

The historic government shutdown's damage is spreading. Federal contractors are downsizing, and the suspension of SNAP benefits threatens both the families who rely on them and the stability of grocery stores whose revenue depends on this business. This creates a chain of financial vulnerability throughout the economy.

- The Trump administration is currently fighting in court to avoid paying SNAP benefits using emergency funds.
- **November 7** - Flight traffic reduced 10% nationwide to compensate for air traffic controller staffing shortages during government shutdown.

- Transportation Secretary Sean Duffy says that flight reductions could soon double to 20% if the shutdown continues.
- Many air traffic controllers have been working without pay.

Venezuela

What are said to be Venezuelan vessels have been bombed 16 or more times by US forces targeting alleged ‘narco-terrorists.’

US bombers and fighter jets have turned off their transponders while clearly heading for northern Venezuelan airspace.

Anonymous news sources continue to claim that attacks are planned for the mainland while the Trump administration denies the claims.

- Several powerful naval vessels including America’s flagship aircraft carrier, the USS Gerald R. Ford and missile destroyer USS Gravely have moved into the Caribbean. B2 bombers recently used in Iran and F-35 jets used in Yemen have also been spotted near Venezuelan airspace.
- Seemingly secure in his power, Maduro is arming millions of civilians while his minister of defense claims, “We know the CIA is present in Venezuela.”
- Several Top Trump officials have now referred to the specter of the Venezuelan drug cartel as the “ISIS” or the “Al Qaeda of our hemisphere.”

Putin signed a law ratifying the strategic partnership agreement with Venezuela, while the US began revamping its former Roosevelt Roads Naval Station in Puerto Rico, adding runway upgrades, aircraft facilities, and ammunition storage.

- Russia is sending unknown weapons systems to Venezuela.
- These systems could include hypersonic missiles and air defenses that are nearly impossible to intercept.
- From Venezuela, certain Russian weapons could easily target the continental U.S. and its Caribbean bases.

Venezuelan Politics

- Recent Nobel laureate and opposition leader María Corina Machado is urging U.S. intervention to oust socialist President Maduro.
- She openly argues that a pro-U.S. transition would eject Russian, Chinese, and Iranian assets from Venezuela, enhancing American security.
- The Maduro regime is retaliating by seeking to revoke the citizenship of those who "collaborate with hostile foreign powers." This would seemingly include Machado.

Other Events

- The Trump administration continues to bomb any watercraft it deems is trafficking drugs. Trump has provided zero evidence for his claims. On social media, he continues to celebrate by posting videos of their deaths.
 - **October 17** - America is holding prisoners on a warship in the Caribbean. The prisoners are unidentified people who survived a strike on alleged Venezuelan drug boats the day before.
- **October 22** - Venezuelan VP Delcy Rodríguez accuses Marco Rubio of promising Venezuelan gas to Trinidad and Tobago: "They have to pay for it. Anything else is unnatural."
- **October 23** - White House Press Secretary neither confirms nor denies plans for regime change, thereafter pivoting to zero tolerance for drug trafficking.

West Asia

October 10 – Israel-Hamas ceasefire is in effect. Yemen ceases fire as well.

Daily Ceasefire Breaches: Israel Continues Attacks, Often With Convoluted Pretext

- The *Middle East Eye* reports that through October 28, there have been “52 shootings and 55 shellings across the Gaza Strip ... The attacks have killed 226 people, including 97 children—nearly 40 per cent of all fatalities—and wounded a further 594 ... Israel has also demolished at least 11 civilian homes.”

- *Middle East Eye* - “Two separate incidents killed 3 Israeli soldiers since, but it is believed it was either an abandoned IED/Roadside bomb.”
- After a muted response and a halfhearted attempt to justify escalation, Israel launched a brief but deadly series of airstrike on Gaza, killing 33 and re-declaring a ceasefire.
- Netanyahu: “The war is not over because some of our enemies are building up their capabilities and preparing to attack us.”
- Netanyahu: “**Hamas is present in areas under our control in Khan Younis and Rafah, and we are working to eliminate its elements there.**”
- The Palestinian death toll has topped 69,000 confirmed deaths. An overwhelming majority of these civilian deaths.

Israel and the World

- There are 200 Hamas fighters trapped in a tunnel system near Rafah. Cut off from communication, they are/were seemingly unaware the ceasefire is in effect. Israel continues to engage them and call it a violation of the ceasefire, refusing safe passage. Several Israeli troops have also been killed by abandoned IEDs, triggering a wave of revenge bombings by Israel.
 - Qatar, which has been bombed by Israel for hosting negotiation teams, condemned the Hamas elements in tunnels for violating the ceasefire. Even Trump officials had admitted the fighters in Rafah were likely unaware the ceasefire is in effect.
- **November 6** - Egypt offered to grant passage to the Hamas fighters. The Israelis offered an identical deal except the fighters are at the mercy of Israel rather than Egypt. The deal is undecided.

Other Events Related to Israel

- Putin calls for Palestinian state soon after ceasefire.
- **November 3** - Israeli Police arrested Israeli army Military Advocate General Maj. Gen. Yifat Tomer-Yerushalmi overnight on suspicion of leaking a video showing the rape and abuse of Palestinian prisoners in an Israeli military prison. The alleged rapists have received consistent praise from Israelis nationwide.
- **November 6** - Russia's neighbor to the south, Kazakhstan signs Abraham Accords. The accords will increase economic cooperation between Israel and Kazakhstan.

Conditions that keep changing

- Hamas will only disarm if a Palestinian state army is created in the process. It has been suggested that they may fold into the regular army.
 - Following the ceasefire, Hamas raided alleged collaborators, leading to at least 28 public executions and several firefights. While Trump initially made an offhand remark of support for the violence, he later condemned the public executions and threatened Hamas to disarm and return hostages. Notably, some of the raiding ringleaders were convicts previously armed by Israel and freed from prison by Israeli airstrikes.
 - Hamas: “**We are committed to the ceasefire agreement and will not allow Israel to impose new realities under fire.**”
 - *Financial Times* - Hamas regained control of Gaza within hours after ceasefire.
 - Tens of thousands of people quickly return to North Gaza
 - Living prisoners released within 72 hours. Deceased prisoners released as able.
 - Deceased prisoner handovers delayed by Hamas in response to constant Israeli violations.
 - Over 1,700 Palestinian hostages released into Gaza
 - Israel controls 58% of the Gaza Strip and has functionally extended its border. Israel is supposed to relinquish more control of Gaza if Hamas disarms in a later stage of the ceasefire.
 - Aid trucks begin to enter Gaza by the hundreds, 600 required per day.
 - All crossing points into Gaza appear to be subject to closure or partially restricted access based on the whims of Israel. Some of the crossings are occasionally blocked by Israeli protesters.
 - A deployment of Turkish heavy equipment operators was blocked from accessing Gaza. Many prisoner's corpses that Israel wants cannot be accessed without heavy equipment.
 - **November 1** - Israel accuses Hamas of intentionally misidentifying Israeli remains in order to tactically delay.

America and Israel

- Within two weeks of the ceasefire, the US Pres., then the Vice-Pres. and lastly the Secretary of State visit Israel.
- Trump makes speech in Knesset.
 - While he is in Israel, Trump publicly asks for Netanyahu to be pardoned from corruption charges.
 - **October 22** - While VP Vance is in Israel, the Knesset approved a symbolic bill to apply the laws, judicial system, administration, and sovereignty of the State of Israel to all areas of settlement in the West Bank. Vance suggested that it might be a "stunt" and if it was, it was "stupid"
 - *Israeli Broadcasting Authority*: Netanyahu discusses with Washington expanding Israel's control over Gaza beyond the Yellow Line

West Bank

- Palestinians in the West Bank continue to see any combination of daily raids, arrests, settler attacks and bombings from Israelis.

Iran

- The US-Israeli war on Iran appears to be postponed. Iran continues to state that they are stronger than they were during the recent 12 day war between Iran and Jewish-led forces. Negotiations with the Americans have not been reopened. Iran's presence in the headlines is diminished.

Lebanon

- Bombings continue in Lebanon, increasing in frequency post Gaza ceasefire.
- Hezbollah continues to urge the Lebanese Army to either intervene or to step out of their way. Any Hezbollah mobilization could trigger a civil war with the Lebanese state.

Syria

- Syria remains chaotic. Kurdish elements were fighting the new government of Syria but now are discussing joining them. The Syrian government is also fighting several groups of Islamist rebels while various ethnic groups are in open warfare with each other.
 - Northern Syria under US-backed, Kurdish control remains a drug trafficking hub. Bizarrely, the US also has friendly diplomatic relations with the Syrian government, which is fighting the Kurds.
- Turkiye is training Syrian soldiers.
 - An ally of Israel, the Syrian Druze remain embroiled in conflict with their neighbors, giving Israel an excuse to engage those areas.
- Israeli troops and aircraft continually raid southwestern Syria.
- US forces have performed 2 strikes on Syria in October alone, with five total strikes taking place since July.
- With Syria's blessing, Russia will maintain air and naval bases in Syria for the time being.

Pakistan-Afghanistan Conflict

The Pakistan-Afghanistan conflict flared again, as reported last month in Issue 1. As always, this latest escalation centered on the disputed Durand Line. This colonial-era border has split the Pashtun people since 1893, creating a permanent source of tension.

The fighting began on October 9 with Pakistani airstrikes in Kabul, escalating into cross-border infantry clashes and drone attacks. A ceasefire was declared on October 19, but it remains fragile, with Afghanistan soon after accusing Pakistan of allowing US drone incursions.

This accusation links the border conflict to a wider geopolitical struggle. With Trump's noted interest in reoccupying Bagram Air Base, the region is again a stage for great-power competition, aimed at pressuring China and Iran. However, this strategy overlooks a critical lesson: the people of Afghanistan have repeatedly resisted foreign empire, and the Durand Line remains a symbol of that undefeated sovereignty.

Russo-Ukrainian War

While Ukraine's long-range drone strikes have diminished since October, its strategy of targeting Russian energy infrastructure continues, now focused closer to the front lines. Simultaneously, Russia persists in its own attacks on Ukrainian infrastructure. Globally, tensions remain high as both Presidents Putin and Trump have prepared for nuclear testing, though the US has so far held back on supplying Ukraine with Tomahawk missiles.

Oblast	Level of Russian Control	Combat Situation
Zaporizhzhia	67%	Gains are made daily, especially on the border of the Donetsk Oblast, where there seems to be constant fighting.
Donetsk	76%	Russia is gaining here near-daily. There are hundreds of infantry clashes per day in Donetsk.
Kherson	70%	Units appear to be holding at the Dnieper River, and there are engagements from time to time.
Kharkiv	Minimal territory held.	Kharkiv remains a highly kinetic area. On October 14, around 40 Kharkiv-based municipalities near the Russian border evacuated families with children.
Dnipropetrovsk	Minimal territory held.	Russian troops are gaining ground almost every day. This area sees constant, heavy exchanges of gunfire.
Luhansk	100%	Luhansk is frequently struck by Ukrainian drones, but the front is in Donetsk and Dnipropetrovsk.

- Russia claims to have encircled the major city of Pokrovsk, Donetsk. Kyiv denies the claim, insisting that they are still able to supply the front line and rotate troops out of the area using a 10 km pocket carved out for resupply.
- The area the Russians and Ukrainians are battling for control of is filled with numerous mineral mines. Trump had asked for the US to be guaranteed mineral rights in exchange for backing Ukraine, however, many of these mines are under Russian control or will soon be as the Russians move further into the Southern and Central parts of Eastern Ukraine.
- **October 17** - Trump speciously announces that India will no longer buy Russian oil. This is factually incorrect as India decided to pay sanctions rather than abandon Russian oil.
- In the last 30 days, Russia has been supplying Venezuela with weapons systems of unknown types.
- Russia and China now conduct nearly 100% of economic transactions outside of the US dollar.

A map of central and eastern Ukraine's oblasts.



A map of Gaza, including the Israeli's 'Yellow Line.'

