

China AI: Model Intelligence and Token Price Gap vs US Widening

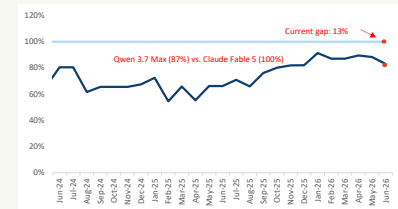
Anthropic's Fable/Mythos 5 now ranks No. 1 in model intelligence globally, widening the US-China gap from 8% to 13%. The gap could widen more due to compute differences. Fable/Mythos 5 have "anti-distillation" features and now under US export control, which could make it harder for open-source (China) models to catch up. Anthropic has doubled its API price, while China pricing continues to fall, not healthy given skyrocketing hardware costs (compute shortage).

US models are improving at a faster pace likely due to compute advantage, but anti-distillation and US export control are new negatives for China AI. Anthropic released its Fable 5 and Mythos 5 models on June 9 (same model but with diff emphasis on capabilities - Mythos focused on cybersecurity - we refer to both as Fable 5). Fable 5's intelligence score is 6% higher than Opus 4.8 (Artificial Analysis), and now ranks No. 1 globally. Fable 5 has also widened the intelligence gap between US and China AI models from 8% in May to 13%. We believe this is partly driven by US AI labs' rich access to more powerful AI chips (NVDA Blackwell series). Although some Chinese AI models are also trained overseas with NVDA chips, we believe Chinese companies would unlikely be able to access as many advanced US AI chips as their US peers. As NVDA will start shipping the next-gen chip of Rubin in 2H26, the compute gap between the US and China could widen further, as may the intelligence gap between US and Chinese AI models. But even so, we see current Chinese AI models being good enough to commercialize applications. The key investment considerations in China AI is the commercialization and monetization pace. For example, we highlighted last week ([here](#) and [here](#)) Tencent's launch of its A2A services on its WeChat platform is a strong sign of accelerating 2C AI monetization.

Open-source models (mostly Chinese) may find it harder to improve given new anti-distillation features and US export control. More importantly, Anthropic introduced anti-distillation features on Fable 5. If Fable 5 detects suspicious distillation activities, it would downgrade the model to Opus 4.8 and notify users. While this seems to be targeting Chinese AI development, we believe this would set back open source progress if all closed-source model developers follow suit. Moreover, the US has imposed emergency export control on Fable 5, barring foreigners from using them (including foreign employees of US companies), given loopholes in the cybersecurity safeguards. However, since Anthropic has no tools to limit the use to US nationals only (ie, ID checks?), it has suspended both Fable 5 and Mythos 5 globally until it could come up with a way to enforce that export control.

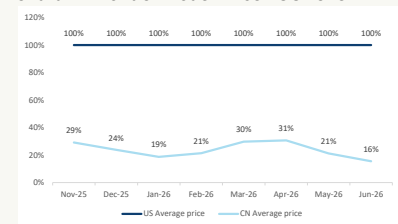
For China AI, falling API pricing against skyrocketing hardware costs is a bigger worry than whether it could narrow the intelligence gap vs the US. In our view, China AI is facing two significant challenges: 1) compute shortage for inference, and 2) competition that drives down API pricing while hardware costs are skyrocketing, such as memory. Anthropic has doubled its API pricing on Fable 5 (vs Opus 4.8). From Mar to Jun, avg US API pricing has risen 89%, partly driven by higher hardware costs. However, Chinese API pricing has remained flat. June API pricing in China has fallen 2% MoM, driven by 33% price cut at MiniMax. As hardware costs continue to rise driven by sharply higher memory costs and likely higher costs for make AI chips in China by using Huawei's "Logic Folding" tech, we need to see higher API pricing but also continued skyrocketing in token consumption to support acceptable ROI on AI. Therefore, price competition among AI labs in China is now our biggest concern.

Chart 1 - Frontier Model Intelligence China vs. US



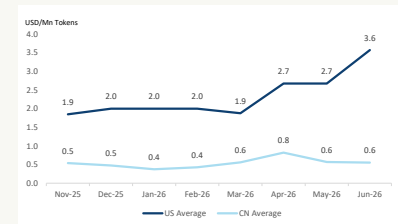
Source: Artificial Analysis, Jefferies

Chart 2 - Frontier Model Price - US vs. CN



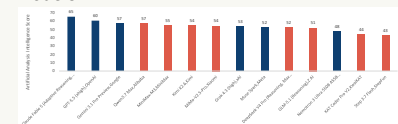
Source: Companies, Artificial Analysis, Jefferies

Chart 3 - Frontier Model Price - US vs. CN



Source: Artificial Analysis, Jefferies

Chart 4 - Intelligence Score of Leading AI Labs' Models



Source: Artificial Analysis, Jefferies

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Table 1 - Model Intelligence Score Changes Over the Past 4 Weeks

	The Week End in May 24	The Week End in Jun 14	Chg in the past 4 weeks	% Chg
OpenAI	60.2	60.2	+0	+0%
Anthropic	57.3	64.9	+7.6	+13%
Google	57.2	57.2	+0	+0%
xAI	53.2	53.2	+0	+0%
Meta	52.2	52.2	+0	+0%
Alibaba	56.6	56.6	+0	+0%
Kimi	53.9	53.9	+0	+0%
MiniMax	49.6	54.7	+5.1	+10%
DeepSeek	51.5	51.5	+0	+0%
Xiaomi	53.8	53.8	+0	+0%
Z AI	51.4	51.4	+0	+0%

Source: Artificial Analysis, Jefferies

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