



## Trade tweets and trade talks

With Chinese Vice-Premier Liu He off to Washington for further trade negotiations, there is still hope that some agreement could be reached before US tariffs ratchet higher. Recent developments mirror a situation in the first quarter of 2018. The risk of tariffs moving to 25% on US\$200 billion of Chinese exports is a real concern as both sides are taking a harder line. The Chinese reportedly backtracked on earlier commitments, and Trump made explicit references to changes in tariffs, which were subsequently echoed by his administration.

Trump's tweets are perceived as being mostly a tactical tool to achieve more concessions, but the fact that these threats were public, and that his broader economic team seem to endorse this position suggests that the gaps between the US and China teams could be more substantive.

While the trade dispute injected uncertainty in 2018 and threatened to put brakes on global growth, the stakes are higher now. The economy is presently at a later stage of expansion, so the impact (compared to 2018) could be more precarious with a shock to growth. While it is encouraging that the two sides are slated to meet, the prospect of getting to a de-escalation ahead of the Friday timeline seems challenging.

Politics are featuring into this dynamic. Trump faces re-election in 2020, and a tough stance on China even with the prospect of adverse economic repercussions is popular. The calculus could shift only after it is too late and economic fallout is more evident. Beijing views concessions as a sign of weakness and carrying political costs domestically. Finally, Liu He's delegation has been scaled down, and it is unclear how much of a mandate from President Xi has been given to strike a deal. Time is not on the side of a favourable short term outcome as Liu He is given an extremely short time frame to prepare for negotiations this week.

The most optimistic scenario is that tariff increases are delayed, talks continue and a deal is reached. A more likely scenario is that tariffs adjust higher on Friday, but negotiations continue and perhaps intensify. The worst case scenario is that both sides pull back from discussions and focus on countermeasures.

### House view

We note it is exceptionally difficult to predict how things will unfold, as both sides seemingly feel emboldened by stronger economic data, respectively. It is reasonable to expect a messy process that injects volatility and uncertainty into financial markets. We remain hopeful that neither side escalates to the point that has a material adverse impact on broader growth. In the interim, we continue to monitor developments closely. We are actively looking for investment opportunities that are not directly impacted or tied to the outcome of the trade talks.

## Important Notice & Disclaimers

This publication shall not be copied or disseminated, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd (“UOBAM”) and its employees shall not be held liable for any error, inaccuracy and/or omission, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of this publication, all of which are subject to change at any time without notice. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. UOBAM does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.**

UOB Asset Management Ltd Co. Reg. No. 198600120Z

To find out more,  
please visit [www.uobam.com.sg](http://www.uobam.com.sg)



RIGHT BY YOU