



US-China trade war escalates

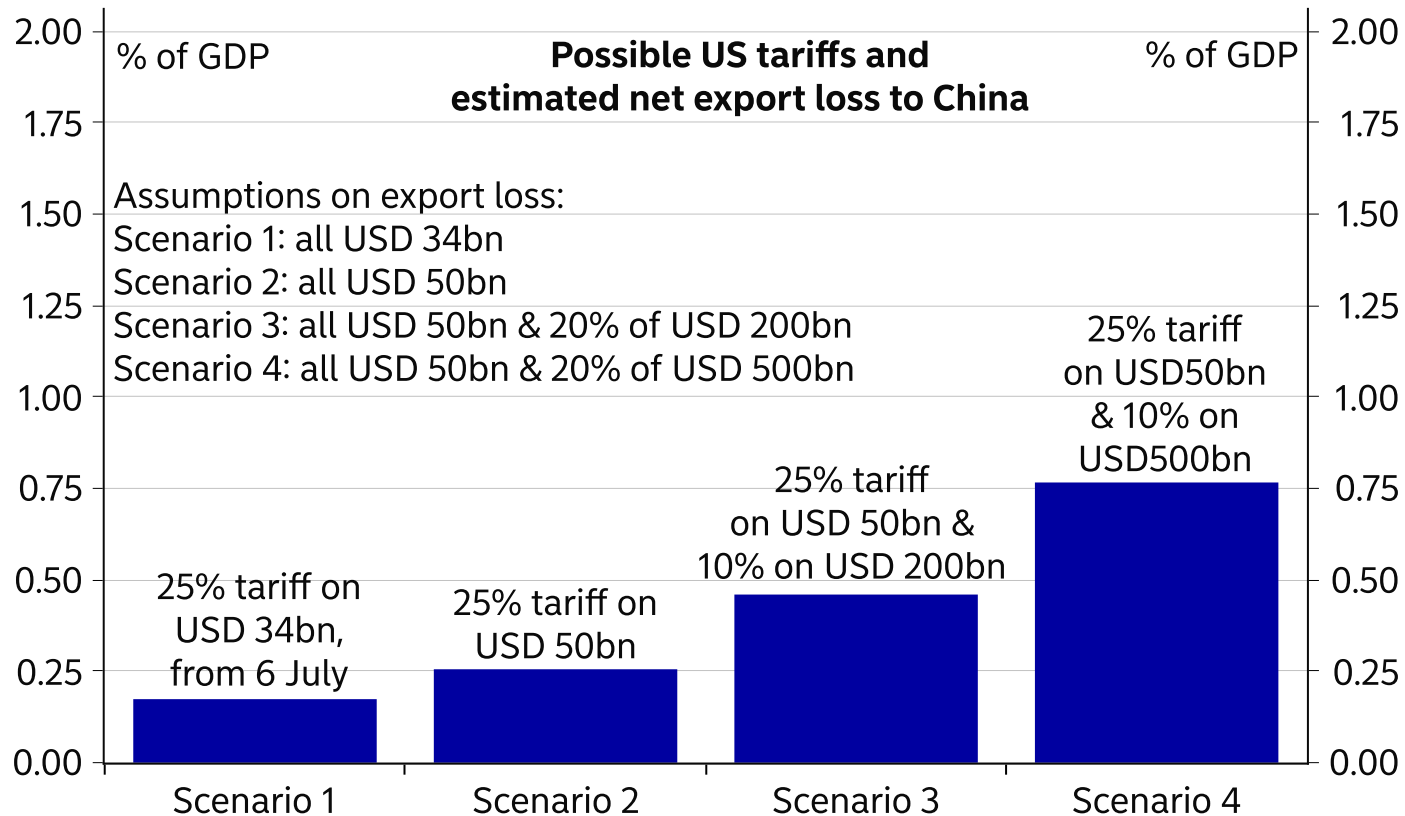
Webinar, 13 July 2018

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Potentially sizeable impacts on China

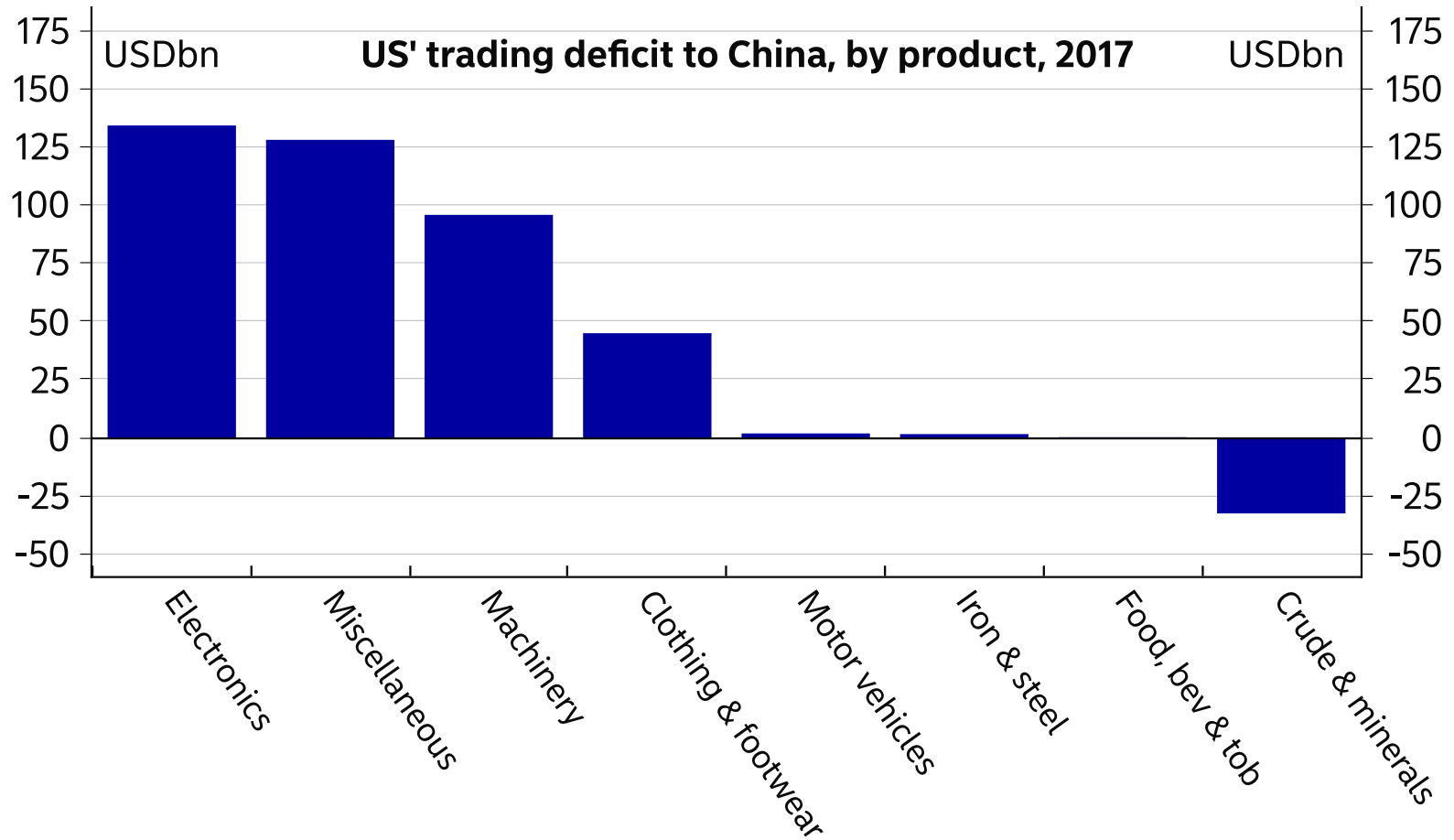
Depending on how far the trade war escalates



Source: Nordea Markets and Macrobond

American economy is not left unaffected

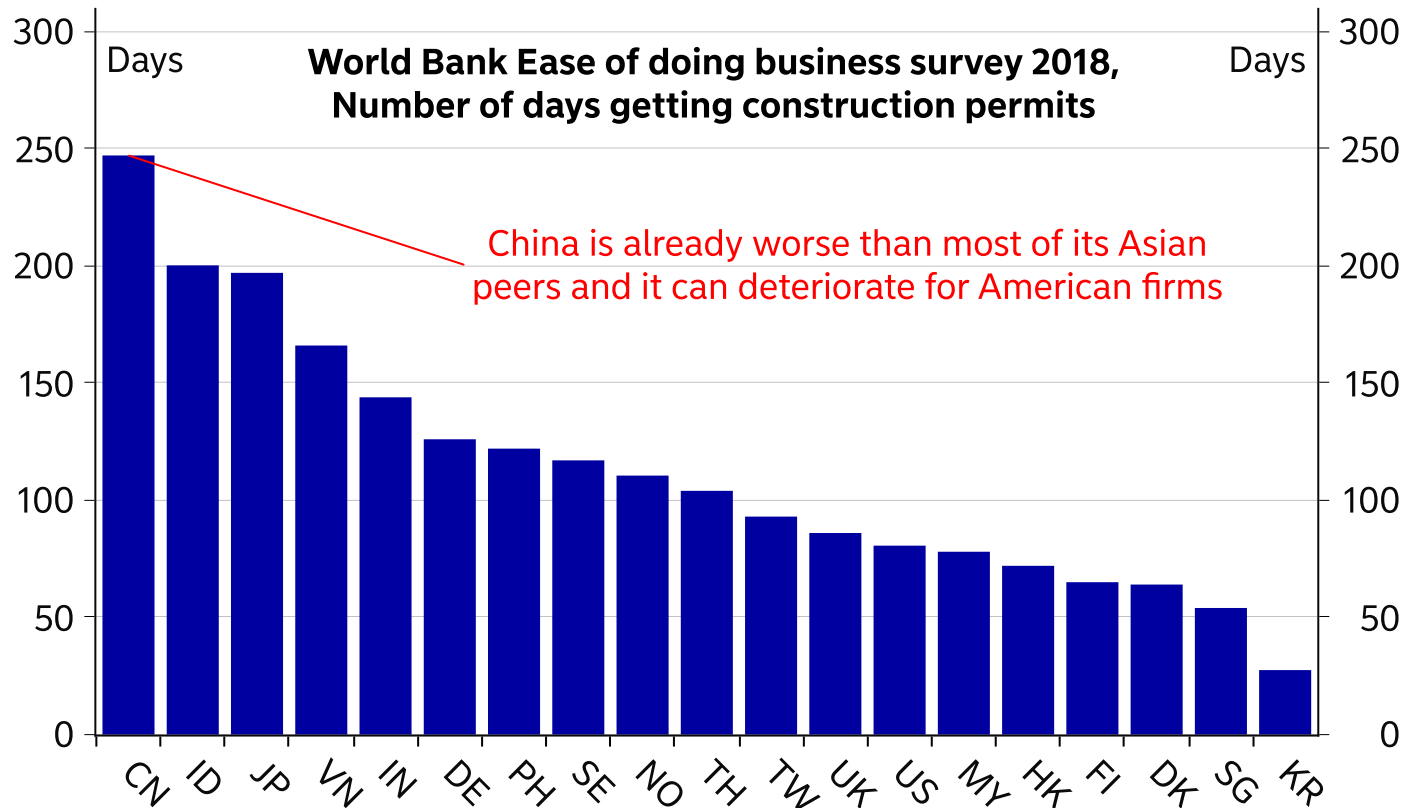
The second round tariffs could push inflation higher



Source: Nordea Markets and Macrobond

China has plenty of non-tariff retaliation options

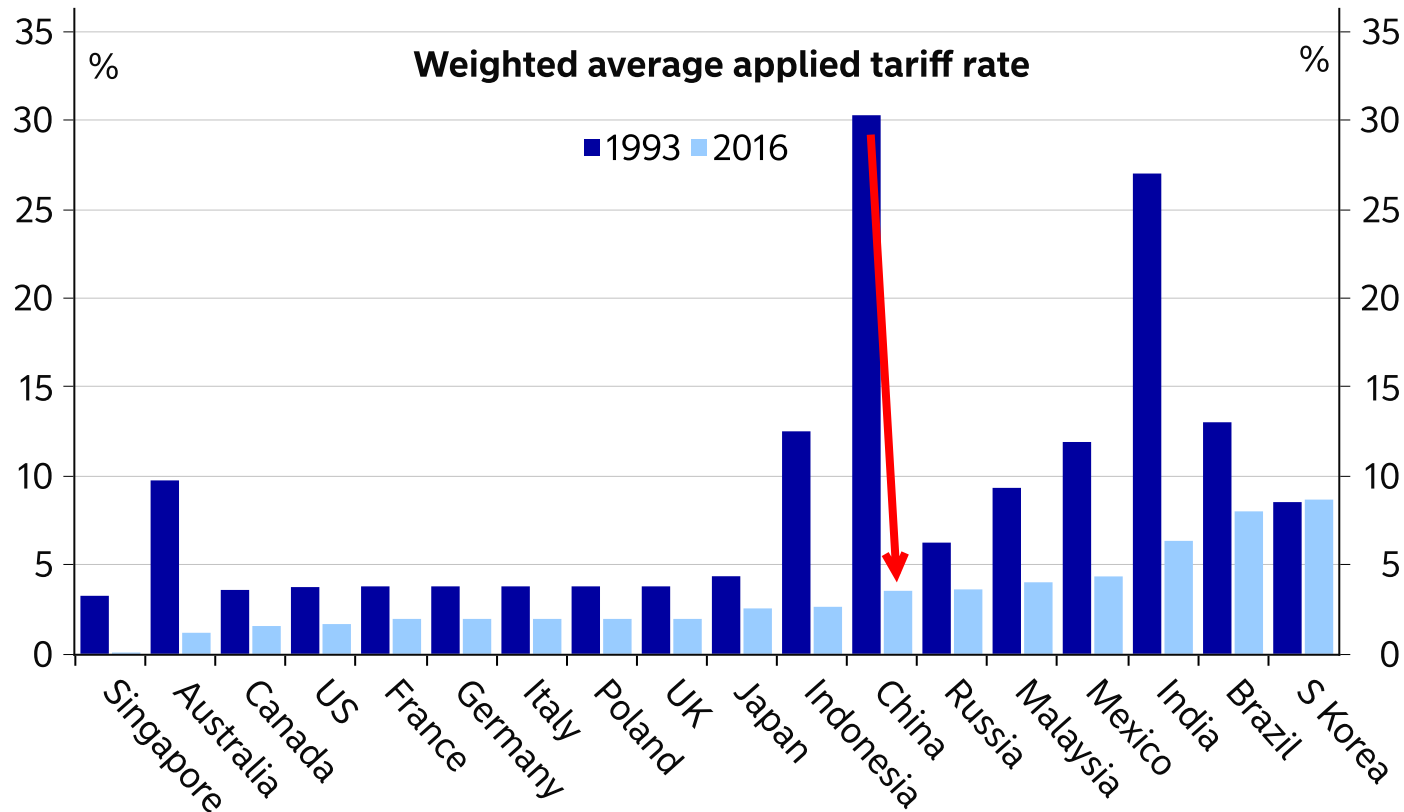
Tighter regulation and scrutiny of US firms



Source: Nordea Markets and Macrobond

China pictures itself as the defendant

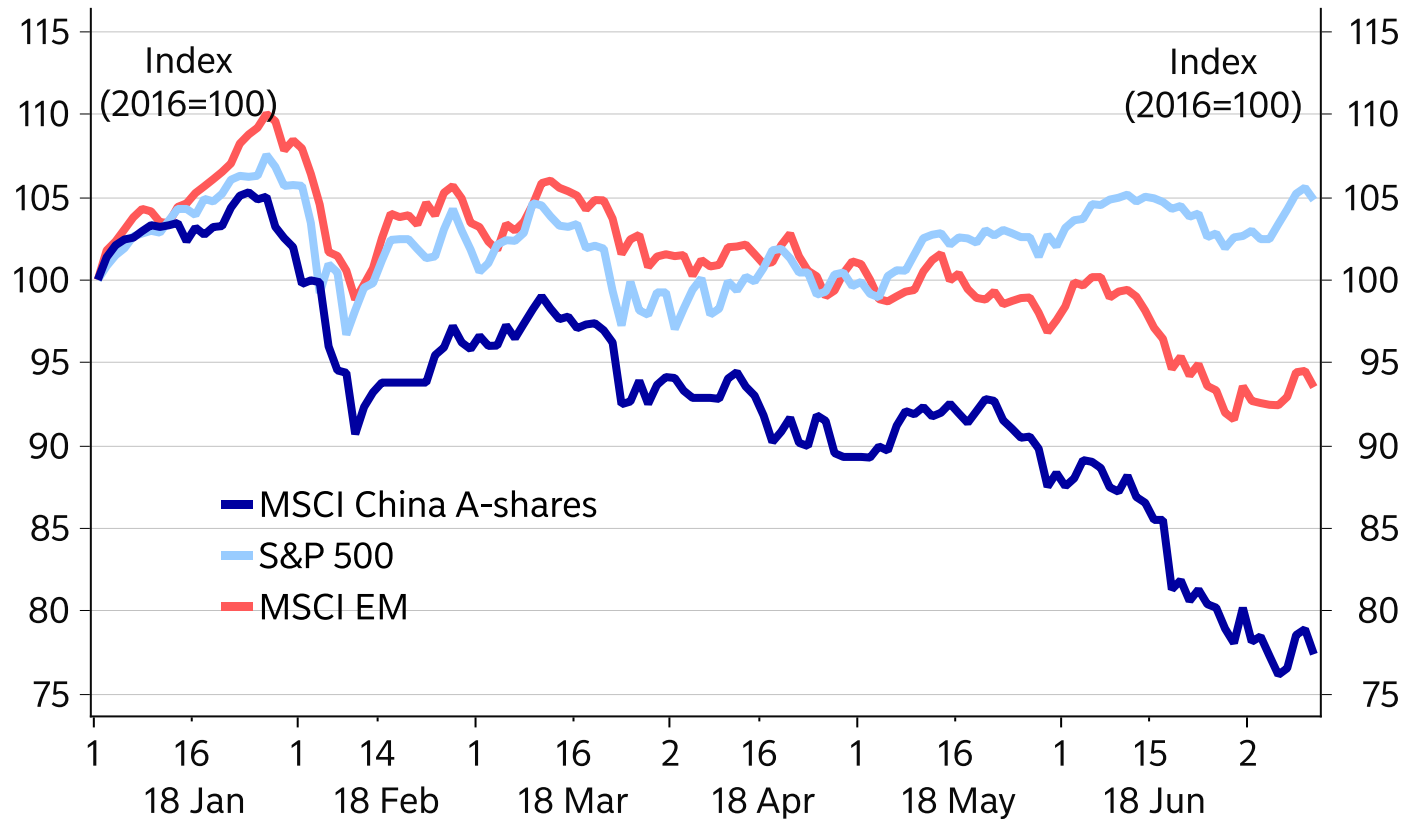
It uses its improvement on openness as argument



Source: Nordea Markets and Macrobond

Chinese stocks have taken a hit

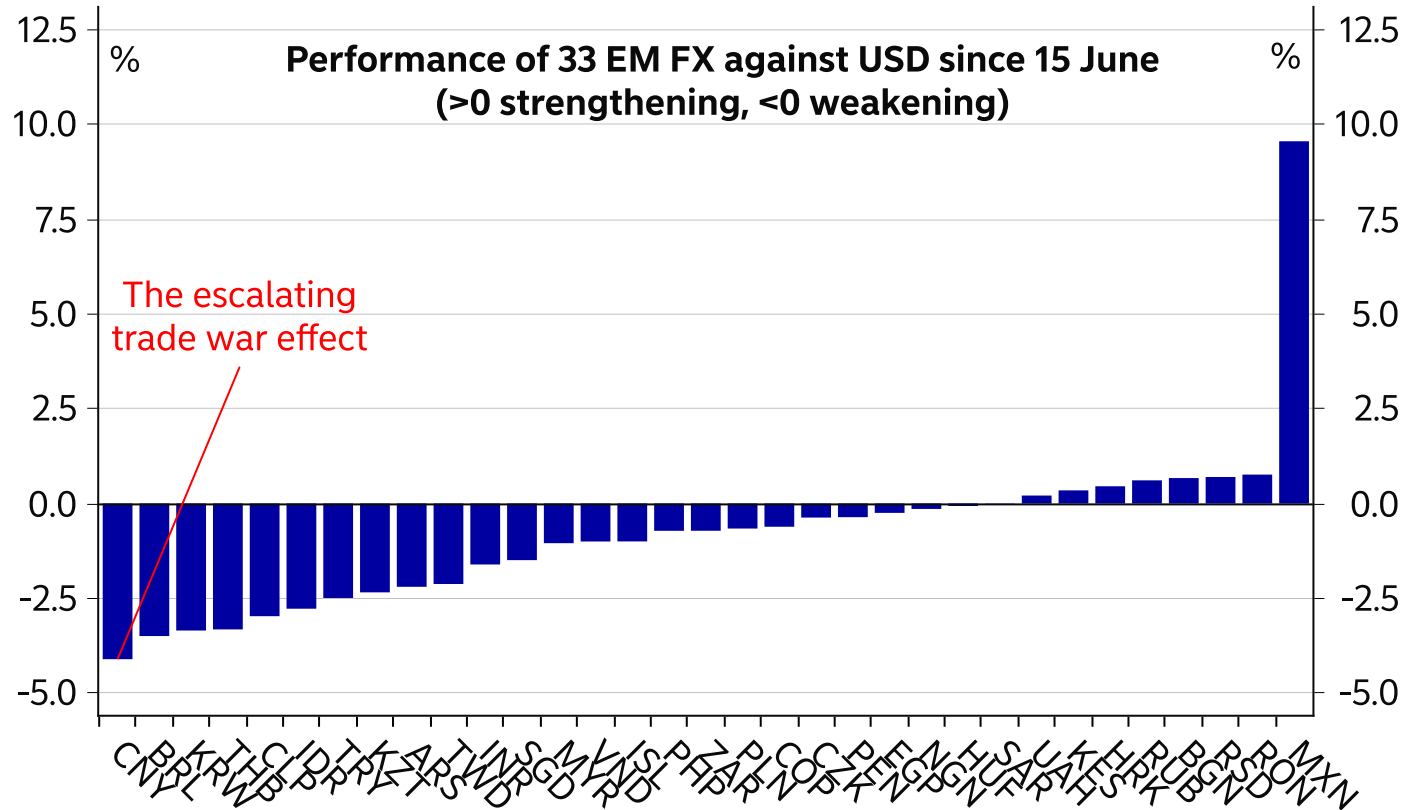
Underperforming US and EM



Source: Nordea Markets and Macrobond

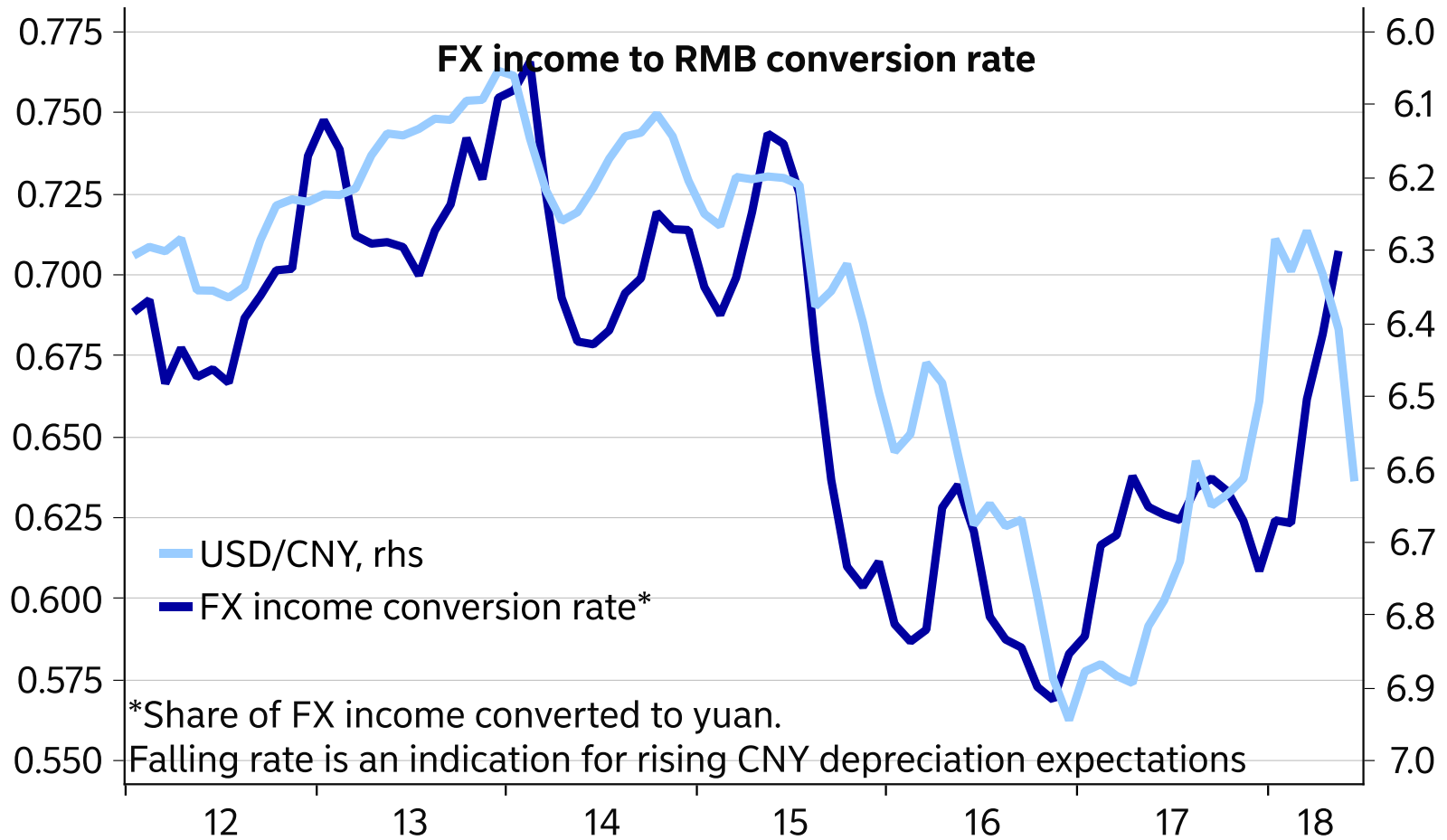
CNY underperforming other EM FX

The pressure will likely remain in near term



PBoC is the last line of defence for CNY

Too much weakness risks triggering capital flight



Source: Nordea Markets and Macrobond

A timeline for the US-China trade war

No summer lull

Date	Announcement/action	Risk for trade war
15 June 2018	The US announces to levy 25% tariff on USD 34bn of Chinese imports, effective from 6 July. China immediately announces retaliation tariff with same magnitude and same deadline	↑
18 June 2018	Trump directs his administration to identify a list of an additional USD 200bn of Chinese products for 10% tariffs and vows to tax an additional USD 200bn of Chinese imports if China retaliates	↑
29 June 2018	Treasury Department announced proposal to restrict Chinese investments in the US	↑
6 July 2018	US and Chinese tariffs on USD 34bn of goods from each other become effective Trump threatens to bring total amount of Chinese goods potentially subject to tariff to USD 550bn, from previously USD 450bn	↑
11 July 2018	The US publishes a list for USD 200bn of Chinese imports subject to 10% tariff, incl. basic consumer goods	↑
24 July 2018	The US holds hearing on Trump's proposal to levy tariffs on an additional USD 16bn of Chinese goods	↑
30 August 2018	Public consultations end on US' list targeting USD 200bn of Chinese goods	↑

*Source: Nordea

Thank you!

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