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Trade conflict between China and the USA - Update from the Investment Division

Erste AM Communications



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What's happened since yesterday?

In the USA yesterday there were small steps towards a compromise for another economic stimulus package. Nancy Pelosi, the Democratic spokeswoman in the House of Representatives, said her party was prepared to halve the demands on the size of the stimulus package from the last USD 3,500 billion to make progress with the White House. The Trump administration sees an opportunity to agree on a smaller round of aid measures in the amount of USD 500 bn.

Regardless, US President Trump announced yesterday that he had cancelled the US-China trade talks over the weekend because he "did not want to talk to China now". Meanwhile, the State Department has called on US universities to disinvest investments in China in their foundation portfolios.

The trade conflict between China and the USA is thus gaining further momentum. In our opinion, this should also be seen against the background of the approaching presidential election campaign. In this campaign, President-Trump will take a hard line towards China on both political and economic issues. It appears that he is currently laying the foundations for this election campaign strategy.

The markets have not been very impressed by this escalation in the trade conflict in recent days and weeks, as was the case yesterday. The US leading index, the S&P 500, rose 0.2%, while most European stock exchanges closed with slight losses (EuroStoxx50 -0.49%). Yields on investment grade government bonds fell yesterday. Currently, the yield on 10-year US government bonds is 0.66% and that on German government bonds is -0.47%.

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